

## Chapter 9

# Urban Revitalization

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After years of federal neglect and inaction, the Clinton administration can be credited with bringing renewed attention to the nation's inner-cities. Corporate restructuring, capital flight and a deteriorating urban infrastructure have led to declining economic opportunities and increasing poverty, homelessness and blight in urban America. Home to primarily low-income and minority populations, inner-cities face formidable economic challenges. Only a comprehensive national urban economic development strategy can begin to meet these challenges, a task made more complex by urban demographic and economic changes in the last 20 years.

One of the most significant of these changes is increased immigration from Asia and the Pacific, bringing with it a bifurcated population of low-skilled and poorly educated workers as well as professionals and entrepreneurs with capital and other resources. This phenomenon creates new problems, but can also be a contributing factor to urban revitalization. Thus, it is imperative that Asian Pacific American communities are partners in any efforts to revitalize the nation's inner-cities.

This chapter is divided into four parts: First, it documents the needs and conditions of low-income Asian and Pacific Islander Americans in the inner-city, with particular focus on the ethnic enclave economy. Second, it discusses past urban policies and their impact on Asian communities. Third, it examines current initiatives aimed at revitalizing urban communities. Finally, it provides policy recommendations specific to the needs of low-income Asian American communities.

Our policy recommendations cover a range of issues from

small business assistance programs for Asian entrepreneurs to job training and protection for low-income workers. However, our primary emphasis is on the need to include Asian Americans in the development, and as beneficiaries, of federal urban revitalization policies. We argue this point for two reasons. First, many Asian Americans live in poverty and face tremendous economic obstacles. Despite this, the overall community is stereotyped as the "model minority," or economically secure and successful. This often results in the exclusion of Asians from economic development and anti-poverty programs. Second, recent immigrants to the United States have been scapegoated for the nation's economic problems. Contrary to this rhetoric, most immigrants contribute more to the economy and society than they receive, are not dependent on public assistance and bring with them an industrious and entrepreneurial spirit. The focus of public policy should not be to restrict immigration or deny benefits to immigrants, but to create economic opportunities that raise the standard of living for all residents. This requires the involvement of all communities, which is the key to a revitalized economy and is in keeping with this nation's commitment to being a pluralistic society.

### **Economic Profile of Low-Income Asian Communities**

Chapter 5 by Ong and Umemoto provides a picture of life for inner-city Asian Pacific Americans. We summarize the key points that help frame our policy discussion. Most Asian Americans living in poverty are recent immigrants and part of the growing ranks of the working poor. They have part- or even full-time employment, yet bring home incomes below or just above the poverty line. They are locked into these low-wage jobs because of a combination of a lack of job skills and major structural changes in the national economy.

For these immigrants, the primary job skill they lack is English proficiency. In addition, many immigrants who arrive via family reunification preferences are from rural or low socioeconomic backgrounds. Consequently, they lack marketable job skills that can help them access better opportunities and higher wages in the labor market. Southeast Asian refugees

in particular are often welfare-dependent and face high levels of unemployment. They encounter the problems faced by other recent immigrants as well as the additional effects of the trauma they suffered in the civil strife and harrowing escapes from their homelands.

Most poor Asian Pacific immigrants are concentrated in inner-city communities. Except for a handful of Chinatown core areas across the nation, Asians are not the majority in most of these communities. Poor immigrants often live in ethnically diverse areas where there is more of an income mix than the classic inner-city "slum" area. Affordable housing stock is very limited in these areas and families will often double or triple up in apartments in order to afford rent, leading to severe overcrowding.

These areas are often anchored by a vibrant ethnic enclave economy, or a network of enterprises owned and operated by Asian Americans. These economies provide vital, culturally-specific products and services in the ethnic language. Most of the enterprises that make up these economies are small, "mom and pop" retail or service businesses. They operate on the margins of profitability and face high levels of instability. These immigrant entrepreneurs are often channeled, through informal networks in the communities, into ethnic market niches — Cambodians in donut shops, Vietnamese in nail and beauty salons, Thais in restaurants — which quickly become hyper-competitive and unstable. This pattern limits business viability, employment opportunities and the potential for expansion.

Entrepreneurs are also channeled by economic factors into retail operations throughout the inner-city, often in poor African American or Latino neighborhoods. Asian immigrants fill the vacuum in the inner-cities left by the flight of larger retail chains, corporate disinvestment and bank and insurance redlining practices. The proliferation of Asian-owned businesses in these neighborhoods has inevitably led to resentment and high levels of racial tension and conflict.

Many of these small businesses rely on unpaid family labor, but some serve as a source of major employment for recent immigrant workers. Many light manufacturers, such as the garment and furniture makers, and service industries, such as

contract janitorial and housekeeping services and restaurants, rely on low-skilled labor. Without these Asian-owned businesses, many Asian workers would have difficulty finding employment. However, because these workers are usually poorly educated and not organized, they are highly dependent on their employers. A paternal relationship develops between employers and their workers, often depoliticizing the work environment and leading to exploitative conditions. These factors have contributed to the return of sweatshop conditions, sub-minimum wages and even child labor in many urban communities.

One common misconception is that poverty and low-wage employment are just temporary conditions faced by most immigrants. With time, it is believed, immigrants are able to adjust and eventually access better economic opportunities. While this is true for some, there is a growing segment of newer immigrants and low-income workers who are at risk of being trapped in poverty indefinitely. They face this future because public services, such as education, job training, ESL classes, child care and other services which helped past immigrants adapt and advance have been devastated by federal and local budget cuts.

Another reason so many will be stuck in poverty is the current restructuring of the global and national economy, which, over the past 20 years, has resulted in a sharpening polarization of the labor market. Some local job growth has occurred in high-wage occupations associated with business services and high technology, but this employment is only accessible to those with very high levels of graduate and professional education. At the same time, a large growth of low-wage jobs in the service and retail sectors, and the elimination of millions of jobs in the middle has occurred. Asian Pacific immigrants with few skills and little education are finding fewer jobs available to them other than those in the low-wage sector.

As U.S. corporations seek cheaper locations to operate their production facilities, heavy manufacturing jobs will continue to be lost to other countries. These jobs were once the staple of urban workforces because they offered high wages and stability to blue-collar workers, particularly minorities. This trend and

the need to create quality, high-paying jobs accessible to inner-city residents and newer immigrants are the greatest challenges facing urban revitalization efforts.

### **Impact of Past Urban Policies and Programs**

One of the first major federal urban programs was "Urban Renewal" in the late 1940s. With the war over, America experiencing unprecedented economic growth, and a rise in suburbanization, repairing the nation's decaying and dilapidated cities became a priority of the Truman administration. However, urban renewal often resulted in the bulldozing of whole communities in favor of sterile office buildings. It was heavily criticized for being "top down" in its planning, and for leaving out the input of local communities.

The Civil Rights Movement ushered in a new era. In response to a growing demand to address inner-city poverty, the federal government enacted several programs, especially the "Model Cities" program of the Lyndon B. Johnson administration. The approach of model cities was to provide federal resources to assist local communities in planning and directing their own redevelopment. Once this process had occurred, the federal government would then fund and implement these plans. Unfortunately, Model Cities never accomplished its grand goals. Instead, it became embroiled in political turmoil, where outside vested interests and internal fighting paralyzed the program. The death of the Model Cities marked an end to efforts to concentrate funds in the most marginalized neighborhoods. Subsequent urban programs allowed local officials to dispense limited funds to other areas.

A common characteristic of both the Urban Renewal and Model Cities programs was their attempt to "redevelop" the physical environment of specific geographic areas, often with little regard for the needs of the area's residents. Both programs channelled resources into the rehabilitation and development of housing, commercial space and infrastructure. It was assumed that these activities would attract business, encourage private investment and create jobs. Later programs, such as the Urban Development Action Grant (UDAG) and the current Community Development Block Grant (CDBG),<sup>1</sup> also operated under

this assumption. However, UDAG and CDBG gave local jurisdictions much more authority over how these funds were utilized and reduced the federal government's role in the implementation of local revitalization strategies.

All of these programs had limited success. Part of this can be attributed to the impact of corporate and economic restructuring, the magnitude of which few could anticipate. However, since Model Cities, critics have raised the issue of "people focused" urban policies rather than geographically-targeted redevelopment programs. This approach advocates for programs that improve an individual's mobility, giving them the option of leaving the inner-city to access better jobs and housing in the suburbs or wherever opportunities exist. Such programs include better education and job training, child care and access to suburban housing markets for low-income individuals.

While both approaches had their merits, the issue became a moot point under the Reagan and Bush administrations. In urban policy, the Republican administrations considered policies of targeting aid to distressed places a squandering of resources and counter to market forces. Although CDBG, UDAG and the Economic Development Administration (EDA)<sup>2</sup> survived the Reagan administration's efforts to eliminate them, the Reagan perspective was fully sympathetic to an unimpeded market. The administration felt the role of the federal government was to accommodate rather than resist the market forces that distribute people and industry across the land and to help declining communities adjust to their new, diminished circumstances (Harrison and Bluestone, 1988, p. 67).

The economic policies of the Reagan/Bush era hurt America's inner-city poor across racial and ethnic lines. The 1980s was a decade which saw the general withdrawal of federal support for programs to address the needs of those on the bottom of the economic ladder, and a widening gap between the rich and poor. The stark rise in homelessness and the housing crisis in urban areas can be at least partially attributed to the 70 percent decline in federal funds for housing and urban development during this era. For example, the Department of Housing and Urban Development's (HUD) budget, which peaked in 1980 at \$55.7 billion, was reduced to \$15 billion by

1987 (Goldsmith and Blakely, 1992, p. 47).

The conservative approach to monetary policy resulted in enormous casualties. In 1982, four-and-one-half million more workers were unemployed than in 1979, and entire cities were brought to the brink of bankruptcy, including Youngstown, Detroit, Buffalo, and Akron (Goldsmith and Blakely, 1992, p. 91). As federal aid decreased, states and cities became increasingly dependent on their own resources. By 1985, the nation's mayors began to rely on a strategy based on partnerships with the private sector in order to fill the resource gap left by dismantled federal programs.

However, this strategy often manifested in attempts to revitalize downtown business districts by subsidizing corporate development. Oftentimes, city governments gave tax breaks to projects with little regard for social purpose or need. Transforming the urban environment into a space amenable to corporate needs left a good share of the resident population out of the process, creating and increasing the gap between the haves and have-nots. Moreover, the process raised property values that had once been stagnant, driving up speculation and rents, and causing gentrification. The explosion in real-estate prices would only drive the middle class out of the city and into more affordable suburbs, isolating the cities even more.

### **The History of Neglect of Asian Pacific Americans**

Economic hardship among Asian Pacific immigrants in the inner-cities and the needs arising from them were usually neglected by past urban policies, particularly in the Reagan/Bush era. For instance, to the extent that the federal government generally withdrew large-scale support for urban economic aid, the 1980s saw a growth of neighborhood-based community economic development strategies and organizations. Community Development Block Grants and private foundation sources were often geared towards these community-based efforts at commercial revitalization, business development and affordable housing production. Typically, these efforts followed the traditional model of targeting abandoned urban areas hit hard by disinvestment and the flight of manufacturing facilities.

However, as discussed earlier, the relatively greater geographic dispersal of low-income Asian Pacific Americans

does not lend itself to this geographic approach. Even where there are concentrations of low-income residents, most of these communities do not fit the model — most poor Asian Pacific Americans are part of the working poor, not chronically unemployed; instead of a lack of business activity, there is typically an ethnic enclave economy that is vibrant though marginal; Asian Pacific Americans do not typically concentrate in declining manufacturing areas associated with plant closings. As a result, most Asian Pacific communities continue to be overlooked by urban policy.

One major policy trend that developed under the Reagan/Bush era was the emphasis on small business development as the “engines” of economic and job growth in the inner-cities. During the latter 1980s, an entire industry of small business assistance programs developed to provide capital and technical assistance to small businesses.

In some cases, Asian Pacific small businesses were able to take advantage of programs such as the Small Business Administration’s (SBA) loan program, primarily in communities where there existed Asian banks that handled SBA loans. However, small business programs tended to underserve Asian Pacific small businesses and the ethnic economy. First, Asian Pacific small businesses and entrepreneurs in greatest need are usually run by immigrants, and few small business assistance programs have the language capacity and cultural understanding to work with these entrepreneurs. Second, many small business assistance programs geared towards the inner-cities emphasize startups and increased minority (primarily African American and Latino) entrepreneurship. As mentioned earlier, many Asian Pacific communities already have vibrant ethnic economies, thus the particular need is not increasing entrepreneurship, but assistance in diversification, expansion, increasing the viability of existing businesses and helping them move into growth markets.

### **Current Federal Initiatives**

The Clinton administration’s urban strategy is a combination of different approaches and initiatives which represent an effort to develop a comprehensive urban policy. The strategy makes use of both geographically targeted and increased

mobility approaches to urban assistance, recognizing that each has its merits. It attempts to balance Republican-supported supply-side policies with directly funded programs and through the creation of non-market institutions. Finally, it attempts to do all of these things at a time of very limited resources and enormous federal debt. The result is a series of modest initiatives, driven as much by political feasibility as economic need.

These initiatives are described by HUD Secretary Henry Cisneros as having the goal of "maximum opportunity." That is, some of the programs attempt to improve conditions in the inner-city and make these areas more livable for those who cannot or choose not to move out. This is accomplished by directly targeting federal monies and providing incentives to encourage private investment into these areas. Other initiatives attempt to give inner-city residents the tools to improve their mobility, in some cases, directly subsidizing their incomes. While promising, each of these initiatives requires careful examination and scrutiny, particularly in terms of their impact on low-income Asian communities.

The cornerstones of the urban revitalization strategy are "Empowerment Zones" and "Enterprise Communities," which passed as a part of the budget bill in August of 1993. These programs represent the administration's attempts to target resources to distressed geographic areas. They differ only in that Empowerment Zones receive far more benefits. A derivation of past Republican "enterprise zone" proposals, these zones attempt to use tax incentives to encourage business development and expansion in targeted areas. In Empowerment Zones, employers can take a 20 percent credit on the first \$15,000 in wages paid to an employee that is a resident of the zone. They can also increase expensing to the lesser of \$20,000 or the cost of the qualified zone property placed in service during the year. This is a special incentive to manufacturers, who often purchase large amounts of machinery and equipment. By combining these tax credits with local incentives such as less regulation, it is believed that previously hindered free-market forces in the inner-cities will take over, new capital and private investment will be attracted to the areas, jobs will be created for local residents and blight will be

replaced by new development.

However, the program is not solely based on faith in the free-market. It includes one billion dollars in Title XX (Social Service Block Grant) monies to local jurisdictions receiving Empowerment Zone or Enterprise Community designation; \$720 million of this money will go to nine Empowerment Zones (six urban, two rural and one Indian reservation) and the remaining \$280 million to 95 Enterprise Communities. Local jurisdictions with either Empowerment Zones or Enterprise Communities can also issue up to three million dollars in tax exempt bonds for use in economic development activities. In addition, all federal departments and agencies are directed to channel resources to these areas. This could mean as much as seven billion dollars in additional benefits. Other stipulations in the program include tax credits to businesses donating funds to Community Development Corporations located in the zones.

Whether this strategy will be effective is unknown. Many states and local jurisdictions have developed enterprise zone programs offering various local incentives. Such programs have met with mixed results and little quantitative data exists to validate their effectiveness. Thus, policymakers, academics and advocates have divergent views about their success. A 1986 HUD report claimed that 80,000 jobs had been created or saved and over three billion dollars in investments generated by state-sponsored zones nationwide. However, many zones show no tangible improvement. Poverty and unemployment rates in Los Angeles' Greater Watts Enterprise Zone are higher now than they were when the program started in 1986. Even in zones where growth and investment did occur, Dick Cowden, executive director of the American Association of Enterprise Zones, admitted "causation was sketchy at best."

At the heart of the enterprise zone debate is whether they actually create *new* jobs and investment, or whether, as many unions claim, they simply cause the *relocation* of existing businesses, resulting in no net gains. While the Clinton plan includes stipulations to discourage relocation, most existing inner-city businesses are small enterprises, operating on the margins of profitability and with little tax liabilities. Tax breaks do little to help them expand, create jobs or improve their long-term viability, reasons the National Federation of Independent

Businessmen (NFIB) placed tax credits well behind other factors in determining where to locate. Access to capital, affordable insurance premiums, skilled workers and public safety play more significant roles.

In addition to the Empowerment Zones and Enterprise Communities, the Clinton administration hopes to help the inner-city by making more capital available to impoverished communities through a combination of leveraging federal funds with local monies to create community development lending institutions and a crackdown on discriminatory lending practices by commercial banks. These initiatives represent a cross between geographically targeted and increased mobility approaches. Specifically, the Clinton initiatives include a Community Development Financial Institution proposal, a National Community Development Initiative and other programs.

The administration is proposing funds be allocated for Community Development Financial Institutions — community development banks, community credit unions, or community development corporations with loan funds. These institutions can provide financing for physical development projects such as youth centers or affordable housing, as well as provide loans and credit for small businesses. These funds will help boost these financial institutions and provide much needed capital for projects that have difficulty obtaining financing from traditional banks and lending institutions. They tend to target specific geographic areas in their lending activities.

As long as banks continue *de facto* redlining practices (where they designate economically depressed and minority communities as areas where they will not provide loans), and resist providing capital for affordable housing and small businesses development, community development lenders will fill a critical gap. Such institutions can provide capital for physical development projects and small business expansion and diversification to meet specific needs of inner-city communities. However, the Clinton plan also includes improved enforcement of the Community Reinvestment Act (CRA) and a directive to the Federal Reserve and Department of Justice to crackdown on discriminatory lending practices, redlining and other practices by commercial lenders that deny capital to low-income and minority communities. A stronger CRA can

potentially provide home loans and small business capital that greatly increases mobility of inner-city residents.

HUD and the Clinton administration have put emphasis, at least in words, on the importance of community-based organizations and nonprofits in their urban revitalization efforts. Specifically, they intend to build the capacity of local communities to carry out housing and economic development work. One such effort is the National Community Development Initiative (NCDI). The NCDI will leverage \$25 million in HUD monies with another \$75 million from private foundations to create a fund to support community economic development (CED) projects around the country. This fund could bring tremendous benefits to low-income communities, which need affordable housing, economic development and job training programs as well as the community-based institutions with the capacity to carry out such work. The NCDI will be administered by two nonprofit intermediary organizations, the Enterprise Foundation and the Local Initiative Support Corporation (LISC).

Community-based organizations will also be strengthened through the National Community Economic Partnership Act, an initiative that is now a part of Congress' anti-crime legislation. The act will provide between \$40 and \$165 million in funds to support business development in economically distressed communities. Part of the monies will go to established, nonprofit community development corporations (CDCs) who must match the funds with non-federal monies. A smaller amount will go to newly developing CDCs or community development banks who must generate a match of 25 percent. These monies can go toward developing revolving loan funds, micro-loans or other investments deemed worthy by these community-based institutions. A smaller portion of the funds will go to new or emerging CDCs to assist with strategic planning and to help them build their capacities to carry out lending and other economic development activities in their communities.

As of February 1994, the House version of the bill, sponsored by Congressman Marty Martinez, authorized \$165 million in funding. However, a similar Senate version authorized only \$40 million. A joint committee will eventually determine the actual amount, which, given the significant need for such funds in the

inner-cities, will hopefully be closer to the House version. This capital can potentially bring new economic activity to severely distressed areas, as well as be used for the expansion and conversion/diversification of existing businesses. In either case, it can contribute to the creation of jobs and opportunities in inner-city areas and make them more livable for residents.

Other urban initiatives that can be considered part of the Clinton plan to provide "maximum opportunity" include a permanent extension of the Low Income Housing Tax Credit, which provides incentives to individuals and corporations to contribute to affordable housing developments. HUD is currently working with the AFL-CIO and other organizations with pension funds to channel monies toward community development. This could mean another one billion dollars in capital flowing into the inner-cities. The administration is also taking steps to fight discrimination in housing markets to ensure that inner-city residents and minorities have access to better housing opportunities.

Clinton's FY 1995 budget calls for an overall increase in HUD's budget to \$29.5 billion, up from last year's \$27.5 billion. The new budget calls for a special \$500 million set aside in CDBG funds for Empowerment Zones and Enterprise Communities, a \$150 million Economic Revitalization Grants program and, as discussed earlier, a substantial increase in funding to assist the homeless. However, programs facing cuts include public and elderly housing.

All of these proposals go hand-in-hand with health care reform, job training, school-to-work programs and other initiatives. Community-based economic development strategies that have blossomed over the past two decades have proven to be effective and meaningful. Community organizations, many of whom organize and seek to empower low-income residents and workers, have built affordable housing, served as lending institutions, built child care centers, spurred commercial development and provided job training. Such organizations have, in many cases, provided a voice for low-income residents in shaping broader local and regional economic development policy. It is a positive sign that urban policy under the Clinton administration seeks to place emphasis on relying upon and empowering such community-based activity as driving forces for economic change on the local level. While this urban

strategy in its entirety sounds comprehensive and promising, many of the initiatives exist only as bills and have yet to be passed by Congress. Many appear to be positive steps, but may be too under-funded to have significant impacts. Of course, only time will reveal the effectiveness of the various programs.

### **Recommendations for Future Urban Policy and Asian Pacific Americans**

The themes struck by the Clinton administration and their nascent policy initiatives present new opportunities for urban economic development that can truly make a difference for low-income and minority inner-city communities in general, and for Asian Pacific Americans in particular. In order for this promise to be realized, however, the process of policy development and implementation must be inclusive and it must be based on a diversity of models of distressed communities in need. As this takes place, existing economic development policies can be correctly adjusted to best address the critical needs, and new and innovative initiatives can be created where existing policy is inadequate. For low-income Asian Pacific communities, four key needs stand out: building the capacity of Asian Pacific community-based organizations to carry out community economic development strategies; promoting diversification and expansion of small businesses in Asian Pacific communities; empowering immigrant workers; and addressing the economic sources of inner-city racial conflict.

Inclusion must be the starting point of making federal urban policy more responsive to Asian Pacific Americans. Traditionally, urban economic development policy has generally ignored or neglected Asian Pacific Americans. In the past, this could have been attributed to the relatively small number of Asian Pacific Americans. Also, Asian Pacific communities have largely been concentrated in greater numbers on the West Coast while urban policy has historically been shaped by models from the East Coast and Midwest urban centers. But over the past two decades, Asian Pacific Americans have been the fastest growing minority in the U.S., and in urban centers across the country, they now undeniably represent a significant population. Despite this, policymakers have been slow to

recognize these communities, let alone understand them. Without a doubt, this has much to do with prevalent stereotypical perceptions of Asians as economically successful and without problems.

Urban policy cannot be successful without an understanding of Asian Pacific communities and how various ethnic groups interact in the inner-city. Older models of urban poverty and economic distress based upon Midwest cities of previous decades — abandoned urban areas suffering from plant closures, high unemployment, an absolute decline in economic activity and disinvestment — no longer exclusively reflect the diversity of economic distress faced in the inner-cities. Policymakers must reach out to Asian Pacific communities and others and educate themselves about the new realities of the cities today if they are to shape effective policy.

For instance, the Empowerment Zone/Enterprise Community initiative seems generally targeted towards the traditional model of abandoned, distressed urban areas. Tax incentives are geared toward bringing large-scale, outside manufacturing or commercial developments. While it is unclear whether this strategy will be effective, even in traditional abandoned urban areas, it is clear that they are unlikely to help small, “mom and pop” enterprises that are the majority of firms in Asian Pacific enclave economies. Tax benefits are of little benefit to businesses that have few paid employees and have little tax liability.

Despite these overall weaknesses, the Empowerment Zone/Enterprise Community (EZ/EC) strategy is clearly one of the cornerstones of the Clinton policy. As such, tremendous resources will be spent to make it successful. The additional \$100 million in Title XX funds per urban Empowerment Zone, the promise to expedite waivers and a reshaping of federal regulations and programs in the EZ/EC’s based on local input all hold the promise of a greater impact than the tax incentives alone. It is critical that federal policymakers recognize that urban distress is reflected in a diversity of “models,” and that Asian Pacific communities be included as part of the designations nationally.

## BUILDING CAPACITY IN COMMUNITY-BASED ORGANIZATIONS

Because many Asian Pacific communities are relatively new, and because policymakers hold "model minority" perceptions of Asians, the capacity for Asian Pacific community economic development work lags far behind that of other communities. Although there are long-standing and sophisticated Asian Pacific community development organizations in the San Francisco Bay Area, there are generally few if any Asian Pacific community organizations in most cities that can carry out CED work. To address this problem, special attention must be given to providing support, operating funds, training and technical assistance to emerging community development institutions. This is an investment in community "infrastructure" that can pay off in the long run because it can empower low-income communities to help themselves.

Secretary Cisneros met with Asian Pacific community leaders in Los Angeles in 1992, and promised to provide HUD assistance to help emerging community development organizations get off the ground. While HUD has yet to deliver funds for this effort, these initiatives offer the potential for training, and other resources to take up community-based economic development.

Typically, such capacity-building efforts have been, during the 1980s, carried out by private, nonprofit groups in the emerging community development "industry." The National Community Development Initiative (NCDI), of which HUD is a partner, reflects such efforts. Over the past two decades, various "intermediary" organizations have developed which solicit and channel private foundation and corporate dollars into community-based housing and economic development projects. These intermediaries include the Local Initiative Support Corporation (LISC), the Enterprise Foundation and others. Private foundations and corporations, usually out of touch with community-based activities, feel more comfortable giving money to these large intermediaries and letting them decide how to distribute the funds. For example, the funders of NCDI, which include the Ford and Rockefeller Foundations, will have LISC and the Enterprise Foundation decide which cities and which organizations will receive NCDI funding.

While LISC and other intermediaries have successfully leveraged millions of private dollars into community development, many are critical of their lack of attention to emerging communities, such as Latino and Asian Pacific communities. Because of their access to funds, these intermediaries wield tremendous power in determining the future course of community development. Yet, as private, nonprofit organizations, it is not clear how communities in need can hold them accountable and ensure their responsiveness.

As these and other capacity-building initiatives are shaped by the federal government, Asian Pacific communities will need to ensure that they are included and that programs are responsive to a broad range of distressed communities. This requires policies that address the unique position of Asian Pacific Americans.

#### BUSINESS DEVELOPMENT PROGRAMS

As noted in the previous section, the vast majority of Asian Pacific-owned businesses are very small and operate on the margins. They function on long hours of hard work and tremendous dedication. They are also of critical importance because they are a major source, and often the only option, for employment for recent immigrant workers. Operating under marginal conditions, these businesses can only offer unstable, low-wage work with few benefits. If given the opportunity, assistance and direction, these businesses could become more viable, providing better employment and playing a significant role in revitalizing the overall economy.

The new Community Development Lending initiative offers an important opportunity for such assistance. Once again, it will be important that these monies not solely target the traditional model of distressed urban areas, but also include Asian Pacific Americans and their needs. These funds provide an opportunity to build institutions for community development lending and small business assistance, perhaps using federal monies to leverage contributions from Asian-owned banks and other private sector sources. Such institutions could provide capital and small business loans that otherwise would be very difficult to secure from regular banks. This capital could be provided where the need is most critical — in helping

marginal businesses diversify and move into new, more viable ventures or markets; and helping existing small businesses expand their operations and markets and create jobs.

But capital alone is not enough. Many immigrant entrepreneurs need other assistance, which can best be provided by community-based institutions with the language and cultural capability to work with them effectively. These entrepreneurs need help in identifying and learning about new growth industries, markets and other business opportunities, as well as technical assistance to help them run their businesses more efficiently and to access financing, job training and other business development programs.

Asian Pacific businesses must be brought to the table in large-scale public-private economic development projects such as transportation and defense conversion. The huge infusion of public monies into transportation, for example, represents tremendous opportunities in many cities for not only construction and transit-related development, but innovative local industries such as electric vehicles or advanced mass transit manufacturing. Asian Pacific Americans, along with other low-income and minority communities, must receive their fair share of procurement and contract opportunities created by such projects. Asian Pacific communities must also insure that the benefits from such minority set-asides and contracts actually translate into better jobs and increased opportunities for workers, not just professionals and business owners.

## EMPLOYMENT PROGRAMS

Traditionally, economic development policy has purported to be primarily concerned with helping working people or the unemployed. However, it has focused on the “supply” side of the economic development equation — on the businesses — in the hopes of creating jobs and providing advancement opportunities. After a decade of wholesale economic and social policies focused almost exclusively on the supply-side, it is clear that such an approach does little to help poor and working people directly.

Most low-income Asian Pacific Americans are part of the working poor — they cannot find stable, full-time work, or they work full-time but cannot make a decent wage. Because of their

lack of job and educational skills and the structure of the job market, many are locked into low-paying jobs. Southeast Asian refugees, who face high rates of unemployment and welfare dependency, face even more severe obstacles to economic security. Efforts to improve the conditions of these workers cannot solely rely on assisting the businesses where they work or on attempting to generate more jobs through economic stimulus policies. Too many of these businesses create jobs that pay below-poverty wages, offer few, if any, benefits, exploit immigrant workers and impose harsh working conditions. There must also be a focus on directly providing low-income workers the means to improve their conditions and opportunities. While the Clinton administration has taken some steps in the right direction, this continues to be a major gap in its urban and economic policies.

The Earned Income Tax Credit program is the key initiative that targets direct assistance to the working poor. It is an ambitious attempt to, in the words of HUD Secretary Cisneros, "entirely eliminate the category of the working poor," by channeling tax subsidies to low-wage workers and helping to lift them out of poverty status. In order for such a program to be truly effective, resources must be allocated to community-based education to ensure that immigrant workers understand and take advantage of this benefit.

Job training continues to be a critical means by which workers can improve their skills and escape low-wage, dead-end jobs. Existing job training programs, such as the Job Training Partnership Act, must be improved to better serve immigrant workers. More emphasis must be placed on bilingual services, the paperwork burden must be streamlined and the program must be reformed to reduce the incentive to "cream" — to focus only on trainees with the best chance of success in order to meet performance requirements.

But job skill improvement efforts must not just be limited to JTPA programs — the goal should be to upgrade skills levels of entire sectors of the workforce, thus generating "demand" for more higher-skilled, higher-paying jobs. This means that urban economic policy is inextricably linked to educational reform, increasing and stabilizing the funding base for schools, youth and community college programs and other efforts directed toward developing a competitive workforce.

But what about the majority of workers who do not have the opportunity to enroll in college or in a job training program? Ultimately, policy must empower workers to improve their conditions *where they are*. New organizing efforts among these workers combined with a new set of economic development policies that encourage and support such efforts must take place. Whether through existing unions, new unions or community-based efforts, immigrant workers must themselves be empowered through organizing campaigns and education about their rights. Community-based groups can play a critical role, particularly with limited English-speaking immigrant workers. Such organizing involves complex cultural issues, special employer-employee relationships and a sensitivity to the precarious position of Asian enclave employers.

### **Concluding Remarks**

One of the most critical issues facing Asian Pacific communities overall is racial violence and interethnic conflict. While cultural differences and other social dynamics play an important role in such conflicts, the underlying source of much of the tension is economic in nature. This includes resentment toward immigrant workers by the unemployed or by those who fear losing their jobs as well as resentment toward employers who hire immigrants.

A key source of this tension is related to the proliferation of Asian Pacific-owned retail businesses in poor, African American or Latino neighborhoods. These entrepreneurs began these businesses because with little capital and startup resources, they had few other options. These entrepreneurs often fill a vacuum created by the flight of retail chains and corporate disinvestment, but they become targets of anger and frustration of residents. Moreover, their presence in depressed neighborhoods also focuses attention on the discriminatory barriers to African American entrepreneurship.

After years of escalating tensions and tragically violent consequences, no answers or quick-fixes are available. But communities and policymakers must understand the sources of tension and work together pro-actively before they explode into violence.

These conflicts demonstrate how Asian Pacific Americans, whether residents, workers or entrepreneurs, are intricately bound to the conditions of others in the inner-city. It demonstrates why Asian Pacific Americans must be brought to the table, together with other poor communities, to address the economic crisis of the inner-cities. For Asian Pacific communities, the heightening ethnic conflict will hopefully spark a realization that they must play an integral role in uplifting the urban economy overall. This means Asian banks must be pressured to improve their lending practices, Asian businesses must improve their hiring and service practices, and Asian community groups must actively seek collaboration with other ethnic groups.

At the same time, the scapegoating of immigrants and Asian Pacific Americans must be fought by all communities as well. Anti-immigrant and anti-Asian bashing is growing and there is widespread ignorance about the backbreaking conditions and marginal returns suffered by the majority of Asian Pacific workers and small business owners.

All of this ultimately means inner-cities need a larger "pie"; all communities must be brought to the table with government and the private sector to squarely address the question of how to develop a larger, more diverse local and regional economy with better jobs and more ladders of opportunity. Otherwise, urban policy can too easily become a zero-sum game: either businesses or workers gain, either Asian Pacific Americans or African Americans gain. In his successful campaign for the Presidency, Bill Clinton emphasized investment in physical, economic and human infrastructure to build a stronger economy and society. He and Congress must follow through on this fundamental promise to the American people. By investing today in disenfranchised communities and in programs for poor and working people to help themselves, the returns of an improved quality of life and opportunities for social advancement will be immeasurable.

### Notes

1. The Community Development Block Grants were established under Richard Nixon's administration as part of an effort to consolidate categorical grants-in-aid as entitlements to distressed urban areas.

The Urban Development Action Grant Program was enacted in 1977 under Jimmy Carter's administration to encourage localities to attract private investment in the restoration of deteriorated or abandoned housing stock and to solve other problems resulting from economic decline. The critical feature of the UDAG program was its requirement for private-sector financial commitment to be legally binding before UDAG funds may be released.

2. The Economic Development Administration was established in 1965 by the Public Works and Economic Development Act. The EDA administers four main programs, including a public works program, business loan and loan guarantee program, technical assistance grants program, and a special assistance program for sudden economic crises.