

Onondaga Citizens League  
Report #16

# **Reinvesting in the Community: Opportunities for Economic Development**

Approved and Issued  
by

The Board of Directors  
Onondaga Citizens League

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## EXECUTIVE SUMMARY

Numerous economic development departments, programs and organizations exist, many with special initiatives geared toward the economic development of impoverished inner city areas. Despite the plethora of these programs, the poorest sections of the City of Syracuse continue to have high rates of poverty, unemployment and welfare dependence. While the recession has been slowly lifting in Onondaga County as a whole, inner city neighborhoods in Syracuse are still mired in economic problems. Many of these problems extend beyond being purely economic in nature, although a lack of financial resources and opportunity has a severe impact on people's lives. The problems experienced in the inner city touch on many other areas, including education, health, family stability, transportation and housing, among others. The complex nature of these problems speaks to the importance of viewing economic development in light of community development. Many times "economic development" cannot occur, because members of the community do not have the basic social infrastructure in place, such as affordable transportation, stable families, decent housing and the necessary education and training.

This report details the economic and community problems being experienced in today's inner city neighborhoods in Syracuse and discusses the interdependent nature of economic and community development. Because of the complexity of the situation, tackling even one aspect of the problem can impinge on a number of different areas. For example, a much-cited concern of residents was the lack of a major grocery store in the inner city to offer competitively-priced foods and other essentials. This absence of a supermarket cannot be blamed on just one cause, but is the result of numerous, overlapping factors. Thus, the answer to this--or any other concern cited by inner-city residents--cannot be contained in one simple, expedient program. Economic development must be viewed holistically, incorporating areas that have been traditionally viewed as community development.

The Community Reinvestment Act (CRA) has been viewed as one tool that could play a major role in inner-city revitalization. Passed by Congress in 1977, as an effort to stem redlining by banks, the CRA went under rule changes in April of this year. The CRA uses three criteria--how actively banks lend in their communities, how banks deliver their products, and the extent of banks' community investments--to evaluate banks. These evaluations are weighed when banks apply to merge, expand or open new branches. An important component of the CRA--that of community challenges to such applications--has been seen as a crucial resource in gaining greater financial investments in previously underserved neighborhoods. Locally, activism by a community group was successful in getting a greater commitment to inner-city housing development by a local bank. Although the CRA is currently under fire in Congress, it continues to be seen as a major instrument in local community redevelopment.

Some of the recommendations offered in this report touch on the CRA, while others speak to greater communication between various components of the community. The Onondaga Citizens Leagues notes that banks have been more active in recent years in supporting community reinvestment, such as through the Time of Jubilee housing program. Whether or not the CRA is

weakened, the League encourages this financial support of inner-city development to continue. Such support should take the form of organizational improvements in staff training, making bank employees more aware of the programs that are available, and the financial support of a community microcredit program. Since a multitude of entities already exist, much improvement could be achieved with greater collaboration and coordination. The Onondaga Citizens League calls for the establishment of designated information centers in various locations to provide residents with information about programs, jobs and other resources, as well as the establishment of an electronic bulletin board to coordinate access to information and support services, such as transportation. The Citizens League also calls upon churches and congregations in the Syracuse area to exert a more proactive role in the economic redevelopment of their neighborhoods--both through the establishment of a church-based revolving loan fund and supports, such as assisting with access to housing and day care, that can enable people to secure employment.

No successful community reinvestment can occur in the long-term, however, without a community vision. Other communities have shown that community visioning projects can result in successful economic development and can attract substantial outside dollars. The visioning project being proposed by the alumni group of Leadership Greater Syracuse should be seriously considered as an important tool for successful community development. At the same, this study showed the importance of incorporating the voices of all members of the community. The Citizens League urges that organizations responsible for economic development planning be more concerned about and responsive to the needs of inner-city neighborhoods. The community as a whole cannot fully prosper if a portion of it continues to have severe economic and community problems.



## PREFACE

In 1978, several members of the Thursday Morning Roundtable at Syracuse University's University College explored the need for, and the feasibility of, establishing a broad-based citizen organization to study and make recommendations on long-range problems facing Onondaga County. The idea for the citizens group was inspired by the successful 25-year history of the Minneapolis-St. Paul Citizens League, which has been responsible for initiating many of the progressive developments in that metropolitan area.

After much discussion, 21 people, who were active in the community and interested in the concept, were convened by University College Dean Lee Smith, to serve as an advisory board and to develop plans for an Onondaga Citizens League. They established guidelines for members, prepared and adopted by-laws, and oversaw the operations of the Citizens League in its early months.

The Onondaga Citizens League was incorporated in 1980 and received non-profit, tax-exempt status in 1981. The League's purpose is to encourage citizen education and involvement in public issues and problems. Members study all aspects of selected public issues. They review the facts, make considered judgments on approaches, alternatives and solutions, and develop recommendations to present to the community. The organization's objective is to forestall the development of problems into major crises. The League's mission is to encourage and provide civic education for local residents, not to promote specific legislation or function as a lobbying group.

The Onondaga Citizens League with a current membership of more than 200, is open to all residents in Onondaga County. While some choose to join in order to study a specific topic, others join and renew their membership annually because they support the principle of citizen education and involvement. In its 17-year history, the Citizens League has issued 16 reports.

### Reports of the Onondaga Citizens League:

Equality and Fairness in Property Assessment	June, 1979
Young People in Trouble: Can Our Services Be Organized and Delivered More Effectively?	May, 1980
The County Legislature: Its Function, Size and Structure	August, 1981
Declining School Enrollments: Opportunities for Cooperative Adaptations?	July, 1982
Onondaga County Public Works Infrastructure: Status, Funding and Responsibilities	July, 1983

Police Services in Onondaga County: A Review and Recommendations	August, 1984
The City and County Charters: Time for Revision?	July, 1985
Blueprints for the Future: Recommendations for the Syracuse Area in the Year 2000	July, 1987
The Role of the Food Industry in the Economy of Onondaga County	July, 1988
Poverty and Its Social Costs: Are There Long-Term Solutions?	October, 1989
Syracuse Area Workforce of the Future: How Do We Prepare?	June, 1990
Schools That Work: Models in Education That Can Be Used in Onondaga County	September, 1991
Town and Village Governments: Opportunities for Cost-Effective Changes	September, 1992
The Criminal Justice System in Onondaga County: How Well is it Working?	September, 1993
The Delivery of Human Services: Opportunities for Improvement	September, 1994
Reinvesting in the Community: Opportunities for Economic Development	September 1995

## APPRECIATION

In our community, as in many others, the dedication and active participation of volunteers is an essential ingredient in all civic enterprises. This is especially the case in regard to the work of the Onondaga Citizens League. The League is comprised of volunteers. Officers, board members, committee chairpersons and committee members give freely of their time and thought to planning and carrying out the work of the League.

This particular study on the delivery of human services involved an unusually large number of resource persons and speakers who informed the study committee. The names of such persons, as well as advisory and study committee members, are included in an appendix. OCL is grateful for the time and expertise provided by all of these volunteers.

The League is especially appreciative of the contributions made by the leaders of this project. Marcie Sonneborn, Donald MacLaughlin and Mike Atkins spent countless hours in addition to study committee sessions reviewing progress, planning strategy and future sessions, and obtaining speakers or consultants. Chairing an OCL study is a major commitment of time and energy. The League's work could not be accomplished without such dedication. Marcie Sonneborn especially provided excellent leadership in the production of this report.

The OCL Board of Directors appreciates very much the work of its assistant director and its general writer, Laurel Saiz. She assisted the chairpersons in every phase of the study and wrote the final report.

As it has for 17 years, University College of Syracuse University provided staff support, office and meeting facilities, telephone, mailing and other forms of assistance as a community service to implement the work of the Onondaga Citizens League.

Lee Smith  
Executive Vice-President



## I. Introduction

Like earlier studies, this--the sixteenth study of the Onondaga Citizens League--deals with more than one discrete area. In fact, this study, dealing as it does with economic development and community reinvestment, touches on a number of issues. Likewise, this topic connects with former studies undertaken by the Citizens League, such as "Poverty and Its Social Costs: Are There Long-Term Solutions?" "Syracuse Area Workforce of the Future: How Do We Prepare?," "The Delivery of Human Services: Opportunities for Improvement" and "Schools That Work: Models in Education That Can Be Used in Onondaga County." These studies recognize that a community's prosperity and growth are intrinsically linked with the well-being of its populace, as well as the dollars-and-cents decisions that drive business start-ups and expansion. Economic development depends on a skilled and dedicated work force and has to consider such "quality of life" issues as housing, transportation, safety, health, education, culture, recreation and other factors. This study on economic development and community reinvestment has as a focus the economic health of neighborhoods in lower and moderate-income areas.

This study began in the spring of 1994, when the League's board appointed a topic selection committee chaired by Peggy Ogden, president of the Central New York Community Foundation, Inc. Ogden, along with board members Donald MacLaughlin and Corinthia Emmanuel, presented their recommendation that the League look at the economic needs of the community and prepare an economic development plan for the region. The committee--and the board--realized that economic development would not be a new issue to review. Many other entities in the community, including the Metropolitan Development Association (MDA), the Manufacturing Association of Central New York (MACNY), the Greater Syracuse Chamber of Commerce and the economic development departments of the city, county and state, among others, are concerned about the economic vitality of the region. Certainly these groups have already examined numerous issues related to jobs and the local economy. And certainly a number of studies have already been done in our community, such as on the potential economic development impact of tourism, the impact of the new transportation center and of the Center for Science and Technology, and a host of other issues. Given its limited time frame and resources, the League could not hope to answer all of the questions raised by these other organizations about economic impacts of specific community resources and organizations.

However, the board believed that despite the continuing work of the MDA, MACNY, the Chamber and other groups, one area had not been fully explored: ways to make our poorer neighborhoods more economically viable. Issues related to poverty, and job development, education and training of the unemployed and underemployed, as well as the delivery of services to low-income people, has long been a priority of the Citizens League. All of these topics relate to the continuing problems of our neighborhoods in greatest need. The OCL board decided to focus on opportunities for community reinvestment as they related to the inner city of Syracuse.

The starting point for the study was to be the Community Reinvestment Act (CRA), the federal banking law that was passed in 1977 that requires financial institutions to put money back



into the communities where they conduct business and derive revenues through lending programs and access to banking services. (See Part II of this report). OCL President Patrick Mannion believed that, given the tremendous pressure on lending institutions to invest money in their communities, the League could offer an objective view of the landscape and could help review where the community needs could be connected to the financial resources. The board viewed the CRA as a focal point in looking at what has been done locally to comply with the act, what needs remain in the target area of the study--the inner city of Syracuse--and how those needs can be met. Most importantly, the board wanted to examine how can we, as a community, create a vision for the future that incorporates our lowest-income residents as active participants in the economic growth of our community. At the same time, the board recognized that such a study should not focus only on the CRA to the exclusion of other potentially creative solutions. Restoring economic health to our poorest neighborhoods is not exclusively a task for the banking industry, but for the community as a whole. Even more than an examination of the local impact of the CRA, the study was viewed as an important vehicle for in examining the economic development efforts being undertaken in many Syracuse neighborhoods.

Marcene S. Sonneborn, president of Innovation Management Consulting, Inc. and a specialist in small business innovation research with the Central New York Technology Development Organization Inc., was selected as chairperson of the study. As a person who consults primarily for emerging growth companies on matters concerning business development and marketing organization, Sonneborn brought a strong business perspective to the study. Michael J. Atkins and Donald J. MacLaughlin, were selected as study co-chairpersons. MacLaughlin has been manager of business financial services for Lockheed Martin (formerly Martin Marietta Co. and General Electric Corp.) for 10 years. He has served as a Clay town councilman for 20 years and, thus, brought a perspective that combined local government and business. Atkins is a job developer for the Career Training Center of the Onondaga Cortland Madison BOCES. The former director of the Boys and Girls Club of Syracuse and active in community organizations, Atkins brought an intense concern about the impoverished neighborhoods that were the focus of the study.

Sonneborn began with a literature search on the CRA that revealed numerous articles on how communities, ranging from poor, rural areas to urban slums, had applied the CRA in different ways. In addition, Sonneborn, MacLaughlin and Atkins met in the fall of 1994 with a steering committee of nine community leaders, representing banks, community organizations, economic development agencies and government. This steering committee guided the study, which began in January and continued through the summer of 1995. Forty-three members of the study committee met weekly and listened to testimony from 37 speakers in the areas of banking, CRA regulations, economic development, community needs and other areas. The speakers included bank vice-presidents, regional credit union administrators, program directors, entrepreneurs, community advocates and residents of the areas of the city in question. The study committee was determined to observe the city's poorer neighborhoods firsthand, and with that goal in mind, took a tour of the South, West and Near East Sides. Some of what was seen on the tour was heartening: new businesses in the city's Economic Development Zone, such as the renovated Rockwell factory; several new, small "strip malls," such as Sakran Plaza on S. Geddes Street; new homes built through such programs as the Time of Jubilee and Habitat for Humanity; and new churches in predominately African-American

neighborhoods, such as the Antioch Missionary Baptist Church. Other aspects of the tour were more disheartening: empty and dilapidated storefronts, such as the closed Chicago Market in Geddes Plaza; run-down housing, some of which were known to be "crack houses"; and youth centers that were either underutilized or overcrowded.

In addition, Sonneborn and Laurel Saiz, study writer, attended a planning meeting in Binghamton of the proposed statewide Community Reinvestment Act Alliance. More than 30 experts on the CRA from across New York State discussed potential changes to the CRA and how local communities can respond. Several committee members have also been active in meetings now underway to establish a community microcredit program in the Syracuse area. Throughout the study itself, the study committee members questioned the speakers, reviewed the findings of the tour and studied pertinent documents to develop recommendations to enhance economic development in our community. These findings and resulting recommendations are included in this report.



## II. The Community Reinvestment Act.

### A. Purview of the Community Reinvestment Act

The Community Reinvestment Act (CRA), which was passed by Congress in 1977, requires banks and savings and loan institutions to help meet the credit needs of their communities. Congress passed it, in part, to stem the redlining it claimed banks did by not granting loans to people in low-income neighborhoods. The CRA requires federal regulators to weigh a lending institution's record when it applies to merge, expand services or open new branches. In 1989, a Financial Institutions Reform, Recovery and Enforcement Act amendment required regulators to prepare written evaluations for public scrutiny of each bank's CRA performance in 12 assessment areas. The CRA allows for public comment on the bank's performance and plans, as well as permits citizens to protest a bank's community lending record and win agreements for more loans. The American Bankers Association reports that banks spend approximately \$12 billion each year trying to comply with the CRA, most of which goes to paperwork, which is generally viewed by banks as an expensive and time-consuming burden. Many communities report that the emphasis on paperwork, rather than on results has shown too little benefit to the targeted communities in economic development terms.

The CRA regulates state-chartered and FDIC banks, but does not cover credit unions. While CRA regulators review banks to assess their institutional records of meeting the entire credit needs of the entire community, including low and moderate-income persons, at the same time the banks must follow safe practices for operating and lending. Regulators determine a "CRA score" for a bank whenever a bank submits a proposal to them. There are four levels of the CRA rating system: outstanding, satisfactory, needs improvement and substantive non-compliance. The results are public knowledge and should be published in the newspaper. If not published, the information is accessible at each bank under the Freedom of Information Act.

### B. History of the Community Reinvestment Act

The CRA was an outgrowth of some earlier trends. The Home Owners Loan Corporation (HOLC) was established after World War II to help meet the massive need for new homes in the post-war years. HOLC used four ratings that assessed a bank's level of risk for a mortgage in a particular area. The ratings were: green for "desirable" neighborhoods, blue for "still desirable" neighborhoods, yellow for neighborhoods "in decline" and red for "hazardous" neighborhoods. This "red" rating soon gave rise to the term "redlining"--areas where banks would not loan any money. The Federal Housing Administration, which administered the HOLC mortgages, was the predominate mortgage-lending entity in the United States in the late 1940s through the 1960s. About 60 percent of the mortgages approved in the United States in those years went through the FHA; 98 percent of them went to whites, predominately in suburbs, while just 2 percent went to blacks. In 1971, 11 civil rights groups nationwide sued the FHA, charging discrimination. In response, the Federal Fair Housing Law was passed to enforce non-discriminatory lending practices. The Home Mortgage Disclosure Act (HMDA) was passed in 1975 and calls for banks to disclose

information about their lending practices. The 1989 bailout of the savings and loan institutions prompted a strengthening of the HMDA, and called for information about the income, race and sex of the borrower to also be disclosed. This law covers all mortgage lending entities, with the exception of small mortgage lenders that lend fewer than 100 mortgages a year. The HMDA makes information available to the public, which can be used to show whether financial institutions are serving the housing credit needs of neighborhoods and communities. HMDA information may also help identify possible discriminatory lending patterns and assist regulatory agencies to enforce compliance with federal and state anti-discrimination statutes. Many people believe HMDA, like the CRA, has been as a crucial tool in preventing discrimination in lending. This is done mostly through the threat of public challenges, rather than from the regulatory process itself. Others believe further steps must be taken to improve fairness and equity.

### **C. Community Reinvestment Act Challenges**

Many who supported passage of the CRA initially said that banks ought to be required to serve all areas of the communities in which they did business. In exchange for government services such as federal deposit insurance, banks should be required to meet minimum lending standards. However, U.S. News and World Report found that before 1992, the four bank regulatory agencies responsible for enforcement of fair-lending laws referred potential violators to the Department of Justice only one time. In the past two years, only 16 cases of alleged racial and ethnic discrimination by banks were sent to the Justice Department. The Justice Department sent 11 complaints back to the originating agencies, citing lack of evidence or recommending administrative enforcement. In 1994, just .3 percent--17 banks out of 5,592 examined--received the lowest CRA grade, "substantial noncompliance." Since 1977, only 20 applications out of more than 77,000 applications for bank expansions, new branches or mergers have been rejected based on CRA grounds, according to the national, non-profit Center for Community Change, based in Washington, D.C. Approximately half of those rejections were a result of challenges filed by community groups. Nationwide, less than one percent of bank applications to expand are challenged by community groups, stated Allen Fishbein, general counsel for the Center.

Although few bank applications for expansions or mergers are rejected, the CRA challenge is viewed as a powerful tool. The threat of a challenge may cause banks to work with community groups to avoid a protracted legal battle. "Clearly, without the protest mechanism, CRA would be nowhere," said John Taylor, president of the National Community Reinvestment Coalition, an association of not-for-profit community groups, based in Washington, D.C. Major concessions have been won in New York State as a result of CRA challenges. An important case involves a challenge brought by Inner City Press/Community on the Move in the South Bronx. As a result of CRA challenges against six banks, the South Bronx received more than \$85 million in new loans and a commitment for two new bank branches. In Upstate New York, the Broome County CRA Coalition negotiated a five-year, \$28.5 million deal with Binghamton Savings Bank in January of 1995 to help revitalize neglected neighborhoods in the Binghamton area. While poor, urban neighborhoods are usually viewed as the areas intended for the CRA, cities haven't been the CRA's sole beneficiaries. Small farms and land trusts have also used the CRA to obtain loans.

## D. Local Results of the Community Reinvestment Act

Some local action has also resulted from the CRA. In the summer of 1992, a number of community organizations, including religious, civic and neighborhood associations and low-income housing providers, formed the Syracuse Community Reinvestment Coalition. Those coming together included the Interdenominational Ministry Alliance, the NAACP, the Urban League, several Neighborhood Watch groups, the Time of Jubilee and others. As Margrethe Frankle noted in her dissertation, Community Reinvestment in Action: An Analysis of the Syracuse Community Reinvestment Coalition and the Community Reinvestment Act, the catalyst for this Coalition was the proposed merger of two local banks, OnBank and Merchants Bank. Members of the Coalition felt that OnBank was not living up to its community responsibility in terms of its lending practices. They also feared that the merger would jeopardize Merchant Bank's support of the Time of Jubilee Land Trust program. As a result of the concern expressed by the Coalition, OnBank reached an agreement with the Coalition, which included the following provisions:

- \* Being open to challenges about questionable appraisals.
- \* Acceptable loan financing for Time of Jubilee projects.
- \* Granting a second review of mortgages denied to residents of low and moderate-income areas, people with low and moderate-income and all minorities regardless of income.
- \* Increasing minority recruiting, hiring and promotion.

As part of this agreement, OnBank committed \$4 million in mortgage loans to low and moderate-income neighborhoods over the next five years and agreed to sponsor a Black College Recruitment Day, among other projects.

The Rev. Larry Howard, pastor of Hopps Memorial Christian Methodist Church and one of the early conveners of the Coalition, said that the Coalition has four committees: Community Development, Residential, Economic Development and Infrastructure Development. Coalition members have had at least 20 meetings with the community's banks in the last 24 months, continuing to engage in dialogue and negotiate about bank activities in Syracuse's low and moderate income neighborhoods. Besides its efforts with OnBank and Merchants, the Coalition has also been working with Chase Lincoln and Fleet and has "begun communication" with Marine Midland and Skaneateles Savings Bank, Howard added. The Coalition planned to establish an Outreach Center, which would be designed to act as a link between banks and their underserved constituents by providing financial counseling on getting and maintaining a loan. It would offer specific types of loans, such as residential mortgages, building and rehabilitation loans, as well as purchase money and rehabilitation mortgages on non-conforming commercial properties. Lastly, the Outreach Center would serve as a forum where the banking community could learn how to better serve their minority and low-income customers.

Howard pointed out that local people have only been aware of the CRA and its potential for local community and economic development for a few years, even though it was passed in 1977. Even now, when the CRA is under attack by Congress, community groups are finding out the nuances of the CRA and how they can utilize this legislation to benefit their neighborhoods. "The CRA was never intended as a handout from banks," Howard stressed, but to make it easier for low and moderate income persons to obtain credit. "When your credit leaves, so does your financial stability," he added. Howard and other Coalition members believe that community activism is necessary because the possibility of discrimination still exists. In fact, some national studies indicate that some inequities continue. A 1994 survey by Newsday showed that banks still lagged in lending funds to blacks, particularly in the suburbs. In addition, a six-month investigation by U.S. News and World Report, released in April of this year, showed that despite federal laws that encourage banks to lend to communities they serve, banks are fleeing poor neighborhoods in ever greater numbers. Nationally, there are an average of 38 banks branches per 100,000 residents in white areas, but only 22 branches per 100,000 residents in minority neighborhoods.

### **E. Bank Initiatives Resulting from the Community Reinvestment Act**

Whether or not there are community challenges, other evidence shows that the CRA has sparked some banks into starting more programs for low and moderate-income people. William Berens, educational and development specialist for Region One of the National Credit Union Administration (NCUA), said there are various ways of meeting the CRA obligation, with some banks taking a "back-door approach" to CRA-related activities and others taking a more proactive approach. Berens noted a few ways in which a bank can meet its CRA obligations: A bank that is closing a branch in a particular area can donate the building on a rent-free basis to any minority group that will serve as a financial institution to that neighborhood. A bank can participate with community groups and provide services to other financial institutions in that area as its means to comply with CRA requirements. Other responses involve a much bigger financial investment. U.S. News and World Report's study showed that the law has done some good for the intended population. It found that CRA challenges to banks have resulted in pledges of more than \$30 billion in loans to minority neighborhoods across the country.

John L. Mills, vice president and regional community development manager for Fleet Bank, discussed Fleet Incity, an \$8 billion, three-year commitment that was started two years ago, in part due to the bank's response to the CRA. The program is a nationwide, corporate endeavor and has three categories: credit initiatives, economic revitalization initiatives and community initiatives. This program is a move to make credit more available to low and middle-income individuals and communities. Of the \$8 billion, \$6 billion goes toward a "portfolio mortgage" program, which is designed to revitalize communities and meet the needs of targeted neighborhoods. Fleet uses funds from its own portfolio of investments to provide loans which may not meet traditional loan criteria. It provides home mortgages and equity loans using more flexible loan criteria, than those used in looking at past credit applications. Incity includes extensive financial counseling for applicants as a part of a package of services offered in response to CRA regulations.



Fleet has also been involved with initiatives geared toward improving the economic vitality of communities, Mills said. A micro-loan fund is targeted toward minority and women-owned businesses, as well as businesses in low to moderate-income areas. Fleet recently established a Community Development Corporation (CDC), capitalized at \$15 million, to make loans to and investments in community programs. The program will be available nationally by the end of 1995 and will be expanded into New York State in several years.

Michele Martin, vice president of commercial lending for OnBank and Trust Co., said the CRA has had a broad, often subtle impact on the way financial institutions do business. While she personally does not make loans that fall under the CRA purview, the law has made her "more aware of the programs available in the community." The bank does contribute to community programs that assist economic development in low and moderate-income areas, such as the Greater Syracuse Business Center (or Incubator Center), the Urban League's women and minority revolving loan fund, the Small Business Development Center at Onondaga Community College (OCC) and the Pan African Business Association (PABA).

The CRA has had a national impact on financial institutions, which have found that CRA-inspired loan programs can be successful. BankAmerica Corp., America's second-largest bank, made \$5.9 billion in loans in 1994 to individuals and small businesses in lower-income areas. Three years ago, BankAmerica Corp. adopted a 10-year community lending goal of \$12 billion and is already 72 percent of the way to meeting that target. Bank officials reported that lending in low-income areas requires more credit checks and counseling than lending in wealthier areas, and the loans are usually smaller. The loans, which are made at market rates, are profitable. BankAmerica Executive Vice President Donald Mullane said that the delinquency rate for these low-income loans is about half that for traditional loans. BankAmerica Chairman and CEO Richard Rosenberg said, "Conventional wisdom has suggested that investing in the inner city, or any low-income community, is neither a safe bet, nor a sound idea. But, in fact, rebuilding our inner cities is good for the country, good for the community and good for businesses." Michael E. Porter, author of "The Competitive Advantage of the Inner City," in the May-June 1995 issue of The Harvard Business Review, pointed out that economic investment in inner-city neighborhoods can be profitable and provided some case studies, such as Matrix Exhibits in Atlanta, Goldblatt Brothers Department Stores in Chicago and CareFlorida, based in Miami. Factors contributing to potential profitability in the inner city include businesses that make sense in the location, either because they serve a local market or because of the other businesses nearby that serve as suppliers.

## **F. Credit Union Involvement**

While credit unions are not included under the CRA, the legislation has had an effect on them, as well. The CRA benefits credit unions indirectly, as credit unions can receive certain free services from banks. Berens gave the example of a poor neighborhood in Springfield, Mass, that had no bank providing "life services," such as basic checking. A local credit union decided to provide services to that neighborhood and went to an area bank for help. The bank's head office in Boston is providing pro bono accounting services and management consulting for the credit union in this poor neighborhood. When the credit union experienced a high delinquency rate on its loans, the bank

made two donations to assist the credit union. The bank gets CRA credit for providing this direct financial assistance. In addition, the NCUA has started a low-income project to facilitate the delivery of credit union services to persons of low income, who have little or no access to affordable financial services in general or to credit union services in particular. Because there are many low to moderate-income areas that are not served by a bank branch, many neighborhoods residents are without basic banking services, such as checking and savings, or access to loans and mortgage lending. In many cases, the neighborhoods may have had a bank branch in more prosperous days, but the branches closed when the neighborhoods went into economic decline and they were not viewed as economically competitive for the bank to remain. A community credit union can be formed if a majority of the residents of the area served meet low-income requirements. A low-income credit union, as defined by the NCUA, is one where a majority of its members either earn less than 80 percent of the average for all wage earners, as established by the Bureau of Labor Statistics, or those members whose annual income falls at or below 80 percent of the median household income for the nation as established by the U.S. Census Bureau. The community boundaries must be clearly defined, and the area must be recognized as a single, distinct area where residents interact.

An example of a credit union assisting a low-income area is that of First Heritage's involvement in the Southern Tier. First Heritage, a credit union that was started 41 years ago, has worked with Project Agree (Addison's Greater Regional Economic and Educational Project). Addison is a town of about 10,000 residents in the South Tier, generally considered part of northern Appalachia. It is designated as a highly-distressed economic area, since it fits all the criteria: high rates of unemployment, crime, teenage pregnancy and public assistance. First Heritage agreed to open a branch in Addison, to offer more credit opportunities in an effort to spark economic development in the community. One business that has recently opened is a local franchise of a restaurant chain.

### **G. Community Reinvestment Act Rule Changes**

Despite the effective local, state and national bank programs that have arisen as a result of the CRA, financial institutions have continued to express concern about the regulatory burden imposed by the legislation. Eugene A. Ludwig, U.S. comptroller of the currency, announced rule changes to the CRA on April 19, 1995. The new rule becomes effective Jan. 1, 1996. The new rule reduces the regulatory burden on banks in the following ways:

- \* Banks will no longer have to maintain extensive documentation demonstrating that directors have participated in formulating CRA policies and in reviewing bank CRA policies.

- \* Banks will no longer have to prepare a formal CRA statement.

- \* Banks will not have to document its efforts to market its services in low and moderate income communities.

- \* Banks will no longer have to justify the basis for its community delineation.

- \* Banks will no longer have to explain the method used to ascertain community credit needs.

- \* Banks' boards of directors will not have to review the CRA statement annually and note the review in the board's minutes.

The focus on paperwork and process is gone. Instead, examiners will be looking at performance --how well institutions do in meeting the credit needs of low and moderate-income communities. Instead of using 12 specific assessment factors, examiners will apply a three-pronged test that measures a bank's compliance on lending, service and investment. The three broad criteria are:

- \* How actively does a bank lend in its community?

- \* How does a bank deliver its products?

- \* How extensive are a bank's community investments, including holdings of municipal bonds?

The new system relies on the same five ratings as earlier proposals: outstanding, high satisfactory, low satisfactory, needs to improve and substantial noncompliance. Examiners will assign a numerical score for performance in each of the three areas. The revised rules will not require banks to record the race and gender of every small business and farm borrower. As of Jan. 1, 1996, the regulations require only banks with more than \$250 million in assets to record the number and amount of small business and farm loans originated, their location by census tract or block numbering area and whether the business or farm had \$1 million or less in revenue. The rules give banks credit even if they later sell the loans. For banks with less than \$250 million in assets, examiners will simply review small business and farm originations.

Bank officials are viewing this rule change as a major improvement, since it will reduce the paperwork burden. At the same time, they claim the rule change better expresses the intent of the CRA because of the emphasis on actual community performance. "Banks are currently able to meet their CRA requirements by participating with community groups, by thinking happy thoughts about lending in communities, but the new rules focus more on performance, and that means loans," said Karen Shaw, president of a national banking consulting firm, ISD/Shaw Inc.

When announcing the rule change, Ludwig praised the results of the CRA to date. "The CRA is in many respects a model statute. It requires no public subsidy, no private subsidy and no massive Washington bureaucracy. It entails tremendous local control. In towns and cities all across America, I have seen this statute at work, bringing banks and communities together to make economic development happen," he said. At the same time, Ludwig praised the new rule, saying:

"This new rule will make CRA more effective and less burdensome. The rule is a big step forward for banks, bank customers, small businesses and communities across America. It returns the regulation to the original intent of the law. Under the new rule, we will make CRA assessments under three tests--lending, investments and

services--instead of the 12 criteria under the old regulation.

"The new rule also recognizes that financial institutions are not alike: 'one size fits all' will no longer describe our approach to CRA compliance. The new rule is longer, but it is clearer. Banks and community groups alike will understand better how regulators will assess CRA performance.

The final rule strikes a fair balance between the banking industry's need for reduced regulatory burdens and the needs of communities for better information about CRA performance."

### **H. Further Changes Being Considered**

Despite the announcement in April of "final" changes to the CRA regulations, the CRA is still not immune from further revision. The U.S. House of Representatives and Senate are considering passage of a measure that would, in the eyes of community activists, severely weaken the CRA. Senate Bill 650 and H.R. Bill 1362, being considered by the 104th Congress, is designed to "increase the amount of credit available to fuel local, regional and national economic growth by reducing the regulatory burden imposed upon financial institutions and for other purposes." Sections of the bills deal with the Truth in Lending Act, the Truth in Saving Act and the Real Estate Settlement Procedures Act, while others deal with the Community Reinvestment Act. Under the bills, lenders with less than \$250 million in assets would be exempt from the CRA and would be able to "self-certify" their compliance. In actuality, this would mean that 88 percent of the nation's lending institutions would be exempt from the CRA. In addition, large lenders with CRA ratings of "satisfactory" or better would be immune from challenges from community groups and advocates when the lenders file merger and branch-opening applications. Since 94 percent of all CRA ratings are satisfactory or better, this would preclude challenges to the vast majority of the nation's lending institutions.

In response to these proposed changes, advocacy groups concerned with community reinvestment in New York State plan to organize a coalition. Organizations such as Citizen Action, a statewide group based in Binghamton; The Community Reinvestment Clearinghouse, founded in the fall of 1994 by New York Law School; Albany Information and Research Service; and the Inner City Press/Community on the Move in the South Bronx have been meeting to plan a statewide CRA Alliance. This alliance is being designed to facilitate communication about the CRA among community groups and assist localities in working for community reinvestment. The people forming the Alliance believe that continued community involvement is crucial, since community development and economic development are intrinsically intertwined.



### III. The Local Economy

Michael Wasylenko, an economics professor at Syracuse University, points out that Syracuse, like much of the Northeast and New York State, has "not benefitted as much from national economic expansions as the rest of the country." Other economists in recent months have described Syracuse's economy as "growing at a snail's pace." Most industries boosted hiring modestly in the first three months of 1995. Overall, employers in Onondaga, Madison, Cayuga and Oswego counties had an average of 4,000 more jobs on their payroll than they did during the first quarter of 1994. However, these figures represent an increase in jobs of 1.2 percent, compared to a national job growth rate of 3 percent during the same period of time. Across the state, the number of jobs grew by only .9 percent in the first three months of this year.

1985	5.4
1986	6.5
1987	6.1
1988	5.0
1989	4.8
1990	3.6
1991	5.9
1992	7.3
1993	5.8
1994	5.4
1995	5.0

\* Figures provided by the New York State Department of Labor

The annual economic poll conducted by the Herald-American in January of this year showed that job losses hit 14 percent of Onondaga County households in 1994, compared with 11 percent in 1993. Figure One shows Onondaga County's unemployment rates over a 10-year period, using data from January of each year. The monthly unemployment rate of 4.6 percent in December 1994 (not shown on chart) was the lowest level since November 1990. Since 1990, the local labor force has declined by more than 18,000, in part due to people who have given up looking for work or who have left the area to look for employment elsewhere, according to the Herald poll. Lockheed Martin (formerly Martin Marietta) announced plans to cut another 800 jobs in Syracuse and Utica this year, in addition to the 500 jobs it cut last year. Niagara Mohawk Power Corp., cut 1,400 jobs in the

region last year and Miller Brewing Co.'s plant closings in Fulton caused more than 700 people to become unemployed. Table Two shows the jobs gained or lost in various occupational areas.

<b>Table Two: Central New York Employment, First Quarter 1995 Compared to First Quarter 1994*</b>	
<b>Job Sector</b>	<b>Number of jobs lost or gained</b>
Retail trade	+3,100
Government	+1,000
Services	+400
Construction	+300
Wholesale trade	+100
Transportation/Public utilities	-1,000
Manufacturing	-100
* Figures provided by the New York State Department of Labor	

The Syracuse area's unemployment rate fell to 5.4 percent in April of 1995 as all but two industries reported job gains for the month. The growth in government jobs is caused by the new U.S. Postal Service Remote Encoding Center in East Syracuse. Although manufacturing was down in the first quarter of 1995, it does appear to be recovering. The Syracuse area had 400 more factory jobs in April of 1995 than in April of last year, and April was the second month in a row in which manufacturing showed an increase over that of the previous year. Before that, increases compared to the previous year's figure had not been experienced since May of 1989. This indicates that the local manufacturing sector is stabilizing, said Karen Knapik-Scalzo, an economist with the New York State Labor Department. Employers reporting the largest job gains in manufacturing were in companies that make industrial and commercial machinery and computer equipment, and electrical and electronic equipment. However, even though the local economy appears on an upswing, the job gains still haven't restored all of the jobs lost during the last recession.

Statewide, other communities are experiencing economic troubles, reflecting the state's sluggish economy. For example, Kodak and Xerox in Rochester are planning to cut more than 10,000 people. The state is cutting 11,000 jobs and New York City government has cut 25,000 jobs.

Looking at other economic indicators, local home prices are falling and the housing market in Syracuse continues to be in a slump. There was a 5 percent decrease in home sales the first three months of 1995, compared to the same period of 1994. When looking at the first quarter of 1993, the decline is 15 percent, according to the Greater Syracuse Association of Realtors.

While these figures indicate a sluggish growth in the local economy, these indicators do not adequately reflect the plight of those in Syracuse's poorest neighborhoods, which were the focus of this study on economic reinvestment. Data indicates that those in Syracuse inner-city neighborhoods are far worse off economically than the general population, when looking at such indicators as public assistance, unemployment, poverty and lack of educational achievement.

## IV. A Community in Need

### A. Poverty and Unemployment in Syracuse

OCL's ninth study, "Poverty and Its Social Costs: Are There Long-Term Solutions?," which was released in 1989, showed that unemployment figures do not fully reveal the extent of poverty and social problems in Syracuse's inner-city neighborhoods. In April of 1995, the overall unemployment rate was 4.5 percent for Onondaga County, but was 7.2 percent for the City of Syracuse. In some areas, the unemployment rate for African American males, aged 19 to 27; is 67 percent. David Gonzalez, a housing aide with the Spanish Action League, said that the difference in language causes severe barriers to employment, resulting in an 80 percent unemployment rate in the Latino population. Many city residents who experience continued joblessness are untouched by traditional economic development programs and face intergenerational poverty. The disparity between the county as a whole and the city is borne out by poverty figures.

The population of the City of Syracuse has been declining and is currently 163,860, according to the 1990 Census. However, while the total population of the city has declined, the percentage of minority and low-income population has increased. Currently, minorities account for 27 percent of the population of the City of Syracuse. Of the city residents, 20.9 percent live below the federal poverty level, compared with 10.3 percent countrywide, 13 percent statewide and 13.1 percent of families nationwide. Thirty-seven percent of the minority residents in Syracuse live below the poverty level. When looking at families with income below 150 percent of the official poverty rate, then 33.2 percent--or more than 50,365 families--are defined as low-income in the City of Syracuse. Table Three highlights those census tracts in Onondaga County in which 20 percent or more of the population lives in poverty: all are within the City of Syracuse. In addition, Syracuse's poverty rate of 37 percent for children under 5 is the 18th highest of all U.S. cities--ahead of Chicago, New York, Boston and Los Angeles. A GAO report released in 1994 and widely reported in national periodicals showed that one of every three children below the age of 5 in the City of Syracuse is living in poverty. In a story this year, U.S. News and World Report ranked Syracuse's West Side 12th on a list of the 15 poorest predominately white neighborhoods in the country. Focusing on the "white underclass" the article listed this area of 12,000 residents, calling it one of the "worst" such neighborhoods in the United States.

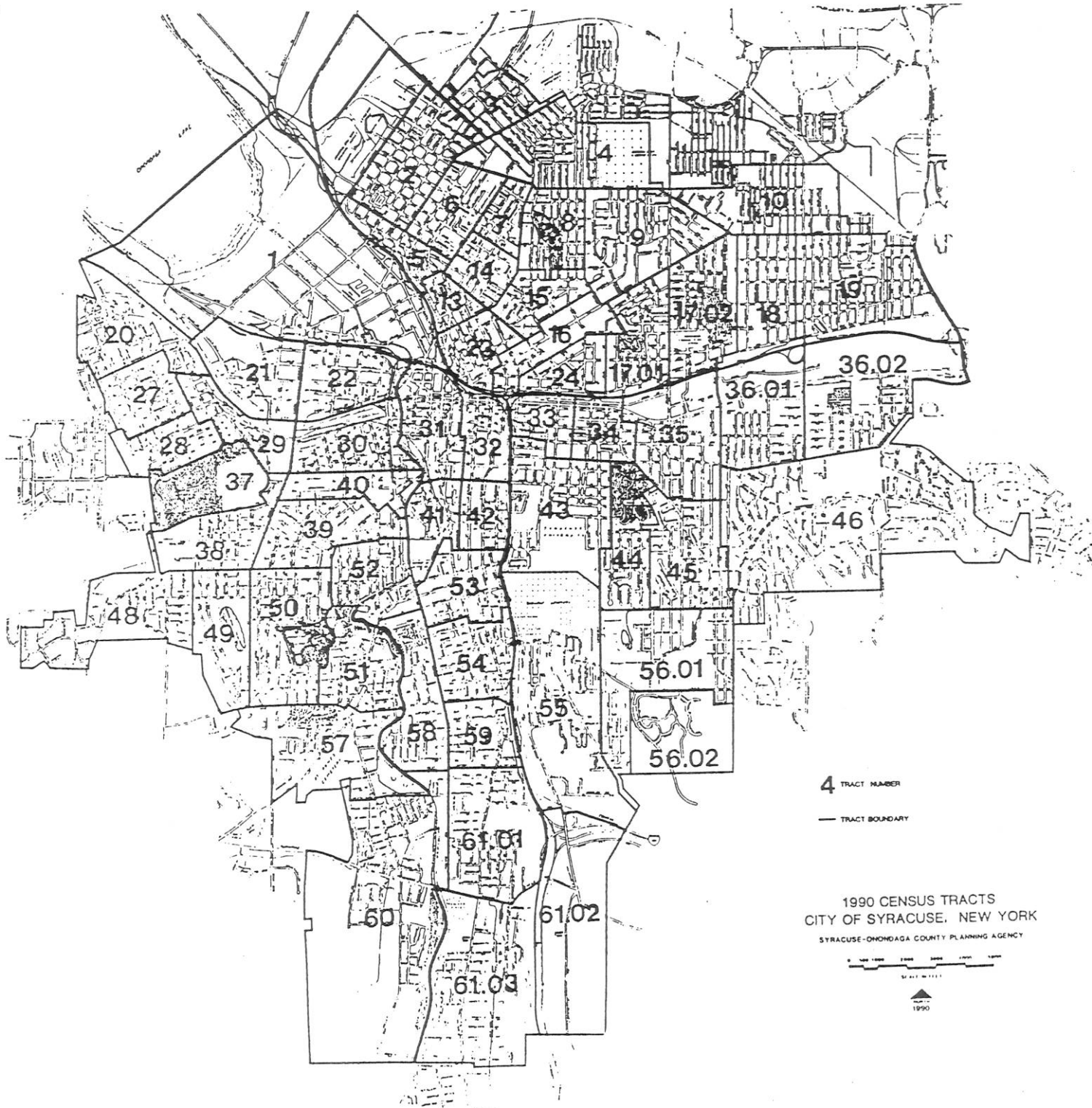
The Census figures provided in Table Three also do not completely convey the extent of poverty in the inner city of Syracuse for people of color. If figures for just blacks are considered, the poverty rate is far higher in many census tracts, according to the Census figures provided by the Central New York Regional Planning and Development Board's Affiliate Data Center. For example, the poverty rate for blacks in Tract 5 is 89.80 percent, in Tract 22, 90.91 percent, and in Tract 5602, 90.14 percent. The statistics are even more grim for people of other ethnic groups. One hundred percent of the people of Hispanic origin are living in poverty in seven of the city's census tracts, one hundred percent of American Indian people (U.S. Census Bureau designation) are living in poverty in four of the city's census tracts and one hundred percent of Asian/Pacific Islanders (predominately South East Asian immigrants) are living in poverty in three of the city's census tracts. Map One

**Table Three: 1990 Census Tracts with  
More than 20 Percent of the Residents of All Races  
Below the Poverty Level\***

<b>Census Tract and General Location</b>	<b>Percentage of Residents Below Poverty Level</b>	<b>Census Tract and General Location</b>	<b>Percentage of Residents Below Poverty Level</b>
0005-North Side, N. Salina Street	39.02	0040-West Side, Onondaga Blvd.	58.24
0006-North Side, Turtle Street area	20.05	0041-South Side	68.46
0013-North Side, Laurel Street area	38.47	0042-South Side	53.72
0022-West Side, W. Fayette area	34.07	0043-University area	61.05
0023-North Side, Catherine Street area	33.68	0044-Comstock area	40.16
0030-West Side, Geddes St. area	52.00	0045-University/ Westcott area	27.12
0031-Near West Side	46.59	0052-West Side	48.42
0032-Near West Side	28.01	0053-South Side	44.76
0033-Pioneer Homes area	64.66	0054-South Side	40.78
0034-Pioneer Homes area	42.61	005602-Skytop	64.38
0035-University area/Kennedy Square	44.55	0058-South Side	23.04
003601-E. Fayette St.	24.42	0059-South Side	29.23
0038-West Side, Grand Ave, area	21.63		
0039-West Side, Delaware St.	38.63		

*\*Data provided by the Central New York Regional Planning and Development Board's Affiliate Data Center.*

# Map One





shows the location of the census tracts.

Likewise, while poverty continues to be high in Syracuse, the poorest neighborhoods also have high rates of public assistance, teenage pregnancy, school dropouts and other problems. Data provided by the Onondaga County Department of Social Services show that the highest public assistance case loads are in the inner city. The most recently-available figures for Home Relief, Aid to Families with Dependent Children, Food Stamps, and Medicaid indicate that the highest case loads are in the zip code areas 13202 to 13210. For example, in April of 1995, there were 1,615 Medicaid cases in zip code area 13203 (the near North Side), 2,593 cases in 13204 (the near West Side), 2,456 cases in 13205 (the near West Side), 1,702 cases in 13208 (the Northwest Side) and 1,470 cases in 13210 (the University area). Both OCL's poverty study and its fifteenth report, "The Delivery of Human Services: Opportunities for Improvements," released in 1994, pointed out that economic conditions and social problems are closely interrelated: one cannot be considered without looking at the other.

**Table Four: Educational Attainment of City Residents, 25 Years and Older\***

<b>Level of Educational Attainment</b>	<b>African American</b>	<b>Asian</b>	<b>Native American</b>	<b>Hispanic</b>	<b>Caucasian</b>
<b>Less than 9th grade</b>	7,905	284	187	347	2,099
<b>Some high school, but no diploma</b>	4,412	110	239	396	12,210
<b>High school diploma</b>	4,309	110	239	396	12,210
<b>Some college</b>	3,718	180	300	185	18,937
<b>Bachelor's degree</b>	954	487	29	195	10,329
<b>Graduate or Professional Degree</b>	441	807	32	113	8,098

\*Source: Census Tract Analysis, Summary File Tape, City of Syracuse Office of Community Development.  
Table prepared by HEPP/Upward Bound, LeMoyne College.

A lack of educational achievement and incentives is just one factor that creates a cycle of economic dependency. OCL's poverty study clearly showed what most social and political leaders know: education is a potent predictor of income. According to American College Testing (ACT), mean annual earnings rise with years of formal schooling. A high school graduate makes, on the

average, \$10,000 a year more than a college drop-out. A person with a college degree earns at least \$26,000 more per year than a high school drop-out, while a person with five or more years of college earns more than \$35,000 a year, above the yearly wages of a high school drop-out, according to ACT. Poverty and limited opportunity cause many young people to feel they have nothing to look forward to in their lives. With no job incentives or future goals, they are more likely to become teenage parents and remain on public assistance. As OCL's study of adolescent pregnancy showed, children born out of wedlock in America are four times as likely as the others to be poor. Women who gave birth as teenagers were also more likely to have incomes below 50 percent of the poverty line.

<b>Table Five: Educational Attainment of City Residents, 25 Years and Older, Percentage Without High School Diplomas or College Degrees*</b>		
<b>Ethnic Group</b>	<b>Percentage Without High School Diploma</b>	<b>Percentage Without College Diploma</b>
<b>African American</b>	57	93
<b>Hispanic</b>	47	81
<b>Native American</b>	40	95
<b>Asian</b>	20	81
<b>Caucasian</b>	20	75

\*Source: Census Tract Analysis, Summary File Tape, City of Syracuse Office of Community Development.  
Table prepared by HEPP/Upward Bound, LeMoyne College.

<b>Figure Six: Cumulative High School Completion and Drop-Out Rates, Syracuse City School District*</b>				
<b>School</b>	<b>Number of Students Entering 9th Grade in 1990</b>	<b>Number of Students Graduating in 1994</b>	<b>Percentage of Students Graduating in 1994</b>	<b>Percentage of Students Who Did Not Graduate in 1994</b>
<b>Corcoran</b>	425	176	41	59
<b>Fowler</b>	305	94	31	69
<b>Henninger</b>	473	238	50	50
<b>Nottingham</b>	351	172	49	51

\*Source: Syracuse City School District



During the current study, activities taking place in schools related to entrepreneurship, business planning skills, and general career goals related to self-concept as a contributor to the workforce were addressed. Junior Achievement addresses business development training through its export business venture and other programs. The Partnership for Education and Business program sends business people into the schools, including representatives from local banks, and manufacturing and other service businesses. These professionals provide role models for successful career orientation to the future workforce of the Syracuse community. Also the need to provide hope and a self-image as a productive worker to children in low-income neighborhoods was discussed by Marty Yenawine in his talk about neighborhood visions and corporate support.

When looking at educational attainment as an economic indicator, the City of Syracuse falls short in this regard, as well. According to the 1990 Census, seventy-eight percent of the 97,758 adults over the age of 25 in the city, have not completed the baccalaureate degree. This compares with 23.2 percent of individuals over 25 in the state and 20.3 percent nationwide. In addition, 28,189--or 29 percent--of all adults in the city have not graduated from high school, according to Census figures. Table Four shows the educational attainment of city residents.

Figures from the Syracuse City School District indicate that a large proportion of students drop out of high school. While yearly drop-out rates may not appear high, the cumulative, four-year drop-out rates of those entering ninth grade are significant. Table Six highlights the cumulative drop-out rate at the four high schools in the City School District.

## **B. Neighborhood Problems**

For many residents of Syracuse's inner city, the recent national economic recession was more than just a time of downsizing and "belt-tightening"; for many neighborhood businesses, this was a depression, stated Michael J. Atkins, study co-chairperson. Many inner-city businesses have had no money to pay back taxes or refurbish sadly dilapidated physical facades, making them poor credit risks for banks. Steve Cogswell, senior research associate with Syracuse United Neighbors, said there is a "pervasive feeling that you cannot do business in the inner city." Community leaders agree that proactive measures are needed to reverse this trend. Ken Jackson, executive director of the Westside Inner City Association, said, "If we keep telling people their neighborhood isn't good enough to invest in, we will continue to have a donut hole that keeps moving farther and farther out."

Ben Bunting is one community activist who has extensive business experience in Syracuse. Besides owning the oldest minority-owned business in the City, he is highly involved with the Central City Businessmen's Association, the South Avenue Businessmen's Association, the Syracuse Economic Development Corp. and other organizations. Bunting owns The Tippin-In, which was started by his parents. The changes that this business has experienced are an indicator of what has happened to many businesses in the inner city. The Tippin-In used to be located at the corner of Madison and McBride Streets downtown, where Presidential Plaza is now located. Bunting said that in 1962, Urban renewal began and many properties were bought out. His parents moved the business to 227-229 South Ave. Since that location was not yet commercially-zoned, they had to purchase the dwelling that was there, tear it down and then build their facility.

In the early 1960s, Bunting said, South Avenue was a vibrant neighborhood. There were no vacant, abandoned lots. There were many businesses in the area--drug stores, clothing stores, five-and-dime stores, gas stations, supermarkets and others--all providing a feeling of economic stability. "The neighborhood was almost self-sufficient," he said. The housing stock was old, but good. There was a low crime rate and good relations with police. Many of the ensuing changes are for the worse. Bunting states that Urban Renewal policies led to tearing down many homes--many of which he contends were still salvageable. "The single most harmful fact is that they did not build back a single house," Bunting stressed. Now South Avenue and its vicinity has turned into a "run-down area with abandoned buildings." Many people have left the neighborhood and there are now numerous slum and absentee landlords, rather than owner-occupied homes. Crime and drug use have increased, insurance rates have gone up, loans have become harder to get and many residents believe police services have deteriorated. "All of this is bad for business and economic development. The neighborhood has been all but dead; all but a handful of businesses have moved out," Bunting added. Unfortunately, community activists have seen this scenario repeated in other parts of the city.

The impact of neighborhood decline on economic development has been documented. According to the study Needs Assessment for a Community Lending Outreach Center in the City of Syracuse, conducted by students of the Maxwell School of Citizenship and Public Affairs in 1994, denial rates for loan applications are not disproportionate in low to moderate-income tracts. However, the rate of loan origination is very low, compared to the rate in higher-income tracts. In census tracts with 50 percent or more minority residents, the loan denial rate is three times greater than that of other census tracts, when holding constant for income.

### **C. The Lack of Large Inner-City Supermarkets**

A common concern of residents appears to be that many businesses are owned by people who do not live in the neighborhoods and who charge disproportionately high prices. There is also a concern about the type of businesses that open in neighborhoods. A study sponsored by the City/County Drug and Alcohol Abuse Commission this year showed that stores and bars selling beer, malt liquor and other alcoholic beverages are more common in poorer city neighborhoods than in the suburbs. The researchers compared 1,124 liquor and beer licenses issued in Onondaga County to the income, education and public assistance information in each of the county's 160 census tracts. Marilyn Morey, director of the Commission, said that this preponderance of bars and beer and liquor stores is not good for community development. "We have to look at what is happening in the community. What do these places offer to the community?" Morey said. "Do they also provide bread, pasta, a deli, meat and laundry supplies? Or are they predominately providing alcohol, cigarettes and lottery tickets. If so, that isn't a service to the community."

Margie Clark, a staff member with the Community Linking Program, said she works with 270 families who don't have transportation and rely on the neighborhood stores, where they see food stamp abuses. Several family-owned supermarkets remain in the city, but their owners say running a supermarket is increasingly difficult in poorer neighborhoods. For example, Peter's Grocery has been a fixture on the North Side for generations and Nojaim's Markets has been on Gifford Street for 76 years. (Mario's Big M Supermarket, which had been on W. Brighton Ave. for 35 years,

closed this year.) Paul Nojaim, vice-president of Nojaim's, said much of the population has moved out of the city and most of the supermarkets have followed. In the city, the corner stores, which are cumulatively equal in size to a supermarket, compete against the Gifford Street store because of their accessibility and convenience. The large chains out of the city can afford large advertisements, which also draw the customer base away. Since supermarkets, on the average, work only on a 1 percent gross profit, any trend that reduces profits is extremely detrimental. Many poorer city residents do not have cars and cannot easily get to these, or suburban, supermarkets. They feel the quality of the food they buy in the neighborhood stores is poor, overpriced and takes up a large proportion of the financial resources they do have.

An effort has been started, under the guidance of David Shomar, vice-president of Shomar Enterprises. About 60 percent of the small grocery stores in the city are joining a newly-formed association of retailers and independent merchants. The purpose of the association will be to help increase cooperation between the neighborhoods, city institutions such as the police, and the stores in an effort to work together on problems relating to food stamp violations, liquor sales and other concerns.

### III. Findings and Conclusions

#### A. Community Development

##### 1. Interrelationship Between Community and Economic Development

William S. White, chairman of the Charles Stuart Mott Foundation, noted that "community investment is not about charity; it is about sound business decisions and profit. Community investing is also about trust born from understanding the needs of people. Without trust you can't do an effective job. Many of our communities, particularly our inner-city communities--don't appear to offer much in the way of hope, much less growth and prosperity. If anything, the sound business decision would seem to be to stay as far away from them as possible. Such communities are sterling examples of massive social and economic disinvestment. As a result, we have communities that not only are we afraid to invest in, but we are also afraid to drive through, let alone live in them."

Local community leaders and economic development specialists know that strong neighborhoods are a crucial component of a successful economy. Hoang Nguyen, an active member of the Vietnamese community, pointed out, "You need to help people in the community who support these businesses. With people with no jobs, no skills and no money, these businesses will die." Residents have to have an income themselves before they can successfully foster the growth of other local businesses.

Because the interrelationship between community and economic development is so complex, not all people agree on the best way to carry out programs geared toward development. Michael Freedman, a Syracuse University professor of anthropology, pointed out that a number of different issues dealing with community development are contradictory and should be looked at separately. Neighborhood residents' immediate personal needs may not exactly dovetail with the perceived economic development needs of a community. For example, Freedman stated, people have retailing needs, yet these needs may best be met by a large national chain that has competitive prices, rather than small neighborhood stores. Much of community and economic development focuses on improving residents' housing, jobs and income. It doesn't follow, however, that a person needs to have a job in the same neighborhood where he or she lives in order for those income and job needs to be met.

Politicians are similarly rethinking traditional solutions to long-term economic and social problems. According to Nicholas Lemann in "The Myth of Community Development," traditional solutions to poverty were to provide for the poor's material needs, such as through cash grants, food stamps and Medicaid. In more recent years, the idea of fostering business activity in poor neighborhoods has gained more popularity. "Hence the emergence of 'economic development' or 'community revitalization'--as opposed to straight income support, or old-fashioned social services--as a supposed panacea," Lemann said. However, Lemann believes that economic development may not be the panacea it should be. Lemann stated that "to try to create a lot of new economic activity

in poor neighborhoods is to swim against the sweeping tide of urban life in America," in that the inner-city slums have always been the place people leave: once people better their lot, they move out to the suburbs.

Despite this poor prognosis, many community initiatives are underway, geared toward neighborhood reinvestment, both social and financial. Clearly, community development and economic development are highly interrelated and must be done in tandem for successful neighborhood reinvestment and revitalization to occur.

## **2. Involvement by Community Groups**

As has been noted in previous OCL studies, the Syracuse area is rich in community resources. This is also true when looking at groups dedicated to neighborhood involvement and revitalization. Some examples of these include the Southeast University Neighborhood Association (SEUNA), the Westcott Community Association and Syracuse United Neighbors (SUN). The Westside Inncity Association, directed by Ken Jackson, is working to revitalize the near West Side, which was the focus of the U.S. News and World Report article on poor neighborhoods across America. The Westside Inner City Association contracts with the state to provide neighborhood preservation services and also works with Socio-Economic Employment through Democracy (SEED), a program created by Michael Monroe, a professor of economics at Ithaca College. Nguyen, an attorney in private practice in Syracuse, is hoping to establish a community development corporation in order to rebuild houses on the North Side, which has become the home of numerous Southeast Asian immigrants in recent years.

Other examples of organizations actively working in neighborhood revitalization include the Association for Better Living and Community United to Rebuild Neighborhoods. The Association for Better Living (ABL), was founded in 1994 as a landlord association, but in August of 1994 it became a community-advocacy organization. In February 1995, ABL was incorporated in New York State as a not-for-profit organization. It is made up of landlords, tenants, neighborhood groups and others interested in improving housing in the community. Currently, ABL has 48 full members and 70 associate members. It works with such housing issues as public assistance, code enforcement, social services, home repair and community improvement. It has established a \$30,000 mortgage program to provide loans for rehabilitation. ABL, led by community activist Michael Gilman, is currently planning a project to locate a 40-foot trailer on a rotating basis in targeted areas of the inner city. Part of the mission of this project would be to meet the need for a local grocery store, by having a not-for-profit grocery store. Community United to Rebuild Neighborhoods was organized by Geneva Hayden in May of 1994. Largely through the leadership of Hayden, this group is serving as a model for community involvement. Hayden has organized clean-up drives in the 900 block of Midland Avenue, has opened up her home as a lending library for local children and is looking at buying a nearby abandoned house to use as a center for information and services. It currently has 15 members and has approached a local bank for a loan with which to expand operations. Hayden was one of a group community activists who attended a recent leadership training program organized by the Central New York Community Foundation, Inc.



### 3. Community Initiatives

The Neighborhood Leadership Training and Small Grants Program, offered by the Community Foundation is designed for resident-based, self-help groups, which are working to improve the quality of life for people living in a neighborhood in Onondaga or Madison counties. It can include both established organizations and newly-formed groups. The goals of the program are to:

- \* Increase the participation of neighborhood residents in addressing neighborhood needs.
- \* Develop leadership and increase the capacity of neighborhood organizations in the planning and implementation of neighborhood improvement strategies.
- \* Increase the linkages of neighborhood organizations with government, social service organizations and other non-profit agencies that are capable of providing support.
- \* Increase financial and other resources available for neighborhood self-help efforts.

Peggy Ogden, president of the Community Foundation, said that since the program was started in 1992, six or seven neighborhood groups have attended each year. These groups include the Association of Neighbors Concerned for Latino Advancement (ANCLA), Eastside Neighbors in Partnership (ENIP) and the Outer Comstock Neighborhood Association, among others. The groups go through a five-session leadership training program in which they learn such skills as consensus building and writing grant applications. At the end of the training program, each community organization writes a grant proposal, which is then reviewed by the other members of the training group. Each organization is awarded a grant of up to \$10,000 with which to continue its neighborhood work.

Another local initiative is Capital Venture, a group of seven African American males who are active in the community and committed to investing their expertise in their neighborhoods. This group plans to begin economic development projects and will use African American and women contractors for the jobs. They would like to start training programs with young people from the inner city, focusing on job skills and entrepreneurship. They also plan to work with those who have been incarcerated, providing them construction training through BOCES so participants can obtain employment on construction jobs. Capital Venture wants to develop a model that can be used by others interested in community and economic development.

The Community Neighborhood Task Force is a coalition composed of a number of Neighborhood Watch groups. Each person represents a particular block in the Task Force, yet retains the identity of the local Neighborhood Watch group. The block captains work with people who are new in the neighborhood and those who need assistance with social services or legal matters. The Task Force also deals with such concerns as vacant houses and problems with trash pick-up. Another initiative is "Contract for Black America," which is being planned to respond to the Republican Party's "Contract for America." Planners, who include local educator Alonso Davis,

hope that The Contract for Black America will create a positive climate for economic development in the African American community.

Active in the near West Side are Martin Yenawine, assistant to the president of Rural Metro Corp., which recently bought Yenawine's firm Eastern Paramedics, and Father Jim Mathews, pastor of St. Lucy's Roman Catholic Church. Both have forged a partnership with the neighborhood. Eastern Paramedics runs street fairs and clean-up drives and Yenawine provides educational support for local students. St. Lucy's operates a number of programs, including a food pantry where they strive to "treat people with dignity," and a used clothing store, Agape.

Other neighborhood initiatives are directly a result of bank involvement. Kristen A. Rickert, a banking officer with OnBank and Trust Co., discussed the banks' involvement in Partners for Education and Business Inc., the Adopt-a-School Program and the New York State Mentoring Program. OnBank "adopted" McKinley-Brighton Elementary School in June of 1990 and bank employees provide mentoring and enrichment activities for the pupils. Activities include taking the children to plays in the Civic Center and one-on-one support for the students. Such activities and focus have been shown to increase the self-esteem of children, potentially leading to a motivation to continue personal development by seeking socially beneficial activities that will continue the forward progress.

Perhaps the initiative with the biggest neighborhood impact has been the Time of Jubilee and its Community Land Trust Corporation. Walt Dixie, project coordinator, said Jubilee Homes is a development corporation that works closely in association with the Time of Jubilee Board, chaired by the Rev. Larry Howard. Time of Jubilee began when the Interdenominational Alliance, a cluster of churches active in the black community, identified housing as a need in the community in light of the many vacant lots and run-down homes. The churches wanted to invest some money in housing that would provide a commitment to the longevity of the neighborhood. The Interdenominational Alliance, in association with Syracuse United Neighbors, challenged local banks on their CRA standing in an effort to win increased support for the housing program. Dixie pointed out that such efforts at community involvement are crucial in developing a business climate in the inner-city area and, thus, constitute economic development, as well.

Jubilee Homes utilizes the Community Land Trust, in which the individuals own the houses, but not the land. The Land Trust Corp. operates with a letter of credit amounting to about \$500,000 from the major churches in the Syracuse area, including Roman Catholic, Presbyterian, United Methodist, United Church of Christ, Southern Baptist and others. The City of Syracuse has also provided matching federal funds. Jubilee Homes provides homes for people who ordinarily could not afford them, through the use of low and moderate-income mortgages, with lower down payments and a longer payment period. Dixie said Time of Jubilee has worked for more than two years to create "an atmosphere of partnership" with the banks. The banks were reticent at first to take on the program, looking askance at the fact that the land trust owns the land the houses are on. However, it is to the banks' advantage, since the land trust buys back the house if the purchase arrangement fails. The banks benefit because they receive the closing costs from the homeowner. Later, if the homeowner wants to expand or rehabilitate, the banks gets the business generated by loans. Time

of Jubilee is also working with Housing Vision, another "bricks and mortar" organization, which is trying to use tax credits. Other housing initiatives include Habitat for Humanity, a program that uses volunteer construction help as well as "sweat equity" by the prospective owners. Another initiative was started by Syracuse University as a result of an agreement with neighborhood groups following the closing of several streets to traffic in the University area. The university announced a mortgage program in June of 1994 through which mortgage funds are being made available to all SU employees who purchase homes in the neighborhood.

Immediate goals of Jubilee Homes and other housing programs are to provide decent affordable homes for people, to ensure that the number of absentee landlords is reduced and that gentrification--in which apartments are renovated but then priced out of the reach of the former residents--will not occur. However, Dixie and Howard realize that these housing initiatives have long-term economic development goals. Successful businesses depend on vibrant neighborhoods. Without neighborhood residents to patronize businesses, any economic development efforts will eventually fail.

All of the initiatives described above contribute to either the well-being of the residents of the neighborhoods directly, to establishing resources leading to the employability of individuals, or to cultivating entrepreneurship in neighborhood populations. The contributions to individuals through housing and education programs provide a stability to the neighborhoods, while the business and workforce development initiatives enable the residents to maintain that stability. The multi-faceted nature of economic development in low to moderate-income neighborhoods requires a multi-system approach if there is any expectation of improving conditions through new programs and efforts of the community.



## B. Economic Development

### 1. Factors that Influence Economic Development

When asked to define "economic development," different people have different reactions: "creation of wealth," "diversity of cultures," "income generation," "business building," "efforts done in context of the market," "jobs, jobs, jobs," "the use of business and other resources to further the future of individuals in the community" and "people taking responsibility for themselves." Some of these responses include traditional economic terms, such as jobs, while others verge on more social issues--incorporating the concept of community development that has already been discussed in this report. Economic development can be seen as incorporating or encompassing three different tasks: 1) retaining businesses 2) attracting businesses and 3) nurturing business so business growth and expansion can occur. Factors that are important in retaining current businesses or attracting new ones include a diverse array of items:

- \* A stable population base.
- \* Reasonable regulations and low taxes.
- \* A healthy economic climate.
- \* An available, well-trained labor pool reflecting good work ethics.
- \* Strong educational institutions.
- \* Strong political leadership to carry out economic development and an effective public/private partnership.
- \* Little or no perceived crime.
- \* An up-to-date transportation system and other infrastructure.
- \* Marketing and business supports.
- \* Access to credit.
- \* Community loyalty to existing businesses and patronage to new ones.
- \* Responsiveness to changing needs and a vision for the future.
- \* High technology.
- \* Responsive zoning and planning.
- \* Economic incentives.
- \* Reasonably-priced, quality housing.
- \* Access to culture and recreational activities.
- \* Good location in region.
- \* Viable natural resources and a clean environment.
- \* Excellent health care and medical resources.

These and other factors come into play if a community wishes to not only retain existing businesses, but also to start and nurture new business. Additional factors for new business growth include:

- \* Incubator centers for businesses not ready for total independence.
- \* Access to financing for business start-ups and expansions.

- \* Availability of land for expansion.
- \* Training programs to prepare employees for emerging occupational fields.
- \* Business experts who are willing to serve as nurturers and mentors for new businesses.
- \* Cooperation between higher education and local businesses to assist in the transfer of new technologies.

The factors that influence business creation, development and retention include many "quality of life" issues like recreation, education and environment that make the entire question of community reinvestment challenging and complex. Obviously, the jurisdiction of one statute--the CRA--and its ensuing requirements for financial institutions can play a part in only a few of these factors. The entire community must be broadly involved in a number of seemingly disparate areas if successful revitalization is to occur in our poorer neighborhoods.

## 2. Job Development and Readiness

The OCL study, "Syracuse Area Workforce of the Future: How Do We Prepare?," released in 1990, showed that while there are many job training programs in Onondaga County, there is a chasm between the workforce and available jobs. Many people need employment but do not have the necessary skills or educational level, whereas others may lack the job readiness skills to even find out about job openings.

The number of job training programs does not seem to be the issue. The Private Industry Council coordinates the federal funding that comes into the area for job training, which is provided by myriad agencies: the Syracuse-Onondaga Job Training Partnership Agency, BOCES, the ABC Learning Center, the Sidney L. Johnson Technical Center, Consolidated Industries and others. In addition, since 1990, the County, in cooperation with the various job training and placement agencies has been working on a concept called Gateway 2000. This program promotes the integration of currently independent programs to create a unified continuum of services help individuals access, train for and retain meaningful employment as well as meet the human resource needs of the employer.

People who need job training too often find that the system is a maze and they do not know how to access the program appropriate for their needs. Community activist Geneva Hayden said that people in her neighborhood--the South Side--need assistance to find out about jobs that become available. Speakers before the study committee said that on the West Side, much information is passed by word of mouth, rather than by more formal channels. By the time the people from the neighborhood hear about open jobs, they have already been filled. Other people are unemployed, not because of a lack of work ethic or job-hunting skills, but because they have been outpaced by technology. Many workers in their 40s or 50s may have never missed a week of work in 20 years in their factory jobs. Now, however, because of the local decline of manufacturing and an increasingly technical marketplace, their jobs no longer exist.

Efforts are underway to make people more aware of job openings. The New York State

Labor Department officially went "on-line" in March when its America's Job Bank became linked with the Internet. However, the substantially broadened market seems to hold the most potential for the "haves," people with access to a computer, knowledge of how the Internet works, marketable skills and the willingness to relocate far from home for their next job. Local job information is also available on the Internet through a program called Syracuse Online Internet Employment Links. This lists more than 1,200 job openings in the four-county region including Onondaga, Cayuga, Madison and Oswego counties. More than 100 agencies in this region, including the ABC program on the West Side and Consolidated Industries, are using this computer-based job hunting system. There is an average of 44 calls per day to the local job link with an average of 32 job-related files downloaded by local users. Notwithstanding this new program, many people still do not have access to this service, because they are not aware of the ways to get access to a computer/modem through a local agency or are not aware that the service is even available. "Not everyone has a PC and a modem to take advantage of this," said Roger Evans, a senior economist with the New York State Department of Labor. "There is a great need for workers to be made aware of this capability. There is a critical need for computers and modems for agencies." Evans added that the New York State Department of Labor is continuing to train local social service professionals in how to utilize Syracuse Online Internet Employment Links and computer access is available at selected sites through the Onondaga County Public Library system. Barriers exist for those people who do not use community service agencies linked to this employment service. Study Chairperson Marcie Sonneborn pointed out the importance of being knowledgeable about use of computers and electronic communications irregardless of socioeconomic status. In an era of increasing electronic communications and commerce, the Internet is a great equalizer--the person at one end does not know the other's color, age, gender or physical characteristics, such as disabling conditions. Also, there is an increasing number of job opportunities that are available from a home-based site, using a computer and a modem. The CNYNet (Central New York Community Network) has a pilot project underway to investigate the issue of access by lower-income individuals, including access to equipment as well as knowledge about use of the equipment. The pilot project is also identifying the types of resources and topics to be accessed electronically that might be interesting to individuals commonly referred to as "have-nots."

Perhaps even more elementary than computer literacy, speakers before the study committee spoke of the need for training--beginning as early as elementary school--in job readiness skills and the work ethic. Economic development cannot take place without adequately trained and educated people. The issue of job development in low to moderate-income neighborhoods requires a range of supports. Issues from the perspective of individuals include:

- \* Skills of the individual (training and experience.)
- \* The need for the skills in the local economy (economic factors.)
- \* Ability of the skilled individuals to locate job opportunities (access to information and communication channels.)
- \* Work ethic of the individuals, including dependability, honest, ability to be productive

toward accomplishment of a task.

- \* Health and safety issues, such as drug dependency and other disabling conditions, neighborhood environment and other factors.

- \* Transportation to job sites and other external requirements for the position, such as clothing, a vehicle and other factors.

### **3. The Importance of Entrepreneurship**

Studies demonstrate that the great majority of new jobs are being created by new, small businesses. Most of the new ventures in Upstate New York are small businesses and most of the growth nationwide is in businesses with fewer than 25 employees. Many of these same studies show that starting a small business is extremely risky. National figures for all kinds of businesses--service, retail, construction, technical and others--indicate that only one out of eight new businesses succeed. The reason for these business failures vary, but certainly the lack of credit and working capital is a significant reason. Additional barriers to entrepreneurship exist in poorer neighborhoods. Residents may lack the necessary business skills to successfully plan and open a business. They may have language or educational barriers preventing access to business training programs. The neighborhood itself may be viewed as a poor risk. Peter Svoboda, assistant director of the Small Business Development Center (SBDC), pointed out that three people have approached his agency about opening a Spanish bakery on the West Side. One person estimated it would take an investment of about \$30,000, but when he looked at the rate of public assistance and lack of discretionary income in the neighborhood, he felt that the business would have no way of surviving.

"It is easy to start a business. It is not so easy to be in business a year later," Svoboda said. Each year, more than 5,000 people take out "doing business as" certificates--or DBAs--in Onondaga County. No figures are available as to how many of these people actually start their business and how many are still in operation a year or more later. Svoboda pointed out that the SBDC informs potential entrepreneurs of the components needed for starting--and maintaining--a successful business:

- \* Credit. If the person doesn't have good credit, he or she can't go any farther.
- \* Significant expertise in the area of business the person wants to start.
- \* A cash investment on the table of 10 to 50 percent of the projected start-up costs.
- \* Security or collateral.
- \* The ability to repay, based on cash-flow projections on a month by month basis.
- \* A well-thought out, well-written business plan.

The City of Syracuse offers a variety of programs designed to promote entrepreneurship among city residents. Primary among these is the Urban Business Opportunity Center (UBOC), coordinated by Fernando Ortiz. UBOC provides small business start-up assistance, small business planning assistance, education and training, financial assistance and networking, which are described in detail further in this report.

#### 4. The Need for Credit

Svoboda said the rules for running a successful business can also be summed up in one thought: "Don't run out of money, don't run out of money..." Much of the early financing for a new business is done with "love money," that is money that has been saved up, inherited or borrowed from friends and family members. A potential barrier is that the U.S. does not have a good savings rate and many low and moderate-income individuals may not have any savings at all. A possibility for a firm with an idea or product that is unable to obtain traditional financing such as through a bank is venture capital. However, the entrepreneur may not know how to attract a venture capitalist to invest in the business, or understand how to work with a venture capitalist or outside investor. Other small entrepreneurs may find other aspects of starting out even more challenging. Eskew Young III, a real estate appraiser and manager of the Chamber of Commerce's Business Incubator Center, said, "With enough energy you can start a business with no capital, but sooner or later you need some capital." Other local entrepreneurs also affirmed that bank credit was a decisive factor in starting their businesses and their continued success. Many entrepreneurs do not know how to establish and maintain a banking relationship for the long term benefit of their business, regardless of income or education level.

Laurie Herrick, a leader in the local microcredit movement, said she has experienced firsthand how important credit is: a \$5,000 loan enabled her to start her business, Coast-to-Coast distributors is a national distribution firm in skin care and pet care products. Her start-up loan was not provided by a bank, but was provided by a manufacturer who had faith in Herrick's abilities. Local businesswoman Sarah Hill said her husband started the business--Built for Speed--by building speed skates in his home. In 1987, they decided they wanted to expand, so they went for a \$30,000 loan to the bank where they had banked for more than 10 years and where his parents had also been life-long customers of the bank. The bank would not give them the loan unless it was co-signed by his father. In 1988, they had an opportunity when their main skate materials supplier, a Canadian company, went out of business. They could buy all of the company's materials and equipment for \$90,000. It was difficult to secure a loan, because banks do not use inventory as collateral. Again, his father had to co-sign the loan. Built for Speed became international and business was booming and by 1989, they decided it was time to grow and find larger quarters. Hill said she had seen a television ad about a New York State program to help small businesses using the Small Business Administration. Securing funding under this program entailed "a 20-month period full of rigmarole before getting financing," she said. Despite the long months of paperwork and the SBA loan guarantee, Hill said they were turned down by five banks. They eventually closed on the loan in the winter of 1993 with the help of a lending agency. The hurdles experienced by Herrick and Hill reflect the challenges faced by many new entrepreneurs.

#### 5. Economic Incentive Programs

##### Rebuild Syracuse and the Economic Development Zone

Chris Abate, former director of Rebuild Syracuse, said Syracuse's economic development



one is part of a state-sponsored initiative. Map Two shows the geographic boundaries of this zone. It was one of the first 10 in the state and was awarded in a highly-competitive process. The economic development zone was designed to foster an environment over a 10-year period that would attract private investment, business development and job creation by stimulating economic activity and related human resource development with the following goals:

- \* Encouraging private investment and business development.
- \* Creating and retaining private investment and business development.
- \* Developing a labor pool for local companies from residents of the zone and the targeted population.
- \* Building local capacity and community infrastructure to better capture economic opportunity.

The statement of purpose of the state program was: **To target extraordinary economic development programs of the state on economic improvement areas in order to stimulate private investment, business development and job creation.** In Syracuse, the economic development zone program was established in 1987 and was fully operational in 1988; thus, it has been in place a full seven years. Rebuild Syracuse Acting Director Steve Sadwick said the state has recently added 31 zones throughout the state, with the latest addition of 21 occurring last summer.

The program recognizes that economic development is a complex web and requires a comprehensive approach, looking at the human side of economic development and incorporating business development, the networking of all actors involved, and housing development for home ownership. This comprehensive approach was taken because "the typical economic development doesn't filter down to distressed neighborhoods," Abate said. The state selected Syracuse in part because of the comprehensive nature of the program--involving the neighborhood, the business community, government and other actors. Since then, the state has mandated this comprehensive approach for the other economic development zones. Rebuild Syracuse took advantage of and worked with the efforts already underway in the community, such as the Syracuse Housing Partnership, and also took advantage of the CRA regulations when working with banks.

The results of Rebuild Syracuse have been 90 new businesses started through tax incentives and other services of the program. These new businesses created 300 full-time and some part-time jobs and are expected to create an additional 300 new full-time jobs in the remaining three years of the 10-year period. One hundred homes were built or renovated and were purchased through bank mortgages, giving families the opportunity to become upwardly mobile. Goals included retaining the neighborhood, returning the economic base, and adding business development concerns to city services. Part of this included the supports for new entrepreneurs provided by the Urban Business Opportunity Center, discussed in the next section of this report.

Economic development zones are designed to increase job opportunities for distressed areas by giving benefits to businesses that locate in those areas. A 485e property tax exemption is given to any improvement of that property. The exemption lasts 10 years, with a total exemption the first seven years and a phased-out exemption the last three years. An example from Syracuse's zone is



Hanford Pharmaceuticals, which built on a vacant lot. Currently, the company's property tax is based on the assessment of a vacant lot and the state also offers a refund for the state portion of the sales tax for any materials going into construction or expansion of a building. This covers only construction, not operational costs. Jim Laurenzo, deputy director of the Office of Development for the City of Syracuse, said the benefits do not go to the contractor, but to the business itself, providing an incentive to remain in the city and not move to Liverpool or Clay, for example. Niagara Mohawk offers a reduction in utility bills of 40 to 60 percent for a 10-year period. If the company is a new business, the reduction will be on the entire utility bill. If it is an expansion, it will be only on that portion of the bill for the expansion. The state also provides a tax credit of \$750 for each new job created or \$1,500 for hiring a "targeted employee," one defined by state criteria. This includes someone who has been on public assistance within the last two years or someone who has gone through a local, state or federal job training program. Also authorized by the Legislature in 1986 was a 5 percent reduction in telephone utilities, which in 1993 was specifically changed to NYNEX. A federal Housing and Urban Development Technical Assistance Grant has also funded a full-time job training counselor, who has helped more than 50 neighborhood residents to secure jobs in the new businesses. The Job Match program works with business to link jobs to people who need them. Just in 1994 alone, 75 residents of the Economic Development Zone were placed successfully in full time positions through the Job Development Program.

In early 1995, the Office of Development and Business Retention staff began to consider the expansion of the economic development zone to other areas of the city. After consulting with community leaders and organizations, business representatives, concerned citizens and the City's Common Council, a decision to expand the economic development zone to include areas of the east, north and south sides of the City was made and the recommendations were approved by the Common Council. The expansion areas are: the lower end of James Street, portions of Burnet Avenue, the Syracuse Inner Harbor, portions of the Northside along State, Townsend, and North Salina Streets, and portions of lower Wesmoreland Avenue and East Fayette Street.

To further enhance citywide economic development, Mayor Bernardi has restructured the operations and mission of the Economic Development Zone. City officials state that the zone staff will now focus on business attraction and expansion, and job development.

Other programs administered by the city that provide direct financial incentives or related financial assistance include:

- \* The Downtown Commercial Rehabilitation Loan Program
- \* Syracuse Economic Development Corporation Direct Loans
- \* Urban Business Opportunity Center Loan Program
- \* Neighborhood Commercial Revitalization Program
- \* COMCO Revolving Loan Fund
- \* HUD Section 108 Program
- \* New York Job Development Authority Direct Loan Program
- \* New York Job Development Authority Guarantee Loan Program
- \* New York State Urban Development Corporation Programs

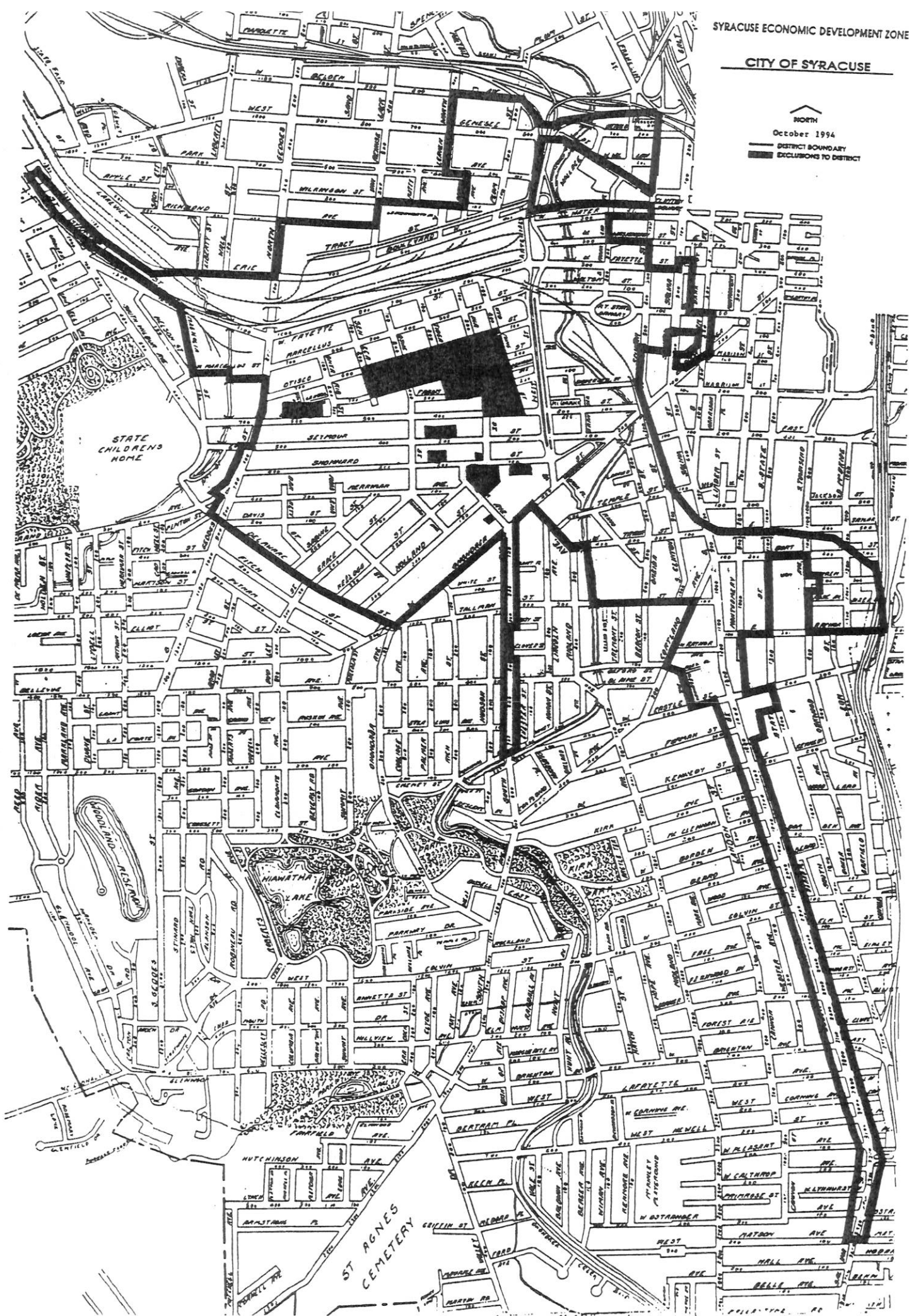


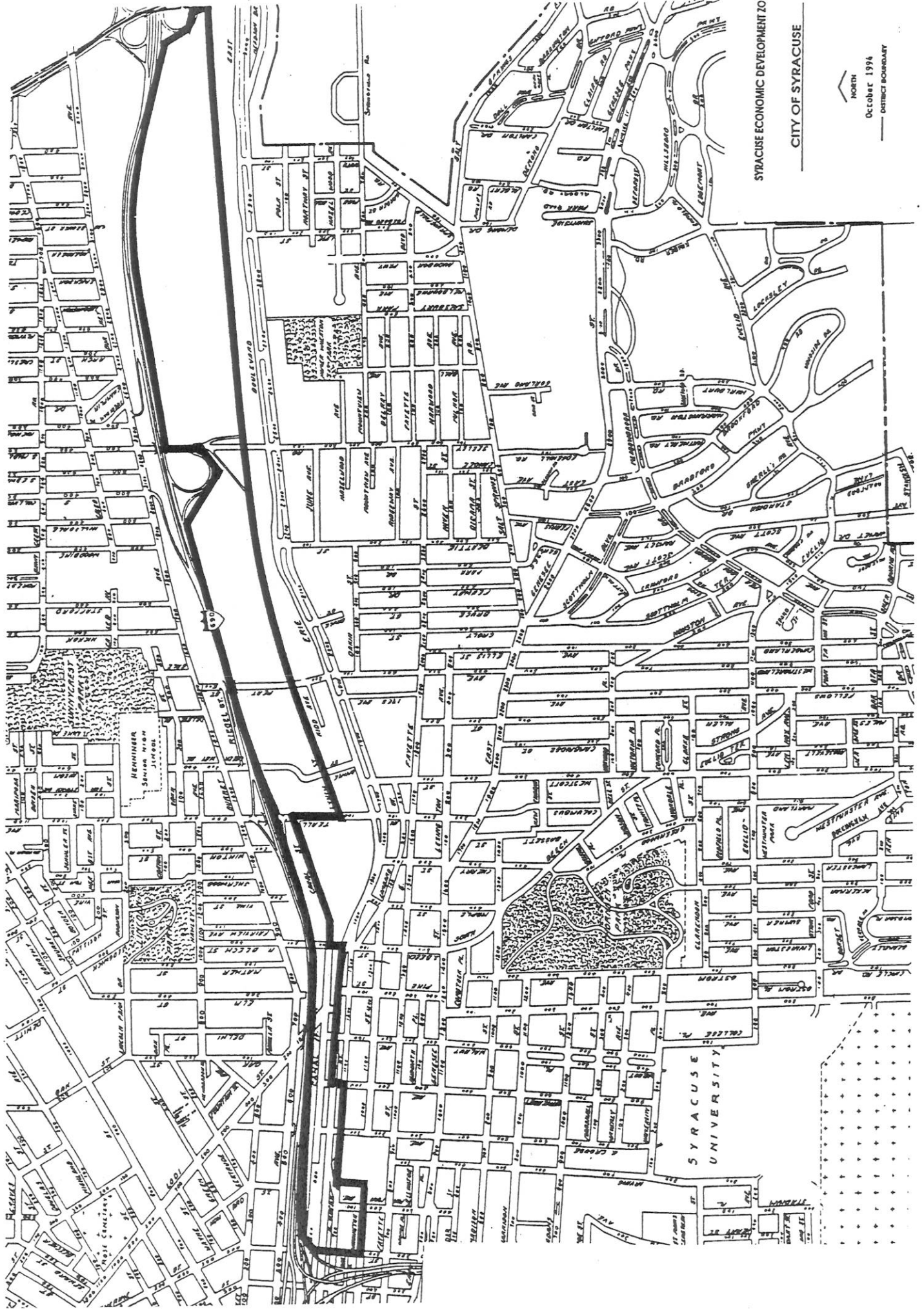
CITY OF SYRACUSE



October 1994

DISTRICT BOUNDARY  
EXCLUSIONS TO DISTRICT





SYRACUSE ECONOMIC DEVELOPMENT ZONE

CITY OF SYRACUSE

NORTH  
 OCTOBER 1994  
 DISTRICT BOUNDARY



- \* New York State Urban Development Corporation Regional Economic Development Partnership Program
- \* SIDA Industrial Revenue Bonds
- \* Grow America Fund, Inc.
- \* Small Business Administration 504 Loan Program

## **6. Support Programs and Technical Assistance**

### **City of Syracuse's Office of Development and Business Retention**

The Office of Development and Business Retention provides technical assistance for businesses, as well as administers the financial incentive programs described earlier in this report. Jim Laurenzo, deputy director of the office, said the city works as a team with the county and state Departments of Economic Development, the Chamber of Commerce and Niagara Mohawk's Economic Development Department. Some deals that involve a number of public and private actors may take a year or more to finalize. One example is the expansion of both Empire Blue Cross and Blue Shield and Deluxe Check Printing at the former Sibley's location. Another is Dey's Centennial Plaza, the former Dey's Department Store that is currently being rehabilitated into the Niagara Mohawk Customer Service Center. The funding for this \$15 to \$20 million project is through OnBank, falls under the purview of the CRA and was done with the assistance of the Federal Home Loan Credit Bank. These expansions and others in downtown, have resulted in additional investments of over \$30 million in commercial space, with over 1500 jobs created and or retained. This increase in investment and jobs is also expected to spinoff additional jobs due to the increased payroll available to the City's Central Business District.

Another significant project is the renovation of the Rockwell Building, which the city completed working in conjunction with the New York Job Development Authority and utilizing a \$3 million federal Home Loan Credit Bank loan. The Rockwell site is at 98 percent capacity and primarily houses new, cottage industries that started up in smaller places and needed room to expand. Like Dey's Centennial Plaza, the Rockwell building renovation qualified as a CRA investment. With the assistance of the City of Syracuse Industrial Development Agency (SIDA), the redevelopment of Rockwest is well underway. The successful redevelopment of Phase I and now Phase II which is underway amounts to a combined total of \$7 million in financing through the sale of private bonds, private financing, and a small amount of SIDA financial assistance. Over 200 jobs have been created and retained in Phase I of this project alone and another 225 full time permanent jobs are projected for Phase II.

The Office of Development offers "one-stop shopping," coordinating access to all agencies and resources and assists with training, working in full partnership with the City/County Job Training Partnership Agency. A new initiative designed to keep businesses in the city is the retention team. One successful effort of the team is that of F.W. Webb, which had been located along 690, but needed more space to expand. The city provided a generous package through the economic development zone and the firm relocated in the Ulster Business Park, a location purchased from

Conrail. City officials reported that in 1994, economic development projects in the City of Syracuse resulted in the investment of \$46 million dollars and the creation and retention of over 1,500 jobs.

### **Urban Business Opportunity Center (UBOC)**

UBOC Director Fernando Ortiz said the agency, along with the economic development zone and the Office of Development, is the third arm of the city's economic development program. UBOC, which advertises its services in the media and through community organizations, stresses entrepreneurship and provides three services:

- \* One-on-one free counseling, from the preliminary assessment of the business through all stages of business planning.
- \* Education and training through a partnership with the Small Business Development Center (SBDC). The course is 60 hours--20 sessions over a 10-week period. In February a "bumper crop" of 65 people enrolled in the program. The current class has 40 enrollees. The program costs \$60 per enrollee, which does not cover all costs incurred by the center.
- \* Guidance with documentation, including how to write a business plan and maintain financial records.

Ortiz said his staff meets with individuals who want to start up businesses. Some are not bankable at all, or banks might fund just a portion of the start-up costs. The Center can provide small loans of up to \$10,000 and is willing to take bigger risks than a bank would. In a few cases the loan may be slightly more than \$10,000. There are small costs associated with the loan program--a \$25 application fee and 1 percent closing costs. The people go through the UBOC course and start businesses with the loans go on to become an important network for each other as they start up their businesses. UBOC is planning yearly workshops for those who have already completed the program. One local entrepreneur who benefited from the UBOC is Dexter Grady, founder and president of Maintenance Plus, a firm that provides maintenance, construction clean-up work and clean-up of fire and smoke damage. Grady has worked with the Urban Business Opportunity Center to learn skills in successful business management.

Through the City of Syracuse UBOC Loan Fund, individuals that have a good idea and want to start a business in the City can apply for funding. An individual's lack of credit or net worth (insufficient personal assets and no credit history), is not an obstacle to accessing small business start up financing through this program. The program can help an individual prepare a business plan, and also provides training. Both of these components are required from individuals who seek financing. The UBOC has counseled over 600 individuals since its inception in 1992. In cooperation with the Onondaga Small Business Development Center, it has facilitated entrepreneurship and business management skills training to over 250 individuals and graduated over 125 from the program. Additionally, over 600 individual have attended the Center's regularly offered seminars and workshops. To date the Center has provided over \$150,000 in financing to new



and existing small businesses in the City of Syracuse. The UBOC Loan Fund presently has over \$100,000 in funds available. The City has recently applied to the U.S. Small Business Administration to participate in its Microlending Demonstration Program. If selected, the UBOC Loan Fund will be able to increase its total amount of funds available.

### **The Pan African Business Association (PABA)**

Deborah Young, president of PABA, said the association was convened three years ago by the Chamber of Commerce to address the lack of participation of African Americans in the Chamber. A steering committee uncovers the issues and concerns of African American business people and looks for people who can then address these issues and concerns. A focus is to get more African American business persons. Some potential areas of growth are often overlooked, she said. For example, a person from the New York State Fair recently spoke to the organization about the many business opportunities available during the Fair that have not been sought by African Americans. An economic development committee works to encourage entrepreneurs to obtain Doing Business As (DBA) certificates. PABA raises all of its own funds to support its economic and business development activities and events to assist its members.

### **Small Business Development Center**

Peter Svoboda said the SBDC, located in the Excell Center at Onondaga Community College, has a state mandate to provide one-on-one consulting to people who want to go into business or who are already in business. The stated goal is: to assist entrepreneurs, business and industry in the solution of their problems which leads to increased productivity and profitability. By adding new and existing small business firms, the SBDC contributes to the stability and growth of the small business sector of the economy of New York State. High priority is given to manufacturing, exporting, and technology-oriented firms. Particular attention is given to projects involving job development and investment priorities of the New York State Department of Economic Development. The center also assists those currently in business, but with serious financial difficulties. The center has a two out of seven success rate in this group. More than 1,000 people are seen by the center every year. Counselors work with some clients one hour and with others up to 100 hours, as needed. People who go to the SBDC for assistance are matched up according to the type of business they want to start and the particular expertise of the counselor. A free session on starting up a business is offered every Thursday from 1 to 4 p.m. at the Excell Center. It covers such areas as rules and regulations, chances for success, business plans, cash-flow plans and market analysis. The SBDC makes writing a business plan a priority for anyone going for assistance. "No one can take you seriously unless you can focus your thoughts in writing in a business plan. Everything we do focuses on business planning," Svoboda stated.

## 7. Educational Programs that Foster Economic Development

### Junior Achievement

One aspect of career preparation that has been lacking in our schools is information about how to start and operate businesses. Many have had good ideas that failed on implementation because the entrepreneur was not aware of the importance of one of more aspects of running the business. Programs are underway, both broad and narrow in focus, to train the upcoming generation about the fundamentals of business. Recognizing that starting a business is only one option for an individual trying to obtain economic resources, the study group examined various sources for training in business entrepreneurship. One well-established program is Junior Achievement of Central New York Inc., whose president is James W. Nash Jr. Junior Achievement is a national program that was started in 1919 by a group of business people, working in cooperation with education. They wanted to explain to students how the private enterprise system operates by giving them both the theory behind it and experience through practical exercises. The program has several components:

\* **The Junior Achievement Company Program** is conducted once a week after school or in the evening and divides students into teams to create new corporations. The "corporations" elect a president and vice presidents for marketing, finance and other areas. Junior Achievement staff and volunteer mentors teach the students how to capitalize a business, how to sell shares of stock to raise capital, how to calculate wages and salaries, how to write and issue an annual report and, when the company is successful, how to pay dividends. Each year Junior Achievement provides one outstanding student from this program with a full-tuition scholarship to SU and offers other scholarships, as well.

\* **Applied Economics** is a course mandate from the New York State Board of Regents, which all students in the state have to complete before they graduate. Junior Achievement's course in Applied Economics, which teaches students about making management decisions, fulfills that mandate. A business executive, in partnership with the teacher, teaches one session per week. All high schools in the Syracuse area are taking part in this program. In this class, students start an actual business that they run throughout the year. One example is the import-export business that students from Henninger High School started with students in Russia. The Henninger students sold imported, hand-painted wooden eggs and they exported mechanical lead pencils to Russia. The students raised money and actually sent several students to Russia to negotiate a trade agreement with Russian students. This coming school year, Junior Achievement plans to start a program with the People's Republic of China.

\* **The Educational Consultant Program** has literally dozens of business people volunteering their time, working in conjunction with teachers in classrooms from kindergarten to 12th grade. It is a sequential program teaching young people about business management and entrepreneurship. "Even kindergartners can understand they have an economic role," Nash said. Part

of the program is to demonstrate to students "the economics of staying in school." Students learn the eventual impact of either dropping out or continuing with their education by working out their own budgets under various scenarios. Syracuse School Superintendent Robert DiFlorio has asked Junior Achievement to offer the program in all elementary schools, but Junior Achievement still needs more educational consultants in order to meet the need for all city schools. The program is also being offered in all Catholic Schools in the city.

About 3,200 students in the Syracuse schools and 5,200 total are involved with Junior Achievement Programs. The goal is to "make them workforce ready, developing them to compete in the global and domestic economy," Nash said.

## **PAID**

Positive Achievement and Interest In Dollars or PAID is a city program to "foster and encourage entrepreneurship among the city's youth," according to Fernando Ortiz. The city obtained a \$75,000, two-year grant from the Department of Housing and Urban Development that was designed to meet the needs of low income inner-city youth who live in public housing. The \$75,000 pays for the program's counseling and training and the salary of a full-time coordinator. PAID has also received a \$2,000 grant from Key Bank and a \$750 grant from the parent corporation of P&C. Paul Nojaim of Nojaim's Supermarket has been extremely helpful in providing technical expertise.

The program recruited young people who live in the city's economic development zone. Program staff have been working with 12 youths for more than a year. Although they come from a disadvantaged background, the students have to maintain a certain grade average in school. The program works closely with the students' guidance counselors, though the program goes up to age 21. At that age, some students may not still be in high school, but are required to be in a GED program or in some other academic or vocational training. The city provides a comprehensive business education program with the help of the Small Business Development Center, which sends instructors one day per week to the Youth Center on Van Buren Street where the PAID program takes place. They are learning all facets of business, including marketing and accounting. However, the essence of the program is that the students are "the driving force--we are there to facilitate," Ortiz said. For example, the young people themselves picked out their name and logo. The students planned, organized and opened a small convenience store, called 'Cuse Town Market," at 134 Stuart Court in Pioneer Homes. The store, which opened in March, sells candy, diapers, cleaning products, some food and other items and is operating at a profit. During the school year, the store is open after school, evenings and weekends and three or four students work each shift.

PAID's goal is to show young people they can have access to the "actual mainstream economy of society" and that is a better way than dropping out of school, Ortiz said. It also provides career exploration. "Some may not want to be in business for themselves, but many may want to work for a company," he said. "They are learning the mechanics of business and the true worth of pursuing it."

## 8. Zoning Regulations and Economic Development

One option for individuals wanting to start a business is to begin the operations of the business in the entrepreneurs' home. Cost of location is often a major portion of the initial start-up costs of a business, and savings in this area can make the difference between being able to start the business immediately versus waiting until a financing source is identified. Telecommuting is also providing opportunities for individuals who have skills that can be employed through computer access to a remote job site. Transportation problems are reduced for individuals who are able to be working at a job from home, though some barriers exist to operating a home-based business in a neighborhood setting. Many larger businesses started out in a person's home and later moved to another location when they grew and prospered. Other people continue to operate their business in the home because it is convenient and financially practical. Affecting the kinds of businesses that can be operated at home are the zoning regulations administered by the City Zoning Administration. The administration processes applications and, in certain exceptions to the rule, may allow a special permit or a variance. Many of the current zoning regulations have been on the books for 70 years and the Zoning Administration periodically examines them to determine whether they meet the needs of today's citizens. City Planner Chuck Ladd said that, in theory, the zoning is supposed to be a "reflection of a well-considered plan" and "consistent with the growth of the city," governing, for example, whether a particular street is single-family residential, two-family residential, multi-family, rooming house or commercial.

The only external structures permitted in residential areas are garden sheds and garages. Thus, businesses have to be physically located in the house. The original regulations dating back decades permitted home offices of physicians, dentists, lawyers, and architects--generally professionals with higher degrees who are licensed by the state. The wording in the existing regulations allows for "similar occupations" to also have home offices. This clause has permitted them to be flexible in working with newer types of jobs. Thus, the zoning has been redefined to include chiropractors, psychologists, music teachers and clinical social workers. The Zoning Administration may consult with the city's Law Department whenever a new use of the clause is sought. In all cases, however, the person must live in the house. The zoning does not allow a person to live in Dewitt and have a "home" office in the city--you must also be a resident of the building in which you have your office. Of particular concern are deliveries and inventory. If deliveries were being made on a daily basis, the trucks would block traffic in the residential neighborhood. A large amount of inventory being held would cause the business to be qualified as a retail operation, which is prohibited.

However, Ladd pointed out that this clause regarding "professional" offices has become archaic. Included in the regulations is permission for surgeons to have home offices, which obviously does not reflect modern hospital practices. In addition, few lawyers or doctors are still operating out of a home office. The zoning law reflects the time when a doctor had a small office at home, where one or two people maximum would be waiting at one time, and from which he would make his house calls. Now doctors and dentists are more likely to be in a group practice with a large waiting room. People drive to the office, necessitating a large parking area. There are



additional support personnel, such as a hygienist and bookkeeper, who also need parking spaces. Technically, according to the zoning regulations as they now stand, realtors are not permitted to have home offices, although they are licensed by the state and, therefore, can be considered in the professional category. Obviously, there are "many operations in existence that operate without complete legal status," he said. Many of them are "invisible" and, thus, have not been exposed to regulatory scrutiny. What has happened up until now is that a home-based business may call up the Zoning Administration to get a letter of certification from the city to show to an insurance company for insurance purposes. At that point, the person may find out that the home-based business is "illegal" and the city cannot offer permission under the regulations as they now stand.

The Zoning Administration's current goal is to revise the regulations so they contribute to the community, recognizing that many men and women are working at home, particularly in computer-based operations. He gave the example of one man who is a lumber dealer, dealing in box-car loads of lumber. It is all done by telephone and computer and lumber is never delivered to the office located in the neighborhood. One solution is to enumerate every business that would or would not be permitted, Ladd said. The other would be to establish regulations that are performance-based, to accommodate new businesses that cannot be envisioned now. The latter regulations would focus on uses that are socially compatible with the neighborhood. Thus the zoning would serve as an "incubator" for small businesses that could improve the economic status of the residents and provide for a means to nurture the businesses of tomorrow.

## **9. The Emerging Field of Microcredit**

When examining home-based and small businesses, the concept of microcredit is becoming increasingly popular. Locally, two individuals are taking the lead in starting a microcredit movement in Syracuse. They are: Laurie Herrick, who is a group leader and regional coordinator for RESULTS (Responsibility for Ending Starvation Using Legislation, Trim Tapping and Support) and president of Coast to Coast Distributors, and husband, Dan Zukergood, who is an assistant professor of education at the State University of New York at Oswego. Through their efforts, members of the Syracuse community have become aware of the work of Grameen Bank, a successful program in Bangladesh, and Working Capital, a U.S. initiative.

### **Grameen Bank**

Grameen Bank was started in 1976 by Mohammed Yunus, an American-educated native of Bangladesh. Soon after his return to a university position in Bangladesh, Yunus realized that the economics he was teaching did not relate to the real plight of the people of his country. One day, while walking through a neighborhood on the way to work, Yunus stopped and asked a woman who made bamboo stools how much she made. She replied that at the end of the day she made two cents. She had to buy her bamboo daily from a bamboo dealer, who charged her a high interest rate and who required that she sell the stools back to him at the end of the day. Yunus asked the woman how much of a loan she would need so she could find her own source of bamboo and not rely on the dealer; she said six dollars. Yunus arranged for a loan and soon the woman was making \$1.25 a day

instead of two cents. With this small start, the Grameen (meaning "rural") Bank microcredit project started, with banks giving loans to people like this woman, who have no collateral, and with Yunus initially required to sign as the guarantor on every loan. The loans had a return rate of 98 percent. Yunus wanted the program to spread to other parts of Bangladesh. Today the bank has assets of more than \$500 million and more than 2 million members in 34,834 villages. It has loaned \$1.2 billion, with an average loan of \$100. Seventy-five percent of the people who have received loans have been able to lift themselves out of poverty. Ninety-four percent of the people receiving the loans are women.

Grameen Bank's program is composed of "centers" of 40 women: eight groups with five women each. The interest rate is high--20 percent. However, 2 percent is returned to a group fund to be spent on anything the group decides upon; 2 percent is an emergency fund, a vitally important resource in a nation often experiencing natural disasters; and a certain percentage is required for savings. In order to get a loan, a person must be in a group with four other people. In Bangladesh, these group members are usually women. The two most needy women get the first loans. When they have successfully repaid the first 12 or 13 installments, then the next two neediest get the next two loans, with the last one remaining getting the fifth loan. No loans will be given to the remaining people in a group, if any one of the first individuals who receive a loan does not repay it.

When Herrick and Zukergood traveled to Bangladesh in March, they saw first-hand the dramatic results of small loans. They met Helena, a woman in her 20s, who first received a \$60 loan. She bought fishing net and put her younger brother to work fishing. She then got another loan for a cow and put another brother to work milking. Another loan and another brother were devoted to a chicken and goat endeavor. The most recent loan has been for irrigation equipment, which she rents to local farmers. Another woman, now 36, started with a \$60 loan several years ago for a rice husking business. With several subsequent loans and an increase in business, she saved \$600. With her savings she was able to build a house and open a small store, which is in the front of the house. The micro-loans totally changed the women's self-esteem and future outlook. When Herrick and Zukergood asked a group of women if they would rather have gotten a gift, all of them said no. One woman said, "A loan is for my development. A gift is not for development. It is used just to enjoy. If I get a gift, I think I get it for free, so I have no tension and I can use it in any way. A loan is for my development. I have pressure to pay it back and will work hard. A gift makes a person lazy, inactive and destroys a community."

While an American entrepreneur would clearly need more than a few dollars to start a business, successful microcredit programs are underway in the United States. Current efforts include the South Shore Bank in Chicago, the Good Faith Fund in Arkansas, the Washington Cash program in Seattle and Working Capital, based in Boston. The Charles Stewart Mott Foundation has been particularly active in this movement and has helped start more than 60 microenterprise lending programs, which in turn have helped create more than 30,000 small businesses and 50,000 jobs across the country.



## **"Working Capital"--Cambridge, Massachusetts**

Jeffrey Ashe, director of Working Capital, which is based in Cambridge, Mass., traveled to Syracuse in June to meet with Herrick and Zukergood's microcredit planning group. Working Capital is the largest microcredit initiative in the United States. Like Grameen Bank, Working Capital operates under a peer-lending process with the following characteristics:

- \* Each participant joins a business loan group of 4 to 10 business owners.
- \* Members apply directly to their group for loans. The group reviews the loan applications and decides which to approve.
- \* All group members must be up to date on their loan payments before any group member can apply for another loan. This ensures that members pay on time.
- \* Loans are given on a sliding scale, starting at \$500 and can increase to \$5,000.

Since October 1991, Working Capital has started 45 affiliates, with 260 peer loan groups, predominately in New England. It has assisted more than 1,500 small businesses distributing 1,706 loans totalling more than \$1.7 million. The loan repayment rate is 98.14 percent for all loans issued. Of the 1,700 loans given by Working Capital to date, just 8 percent of the applicants had prior access to bank credit. Profits are up an average of more than \$3,000 per year for each business.

"The typical small business persons are slogging by themselves, really isolated, with little access to market, little knowledge of doing business and no access to bank credit," Ashe said. "Working Capital is the reverse of redlining. Its mission is to go directly into poor areas and the middle of the inner city. The range of businesses that have been started or helped is phenomenal." Businesses assisted by Working Capital range from an animal training center called "Dogs Gone Bad" to an extermination service called "Adios Cucaracha." Other businesses include clothing stores, body shops, catering businesses, bakeries, seamstresses, tailors, laundries, diaper services, real estate and insurance offices, translators, modeling agencies, photographers, upholsterers, martial arts schools, restaurants and many other others.

Herrick said microcredit programs are essential because banks want to make a profit and bigger loans are more profitable. Microcredit "helps people become self-sufficient, while hand-outs destroy dignity and disempower them. The vision ultimately benefits everybody. It gets people out of poverty," Herrick said.

## C. Vision for the Future

### 1. Community Visioning

Before an entrepreneur starts a business, that individual generally assesses his or her ability to start and operate a business successfully. The decision to proceed generally requires a confidence in one's own capabilities. Also, individuals who are most successful in careers and reach positions that are rewarding and fulfilling (as well as economically productive) are focused on a specific goal early in their careers or employment experience. They establish visions for their future and then set goals for themselves directed toward teaching their ultimate vision. Orientation to a goal is an importance concept for businesses, as well as for individuals.

Many individuals living in low to moderate-income areas have not had access to role models in professions or to the resources required in order to create their own visions. Some visions may include aspiring to owning a business or working in a career or profession that requires education beyond high school. Though we recognize that all individuals need not aspire to professional careers or to becoming entrepreneurs, it is desirable to have a larger proportion of the individuals coming from low to moderate-income neighborhoods among the successful professional and business community. This increases the overall economic health of the area and reduces dependence on government systems while raising the self-esteem of individuals, cultural and socioeconomic groups, as well as the community as a whole. It is the ability to create a vision for oneself that increases one's ability to advance one's self-reliance and dignity, as well as economic independence. Geneva Hayden, through her project, Community United to Rebuild Neighborhoods, is attempting to enhance the self-esteem and self-reliance of children in her neighborhood through facilitated training sessions. She is attempting to demonstrate that there are other options available outside the drug culture that has heretofore been the models of economic success in some low to moderate-income neighborhoods such as hers.

The concept of "vision" can be looked at from different perspectives. It can start on a neighborhood level. In talking about his community involvement in the near West Side, Marty Yenawine, former president of Eastern Paramedics, said:

"To create vision in anyone, you have got to have hope--that feeling that there is something out there for you. If I were to characterize the neighborhood, it is poor and economically disadvantaged. The struggle to survive diminishes the light of hope. Our job, our task is to help people find and realize that hope. Vision is not necessarily the dream of being in suburbia. Rather, it involves self-reliance, dignity, pride, personal safety, not being hungry and knowing you have a sense of security."

From the larger perspective, "vision" can mean foresight and planning for a community--or a society--as a whole. And just as economic and community development intertwine, vision can be seen to encompass the resolution of human problems, such as poverty and lack of educational advancement, and economic problems, such as plant closings and decaying infrastructure. As this

report has shown, having a vision for these two areas is clearly integrated: for example, with more factories and businesses, more people will have jobs and social dependency will be reduced.

Some communities are taking proactive steps in planning for the future. Community visioning projects are increasingly being seen as an effective means of assessing community needs and making comprehensive improvements. Erie County is near the completion of a community visioning project that involved hundreds of people in the Buffalo area. Another community that has had a successful community visioning project is Chattanooga, Tenn. Chattanooga Venture started the project, called Vision 2000 in 1984. The initial process resulted in a list of 40 major objectives that community members wanted to accomplish. Of these, 37 have been realized, including a river walk, tree planting downtown, the renovation of old buildings, the restoration of the Tivoli Theater (similar to our Landmark Theater), an aquarium that is now a tourist attraction and a solid waste management program. Smaller endeavors that arose out of Vision 2000 include a coop grocery store in a minority neighborhood and a community garden to grow fresh produce for that grocery store. All in all, 223 different programs and projects have started that address the goals developed under Chattanooga Venture. About \$790 million in investments was brought to the community as part of these initiatives.

Chattanooga Venture is now involved with a second phase: ReVision 2000, which began in 1993. In this process, public meetings were held in nine locations throughout the community. Students, retired people, professionals and people from all walks of life and backgrounds met for brainstorming sessions. About 1,100 people took part in these sessions and came up with 2,959 ideas. All viewpoints were listened to, including ideas expressed during sessions on race relations and Native American issues. A second series of meetings was conducted to refine these ideas and build consensus. A Vision Fair was conducted, listing the ideas presented, and community residents were invited to rank these in priority order. The project organizers believe that an idea that may be bold, but is the right idea at the right time and done for the right reasons, will attract resources and backing.

Niagara Mohawk Power Corp. Director of Public Affairs Eileen Kelliher has researched the community vision project in Chattanooga. Kelliher is a member of the board of directors of the Alumni of Leadership Greater Syracuse, which is interested in sparking enthusiasm for a community visioning project here in Syracuse. A community visioning project would be a concerted effort to get input from all parts of the community and would listen to all ideas, far-fetched and otherwise. Kelliher said such an effort would probably take about a year and would involve many small groups of people asking themselves: "What do we want to get out of this?" "What do we want the community to do?" Such an initiative would be a much larger extension of a project currently underway in Syracuse. The Kettering Foundation has selected Syracuse as one of two communities in the nation for a study on how communities make decisions. Focus groups are currently being held as part of this study, called "Community Checkup."

The MDA is also engaged in an economic development planning project, called Vision 2010, which was started in March of this year. In mid-1994, a steering committee of six people, made up

of MDA members and staff, planned the scope of the study and sent out a request for proposals in mid-1994. According to Eve Reisbaum, the MDA interviewed a number of consultants and selected SRI International from Menlo Park, Calif. Since then, the consultants have met with business leaders, public officials and community leaders on a number of occasions. A draft of the report is expected by November, with recommendations being released in December.

The much larger community visioning project described above, as conceived by the alumni of Leadership Greater Syracuse, could have major impact on all facets of the community, in addition to economic benefits. While expanding beyond the purview of traditional "economic development," a community visioning project could ultimately attract a great deal of investment in the Syracuse area and instill pride in the community.

## 2. A New Vision of Inner City Economic Development

In his article, "The Competitive Advantage of the Inner City," Harvard Professor Michael E. Porter writes that, "The economic distress of America's inner cities may be the most pressing issue facing the nation. The lack of businesses and jobs in disadvantaged urban areas fuels not only a crushing cycle of poverty but also crippling social problems, such as drug abuse and crime. And, as the inner cities continue to deteriorate, the debate on how to aid them grows increasingly divisive." Porter criticized much of the past efforts saying:

"The sad reality is that the efforts of the past few decades to revitalize the inner cities have failed. The establishment of a sustainable economic base--and with it employment opportunities, wealth creation, role models and improved local infrastructure--still eludes us despite the investment of substantial resources.

Past efforts have been guided by a social model built around meeting the needs of individuals. Aid to inner cities, then, has largely taken the form of relief programs such as income assistance, housing subsidies and food stamps, all of which address highly visible--and real--social needs.

Programs aimed more directly at economic development have been fragmented and ineffective. These piecemeal approaches have usually taken the form of subsidies, preference programs or expensive efforts to stimulate economic activity in tangential fields such as housing, real estate and neighborhood development. Lacking an overall strategy, such programs have treated the inner city as an island isolated from the surrounding economy and subject to its own unique laws of competition. They have encouraged and supported small, sub-scale businesses designed to serve the local community but ill equipped to attract the community's own spending power, much less *export* outside it. In short, the social model has inadvertently undermined the creation of economically viable companies. Without such companies and the jobs they create, the social problems will only worsen."

Porter recommends that economic development planning for the inner city capitalize on its true competitive advantages, which he describes as:

\* **Strategic Location**--Inner cities can offer a competitive advantage to companies that benefit from "a proximity to downtown business districts, logistical infrastructure, entertainment or tourist centers and concentrations of companies."

\* **Local Market Demand**--The local market is the most immediate opportunity for new entrepreneurs, since the inner city is generally poorly served. While inner-city incomes are relatively low, the area's high population density can translate into major purchasing power.

\* **Integration with Regional Clusters**--A great potential for inner-city businesses lies in capitalizing on nearby regional clusters: the collection of companies that make an area competitive nationally or even internationally.

\* **Human Resources**--Despite myths to the contrary, most inner-city residents are industrious and eager for work.

Porter contends that any community reinvestment can be viable only if it establishes competitive businesses that utilize those advantages. Less attention should be paid to propping up businesses that would not ordinarily succeed, and to concentrate on attracting businesses that will flourish and grow. It is ill-advised, he suggested, to expect businesses to open in the inner city if they cannot be economically competitive in that location.



## **VI. Recommendations and Call to Action**

### **A. Call to Action**

The Onondaga Citizens League Study Committee realizes that community reinvestment issues focused on low to moderate-income neighborhoods is complex and encompasses a range of factors from community development to economic development. Many of the changes that are required in the community to really make a difference over programs tried in the past, rely on the efforts of diverse groups of individuals over whom the Onondaga Citizens League has little control. These diverse groups include government social service programs, job placement professionals, social workers and economic development and business development professionals, local businesses, banks and other financial institutions, churches, community organizations, and possibly the most important, individuals living in the low to moderate-income neighborhoods that are the subject of this study.

A community-wide effort is critical; this study being only a preliminary step to a much greater effort that is required. Progress on the goals of community development and economic development in low to moderate-income areas will more quickly be realized if the community establishes a coordinated, organized approach to these issues. This does not mean the creation of a new agency, organization or committee to study the question, but a directed, cooperative effort with the goal of improving the economic development of low to moderate-income neighborhoods.

In order to demonstrate its commitment to these issues, the Onondaga Citizens League has voted to provide seed funding to facilitate the initial start-up of a community-based credit union, targeted to areas underserved by banks. This initiative will include OCL taking responsibility to organize a meeting for any individuals interested in the community-based credit union concept, focusing our attention on churches and related organizations in the targeted, underserved area. The initial meetings will be convened by the end of this year and OCL will facilitate them by bringing in an expert in the establishment of community-based credit unions. Once the community-based credit union has been established or the field of membership of an already existing credit union has been expanded into the targeted neighborhoods, OCL will make a deposit in it in order to provide it with some start-up funds. The community-based credit union will be designed to work with such groups as a micro-loan program and other community-based initiatives and groups focused on economic development in their target area.

The Onondaga Citizens League has also voted to establish a Commitment to Community and Economic Development Award, to be given out yearly beginning in 1996, to a for-profit business that fulfills the intent and recommendations of this study. The award will include an honorarium to be used in support of non-profit community initiatives.

The Citizens League is making these commitments in order to motivate the larger community



to invest in our low to moderate-income areas. We cannot move forward if part of the community is neglected in terms of community and economic investment.

In addition to this step that will be undertaken by the Citizens League, this call to action also involves a charge to the community as a whole regarding the following recommendations:

## **B. Community Development**

Some community development needs and issues discussed by the OCL study group include:

- \* Access to information about social and health services, employment opportunities and other resources for low to moderate-income neighborhood residents.

- \* Access to grocery stores that have good quality products and reasonable prices.

- \* Activities and places of recreation for youth in neighborhoods directed toward healthy and safe preoccupations.

- \* Poor community image of neighborhoods leading to self-fulfilling prophecies and perpetuation of drug-related and criminal activities as an accepted lifestyle.

- \* Too much media attention to negative stories and insufficient attention to stories about individuals who are attempting to improve their neighborhoods, communities and the lives of others.

Given these issues raised during the study sessions and detailed at length earlier in this report, we recommend the following:

### **Government, Social Services and Community Groups**

1. All entities involved in community development should work together to empower people in neighborhoods to establish "designated information centers" in various locations to provide residents with information about training and assistance programs, jobs and other resources. Such information centers could be in existing locations, such as the Sidney Johnson Technical Center, and Consolidated Industries, and should also be encouraged to grow from the grass-roots level, such as the neighborhood center being planned by Community United to Rebuild Neighborhoods.

Community groups who have gone through the Neighborhood Leadership Training and Small Grants Program of the Community Foundation might be utilized as resources to plan and establish these community information centers.

2. The city, business community and social service organizations should support the project planned by the Association for Better Living to locate a 40-foot trailer on a rotating basis in various locations in the inner city. Located in this trailer would be a community outreach center and a not-

for-profit grocery store. The outreach center could provide information about health care, job listings, public assistance, human service organizations and other resources.

### **The City of Syracuse**

1. The City of Syracuse should review the operations and impact of existing youth and community centers to see if they are successfully meeting the needs of the young people in Syracuse. The programs of such centers should be changed to meet perceived needs and the city should consider building an additional center between the South and West sides to offer sports, activities and enrichment for residents, particularly young people. The intent should be to give young people healthy, supervised activities. The now-empty parking lot of the former Sears Department Store on S. Salina Street might be a good location for this. While the Citizens League recognizes that the City's Department of Community Development annually reviews such centers under the U.S. Department of Housing and Urban and Development Community Development Block Grant Program, the perception of many in the community was that further efforts needed to be done.

### **Social Services and Churches**

1. Local social services workers, churches and community advocates should establish an electronic bulletin board or communication network to coordinate transportation to supermarkets for neighborhood residents without current access to a supermarket. CNYNet, a regional computer network system, might be the entity to provide this service, which would be utilized by churches and community groups, such as those who have gone through the Community Foundation leadership training.

### **The Media**

1. The Syracuse Press Club should make a commitment to train representatives of community organizations in how to write press releases and get publicity for local events and programs.

2. Newspapers and local television stations should make a commitment to include at least one positive story or segment every week about community reinvestment and neighborhood activities to improve the community's self-image.

## **C. Economic Development: Jobs**

### **Government, Social Services and Community Groups**

1. Efforts need to be made to prepare, train and attract individuals from city neighborhoods to positions in businesses in the newly-revitalized Deys and Sibley's buildings and others downtown, which have been renovated through the investment of many millions of dollars.

2. Centralized, up-to-date information about job training programs and changing job opportunities should be provided, ensuring that low and moderate-income people are being trained for the jobs that are actually available.

3. A common goal should be to reduce barriers to employment, which can include physical limitations, health problems, lack of transportation, poor training, lack of awareness of job training and employment programs and other concerns.

4. Community organizations should publicize their activities and mission to other segments of the community, conducting outreach activities, such as speaking to other organizations in an attempt to identify areas of collaboration and support.

### **Social Services**

1. The Onondaga County Department of Social Services and not-for-profit social service agencies should provide staff development for their employees to ensure that they are aware of the available job training programs. Effort should be made to engage people in job training and job development. The Association for Better Living might be a good candidate for this task.

### **Churches and Congregations**

1. The large number of churches in inner-city neighborhoods should exercise greater positive leadership to help residents of their neighborhoods. For example, they should work together to identify ways to provide transportation to job sites for residents of low-income neighborhoods. A priority should be unserved individuals, by virtue of their job schedule or employment location. Transportation should be coordinated so carpooling can be done to centers of employment, such as local factories or office parks. Church leaders should also become more active in providing job information and counseling, as to resources for job training, and social and health services.

## **C. Economic Development: Entrepreneurship**

Some community development needs and issues discussed by the OCL study group include:

- \* Information and programs about job training to meet the needs of current and future employers.

- \* Job readiness programs, including drug rehabilitation, health services, and transportation to job sites, among others.

- \* Business development support for entrepreneurs, such as availability of business advice, loans and other financial services.

\* The need for individuals and organizations to disseminate information about current programs and to sponsor and/or support neighborhood-based initiatives when programs are not otherwise available to local residents.

Given these issues raised during the study sessions and detailed at length earlier in this report, we recommend the following:

### **Government, Financial Institutions and Community Groups**

1. All components of the community, including the Chamber of Commerce and the various departments of economic development, should work together to establish a centralized, up-to-date network providing information for potential entrepreneurs in the following areas:

\* All available loan programs, including micro-credit and non-traditional credit programs.

\* The names of business experts at local colleges and universities and economic development and small business support agencies, who can be utilized to provide technical assistance to new entrepreneurs.

\* Existing business development centers, such as the Urban Business Development Center and the Small Business Development Center, and the programs they have available for entrepreneurs and low-income individuals who wish to start up businesses in the city.

All programs that offer loans for business start-ups should provide timely information to CNYNet, the regional computer network system, which would then make it available via computer in various accessible community settings, such as libraries, churches and community centers. Librarians, social service workers and community advocates would be trained in accessing this information, to better assist people.

2. The Citizens League endorses the update of zoning regulations in the City of Syracuse and urges that, whenever possible, they include provisions for home-based businesses.

### **Banks and Other Financial Institutions**

1. Financial service providers, such as banks, credit unions and private investment groups, should provide staff development for their employees to ensure that they are aware of the available economic development and small business agencies, where individuals can be referred to get continuing support, such as help in writing a business plan and business planning. The diversity of the population is a fact of the future and planning for this makes good business sense.

2. Local banks should continue and expand innovative approaches to establishing credit for low and moderate income individuals, such as through using non-traditional criteria for approving

loans, such as a history of paying rent and utility bills on time.

3. Local banks should work with the Urban Business Opportunity Center to establish a coordinated, on-going Speakers Bureau with representatives of banks, the Small Business Administration, businesses and economic development organizations. These speakers will be available to give presentations at churches and community group meetings about business planning and economic opportunities in the Syracuse area.

4. The financial institutions in the community should support initiatives aimed at low to moderate-income entrepreneurs. This may include nurturing, through initial start-up loans and other means, the growing movement to establish micro-credit initiatives. Ideally, these micro-credit programs might include the following components:

- \* Peer-credit groups, made up of 20 or fewer entrepreneurs, organized for the purpose of receiving credit and allocating available resources among the group's membership.

- \* A mechanism where people who are new to the business world or interested in entering it can meet on an on-going basis, with the intent of providing mutual support and technical assistance. The Small Business Development Center and the Urban Business Opportunity Center would be an ideal place for a micro-credit support group.

- \* An effort to establish competitive businesses in inner-city neighborhoods. One potential model could be the establishment of an incubator center for inner-city businesses, such as is being planned by Consolidated Industries at its 541 Seymour Street location.

Funding should be sought to support the operation aspects of such a micro-credit program. One potential source that could be actively pursued is the Charles Stewart Mott Foundation, which has been involved in the creation of more than 60 microenterprise lending programs throughout the country, discussed earlier in this report.

## **The Media**

1. The Syracuse Newspapers should make a commitment to covering successful small businesses in low and moderate income areas. Also helpful might be an occasional generic article about the kinds of businesses and local industries that have not been successful, to better inform other potential entrepreneurs of the reasons some local businesses fail.

## **The Churches**

1. Churches in the Syracuse area should work together to support economic development activities in their neighborhoods with such efforts as to provide a church-based, revolving loan fund to provide entrepreneurial and job opportunities to low and moderate-income individuals. Such a

revolving loan fund would have a board of directors made of up church, bank and community representatives. The many churches located in inner-city neighborhoods should exercise greater responsibility for economic development in their area, possibly working with the Interreligious Council in conjunction with local banks to establish a loan fund.

### **The City of Syracuse**

1. The Syracuse Office of Economic Development should investigate the potential of the Community Lending Corp. and its Community Preservation Corp. for economic development.

### **Community Groups**

1. Grass-roots neighborhood groups, such as the Association for Better Living and Community United to Rebuild Neighborhoods should investigate the feasibility of establishing a community-based credit union in the inner city where bank services are not readily available.

## **D. Economic Development: Vision for the Future**

### **Government and Economic Development Agencies**

1. The organizations responsible for economic development planning should be more concerned about and more responsive to the needs of inner-city neighborhoods. Most often, their plans have no relevance to neighborhood situations and problems. The city cannot truly prosper while ignoring this important sector. City and county departments of economic development, the Chamber of Commerce, and the Metropolitan Development Association should extend their interests in planning for businesses of the future, new trends and technologies to include inner-city neighborhoods. As an example, the MDA might use part of its state funding for long-range economic planning to help address the economic needs of the inner-city areas, and to assure that plans being considered for implementation do not exclude residents and businesses located in low and moderate-income neighborhoods.

### **Community Groups**

1. Community and neighborhood groups should continue to utilize the leadership training program offered by the Community Foundation, since much of the planning for the future will have to come from the grass-roots level for it to be effective. Individuals in neighborhoods need to be empowered to take on leadership roles to effect changes that meet their needs, rather than having an outside organization planning for their future.

### **CNYNet**

1. The Central New York Community Network (CNYNet) should continue to work with



other electronic networking organizations and services to assure that low to moderate-income neighborhoods are a part of the overall mission for electronic communications.

### **Educational Institutions**

1. School districts should make information about economics and business part of school curricula at all levels, from elementary to high school. Included in these programs should be training in how to plan a project and write clear and effective plan documents, since business plans and grant proposals are a crucial step in securing funding and establishing a new business or organization.

2. Junior Achievement of Central New York, Inc. should expand its activities to include at-risk students, such as those that may be in after-school programs, in-school suspension programs or alternative school settings.

3. Junior Achievement should expand its elementary program to all schools in the Syracuse area. Junior Achievement could work in conjunction with the Volunteer Center of Central New York to recruit additional, much-needed classroom volunteers. The Business-Education Partnership Program might be another source for classroom volunteers for the Junior Achievement Program.

### **A Community Visioning Project**

1. Throughout the country, many communities are engaged in self-analysis and broad-range planning for the future. The most successful of these involve a wide spectrum of community groups and interests--not just traditional "civic leaders." It is possible that the visioning project being considered by Leadership Greater Syracuse could fulfill this useful function. However, to be successful, representatives of traditionally under-represented groups, including inner-city neighborhood groups, must be actively involved. In any community planning effort, it is unjust and dangerous to deny voice to those who otherwise have little hope for the future. Outreach to neighborhood leaders and representatives of churches and other neighborhood-based organizations, as well as neighborhood-based visioning sessions may be an effective means for attracting participants from traditionally under-represented groups to a community visioning program.

## VII. Conclusion

Community development issues cannot be ignored when discussing economic development. Availability of workforce skills depends on the motivation of individuals to acquire such skills. If social and economic needs of low to moderate-income individuals are ignored, the economic disparity between the "haves" and "have-nots" becomes wider. Some of those who do not have resources attempt to get them from those rich in resources. Crime rates increase and the "haves" become fearful, protecting their lives and resources from the have-nots, who have resorted to crime because it may be the only lifestyle they can envision. Crime scares off economic investment, imposes costs to the community for police protection and security, and reduces the quality of life for everyone.

If ignored, community development issues can become economic development issues. Therefore, the focus of this study demanded that we address some of the related social and human needs issues leading to employment and job creation. The focus for this OCL study was the Community Reinvestment Act. However, the goals of the CRA are not able to be accomplished by banks alone without the support of other financial institutions, local businesses, community and social support organizations, government agencies and offices, residents of low and moderate-income neighborhoods and citizens throughout the community.

The CRA attempts to provide an incentive for banks to address the needs of the targeted neighborhoods. However, until the entire community understands that it makes economic sense to improve general conditions and employment and business opportunities for low and moderate-income individuals, programs operating in a vacuum without widespread community support and participation will be limited in their impact.

The strength of CRA regulations may diminish over the next few years with the current motivation at the federal level to reduce the regulatory burden of compliance. Such governmental action should not reduce local efforts to address the economic and related needs of low to moderate-income neighborhoods. Strengthening this sector of our community and enabling and assisting individuals to become independent of current government support programs has long-term economic development benefits for everyone in the entire community, individually and as a whole.

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