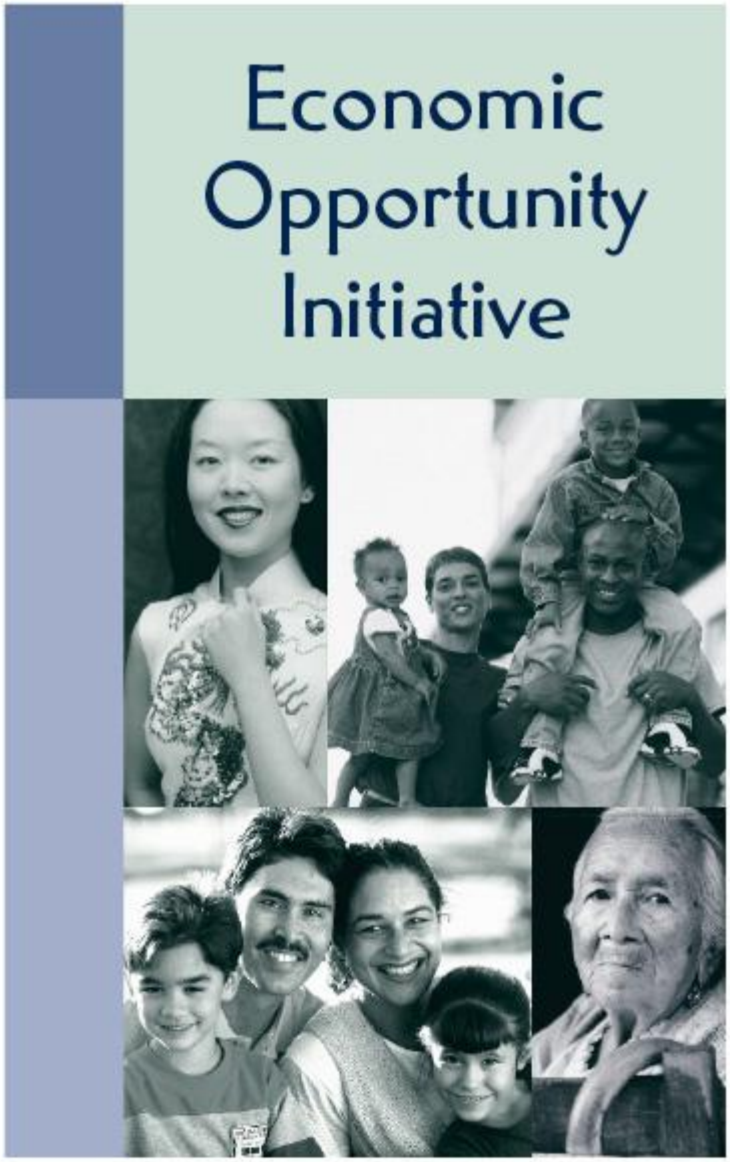

Creating A Nexus Between California's
Competitive Advantages And Its Inner Cities

COMMUNITY ACTION PLAN

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Leadership Institute for Community Economic Development

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MALAKI SEKU-AMEN (pronounced “malla-kye say-coo ah-men”), a Harvard University fellow of the *Leadership Institute for Community Economic Development,* is a 15-year veteran of economic development, public policy and entrepreneurship in California. In addition to his current role as deputy chief of staff for state Assembly Member Ray Haynes since 2004, he serves as an appointed Member of the California Economic Strategy Panel, which advises the Governor and the Legislature on an overall economic vision and strategy to guide public policy. Prior to his current position, Seku-Amen was associate consultant for the Assembly Committee on Jobs, Economic Development and the Economy from 2003 to 2004. He was appointed by the Governor to the California Technology, Trade & Commerce Agency, where he served as Assistant Secretary to the division of Science, Technology and Innovation from 2001 to 2003. Seku-Amen was previously the Principal of UNITY Media, a print media, publishing and consulting firm he founded and operated full-time from 1995 to 2000, and now serves part-time as partner. Prior to launching his own business, Seku-Amen developed and managed Biz-Train, a federally-funded small business development and technology skills training program with micro-loan fund - which served low-income residents in the Sacramento region - from 1993 to 1995. Biz-Train and its umbrella economic development corporation, The Business Incubator, were outgrowths of Seku-Amen’s work with the Sacramento Black Chamber of Commerce, where he served as executive director, from 1990 to 1993.

T A B L E O F C O N T E N T S

The Economic Opportunity Initiative (EOI) aims to develop a statewide action plan to simultaneously revitalize 5 specific low-income neighborhoods in California (Oakland, San Francisco, Sacramento, Los Angeles and San Diego) through an integrated business investment, homeownership and workforce strategy. This bottom-up, market-driven initiative will foster innovation in strengthening California's competitive advantages and key industry clusters by employing broad-based collaboration focused on the targeted inner city neighborhoods and economic regions.

I. OVERVIEW

The California Economic Strategy Panel has found that quality of life is one of the key public policy issues that profoundly affect the capacity and prospects of California's businesses to prosper and the economy to grow. A thriving downtown or neighborhood commercial district is a paramount component of each community's quality of life. It provides a central gathering place for entertainment, civic life and commerce. It supplies a focal point for community identity and pride. It offers a sense of place, connectivity, integration and cohesion for residents. It attracts visitors and projects a healthy community image upon which industrial investors rely in part to make their location decisions. It provides small business ownership opportunities, jobs, retail sales and property tax revenues.

In its 2002 report, *Creating a Shared California Economic Strategy: A Call to Action*, the panel recognized that economic development (ED) is widely distributed across many organizations and jurisdictions. The report called for a more focused strategy tailored on regional diversity. The panel recommended economic development investment goals with measurable outcomes including rising per capita income, job growth, new business creation, growing private sector investment, increased minority entrepreneurship and reduced income inequality.

Based on years of research and experience, we know that the basic ingredients of innovative and inclusive communities include:

- A skilled workforce with opportunities for lifelong learning
- Access to capital with a positive environment for private investment
- Quality infrastructure including transportation and housing
- Effective governance including pro-innovative tax and regulatory policies
- Collaboration among the public, private and civic sectors

We have also learned that low income neighborhoods can create the conditions for competitive industry and job creation, if the right factors are in place. Based on pioneering research on the competitive advantages of inner cities, Michael Porter of Harvard has said:

> *The efforts of the past several decades to revitalize inner cities have failed. The time has come to recognize that revitalizing the inner cities will require a radically new approach. While social programs will continue to play a critical role in meeting human needs and improving education, they must support--and not undermine--a coherent economic strategy. The question we should be asking is how inner-city-based businesses and nearby employment opportunities for inner city residents can proliferate and grow. A sustainable economic base can be created in the inner city, but only as it has been created elsewhere: through private, for-profit initiatives and investment based on economic self-interest and genuine competitive advantage (***Harvard Business Review***, May-June 1995).*

The EOI will meet California’s requirement for an inner city strategy focused on business investment, neighborhood revitalization and the growth of a skilled, 21st Century workforce led by a team of **civic entrepreneurs** who are willing to cross traditional boundaries and promote innovative approaches based on market forces and effective investment strategies. This strategy must start with a fundamental understanding of the *“vital cycle,”* described as follows:

> *A strong economy depends on a healthy community and a healthy community depends on a strong economy. Furthermore, successful regions depend on the vitality of their neighborhoods and vital neighborhoods depend on the success of the region.*

The intent of the initiative is to uplift the economic and social platform of the targeted neighborhoods by creating Small, Specific, Measurable, Achievable, Realistic and Timely (SSMART) “catalysts for livable communities.” These catalysts will ultimately jumpstart the process of revitalizing the soul of California’s inner city communities through physical beautification, crime reduction and the institutional cultivation of arts, entertainment and culture.

II. BACKGROUND

California: Economics, Politics, Priorities & Inner Cities

California's population now exceeds 34 million. With a GDP exceeding $1.3 trillion, California is now the eighth (once fifth) largest economy in the world, about the size of Mainland China, and larger than Brazil, Canada or Spain. Beyond size, California is an example of what the future has in store for the rest of the nation. It has been the birthplace of many of the world's most significant technological innovations, social trends, and is a model of economic innovation and prosperity.

California's strong entrepreneurial sprit, world class port, transportation and higher education systems, coupled with an existing high technology base—developed in part from defense-related industries—have all contributed to the state's enviable position as the world leader of the New Economy.

Although California's education systems, infrastructure and quality of life are often touted as magnets for economic growth, doubts are increasingly being raised about whether the state can rest on its laurels without taking dynamic new approaches to maintain its competitive position. California's public policy arena, driven by a 120-member bicameral legislature comprised of 40 state Senators and 80 state Assembly representatives, has many analysts and critics contending that it is roiled by partisan feuding, impenetrable political turfs, and excessive fundraising due to powerful special interests, legislative term limits and ballot initiatives; rendering state government burdened by a lack of focus on achieving long-term results, poor accountability systems, numerous regulatory and bureaucratic obstacles, fragmented ED infrastructure, and ongoing budget volatility. ***(See The Underlying Forces, Page 21)***

Shortly before the Legislature and Governor's complete elimination of the California Technology, Trade & Commerce Agency (the state's primary catalyst for economic innovation and opportunity) in 2003, the California Budget Project in its January 2002 report entitled, "Maximizing Returns: A Proposal For Improving The Accountability Of California's Investments In Economic Development," revealed that California's ED investments of approximately $7.8 billion in 2000-01 were spread across more than two dozen departments, agencies, boards, commissions, and authorities, with no centralized oversight or performance measurement entity. This fragmentation has hindered ED program access and effectiveness, particularly for California's urban and rural communities. ***(See Illustration on Opportunities and Obstacles, Page 22)***

As state investment priorities relate to economically distressed areas, Enterprise Zones (EZ) -- geographic program areas that provide tax credit incentives to encourage major business to locate in low-income areas -- have tallied approximately $1 billion in tax savings to businesses between the program's inception in 1986, to 2006. That's a drop in the bucket compared to the $5.5 billion in state tax credits issued in one budget year (2000-01). Although the EZ program has facilitated the necessary attraction of large employers in urban areas, its benefits to low-income areas, residents with barriers to employment, and indigenous community entrepreneurs, have been difficult to measure. Moreover, EZ's are not aligned with broad-based public, private and community partnerships, or the technical/financial resources to revitalize the neighborhood and maximize the potential of the zone.

The assets contained in the state's inner cities have arguably been abandoned, whether intended or not, as a majority of California's population has become non-white, as minority-owned firms rapidly surpass the start-up and sales growth rate of all businesses, and, as almost half of its Latino and African American students are dropping out of high school. With the absence of comprehensive public/private sector efforts to create a nexus between California's new knowledge economy and its new demography, its underserved communities, then, face tremendous barriers to the policies, partnerships and capital investment needed to take full advantage of existing programs and resources, let alone advance best practices and develop models that are adaptive to the challenges and norms unique to the inner city. ***(See Market Analysis, Page 16)***

Despite notable gains in business start-ups, homeownership and academic progress, far too many of California's urban residents and areas continue to be neglected and plagued by unemployment, poverty, crime, drugs, neighborhood blight, a poor quality of life and despair. According to the U.S. Department of Housing and Urban Development, unemployment in California's five major urban centers, which contain just under 18 million people (nearly 52% of the state's population), hovers around 20 percent – four times the state average – and the poverty rate remains at 40 percent.

What some may consider an undesirable set of variables are increasingly being identified by researchers as strategic opportunities and **emerging domestic markets** (EDM). EDM refers to people, places or enterprises with growth potential that face capital constraints due to systematic undervaluation as a result of imperfect market information. These markets include ethnic- and women-owned firms, urban and rural communities, companies serving low-to-moderate-income populations, and other small- and medium-sized businesses. While shadowed by the undesirable social maladies, there is much more promise in the growth of these markets than meets the eye.

Economic Opportunity Delegation – The Community Development Champions

The impetus behind the proposed EOI is a delegation of **civic entrepreneurs**, who happen to be prominent and highly influential faith and business community leaders. The Delegation includes pastors who lead churches with a cumulative membership of over 150,000 members (each church with a range of 6,000 to 27,000 members); reach a direct social network of over 2.5 million people across the state; and, who make a tremendous impact in the neighborhoods they serve through their affiliated non-profit social and community economic development entities. These delegates are pursuing a new, sustainable environment for economic growth in California's underserved communities – *a nexus between California's competitive advantages and its inner cities*.

THE ECONOMIC OPPORTUNITY DELEGATION (*Listed In Alphabetical Order*):	
DR. LULA BALLTON, ESQ. *CEO, West Angeles Community Development Corporation – Los Angeles*	**BISHOP BOB JACKSON** *Pastor, Acts Full Gospel Church of God In Christ - Oakland*
BISHOP CHARLES E. BLAKE *Pastor, West Angeles Church of God in Christ – Los Angeles*	**FREDERICK E. JORDAN** *President, San Francisco African American Chamber of Commerce - SF*
DR. AMOS C. BROWN *Senior Pastor, Third Baptist Church – San Francisco*	**RON D. NELSON** *Principal Partner, The Avalon Group - Sacramento*
JON DRUMMOND *Olympic Gold Medalist, President, With Purpose, LLC - Sacramento*	**DR. BETTY R. PRICE** *Crenshaw Christian Center – Los Angeles*
DR. PHILLIP G. GOUDEAUX *Pastor, Calvary Christian Center - Sacramento*	**DR. J. ALFRED SMITH, SR.** *Pastor, Allen Temple Baptist Church - Oakland*
JOHN GRAYSON *Vermont Village Community Development Corporation – Los Angeles*	**DR. C. DENNIS WILLIAMS** *Bethel Memorial AME – San Diego*
JOHN L. GUILLORY *President/CEO, Concordis Real Estate - Oakland*	**DR. EPHRAIM WILLIAMS** *Pastor, St. Paul Missionary Baptist Church - Sacramento*
DENISE HUNTER *President, FAME Renaissance Corporation – Los Angeles*	**DR. TIMOTHY J. WINTERS** *Pastor, Bayview Baptist Church - San Diego*
DR. JOHN HUNTER *Pastor, First African Methodist Episcopal Church – Los Angeles*	

DESCRIPTION OF EXISTING & PLANNED ORGANIZATIONAL STRUCTURES

While varying in the sophistication, scope of work and the size of their community development corporations (CDC), the EOI Delegation has one thing in common: *they all recognize the value of emerging domestic markets, and have agreed to collaborate*.

Several of these visionary pioneers have given birth to model economic remedies that are adaptive to the challenges and norms unique to California's inner cities. Limited capacity, however, impedes their ability to reach critical mass in expediting and expanding the competitiveness of their neighborhoods and regions.

By joining together in the EOI, the Delegation seeks to accomplish the initiative's goal in an incremental and sustainable fashion by working, partnering and learning together. Some of the participating entities are only in the conceptual stages of rolling out a full-fledged CDC that is separate from either a social service operation or a church. Therefore, the EOI's strategic *implementation* plan will take into account the need to synchronize the accountability, organizational, implementation and data sharing capacity of delegate CDC's via an umbrella organization.

That umbrella organization -- headed by a statewide non-profit board of directors comprised of Initiative Delegates, industry executives, ED, academic and government representatives -- would manage what are mostly private funds earmarked for strategic planning summits, legislative advocacy, technical assistance, partnership development, career technical education and an annual "sports, math and science camp" with case management system for inner city youth that is linked with after school programs. ***(See Strategic Intent, Proposed Solution and Plan of Action, Pages 51 through 61)***

The Initiative will also result in the development of performance standards, metrics and monitoring systems. Infrastructure necessary for implementing the EOI (office and program space) would largely be provided in-kind by the participating entities. The long term phase of the action plan (2 Years & Out), as determined in the statewide and regional summits, will relate to the goal of the delegation being fully prepared and engaged in bringing the targeted outcomes to scale. It will also relate to the theory of change and planning an evaluation of the initiative.

Descriptions below provide an overview of the organizational capabilities of some of the Delegates as they relate to the EOI's integrated neighborhood revitalization strategy emphasizing business investment, homeownership and workforce development.

West Angeles Community Development Corporation

West Angeles Community Development Corporation serves as a catalyst for the revitalization of South Los Angeles' diverse neighborhoods. The 501 (c) 3 corporation has ventured beyond traditional models of community development into an innovative model that centers on revitalization with a holistic and empowering approach. While the CDC continues to support affordable, rental housing in South Los Angeles, its community revitalization philosophy incorporates for-sale housing products, including first-time homebuyer, single- and multi-family housing, mixed income and mixed-use developments. Similarly, the organization's commercial real estate development strategy extends not only to small business development, but to the redevelopment of strategic parcels into state-of-the-art office, retail and industrial developments. As the developer of over $75 million in real estate, West Angeles CDC has distinguished itself as the leading faith-based, non-profit developer committed exclusively to the Crenshaw District and adjacent South Los Angeles communities.

FAME Renaissance Center

FAME Renaissance is an economic development initiative of FAME Assistance Corporation and was established on August 1, 1992, by Dr. Cecil L. Murray of the First African Methodist Episcopal Church to enhance business and economic development in the African American community. FAME Renaissance's goal of improving the economic conditions of the African American community in the West Adams Corridor are being met through the development of a multimedia business incubator which was designed in collaboration with the Engineering Writing Program of USC. FAME Renaissance's Business Incubator serves to promote and accelerate the growth of small businesses through an array of business support resources and services, equipment, and office space, all located at the FAME Renaissance Center, 1968 West Adams Blvd., Los Angeles.

The Allen Temple Housing and Economic Development Corporation (ATHEDCO)

The Allen Temple Housing and Economic Development Corporation (ATHEDCO) was founded in 1982 to provide housing and to enhance the quality of life of senior citizen's in far East Oakland. The entity is a ministry of Allen Temple Baptist Church. The housing, owned by ATHEDCO, is in the form of two buildings Allen Temple Arms 1 & 2, which consist of 125 units. ATHEDCO holds a business relationship with American Baptist Housing of the West to perform fiscal and personnel management responsibilities.

Concordis Real Estate Inc.

Concordis Real Estate Inc. is the nation's largest minority and women owned commercial real estate services firm with a national service delivery platform. The company is comprised of commercial real estate professionals with extensive experience in brokerage, consulting services, project management, engineering and design services, asset management, property management and investment sales

The primary focus of Concordis is to offer clients an integrated and extensive service platform that incorporates planning, process, implementation and ongoing support. Services are provided to a wide range of industries, including financial institutions, healthcare, transportation, telecommunications, government agencies, educational institutions, retail, developers and investors.

John Guillory, native Bay Area resident and former National Football League defensive back for the Oakland Raiders and Cincinnati Bengals, is the chairman of Concordis. For the last decade Guillory has served as President and CEO of Northbridge Group Inc. of Northern California.

Dr. Ephraim Williams Family Life Center

The Dr. Ephraim Williams Family Life Center (FLC) is a subsidiary of St. Paul Missionary Baptist Church, a 58-year old place of worship in the Oak Park neighborhood of Sacramento, California.

The FLC provides a broad array of services and amenities designed to promote the education, health and well-being of children, youth, seniors, families and the community. Housed in a state of the art 42,000 square foot multi-purpose facility, the FLC was completed in March 2006, and features a full service gym, after-school computer and tutoring lab, senior day center, racquetball and basketball court, bookstore, administrative offices and several other amenities.

The FLC will serve as a hub and extension of the St. Paul and Oak Park Community Outreach Program, incorporated in 1994 to provide charitable and educational services with the goal to coordinate community efforts to provide assistance to economically and socially disadvantaged persons.

Some of the current scheduled activities include direct provision of meals, clothes, counseling, substance abuse and alcohol support groups, K-12 educational support services, parenting classes, employment support and child care. The church is also in the early conceptualization stages of developing a CDC and ED strategy.

Dr. Ephraim Williams has served as Pastor of the church for the last 35 years, having gained a reputation among church members, as well as clergy, civic, business and political leaders in local, state and national circles, for his unquestionable integrity and leadership.

The Men of Valor Academy

The Men of Valor Academy's mission is to provide spiritual, physical, emotional, and mental growth and development. The Men of Valor program encourages these positive facets in three phases: Man Of Valor Phase, Educational Enhancement Phase, and the Vocational Training Phase. The academy, a non-profit organization sponsored by Acts Full Gospel Church, under the leadership of Bishop Bob Jackson, is designed to help ex-offenders, high school dropouts and men who want to receive the support they need to reintegrate successfully back into society.

The Jon Drummond Achievement Foundation (JDAF)

Founded in August, 2003 by renowned Olympic and World Championship gold medalist, Jon Drummond, the JDAF is a 501(C) (3) organization that expanded its operations to California in 2005. The organization's goal is to encourage student achievement amongst socio-economically disadvantaged children through academic and physical education programs. It's objective is to empower families of all cultures to prepare their children for college through in-depth university immersion, community events, and comprehensive academic resources to assist the student's social, academic and professional development.

As the JDAF's work relates to the EOI, it is the Founder's goal to leverage his relationships in the sports and entertainment industry to host annual sports events in the targeted California neighborhoods. The idea is to contribute to the creation of regional places of significance, as well as support the development of camps that steer inner city kids into science and engineering career paths.

The ultimate outcome of this organization is to develop in these students the tools (e.g. academic and physical life skills) to become responsible and critical thinkers in the world of today, and of the future. The Foundation believes in the recursive philosophy of "mind and body," such that one does not exist without the other.

With this paradigm, the Foundation has assembled a magnificent team of Educators, Assessment experts, Health and Fitness personnel, Social Scientists, Administrators as well as Business and government leaders that recognize that inequitable access to a higher standard of living continues to be a paramount issue facing society.

The Jon Drummond Achievement Foundation is determined to make a difference and welcomes partnerships with organizations and businesses in helping worthy students rise to achieve phenomenal things on their way to greatness, "With Purpose."

Targeted Neighborhoods

Delegates of the EOI have identified, based on economic potential, a preliminary set of redevelopment areas. The selected areas are not final, and are subject to change if feasibility and other factors dictate. Located along a commercial thoroughfare within a pre-defined geographic boundary, the EOI's targeted neighborhoods are located as follows in Oakland, San Francisco, Sacramento, Los Angeles and San Diego:

OAKLAND:

International Boulevard
Between 75th Avenue to 90th Avenue

SAN FRANCISCO:

To Be Determined In The Bayview Hunter's Point District

SACRAMENTO:

Broadway
Between Alhambra to Martin Luther King, Jr. Boulevard

Del Paso Boulevard
Between Highway 160 to El Camino

LOS ANGELES:

The Vermont Corridor
Between Florence to Manchester

The Crenshaw Corridor
Between Leimert Park to Jefferson

Adams Boulevard
Between Western to Normandie

SAN DIEGO:

To Be Determined In Zip Code 92114

To Be Determined In Zip Code 92102

III. MARKET ANALYSIS

Problem Identification

A. Lack of Access To Capital

The EOI seeks to carve channels of capital from investors to entrepreneurs (the most important source of job, income and wealth creation). This activity has fueled the U.S. economy, particularly in California where small businesses are the engine of California's economic performance, employing 52.8% of the state's non-farm private workforce in 2003. Unfortunately for struggling minority and inner-city enterprises (accounting for one-third of the state's 2.9 million businesses), access to capital has perpetually been a day late and a dollar short, despite their education, skill, commitment and rapid rate of growth in start-ups and sales.

U.S. Small Business Administration stats placed 1997 business revenue figures for CA minority-owned employer firms (then 20.6% of all minority-owned businesses) at $182.9 billion. A September 2000 joint report by The Milken Institute and U.S. Department of Commerce found minority-owned firms were surpassing the growth rate of all U.S. businesses by six times, at a rate of 17 percent. Sales grew by 34 percent per year, three times the rate of all firms. Fast forwarding to November 2004, a Center for Women's Business Research study ranked California number one among the top ten states for privately-held firms that are 51% or more owned by women of color. Female-owned businesses grew by 54.6%, while all privately-held firms in the United States grew by 9.0%.

July 2005 U.S. Census Bureau reports confirm studies that bill African-Americans as more likely than any other ethnic group to launch a business. The data bumped total U.S. business growth between 1997 and 2002 up to 10%, while showing Black enterprises leading the growth at a whopping 45 percent (43 percent in California). The Bureau's data noted that the vast majority of all American firms, especially Black and Hispanic businesses, are sole entrepreneurs with no employees. In a measurement of revenue disparity, the Bureau reported that the average Black business without employees earned just $20,761 in 2002, while the same type of firm owned by a Caucasian earned $44,426.

In a separate look at disparity in California-specific earnings, 2000 Dunn and Bradstreet Minority Business Data featured a survey of 10,787 high performing operations, which included only minority firms (Asian, Black, Hispanic, Native American, Other) with $500,000 or more in annual revenue, and good to excellent credit history and rating. Over half of those California companies (5,216) were Asian-owned. Forty-three percent (4,258) were Hispanic-owned, and only 3 percent (327) of those high performing minority businesses found and surveyed were Black-owned. The D&B data revealed an average sales volume (ASV) of $3,478,925 for all surveyed companies, while the ASV for Black-owned companies topped at $3,707,778.

A July 2003 study by the Kauffman Foundation not only reaffirmed the Milken/Commerce report's conclusion that the high rate of minority business growth is constrained by a chronic lack of debt and equity capital, it found in a profile of special venture funds that investments in these enterprises resulted in healthy returns equal to, if not slightly higher than, traditional investments by mainstream venture capitalists. **Minority firms, however, receive only 1 to 2 percent of the nation's $85 billion equity capital market**, largely due to VC fund attraction to technological innovations. VC funds also lack the knowledge and relationship matrix needed to tap into urban area opportunities like South Los Angeles, for example, where the aggregate income is estimated at more than $10 billion. All of the research above suggests that without dynamic new private/public sector approaches to help finance these businesses, continued economic growth is impossible and in fact, places California's macroeconomy at risk.

B. Homeownership Disparities & Obstacles

The EOI seeks to employ innovative partnerships to increase the ownership of quality affordable housing that contributes to the revitalization and beautification of low-income neighborhoods. In the key source for wealth creation, the American Dream of owning a home is indeed strong in the Golden State, but high demand and short supply has made prices unbearable for the poor, working class and even most of the middle class. According to a December 2004 report by The Greenlining Institute, the reality is that just under 40% of California's Latino and African Americans are homeowners, compared to the national homeownership rate of 68% for all Americans. Potential Bay Area homebuyers with a household income of $68,430, for example, need a qualifying income of $151,340 to purchase a median priced home at $646,280.

In contrast to California's current median home price of $575,800, the national median household income in 2003, when adjusted for inflation, was $43,318. Asians had the highest income, at over $55,000, Latino income was $33,000, and African Americans earned the least -- less than $30,000. Non-Hispanic whites made almost $48,000 (Source: U.S. Census Bureau report, "Income, Poverty and Health Insurance Coverage in the United States: 2003 / Released August 2004). In the picture of wealth in California, 45 percent of African Americans and over 38 percent of Latinos in the state live in households where the combined wealth (value of assets owned by households less any debts on those assets) of all the household members is under $3,925. While Whites comprise half of the California population, they hold more than 80 percent of the total household wealth in the state. (Source: California Research Bureau, Distribution of Wealth in California, 2000 / Released November 2003).

The Institute attributed California's net shortfall of 1.5 million housing units to antiquated tax laws, environmental extremism and counterproductive governmental regulations. Also included was the finding that i*f Californians had the same homeownership rate as the rest of the nation, there would be 1.5 million more homeowners and over 2 million additional well-paying jobs.* And, California would not be facing such high unemployment, reductions in wages, and the worst budget crisis in history. As far as land resources are concerned, the state has over 2 million acres of readily usable land. Over 100,000 infill sites exist, many in urban areas, that alone could produce a million units or more of new housing.

C. Workforce Development Challenges

C1. Underrepresentation In Science & Engineering Professions

The EOI seeks to remedy the lack of a long-term, innovative inner-city strategy for early childhood engagement/recruitment in science and engineering; to be more inclusive of underrepresented groups in bricks and mortar science by moving beyond the H1B Visa. Maintaining California's global leadership in scientific research and technology development is critical to preserving California as a vibrant place for businesses, workers and communities. High tech industries, ranging from aerospace to biotechnology to movie production, provide jobs, sustain a high standard of living, and offer innumerable other benefits to California residents. Proposition 71, which voters passed in 2004 to make a $3 billion investment in stem cell research, has tremendous implications for the state's future in life sciences. However, according the California Council on Science and Technology's (CCST) 2002 report entitled "Critical Path Analysis of California's Science and Technology Education System," there is a highly inadequate amount of attention being paid to the fact that the state's own citizens are not being prepared in sufficient numbers for the important, challenging – and well paid – science and technology jobs.

As a majority of California's population has become non-white, and almost half of the state's African American and Latino students are dropping out of high school, there exists a deficit of comprehensive public/private sector efforts to match California's new knowledge economy with its new demography. Without targeted and inclusive initiatives to homegrow underrepresented and low-income groups into the workforce of scientists and engineers, California will continue to jeopardize its future prosperity, along with national security.

Because of the link between achievement and income, the setting of high standards for public schools inevitably focuses attention on schools serving many low-income students because they are less likely to attain those standards. Although what happens during the school day may partly explain the achievement gap between high- and low-income students, many factors associated with families are more likely to explain the gap. Low-income families cannot afford tutors when their children struggle with schoolwork and may not even be able to provide them a quiet place to study at home. Many low-income parents also have low education levels. Moreover; they may be taxed by long commutes and/or working overtime in low wage jobs to provide basic shelter, food and clothing. In these situations, parents may be poorly equipped to help their children with homework and may be less knowledgeable about the educational opportunities available.

California's urban charter schools, faith and community groups can apply innovative teaching, academic support and science/math immersion methodologies, yet will need partnership development help to advance best practices, develop student *case management systems* and bring that innovation to scale. The CCST study points out that no part of California's science and technology system works in isolation. Many experts agree that the solution to the problems identified will require crossing boundaries between parents, educational systems, industry, community supports and government.

C2. Unemployment Among At-Risk Teens & Ex-Offenders

The EOI aims to steer at-risk teens, as well as youthful and adult ex-offenders, away from destructive lifestyle alternatives (stemming from poverty, despair, desperation, environmental limitations, poor judgement, gangsterism, etc.) by helping them to be economically self-sufficient and productive members of the community. By developing a bridge for these human resources through a comprehensive Career Technical Education (CTE) model, the EOI also seeks to add value to the state's competitive advantage industries such as building construction, manufacturing, entertainment, automotive repair and biotechnology – all of which offer good paying jobs that don't necessarily require a 4-year degree.

California's prison inmate recidivism rate, at 70 percent, is the nation's highest. Each year, more than 2,000 youthful offenders are released from the California Youth Authority. In the past four years in Los Angeles County, the courts have ordered the release of over 150,000 detainees from the county jail due to overcrowded facilities. The challenge for the state is to preserve public safety and assist ex-offenders to make a positive transition to a productive life

Criminal justice researchers have produced volumes of findings on the unintended consequences of incarceration for offenders, their families, and their communities. The problems those researchers identified include rises in crime, particularly among juveniles; high unemployment among former inmates; economic stagnation in urban neighborhoods, and the cycle of neglect and involuntary abandoning of children—all strong reasons to invest in alternatives to incarceration.

The research has another important value: it provides insight into the challenges people face when they come home from jail and prison. Finding work, staying drug free and healthy, re-establishing family ties, and fulfilling family responsibilities are formidable challenges. Without reentry help many offenders find them impossible to overcome. Three out of five inmates released this year will be rearrested within three years, and two of them will be reincarcerated.

The effectiveness of faith-based entities in providing life, pre-vocational and job hunting skills training to at-risk teens, as well as youthful and adult ex-offenders, offers a significant opportunity for California to yield maximum returns on its CTE investments.

D. Quality of Life In California's Inner Cities

The EOI seeks comprehensive, integrated, and dynamic new approaches to stimulating business growth, homeownership and the creation of livable wage jobs for California's distressed low-income neighborhoods and populations. The intent of the Initiative is to uplift the economic and social platform of the targeted neighborhoods by creating Small, Specific, Measurable, Achievable, Realistic and Timely (SSMART) "catalysts for livable communities." These catalysts will not only create business, homeownership and job opportunities, but will spur the process of revitalizing the soul of the community through physical beautification, crime reduction and the institutional cultivation of arts, entertainment and culture.

Despite notable gains in business start-ups, homeownership and academic progress, far too many of California's urban residents and areas continue to be neglected and plagued by unemployment, poverty, crime, drugs, neighborhood blight and despair. According to the U.S. Department of Housing and Urban Development, unemployment in California's five major urban centers, which contain just under 18 million people (nearly 52% of the state's population), hovers around 20 percent – four times the state average – and the poverty rate remains at 40 percent.

It takes little by way of imagination to begin to understand the problems created by a distressed quality of life in California's urban neighborhoods. Abandoned, dilapidated or substandard commercial and residential buildings, along with grafitti, litter and idle gathering are simply unattractive, unsettling eyesores. But aside from the variety of social, economic and environmental ills documented by numerous studies, the chief amongst these problems are **wasted resources and lost tax revenues, declining property values, the effects on community aesthetics, and generational wealth gaps.**

The problems above can also have the effect of encouraging social isolation of individuals and families; effectively weakening ties to others and, hence, the sense of collectivity which is the hallmark of any thriving community. Fearful of anti-social and criminal behavior, residents are encouraged to curtail their normal social interaction. This kind of isolation may foster exactly the sort of anti-social and criminal behaviors that it initially is a response to. Finally, distressed neighborhood conditions often lead to a sense of resignation and hopelessness; interpreted by children, youth and families as a signal that no one cares - perhaps even prompting the belief that further damage to human life or property is costless.

Distressed inner city conditions, along with the modern day confluence of globalism, technological innovation, population growth, immigration, skyrocketing housing costs, traffic, pollution, devolution, budget deficits, outsourcing, post 9/11 recovery, etc., has created increasing pressure for California to shape a new environment for economic community. Backed by a wide body of compelling research, the EOI will respond to this confluence with specific and coordinated action: creating thriving neighborhoods that become important regional and environmental assets, as well as beacons of hope.

Competitive Landscape

A. The Underlying Forces

Existing and proposed solutions to challenges identified by the EOI run the gamut, particularly those championed by California's inner city faith and business leaders. These visionary pioneers are giving birth to model economic remedies. Limited capacity, however, impedes their ability to reach critical mass in neighborhood competitiveness. While the barriers can also be attributed to fragmented economic development supports and partnerships, it is important to understand, from the standpoint of recent state policy history, how urban centers are excluded -- whether intended or unintended -- from substantive participation in California's global and technology-oriented economy.

Instead of aligning policy and leadership influence with capacity building initiatives to create healthy urban neighborhood economies, previous executive branch and legislative officeholders have addressed urban issues more in the social sense, or not at all. Where general reaction to promising policy solutions are concerned, Democrats have sometimes claimed that targeted new markets tax credits with equity investment guarantees, for example, will only reward major corporations and the super rich, taking tax revenue from the general fund – even though California's low income areas are not optimally generating the revenue anyway, but hold the potential to do so with the right stimulus. Meanwhile, Republicans have sometimes assumed that the same idea, launched successfully at the federal level under the administration of President Bill Clinton, will lead to an unsustainable social experiment and government program.

Just in looking at year 1998 to present, the numerous issues monopolizing the attention of California's elected officials could explain urban neglect as well. From regulatory burdens, worker's compensation, the dotcom bubble explosion, loss of capital gains tax revenues, September 11, 2001, economic downturn, a $35 billion budget deficit, energy crisis and wildfires, to a dysfunctional political system and indifference. On the other hand, many African-American and Latino leaders have doubted the feasibility of widening doors of opportunity for their local businesses and neighborhoods at the state level – resigning to focus time and resources on core business activities and struggling often endlessly through problems because, indeed, planning, financing and executing a potent lobbying strategy is more than a notion.

California's top-down, fragmented and interrupted flow of ED supports has yielded sporadic and temporary effectiveness at best. This approach has assumed that state and regional leaders know what is best for a neighborhood. As a result, entrepreneurs (all kinds), for example, often have to "somehow discover" poorly marketed technical and capital formation assistance (such as that once offered by the now defunct Technology, Trade & Commerce Agency), or find a product that is narrowly-structured, insufficient or virtually impossible to leverage.

ECONOMIC OPPORTUNITIES & THE OBSTACLES: AN ILLUSTRATION

To illustrate the problem with California's top-down, fragmented and interrupted flow of ED supports, here's an imaginary scenario. Let's say you are a financially capable member of a church that is near a longtime vacant industrial structure in a low-to-moderate income neighborhood close to downtown. You want to convert that structure into residential units with a restaurant, music store, bookstore and Starbucks on the ground level. You begin studying the project's feasibility.

You could qualify for a bank loan, but the borrowing costs are too high, plus, demonstrating feasibility, closing a deal with your commercial tenants, and luring other development will take more time, effort, expertise and relationships. You have no idea that a Regional Technology Alliance is holding a venture capital salon and might be able to help you land venture capital, as well as connect you with a group that would find a large vacant parcel next to your site an attractive location for their medical technology start-up company and its employees. After hunting for several months for bridge financing, and coming up empty-handed with the local redevelopment agency on tax increment and city planning help, you find that the state has a Downtown Rebound Capital Improvement Program (DRCIP) that could help, but in order to make the project work you need 65 percent of your residential to rent or sell at market rate.

The 3 percent interest DRCIP loan would be perfect, but your project doesn't qualify because your targeted tenants – doctors and nurses at the growing medical center nearby, as well as church members interested in "moving back from the suburbs" – would exceed the income limit conditions set in the DRCIP. Moreover, the project is two blocks outside the DRCIPs maximum required distance to a mass transit facility. To make matters worse, environmental regulations would stretch out and add extensive and unnecessary costs to rehab a non-toxic structure that was once an industrial cookie baking and packaging plant. Although your project is in an enterprise zone area, you have no idea that your contractor could possibly receive tax credits for hiring ex-offenders trained in construction trades who live in the area, which could lower your project costs.

The point: Entrepreneurs and community development corporations who recognize the value of neighborhood revitalization in emerging domestic markets have found that obtaining help in connecting the dots to actually succeed can be quite elusive, and that further stacks the odds against growing a competitive inner city. Coupled with the latter, is the disparity in attention paid to emerging majority entrepreneurs vs. the equally important provision of assistance and incentives to attract and retain large businesses in California.

By default, the absence of state leadership and support for collaborative market-driven strategies has meant yet another door slammed shut after opportunity knocks. Or even worse, it has led to further marginalization of low-income populations and the *negative gentrification* of inner cities. That's why leading research has pointed to using specific kinds of roles and tools in government facilitation, as opposed to the historical obstruction and neglect. New government programs are *not* always the answer.

WHAT STATE GOVERNMENT *CAN* DO

By championing the EOI, California's executive and legislative branches can provide the leadership, influence and momentum necessary to change the latter paradigm in a way that **leverages existing private, local, state and federal resources**. The key is:

1. Facilitating the launch of a broad based process of engagement to help educate key participants and inform decision-making about priorities for critical investments.

2. Providing ongoing assistance in the mobilization of data, relationships and resources to ensure that California's inner cities have an ED climate that is conducive to success.

3. Supporting the necessary policy changes – changes which are likely to result in cost savings, job creation and economic growth.

Several best practice models can provide principles to guide this process of engagement. The Alliance for Regional Stewardship features many of these models online (www.regionalstewardship.org) and has documented case examples in its monograph on Inclusive Stewardship prepared by Collaborative Economics with support from the Hewlett Foundation (www.regionalstewardship.org/Documents/Monograph7.pdf). Other sources for case studies include PolicyLink (www.policylink.org) and the Funders Network on Smart Growth and Livable Communities (www.fundersnetwork.org).

Based on research and best practices, a strategic approach to promoting economic opportunity in targeted inner city neighborhoods can be developed to promote both innovation and inclusiveness *if* a strong team of collaborative leaders are willing to join together as civic entrepreneurs to craft investment solutions in the mutual interest of both competitive regions and neighborhoods.

An initiative to develop a statewide action plan to create catalysts for the simultaneous revitalization of 5 specific low-income neighborhoods in California through an integrated business investment, homeownership and workforce development strategy is nonexistent. The EOI, therefore, will not compete with any community, non-profit, industry, academic or government program, initiative or proposal, but will, rather, employ broad-based private/public sector collaboration to wield the partnerships, policies and capital investment needed to accomplish its goal. Within the EOI's goal is the explicit purpose to assist Delegate projects that exist, those just getting off the ground, and those in early planning stages, in order to advance best practices and develop models that are adaptive to the challenges and norms unique to California's inner city neighborhoods.

In California, almost $1 billion flows annually through professional and industry associations, and a wide variety of other special interest group entities, and their partners, for policy and political advocacy, strategic planning, partnership development and campaigns. The EOI has much to offer in the way of contributing to the advancement of mutual interests in the arena of community economic development.

The following Competitive Landscape sections **(Best & Promising Practices; Government Programs, Initiatives & Proposals; and What Other States Are Doing)** are provided for an abstract assessment of existing resources, policy developments and additional rationale to launch the EOI:

B. Best & Promising Practices

California Main Street Techniques Produce Results

California Main Street (CMS) focuses on enhancing the economic, social, cultural, and environmental well being of traditional commercial districts located in California's diverse cities, towns, and neighborhoods. The CMS program helps communities to build a strong broad-based organization to implement and manage the revitalization process. CMS does not provide funding; the program provides training; information, research, referral services, and technical assistance.

Since 1985, downtowns and neighborhood commercial districts in the CMS network have generated 6,887 new businesses and created 24,508 new jobs. Network communities have invested $184 million in public design improvements (515 projects) and $262 million in private facade and building rehabilitations (3,214 projects). In 2000, the National Main Street Center estimated that for every dollar a community invests in the operation of its Main Street program, $39.96 are reinvested in the district; and that the average cost per job created in a Main Street district is $2,504 making Main Street one of the most effective economic development programs in the country.

Community Capital Investment Initiative (CCII)

> The San Francisco Bay Area's Community Capital Investment Initiative (CCII) is a regional effort to direct strategic capital investments into low-income communities across the region. The rationale for the coalition is that the neighborhoods need outside investment for revitalization, while the broader region needs vital neighborhoods and core urban areas to reduce the pressures of sprawling growth at the periphery. The reality is that neighborhood leaders and activists, regional business leaders, and local, state, and federal government leaders, as well as financial experts, rarely if ever work together. They don't know each other, have little reason to trust one another, and often believe that their interests are naturally at odds.
>
> To begin, CCII created three councils. A Business Council includes regional business leaders and is chaired by the Bay Area Council, a regional business coalition. A Community Council includes neighborhood leaders and activists and is co chaired by three nonprofit support organizations: Urban Habitat, PolicyLink, and the National Economic Development and Law Center. A Government Advisory Council is chaired by representatives from the federal Department of Housing and Urban Development and the California State Treasurer's Office.
>
> Each Council first developed a set of investment criteria based on its interests, and then shared them with the other Councils. Collectively, they worked through differences to produce a unified set of investment criteria to guide CCII activities. The result was an approach that would produce a "double bottom line" in terms of both financial and social returns and benefits both for the neighborhoods and for the region at large.
>
> CCII launched three investment funds to finance investment that fulfill a combination of economic and social equity criteria: The Bay Area Smart Growth Fund, to invest in real estate developments such as mixed use, mixed income projects, the Bay Area Community Equity Fund to invest in profitable, growing businesses that can increase substantial job and wealth creation and the California Environmental Redevelopment Fund to invest in the clean up of brownfields throughout the entire state of California. The three funds have raised $140 million in private equity and are now moving into their second round of fundraising (*Inclusive Stewardship: Emerging Collaborations between Neighborhoods and Regions* Alliance for Regional Stewardship Monograph # 7 November 2003)

The lesson of this example is that significant investments in inner city neighborhoods can be made if there is an effective collaboration strategy effectively negotiated by the private, public and nonprofit sectors based on recognition of mutual interest.

The Alliance for Community Development ("Alliance") and Technology Ventures Corporation ("TVC")

The Alliance for Community Development ("Alliance") and Technology Ventures Corporation ("TVC") propose to develop and implement a new and innovative program to address the growing loss of jobs among blue collar and limited technical skill workers who live in low/moderate income ("LMI") areas. The solution creates more small to mid-sized "gazelle" companies that can offer middle class wage jobs to workers with blue collar or limited technical skill backgrounds. This proposal is based on previous successes in providing technical assistance to a number of companies that fit the "gazelle" characteristics, as follows:

Company N: This is a 2-year old company located in a low income area of Oakland, CA. They have developed proprietary software and other manufacturing expertise which enables the mass customization of apparel and apparel accessory products. Using an online site, individual customers can design their own clothing accessories, for instance, choosing color combinations, product features, and other design options. Each individual order is transmitted directly to a manufacturing plant in the US which then produces the item, and ships it to the customer within 48 hours. Because premium prices can be charged, most manufacturing can be done locally in the Bay Area. With the potential to grow revenues rapidly, this company offers a competitive product and could create a large number of jobs for former garment factory workers in the US. The Alliance has worked closely with this company on business plan development, revenue models, and financing.

Company S: This is a 1-year old start-up company that is ready to establish offices in a low income area in the Greater Bay Area. They have developed a proprietary Internet-based payment system and provider network that allows low income, uninsured people to obtain healthcare services at a substantial discount to regular market prices. The Alliance has worked closely with this company on sourcing financing and refining its presentation to investors. The company has already established a network of thousands of interested independent physicians and is in the process of beta testing the system. The company has the potential to create a large number of customer service and sales jobs for low to moderate income people.

Company J: This is a 4 year old company that has developed fuel cells the size of "D" Cell batteries. These fuel cells were designed to replace the bulky battery packs carried by TV news photographers. The fuel cells last longer, are considerably lighter and can be readily recharged. TVC worked with the company to modify its Business Plan to make it a more attractive investment for the financial community. After following TVC's advice, company J has received over $18 million in equity investment and has increased its professional and support staff significantly. The company remains in a low-income area in Northern California and provides sales and support jobs to a number of local residents.

Company C : This is a nearly 6 year-old firm that initially established its headquarters in a low-income warehouse in Redwood City, California. Its primary focus was the elimination of medical and other waste by using a proprietary radiation/redox system. TVC worked with and supported the company's management as they sought funding to gain market acceptance and market share. TVC suggested alternate business models, assisted in the development of the business plan and served as an adviser to and reference for the company. To date, the company has raised $14,000,000 in investment funding and in an attempt to find a lower-cost venue in which to operate, moved to the Central Valley. If a program such as is proposed herein were in place at that time, TVC believes it could have retained the company within the San Francisco Bay area.

HomeFree-USA

As a HUD-approved, nonprofit homeownership counseling organization, HomeFree-USA is dedicated to helping the people and communities it serves prepare for and achieve mortgage approval and lifelong financial empowerment. With an unparalleled homeownership preparation model, HomeFree-USA: **Provides** advice and education to ensure mortgage approval; **Guides** clients to the best lender and loan product for them; **Offers** valuable advice about managing credit and money, refinancing, or buying a first home; **Makes** the mortgage, homebuying and refinancing process easier; **Gives** clients the confidence needed to complete the homebuying process; **Acts** as their very own personal mortgage consultant; **Educates** clients with over 20 classes on every aspect of homebuying and homeownership; **Assists** clients in correcting credit and savings issues; **Finds** downpayment and closing cost assistance; **Ensures** that client investments remains theirs with post-purchase counseling.

A-MAN, Incorporated

The A-MAN, Inc. mission is to utilize science and technology as a motivational tool and advance the educational achievement, intellectual and career development of African-American and other minority students between the ages of 5 and 18 years of age. A-Man, Inc. seeks partnerships with individuals and institutions who share the vision to increase diversity in the special interest fields of science and technology. The primary purpose is to increase the number of African-American and other minority students who are excited about and who enter the fields of science and technology. A-MAN, Inc. is a California State approved mentoring program.

International Science Discovery & Learning Center: The ISD&L Center serves the Los Angeles Inner-city communities as a technologies resource site where youngsters between the ages of 5 and 18 and parents share and participate in scientific and technological experiences. The 7,500 sq/ft center utilizes reading lab, computer lab, laser and robotics lab, multi media lab and environmental sciences experiments to expose students to 21st century technologies. Students also explore technologies through study tours to local museums and Hi-tech centers such as JPL. Over 1,200 students attend sessions through out the year at the center. In 2000 the #1 science student in the state of California came from the A-MAN program and was also named the A-MAN senior achiever of the year.

After School Academy: The After School Academy for Innovation & Invention program has recently been recognized on a number of local area and national TV news programs as supplying a very sorely needed service to the community. During the summer months, area students attend the Summer Science Academy 10 hours/day where they experience science, invention and innovation sessions. Additionally summer fun in recreation and golf is enjoyed.

Passing the Torch Awards: A-MAN holds an annual Recognition Dinner event where student achievers and role models are presented. During the event, "Passing the Torch" awards are presented to selected honorees from the fields of science, technology, education, medicine and business.

CISCO Training Academy: In 2001 CISCO Systems certified the ISD&L Center as a CISCO SYSTEMS TRAINING ACADEMY. The Academy will serve 12th graders and adults seeking network training and jobs in the growing Information Technology industries. A-MAN is seeking sponsorship for the implementation of the academy and scholarships for under privileged students to attend. Once established the Academy will serve approximately 20-30 students during each (4) 14 week session annually.

C. Government Programs, Initiatives & Proposals

C1. Federal Agencies, Departments & Initiatives

White House Faith-Based & Community Initiative

President Bush created the White House Office of Faith-based and Community Initiatives and Centers for Faith-Based and Community Initiatives in eleven Federal agencies to lead a determined attack on need by strengthening and expanding the role of FBCOs in providing economic development and social services. The Federal government has worked to accomplish this mission through an array of regulatory and policy reforms, legislative efforts, and public outreach to FBCOs. Additionally, by making information about Federal grants more accessible and the application process less burdensome, the Initiative has empowered FBCOs to compete more effectively for funds. The ultimate beneficiaries are America's poor, who are best served when the Federal government's partners are the providers most capable of meeting their needs.

Community Development Financial Institutions Fund

Through monetary awards and the allocation of tax credits, the CDFI Fund helps promote access to capital and local economic growth in urban and rural low-income communities across the nation. Through its various programs, the CDFI Fund enables locally based organizations to further goals such as: economic development (job creation, business development, and commercial real estate development); affordable housing (housing development and homeownership); and community development financial services (provision of basic banking services to underserved communities and financial literacy training).

New Markets Tax Credit Program

The New Markets Tax Credit (NMTC) Program permits taxpayers (private investors, corporations, individuals) to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs), that in turn finance private business enterprises in low-income areas. Throughout the life of the NMTC Program, the Fund is authorized to allocate to CDEs the authority to issue to their investors up to the aggregate amount of $16 billion in equity as to which NMTCs can be claimed. To date, the Fund has made 233 awards totaling $12.1 billion in allocation authority. There have been three rounds of allocations, with the most recent allocation of $2 billion announced on May 11, 2005. In the third round, 41 organizations received allocations ranging from $5 million to $100 million. Although CDEs based in California garnered $404 million in tax credits through the first three rounds, making over $500 million in investments available to low-income areas, the state has not received its fair share of NMTC. The NMTC is set to expire in 2007. **(See Pages 44 through 49 for state policy developments in relation to the federal program.)**

Housing & Urban Development - Community Renewal Initiative

HUD's Community Renewal Initiative for Renewal Communities and urban Empowerment Zones. HUD re-energized this initiative in December 2001 by designating 40 urban and rural Renewal Communities and 8 new urban Empowerment Zones. Together with 22 Empowerment Zones that HUD designated in separate competitions in 1994 and 1999, these 70 communities are able to share an $11 billion tax-incentive package that encourages entrepreneurs to invest in these communities, open new businesses and expand existing ones, and hire tens of thousands of local residents. The administrative leaders of each Renewal Community and Empowerment Zone work closely also with government, business, and local community representatives to implement strategic plans and courses of action to improve social and economic conditions throughout the designated areas.

HOPE VI Program

In cities around the country, the HOPE VI program is replacing distressed and dangerous neighborhoods with thriving, mixed-income communities where poor families can live in safety with a chance at a better life. HOPE VI meets inner city challenges with a strategy that boldly combines what is known about revitalizing neighborhoods with what is known about healing children and families. Should voters approve a housing bond initiative in November 2006, the EOI proposes modeling publicly funded housing developments in the targeted California neighborhoods on the best of the HOPE VI experience, including high-quality design and construction, economic diversity, and access to essential services.

C2. State Agencies, Departments & Initiatives

California Small Business Programs and Services

There are a number of programs and services offered by the State of California to help small businesses compete and succeed. These resources include financing, workforce development, tax incentives, and technical assistance. Due to budget constraints and program consolidations, some programs may not be fully operational or may have very limited resources. With the dissolution of the Technology, Trade and Commerce Agency (TTCA) on January 1, 2004, and its Office of Small Business (OSB), California now lacks a centralized small business support function. While many services for small businesses still exist in state government, there is no central point (one-stop-shop) to assist with the coordination of services and helping California entrepreneurs access them. Potential customers must contact the program directly to determine its current status.

Small Business Loan Guarantee Program

This program enables a small business to obtain a term loan or line of credit when it cannot otherwise qualify for a loan. This program allows a business to not only obtain a loan it could not otherwise obtain, but to establish a favorable credit history with a lender. With that, the business may obtain further loans on its own, without the assistance of the program.

California Capital Access Program

Administered through the California Pollution Control Financing Authority (CPCFA), the California Capital Access Program (CalCAP) encourages banks and other financial institutions to make loans to small businesses that fall just outside of most banks' conventional underwriting standards. CalCAP is a form of loan portfolio insurance, which may provide up to 100% coverage on certain loan defaults. By participating in CalCAP, lenders have available to them a proven financing mechanism to meet the financing needs of California's small businesses. **Eligible Uses of Loan Proceeds:** CalCAP insures bank loans made to small businesses to assist them in growing their business. Loans can be used to finance the acquisition of land, construction or renovation of buildings, the purchase of equipment, other capital projects and working capital. There are limitations on real estate loans and loan refinancings.

Industrial Development Revenue Bond Financing Program

Industrial Development Bonds (IDBs) are tax-exempt securities issued by a governmental entity to provide money for the acquisition, construction, rehabilitation and equipping of manufacturing and processing facilities for private companies. IDBs can be issued by the California Infrastructure and Economic Development Bank, local Industrial Development Authorities, or by Joint Powers Authorities. The use of IDBs is governed by both federal and state laws and regulations.

Small Business Pollution Control Tax-Exempt Bond Financing Program
The Small Business Pollution Control Tax-Exempt Bond Financing Program (SBAF Tax-Exempt Bond Program) provides loans to creditworthy small businesses for the acquisition, construction, or installation of qualified pollution control, waste disposal, and resource recovery facilities in California. Loans are funded from the sale of tax-exempt bonds issued by the California Pollution Control Financing Authority on behalf of the eligible small business. Tax-exempt bond financing provides qualified small businesses with lower interest costs than are available through conventional financing mechanisms.

Replacement of Underground Storage Tank Loan Program
The State Water Resources Control Board offers direct grants and loans for replacement of underground storage tanks (RUST). The program helps owners and operators of small independent underground storage tanks comply with the new requirements mandated by Senate Bill 989. **Eligible Applicants:** Small business owners or operators of underground petroleum storage tanks, who are unable to find conventional financing. Applicants with multiple tanks on different locations must bring all sites into compliance in conjunction with the grant or loan application process.

Recycling Market Development Zone Revolving Loan Program
The Recycling Market Development Zone (RMDZ) Revolving Loan Program provides direct loans to eligible businesses and nonprofit organizations that manufacture recycled raw materials, produce new recycled products or that reduce the waste resulting from the manufacture of a product. These loans promote market development for post-consumer and secondary waste materials. Applicants must be located in one of the designated RMDZs and divert waste from non-hazardous California landfills.

Child Care Facilities Financing Program
Purpose: Operated by the California Department of Housing & Community Development, this program provides loan guarantees and direct loans for the development and/or expansion of child care and development facilities, and family child care homes serving more than six children. **Assistance Type:** Direct loans and 80% loan guarantees of private sector loans.

Innovative Clean Air Technologies Program
The Innovative Clean Air Technologies Program (ICAT) is an Air Resources Board program that co-funds the demonstration of innovative technologies that can reduce air pollution. Its purpose is to advance such technologies toward commercial application, thereby reducing emissions and helping the economy of California. Funding for basic research, such as development and proof of a concept, is often available from federal programs and other sources, both public and private. However, when basic research has been completed, funding for deploying prototypes and field demonstrations is often hard to obtain. If such funding is somehow obtained and the value of a new technology is demonstrated, venture capital then becomes available to move the technology into commercialization.

Downtown Rebound Capital Improvement Program
Through deferred payment development loans, this program finances the conversion of vacant or underutilized commercial and industrial structures into residential units; residential infill; and the development of high-density housing adjacent to existing or planned mass transit facilities. Loans are at 3 percent interest for projects occupied by and affordable to households with incomes not over 30 percent of 60 percent of area median income. Affordability term is 55 years. Multifamily Housing Program (MHP) terms and conditions will govern. Maximum loan amount per unit is determined by a formula that takes into account a base loan amount of $20,000 per unit, plus an additional amount per restricted unit required to reduce rents from 30 percent of 60 percent of area median income to the actual maximum restricted rent for the unit.

Employment Training Panel
ETP assists businesses in acquiring and retraining a highly skilled work force with expertise in very specific fields in order to increase competitiveness and productivity. ETP will enter into a performance-based customized training contract for new or existing employees. The training is performed by either an approved training agency or the company itself. As the training is completed, the costs for developing, implementing, and completing the training are reimbursed. Ranging from about $1,500 to $2,000 per employee, reimbursements are made to the company for each employee that completes training and remains on the job for 90 days. ETP has paid more than $800 million in training funds since its inception, with more than 500,000 California workers trained. In California, 50,000 businesses have been served, and 80 percent of the companies participating have been small businesses with fewer than 250 employees per firm.

The Enterprise Zone Program
The Enterprise Zone Program provides employers with special state and local tax incentives to encourage them to invest in locating their businesses and hiring low-income workers in the targeted economically distressed areas throughout California. The purpose of the program is to allow private sector market forces to revive the local economy

Targeted Employment Areas
One of many options to voucher an employee, Targeted Employment Areas (TEA) allow residents of certain designated low-income areas to qualify Enterprise Zone employers for substantial hiring credits. Maps and street range maps are available as a general guide at the Department of Housing and Community Development’s (HCD) website, www.hcd.ca.gov/ca/cdbg/ez/. However, these do not have the power of law. Final determination of eligibility rests with HCD. Each community's street ranges are updated as needed. Each zone is permitted to expand throughout its life, thereby adding to their street ranges. Occasionally, errors do occur and are corrected when discovered. The maps and street ranges can be accessed under "Maps and Street Ranges."

Local Agency Military Base Recovery Area (LAMBRA)
During the last seven years, over 187,000 California workers were idled due to four rounds of Base Closure and Realignment. The Local Agency Military Base Recovery Area (LAMBRA) program was developed to attract reinvestment and re-employ workers. A LAMBRA designation has tax incentives that are similar to Enterprise Zones and is binding for a period of eight years. The LAMBRA's boundaries are the closing base or a portion of it. Businesses that are located in a fully designated LAMBRA Zone are eligible for program benefits.

Small Business Development Center Program
California's network of Small Business Development Centers (SBDCs) links federal, state, educational and private resources designed for small business in the local community. The SBDCs provide one-stop access to free, high quality business counseling, planning, marketing, and training programs. The SBDCs also prepare and provide data on economic and business conditions and offer education and training workshops. The small business services include but are not limited to: management, marketing, financing, accounting, strategic planning, high technology resources, regulation, taxation, capital formation, procurement, human resource management, production, operations, economic development, production analysis, plant layout and design, agribusiness, computer application, limited business law assistance, exporting, office automation, site selection, or any other areas of assistance required to promote small business growth, expansion, and productivity within the state.

California Business Investment Services
California Business Investment Services (CalBIS) serves employers, corporate real estate executives, and site location consultants considering California for new business investment and expansion. While CalBIS primary focus is large employers interested in locating in California, it provides information to all size businesses regarding available tax and other financial incentives.

California Institute for Regenerative Medicine
CIRM, which was established as a result of the passage of Proposition 71, the California Stem Cell and Cures Initiative, will provide up to $3 billion over ten years in grants and loans to California research institutions for research on stem cells.

U.S. Small Business Administration
In addition to state financing programs, the U.S. Small Business Administration (SBA) provides many services as well as links to other government agencies. The SBA offers a wide range of services and programs, including: 7(A) Loan Guaranty Program; 7(A) LowDoc Loan Program, CAPLines Loan Program; Certified Development Company (504) Loan Program; Export Working Capital Program; FA$TRAK Loan Program; International Trade Loans; Microloan Program; Minority and Women's Prequalification Pilot Loan Program

Veteran Business Enterprise and Small Business Certification Programs
The Disabled Veteran Business Enterprise (DVBE) and Small Business (SB) Certification Programs were established to increase business opportunities for the DVBE and SB communities with the State of California; thereby stimulating the state's overall economy. The programs are designed to help DVBEs and SBs participate in a more level playing field with certain advantages when competing against other non-DVBEs and non-SBs for state contracts and purchases. Certified firms can also take advantage of other DVBE and SB benefits.

CalGold
In 1997, the California Environmental Protection Agency (CalEPA) established the California Government Online to Desktops (CalGOLD) Website to assist in providing businesses the information they need to comply with environmental and other regulatory and permitting requirements. CalGOLD contains information regarding state, local, and regional permitting, licensing, and other requirements, with information presented based upon specific business types. CalEPA partners with local and regional agencies in the state to coordinate the collection of information regarding these multi-agency permitting processes.

Employment Development Department -- Labor Market Information
Find data on average wages by region and occupation. Labor Market Consultants, located throughout California, help people find, access, and use labor market information products and services. They analyze local labor force and industry employment data along with other economic statistics, and provide custom research for agencies involved in workforce preparation and economic development.

Department of Housing and Community Development
CalHOME, CalHOME Self Help and the BEGIN programs are affordable homeownership programs for first-time and low-income homebuyers. These programs do not have additional funding right now for more awards to local governments or developers, as all awards through Proposition 46, the last housing bond have been made. The programs were very successful, but will not offer funds again unless Proposition 1C is approved by the voters in November 2006, or some future appropriation is made. Local Governments have received these awards. The federal HOME program and the State CDBG program administered by HCD also allow first time homebuyer programs as a local program that can be funded.

California Housing Finance Agency (CalHFA)
For 30 years, California Housing Finance Agency (CalHFA) has supported the needs of renters and first-time homebuyers by providing financing and programs that create safe, decent and affordable housing opportunities for individuals within specified income ranges. Established in 1975, CalHFA was chartered as the State’s affordable housing bank to make below market-rate loans through the sale of tax-exempt bonds. A completely self-supporting State agency, bonds are repaid by revenues generated through mortgage loans, not taxpayer dollars.

C3. Cities & Counties

California Redevelopment Agencies

There are 417 community redevelopment agencies and 772 project areas in the state. Eighty percent of all cities have redevelopment agencies and 45% of all counties. Annual local property tax increment revenues of more than $2.8 billion provide communities with funds for local redevelopment projects from jobs to housing to public infrastructure. In 2001-02, $412.9 million was spent building or rehabilitating low- and moderate-income housing, making redevelopment agencies as a group the largest provider of affordable housing for California's low- and moderate-income families, next to the federal government. Redevelopment agencies do not receive State General Fund revenues. Instead, over the last ten years they have used $31.5 billion in revenues to leverage additional private investment in local redevelopment projects for the public good – between $247 to $289 billion from 1993-94 to 2002-03.

According to the California Redevelopment Association, this investment translated into new construction and rehabilitation of commercial, industrial, and public buildings totaling over 323.8 million square feet from 1993 to 2003. This construction and rehabilitation work created an additional 340,000 jobs. Redevelopment agencies constructed over 37,656 new units of affordable housing and rehabilitated over 19,960 units from 1993-94 to 2001-02; providing better housing for over 57,316 families.

Redevelopment has been touted as one of the most effective ways to expand businesses, develop affordable housing, create jobs, and provide public infrastructure. Redevelopment is a "smart growth" approach that encourages infill development in urban areas, slows development of vacant farmland, cleans up contaminated sites, and revitalizes old neighborhoods.

Redevelopment agencies have been able to accomplish their community's economic goals through their powers to assemble property and ability to receive tax increment revenue. Tax increment is based on the increasing value of the property created by the investments of the redevelopment agency. This funding source provides a way to improve an area by enabling redevelopment agencies to issue tax increment bonds without using general fund monies or raising taxes.

Redevelopment agency executives believe that the rebuilding of California's urban communities is at risk due to actions taken by State government. On five occasions, the State has taken away funds from redevelopment investment. In 1992 and 1993, the State Legislature was confronted with a budget greatly out of balance. As part of the solution, the Legislature established the Education Revenue Augmentation Fund (ERAF) and required a portion of property tax increment to be allocated to schools through this device. (An ERAF "shift" reduces dollar-for-dollar the amount of State aid to schools.) In 1992, the shift from redevelopment agencies to ERAF amounted to $205 million. In 1993-94 and 1994-95, redevelopment agencies were required to transfer $65 million each year to ERAF. Take-aways occurred again in 2002-03 and 2003-04 with redevelopment agencies transferring $75 million and $135 million, respectively, to ERAF. To date, a total of $545 million has been redirected from rebuilding our cities. However, the 2004-2005 State budget proposes an additional $250 million ERAF transfer for each fiscal year of 2004-2005 and 2005-2006 producing a thirteen year ERAF total of $1.045 billion.

A redevelopment agency has the power of "eminent domain" -- the power to forceably purchase land for redevelopment -- *only* if the power is expressly given to the governing body when a district is formed. Although conditions of blight in many of California’s low-income neighborhoods are unquestionable, and can deter revitalization, critics of government-managed redevelopment have focused on the interpretation of "blight" throughout the state. Several redevelopment districts have been formed in prosperous areas, where it is claimed that less desirable development in *surrounding areas* has created "blight". Thus conditions in surrounding areas become the legal justification for use of redevelopment law to redevelop an area that itself is doing quite well (but not in the fashion that redevelopers prefer). The concept of "blight" is so flexible that virtually any set of conditions qualify. Blight, critics say, is in the eye of the beholder. And if the beholders are a majority of a county board of supervisors or city council, they have the power to remove the "blight" and start rebuilding. A 2006 ballot initiative to revoke the power of eminent domain may have cost and efficiency implications for low-income neighborhood revitalization efforts.

C4. Office of the Governor

California Economic Development Partnership
In November 2005, Governor Schwarzenegger established the California Economic Development Partnership (CEDP), an interagency Cabinet-Team, to coordinate all of the state government economic development activities. The partnership brings together state administration resources in collaboration with regional and local economic development organizations and others to retain, expand and attract jobs, business and investment in California.

The Partnership builds upon the Governor's Cabinet-sponsored series of seventeen *Economic Vitality Conversations (EVC's)* held across the state between December 2003 and April 2005. The EVC's suggest that **Partnership activities should be complemented with a broader array of strategic efforts to yield more sustainable outcomes**. Such efforts focus on enhancing California's economic comparative advantages as the best place to do business in a global environment. By focusing on the long-term building blocks that strengthen the ties of businesses to the state, California can grow the economic prosperity, maintain a quality environment and **enhance the social equity** needed to accommodate its growing population.

The California Economic Strategy Panel is the source of economic information and conduit for economic policy recommendations for the partnership and the Legislature. The Panel's Technical Advisory Group provides expertise and analytical support while the California Regional Economies Project provides data-driven information about changing regional economies and labor markets and emerging industry clusters. The California Workforce Investment Board provides funding support for the project and guides policy in the area of workforce development.

Secretary Sunne Wright McPeak, Business, Transportation and Housing Agency (BTH), Secretary Victoria Bradshaw, Labor and Workforce Development Agency (LWDA) and Secretary A.G. Kawamura, California Department of Food and Agriculture (CDFA) provide the leadership and coordination with the Governor's Cabinet. The following provides a summary of the roles, responsibilities and current activities of the Partnership, California Economic Strategy Panel and California Workforce Investment Board:

California Partnership for the San Joaquin Valley: The Partnership will develop a *San Joaquin Valley Strategic Action Plan* that provides recommendations to improve economic conditions of the San Joaquin Valley by October 31, 2006.

California International Trade Partnership Council: The Council fosters growth of the California economy and generates jobs by promoting exports of products and services and by attracting more foreign investment.

California Economic Leadership Network: The Network is comprised of regional business, economic development, workforce, education and civic leaders that is a key organizational component for implementing the Govenor's CEDP. The Network will provide the opportunity for the state to address shared issues of common value across the regions, with the state tailoring its approaches according to the particular needs of the regions.

Action Teams (A-Teams): In seeking out and responding to extraordinary economic development opportunities, the CEDP will assemble A-Teams whose purpose is to coordinate and mobilize state, regional and local resources to actively assist employers in retaining, growing or locating their business in California. CalBIS, working with other Cabinet Agencies and the Govenor's office, provides the leadership in organizing A-Teams and accounting for completion of A-Team projects.

California Business Portal: The California Business Portal provides online access to a number of resources for starting, growing, financing, expanding or relocating a business in California. The portal attempts to simplify the path to the resources businesses need. These resources are provided by a myriad of public and private sources, from State and federal agencies to local private non-profit organizations.

Strategic Growth Plan

The Governor has championed a bold and comprehensive Strategic Growth Plan to invest in California's transportation, education, water, public safety and public service infrastructure to ensure the state is prepared to meet the needs of its people into the 21st century. After passage by the Legislature, he signed four proposals authorizing the placement of general obligation bonds, totaling $37.3 billion, on the November 2006 ballot for voters to consider, as follows: **Education** - $10.4 billion to fund K-12 and Higher Education; **Housing** - $2.85 billion providing homeownership, rental, and permanent housing opportunities; **Levee Repair and Flood Control** - $4.09 billion to repair and maintain levees and improve the flood control systems in the state; **Transportation** - $19.9 billion to fund repairs, reduce congestion, improve bridge safety, expand public transit and improve port security.

Launches the California Partnership for the San Joaquin Valley

Signed Executive Order S-5-05 creating the California Partnership for the San Joaquin Valley. The partnership brings state agency secretaries and Central Valley representatives together **to address high levels of rural poverty and unemployment**. The Partnership will develop and submit to the Governor and local elected officials a *San Joaquin Valley Strategic Action Plan to* improve the economic well-being of the Valley and the quality of life of its residents.

Promotes Disadvantaged Business Opportunities In Transportation Projects

Issued Executive Order S-11-06 that will help California's disadvantaged businesses play a key role in rebuilding the state's transportation infrastructure. The executive order calls for the creation of a Small Enterprise Officer, increasing outreach and assistance by state agencies to small and disadvantaged firms and the creation of a legislative proposal for a $40 million State Transportation Bond Guarantee fund to help small businesses secure adequate insurance protection for state projects.

Initiative to Bolster K-12 Science & Mathematics Teacher Workforce
Joined the University of California, California State University and business leaders in announcing the creation of a bold new effort to enhance the supply and preparation of science and mathematics teachers for California's public schools. To launch the University of California's program, corporate leaders from across California have pledged to contribute an initial $4 million over a five-year period. A catalyzing lead gift of $1 million was provided by SBC. In addition, Intel Corporation has added a key contribution of $2 million from its foundation. In total, 18 companies have committed private funds to help the UC improve K-12 math and science instruction, including Qualcomm, Boeing, Sun Microsystems, HP, Adobe Systems, US Bank, Apple, Chiron, Amgen, Biogen Idec, Edwards Lifesciences, Apacheta, Amylin Pharmaceuticals, Invitrogen, Wind River and Burrill & Co. Discussions are underway with additional companies wishing to support the initiative.

Although the Governor’s 2006-07 budget also includes a final increment of $1.5 million for training math and science teachers, there are no linkages between high technology corporations and low-income inner city initiatives focused on early childhood introduction to science, math and technology. Parents, faith and community groups are important bridges to innovative teaching, academic support and science/math immersion methodologies, yet will need partnership development help to advance best practices, develop student *case management systems* and bring that innovation to scale. The California Council on Science and Technology’s *Critical Path Analysis* study points out that no part of California’s science and technology system works in isolation. Many experts agree that the solution to the problems identified will require crossing boundaries between parents, educational systems, industry, community supports and government.

Boosts Funding For Career Technical Education

Governor Schwarzenegger has demonstrated his Administration’s commitment to developing the workforce necessary to remain competitive in a global economy by expanding high quality career technical education (CTE) courses. The restoration of funding to CTE classes will revitalize training that makes high-paying jobs and college degrees possible for more California students. The Governor’s 2005-06 budget included $20 million to expand and improve CTE courses at high schools, regional occupational centers and the California Community Colleges (CCCs). The budget specifically funded the “2+2” curriculum, a four-year educational track that provides participating students with their associate of arts degree or certificate in a career field. The Governor’s 2006-07 budget includes an additional $40 million for CTE equipment and improvements to CTE facilities in middle and high schools. It also includes $20 million in funding grants for CCC to work with high schools to strengthen career tech programs. Significant opportunities exist to ensure that California’s most vulnerable populations benefit from the forthcoming CTE investments.

The Williams Settlement

In August 2004, the state of California agreed to settle *Williams v. California*, a landmark civil rights case brought by Eliezer *Williams*, which challenged the state to ensure quality learning conditions for millions of low-income students of color. The *Williams* settlement is an important victory for students, parents and their communities. It creates new standards for measuring whether schools have the basic conditions students need to learn such as textbooks, well-trained teachers and clean and safe school facilities. The settlement also provides many opportunities for communities to become involved and play a major role in holding school officials accountable for showing how well schools are meeting these standards. While the settlement is a major step in the struggle for improving California's schools for all students, it will take the continued action of Californians from all communities to make sure that the settlement's promise of educational equality is real and lasting.

$138 million will be provided for standards-aligned instructional materials in all core subject areas for schools in the lowest deciles and $50 million for implementation costs and other oversight-related activities. These two amounts are already included in the 2004-05 budget signed by Governor Schwarzenegger. Additionally, up to $800 million will be provided for critical repair of facilities in future years.

In addition to financial elements, the agreement also includes:

- Phasing out shortened school years that the most crowded schools use.
- Guaranteeing schools will provide standards-aligned instructional materials to students no later than the fourth week of the school year.
- Increasing district accountability through data collection and public reporting on textbooks and facilities.
- Intervention by county superintendents or other state entities if districts do not meet the established benchmarks.

C5. California Legislature

California Economic Strategy Panel

The California Economic Strategy Panel advises the Governor and the Legislature on an overall economic vision and strategy to guide public policy. The Panel engages in an objective and collaborative biennial planning process that examines economic regions, industry clusters, and cross-regional economic issues. In its 2002 report, *Creating a Shared California Economic Strategy: A Call to Action*, the panel recognized that economic development is widely distributed across many organizations and jurisdictions. The report called for a more focused strategy tailored on regional diversity. The panel recommended economic development investment goals with measurable outcomes including rising per capita income, job growth, new business creation, growing private sector investment, increased minority entrepreneurship and reduced income inequality.

Joint Committee on Preparing California for the 21st Century: *California Index of Inclusion*

To understand California's evolving demography and to establish benchmarks about the state's progress towards racial equality and inclusion, as well as enhance the state's preparedness to participate effectively in the changing global marketplace, the State Legislature formed the Joint Committee on Preparing California for the 21st Century.

In 2002, the Joint Committee produced the first-ever ***California Index of Inclusion*** which contains socio-economic indicators describing conditions and outcomes by race and ethnicity, pertaining to the people of California, their health, schools, neighborhoods, work and money, as well as public perceptions about community involvement in the affairs of the state. *The California Index of Inclusion*, (modeled after Silicon Valley's groundbreaking regional publication, *Joint Venture: The Index of Silicon Valley)*, provides a set of "Principles of Inclusion" to help frame public dialogue and to shape public policy on the meaning and implications of California's changing demographics in the context of promoting an inclusive state.

These "Principles of Inclusion" have been adopted by both houses of the State Legislature with a call to all citizens and communities in California - both public and private - to engage in a "critical dialogue" regarding diversity, one of the most pressing and profound challenges of the 21st century. Since the Legislature's Joint Committee on Preparing California for the 21st century ceased to exist in 2002, there has been no follow-up or update of the *California Index of Inclusion*, which was first produced as a preliminary report.

New Markets Tax Credits, Community Development Financial Institutions and Venture Capital Guarantees: Highly Effective Wealth Creation Tools

New Markets Tax Credits, Community Development Financial Institutions and Venture Capital Guarantees for urban areas are highly effective and critically important wealth and job creation tools. These instruments open a window of opportunity to lure private equity investment for the development, retention and expansion of businesses, as well as commercial and residential property that is owned by more historically disadvantaged individuals, families and entrepreneurs.

These tools have developed into efficient and effective incentives that are leveraged by a factor of up to 10 to 1 in the creation of vital private investment capital for use by community development organizations.

For example, using the tax-leveraged investment funds, a community development entity (CDE) can move quickly to loan the money out to a non-profit developer to acquire a site for a mixed use, affordable homeownership project, thus making the project possible. Once the project is under development, the permanent financing is used to repay the CDE, which then uses the funds for another project. In this way, a $1 million tax credit, for example, allows a CDE to loan out $5 million for site acquisition and predevelopment costs for projects that then attract $35 million in permanent financing. Before the five to seven year minimum duration required for the tax credited investment is reached, the CDE can revolve these monies again to “seed” other projects. By using the $5 million investment in a revolving loan program to “seed” projects, a CDE can turn the state’s $1 million tax credit into $50 million in financing for mixed use and affordable homeownership projects, as well as small business operations

AB 957 (Haynes)

The California New Markets Program

AB 957 is modeled after the New Markets Tax Credit proposal advanced in 2000 by President Clinton and House Speaker Dennis Hastert. Operated by the Treasury Department's CDFI Fund, the tax credit (set to expire in 2007) incents private investors -- corporations and individuals -- to invest in Community Development Entities, that in turn finance private business enterprises in low-income areas; in effect changing the opportunity paradigm in inner-cities.

What Is The California New Markets program?

The California New Markets (CNM) program would leverage federal tax credits to attract investment from around the nation into our low-income communities (LICs). This is achieved through a state tax credit that piggybacks the federal new markets tax credit (NMTC). The program will accomplish its goal through a pilot program to fund implementation of community revitalization action plans in 5 low-income neighborhoods in the state.

What Is Its Purpose?

- Bring an initial $300 million of development capital to emerging urban and rural areas at a minimal cost to the state.
- Attract large, long-term equity investors to California's LICs
- Get a larger share of the $15 billion federal NMTC program for California businesses. To date, CA is not getting its fair share of this federal program.

The Federal Program

To qualify for an allocation of credits, an entity must first be certified as a Community Development Entity (CDE). A CDE must have as its primary mission the investment of capital in LICs and must maintain accountability and equity to the LICs that it proposes to serve. Accountability is maintained through the inclusion of indigenous residents or other representatives of the communities on a CDE board.

Investors must make equity investments in CDEs and the investments must remain in the LICs for at least 7 years; otherwise, the credits can be recaptured. Eligible projects include business development, commercial real estate development; affordable housing and homeownership development; and community development financial services. Investments in rental housing and non-operating companies are specifically prohibited.

The CDFI Fund allocates the federal tax credits through a competitive process to qualified CDEs that apply for the credits.

California and the CNM Program

The CNM Program is designed to give CDEs an additional incentive to look for investments in the LICs of California. This incremental benefit could help those communities attract **significant federally subsidized investment dollars to the state that might have gone elsewhere**.

The proposed California credit is 3% of the initial investment for the seven-year period (21% total vs. 39% total federal credit).

Credits are only available to those entities that have secured federal credits through a competitive application process. Therefore, the program can be run and monitored with few state resources, since California will be able to piggyback off of the federal regulation of the program.

California tax credits will be calculated based on the amount of LIC investments a CDE makes in California. The bottom line is that California does not spend a dime until the investments have been made in the LICs.

CAVEAT: While California legislators are looking at whether state Enterprise Zones are having their intended effect on LICs, so far hinting that perhaps a different approach to business attraction and retention is in order, The New Markets Tax Credit Coalition has taken the lead in launching and managing the federal legislative campaign to extend the authorization of the federal New Markets Tax Credit (NMTC) beyond 2007.

On September 29, 2005 the New Markets Tax Credit Reauthorization Act of 2005 was introduced in both the Senate (S. 1800) and the House (HR 3957) to extend the New Markets Tax Credit through 2012. The legislation authorizes $17.5 billion in NMTC allocations between 2008 and 2012, making $3.5 billion in allocations available per year.

In the Senate, the NMTC Reauthorization Act was introduced by Senators Olympia Snowe (R-ME) and Jay Rockefeller (D-WV) along with Senator Jim Bunning (R-KY). In the House, Congressman Ron Lewis (R-KY) and Congressman Charles Rangel (D-NY) introduced HR 3957 along with Representatives Nancy Johnson (R-CT), Phil English (R-PA), and William Jefferson (D-LA). Governors in some of the benefiting states have signaled their intent to lobby for the NMTC extension.

The reauthorization campaign will focus on educating members of Congress on the impact the NMTC is having in communities across the country, and the Credit's potential to spur new investments and economic development in poor communities.

California New Markets Venture Capital Program

Entrepreneurs, venture capital firms and private individuals who are interested in investing in economically-distressed areas are discouraged or limited due to unmitigated risks, slow redevelopment, and a lack of coordinated community and government incentives. The purpose of the California New Markets Venture Capital (CNMVC) Program is to facilitate free market growth in low-income neighborhoods, and to close inter-generational wealth gaps among economically disadvantaged groups, by empowering the community business leaders and residents in those areas with tools to attract private and flexible investment capital, create jobs, grow small businesses, build quality affordable housing that's inhabited by homeowners, and revitalize their neighborhoods. The bill will accomplish its goal through a pilot program to fund implementation of community revitalization action plans in 5 low-income neighborhoods in the state.

AB 957 creates the CNMVC Program, which guarantees the debentures of certified companies to support investment in small enterprises located in low- or moderate-income geographic areas, and makes grants to community development corporations (CDCs). Specifically, <u>this bill</u> :

1. Authorizes the Business Transportation and Housing Agency (BTH) to enter into participation agreements with eligible CNMVC companies to guarantee the debentures (Bonds issued with redemption dates a number of years into the future. Usually secured against specific assets [i.e., revolving security pool or mortgage debentures], or through a floating charge on the firms assets) of companies made as investments in smaller enterprises in low- or moderate-income geographic areas. For a company to participate as a CNMVC company, the company must meet certain criteria, including, but not limited to:

   (a) The company is a newly-formed for-profit entity;

   (b) The company has a business plan describing how the company intends to make investments, at least 80 percent of which are in low- or moderate-income geographic areas; and

   (c) The company develops and implements a community action plan based on a binding agreement with a nonprofit CDC.

2. Authorizes BTH to make grants to CDCs, and to other entities, for the purpose of providing operational assistance to smaller enterprises, and to develop community action plans, for companies or areas receiving, or expected to receive, an equity investment by a CNMVC company.

3. Creates, in the Infrastructure and Economic Development Bank (I-Bank), the California New Markets Venture Capital Account. Authorizes the I-Bank, in collaboration with BTH and the Department of Housing and Community Development, to explore available options to capitalize and manage the account. <u>Upon implementation of a strategy to capitalize a $500 million security pool in the account,</u> all moneys in the Account, plus interest, are to be used for the guarantee of debentures by CNMVC companies, and grants to CDCs and other entities.

AB 2831 (Ridley-Thomas)

California Community Development Financial Institution (CDFI) Tax Credit and Certification Program. Program Extension.

EXISTING LAW: Businesses (insurance companies, corporations and other companies) are permitted to claim a tax credit equal to 20% of investments in Community Development Financial Institutions (CDFIs). The total amount of credit that may be claimed by all businesses combined is $2 million per year. The current tax credit will expire at the end of 2006.

A qualified investment in a CDFI may be a deposit or other interest-free loan, an equity investment or an equity-like debt instrument. To qualify for the tax credit, an investment must be at least $50,000 for a minimum of 60 months. A CDFI must be certified by "COIN" (California Organized Investment Network, an office in the Department of Insurance) by demonstrating that it is a private financial institution located in California, its primary mission is community development, and that it lends in urban, rural or reservation-based communities in California. COIN is a collaborative effort between the California Department of Insurance, the insurance industry, community economic development organizations, and community advocates.

CDFIs may be banks, credit unions, or non-regulated non-profit institutions organized to provide private capital for community development or investing. CDFIs provide private capital for small businesses and low-income borrowers who traditionally have been underserved by conventional lending institutions. There are almost 50 CDFIs in California, located mostly in urban areas.

THIS BILL would extend the life of the CDFI credit from the end of 2006 to the end of 2017. The bill would also provide that:

1. The amount of any one CDFI's investment may not exceed $10 million, or **40% of the <u>aggregate qualifying investment</u> for all CDFIs**, or an amount determined by the Insurance Commissioner, **<u>whichever is least</u>**. (Note that since the aggregate qualified investments for all CDFIs is $10 million, the effective investment cap for any one CDFI would be $4 million.);

2. Each year, until July 1, twenty-five percent (or a percentage determined by the Insurance Commissioner) of aggregate qualified investments would be reserved for insurance companies; and

3. Each year, until July 1, the amount of investment that is reserved for investments of less than $300,000 is either $3 million or an amount determined by the Insurance Commissioner.

FISCAL EFFECT: The maximum amount of the capped and allocated credit would be $2 million per year from 2007 through 2016. (The current cap per year is $2 million, through 2006, and zero thereafter.

AB 2570 (Arambula, Haynes)

Committee on Private Investments in California's Future

AB 2570 requires the development of a private investment strategy for all of California's communities including the historically underserved areas – or what some investors are calling - emerging domestic markets.

In putting together the private investment strategy, AB 2570 directs the Business, Transportation and Housing Agency (BTH) to form an advisory committee made up of representatives of the private investment community including banks, insurance companies, pension funds, and community development financial institutions and community development corporations.

The private investment strategy proposed in this bill will be an important component to the existing State Economic Development Strategic Plan issued by the California Economic Strategy Panel.

AB 2570 also:

1. Requires public pension funds with assets over $4 billion to annually report on their investments in California and in emerging domestic markets;

2. Recognizes that the nations two largest pension funds, CalPERS and CalSTRS, have already adopted a 2% goal for investments in emerging domestic markets; and,

3. Expresses Legislative intent to encourage public pension funds with fully diversified portfolios and consistent with their fiduciary responsibilities, adopt emerging domestic market investment policies based on their own unique investment needs.

D. Venture Capital Access: What Other States Are Doing

Other states have implemented some form of venture capital assistance programs including Tennessee, Massachusetts, South Carolina and New York. Below are details of three of the most comprehensive programs:

Colorado: The Colorado General Assembly in 2004 passed legislation that established a Colorado Venture Capital Authority (VCA). The VCA was allocated $50 million in premium tax credits, which it subsequently sold to insurance companies. In 2005, the VCA selected a fund manager (High Country Venture, LLC) and established its first fund of approximately $25 million (Colorado Fund 1). Colorado Fund 1 will make seed- and early-stage capital investments in businesses. The VCA anticipates the establishment of a second fund of approximately $25 million in 2010. High Country Venture is independently operated and generally makes funding decisions. State approval is limited to ensuring that businesses receiving funding meet minimum specified requirements. The minimum and maximum investment size may generally range from $250,000 - $3.3 million.

Maine: The Maine Legislature created a Small Enterprise Growth Fund (SEGF) in 1995. The SEGF is an $8 million revolving fund, seeded by a combination of state bond proceeds and direct appropriations, managed by an 11-member Board of Directors. The SEGF typically provides investments between $150,000 and $350,000 per company and expects a return on its investment within five to seven years. These moneys are then returned to the SEGF to keep the program operating.

Pennsylvania: The Pennsylvania Legislature, in a comprehensive Economic Stimulus Program, enacted the New Pennsylvania Venture Capital Investment Program that provides $60 million in loans to venture capital partnerships, leveraged with $180 million in private equity. The program guidelines contain the stipulations, "There must be a financial return mechanism to the CFA [Commonwealth Financing Authority] New Pennsylvania Venture Capital Investment Program" and "The CFA investment should not exceed 20 percent of the total investment made into a venture capital partnership."

IV. STRATEGIC INTENT

Intended Impact

The Economic Opportunity Initiative (EOI) aims to produce a strategic plan to revitalize five (5) low-income neighborhoods in California, with an emphasis on business investment, homeownership and workforce development. Located along a commercial thoroughfare within a pre-defined geographic boundary (likely beginning with a 2 to 3 block territory), the targeted neighborhoods are located in Oakland, San Francisco, Sacramento, Los Angeles and San Diego.

Within the EOI's goal is the explicit purpose to assist Delegate projects that exist, those just getting off the ground, and those in early planning stages.

The EOI coordinating committee (state-loaned appointee, EOI Delegation and other partnering entities) will be accountable for developing a strategic implementation plan to do the following:

1. Employ broad-based collaboration to create "catalysts for livable communities" through faster redevelopment of the pre-defined geographic boundary areas. These "small and promising" areas will feature an improved, standards-based architectural "look and feel" of a mixed residential/commercial landscape, along with existing business retention and new business attraction.

2. Achieve measurable economic, cultural and social benefits for existing residents, and the surrounding region, of the boundary areas through efforts that are driven and controlled by private, faith-based, community and regional entities, in partnership with the public sector.

3. Foster public/private sector innovation in developing and advancing best practice models (planned, in early stages or already existing) to increase the economic, cultural and social vitality of California's low-income neighborhoods.

Success Defined:

The EOI's strategic plan and subsequent implementation will significantly reverse and minimize the plague of poverty, crime, drugs and neighborhood blight - ultimately jumpstarting the process of revitalizing the soul of California's inner city communities - through the institutional cultivation and delivery of:

- Business Development, Investment, Growth / Microenterprise Opportunity
- Quality Affordable Homeownership
- Partnerships: Arts, Entertainment, Culture, Crime Reduction & Control
- Physical Beautification Of The Areas
- Early Childhood Interest/Recruitment In Science & Engineering Careers
- Career Tech Education For At-Risk Teens, Adults, Ex-Convicts

Models & Tools:

Business Investment

CONCEPT: Capital formation for business growth, as well as commercial, residential and industrial real estate acquisition and development. Franchise development and other equity partnerships for business members and associates of faith-based entities. The focus is on diversifying sources to increase availability of flexible capital; since limiting to bank financing presents restrictive timelines and criteria, and can direct up to 25% of revenues to interest payments.

CONCEPT: Community development corporations work with Small Business Development Centers and others to match existing and start-up entrepreneurs with mentors, business planning and technical assistance, financial needs assessment and packaging experts, venture capitalists, potential business partners and MBA student intern assistants. The focus is on retaining and developing high quality, competitive small businesses in the targeted neighborhoods. The entity effectively markets various seminar presentations to the targeted audience to create buzz, can-do attitudes, community ownership and ultimately, THE SUCCESS STORIES.

CONCEPT: Community development corporations work with regional economic development organizations to package site location incentives to attract major employers. The Alliance for Community Development ("Alliance") and Technology Ventures Corporation ("TVC") develop and implement a new and innovative program to address the growing loss of jobs among blue collar and limited technical skill workers who live in low/moderate income ("LMI") areas. The solution creates more small to mid-sized "gazelle" companies that can offer middle class wage jobs to workers with blue collar or limited technical skill backgrounds.

Homeownership

CONCEPT: Case Management, Joint Ventures. Home ownership by LMI residents in mixed-use, mixed income, single family or rehab properties acquired and developed by the CDC. Financial literacy, homebuyer education and assistance. Home management training. Sweat equity as part of down payment. Participant pre-screening and qualification in program for LMI families who are faith-based members and have homeownership potential. CDC partially finances (and public sector partially underwrites) a select number of units in multi-family ownership development for qualified low-income, faith-based members. Pre-ownership stage participants take up residency in unit while making payments that go into the future homeowner's escrow account; after 18 to 24 months the family obtains their own mortgage and assumes ownership.

Workforce Development

Homegrowing Scientists & Engineers
Sports & Science Camp, Case Management (Parents, Academia, Industry, Community)
CONCEPT: Incorporate exposure to bricks and mortar science and technology in a 2-week summer camp for LMI inner city youth, in a way that is fun, as well as academically enriching. Emphasis on interest development, relevant applications, and recruitment into science and engineering educational and career pathways. Academia, industry, faith-based community groups, professional athletes and entertainers develop curriculum, camp itinerary, selection process, case management and support system (CMSS) and private sponsorship funding. Parental involvement in the K-12 CMSS process is a requirement. The CMSS, linked with after school programs, will be for students who take an active interest in math and science, show promise to become a scientist or engineer. Since every participant will not become a scientist or engineer, those who have other interests will be introduced to resources for constructive, alternative career paths.

Career Technical Education Initiative, Industry Partnerships
CONCEPT: Engage faith-based and community entities who are effective in steering at-risk teens, as well as youthful and adult ex- and re-entering offenders, away from destructive lifestyle alternatives by helping them to be economically self-sufficient and productive members of the community. Build the appropriate ramp onto the career technical education bridge (everybody cannot just hop onto the bridge). Providing drug and alcohol treatment; behavior therapy; employment search and job interview skills training; literacy and computer skills; public defender and law clinics; family reunification counseling; mentoring; and life skills training. Add value to the state's competitive advantage industries such as building construction, manufacturing, entertainment, automotive repair and biotechnology – all of which offer good paying jobs that don't necessarily require a 4-year degree.

Neighborhood Revitalization

CONCEPT: Apply the Main Street Approach to organizing a commercial district's comprehensive revitalization effort into a four-point framework: organization, promotion, design, and economic restructuring. This framework ensures the district's place as the heart, or vibrant artery, of a community. Employ broad-based collaboration to create "catalysts for livable communities" through faster redevelopment of the pre-defined geographic boundary areas (located along a commercial thoroughfare within a 2 to 3 block strip). These "small and promising" areas will feature an improved, standards-based architectural "look and feel" of a mixed residential/commercial landscape, along with existing business retention and new business attraction.

Incubation Of Arts, Entertainment, Culture

CONCEPT: Creating “a geography of somewhere.” Promoters and organizers of major Street Games, Carnaval Parade, block parties, etc., institutionalize events and attract regional patronage and customers to the area. Create opportunities for microenterprises. Develop and mass market venues in restaurants, theaters and parks for the visual and performing arts; showcasing the talent of all age ranges, with particular emphasis on activities for youth. Develop community policing and partnerships with law enforcement to prevent, control and reduce crime.

Theory Of Change

The Economic Opportunity Initiative – Community, business and faith leaders working to reverse the plague of blight, unemployment, poverty and despair in California’s low-income areas through a comprehensive neighborhood revitalization effort that emphasizes business investment, homeownership and workforce development, will increase their capacity to reach critical mass by engaging regional, industry, academia, and government stakeholders in developing a statewide strategy to advance mutual interests, best practices, and the development of models that are adaptive to the challenges and norms unique to the targeted areas and populations.

V. PROPOSED SOLUTION

Program Description

Approach:

The EOI plan will be executed in a series of incremental steps resulting in specific outcomes:

Part 1) A one (1) day summit of all stakeholders in Sacramento that will result in the development of a *shared vision and framework for a strategic plan.* The Governor will open a special networking plenary breakfast; stakeholders will learn about best practices, challenges and opportunities, and explore angles for collaboration.

Part 2) A one (1) day summit in 5 major California regions (San Francisco, Oakland, Sacramento, Los Angeles, San Diego) that will result in the development of *consensus for action in targeted neighborhoods*.

Up to (#) stakeholders will break into twelve (12) sessions to develop a strategic plan for increasing business investment, neighborhood revitalization and growth of a high tech workforce.

Every session will cover:

- Best Practice Models
- Government Policy & Regulation
- Local Conditions & Challenges
- Identification Of Existing Programs, Plans & Initiatives
- Leveraging Private, Local, State & Federal Resources
- Strategic Opportunities & Solutions

Established parameters will guide discussions in the following 3 categories/focus areas:

Business Investment

- Access To Capital
- Technical Assistance
- Opening Markets
- Entrepreneurial Climate

Homeownership / Neighborhood Revitalization

- Quality Affordable Homeownership
- Transit Corridor Development
- Organization & Design
- Economic Restructuring & Promotion

21st Century Workforce Development

- Competitive Advantage Industries
- Centers For Science & Technology Learning
- Career Tech With Social Supports: Faith-Based & Community
- Industry, Academia & Community Partnerships

Part 3) Following appropriate teleconferencing, emails and consultations, a strategic plan will be completed, funding will be secured, partnerships developed and the implementation process will begin.

PARTICIPATING STAKEHOLDERS:

The EOI Summit will bring together Administration and elected officials, chief executives in the fields of venture capital, banking and insurance, private developers and investors, major corporations, leaders in the life sciences, nanotechnology and entertainment industries; faith, neighborhood and community group leaders, educators, business/industry association executives, housing and redevelopment experts, statewide/local economic and workforce development entities and leading economists.

Financial Resources Needed

Upon completion of strategic planning activities, delegates, through their joint policy advocacy and grant application efforts, will ideally land approximately $500 million in private/public investment (via leveraging $50 million in federal new markets tax credits) for the neighborhood revitalization, commercial and residential development and construction projects. Another $35 million (private – potentially Warren Buffett) would be allocated for the participating faith- and community-based stakeholders to provide or receive technical assistance, partnership development, implementation and data sharing grants. $3.5 million in private monies would be directed towards jumpstarting and hosting selected church and inner city youth at an annual statewide "sports, math and science camp" with an after school program case management partnership, while $15 million (existing state funds over 4 years) would fund career technical education support and placement programs for at-risk teens and ex-offenders. The EOI Summit and 1.5 year strategic planning activities will be funded in the amount of $500,000 by industry associations, major corporations, banks, foundations and a variety of other entities willing to invest.

Human Resources

The financial resources identified above take into account the need to assist participating community development corporations and faith-based entities with the necessary development or use of existing organizational expertise, along with operating budget support, to organize and participate optimally in the EOI's strategic planning summit activities.

The expertise needed includes professionals in commercial, residential and community development, attorneys, accountants and a consulting firm to collect, analyze, develop, edit, publish, disseminate and interpret the EOI strategy for implementation purposes. The EOI will need to employ broad-based private/public sector collaboration to wield the policies, partnerships and capital investment needed to accomplish its goal. Participating Community Development Corporations, industry, academia and state-loaned appointee support will be needed to leverage and expand existing programs and resources, as well as advance best practices and develop models that are adaptive to the challenges and norms unique to the inner city.

In California, almost $1 billion flows annually through professional and industry associations, and a wide variety of other special interest group entities, and their partners, for policy and political advocacy, strategic planning, partnership development and campaigns. The EOI has much to offer in the way of contributing to the advancement of mutual interests in the arena of community economic development.

Infrastructural Requirements

Infrastructure necessary for implementing the EOI (office and program space) will largely be provided in-kind by the participating entities, and organizational resources provided by sponsoring corporations. A formal budget for expenditure of the EOI financial resources will include line items for the appropriate computers, software, and database systems for program operations and evaluation.

Measuring Results

The EOI summit and strategic plan will result in the development of performance standards, metrics and monitoring systems.

VI. PLAN OF ACTION

Short Term (0 – 6 Months)

Activity/ Deliverable	Person Responsible	Other Parties Involved	Date Begun	Date Completed	Notes
Secure Governor's Commitment To Champion Initiative, Issue Executive Order, Pursue Legislative Package, Appoint Liaison To The Delegation	Malaki Seku-Amen	Delegation	08-31-06	09-15-06	
Hold Press Conference With Governor And Delegation To Announce Initiative Rollout	Governor's Communications Director	Delegation, Governor's Appointed Liaison	09-15-06	09-31-06	
Develop Initiative Workplan, Budget & Initiative Industry Partners	Governor's Appointed Liaison	Delegation	10-01-06	02-15-07	
Secure Private Funding To Convene Strategic Planning Summit	Delegation	Initiative Industry Partners	10-01-06	02-15-07	
Develop Legislative Package, Advocacy Strategy	Governor's Legislative Secretary	Delegation, Initiative Industry Partners, Governor's Appointed Liaison	01-05-07	02-15-07	

<u>CONCEPT FOR PUBLIC UNVEILING:</u>

Governor Champions the Economic Opportunity Initiative (EOI)
Issued Executive Order (# # #) to launch the EOI. The initiative will empower California's low income urban communities to fight poverty, and improve their economic well-being and quality of life. The executive order calls for the creation of a Community Development Liaison, increasing state agency assistance to inner city leaders, and pursuit of $50 million in federal community development tax credits to help disadvantaged groups leverage private investment for neighborhood revitalization projects. The initiative will bring community, industry, education and government representatives together to develop an integrated business investment, homeownership and workforce development strategy.

Medium Term (6 – 24 Months)

1. Hire consultant to collect, analyze, develop, edit, publish, disseminate and interpret the EOI strategy; assist with seamless integration and implementation

2. Statewide and regional planning summits convened

3. Private investors and strategic opportunities (land and/or buildings, business attraction and retention) identified

4. Delegation/investor partnerships formed

5. Delegation/initiative industry partners launch advocacy strategy

6. Tax credit and guarantee statutes take effect ($50 to $75 million, leveraged by a factor of 10 to 1)

7. Accountability, organizational, implementation and data sharing capacity of delegate Community Development Corporations synchronized

8. Development sites acquired

9. Delegation partnerships for neighborhood revitalization (Main Street approach, the arts, crime prevention and intervention) and homeownership development solidified; joint grant applications for activity funding consideration finalized

10. Curriculum, program, case management and support system (CMSS), and private sponsorship funding for sports and science camp developed

11. “Ramp to career technical education bridge” built

(*See Above Sections on Financial, Human and Infrastructural Resources in Relation to the Medium Term Plan of Action. Greater Quantification of Anticipated Outputs and Results will Emerge at the Regional Summits. Ongoing Monitoring of the Initiative will also be Detailed.*)

Long Term (2 Years & Out)

The long term phase of the action plan, as determined in the statewide and regional summits, will relate to the goal of the delegation being fully prepared and engaged in bringing the targeted outcomes to scale. It also relates to the theory of change and planning an evaluation of the initiative.

VII. CRITICAL SUCCESS FACTORS

In order for this plan to work, the community, business and faith leaders of the initiative must successfully engage industry, academia and government as stakeholders in developing a statewide strategy that advances mutual interests. All parties must value the ideal of building the capacity of inner city leaders to participate greater in the free market economy in a way that also delivers risk-adjusted returns on investment to the financial enablers – both private and public. These parties must apply the appropriate time, resources and pressure, through legislative, political and community processes.

Since this is a statewide, inclusive and equity-focused strategy to ignite and foster best practices in sustainable economic development, the leadership and influence of a major champion, such as California's Governor, is critically needed to help the stakeholders share information, develop partnerships and work together in a way that effectively leverages private, local, state and federal resources. Equally important to the task of galvanizing resources and shaping a climate conducive to success is the support of the Mayors, City Councilmembers, County Supervisors, State Assembly Members and Senators, and Members of Congress who represent the Initiative's targeted areas.

The Governor's creation of a Community Development Liaison, increasing state agency assistance to inner city leaders by bringing community, industry, education and government representatives together, and the pursuit of $50 million in federal community development tax credits to help disadvantaged groups leverage private investment for neighborhood revitalization projects, is imperative to initiative development and substantive implementation.

The Economic Opportunity Initiative.......

1. .... seeks to carve channels of capital from investors to entrepreneurs (America's most important source of job, income and wealth creation). Of equal importance is a wholistic form of technical assistance in the development, attraction, retention and growth of small, medium and large businesses, as well as microenterprises.

2. .... seeks to employ innovative partnerships to increase the ownership of quality affordable housing in low-income neighborhoods.

3. .... seeks to remedy the lack of a long-term, innovative inner-city strategy for early childhood engagement/recruitment in science and engineering.

4. .... aims to steer at-risk teens, as well as youthful and adult ex-offenders, away from destructive lifestyle alternatives by helping them to be economically self-sufficient and productive members of the community.

5. .... seeks comprehensive, integrated, and dynamic new approaches to uplifting inner city neighborhoods through economic and social catalysts that will spur the process of revitalizing the soul of the community through physical beautification, crime reduction and the institutional cultivation of arts, entertainment and culture.

VII. REFERENCES

NOTE: Volumes of data are available on economic conditions, policies and practices concerning inner cities. *The following references represent only a preliminary collection of data supporting the EOI. References will be more pointed and exhaustive in a future version of this Community Action Plan*

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The **Alliance for Regional Stewardship** features many stakeholder engagement models online (www.regionalstewardship.org). The Alliance has documented case examples in its monograph on Inclusive Stewardship prepared by **Collaborative Economics** with support from the **Hewlett Foundation** (www.regionalstewardship.org/Documents/Monograph7.pdf). Other sources for case studies include **PolicyLink** (www.policylink.org) and the **Funders Network on Smart Growth and Livable Communities** (www.fundersnetwork.org).