



## **BACKGROUND ON THE CLINTON-GORE ADMINISTRATION'S COMMUNITY DEVELOPMENT RECORD**

**November 4, 1999**

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**TODAY'S ANNOUNCEMENTS BUILD ON PRESIDENT CLINTON'S AND VICE PRESIDENT GORE'S SIX-YEAR RECORD OF PROMOTING GROWTH AND OPPORTUNITY IN AMERICA'S COMMUNITIES.** Since 1993, President Clinton and Vice President Gore have been committed to tapping the potential of America's urban and rural communities. They have a demonstrated record of creating new initiatives and expanding existing initiatives to promote community and economic development. The Clinton-Gore Administration has worked with the private sector, states, and localities to help revitalize America's communities by bringing capital, jobs, and opportunity to distressed areas and cleaning up the urban environment. President Clinton and Vice President Gore have created or expanded the following initiatives over the last six years:

**Helping to Bring Private Enterprise and Capital to Distressed Areas.** The Clinton-Gore Administration has re-newed the commitment of the Federal government to help bring private enterprise into underserved communities and improve access to capital for low-income households, minorities, and traditionally underserved borrowers.

- Fighting to Preserve the Community Reinvestment Act (CRA) under Financial Modernization. President Clinton made clear that he was prepared to veto long overdue legislation to modernize the financial landscape, if it allowed a bank with an unsatisfactory CRA rating to take advantage of the new powers under the bill. As a result, the conferees on the financial modernization bill provided that, for the first time, a bank's CRA rating is relevant to its merger or expansion in non-banking activities. In addition, President Clinton fought to eliminate provisions that would have excluded some banks from CRA coverage and limited the effectiveness of the merger application review process. President Clinton thus assured that CRA remains vital and relevant in the new financial landscape.
- Strengthened and Simplified CRA. In April 1995, the Clinton Administration reformed the CRA regulations to emphasize performance. According to the National Community Reinvestment Coalition (NCRC), the private sector has pledged more than \$1 trillion going forward in loans to distressed communities – and more than 95 percent of these financial commitments have been made since 1992. Banks made \$18.6 billion in community development loans in 1997 alone. Lending to minority and low-income borrowers is also on the rise.
- Created the Community Development Financial Institutions Fund. Proposed and signed

into law by the President in 1994, the CDFI Fund, through grants, loans, and equity investments, is helping to create a network of community development financial institutions (CDFIs) in distressed areas across the United States. The CDFI Fund's activities leverage private sector investments from banks, foundations, and other funding sources. Since the Fund's creation, it has made more than \$190 million in awards to community development institutions and financial institutions. This investment is expected in the next two to three years to leverage three to four times the amount of the investments in total capital raised for CDFI's. There are approximately 270 CDFIs certified by the CDFI Fund throughout the nation. In FY 1999, funding for the CDFI Fund was increased 19 percent to \$95 million from \$80 million. In FY2000, the CDFI Fund will receive \$95 million.

- 135 Empowerment Zones and Enterprise Communities. The Clinton Administration has designated 135 urban and rural Empowerment Zones (EZs) and Enterprise Communities (ECs) across the country. This includes a First Round of EZ and ECs, designated in 1994 and a Second Round, designated in January, 1999. Designated communities were chosen on the basis of their strategic revitalization plans, and receive special incentives and resources to help carry out their plans. The EZ/EC initiative has already leveraged over \$10 billion in additional public and private sector investment in community revitalization efforts. The First Round EZ/EC initiative was proposed by President Clinton and passed by Congress in 1993. The Second Round was also proposed by the President, and the President and Congress, in FY 1999, provided first-year funding for the new EZs and ECs. In FY2000, Rural/Urban Empowerment Zones will receive \$70 billion.
- The Economic Development Initiative and Section 108 Loan Guarantee. EDI grants are used to infuse capital into community development projects, enhancing the debt financing provided by the Section 108 loan guarantee program. Together, the programs support critical economic development in distressed communities. Estimated jobs supported by EDI and the Section 108 loan guarantee have grown by 300,000 from 1994 to 1998. During this time period EDI and the Section 108 loan guarantee program have funded \$3.5 billion for more than 650 separate project commitments.

**Helping to Bring Jobs and Opportunity to Distressed Areas.** A cornerstone of the Administration's community empowerment agenda is helping to bring jobs and opportunity back to distressed areas:

- \$3 Billion Welfare-to-Work Jobs Initiative. The Clinton Administration fought for a \$3 billion welfare-to-work jobs initiative, as part of the Balanced Budget Agreement. The Administration is implementing these welfare-to-work grants directly to both cities and states for allocating additional resources to help long-term, hard-to-serve welfare recipients find and keep jobs.
- Welfare-to-Work Tax Credit and Work Opportunity Tax Credit. The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Agreement, provides a credit equal to 35 percent of the first \$10,000 in wages in the first year of employment, and 50 percent of the first \$10,000 in wages in the second year, to encourage the hiring and retention of long-term welfare recipients. This credit complements the Work Opportunity Tax Credit (WOTC), which expands eligible businesses to include those who hire young adults living in Empowerment Zones and Enterprise Communities. In FY 1999, the President requested and Congress accepted extending the credit through June 30, 1999.

- **Community Development Block Grant (CDBG) Expansion.** President Clinton's FY 2000 budget included an expansion of CDBG. The final budget increases funding for CDBG from \$4.750 billion in FY 1999 to \$4.775 billion in FY 2000, a \$25 million expansion this year.

**Cleaning Up the Urban Environment through Brownfields Redevelopment.** The Clinton-Gore Administration has launched a landmark effort, including the Brownfields Tax Incentive, to clean up and redevelop Brownfields sites. In total, the Brownfields action agenda has marshaled funds to clean up and redevelop up to 5,000 properties, leveraging between \$5 billion and \$28 billion in private investment and creating and supporting 196,000 jobs.

**PRESIDENT CLINTON AND VICE PRESIDENT GORE ARE BUILDING ON THEIR PAST ACHIEVEMENTS THROUGH A NUMBER OF NEW INITIATIVES THIS YEAR.** While Americans are enjoying the fruits of our strong economy, we still need to do more to improve conditions in underserved urban and rural communities and connect these communities to the economic mainstream. To address this need, President Clinton and Vice President Gore are working on several fronts:

**The New Markets Initiative.** President Clinton's FY 2000 balanced budget provides a new initiative designed to create the conditions for economic success by prompting approximately \$15 billion in new investment in urban and rural areas through:

- **America's Private Investment Companies (APICs).** Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APICs will encourage private investment in this country's untapped markets, by leveraging up to \$1.5 billion in investment in new development projects and larger businesses that are expanding or relocating in inner city and rural areas. In the recently signed, VA/HUD appropriations bill, APICS were provided with \$20 million in funding. This amount would leverage up to \$800 million of new investment in America's underserved communities.
- **The New Markets Tax Credit.** To help spur \$6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds, and the new investment company programs created by this initiative (see below). A wide-range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.
- **SBIC's Targeted to New Markets.** For over 40 years, SBA's Small Business Investment Company (SBIC) program has provided roughly \$20 billion in equity and debt financing to more than 85,000 different companies, helping them to grow from small businesses to household names, like AOL and Staples. However, too little of the capital invested has benefited our cities and rural distressed communities. Through new regulations which were proposed this fall, SBA will now be offering more flexibility and new financing terms for Small Business Investment Companies (SBICs) that invest in underserved areas.
- **New Markets Venture Capital (NMVC) Firms.** NMVC firms will make both capital and expert guidance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. SBA will match the equity and technical assistance of private investors.

- **Community Development Financial Institutions (CDFI) Fund.** The budget proposes to expand funding for the CDFI Fund to \$125 million--a \$30 million increase from 1999. The Fund increases the availability of credit, investment capital, financial services, and other development services in distressed communities. The signed VA/HUD appropriations bill for FY2000 included \$95 million for the DCFI Fund that will expand the capacity of the network of community development financial institutions across the country, spurring the flow of capital to distressed neighborhoods and low-income residents.
- **BusinessLINC.** The President's FY 2000 budget includes seed money to expand Business LINC --- an innovative public-private partnership launched by Vice President Gore --- for new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs. BusinessLINC is being led in the private sector by the BusinessRoundtable, which has dedicated its resources to establish local coalitions throughout the country.
- **Microenterprise Lending and Technical Assistance.** Microenterprise initiatives in the FY 2000 budget include the PRIME Act, which will provide microenterprise technical assistance through competitive grants to microenterprise development organizations that focus on low-income entrepreneurs. As proposed in the Financial Modernization Act (H. R. ) PRIME will be administered by the SBA. President Clinton's and Vice President Gore's proposal also includes a doubling of support for technical assistance in SBA's Microloan Program and a doubling of support for SBA lending to leverage over \$75 million in new microlending. The microenterprise strategy will also involve new funding for Individual Development Accounts (IDAs) and for SBA's One-Stop Capital Shops. On October , the President vetoed the Commerce-State-Justice Appropriations bill which did not include funding for any of these provisions.
- **New Markets Lending Companies (NMLC).** For the first time in many years, SBA will approve approximately 10 new non-bank lenders --- firms authorized to originate loans under SBA's largest loan program – the 7(a) General Business Loan Guaranty program. Under the 7(a) program, SBA guarantees up to 80% of a loan made by a lender to a creditworthy small businesses that cannot otherwise secure financing on reasonable terms. Firms must have a strategy to target lending to underserved areas.

**Additional Initiatives Designed to Improve Conditions In Underserved Rural & Urban Communities:** President Clinton and Vice-President Gore have proposed the expansion or establishment of the following additional initiatives designed to create the conditions for economic success by encouraging new investment in urban and rural areas:

- **Empowerment Zones and Enterprise Communities.** The FY 2000 budget proposes full funding for ten years for the Second Round of Empowerment Zones and Enterprise Communities, which were designated in January, 1999. This includes \$100 million over ten years for urban EZs; \$40 million over ten years for rural EZs; and \$3 million for rural ECs. The FY 2000 budget also includes \$50 million to create a new Regional Empowerment Zone Program to assist First and Second-Round urban EZ and ECs in linking their economic development strategies to their broader regional economies. The recently signed VA/HUD appropriations bill provides \$70 million in funding for Rural/ Urban Empowerment Zones. All of the Urban and Rural EZs (20 zones) and rural

Enterprise Communities (20 ECs) that were designated by the Vice President in January 1999 as Round II zones will also receive funding.

- Regional Connections. Regional Connections will provide competitive funding to States and partnerships of local governments to develop and implement new, locally driven "smarter growth" strategies that create more livable communities by addressing economic and community development needs across jurisdictional lines. Regional Connections, as part of the Administrations' Livability Agenda, will complement existing federal programs that respond to growth and investment patterns. The budget proposes funding at \$50 million in FY 2000.
- The Economic Development Initiative and Section 108 Loan Guarantee Program. This program supports critical economic development in distressed communities in conjunction with the Section 108 loan guarantee program to help bring economic development to residents. Over the past 5 years, \$3.5 billion in EDI loan commitments have been made — these will create an estimated 300,000 jobs in low- and moderate-income communities during the life of the EDI program. In FY 2000 many projects will be eligible to participate in the Community Empowerment Fund Trust, a pilot program, which will enable the pooling of loans and the creation of a private sector secondary market for economic development loans. The CEF specifically targets Welfare-to-Work and City-Suburb Business Connections, building upon the success of HUD's EDI and Section 108 loan guarantee program.
- Low-Income Housing Tax Credit. Since its creation in 1986, the Low-Income Housing Tax Credit (LIHTC) has given states tax credits of \$1.25 per capita to allocate to developers of affordable housing. While building costs have increased 40 percent in the last decade, the amount of the credit has not been adjusted for inflation. Therefore, President Clinton and Vice President Gore propose to increase the cap on the LIHTC from \$1.25 per capita to \$1.75 per capita -- restoring the value of the credit to its 1986 level and helping to create additional 150,000-180,000 new low-income rental housing units over the next five years.
- Play-by-the-Rules. This program will allow renters with solid payment track records to own a home. The 2000 Budget proposes a second round of \$15 million for this initiative.
- Helping America's Communities Redevelop Abandoned Buildings. Redevelopment of Abandoned Buildings, as part of the Administrations' "Livability Agenda," would attack one of the primary causes of blight in urban neighborhoods: abandoned apartment buildings, single-family homes, warehouses, office buildings, and commercial centers. Under the proposal, HUD will provide \$50 million in competitive grant funds in FY2000 to local governments to support the demolition or deconstruction of blighted, abandoned buildings.

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