

DISCUSSION

LAWSON SHADBURN,* MODERATOR

LAWSON SHADBURN: I will start out with a few remarks to let you know about the Local Initiatives Support Corporation ("LISC"). I will then discuss my own experiences and objectives and conclude by introducing my colleagues. Following a description of our backgrounds, we will discuss the direction we feel Community Development Corporations ("CDCs") will take in the coming years. Our perceptions of the future of CDCs will, of course, be informed by our respective experiences in the field.

The projects that CDCs can carry out will be greatly affected by recent and impending changes in our federal programs and tax laws. Shifting tax burdens will alter the types of projects that we may undertake by limiting our ability to raise private investor equity. Public contributions to CDC-sponsored projects may be drastically reduced by the deferral or elimination of Community Development Block Grants (CDBG)¹ and the shrinking or elimination of the Urban Development Action Grant (UDAG)² program.

What does this mean for CDCs? Jan Stokley, from the National Economic Development and Law Center in Berkeley, and I will offer a national perspective on these issues. We complement each other by offering both West and East Coast perspectives. We also have two local specialists on the panel, Mr. William Wallace IV, Executive Director of Latimer-Woods Economic Development, Inc. from Brooklyn and Mr. John Wang, Deputy Executive Director of the Chinatown Planning Council of New York City.

To introduce the topic, I would like to point out that a wide variety of organizations have names similar to "Community Development Corporations." These organizations are actually quite diverse, and their differences should be understood.

In different states, CDCs are incorporated under different statutes. In New York, for example, a special section of the not-for-profit corporation law sets up local development corporations.³ In other states, such as Pennsylvania, development groups have no such statute under which they are incorporated. Some groups have a strong base of neighborhood members, while others may be only physically located in a community, but controlled by outsiders. Hospitals and universities have also set up community development corporations as

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1. Housing and Community Development Act of 1977, Pub. L. No. 95-128, Title I, § 113, 91 Stat. 1127 (1977) (current version 42 U.S.C.A., § 5313).

2. Housing and Community Development Act of 1977, Pub. L. No. 95-128, §§ 101-114 (1977) (current version 42 U.S.C.A. §§ 5301-5308, 5313, 5318).

3. N.Y. NOT-FOR-PROFIT CORP. LAW § 1411 (McKinney 1986).

part of their larger institutional infrastructures.⁴ If we try to discuss all these different entities simultaneously under the rubric of Community Development Corporations, we will fail to answer any of the questions before us.

One should keep in mind that different CDCs have different political constituencies and bases and that this will affect their agendas and capabilities. Some CDCs have a membership comprised of a particular community or ethnic group. Others may be tied into particular organizations or political parties. These are very important distinctions. Finally, one should realize that the name: local development corporation, economic development corporation, community development corporation, or revitalization corporation may have nothing to do with the actual characteristics that distinguish the groups.

What ties all these entities together is that each is a response to a particular history and set of circumstances. In general, one must view CDCs in light of the urban renewal efforts of the last twenty-five years. A great deal of money flowed into low income neighborhoods in what some consider the golden era of the 1960s. The first CDCs emerged during that era, under programs sponsored by the federal government and the Ford Foundation.⁵ Although these "Title VII CDCs"⁶ were well funded in comparison with the smaller CDCs of today, they were but one of the federal government's redevelopment programs targeted at poor urban neighborhoods, which included urban renewal and model cities.

Most of the communities that government programs were designed to revitalize remain as devastated as they were when the programs were instituted. In fact, many of them have deteriorated even further. In many areas, however, good neighborhood organizing took place. When large, centralized government intervention failed to help poor neighborhoods in any significant way, smaller organizations were created. Many neighborhood organizations have evolved into a new generation of CDCs. In New York City, for example, borough presidents' offices set up economic development corporations to confront urban decline.

Before introducing the next panelist, I will explain my own involvement with CDCs. LISC, the Local Initiatives Support Corporation, is a nationwide funding intermediary. The Ford Foundation created LISC in 1980 to attract funds from corporations for use in the redevelopment of deteriorated urban neighborhoods. LISC retains no formal connection with Ford, although the Foundation remains a significant source of financial support. Since our creation six years ago, we have raised nearly a hundred million dollars and funneled it into depressed urban neighborhoods. LISC operates in about thirty sites throughout the country. LISC selects sites by locating areas where the

4. See McGahey, *State Economic Development Policy: Strategic Approches for the Future* 15 N.Y.U. Rev. L. & Soc. Change 43, 62 (noting that economic development is not complete without improved quality of life).

5. See 42 U.S.C.A. § 1982 and § 2701 *et seq.*, various sections repealed by Pub. L. No. 97-35, Title VII, § 683 (a), Aug. 13, 1981, 95 Stat. 519.

6. *Id.*

local private sector, composed of corporations and foundations, agrees to help fund a program. In New York City, for example, LISC operated in Brooklyn until early 1985, and it has an ongoing South Bronx program which was one of its earliest and strongest projects.

LISC's support for CDCs has focused primarily on real estate development. There are two reasons for LISC's emphasis on real estate development. First, CDCs have generally been able to carry out real estate projects most successfully, thereby bringing about tangible improvements in their neighborhoods. This contrasts with CDCs' very limited success with starting businesses directly. In real estate development, CDCs have the ability to develop a thorough understanding of their local market conditions and they thus have an excellent opportunity to create workable projects which make a real contribution to the area.

The second and more practical reason LISC focuses on real estate is that it was set up primarily to be a lending organization and it must get back the funds it lends. Given the greater success rate of real estate ventures, it has made more sense to focus on that area. LISC has been accused of "creaming," that is, choosing only the most promising projects rather than the most challenging or high risk ones. But LISC has provided support to over three hundred and seventy diverse organizations around the country. This is a broad and expanding base which certainly includes more than just the strongest, most established organizations and the least risky projects.

Now that I have provided background information, Jan Stokley will continue by presenting her perspective on the role of CDCs in our cities' economic development.

JAN STOKLEY:⁷ Allow me to begin by explaining my philosophy. I am a lawyer and most of my work involves providing counsel and technical assistance to community development corporations on real estate projects, especially low income housing. My base, the National Economic Development and Law Center in Berkeley, California, is a national support center for community economic development. We are in touch with hundreds of community development corporations and other neighborhood-based development organizations around the country. I am not, however, a public policy analyst, so my comments are anecdotal and based on experience gleaned from working with clients on a daily basis.

As Mr. Shadburn said, we have worked with two generations of community development corporations at the Law Center. The federal government funded the first generation CDCs with millions of dollars.⁸ The Law Center received millions of dollars to provide assistance to thirty to forty such organizations. That generation ended around the end of the 1970s as the federal government's role in supporting community economic development changed.

7. Ms. Stokley is an attorney with the National Economic Development and Law Center in Berkeley, California.

8. See *supra* text accompanying note 5.

Since then, we have seen the development of what we call the "second generation CDCs." Those are the CDCs that I will focus on because that is where there has been a lot of exciting activity and support for the community economic development movement.

In contrast to the established CDCs, funded by the federal government, the emerging CDCs have developed without the benefit of strong, consistent funding. Many of them grew out of neighborhood advocacy organizations, neighborhood associations, and small social service providers. They evolved from different contexts in different communities. These CDCs face a continuing struggle for core operating support and consequently have had problems in developing sophisticated developmental capacity. Their struggle, however, has fostered a strength. They maintain a very strong base in the community and use this base to achieve more diversified funding.⁹ I hope that we will find that the capacity that CDCs have developed to diversify their funding bases will prevent cuts in the Community Development Block Grant program¹⁰ from having a devastating effect on these organizations.

My perception is that during the 1980s, the emerging CDCs have been the entrepreneurs of the community economic development movement. They have not necessarily been the most creative or most sophisticated developers of individual projects, but they have done some major work to begin building local and state support systems for community economic development.

In many cities, CDCs have put aside their internecine battles to form citywide coalitions to represent and negotiate with local government on behalf of community development. In some states, they have formed statewide networks of community development corporations to work to secure state legislation to support community development. These coalitions and networks have achieved some significant victories, and they have been aided by several external factors that I want to mention.

First, there is a growing awareness on the part of both state and local officials that the smokestack version of economic development has achieved little and has substantial drawbacks.¹¹ Cities and states have offered significant public subsidies to attract or retain branch plants, only to lose those jobs to another city or state within a few years.¹² In addition, they have learned that smokestack chasing produces few net new jobs, and that the jobs they have created are usually not targeted to those who face the most severe employment problems.¹³ In short, growing disenchantment with the smokestack or industrial recruitment version of economic development has opened the door for community economic development advocates to discuss alternatives with state and local officials.

9. See McGahey, *supra* note 4, at 68 (emphasizing that government programs are no good if they do not reach their intended beneficiaries).

10. See *supra* note 1.

11. See McGahey, *supra* note 4 and accompanying text.

12. *Id.* at 46.

13. *Id.*

A second external factor that has greatly aided community economic development advocates in making their case is the significant work done by academic economists who have no affiliation with community economic development.¹⁴ Their findings can be used to support community economic development. Specifically, in the late 1970s and early 1980s, studies emerged that established that a very high percentage of new jobs resulted from small business creation.¹⁵ Some of those studies have been qualified by later studies that made the picture seem a little less rosy,¹⁶ but nonetheless, the word got through to state and local government officials that small ventures have the potential to yield net new jobs in a way that smokestack chasing simply does not.

The third and final external factor that has helped provide opportunities for CDCs has been the federalization of social and economic development projects. We have all seen the tremendous burden that has been placed on state and local governments. In some regions, the Midwest, in particular, the burden has been compounded by severe economic dislocations.¹⁷ In those places, state and local government officials are looking for partners and developmental strategies and are especially receptive to ideas developed by CDCs.

CDCs are currently faced with the need to build state and local support systems. First, as a result of Community Development Block Grant¹⁸ cuts and other budget deficit reduction attempts, CDCs must educate local governments on how they can use their financing and regulatory powers more creatively to support community economic development. Municipalities may implement special financing tools.¹⁹ It also means getting local government to adopt much stricter targeting requirements when it uses its subsidy and regulatory power to support development.²⁰

Second, CDCs should seek recognition as a valid party to the decisions concerning urban development. Part of their role is to explain the costs that downtown development imposes on neighborhoods, especially low income neighborhoods. They should also articulate what neighborhood development organizations have to contribute to a city's overall development plan. In addition, CDCs have to formulate creative ways in which their participation in downtown development can be structured through contracts or equity participation. Thus, the concept of "linked development"²¹ or "shared growth," should be an important item on CDCs' agenda for the late 1980s. In a few

14. *Id.* at note 64.

15. *Id.*

16. *Id.* at note 65.

17. See McGahey *supra* note 4, at 72 (suggesting ways that economically depressed areas can respond to plant shutdowns).

18. See *supra* note 2; Pub. L. No. 95-128, Title I, § 113, 91 Stat. 1127 (1977) (§ 113 deals with a Presidential Report to Congress on proposed programs, changes, and cost containment).

19. See McGahey *supra* note 4, at 54 (suggesting that states should be creative in financing businesses in depressed areas).

20. See *id.*

21. See *id.* at 61.

cities, such as San Francisco, there is a strong antigrowth sentiment that helps get neighborhood development organizations to the bargaining table. Where this antigrowth sentiment is not as strong, neighborhood development organizations still must try to get to the bargaining table, and they have to begin to articulate not only but why they deserve to be there, but why they are needed there.

Finally, an important role for CDCs in the next decade is to advocate state legislation to support community economic development. CDCs need to inform state legislatures of their special qualities, their existing community contacts, and their expertise in developing programs that benefit community members.

WILLIAM WALLACE IV:²² Let me give you a thumbnail sketch of who I am and why I am here today. For the first two years after law school, I clerked for a judge in Brooklyn Supreme Court. I realized that all of the defendants who came before the judge had two or three characteristics in common regardless of their race, religion, or age. They were poor, unemployed, and uneducated. As a result of this experience, I decided that the most important work that I could do would be in economic development.

I live in downtown Brooklyn, and my elected Assemblyman is Roger Green, a very progressive man. I was his election lawyer and at the end of his campaign, he asked me if I could identify the most meaningful contribution I could make to his next two or three years in office. I told him that I wanted to get away from the legal work and concentrate on economic development.

Economic development is a frequently used term, presumed to be understood. What is economic development? Is it a thing or an aggregation of things? It is an aggregation of things. Only through the synthesis of education, job training, and attention to quality of life issues coordinated among communities and among programs can meaningful economic development occur.²³

CDCs traditional involvement in job training, though important, is not enough.²⁴ Affordable housing is also critically important to a community's economic development.²⁵ But to support housing, you have to have people who can pay rent. Therefore, you have to have some commercial development, and you have to keep existing businesses in operation.²⁶ In addition, businesses require literate workers. Thus, a strong educational system is necessary.²⁷ Economic development embraces many overlapping fields, all of which must be considered.

22. Mr. Wallace is Executive Director of Lattimer-Woods Economic Development, Inc. of Brooklyn, New York.

23. See McGahey, *supra* note 4, at 62.

24. *Id.* at 60.

25. *Id.* at 65.

26. See generally McGahey, *supra* note 4.

27. See *id.* at 64.

Lattimer-Woods was founded in 1980 and incorporated in 1983. It is named after two black industrialists; Louis Lattimer, who was one of the inventors of the telephone with Alexander Graham Bell, and Granville T. Woods. One of the missions of Lattimer-Woods has been to foster unconventional and creative means of economic development.

After the 1984 presidential election, we realized federal assistance would be minimal. With Reagan in the White House, we repented by establishing strong ties with the state administration. Unfortunately, we have a mayor who makes \$110,000 a year and maintains a rent-controlled apartment, so we did not approach him.²⁸ Through cultivation of state sources of funding, we have developed job training programs in fields with future potential, for example, video technology, and computer graphics.

We have concentrated on developing a plan for commercial retention to spur commercial growth. We oppose plans for commercial growth which require displacement of people who have been in business for years.²⁹ For example, in Brooklyn Heights, there is a lovely street just off the promenade which is going to be abandoned by its current occupants in a year or two. Many of the businesses there are stores started by immigrants sixty or seventy years ago. Their sons and daughters inherited the stores and are now going out of business. In response, I stressed to Councilman Gerges, the City Councilman for the district, the importance of commercial rent stabilization. I argued that action must be taken to maintain existing businesses. Councilman Gerges responded with a fairly persuasive argument. He conceded the importance of that goal, but pointed out that subsidization of dead businesses hinders young people from starting their own businesses. Too often the businesses moving in, however, are huge franchises, like Haagen-Daz. Nothing is being created; people are merely becoming a part of a labor force of an established corporation. What we should be encouraging instead are small businesses, which produce more jobs than existing conglomerates.³⁰ Economic development involves not only providing incentives for new businesses, but also helping old businesses to adapt to new conditions.

If we are serious about creating new businesses, the state should insure high risk ventures.³¹ The state's SONY MAE program, which insures housing, provides a precedent.³² By refusing loans to start up businesses in depressed neighborhoods, conventional lenders perpetuate the cycle of economic decline. State insurance of venture capital would fill this gap.

A major problem affecting most small businesses is the lack of cash flow.

28. E. KOCH, MAYOR 46 (1984) ("When rent control ends — and it is being phased out — I may give up my apartment, but not so long as it is under rent control. That would be ridiculous.")

29. See generally McGahey, *supra* note 4 (No economic development program is complete without consideration of existing businesses).

30. See *id.* at 53 n.64.

31. See generally McGahey, *supra* note 4.

32. *Id.*

Commercial banks, charging high interest rates, provide little assistance to many new businesses in need of financing.³³ CDCs and non-profit corporations, however, can provide creative alternatives such as forming credit unions and establishing revolving loan funds designed to help with short term capital depreciation.

Financing a work force is the largest expense facing any new business.³⁴ The New York State Government, if it is to become an active investor in small business, can help by underwriting the cost of the workforce.³⁵ It could provide for a partial, if not total, subsidy of labor force expenses. As with tax abatements, the subsidy would gradually decrease over time so that eventually the business would be paying the full amount for its workers.³⁶

CDCs must also develop greater rapport with community educational systems.³⁷ By providing training in skills for which there is great demand in the labor market,³⁸ a CDC could be instrumental in securing the future of any community. As we progress to high technology and a service-oriented economy, the need for highly trained and well-educated employees and businessmen will continue to rise.³⁹ Furthermore, a strong education program will give community members a more constructive environment and provide an alternative to involvement in crime. Community educational systems must be improved and maintained and CDCs should provide creative input and work with neighborhood groups to form educational improvement projects. A high dropout rate robs communities of future economic development.

Like education, the availability of low and moderate income housing is an important component of economic development.⁴⁰ A constant turnover rate coupled with the pressures of finding means to support oneself leads to the disruption of the community. Private developers do not want to finance low and moderate income housing programs because they are in the business of making large profits.⁴¹ The developments they do finance are far above the budget of the average New Yorker. CDCs can fill this void by pooling capital, getting anchor tenants and negotiating tax abatements and land cost. They can also establish their own real estate development firms.⁴²

JOHN WANG:⁴³ The Chinatown neighborhood Local Development Corporation is a subsidiary of the Chinatown Planning Council. It makes use of ex-

33. *See id.* at 50.

34. *Id.* at 53.

35. *Id.* at 54 (noting that wage subsidy programs have had poor track records in the past).

36. *Id.* (offering similar criticisms of tax credits).

37. *Id.* at 64-65 (stressing the importance of education for economic productivity and the need for education reform).

38. *Id.* at 60 (noting that training alone is not enough, job creation must be the goal).

39. *See id.* at 51.

40. *Id.* at 65-66 (discussing problems of financing low income housing projects).

41. *Id.*

42. *Id.* at 66.

43. Mr. Wang is Deputy Executive Director of the Chinatown Planning Council of New York City.

isting resources in the community and government and engages in economic development programs benefitting not only the Chinatown community, but also New York City in general.

The Chinatown Planning Council was formed in 1965 to respond to the needs of the growing community. In the twenty years since then, the Planning Council has grown from a storefront operation to an organization with a twelve million dollar budget employing approximately six hundred people.⁴⁴ The Planning Council has about forty different programs operating in Manhattan, Queens, and Brooklyn, which include a child day care and senior citizen centers.

Chinatown remains a true immigrant community, renewing itself through large yearly influxes of immigrants from all parts of Southeast Asia, but mainly Hong Kong, Taiwan, and The People's Republic of China.⁴⁵ Nearly 20,000 Asians come to the United States every month.

Prior to 1965, Chinatown's economic base was made up of small businesses, many of which were family operated, such as restaurants and hand laundry establishments.⁴⁶ The large increase in Chinese immigration since 1965 drastically changed the number and composition of the community. Chinatown became more family oriented because immigrants came in family units, rather than the single men who came before. This development resulted in an increased need for social services and programs aimed at securing Chinatown's future well being.

Chinatown continues to change in its numbers and composition. There is now a move in the community's needs away from purely social service programs and toward projects stressing economic development. Many of Chinatown's most recent immigrants are better educated and have more experience in business and other professions.⁴⁷ Their main problem is fitting their past experiences and skills into the existing society. Language barriers are also a problem.

Four years ago, the Chinatown Local Development Corporation ("LDC") was formed as a response to the needs of this new immigrant population. Its focus has been to guide the community away from some of the more traditional industries, such as the garment and hand laundry business, and place people in new businesses. Though the garment industry continues to be a very important component of Chinatown's economic development, the movement into new areas will ensure meaningful economic development in the future.

I would like to talk briefly about the garment industry. The garment industry has always been a very important and large manufacturing industry in New York City. Due to rising competition from the South, the industry

44. The Council runs 33 programs at 17 locations in the New York City area.

45. Wash. Post, June 2, 1985 (Parade Magazine), at 5.

46. *Id.*

47. Wash. Post, June 2, 1985 (Parade Magazine), at 5.

experienced a decline, which began twenty years ago.⁴⁸ Unlike the rest of the garment industry in New York City, Chinatown did not experience this decline, but instead expanded in the early 1970s.⁴⁹ This expansion occurred largely because the industry requires very little capital and skill to start. Furthermore, knowledge of English is not necessary to succeed in the garment industry. As a result, today there are approximately 450 garment companies which employ about 22,000 people from the Chinese community.⁵⁰ Obviously, the garment industry plays a very important role in Chinatown's economy.

Many new immigrants have different backgrounds than their predecessors and do not want to participate in the traditional industries. More established immigrants tend to work in the service industries and new immigrants tend to be trained to practice a profession.⁵¹ They want to apply their skills and knowledge in different areas of business. The LDC was formed to help new immigrants to adjust to their new life in New York City. The LDC is divided into three parts: business development, housing development, and employment training.

The business development section operates the Phoenix Food Management Program. This program was started in 1983 to serve hot lunches at senior centers and day care centers which are run by the Chinatown Planning Council. The program teaches its members food management skills. The goal is to gain the necessary skills and then expand. Then the program can provide our community centers with lunches and dinners, and perhaps do the same for other institutions throughout New York City.

We recently received a grant from the Department of Commerce's Minority Business Development Agency ("MBDA"). This grant is specifically earmarked to help the Asian business community use the resources available in the government sector. The money will be used to inform the community of the available government and/or private loans for business. It will also provide small, privately owned businesses with information that will help them get government contracts.

In the second area, housing development, we have a housing management company which manages the senior citizen apartment for the Chinatown Planning Council. We will soon begin to renovate a twenty-six unit housing development in the Lower East Side and hope to renovate an old firehouse to serve as our headquarters. Finally, we have discussed possible development of low to moderate income housing in Brooklyn with the City's Housing Preservation and Development Department and New York City Housing Partnership.

The third and final area is employment training. We currently have six

48. ABELES, SCHWARTZ, HAECKEL & SILVERBLATT, INC., THE CHINATOWN GARMENT INDUSTRY STUDY (1983) [hereinafter CHINATOWN GARMENT INDUSTRY].

49. *Id.*

50. *Id.* (Three out of five Asian-Americans in New York City have family members working in the garment industry.)

51. *See* Wash. Post, *supra* note 49.

training programs funded by the city: clerical or career training, patternmaking and design, jewelry making, hotel services, and building maintenance and renovation. We targeted the latter as work for refugees. There is also an Asian employment center available on a walk-in basis for clients who are seeking employment in Chinatown as well as other areas.

The LDC is presently dependent on the Chinatown Planning Council's existing programs. Through the programs we have established within this LDC and the resources we have acquired, our goal is to participate independently in more diversified projects outside of the community.

One example of our planned independent expansion is the housing management training program in Brooklyn. We hope to employ trainees in our housing management company and thereby acquire more business outside Chinatown. Once people are trained, they can offer their services to manage other buildings.

Our work in the minority business project is intended, in part, to assist the garment industry. As I mentioned earlier, the industry experienced a great expansion in the 1970s, but recently it has been facing serious problems due to rent increases. Because commercial real estate prices in Chinatown are now comparable to midtown Manhattan prices, minority manufacturers are unable to maintain a profitable industry in their community. In the last five years, contractors' rents have increased by as much as four dollars per square foot.⁵² As a result, many of these businesses have gone bankrupt or moved out of Manhattan.⁵³ It is very important to promote the unity of the garment industry since it plays such an important role in Chinatown's economy.

The minority business project is attempting to help these manufacturing industries relocate in boroughs outside of Manhattan. The government has provided low-cost relocation assistance. This government effort, however, is poorly coordinated and does not provide much assistance to the many small manufacturers. It is very difficult for these small manufacturers to get involved in the necessary bureaucracy to become recipients of the government's assistance.

Our idea is to synthesize all the city's available assistance programs into one program so that any manufacturer interested in moving to the outer boroughs can receive all the help the city offers. The next problem is to find a suitable site in the outer boroughs with relatively low rent and good transportation facilities, and a good support facility.

The second problem that faces the garment industry is the lack of work. There are four or five hundred garment factories currently seeking work from manufacturers, and the number of manufacturers is diminishing in the city.⁵⁴ Some of the manufacturers have gone overseas.⁵⁵ Imports have hurt the gar-

52. See CHINATOWN GARMENT INDUSTRY *supra* note 50.

53. *Id.*

54. *Id.*

55. *Id.*

ment industry significantly.⁵⁶ In addition, it is very difficult to do business in New York City because the industry competes with areas outside the city that offer less expensive facilities and labor costs. Thus, the four or five hundred garment factories are constantly engaging in very fierce competition with each other. They cut prices below marginal levels, which hurts the industry as a whole.⁵⁷

What the Chinatown Planning Council would like the manufacturers to do is to enter into discussions with the federal government. For example, in my research, I discovered that the Defense Department orders millions of dollars worth of uniforms from private industry every year.⁵⁸ Our organization, with the help of New York's Congressional delegation, would like to approach the Defense Department and ask them to consider setting aside a certain portion of work every year for this minority business. That work, coupled with a suitable location would allow us to move the whole garment industry to a different location with the City's assistance. In that way, the garment industry would continue to thrive and the community's jobs could be preserved as well.

The second area I will discuss is housing. Earlier, Bill mentioned the special zoning district, probably referring to the Manhattan Bridge special zoning district. The New York City Planning Commission in 1981 passed a special zoning district in the Chinatown area, with the idea of building housing for the community on vacant lots.⁵⁹ The government promoted the idea because Chinatown was a growing community that needed new housing, in particular low income housing. So, the government established a special zoning district to encourage private developers to come into the community to develop a number of projects there.

Part of the problem with the special zoning district is the bonus system. Under this system, the developer can receive an increase of floor area space by providing certain facilities to the community.⁶⁰ Thus, the developer must provide community facilities space or provide low to moderate income housing or rehabilitate certain existing housing. If the developers provide any one of those things they receive bonus space. The problem is that instead of encouraging the building of low to moderate income housing, which is the most needed in the community, the structure, in fact, discouraged the building of low to moderate income housing. This is so because the greatest bonuses were awarded for the building of community facilities space.⁶¹ There is a need for

56. *Id.*

57. Wang, *Behind the Boom-Power & Economics in Chinatown* 5 N.Y. AFF., No. 3, at 77, 79 (1979).

58. See McGahey, *supra* note 15 (taking the position that the government should contract out to established community organizations).

59. Wang, *Developers Ready Three Towers in Chinatown*, N.Y. Times, Sept. 20, 1981, § 8, at 12, col. 1.

60. John Wang, *Chinatown's Changing Fortunes*, The Village Voice, June 8, 1982 at 28, col. 1.

61. *Id.*

more community facilities space, but the need for low to moderate income housing is greater.

The second problem is that in joining up the district and providing this bonus system, the city actually encouraged some of the landlords to engage in unethical practices. In one project a developer forced tenants to move out of old buildings so he could demolish those buildings and then clear the site for the new development.⁶² As a result, the special zoning district got a bad reputation in the community. Many people opposed the plan and filed lawsuits to stop it.⁶³ Consequently, the whole program was effectively ended by lawsuits. There are lawsuits still pending in the state court system. As it was structured, the special zoning district did not serve the purpose of creating housing in the community. The program failed because the government did not examine the community's needs before devising a plan.

Chinatown is something of a paradox. The real estate prices are very high, and there are many low income people in the community. Consequently, there is a constant clash. Another reason the special zoning district plan failed was because it sought to carve out one area for development when all of Chinatown urgently needs low income housing. In fact, the city should take a more comprehensive look because Chinese immigrants right now are moving to all of the boroughs of the city. Comprehensive planning could help to decide what area is best suited for what industry. The outer boroughs also have more affordable housing for low to moderate income people. In this way, we can preserve some of the existing industries with a minimum amount of disruption of the community's economic activity.

To sum up, our goal is to use existing available resources within our community and within the different levels of government creatively to expand the community's wealth by creating more jobs and housing for the people who need it.

AUDIENCE COMMENT: My name is Pete Williams, from the Center for Law and Social Justice at Medgar Evers College. My question is, what can CDCs and local development corporations do to attract manufacturers to urban centers? New York City has been giving land away to developers. Is there any way that we can give the land and abandoned factories to manufacturers in exchange for a long term commitment to hire community members? What are the pluses and the minuses of such a policy?

JAN STOKLEY: I think that there are some dangers if a CDC is not involved in the process as a bridge between the city and manufacturer or developer.⁶⁴ As a middleman, the CDC can effectively attract the manufacturers or the light

62. *Id.*

63. *See Chinese Staff and Workers Association v. City of New York*, 68 N.Y.2d 359, 502 N.E.2d 176, 508 N.Y.S.2d 499 (1986); *Asian Americans for Equality v. Koch*, 129 Misc.2d 67, 492 N.Y.S.2d 837 (1984); *Lai Chun Chan Jin v. Board of Estimate of the City of New York*, 92 A.D.2d 218, 460 N.Y.S.2d 28 (1983).

64. *See McGahey, supra* note 4.

industries, and function as the developer. The CDC can then provide the facilities to those companies on favorable terms, exacting concessions of specific job placements in return. Because the CDC is involved in every step of the project, there is a better chance that the job targeting contractual obligations will be honored.⁶⁵

LAWSON SHADBURN: Another important element is who is going to implement the specific plan. When a central bureaucracy in City Hall, Albany, or Washington develops the program its criteria and focus are not likely to be well-tailored to suit each neighborhood's need. When a CDC implements and designs a program, it is likely to be more useful to the community which the CDC serves. They are people who care about the neighborhood, know the business people, and will carry the plan to fruition.⁶⁶

JOHN WANG: Yes. I agree with that. An example of that occurred when New York City's Public Development Corporation was interested in relocating the garment industry from Chinatown to another borough. Of four hundred survey forms sent, only two were answered. The agency was interested in moving the garment factories to East New York, which has cheaper land. The agency failed to grasp that the plan was not acceptable. The manufacturers were suspicious of the City's intentions and knew that no infrastructure supported a new garment center there. A CDC with grass roots control would have understood that when people come to Chinatown to work it is so they can shop there, send their children to school, do their household chores during lunch, pick up their food and then go home. There are many activities that go along with working in a particular area. The agency failed to consider these important factors in its attempt to relocate the Chinatown labor force.

65. *Id.*

66. *Id.*