The original documents are located in Box 8, folder "Community Development (1)" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

April 27, 1976

Re: Community Economic Development Grant, Zavala County

The Community Economic Development Special Impact Program administered by Community Services Administration is an unusual and highly controversial program. It provides for Federal grants (9 to 1 matching) as "venture capital" investment, unlike most Federal programs which involve planning grants or investment loan guarantees. The grants are given to Community Economic Development Corporations. There are now 38 of these in the country.

Zavala County's economic development project has had a pre-planning grant of $49,900, and a planning grant of $149,941. They will shortly file an application for "venture capital" of an unknown amount at this time. (Similar projects have asked for $3 million for the first two years.)

Unlike grants to Community Action Agencies, grants to Community Economic Development Corporations do not require the Governor's approval. According to Community Services Administration, an economic development grant is subject to Circular A-95 clearance, but this only requires that the Governor be given 30 days notice from CSA that a grant will be made. The Governor can then comment during the 30 days, but does not have a veto authority. The branch director with jurisdiction over the Zavala grant says that notice will be given as required.

CSA is presently of the opinion that the Zavala County Community Economic Development Corporation is a legitimate recipient and is complying with its requirements. The agency makes a quarterly inspection visit to grantees and does have a say in who is hired at what salaries.

The Zavala grant included $5,000 for "fees and/or dues in professional organizations." This money apparently goes to an association in Washington called "The Congress for Economic Development." It is an association made up of Economic Development Corporations. CSA has approved the funding of its annual dues.

The Manpower and Housing Subcommittee is aware of some problems with this program and will probably begin an investigation soon.

MEMORANDUM

TO: FILE

cc: BKJ
EIS

FROM: DTC

SUBJECT: ZAVALA COUNTY ECONOMIC DEVELOPMENT CORPORATION

DATE: APRIL 14, 1976

Some time ago it came to our attention that there was a large federal grant pending for Zavala County. As a result of this information, I contacted the following people in Washington to see if they could check out this rumor and verify its accuracy:

-- Mr. Harry E. McAdams, Director
The State of Texas Office, Washington

-- Ms. Celia Hare Martin
Congressman de la Garza's Office

-- Mr. Robert Fleming
Administrative Assistant to
Congressman Kazen

During my trip to Washington last week, I had a telephone conversation with Harry McAdams and met with David Nesenholtz in Harry's office. As a result of their investigation, the following information has been obtained:

> Under the Community Services' Administration, formerly O.E.O. (Office of Economic Opportunity), there is a provision for making sizable funds available for the economically deprived. These grants fall under Sections 711, 712 and 747 of the Community Services' Act of 1974. Under this Section, some 14 to 17 grants have been made with a minimum of $1,000,000 up to $5,000,000. Many of these grants have gone to Latin surname groups.

High administrators in the C.S.A. are the following:

- -- Mr. Gutierrez (not known to be related to Angel Gutierrez).
- -- Mr. Noie Gonzalez, now a Congressional candidate running against Congressman de la Garza and a former henchman of Angel's.

Grants made under the above-mentioned Sections are authorized by the Community Services' Administration under the direction of Mr. Bert Gallegos. These grants are supposed to be reviewed by the Local Council of Governments as well as the appropriate representatives within each State Governor's Office.

An example of a program which is in effect in San Antonio is the following:

> A Bexar County Economic Development Corporation was chartered and has received some $5,000,000 in federal funds. These funds can be used to acquire business loans, provide money for the economically deprived, train unskilled workers, buy land and pretty well do anything they please with little or any supervision.

On September 29, 1975, Angel Gutierrez and others organized the Zavala County Economic Development Corporation. The following names appear on the charter:

- -- Chairman, Angel Gutierrez
- -- Directors:

  David Mendoza
  Juan Perez
  Estabor Najera
  Gregoria Delgado
  Jose' O. Matta
  Amador Guerro

- -- Executive Director: Jesus Soliz

After the Zavala County Corporation was duly organized as provided under Sections 711, 712 and 747, they applied for and received two separate grants to "study" programs and do feasibility studies. In May or June of this year they will be required to submit the results of these studies to C.S.A. in order to apply for larger grants.

COURSE OF ACTION WE MUST FOLLOW:

The wording of the Sections under the Community Services' Act is so broad and so general as to allow Angel and his crowd to do whatever they please with the funds. For example; there would be nothing illegal for the following events to occur:

> The Zavala County Economic Development Corporation could elect to establish small farms and ranches for the migrant labor forces and other economically deprived ethnic groups in Zavala County. The corporation could then approach the Commissioner's Court, which has the power of condemnation, and thus acquire private lands in Zavala County.
>
> The corporation itself could then take ownership of the properties or resell the properties or lease the properties to the economically deprived. For example: if they paid $1,000 an acre for irrigated farms and they elected to use the entire $1,000,000 grant (or more), they could acquire 1,000 acres of irrigated land a year of 2,000 acres at $500 an acre.

With this kind of direct conduit to the treasury, Angel could go a long way in advancing his devoted purpose of making Zavala County the "dominion" of La Raza Unida.

**ATTACHMENTS:

1. "Guidelines for Community Development Corporation Planning Grants"
2. C.S.A. Instructions for "Special Impact Program Policies and Priorities".
3. Urban and Rural Special Impact Programs, Sections under the Community Services' Act of 1974.

grant

GUIDELINES FOR COMMUNITY DEVELOPMENT CORPORATION
PLANNING GRANTS UNDER TITLE VII-D, SPECIAL IMPACT
PROGRAMS, OF THE COMMUNITY SERVICES ACT OF 1974

March, 1975

GUIDELINES FOR COMMUNITY DEVELOPMENT CORPORATION PLANNING GRANTS UNDER TITLE VII-A, SPECIAL IMPACT PROGRAMS, OF THE ECONOMIC OPPORTUNITY ACT OF 1964

TABLE OF CONTENTS

Guidelines for Community Development Corporation Planning Grants under Title VII-A, Special Impact Programs, of the Economic Opportunity Act of 1964

I. Special Impact Programs

Part A of Title VII of the Economic Opportunity Act of 1964, as amended, authorizes Federal financial assistance to Special Impact Programs. These community economic development programs are funded by grants administered by the Office of Economic Development (OED) within the Office of Economic Opportunity. They are directed to the solution of critical economic and social problems in urban and rural communities having high concentrations of poverty, and are designed to have an appreciable and lasting impact in arresting tendencies toward dependency, chronic unemployment, and community deterioration.

Special Impact Programs are conducted on the local level by unique organizations called community development corporations (CDCs). CDCs are private, community-based, generally non-profit (although some are for-profit) agencies. Under Title VII-A they must be representative of and responsive to the residents of the area served, but must also plan and carry out their programs with the maximum participation and involvement of local businessmen and financial institutions.

Special Impact Programs include three basic categories of activities. Within the defined boundaries of its Special Impact Area, a CDC may:

(1) wholly own, invest in, or provide loans, loan guarantees, or technical assistance to for-profit business enterprises which provide opportunities for ownership, entrepreneurial and managerial training, and employment to residents of the Special Impact Area (investments in enterprises located outside the impact area will rarely be approved, and only if the impact area is clearly benefited);

(2) plan and invest in land and property development projects (neighborhood planning, commercial development, housing) designed to improve the physical environment of the community, provide the necessary base for business development, and provide ownership and employment opportunities for the residents of the impact area; and

(3) in conjunction with (1) and (2) above, support or administer manpower, health, and social service programs which complement and support business and community development programs.

Within these three broad categories of Special Impact Programs, CDCs have wide latitude to develop programs meeting the specific needs of their target areas. Provided the CDCs' activities are consistent with a comprehensive strategy for the economic and community development of their impact areas and with the purposes and objectives of Title VII-A, each CDC is required to tailor the program to its community's particular problems and conditions and to the residents' expressed priorities.

II. Distinguishing Features of Special Impact Programs

While Special Impact Programs include elements that are similar to other Federally supported programs, they include individual elements or combinations of elements which are unique. Although these characteristics make the Special Impact Programs particularly well-suited to meeting the needs of disadvantaged communities, they may also be disqualifying for certain categories of projects.

(1) Special Impact Programs are comprehensive. Special Impact Programs provide financial assistance for a broad range of activities, including not only business development, but also community development, manpower programs, and other social services.

(2) Special Impact Programs are community-based. There are other Federal programs supporting business development, but these are primarily directed toward assisting individual businessmen, rather than the needs of an entire community or target area. Similarly, Special Impact Programs are operated by community organizations representative of target area residents. While some social service or community development programs are operated by such organizations, CDCs are the only such organizations involved in business development.

(3) Special Impact Programs are poverty-oriented. Other Federal business development programs may serve minority groups or businesses located in low-income areas, but few are specifically directed to programs directly controlled by or designed to meet the employment needs of low-income residents.

(4) Special Impact Programs receive grant funds for venture capital. Other Federal programs provide grant funds for technical assistance, administrative expenses, or the capital costs of certain equipment and facilities, or loan funds for venture capital. The Special Impact Program provides grant funds which in turn can be used by CDCs for all of these purposes, including direct investments in business ventures.

III. Eligible Communities

To qualify as a Special Impact Area a community must possess a high incidence of poverty and physical deterioration. Indices of such conditions may include:

(1) median family incomes substantially below those of the general community;

(2) high levels of unemployment or under-employment;

(3) high levels of dependency, as measured by numbers of families receiving public assistance, food stamps, Medicaid, etc., numbers of families headed by a single parent, or numbers of elderly couples or widowed individuals;

(4) high percentages of substandard housing or old housing stock, or absence of new construction;

(5) low and/or declining tax base, loss of commercial and industrial jobs, and absence of or socially destructive economic expansion; and

(6) absence of or inadequate social and community services.

To further qualify, Special Impact Areas must be sufficiently large to provide a viable base for long-term economic development. On the other hand, the area must have a recognizable community of interest and be small enough to permit the attainment of the required appreciable impact given the amount of funds that can be reasonably anticipated to be available. Urban impact areas should generally be limited to defined neighborhoods; rural impact areas will generally cover whole counties or groups of adjacent counties or, in the case of Indian programs, an entire Indian reservation.

IV. Eligible Grantees

All funds under Title VII-A will be granted directly to CDCs, except, as provided in Section VII below, during the initial planning phase of a Special Impact Program when the CDC may not yet be legally incorporated. Other private, non-profit agencies can receive Title VII-A funds as delegate agencies of funded CDCs. The Title

VII-A legislation does not provide for public agencies to receive Title VII-A funds, either as grantees or as delegate agencies.

To be eligible for Title VII-A funding, a CDC must be incorporated in conformance with state or local law. It must have a broad base of support in the community and must be controlled by the residents of the impact area to be served. The CDC must be governed by a board of directors that is representative of and responsive to the residents of the impact area. Representatives of the business and financial community should also be included on the CDC's board of directors or, where this is not feasible, on an affiliated advisory board.

CDCs are generally incorporated as non-profit organizations, with subsidiary for-profit holding companies and/or for-profit ventures. Some CDCs are themselves organized as for-profit corporations. Non-profit CDCs must have either a direct community membership structure or an indirect membership among constituent community organizations. For-profit CDCs must have provision for widespread community stock ownership.

V. Funding Procedures.

Operational CDCs are generally funded by OED for two-year periods. Grants are renewable at the end of each two-year period. Two-year operational grants are generally for a minimum of $1 million, and include both administrative funds and venture capital.

New CDCs are initially funded for only one year to conduct the necessary planning prior to receiving full operational funding. Planning grants are generally for a maximum of $150,000, and include only administrative funds.

Federal funding, for both planning and operational grants, under Title VII-A is limited to a maximum of 90% of total program costs. The remaining 10% must be provided by the CDC in local cash or in-kind contributions; i.e., the CDC must match one dollar in program funds for every nine Federal dollars.

VI. Grant Conditions

All grants funded by OEO under the Economic Opportunity Act are subject to certain general conditions. Special Impact Program grants funded by OED under Title VII-A are subject to additional general conditions. These two sets of general conditions, to which any grantee under Title VII-A would be subject, may be found in Appendix B to these guidelines.

In addition to these general conditions certain special conditions may be applied to individual Title VII-A grants reflecting the particular needs or problems of individual grantees.

VII. Planning Grant Objectives and Procedures

As noted in Section V above, when a CDC is first funded by OED it is normally given a 12-month planning grant which includes only administrative funds. The purpose of this initial funding is threefold:

(1) Organizational Development. To hire and train the necessary CDC staff, organize and train the CDC board of directors, establish the required organization structure and procedures, and develop a policy-making and management decision-making process.

(2) Comprehensive Economic Development Plan. To analyze the economic and social problems and conditions in the impact area, to identify potential solutions, to develop a long-term overall strategy for the economic and community development of the area, and to establish program objectives and interim milestones for attaining objectives.

(3) Operational Funding Proposal. To develop, based on (1) and (2) above, a proposal for the first two-year operational funding of the CDC, including specific plans for one or more business development or community development projects in which venture capital will be invested.

Venture capital funds will not be included in planning grants. Most new CDCs will not have progressed to the stage where specific plans for business ventures will have been developed prior to receipt of planning funds. More well-established CDCs seeking initial funding under Title VII-A may have specific business venture plans and may consider themselves ready to undertake such projects. Experience with other Title VII-A CDCs has proved, however, that business ventures that are not the product of a comprehensive, systematic planning process for the long-term development of the impact area are seldom successful, and even if ultimately profitable may not advance the interests of the residents or further the objectives of Title VII-A. Pre-mature investment in business ventures generally sets back the CDC's long-term development.

Planning grants will not be made to organize new CDCs from scratch. As noted in Section IV above, eligible grantees must be community organizations with strong community ties. Whether or not a CDC meeting Title VII-A requirements has been formally incorporated, no planning grants will be made to organizations which do not have an established reputation and a track record in community development. A proven commitment to economic development as a strategy is also preferable.

Wherever possible it is the preference of OED to fund the CDC directly even during the planning phase of Title VII-A support. There will, however, be instances where the CDC is not yet incorporated and legally eligible to receive a Federal grant or where its administrative capacity is still so limited that it could not adequately control grant funds. In such circumstances, OED will award the planning grant to a sponsoring or parent organization serving the Special Impact Area, provided that it is agreed at the outset (and so specified in the special conditions of the grant) that in the course of the 12-month planning period the grant will be transferred directly to the CDC and that any subsequent operational grants will be funded directly to the CDC.

No planning grant will be awarded unless OED has concluded that the CDC has demonstrated good potential to plan and implement a Special Impact Program consistent with the purposes of Title VII-A. However, approval of a planning grant does not constitute an obligation for further funding. Subsequent approval of a two-year operational grant will be contingent upon the availability of funds and the CDC's satisfactory performance during the planning period, including the submission of an acceptable final proposal for operational funding.

VIII. Planning Grant Application Forms and Documents

The following numbered forms (copies of which may be found in Appendix C to these guidelines) and unnumbered documents are required for a formal application for a Title VII-A planning grant:

OEO Form 301, Summary of Grant Application (plus CAP Form 11 where any portion of the planning grant is to be delegated to another agency)

OEO Form 325, Budget Summary

OEO Form 325a, Budget Support Sheets (Parts I and II)

OEO Form 393, Certificate of Applicant's Attorney

Narrative Project Description

Biographical Data on Principal Personnel

List of Property

(1) OEO Form 301, Summary of Grant Application; CAP Form 11, Assurance of Compliance with Civil Rights Act of 1964.

OEO Form 301 is generally self-explanatory. It includes basic information about the applicant agency. Where the applicant agency is not itself the CDC but is a sponsoring organization, the information required in Section I should apply to the sponsoring organization, not the CDC. The OEO Form 301 includes various certifications, including a certification of compliance with the Civil Rights Act of 1964. Where a portion of the planning grant work program is to be delegated to one or more other agencies, a CAP Form 11, Assurance of Compliance with the Civil Rights Act of 1964, must be completed by each such delegate agency in addition to the certification by the applicant agency on the OEO Form 301.

(2) <u>OEO Form 325, Budget Summary; OEO Form 325a, Budget Support Sheet (Parts I and II)</u>

The OEO Form 325a should be completed first, and the totals then summarized on the OEO Form 325. Only blocks 1 and 2, Column E of Section I, and Section II should be completed on the OEO Form 325. Instructions for preparing the budget are included as Appendix D to these guidelines. Applicants are reminded that no funds should be budgeted for cost category 2.5, Investment Capital, for planning grant applications.

(3) <u>OEO Form 393, Certificate of Applicant's Attorney</u>

This form is required for all applicant agencies. The certification required is for the applicant, even if the latter is a sponsoring agency rather than the CDC itself. Where the applicant is not a CDC, a separate attorney's certification will ultimately be required for the CDC itself when it applies for subsequent direct funding. When necessary to prevent undue delays, the OEO Form 393 may be submitted separately. However, no grant can be approved without it.

(4) Narrative Project Description

This is the most significant portion of the application and should be prepared with care. Applicants should be as specific and concise as possible. The narrative should include at a minimum descriptions of the following items in the order outlined.

a. The proposed Special Impact Area, in terms of both physical and socio-economic characteristics, including a justification of why it meets both the poverty-related and suitable economic development base criteria for Title VII-A funding;

b. Previous and ongoing social, community development, and economic development programs in the proposed Special Impact Area, and a summary of their results to date;

c. A preliminary strategy for the overall economic development of the area and the expected impact of such strategy;

d. The organizational structure of the CDC (and of the sponsoring agency where the applicant is not itself the proposed CDC) and the proposed Special Impact Program it will conduct, including:

   (1) the membership base and its ties to the community;

   (2) the existing or proposed board of directors and its representativeness of the residents to be served;

   (3) its leadership and proposed staffing;

   (4) involvement of the business community and financial institutions;

(5) coordination with other public and private community development and economic development programs and resources; and

(6) the decision-making process, including provision for insuring responsiveness to residents' needs and interests.

e. The activities to be conducted during the 12-month period, including the major steps in the planning process and the participants in that process, specific objectives, milestones, and target dates.

f. An explanation, as needed, of the requested budget, including justification of personnel, equipment and space, travel, consultant, and other needs; and

g. Written evidence of support from impact area residents, businessmen, and community leaders.

(5) <u>Biographical Data on Principal Personnel</u>

Submit brief biographical summaries for principal personnel who will be directly involved in carrying out the planning grant, where such personnel have been identified. Summaries should be provided for the proposed CDC Director (or comparable position in the sponsoring agency, where applicable), other key staff, and the chairman of the CDC (or sponsoring agency's) board of directors.

(6) <u>List of Property</u>

Include a list of all personal property needed to carry out the planning grant, whether or not the applicant anticipates purchasing all such property with grant funds (for example some items of equipment may be rented or secured at minimal cost from GSA Excess Federal Property inventories).

Program Management and Support Division
Office of Economic Development
Office of Economic Opportunity
Room B - 219
1200 - 19th Street, N.W.
Washington, D.C. 20506

Telephone inquiries may be made to the Program Management and Support Division at Area Code 202, 254 - 6180

An original and seven copies of all applications for planning grants under Title VII-A should be mailed to the above address.

COMMUNITY SERVICES ADMINISTRATION WASHINGTON, D.C. 20506	CSA INSTRUCTION	6158-1
	Subject Special Impact Program Policies and Priorities	**Date** September 26, 1975 **Office of Primary Responsbility** OED
	Supersedes	**Distribution** 15-12

EFFECTIVE DATE: November 3, 1975

APPLICABILITY: This Instruction applies to all community development corporations (CDCs) financially assisted by CSA under Sections 712 and 747 of the Community Services Act of 1974.

1. PURPOSE

This instruction establishes the policy of CSA's Office of Economic Development (OED) with respect to the objectives, priorities, and structure of the Special Impact Program and its CDC grantees.

2. DEMONSTRATION ASPECT OF SPECIAL IMPACT PROGRAM

The Special Impact Program is a national program, with certain specified goals and objectives established by statute and with certain criteria against which program performance is to be measured. While the legislation does not specify a rigid program model, the Special Impact Program is essentially a demonstration program, in that it provides for "special programs of assistance" to specific kinds of organizations (i.e., CDCs and related cooperatives), subject to the limitation of their being of "sufficient size, scope and duration to have an appreciable impact," thereby clearly limiting their number. Unlike the Community Action Program, where 880 agencies are funded nationwide to undertake an almost unlimited range of anti-poverty projects, determined by "local initiative", the Special Impact Program focuses only on a limited number of organizations and on the community economic development approach to the elimination of poverty.

Continued designation of the Special Impact Program as a demonstration program will not prevent vigorous pursuit of additional resources to enlarge and strengthen its impact throughout the country. It will, instead, ensure greater flexibility in the structure and goals of each CDC; allow expansion of the program at a rational pace; reduce public expectation of immediate solutions to long-standing problems; and result in strengthening the concept of community economic development as a mechanism for providing access to economic and social opportunities and advantages.

3. ROLE OF OFFICE OF ECONOMIC DEVELOPMENT

Given the demonstration aspect of the Special Impact Program, it is essential that the Office of Economic Development provide policy direction to the CDCs beyond the technical responsibility of any grant-making Federal agency to insure that funds are properly and legally administered. This direction shall consist primarily of establishing overall program objectives and evaluation criteria, and of determining relative priorities among such objectives. In exercising its policy direction responsibilities, however, OED will provide maximum opportunities for CDCs to participate in the policy development process and to review and comment upon OED proposed policies prior to their being promulgated in final form.

While the Title VII legislation mandates a policy direction role for OED, it also mandates that economic development be pursued through community based corporations, responsive to the residents of the impact area served, which furthers the efforts of the poor to participate more effectively in community life, both social and economic. Accordingly, within the broad policy parameters set down by OED in compliance with the legislation, each CDC must be accorded maximum possible autonomy. This means that, consistent with OED policies and priorities, the CDC shall be free to develop a local strategy suited to local needs and conditions for community economic development, including the freedom to request exceptions to OED policies where the CDC can demonstrate that such policies conflict with the particular needs of the impact area. This means that, subject to the agreements negotiated with OED during the funding (or refunding) process, as represented by the approved budget and work program, the CDC shall be free to manage its program over the course of the grant period without interference in its day-to-day operations and without changes in the operating ground rules or conditions governing the grant, unless agreed to by the CDC. Finally, this means that, to the extent permitted by statutory limitations, grant conditions, and OED procedures regulating the release of venture capital funds, the CDC shall be free to control the resources committed to it, including the re-allocation of resources as needed to meet changing conditions and program requirements.

4. APPRECIABLE IMPACT

Special Impact areas face severe shortages of income, jobs, skilled human resources and, perhaps more important, viable institutions responsive to the needs of impact area residents and capable of meeting the staggering challenges posed by impact area problems.

The ultimate goal of the Special Impact Program is, of course, to achieve parity between the impact areas and the areas surrounding them, to correct the tremendous imbalance in institutional capacity, income, jobs and human resources. It is clear, however, that this kind of parity cannot be attained in anything like the short term by the Special Impact Program or by any other community economic development effort now on the horizon.

Moreover, the legislative objective of "appreciable impact" should not be equated with this ultimate goal. Appreciable impact, in statutory terms, is to be directed toward "arresting tendencies toward dependency, chronic unemployment and community deterioration" (emphasis added). In other words, appreciable impact will occur not when parity has been achieved -- that is, not when the ultimate goal of eliminating poverty is attained--but when current economic, social and institutional trends have been reversed, at that point when the continued downward spiral of deterioration has been halted and the long, upward climb begun.

Appreciable impact will thus be measured by a variety of indicators with respect to characteristic "tendencies" that have been "arrested"; by the net inflow, rather than outflow, of jobs and income into the impact area; by the establishment of profitable ventures and property developments which will attract private capital into the impact area; by the increase in skilled managers and workers in the impact area; and by reductions in unemployment and public assistance rolls.

These indicators should not normally be expected to occur simultaneously, since some are essentially preconditions to others. Thus, a stable, viable CDC itself, measured by the presence of active, representative boards; competent, responsive staff; and broad-based support in and ties to the impact area, is an initial indicator that progress toward appreciable impact is being made.

Secondly, successful venture and property developments which give the CDC and its efforts visibility and credibility are subsequent indicators. This should be followed by increases in private capital investment, based on the CDC's own initial successes. Only when these indicators are present should measurable impacts on employment, income, and public assistance dependency of the program's primary beneficiaries be anticipated.

5. SELF-SUFFICIENCY

Title VII requires that CDC programs continue to have appreciable impact after the termination of Title VII assistance. This is, of course, inherent in the definition of appreciable impact since if an impact is appreciable only when it reverses economic and social deterioration it must also be permanent and self-perpetuating.

This leads to the question of whether a CDC must thus become self-sufficient to meet the legislative requirements of an appreciable and continuing impact. To answer this question, a distinction must first be made between self-sufficiency of individual CDC ventures and self-sufficiency of the CDC itself. A venture is self-sufficient when it can generate sufficient income without further subsidy to cover its costs (i.e., break even) or clear a profit (i.e., permit reinvestment for further expansion). On the other hand, while individual ventures may be self-sufficient, they may not be generating sufficient profits to finance the administrative costs of catalytic institutions, such as the CDC itself, or social programs operated or sponsored by the CDC. In this sense, the CDC is not self-sufficient even though its ventures may be. Were subsidization of the CDC administrative or non-venture program costs to terminate, the CDC as an institution would also terminate or have to cut back on its operations, even though individual ventures could continue to operate successfully and be self-sustaining.

However, the failure of a CDC to attain self-sufficiency does not preclude the attainment of an appreciable and continuing impact after termination of Title VII funding. It is quite possible that, while all ventures may not together be generating sufficient profits to cover all CDC costs the CDC may still have effected permanent change in the impact area and such change may still continue in the absence of the CDC. Appreciable impact and self-sufficiency are not, therefore, synonymous; one can occur without the other.

Business ventures (that is, ventures where either maximum or optimal profits are the objectives, as opposed to social ventures; see Section 7 below) can and should be expected to attain self-sufficiency over the short term. While some refinancing will be required over the next few years for CDC business ventures, since refinancing is generally required by any growing business, it is expected that after this period CDC business ventures will have passed the break-even point and profits will be adequate to meet most growth needs. While self-sufficiency of <u>business ventures</u> is therefore a short-term objective of the <u>Special Impact Program</u>, it is neither possible nor particularly desirable for <u>CDCs themselves</u> to attain self-sufficiency over the short term.

To begin with, it is highly unrealistic to expect even self-sustaining business ventures to generate sufficient profits to cover CDC administrative and non-venture program costs in the foreseeable future. Even if the scale of venture investment were markedly increased, it is unlikely that this situation would change.

This would be the case, moreover, even if the ventures were operating in conditions more favorable than those which prevail in the impact areas.

But more important, just as appreciable impact can occur without the CDC first becoming self-sustaining, so can CDC self-sufficiency be achieved without appreciable impact. In fact, misplaced emphasis on CDC self-sufficiency may postpone, if not defeat, the objective of achieving appreciable impact. Reduction of CDC administrative costs or retraction of CDC non-venture social program efforts may be the necessary price for achieving self-sufficiency at a stage where such reductions in efforts may be highly undesirable. Similarly, premature use of venture profits to underwrite CDC administrative costs rather than for reinvestment for further venture expansion may seriously slow the forward momentum of the CDC's economic development program.

Moreover, since the objectives of the Special Impact Program are not solely economic, CDCs must also be able to invest in social programs which will require a continuing subsidy, at least over the short term, and possibly indefinitely. The source of the subsidy need not and should not, however, be solely Title VII funds. In this regard, the CDCs should seek, with OED assistance, financial support from other Federal agencies, from state and local government, and from private sources.

While ultimately it is anticipated that CDC self-sufficiency will become possible through a combination of venture profits and non-Title VII subsidization, it is in the long-run interests of the Special Impact Program to continue OED support of the CDC's administrative and non-venture program costs for as long as possible so as to maximize the continuing catalytic institutional effects produced by CDC activity and so as to promote the earliest possible attainment of appreciable impact.

The goal of CDC self-sufficiency must be considered a long-range goal if it is an appropriate goal at all. Certainly much more Federal money will need to be received for strengthening and expanding the program before "appreciable impact" can be reached. Consideration should be given to the possibility that the CDC program is a proper subject for continued Federal subsidization, along with other traditional American subsidization, such as oil, ship-building and transportation.

6. INSTITUTION BUILDING

One of the fundamental differences between impact areas and the surrounding communities is the lack of viable, responsive institutions capable of addressing the variety of economic and social problems facing impact area residents. Coupled with this institutional poverty within the impact area is the total unresponsiveness of outside institutions. Thus, one of the primary objectives of the Special Impact Program is the creation of new institutions and a change in the attitude and behavior of existing institutions.

A wide range of institutions are needed, including planning and coordinating institutions, capital-providing and debt-providing institutions, employment-generating and wage-increasing institutions. The key institution in this institution-building thrust is, of course, the CDC itself. The CDC not only directly plays all these roles (planning, capital-providing, etc.) but is the central catalytic force that in turn creates, or promotes increased responsiveness of, other institutions which perform one or more of these crucial functions.

The CDC's institution-building role is the primary experimental feature of the Special Impact Program. The CDC is a community-based, representative planning institution which must undertake even more coordinated planning of impact area economic activity in the future. Until now, it has been the major source of equity and debt capital in the impact areas, and will continue to be in the short term, although its role in the long term should shift to stimulation of capital and debt provision from other institutions, primarily from sources outside the impact area. It has, directly or through its ventures, been a source of employment, but over the short term it cannot be anticipated to make a significant impact on employment. Finally, the CDC has also been a subsidization institution, in that it has made official guarantee programs relevant and available to the impact areas.

The institution-building objective of the Special Impact Program is, and will remain, the top priority. It is the area where CDCs have already made the greatest impacts and where in the short term OED expects the greatest degree of achievement. Since institution building is a pre-condition for all other objectives of the Special Impact Program, CDC failures in this area spell failure for other longer-term objectives as well.

7. VENTURE PROFITABILITY

There are four basic categories of CDC ventures: (1) true business ventures organized for profit, including wholly owned CDC ventures and ventures in which the CDC has either a majority or minority equity position; (2) loan funds, loan guarantee funds, and consumer credit unions, where little or no profit is intended, but where loan funds may be used by individual recipients for profit-connected business purposes; (3) infrastructure development, including those overhead investments such as water and sewer systems, roads, land improvements, etc., which are not themselves profitable but which are essential preconditions for the development of other profitable ventures; and (4) social "ventures", which are not ventures at all, but rather service programs and other community development activities, such as day care centers, manpower training, health services, etc., which are supportive of the CDC's overall community economic development efforts.

Business ventures, which are profit-making in purpose, loan funds, which are essentially break-even activities, and infrastructure development which can usually only at best be profitable in the long run are all budgeted under the Investment Capital cost category. Social ventures, which will generally be expected to require a continued subsidy, whether from Title VII or other sources, are budgeted under the other cost categories, as appropriate, along with other CDC administrative costs.

True business ventures fall, in turn, into two subcategories: ventures whose objective is to maximize profits; and ventures whose objective is to optimize profits, given simultaneous social objectives whose pursuit requires the trade-off of some profits. Where optimization of profits, rather than maximization is the objective of a business venture, the CDC must so indicate, prior to investment of the venture funds, in its funding application and venture plans, and OED must specifically approve such an approach. In identifying optimization objectives, the CDC must specify the social benefits for which profits are being traded off and must specify the degree to which optimization is expected to reduce profits below what they would have been if profit maximization had been opted for.

Although it is appropriate for a given CDC to have a mix of venture types, the priority over the short term should be on business ventures. Moreover, among business ventures, the priority over the short term should be on profit maximization, rather than optimization.

It is not a logical necessity that maximizing profits will ensure institutionalization of the CDC program. One of the most attractive aspects of the program, as far as the private sector is concerned, is that CDCs attempt to make a profit while serving larger social goals. Therefore, optimization should be the goal over the long term.

Whether ventures are for maximum or optimum profit, for no profits, or for non-business purposes requiring a continued subsidy, the specific objectives must be spelled out prior to venture approval, and will constitute the criteria against which venture performance will be measured. Where a venture includes both business and social objectives, performance will be measured against both sets of objectives. Qualified management for business ventures, of course, is essential.

8. EMPLOYMENT

While the employment of low-income and unemployed impact area residents and increased income for impact area residents are among the most important long-range objectives of the Special Impact Program, it is not anticipated that any CDC can make a significant impact over the short term in this area. Moreover, undue emphasis, however well-intentioned, on employment in the early stages of a CDC's efforts can have a detrimental impact on its initial success with business ventures and hence its ultimate success.

Human development within the CDC itself, as opposed to its business ventures, is, however, a high priority over the short term. In this instance, human development is essential to the central objective of institution building, in that it is often the only way to ensure that the development effort will be directed from within the impact area by a planning institution--the CDC--responsive to the community. The development of skills of CDC managers, as opposed to venture managers, is, therefore, fully consistent with OED priorities, over the short run, where fully expert managers for the CDC are not available in the impact area.

10. BENEFICIARIES

The primary beneficiaries of the Special Impact Program are the low-income residents of the impact area. The overall long-range objectives of the program are therefore directed toward improving the employment, incomes, environment, living conditions, and participation in community life of these residents. In order to produce benefits for low-income impact area residents, however, the institution-building and venture development efforts of the CDC require the participation of the non-poor in managerial and leadership roles. In the sense that the CDC and its ventures provide employment and human development opportunities for other residents, and, perforce, non-residents, these individuals also become "beneficiaries" of the program. Nevertheless, such "beneficiaries" are primarily means toward the ends of the program, who must be present for ultimate program success, but who in themselves do not constitute a final measure of success. Generally, the CSA poverty guidelines will be used as a basis for determining whether a resident is low-income, although each CDC is free, subject to OED approval, to employ other guidelines where it can demonstrate that local circumstances justify a modified standard.

The boundaries of the impact areas should be subject to change as social and economic conditions of the community dictate. The boundaries should be explicitly defined at the beginning of each grant period. All monies of a particular grant period should be used within the defined impact area except when specifically approved by OED upon demonstration by the CDC that investment outside the impact area would produce direct and substantial benefits to the residents of the area.

Where a CDC or its ventures provide non-managerial or non-professional employment opportunites, such opportunities should be restricted to residents of the impact area. Similarly, all social service and other non-venture benefits of a CDC should be restricted insofar as feasible to impact area residents. Preference for all such employment and services should go to low-income rather than middle-income residents.

Wherever possible, managerial and professional positions in the CDC and its ventures should be filled by residents of the impact area; and when non-residents are recruited, they should be encouraged to relocate to the impact area. In the case of venture managers, however, experience and training are crucial. Accordingly, unqualified residents should never be hired for these positions instead of qualified and experienced non-residents. In most cases, the CDC will have to recruit from outside the impact area to find proper managers for its ventures. In the case of the CDC itself, ties to the community are more relevant to the success of the program. Accordingly, it may be more appropriate when recruiting CDC managers to adjust the specific qualifications--provided, of course, deficiencies can be corrected by on-the-job-training--in order to hire residents who understand and have credibility in the impact area. Even in recruiting CDC managers, however, it may be necessary to reach out beyond the community to find individuals with the necessary skills and potential essential to CDC success.

Bert A Gallegos

Bert A. Gallegos
Director

eliminating unnecessary duplication and service gaps and promoting common or complementary priorities; or to modify or improve technical or administrative requirements imposed by different Federal agencies that may operate to increase unnecessarily the burdens of State or local agencies, minimize their opportunities for the imaginative use of Federal assistance, or discourage their cooperation with one another;

(C) actions to promote simplification and efficiencies through the joint or combined use of Federal resources, such as actions to develop new methods of processing requests for assistance or granting assistance that will enable Federal agencies more generally to use resources jointly in support of common objectives; to establish common priorities for purposes of program planning, research and demonstration activities; and to effect combinations among or redirect Federal programs or activities for the purpose of eliminating unnecessary duplication;

(D) actions to improve communication and general cooperation, such as actions to strengthen ties among regional offices of different Federal agencies and among such offices and other regional agencies or organizations; to develop and improve procedures by which Federal agencies may act together in promulgating or making available items of information, including information as to the availability and allocation of funds, which are closely related to one another for purposes of State or local planning and budgeting; or to develop procedures by which State and local agencies may be afforded new opportunities to participate in Federal policy decisions, including decisions on recommended legislation, affecting their capacity to operate efficiently and effectively.

TITLE VII—COMMUNITY ECONOMIC DEVELOPMENT

Statement of Purpose

Sec. 701. The purpose of this title is to encourage the development of special programs by which the residents of urban and rural low-income areas may, through self-help and mobilization of the community at large, with appropriate Federal assistance, improve the quality of their economic and social participation in community life in such a way as to contribute to the elimination of poverty and the establishment of permanent economic and social benefits.

Definition

Sec. 702. As used in this title the term "community development corporation" means a nonprofit organization responsible to residents of the area it serves which is receiving financial assistance under part A of this title and any organization more than 50 per centum of which is owned by such an organization, or otherwise controlled by such an organization, or designated by such an organization for the purpose of this title.

Authorization of Appropriations

Sec. 703. For the purpose of carrying out this title there are authorized to be appropriated $39,000,000 and such additional sums as may be necessary for fiscal year 1975 and such sums as may be necessary for each of the two succeeding fiscal years.

Program falls under this section

PART A—URBAN AND RURAL SPECIAL IMPACT PROGRAMS

Statement of Purpose

Sec. 711. The purpose of this part is to establish special programs of assistance to nonprofit private locally initiated community development corporations which (1) are directed to the solution of the critical problems existing in particular communities or neighborhoods (defined without regard to political or other subdivisions or boundaries) within those urban and rural areas having concentrations or substantial numbers of low-income persons; (2) are of sufficient size, scope, and duration to have an appreciable impact in such communities, neighborhoods, and rural areas in arresting tendencies toward dependency, chronic unemployment, and community deterioration; (3) hold forth the prospect of continuing to have such impact after the termination of financial assistance under this part, and (4) provide financial and other assistance to start, expand, or locate enterprises in or near the area to be served so as to provide employment and ownership opportunities for residents of such areas, including those who are disadvantaged in the labor market because of their limited speaking, reading, and writing abilities in the English language.

Establishment and Scope of Programs

Sec. 712. (a) The Director is authorized to provide financial assistance in the form of grants to nonprofit and for profit community development corporations and other affiliated and supportive agencies and organizations associated with qualifying community development corporations for the payment of all or part of the cost of programs which are designed to carry out the purposes of this part. Financial assistance shall be provided so that each community economic development program is of sufficient size, scope, and duration to have an appreciable impact on the area served. Such programs may include—

(1) community economic and business development programs, including but not limited to: (A) programs which provide financial and other assistance (including equity capital) to start, expand, or locate businesses in or near the area served so as to provide employment and ownership opportunities for residents of such areas, and (B) programs for small businesses located in or owned by residents of such areas;

(2) community development programs including industrial parks and housing activities, which contribute to an improved environment and which create new training, employment, and ownership opportunities for residents of such area;

(3) training and public service employment programs and related services for unemployed or low-income persons which support and complement community development programs financed under this part, including, without limitation, activities such as those described in the Comprehensive Employment and Training Act of 1973; and

(4) social service programs which support and complement community economic development programs financed under this part, including but not limited to child care, educational services, health services, credit counsel-

ing, energy conservation, and programs for the maintenance of housing facilities.

(b) The Director shall conduct programs assisted under this part so as to contribute, on an equitable basis between urban and rural areas, to the elimination of poverty and the establishment of permanent economic and social benefits in such areas.

Financial Assistance Requirements

Sec. 713. (a) The Director, under such regulations as he may establish, shall not provide financial assistance for any community economic development program under this part unless he determines that—

(1) such community development corporation is responsible to residents of the area served (i) through a governing body not less than 50 per centum of the members of which are area residents and (ii) in accordance with such other guidelines as may be established by the Director, except that the composition of the governing bodies of organizations owned or controlled by the community development corporation need not be subject to such residency requirement;

(2) the program will be appropriately coordinated with local planning under this title, with housing and community development programs, with employment and training programs, and with other relevant planning for physical and human resources in the areas served;

(3) adequate technical assistance is made available and committed to the programs being supported;

(4) such financial assistance will materially further the purposes of this part;

(5) the applicant is fulfilling or will fulfill a need for services, supplies, or facilities which is otherwise not being met;

(6) all projects and related facilities will, to the maximum feasible extent, be located in the areas served;

(7) projects will, where feasible, promote the development of entrepreneurial and management skills and the ownership or participation in ownership of assisted businesses and housing, cooperatively or otherwise, by residents of the area served;

(8) projects will be planned and carried out with the fullest possible participation of resident or local businessmen and representatives of financial institutions, including participation through contract, joint venture, partnership, stock ownership or membership on the governing boards or advisory councils of such projects consistent with the self-help purposes of this title;

(9) no participant will be employed on projects involving political parties, or the construction, operation, or maintenance of so much of any facility as is used or to be used for sectarian instruction or as a place for religious worship;

(10) the program will not result in the displacement of employed workers or impair existing contracts for services, or result in the substitution of Federal or other funds in connection with work that would otherwise be performed;

(11) the rates of pay for time spent in work-training and education, and other conditions of employment, will be appropriate and reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant;

(12) the program will, to the maximum extent feasible, contribute to the occupational development or upward mobility of individual participants;

(13) preference will be given to low-income or economically disadvantaged residents of the areas served in filling jobs and training opportunities; and

(14) training programs carried out in connection with projects financed under this part shall be designed wherever feasible to provide those persons who successfully complete such training with skills which are also in demand in communities, neighborhoods, or rural areas other than those for which programs are established under this part.

(b) Financial assistance under this section shall not be extended to assist in the relocation of establishments from one location to another if such relocation would result in an increase in unemployment in the area of original location.

(c) The level of financial assistance for related purposes under this Act, or any other program for Federal financial assistance, to the area served by a special impact program shall not be diminished in order to substitute funds authorized by this part.

Federal Share of Program Costs

Sec. 714. Federal assistance to any program carried out pursuant to this part, including grants used by community development corporations for capital improvements, shall (1) not exceed 90 per centum of the cost of such program including costs of administration unless the Director determines that the assistance in excess of such percentage is required in furtherance of the purposes of this part, and (2) be made available for deposit to the order of the grantee, under conditions which the Director deems appropriate, within thirty days following approval of the grant agreement by the Director and such grantee of the grant agreement. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, and services. Capital investments made with funds granted as a result of the Federal share of the costs of programs carried out under this title, and the proceeds from such capital investments, shall not be considered Federal property. Upon investment, title vests in the community development corporation. The Federal Government retains the right to direct that on severance of the grant relationship the assets purchased with grant funds shall continue to be used for the original purpose for which they were granted.

PART B—SPECIAL RURAL PROGRAMS

Statement of Purpose

Sec. 721. It is the purpose of this part to meet the special economic needs of rural communities or areas with concentrations or substantial numbers of low-income persons by providing support to self-help programs which promote economic development and independence, as a supplement to existing similar programs conducted by other departments and agencies of the Federal Government. Such programs should encourage low-income families to pool their talents and resources so as to create and expand rural economic enterprise.

Financial Assistance

Sec. 722. (a) The Director is authorized to provide financial assistance, including loans having a maximum maturity of 15 years and in amounts not resulting in an aggregate principal indebtedness of more than $3,500 at any one time, to any low-income rural family where, in the judgment of the Director, such financial assistance has a reasonable possibility of effecting a permanent increase in the income of such families, or will contribute to the improvement of their living or housing conditions, by assisting or permitting them to—

(1) acquire or improve real estate or reduce encumbrances or erect improvements thereon;

(2) operate or improve the operation of farms not larger than family sized, including but not limited to the purchase of feed, seed, fertilizer, livestock, poultry, and equipment; or

(3) participate in cooperative associations, or to finance non-agricultural enterprises which will enable such families to supplement their income.

(b) The Director is authorized to provide financial assistance to local cooperative associations in rural areas containing concentrations or substantial numbers of low-income persons for the purpose of defraying all or part of the costs of establishing and operating cooperative programs for farming, purchasing, marketing, processing, and to improve their income as producers and their purchasing power as consumers, and to provide such essentials as credit and health services. Costs which may be defrayed shall include but not be limited to—

(1) administrative costs of staff and overhead;

(2) costs of planning and developing new enterprises;

(3) costs of acquiring technical assistance; and

(4) initial capital where it is determined by the Director that the poverty of the families participating in the program and the social conditions of the rural area require such assistance.

Limitation on Assistance

Sec. 723. (a) No financial assistance shall be provided under this part unless the Director determines that—

(1) any cooperative association receiving assistance has a minimum of fifteen active members, a majority of which are low-income rural persons;

(2) adequate technical assistance is made available and committed to the programs being supported;

(3) such financial assistance will materially further the purposes of this part; and

(4) the applicant is fulfilling or will fulfill a need for services, supplies, or facilities which is otherwise not being met.

(b) The level of financial assistance for related purposes under this Act to the area served by a program under this part shall not be diminished in order to substitute funds authorized by this part.

PART C—DEVELOPMENT LOANS TO COMMUNITY ECONOMIC DEVELOPMENT PROGRAMS

Development Loan Fund

Sec. 731. (a) The Director is authorized to make or guarantee loans (either directly or in cooperation with banks or other organizations through agreements to participate on an immediate or deferred basis) to community development corporations, and families and local cooperatives eligible for financial assistance under this title, for business, housing, and community development projects which the Director determines will carry out the purposes of this part. No loans, gaurantees, or other financial assistance shall be provided under this section unless the Director determines that—

(1) there is reasonable assurance of repayment of the loan;

(2) the loan is not otherwise available on reasonable terms from private sources or other Federal, State, or local programs; and

(3) the amount of the loan, together with other funds available, is adequate to assure completion of the project or achievement of the purposes for which the loan is made.

Loans made by the Director pursuant to this section shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the average market yield on outstanding Treasury obligations of comparable maturity, plus such additional charge if any, toward covering other costs of the program as the Director may determine to be consistent with its purposes, except that, for the five years following the date in which funds are initially available to the borrower, the rate of interest shall be set at a rate considered appropriate by the Director in light of the particular needs of the borrower which rate shall not be lower than 1 per centum. All such loans shall be repayable within a period of not more than thirty years.

(b) The Director is authorized to adjust interest rates, grant moratoriums on repayment of principal and interest, collect or compromise any obligations held by him, and to take such other actions in respect to such loans as he shall determine to be necessary or appropriate, consistent with the purposes of this section.

(c) (1) To carry out the lending and guaranty functions authorized under this part, there shall be established a Development Loan Fund consisting of two separate accounts, one of which shall be a revolving fund called the Rural Development Loan Fund and the other of which shall be a revolving fund called the Community Development Loan Fund. The capital of each such revolving fund shall remain available until expended.

(2) The Rural Development Loan Fund shall consist of the remaining funds provided for in part A of title III of this Act and such amounts as may be deposited in such Fund by the Director out of funds made available from appropriations for the purposes of carrying out this part. The Director shall utilize the services of

the Farmers Home Administration in administering the Fund.

(3) The Community Development Loan Fund shall consist of such amounts as may be deposited in such fund by the Director out of funds made available from appropriations for the purpose of carrying out this title. The Director may make deposits in the Community Development Loan Fund in any fiscal year in which he has made available for grants to community development corporations under this title not less than $60,000,000 out of funds made available from appropriations for the purpose of carrying out this title.

Establishment of Model Community Economic Development Finance Corporation

Sec. 732. (a) To the extent he deems appropriate, the Director shall utilize funds available under this part to prepare a plan of action for the establishment of a model Community Economic Development Finance Corporation to provide a user-controlled independent and professionally operated long-term financing vehicle with the principal purpose of providing financial support for community economic development corporations, cooperatives, other affiliated and supportive agencies and organizations, and other entities eligible for assistance under this title.

(b) Not later than June 1, 1975, the Director shall submit to the appropriate committees of the Congress the plan required by this section.

PART D—SUPPORTIVE PROGRAMS AND ACTIVITIES

Training and Technical Assistance

Sec. 741. (a) The Director shal provide, directly or through grants, contracts or other arrangements, such technical assistance and training of personnel as may be required to effectively implement the purposes of this title. No financial assistance shall be provided to any public or private organization under this section unless the Director provides the beneficiaries of these services with opportunity to participate in the selection of and to review the quality and utility of the services furnished them by such organization.

(b) Technical assistance to community development corporations and both urban and rural cooperatives may include planning, management, legal assistance or support, preparation of feasibility studies, product development, marketing, and provision of stipends to encourage skilled professionals to engage in full-time activities under the direction of a community organization financially assisted under this title.

(c) Training for employees of community development corporations and for employees and members of urban and rural cooperatives shall include, but not be limited to, on-the-job training, classroom instruction, and scholarships to assist them in development, managerial, entrepreneurial, planning, and other technical and organizational skills which will contribute to the effectiveness of programs assisted under this title.

Small Business Administration and Department of Commerce Programs

Sec. 742. (a) (1) Funds granted under this title which are invested directly or indirectly, in a small business investment company, local development company, limited small business investment company, or small business investment company licensee under section 301(d) of the Small Business Investment Act of 1958 shall be included as "private paid-in capital and paid-in surplus," "combined paid-in capital and paid-in surplus," and "paid-in capital" for purposes of sections 302, 303, and 502, respectively, of the Small Business Investment Act of 1958.

(2) Within ninety days of the enactment of this title, the Administrator of the Small Business Administration, after consultation with the Director, shall prescribe such regulations as may be necessary and appropriate to insure the availability to community development corporations of such programs as shall further the purposes of this title.

(b) (1) Areas selected for assistance under this title shall be deemed "redevelopment areas" within the meaning of section 401 of the Public Works and Economic Development Act of 1965, shall qualify for assistance under the provisions of title I and title II of that Act, and shall be deemed to have met the overall economic development program requirements of section 202(b)(10) of such Act.

(2) Within ninety days of the enactment of this title, the Secretary of Commerce shall prescribe regulations which will insure that community development corporations and cooperatives shall qualify for assistance and shall be eligible to receive such assistance under all such programs of the Economic Development Administration as shall further the purposes of this title.

Department of Housing and Urban Development Programs

Sec. 743. The Secretary of Housing and Urban Development, after consultation with the Director, shall take all necessary steps to assist community development corporations and local cooperative associations to qualify for and receive (1) such assistance in connection with technical assistance, counseling to tenants and homeowners, and loans to sponsors of low- and moderate-income housing under section 106 of the Housing and Urban Development Act of 1968 as amended by section 811 of the Housing and Community Development Act of 1974, (2) such land for housing and business location and expansion under title I of the Housing and Community Development Act of 1974, and (3) such funds for comprehensive planning under section 701 of the Housing Act of 1954 as amended by section 401 of the Housing and Community Development Act of 1974, as shall further the purposes of this title.

Department of Agriculture and Farmers Home Administration Programs

Sec. 744. The Secretary of Agriculture or, where appropriate, the Administrator of the Farmers Home Administration, after consultation with the Director, shall take all necessary steps to insure that community development corporations and local cooperative associations shall qualify for and shall receive (1) such assistance in connection with housing development under the Housing Act of 1949, as amended, (2) such assistance in connection with housing, business, industrial, and community development under the Consolidated Farmers

Home Administration Act of 1961 and the Rural Development Act of 1972, and (3) such further assistance under all such programs of the United States Department of Agriculture, as shall further the purposes of this title.

Report on Other Federal Resources

Sec. 745. On or before six months after the enactment of this title, and annually thereafter, the Director shall submit to the Congress a detailed report setting forth a description of all Federal agency programs which he finds relevant to achieving the purposes of this title and the extent to which such programs have been made available to community development corporations receiving financial assistance under this title including specifically the availability and effectiveness of programs referred to in Sections 742, 743, and 744 of this title. Where appropriate, the report required under this subsection also shall contain recommendations for the more effective utilization of Federal agency programs for carrying out the purposes of this title.

Coordination and Eligibility

Sec. 746. (a) The Director shall take all necessary and appropriate steps to encourage Federal departments and agencies and State and local governments to make grants, provide technical assistance, enter into contracts, and generally support and cooperate with community development corporations and local cooperative associations.

(b) Eligibility for assistance under other Federal programs shall not be denied to any applicant on the ground that it is a community development corporation or any other entity assisted under this title.

Evaluation and Research

Sec. 747. (a) Each program for which grants are made under this title shall provide for a thorough evaluation of the effectiveness of the program in achieving its purposes, which evaluation shall be conducted by such public or private organizations as the Director, in consultation with existing grantees familiar with programs carried out under this Act, may designate, and all or part of the costs of evaluation may be paid from funds appropriated to carry out this part. In evaluating the performance of any community development corporation funded under part A of this title, the criteria for evaluation shall be based upon such program objectives, goals, and priorities as are consistent with the purposes of this title and were set forth by such community development corporation in its proposal for funding as approved and agreed upon by the Director or as subsequently modified from time to time by mutual agreement between the Director and such community development corporation.

(b) The Director shall conduct, either directly or through grants or other arrangements, research designed to suggest new programs and policies to achieve the purposes of this title in such ways as to provide opportunities for employment, ownership, and a better quality of life for low-income residents.

Planning Grants

Sec. 748. In order to facilitate the purposes of this title, the Director is authorized to provide financial assistance to any public or private nonprofit agency or organization for planning of community economic development programs and cooperative programs under this title.

Nondiscrimination Provisions

Sec. 749. (a) The Director shall not provide financial assistance for any program, project, or activity under this title unless the grant or contract with respect thereto specifically provides that no person with responsibilities in the operation thereof will discriminate with respect to any such program, project, or activity because of race, creed, color, national origin, sex, political affiliation, or beliefs.

(b) No person in the United States shall on the ground of sex be excluded from participation in, be denied the benefits of, be subjected to discrimination under, or be denied employment in connection with any program or activity receiving assistance under this title. The Director shall enforce the provisions of the preceding sentence in accordance with section 602 of the Civil Rights Act of 1964. Section 603 of such Act shall apply with respect to any action taken by the Secretary to enforce such sentence. This section shall not be construed as affecting any other legal remedy that a person may have if that person is excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in connection with, any program, project, or activity receiving assistance under this title.

TITLE VIII—NATIVE AMERICAN PROGRAMS

Short Title

Sec. 801. This title may be cited as the "Native American Programs Act of 1974."

Statement of Purpose

Sec. 802. The purpose of this title is to promote the goal of economic and social self-sufficiency for American Indians, Hawaiian Natives and Alaskan Natives.

Financial Assistance for Native American Projects

Sec. 803. (a) The Secretary is authorized to provide financial assistance to public and nonprofit private agencies, including but not limited to, governing bodies of Indian tribes on Federal and State reservations, Alaskan Native villages and regional corporations established by the Alaska Native Claims Settlement Act, and such public and nonprofit private agencies serving Hawaiian Natives, and Indian organizations in urban or rural nonreservation areas, for projects pertaining to the purposes of this title. In determining the projects to be assisted under this title, the Secretary shall consult with other Federal agencies for the purpose of eliminating duplication or conflict among similar activities or projects and for the purpose of determining whether the findings resulting from those projects may be incorporated into one or more programs for which those agencies are responsible.

(b) Financial assistance extended to an agency under this title shall not exceed 80 per centum of the approved costs of the assisted project, except that the Secretary may approve assistance in excess of such percentage if he determines, in accordance with regulations establishing objective criteria, that such action is required in furtherance of the purposes of this title. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, and services. The Secretary shall not require non-Federal con-

THE WHITE HOUSE

WASHINGTON

INFORMATION

May 3, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: Federal Fair Housing Policy/Ethnic Heritage

Secretary Hills has forwarded to you the attached paper on the impact of Federal Fair Housing programs on homogenous neighborhoods. She argues that while Federal law prohibits racial discrimination and promotes economic integration in housing, it does not compel destruction of ethnic or homogenous neighborhoods.

Secretary Hills maintains that while the Supreme Court found HUD to be in violation of the Constitution concerning its participation with the Chicago Housing Authority, the Department's block grants and Section 8 Rental Supplement programs are in compliance with the spirit and language of the Court's remedial order.

Further action in the Chicago situation now lies with the District Court for the Northern District of Illinois. While the case may cause some additional headlines, the District Court may not impose a remedial decree until after the first of the year.

Attachment

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C.. 20410

April 22, 1976

MEMORANDUM FOR: The President

FROM: Carla A. Hills

SUBJECT: Federal Fair Housing Policy and Our Ethnic Heritage

FEDERAL FAIR HOUSING POLICY AND OUR ETHNIC HERITAGE

"Fair housing" for low and moderate income persons has two separate connotations, which are frequently confused:

First: racial discrimination, which violates our Constitution and our civil rights laws.

Second: the more complex notion of economic integration, or the placement of subsidized low and moderate income housing in the suburbs.

This Administration seeks through two major programs established by the Housing and Community Development Act of 1974 to create housing alternatives for our low and moderate citizens.

One, it offers to pay local housing authorities and housing owners the difference between a fair market rent and the rent which tenants can afford with between 15 and 25 percent of their income. This program allocates rental assistance funds to metropolitan and non-metropolitan communities on the basis of poverty, population, overcrowding and housing needs.

Many local housing authorities operate in jurisdictions extended by State statute beyond the limits of city boundaries. And private owners may offer low and moderate income housing, either new or substantially rehabilitated, in any geographic area, subject to local zoning laws and land use restrictions.

Two, it offers funds to communities for community development on condition that they address the housing needs of low and moderate persons residing and expected to reside there. The genesis of this condition is to require communities that benefit from economic development (and hence a healthy tax base) to shoulder the burden of housing a share of the low and moderate income persons who work in the community and would like to live there.

These related programs -- rental assistance and block grants -- are directed toward one of seven express objectives of the 1974 Housing and Community Development Act:

"the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income."

Both programs comply with the spirit and the language of the Supreme Court in the Gautreaux opinion, wherein the Court said:

"HUD's discretion regarding the selection of housing proposals to assist with funding as well as its authority under a recent statute to contract for low and moderate income housing directly with private owners and developers can clearly be directed towards providing relief to the respondents in the greater Chicago metropolitan area without pre-empting the power of local governments by undercutting the role of those governments in the federal housing assistance scheme."

It is too early to comment on the full ramifications of the Gautreaux case, which was based not on economic integration but rather on unconstitutional discrimination; until the District Court fashions the remedial plan.

But insofar as economic integration is concerned the Federal government has no statutory power to force low and moderate income housing into any neighborhood. No Federal aid is injected into neighborhoods that do not want it.

The Federal government does have statutory power to encourage communities to offer low and moderate income persons greater housing opportunities.

Hence, the Federal government encourages neighborhood vitality but does not destroy black pride or an ethnic heritage.

THE WHITE HOUSE

WASHINGTON

May 3, 1976

MEMORANDUM FOR: DICK CHENEY

FROM: JIM CANNON Jim

SUBJECT: Important Presidential Issue: Federal Housing

To the major issues to be put on a watch list, you might want to add federal housing.

The Supreme Court decision of April 20, 1976 in Hills vs. Gautereaux means, in effect, that HUD may become involved in imposing low income housing, which tends to be predominantly black, on middle and upper income neighborhoods.

I have asked Carla Hills to send a memo to the President outlining her views on what may be in the future an issue as controversial as busing is now.

FOR IMMEDIATE RELEASE MAY 5, 1976

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
TO THE
ETHNIC LEADERS

THE ROSE GARDEN

11:34 A.M. EDT

Mayor Cianci, Mayor Perk, Monsignor Baroni, members of the Administration and guests:

Obviously, it is a great pleasure and privilege to welcome you to the White House and the Rose Garden this morning. This conference has been called to give new insight into some very, very old questions: How to maintain, how to strengthen the ties of community and neighborhood within our society.

America has always been drawing much of its strength from the bonds of family, community, church and volunteer organization. Yet, as the face of America has been changed over the years, there is a growing realization that some of our oldest traditions and some of our oldest institutions are now in jeopardy.

A sense of community has been eroded in some of our largest cities. A sense of neighborhood, a sense of belonging, of cultural identification, are threatened. I can appreciate your deep concern for the future of institutions which you work so very hard to establish. The ethnic church, the school, the credit union, the fraternal lodge, and an increasingly centralized Government in Washington, which has grown more and more powerful and very impersonal is a big part of the problem.

It is time to begin de-emphasizing the bureaucracies in Washington and re-emphasizing the community, the efforts that we can make to improve our American way of life. One way to do this is by extending the general revenue sharing program, which over the past five years has turned the flow of power away from Washington and towards your own cities and your own States.

MORE

Another way is through the vigorous enforcement of the anti-redlining bill, which discourages credit discrimination based on neighborhood location and in mortgage and home improvement loans. I signed the law prohibiting that discrimination, and I intend to see it stopped.

By replacing the urban renewal programs and many similar programs with a single Community Development Act, we have given local residents a much, much greater voice in rebuilding their own communities. Red tape has been cut enormously. At my direction, Federal regulations for community development have been reduced from 260 pages to just 25 pages.

Application forms have been reduced from 1,400 pages to only 50 pages. The whole process between application and approval for these projects has been reduced from an average of two years to less than two months. We want to do more, and to do that we want to hear your views and to enlist your support and your cooperation. I have asked Bill Baroody and Myron Kuropas to give me a full report on your activities here today, and I hope each of you will let us know what you think needs to be done.

As we enter our third century, I believe that we can have a rebirth of individual freedom and that we can protect the diverse heritage which gives so much strength and so much richness to our society. Working together, we can achieve these goals, and I think today's conference is a very good start.

Thank you very, very much.

END (AT 11:39 A.M. EDT)