

Remarks by Governor Mark W. Olson

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Urban Revitalization: Shared Responsibilities

I am pleased to participate in this conference on urban revitalization. Much insight has been gained during the past fifty years. And, this city's work to revitalize its economy offers valuable lessons in the importance of community involvement, broad-based partnerships, and local sustainable investment by the private sector.

East St. Louis has shown other cities an example of how an individual, namely Jackie Joyner-Kersey, can play an important role in revitalization. Virtually every time she is introduced or covered in print, Jackie Joyner-Kersey is identified with her hometown, East St. Louis. If that were the only ongoing identification this city were to have with her, East St. Louis still would benefit from the association with one of America's most successful and well-respected athletes. To her credit, however, she has chosen to do much more for her hometown. She has been a catalyst for local community development. Jackie Joyner-Kersey clearly understands what is required for meaningful community renewal. It requires residents to be involved in the ownership and management of community housing projects. It requires partnerships involving financial, community, and government resources, and it requires a commitment to the ongoing education of its residents. Each of these characteristics is evident in the involvement of the Jackie Joyner-Kersey Foundation with East St. Louis.

Like many cities, East St. Louis has a history that includes a period of great economic vitality. In the early and mid-1900s, the city was a hub of commerce. Its natural resources and access to both river and rail transportation made it an ideal location for glass and metal manufacturing, refineries, and meatpacking. They offered abundant employment opportunities and provided economic stability to the area. The vitality of the city was recognized in 1959, when the National Civic League named East St. Louis an "All-America City," honoring its culture of civic excellence and the cooperative spirit among residents, businesses, nonprofits, and government. However, even at that time, the city had begun a thirty-year decline triggered by a number of factors: a significant reduction in population, urban flight by industry and business, and the decline of the railroads. Once a regional economic engine, East St. Louis became a city marked by fiscal, social, and physical deterioration. As a result, it has been grappling with the same challenges that have gripped a number of our nation's cities: decreased tax revenues, increased poverty and unemployment, and deficient infrastructure.

A review of Census Bureau data reveals that during the past thirty years, much of the population and economic growth in metropolitan areas across the country has occurred in the suburbs, not in the central cities. East St. Louis, in particular, lost 55 percent of its population between 1970 and 2000, while the surrounding suburbs increased nearly 28 percent. The number of residents employed in manufacturing, East St. Louis's primary

source of jobs, decreased 67 percent between 1970 and 1990, while it increased 8 percent in this area's suburbs. While the average annual unemployment rate in East St. Louis decreased between 1991 and 2001, it is still high, consistently registering in the double digits.

Despite these less-than-favorable data, other information points to the strides that East St. Louis is making in improving its economic picture. For example, home ownership in East St. Louis has risen steadily since 1970, with building permit data showing a dramatic increase in the construction of single-family homes in 2000 and 2001. Another promising trend is revealed by the dramatic increase in the education level of its residents: The number of residents with some college credits or an associate degree has nearly tripled since 1970.

These data demonstrate the real changes that residents of East St. Louis are seeing from collaborative redevelopment strategies implemented through its Enterprise Community and local community organizations. For example, the increase in home ownership is consistent with the development of Parson's Place, a partnership led by the Emerson Park Development Corporation (EPDC) to create affordable housing, which is viewed as a catalyst for East St. Louis's economic comeback. In addition, gains in education attainment levels track job training and youth education programs sponsored by EPDC and the Jackie Joyner-Kersey Foundation.

These activities involve the local investment of both monetary and human capital, which is critical to revitalization and redevelopment. Such investment yields sustainable growth.

The trend toward local investment tracks the evolution of community development policy and financing. A discussion of this progression provides some context for the strategies that are now considered effective for inner city revitalization.

Evolution of Housing and Community Development Policy

Urban policy began in this country as an offshoot of housing policy. Both were considered exclusively the purview of the federal government from the beginning of enabling legislation in the 1930s through the 1960s. During that time, federal laws and agencies were dedicated to stabilizing the residential housing markets by providing funding to finance home mortgages, as well as to construct public housing to alleviate overcrowding and replace substandard housing in cities. The conventional wisdom at the time was that improvements in housing conditions would enhance urban residents' overall quality of life, thereby resolving other social and economic ills that had beset inner-city neighborhoods. Indeed, in 1949 the federal government's housing policy expanded into urban renewal as programs were established with the objective of providing "a decent home and suitable environment" for every family.

Given the enormity of such an undertaking, the federal government was seen as the logical resource for tackling the problems of inner-city blight and deterioration. With a large budget and a heavy hand, neighborhoods were transformed as urban planners demolished long-standing homes and businesses and replaced them with high-density, subsidized apartment buildings for low-income residents. In cities throughout the country, public housing projects were created. Examples include Cabrini-Green in Chicago, Jamaica Plains in Boston, Bedford-Stuyvesant in New York, and Cochran Gardens in St. Louis. Although these efforts originated with the vision of updating and improving the housing and economic conditions in urban neighborhoods, over time this one-dimensional federal housing policy had unintended consequences, including displacing residents, demoralizing communities, and creating concentrations of poverty, unemployment, and crime.

These and future approaches by the federal government resulted increasingly in frustration and unmet expectations because the individuals affected by these policies had no voice in the formation or implementation of the redevelopment that drastically affected their lives. Policymakers crafting programs intended to revive central cities began to recognize the consequences of unilateral approaches to community development and began to incorporate community involvement in the redevelopment process in the mid-1950s. Over time, the role of community participation continued to increase.

In response to this policy shift, community groups and public housing tenant organizations began to play a more-active role in planning for neighborhood revitalization and property management. Such involvement by resident stakeholders conveyed an ownership interest in the community that is essential to sustainable redevelopment. This involvement was deemed to be so vital that by 1970, local community development corporations (CDCs) were formally created and provided with federal assistance in recognition of their importance in mobilizing communities to improve their economic and social conditions. By way of illustration, East St. Louis is familiar with the impact that such groups can have on neighborhood revitalization when they work with local, regional, state, and federal governments. The evidence is the recent residential, retail, and support services development that is altering the economic profile of this city.

Evolution of Community Development Finance

Just as urban development policy grew to recognize the importance of local participation in the development of strategies for revitalization, so too did the process of funding such initiatives. For example, the Community Development Block Grant program authorized local governments to allocate federal funding for community redevelopment, rather than the direction being dictated by federal agencies. The delegation of funding priorities for community redevelopment began a process that would continually engage and expand the base of involvement and investment, using philanthropic and private-sector funds to leverage federal dollars for revitalizing distressed communities. Foundations became important sources of capital for urban redevelopment, as did banks. The Community Reinvestment Act of 1977 codified banks' responsibility for facilitating the credit flow in their markets, including low- and moderate-income neighborhoods, and formally established their role in community revitalization.

The change in the base of capital providers for community development also redefined the roles of funding sources and fostered innovation in the financing strategies for community development. The federal government's role shifted from being the sole source of funding through direct appropriation to providing tax incentives and credit enhancements, such as loan guarantees and insurance, to encourage private investment by offsetting risk. As financial institutions increased their participation in community development activities, credit became vital for leveraging grant monies, and partnerships between CDCs and financial institutions became important vehicles for funding revitalization activities. This fundamental shift in community development financing philosophy engendered market-based strategies for redeveloping distressed communities.

I want to emphasize the importance of the active engagement of the banking community in revitalization efforts. A strong and involved banking community is a tremendous asset in an area's development. Experienced loan officers who are well acquainted with their markets can channel funds into those loans that are most likely to benefit the local economy and can bring vital information and technical assistance to partnerships dedicated to reinvigorating

the local marketplace. Establishing and maintaining banking relationships are critical to sustainable development that is not dependent on public funding. Over time, banks have become more engaged with CDCs as community groups have expanded their role from primarily advocacy to housing and community economic development.

Comprehensive Approaches to Community Development

While the availability of credit and capital has long been recognized as critical to fostering economic growth, many other factors contribute to the success of a market, including a skilled workforce and adequate support systems, such as educational institutions and transportation. In recognition of this, community developers came to realize that bricks-and-mortar development alone cannot revitalize distressed communities and that more-comprehensive approaches are necessary to foster sustainable growth. This more holistic approach moved community development beyond the realm of exclusively improving housing conditions and increasing home ownership. Community development now includes programs that increase residents' capacity to make economic contributions to the community by supporting entrepreneurs, providing job training, and facilitating transportation and child care. At the same time, government initiatives focused on developing markets by increasing private-sector investment in underserved communities, and by offering businesses financial incentives to locate in and employ residents of redevelopment areas. The vital importance of both human capital and private investment became apparent in the changes in community development policy and financing strategies. Initiatives became more comprehensive and partnerships, more broad based.

As the scope of community development increased, so too did the breadth of partnering organizations. With the federal government, foundations, and banks well established in the process, CDCs sought new partners, such as insurance companies, major corporations, and universities, to support their work through funding and technical assistance. In addition, national community development intermediaries were created to provide funding support and technical assistance to larger-scale development and services. The expansion of these players led to new capital sources, and increased the complexity and sophistication of community development finance. For example, the need for equity financing to serve as a buffer against economic shocks and to increase ownership interests in underserved communities has led to the creation of community development venture capital funds, angel investor networks, and other mechanisms. More recently, organizations have begun to explore strategies for gaining access to capital markets to exponentially increase the capacity of community development finance.

The Importance of Partnerships

While many factors in East St. Louis's history contributed to the problems that this city is working to overcome, the fundamental concerns are similar to those of cities across the country: promoting local investment, creating affordable housing, and supporting workforce development. In this regard, the progression of community development policy is instructive in both effective and ineffective strategies and underscores the importance of creative partnerships in spearheading growth and development. Indeed, recent development in East St. Louis is attributable to strong collaborations among its stakeholders.

One of the city's most-effective partnerships is with the University of Illinois at Urbana-Champaign, which sponsors the East St. Louis Action Research Project (ESLARP). This initiative provides technical assistance and volunteer services to help neighborhood organizations devise comprehensive plans, clean up sites, conduct research, and offer legal advice. Through its active engagement, community groups have increased their capacity and

effectiveness. For example, EPDC, with assistance from ESLARP, was instrumental in ensuring that East St. Louis residents benefited from MetroLink, the region's light rail transit system, which was recently completed. By collaborating with ESLARP to create an alternate proposal for the development of the rail, EPDC secured a stop on the line for Emerson Park. This accomplishment is a critical link in revitalization efforts because it provides residents with ready access to jobs and services. In addition to EPDC, ESLARP has helped many other groups organize to address a myriad of issues, ranging from crime prevention to dependent care services.

Another important asset in East St. Louis is its Enterprise Community. It has facilitated collaboration among local government agencies and community organizations to integrate housing, economic development, and support services into solutions for overcoming market failures and creating sustainable development. The Enterprise Community has tapped federal, state, and local resources to expand community development groups, provide workforce development programs, and make infrastructure improvements, thus cultivating new private-sector investment to assist existing businesses and recruit new enterprises. Among its many accomplishments, the Enterprise Community recognized the importance of a strong banking presence by making the construction and expansion of its oldest bank, Union Bank of Illinois, a priority. Other partners committed to improving the future of East St. Louis include the Casino Queen Foundation, which has funded a 24-hour daycare facility to help meet the child care demands of a wide variety of workers, and the Jackie Joyner-Kersey Boys & Girls Club, which recently partnered with Intel Corporation to provide computer access and training for youth through Intel Computer Club houses.

These developments are significant strides in the revitalization of East St. Louis. With newfound investment and renewed strength, the city is creating its own opportunities by leveraging resources, creating partnerships to foster private-sector investment, and identifying strategies to overcome a variety of barriers to development. The Federal Reserve System's Community Affairs Office is particularly interested in supporting revitalization in localities where market failures have led to disinvestment. The Community Affairs Office conducts outreach, provides technical assistance and research, convenes stakeholders, and hosts conferences and other forums. This conference, with its information sharing and networking opportunities, is one example of how the Federal Reserve helps communities' revitalization efforts.

In conclusion, I would like to underscore that while the history of community development policy and finance has been characterized as difficult, it provides important lessons that are now serving communities like East St. Louis as they bring sustainable change to their neighborhoods. This history demonstrates the importance of addressing the improvement of both physical and human infrastructure to create a vibrant community that attracts investment. These lessons show that private-sector investment is the life-blood of community development. Certainly, the success of this city's Enterprise Community is indicative of this precept. And, lastly, this history establishes the power of partnerships in tackling community development challenges. Broad-based collaborations that cross sectors, industries, and disciplines demonstrate the interdependence of market participants and serve to further community redevelopment by increasing investment, dispersing risk, and creating ownership in a community--vital elements in sustainable revitalization. These components are developing here in East St. Louis and should serve to redefine the economic profile of this city over time.

At a recent leadership forum for adults and youth held at Marshall University, Jackie Joyner-

Kersee concluded her presentation as follows: "Spread the positive fight, know why you are here and continue to make a difference." Thank you for allowing me to be a part of this information exchange. The Federal Reserve will continue to take a keen interest in your progress. I wish you well in your journey to economic revitalization.

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