



093369

B-130515

8-20-73

REPORT TO THE CONGRESS

Economic Development Programs
In Bedford—Stuyvesant ,
Brooklyn, New York, Under The
Special Impact Program B-130515

Office of Economic Opportunity

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

~~7-3-79~~
093369

AUG. 20, 1973



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

B-130515

To the President of the Senate and the
Speaker of the House of Representatives

We have reviewed economic development programs in Bedford-Stuyvesant, Brooklyn, New York, under the Special Impact program.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, the Acting Director, Office of Economic Opportunity; and the Secretary of Commerce.

A handwritten signature in black ink, appearing to read "James B. Argets".

Comptroller General
of the United States

C o n t e n t s

| | | <u>Page</u> |
|---------|---|-------------|
| DIGEST | | 1 |
| CHAPTER | | |
| 1 | INTRODUCTION | 5 |
| | Bedford-Stuyvesant program | 6 |
| | Problems | 7 |
| | Perspective of program | 9 |
| | Future outlook and program considerations | 10 |
| 2 | PRIVATE BUSINESS PROGRAMS | 11 |
| | Loan program | 11 |
| | Goals and accomplishments | 12 |
| | Status of loans | 13 |
| | Program management | 14 |
| | Conclusions | 17 |
| | Program to attract outside business | 18 |
| | Conclusions | 20 |
| 3 | MANPOWER PROGRAM | 21 |
| | Program design | 21 |
| | Job development | 22 |
| | Recruitment | 22 |
| | Followup and counseling | 23 |
| | Reported placements and referrals | 23 |
| | Conclusions | 25 |
| 4 | HOUSING PROGRAMS | 27 |
| | New construction | 28 |
| | Program results | 28 |
| | Program management | 30 |
| | Rehabilitation | 32 |
| | Home improvement program | 34 |
| | Program design | 34 |
| | Program goals and results | 34 |
| | Exterior renovation | 34 |
| | Work experience | 36 |
| | Home improvement companies | 37 |
| | Mortgage pool | 37 |
| | Program results | 37 |
| | Program operation | 37 |
| | Conclusions | 38 |

| CHAPTER | | <u>Page</u> |
|---------|---|-------------|
| 5 | COMMUNITY FACILITIES | 40 |
| | Program accomplishments | 40 |
| | Project headquarters, community center, and rentable office space | 40 |
| | Other community projects | 41 |
| 6 | AREA PUBLIC SERVICES | 43 |
| | Program operation | 43 |
| | Funding | 43 |
| | Survey of community attitudes | 43 |
| | Neighborhood centers | 44 |
| | Planning activities | 45 |
| | Conclusion | 46 |
| 7 | SCOPE OF REVIEW | 47 |

APPENDIX

| | | |
|-----|---|----|
| I | Letter dated June 14, 1973, from First Assistant Director, OEO, to the General Accounting Office | 49 |
| II | Letter dated June 19, 1973, from the Assistant Secretary for Administration, Department of Commerce, forwarding the Office of Minority Business Enterprise's comments of June 6, 1973, to the General Accounting Office | 55 |
| III | Principal officials of the Office of Economic Opportunity responsible for the administration of the Special Impact program | 57 |

ABBREVIATIONS

| | |
|------|---|
| BSRC | Bedford-Stuyvesant Restoration Construction Company |
| D&S | Bedford-Stuyvesant Development and Services Corporation |
| FHA | Federal Housing Administration |
| GAO | General Accounting Office |
| OEO | Office of Economic Opportunity |
| SBA | Small Business Administration |
| SMSA | Standard Metropolitan Statistical Area |

D I G E S T

WHY THE REVIEW WAS MADE

Special Impact programs were designed to have a major impact on unemployment, dependency, and community tensions in urban areas with large concentrations of low-income residents or in rural areas having substantial migration to such urban areas.

The Special Impact program in the Bedford-Stuyvesant community in New York City's borough of Brooklyn was the first and largest such program to be sponsored by the Federal Government.

GAO sought to determine

--how the program affected Bedford-Stuyvesant,

--whether program goals had been met, and

--how well the program was being managed

GAO has previously reported on Special Impact programs in Los Angeles and Cleveland.¹

Background

The Bedford-Stuyvesant program was started in 1967 by two nonprofit corporations as sponsors--the Bedford-Stuyvesant Restoration Corporation and the Bedford-Stuyvesant Development and Services Corporation. Through December 1972 the program received more than \$30 million in Federal funds and another \$7.7 million was obtained from private sources.

Special Impact programs are presently administered by the Office of Economic Opportunity (OEO). However, legislation has been submitted to the Congress which would transfer responsibility for administering these programs to the Department of Commerce.

FINDINGS AND CONCLUSIONS

As of June 1972, after more than 5 years of Federal funding, the program has had a visible but limited impact on Bedford-Stuyvesant. Among its accomplishments are

¹"The Special Impact Program in Los Angeles is Not Meeting Goal of Providing Jobs for the Disadvantaged" (B-168560, Oct. 7, 1970) and "Development of Minority Businesses and Employment in the Hough Area of Cleveland, Ohio, Under the Special Impact Program" (B-130515, Aug. 17, 1971).

- creating employment opportunities through a comprehensive manpower program which recruited, counseled, and developed jobs for residents,
- initiating new housing developments and renovating the interiors and exteriors of existing residences,
- identifying, and finding solutions to, local problems,
- establishing neighborhood centers to facilitate delivery of program benefits, and
- providing facilities for community activities, cultural events, and commercial use.

The program fell short of its goals in areas relating to development of minority-owned businesses and in attracting outside industry to create jobs for residents. Even though the sponsors through their housing program had a significant number of housing units planned or under construction, only a small number of units were constructed and rehabilitated.

Even if the sponsors had substantially met the program goals, it is doubtful that the program, because of its limited scope, would have had more than a minimal impact on the area's problems, particularly those relating to jobs and housing.

The following sections discuss various projects under the Bedford-Stuyvesant program

Private business programs

Two programs were set up to create jobs and better the economic conditions in Bedford-Stuyvesant. Under one, loans were made to local businesses, under the other, attempts

were made to attract outside businesses. The loan program fell short of its goal and the program to attract outside businesses failed. (See p 11.)

The loan program sought to develop 2,100 jobs. Through June 1972 loans totaling \$3.6 million were made to 76 businesses, of which 17 failed, and only 390 jobs were created by existing businesses. Loans were made to businesses of many types--manufacturing, wholesale, retail, construction, and service companies. Costs to administer the program totaled \$2,050,000. (See pp 11 and 13.)

Program accomplishments were adversely affected by inadequate procedures for reviewing loan applications--subsequently improved--and by a lack of available persons in Bedford-Stuyvesant with managerial expertise. (See pp. 16 and 17.)

To attract outside businesses, the sponsors

- identified major manufacturing companies with labor-intensive operations;
- distributed a brochure to about 4,000 companies describing the advantages of locating in Bedford-Stuyvesant;
- identified and, where necessary, acquired, rehabilitated, or constructed suitable industrial space, and
- stood ready to absorb moving costs and to subsidize the training of recruited workers of companies forced to relocate because of urban renewal. (See p. 18.)

The sponsors attributed the totally negative response by the companies contacted to the economy in 1970 and 1971 and to high labor costs in New York City. (See p 19.)

Although no outside businesses assisted by Special Impact funds have moved into the area, some private firms, such as the International Business Machines Corporation, Consolidated Edison, and the Chemical Bank of New York, initiated economic development activities in Bedford-Stuyvesant since the advent of the Special Impact program. The overall program impact may have given private firms greater confidence to invest in the area. (See p. 19.)

Manpower program

A comprehensive manpower program was established in January 1969 to recruit, counsel, and get jobs for unemployed or underemployed residents. During the 2-1/2 years ended June 1971, the sponsor's goal was to make 3,750 job or training placements.

The sponsor reported that 3,565 placements were made in jobs or training programs during the period. However, GAO noted that the sponsor's job placements were overstated and many jobs were only temporary and provided a relatively short work experience. For the following year the sponsor's goal was to make 1,500 placements, but records showed that only 704 were made. (See pp. 21 and 24.)

Although the vast center of commerce and industry in New York City is a potential source of employment, most placements were made with Brooklyn employers in the area surrounding Bedford-Stuyvesant. (See p 25.)

Housing program

In mid-1969 the sponsors planned to develop 700 units of new and rehabilitated housing by June 30, 1971, and to achieve an annual production rate of 2,000 units by 1973. As of May 1973, 52 new housing units were completed and 1,180 new units were under development. Also 88 units were rehabilitated and about 550 were being developed under the rehabilitation program as of April 1973.

The exteriors of 2,230 homes were renovated providing work for 2,716 persons, mostly youths. A mortgage loan fund of \$65 million was established through the cooperation of 80 banks and insurance companies, from which \$16.5 million in loans to 862 borrowers were made or committed as of March 1973. (See p. 27.)

Community facilities

Under this program the sponsors (1) renovated a former milk-bottling plant for use as project headquarters, a community center, and rentable office space, (2) began constructing a retail center in 1972, and (3) developed plans for day-care centers. (See p 40.)

The former milk-bottling plant was acquired for \$300,000, and the sponsors estimated the renovation would be completed in about 18 months for about \$2 million. However, the renovation took about 4-1/2 years and cost about \$4.3 million, of which \$3.7 million was financed by the Special Impact program.

Unforeseen structural deficiencies, the sponsors' inexperience, the training of workers in construction,

significant increases in labor and material costs, and an elevator strike in New York City increased costs and delayed completion of the building. (See pp 40 and 41.)

Area public services

To foster community involvement in the Special Impact program, the sponsors opened four neighborhood centers, staffed primarily by local residents, to help residents solve problems related to public services.

The centers specialized in programs relating to cultural affairs, education, health and social services, youth development, housing, and sanitation. (See p. 45.) The sponsors also developed

- a program to rehabilitate ex-offenders,
- a summer theater for young people,
- an experimental reading and mathematics program,
- a guide booklet to Bedford-Stuyvesant, and
- a children's library (See p. 46.)

RECOMMENDATIONS OR SUGGESTIONS

This report should be considered by the sponsors, OEO, and the Department of Commerce--if responsibility for administering the Special Impact program is transferred to Commerce--in determining the future strategy of the Bedford-Stuyvesant program.

AGENCY COMMENTS

OEO, the Department of Commerce, and the sponsors reviewed and commented on GAO's findings and conclusions. OEO and the sponsors were generally in agreement. The Department said the report should be useful to it if administration of the Special Impact program is transferred to the Department.

MATTERS FOR CONSIDERATION BY THE CONGRESS

Information in this report on the accomplishments and problems of the Bedford-Stuyvesant Special Impact program should be of interest to the Congress in considering legislation to transfer administration of the Special Impact program to the Department of Commerce.

CHAPTER 1

INTRODUCTION

The Office of Economic Opportunity (OEO) designed Special Impact programs to have a major impact on unemployment, dependency, and community tensions in urban areas with large concentrations of low-income residents or in rural areas having substantial migration to such urban areas. The purpose of these experimental programs--combining business, community, and manpower development--is to offer the poor an opportunity to become self-supporting through the free enterprise system. The programs are intended to create training and job opportunities, improve the living environment, and encourage development of local entrepreneurial skills.

This report concerns operations of the Bedford-Stuyvesant Special Impact program from July 1967 through June 1972. We sought to determine

- how the program affected Bedford-Stuyvesant,
- whether program goals had been met, and
- how well the program was being managed.

Comments from OEO and the Department of Commerce, relating to matters discussed in this report, were received by letters dated June 14 and 19, 1973, respectively, and are included as appendixes I and II and, where pertinent, are incorporated in the applicable sections of this report. Our findings and conclusions were also discussed with the sponsors, and their views were considered in the preparation of the final report.

Title I, part D, of the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2763), authorized Special Impact programs. However, September 1972 amendments to the act authorized a new title VII, part A--Community Economic Development--which continued Special Impact programs and also provided for other Federal agencies, such as the Small Business Administration (SBA), the Economic Development Administration, and the Department of Housing and Urban Development, to assist OEO in carrying out economic development programs.

There were 38 programs as of July 1972--21 in urban areas and 17 in rural areas. About \$168 million in Federal funds had been approved in the 6 fiscal years through 1972. OEO administers the Bedford-Stuyvesant program through its Washington headquarters and monitors program operations by approving program proposals and funding applications, receiving periodic operating and financial reports, and by entering into contracts with consultants to evaluate the program.

Before fiscal year 1970 OEO and the Departments of Labor, Agriculture, and Commerce under delegation from OEO administered Special Impact programs. OEO assumed full responsibility for these programs in fiscal year 1970. However, the President's fiscal year 1974 budget contains no direct appropriations for OEO and provides for delegating or transferring most OEO programs to other Federal agencies. The budget also provides \$39.3 million in the Office of Minority Business Enterprise, Department of Commerce, budget request to fund OEO's community economic development program.

The 1972 amendments to the Economic Opportunity Act preclude delegating responsibility for the Special Impact program to any other agency. New legislation has been submitted to the Congress which would transfer responsibility for administering Special Impact programs to the Department of Commerce (S. 1941, 93d Congress).

This is our third report on Special Impact programs. The previous reports¹ were on Special Impact programs in Los Angeles and Cleveland.

BEDFORD-STUYVESANT PROGRAM

The program was started in 1967 with two nonprofit corporations as sponsors, the Bedford-Stuyvesant Restoration Corporation (Restoration) and the Bedford-Stuyvesant Development and Services Corporation (D&S). Restoration is a social action organization and D&S is a technical advisory group.

¹"The Special Impact Program in Los Angeles is Not Meeting Goal of Providing Jobs for the Disadvantaged" (B-168560, Oct. 7, 1970) and "Development of Minority Businesses and Employment in the Hough Area of Cleveland, Ohio, Under the Special Impact Program" (B-130515, Aug. 17, 1971).

They promote the economic, social, and physical rehabilitation of the area through

- Business loan programs to stimulate minority entrepreneurship and create employment.
- A program to attempt to attract commercial, industrial, and financial firms into the area to employ local residents.
- A manpower program which makes job placements and refers individuals to job and training opportunities.
- Housing programs which include new construction and renovation of existing housing
- A program to identify public service problems and develop solutions.

Organization and funding

Restoration's board of directors is composed of representatives of the community. The D&S board comprises representatives of the New York City business community. Of Restoration's 230 employees, 107 lived in Bedford-Stuyvesant and 10 of the 49 people employed by D&S lived in Bedford-Stuyvesant as of October 20, 1972. Generally, responsibility for administering each program component or project was assigned to one or the other of the sponsors, however, one component--the business loan program--was administered jointly by the two beginning late in 1970.

The Bedford-Stuyvesant program was the first and largest such program to be sponsored by the Federal Government. It has received more than \$30 million in Federal funds from its inception in 1967 through December 1972. Another \$7.7 million was obtained from private sources, such as the Ford Foundation and the Astor Foundation.

PROBLEMS

Bedford-Stuyvesant is a 5-square-mile area with a population of 350,000 to 400,000 in New York City's borough of Brooklyn. This area has serious problems of unemployment and underemployment and inadequate housing.

Bedford-Stuyvesant's problems are deep seated and have resisted rapid solution. They stem primarily from the fact that local residents, to a considerable degree, lack the education and training required for the jobs available elsewhere in the city and from the lack of jobs in the area. Unemployment and underemployment, in turn, reduce buying power, which has a depressing effect on the area's economy.

The magnitude of the Bedford-Stuyvesant problems is indicated by the following data disclosed by the 1970 U S. census

- Of the total civilian labor force, 5.9 percent were unemployed, compared with unemployment rates of 4.1 percent for New York City and 3.8 percent for the New York Standard Metropolitan Statistical Area (SMSA).¹
- Per capita income was \$2,106, compared with \$3,720 for New York City and \$3,909 for the SMSA.
- Families below the poverty level made up 24.8 percent of the population, compared with 11.4 percent in New York City and 9.2 percent in the SMSA.
- Families receiving public assistance made up 25.4 percent of the population, compared with 9.6 percent in New York City and 7.5 percent in the SMSA.
- The median number of school years completed was 10.3, compared with 11.4 for New York City residents and 12.1 for SMSA residents
- Of total housing units, 75 percent were built before 1940, compared with 62 percent in New York City and 54 percent in the SMSA. (A local Model Cities survey in 1966 showed that two-thirds of the houses in Bedford-Stuyvesant had deteriorated.)

¹Consists of New York City and the New York State counties of Nassau, Rockland, Suffolk, and Westchester.

A number of factors serve to aggravate the area's economic problems and to make them more difficult to solve. Some of these are

- a reluctance of industry to move into New York City,
- a net outflow of industry from New York City,
- high city taxes and a high crime rate, and
- a dearth of local residents possessing business managerial experience.

The area's housing problems resulted from the widespread deterioration of existing housing and are, in part, a by-product of below-average income levels resulting from unemployment and underemployment. They were aggravated by a dearth of mortgage capital for residential housing associated with a lack of confidence in the area on the part of financial institutions, which, as discussed later, seems to have been somewhat overcome.

PERSPECTIVE OF PROGRAM

Certain other factors should be recognized in evaluating the adequacy of the strategy adopted by the sponsors in carrying out the program and in assessing program results.

Relative advantages of Bedford-Stuyvesant

Because of its location, Bedford-Stuyvesant has certain advantages over other disadvantaged areas. Some of these are

- the existence of a potential source of employment and economic resources because New York City represents the largest financial community in the country and is a vast center of commerce and industry, particularly the neighboring borough of Manhattan,
- a rapid transit and bus system linking the area with other parts of New York City, and
- a supply of basically sound housing in the area, which, although deteriorated, is worthy of renovation.

Economic conditions

Fluctuating economic conditions affect such problems as those in Bedford-Stuyvesant primarily through increases and decreases in unemployment. Although specific unemployment data was not available for Bedford-Stuyvesant, unemployment increased markedly in 1970 and 1971 in New York City, the New York SMSA, and in the United States, as shown below

| <u>Year</u> | <u>Percentage of civilian labor force unemployed</u> | | |
|---------------|--|----------------------|----------------------|
| | <u>New York City</u> | <u>New York SMSA</u> | <u>United States</u> |
| 1971 | 6 7 | 6.2 | 5.9 |
| 1970 (note a) | 4 8 | 4.1 | 4 9 |
| 1969 | 3 6 | 3.2 | 3.5 |
| 1968 | 3 1 | 3.3 | 3.6 |
| 1967 | 4 1 | 3 7 | 3.8 |

^aThese percentages, as those for other years, are averages for the year and therefore differ from those applicable to the 1970 census on p 8

By 1971 the downturn in the economy had had a more significant impact on New York City and the New York SMSA than on the United States. There is evidence that the impact on Bedford-Stuyvesant was even greater, since the 1970 census (see p 8) shows that economic conditions were worse in Bedford-Stuyvesant than in New York City and in the New York SMSA

FUTURE OUTLOOK AND PROGRAM CONSIDERATIONS

Although the overall impact of the program has been limited, some of the activities and projects underway could, in time, have greater effect on the target area. It is reasonable to expect that this effect will accelerate because of the sponsors' learning experience and because some of the leadtime required for initiated projects, such as housing projects, will have passed

This report should be considered by the sponsors, OEO, and the Department of Commerce--if responsibility for administering the Special Impact program is transferred to Commerce--in determining the future strategy of the Bedford-Stuyvesant program

CHAPTER 2

PRIVATE BUSINESS PROGRAMS

Two programs were set up to create jobs and better the economic conditions in Bedford-Stuyvesant. Under one, the sponsors made loans to local businesses, under the other, they tried to attract outside businesses. The loan program fell short of its goal and the program to attract outside businesses failed. Through June 1972, only 390 of the proposed 2,100 jobs in local firms were created by existing businesses and the sponsors were unable to attract any outside businesses. The program goals, however, may have been overoptimistic since they were based on the sponsors' personal judgments and were made without the benefit of economic development experience.

LOAN PROGRAM

Under the business loan program, begun in 1967, the sponsors proposed to create jobs and stimulate business ownership by local residents. At first, investments in local businesses were made only in the form of loans. In July 1969 the sponsors adopted a policy of making equity investments in selected companies to obtain for the sponsors a voice in management. Equity investments totaling about \$159,000 were made in four companies.

Loans were to be repaid in installments over periods of up to 10 years, usually with a moratorium on repayment for 6 months or longer. Repayment was to be made in cash or by applying subsidies allowed by the sponsors for providing on-the-job training to unskilled workers. Loans made during the first 2 years of the program were interest free. In 1970 the sponsors revised their policy to charge below-market interest rates. Rates charged were from 5 to 8.5 percent. This policy change was made to (1) emphasize to borrowers their obligations to repay the loan and (2) help the sponsors monitor borrowers' progress toward profitability.

Prospective borrowers learned of the loan program through (1) information disseminated at neighborhood centers operated by Restoration, (2) advertisements on radio and television and in a local newspaper, and (3) word of mouth. Those who

wished to apply for loans were required to complete application forms, providing information relating to their education and business and work experience, provide personal financial statements, and supply references. The sponsors set up a management assistance division, which employed consultants to supplement its internal marketing assistance efforts, to provide management, accounting, marketing, legal, and other assistance to borrowers.

Goals and accomplishments

The sponsors proposed to create at least 1,700 jobs during the first 4 years of the loan program by making loans to some 73 new and existing businesses. At the end of 5 years, only 356 jobs had been created by 51 firms which received loans during the first 4 years of the program. For the 2 years beginning July 1971, the sponsors reduced their goals, proposing to create 400 jobs by making loans to 60 businesses. At the end of the first year of the 2-year period only 34 jobs were created through loans to 8 firms.

The following tabulation summarizes by type the number of businesses aided by the program as of June 30, 1972, the number of successful businesses, and the number of jobs created and filled by Bedford-Stuyvesant residents

| | <u>Manufac- turing</u> | <u>Whole- sale</u> | <u>Retail</u> | <u>Service</u> | <u>Construc- tion</u> | <u>Total</u> |
|--|----------------------------|------------------------|---------------|----------------|---------------------------|------------------|
| Business aided | 18 | 2 | 23 | 21 | 12 | 76 |
| Less unsuccessful businesses | <u>7</u> | <u>1</u> | <u>3</u> | <u>5</u> | <u>1</u> | <u>17</u> |
| Businesses which created jobs | <u>11</u> | <u>1</u> | <u>20</u> | <u>16</u> | <u>11</u> | <u>59</u> |
| Number of jobs created | 104 | 9 | 143 | 45 | 89 | ^a 390 |
| Average number of jobs created per company | 9.5 | 9.0 | 7.2 | 2.8 | 8.1 | 6.6 |

^aDoes not include approximately 240 jobs, of which approximately 165 were created by unsuccessful businesses and approximately 75 jobs which were no longer in existence as of June 30, 1972.

Initially the sponsors made loans to businesses of many types--manufacturing, wholesale, retail, construction, and service businesses. Because a number of manufacturing businesses aided during the first 2 years of the program proved to be unsuccessful, the sponsors curtailed making loans to such firms after July 1969. After the policy change the sponsors emphasized loans to retail and service businesses, because they saw a need for them in Bedford-Stuyvesant.

Status of loans

Loans totaling \$3,634,000 were made to 76 businesses assisted under the program through June 30, 1972. The following table shows the balance of loans outstanding, the amount of repayments, credits for training unskilled workers, and writeoffs of uncollectible loans.

| | <u>Number of businesses</u> | <u>Amount</u> |
|---------------------------------------|---------------------------------|----------------------------|
| Total investment | 76 | \$3,634,000 |
| Less. | | |
| Repayments | 4 | ^a 291,000 |
| Training credits | 2 | ^b 386,000 |
| Writeoffs | <u>20</u> | <u>^c912,000</u> |
| | <u>26</u> | <u>1,589,000</u> |
| Balance outstanding, June 30, 1972 | <u>50</u> | <u>\$2,045,000</u> |

^aIncludes partial loan repayments by 29 additional businesses.

^bIncludes 16 additional businesses whose credits partially satisfied loans.

^cIncludes one loan, totaling \$14,645, written off after June 30, 1972.

Twenty-eight of the above businesses which had outstanding loan balances were delinquent in repaying loans 30 days or more; 21 of the 28 were delinquent more than 90 days. As of June 30, 1972, the sponsors collected interest of \$37,200 on the above loans. The program incurred

administrative costs of \$2,050,000 through June 30, 1972, in addition to the loan funds written off. These costs included those associated with attracting borrowers, loan processing, and management assistance to borrowers. About two-thirds of the costs were for salaries and fringe benefits.

PROGRAM MANAGEMENT

It appears that (1) program goals during the initial years of operation may have been unrealistic, (2) the sponsors' failure to adequately evaluate loan applications during the initial years of program operation may have contributed to the subsequent writeoff of loans, and (3) changes in program strategy--the shifting of emphasis from job creation to stimulation of business ownership and provision of services to area residents--prevented the creation of the anticipated number of jobs.

Unrealistic goals

At the outset of the program, the sponsors estimated that the loan program would create approximately 1,000 jobs in 2 years at an average investments per job of about \$2,000. The sponsors acknowledged that this forecast represented a personal judgment and that it was made without the benefit of experience either in Bedford-Stuyvesant or elsewhere in the United States. They stated that the forecast would be revised as experience might dictate.

Because actual job creation during the first 2 years fell far short of the goal and the average investment per job created greatly exceeded it, the sponsors reduced their goal to create 700 jobs during the next 2 years. During the second 2-year period, the number of jobs created again fell far short of the goal and the average investment was higher than planned. The sponsors further reduced their goal for the program's third 2-year period to create 400 jobs. The extent of these changes is shown in the following table.

| | <u>Goals</u> | | <u>Experience</u> | |
|------------------------|-------------------------|-------------------------------------|-------------------------|-------------------------------------|
| | <u>Jobs created</u> | <u>Average invest- ment</u> | <u>Jobs created</u> | <u>Average invest- ment</u> |
| July 1967 to June 1969 | 1,000 | \$2,000 | ^a 223 | \$7,138 |
| July 1969 to June 1971 | 700 | 4,286 | ^b 206 | 9,009 |
| July 1971 to June 1973 | 400 | 5,000 | ^b 34 | (c) |

^aJobs created as of June 1971. Does not include approximately 165 jobs created by businesses whose loans were written off. By June 30, 1972, approximately 75 of the 223 jobs were no longer in existence.

^bJobs created as of June 30, 1972.

^cNot available.

On the basis of previous experience data, it appears the sponsors should have reduced their goals even more. Some reasons for not reducing their goals may have been that

- the reduced goals were established before the close of the previous program period when job creation totals were incomplete,
- the adjusted goals may have reflected an anticipation of the benefits of learning from experience, and
- there may have been some continued optimism.

In our opinion, available evidence, the lack of a sound basis for the program's initial goals, and the sharp revisions found necessary by the sponsors indicate that the goals were unrealistically optimistic.

Also the experience of SBA indicates that the sponsors' goals were optimistic. For example, an SBA study of its 1971 community development and business loan programs disclosed that an average investment of about \$4,600 was needed to create a job. These programs involved not only disadvantaged areas like Bedford-Stuyvesant but also areas in which more favorable economic conditions might prevail

Evaluation of loan applications

We reviewed the sponsors' procedures for approving applications for selected loans, including several loans which had been written off. For five loans that were granted during the first 2 years of the loan program, the sponsors did not

- adequately evaluate applicants' personal qualifications, including training and experience;
- require applicants to develop marketing plans or strategy,
- investigate the validity of potential sales (which failed to materialize) listed in the loan proposals, and
- determine whether new products to be manufactured were sufficiently developed for production

In at least four cases, these deficiencies may have contributed to the failure of businesses to succeed and the subsequent writeoff of loans as uncollectible.

In December 1970 the sponsors created a joint economic development division, which developed revised procedures to assist in reviewing loan applications, as follows

- Reviewing and verifying information in the loan application, including an analysis of past and current financial statements of applicants and spot checks of applicant references
- Preparing a loan file, including the proposed operating and marketing plan
- Evaluating the operating and marketing plan

Sponsors' representatives informed us that the review of loan applications was substantially improved when the revised procedures were put into effect. On the basis of loan applications processed after December 1970, we concluded that the revised procedures were generally adequate and corrected most of the deficiencies noted above.

Changes in program strategy

The writeoffs of loans to manufacturing firms during the first 2 years of the program caused the sponsors to curtail such loans, with a corresponding increased emphasis on loans to retail and service businesses. Manufacturing firms, which employ more people and have more complex operations than retail and service businesses, also require a greater number of persons with management expertise. A shortage of such persons in Bedford-Stuyvesant appears to have contributed to the lack of success of the manufacturing firms aided under the program. Also, the sponsors pointed out that Bedford-Stuyvesant is primarily a residential area and that it needs more retail stores and service businesses.

Loans to retail and service businesses are generally smaller in amount and create fewer jobs than loans to manufacturing firms. Thus the strategy change has affected the direction of the program by shifting its emphasis from creating jobs to stimulating profitable business ownership and providing needed services to residents.

CONCLUSIONS

The loan program, aimed at creating jobs and providing residents with an opportunity to own businesses, fell far short of the sponsors' goals. While goals may have been somewhat unrealistic, the loan program nevertheless had a very limited impact on the economic conditions in Bedford-Stuyvesant and incurred high administrative costs.

Because Bedford-Stuyvesant is primarily a residential area, it may not be best to stress manufacturing business development. However, because the area lacks sufficient retail stores and service businesses to supply the needs of its residents, a program to meet such needs appears appropriate. Admittedly, this approach would not create the jobs that the sponsors have aimed at for the past 4 years, but neither has the original investment approach created the hoped-for jobs.

One purpose of Special Impact programs is to develop local entrepreneurial skills. The current trend of the loan program toward retail and service businesses should help to develop local entrepreneurial skills and provide needed services to residents.

PROGRAM TO ATTRACT OUTSIDE BUSINESS

To improve economic conditions, the sponsors, beginning in 1969, tried to attract commercial and industrial firms into Bedford-Stuyvesant to employ residents. They aimed to attract five companies, each with a minimum of 100 jobs, or a total of approximately 800 jobs. No outside businesses, assisted by Special Impact program funds, have moved into Bedford-Stuyvesant. Although OEO provided \$950,000 for the program, none of these funds were used by the sponsors. The cost of operating the program was defrayed by non-Federal funds.

The sponsors attempted to interest outside businesses by

- Identifying major manufacturing companies with labor-intensive operations
- Distributing a brochure to about 4,000 companies describing the advantages of locating in Bedford-Stuyvesant. The sponsors stated that they would help interested companies to locate plantsites, recruit their employees, and help arrange financing of facilities from available Federal sources. However, none of the companies were able or willing to locate in Bedford-Stuyvesant. Responses from many indicated either that they had no plans for expansion or that they planned to expand elsewhere.
- Identifying and, where necessary, acquiring, rehabilitating, or constructing suitable industrial space and recruiting manufacturing companies to use it. The sponsors identified about 2 million square feet of industrial space which was vacant or would soon become vacant in buildings varying from 20 to 80 years old. Also a firm of architects, engineers, and builders was employed to survey a number of buildings to (1) consider their potential for use by industries employing large numbers of persons, (2) estimate the expenses of upgrading and modernizing the facilities, (3) evaluate each building from the standpoint of the competitive real estate market, and (4) develop information that would be useful to a potential tenant.

The city of New York purchased a five-story industrial building identified by the sponsors with a gross area of 288,000 square feet to make it available for use and thus avoided the expenditure of Special Impact funds. The sponsors also identified two sites suitable for constructing new industrial space and obtained financing commitments contingent on obtaining leases.

- Developing a commercial center which will provide space for retail stores, entertainment facilities, a restaurant, a skating rink, and a community square. (See ch. 5)
- Beginning late in 1971 to concentrate on companies forced to relocate by urban renewal, the sponsors hoped to achieve greater success with such companies than they had had with companies without the need to relocate. The sponsors stood ready to absorb moving costs and to subsidize the training of recruited workers. As of June 1972 no companies in this category had been induced to move to Bedford-Stuyvesant.

The sponsors attributed the totally negative response by the companies contacted to the state of the economy in 1970 and 1971 and high New York City labor costs. However, the sponsors stated they are continually attempting to attract outside industry by visiting or consulting with various companies.

Although no outside businesses assisted by Special Impact funds have moved into Bedford-Stuyvesant, the following economic development activities were initiated since the advent of the Special Impact program.

- The International Business Machines Corporation located a plant in the area to manufacture and recondition connector cables for computers. The plant employs over 400 workers, 80 percent of whom live in Bedford-Stuyvesant.
- The Chemical Bank of New York and Consolidated Edison opened branch offices in the sponsors' headquarters building. (See ch 5.)

The sponsors also advised us that

- The Seaboard Surety Company has issued bonds for over \$3 million for a construction company owned by the sponsors
- The Chemical and First National City Banks have issued construction loans totaling over \$6 million for housing insured by the Federal Housing Administration (FHA) and \$4 million for a retail center. (See ch 5)
- Various New York banks have made loans totaling over \$5 million to companies owned and based in Bedford-Stuyvesant and have shown a willingness to review mortgages on uninsured or nonguaranteed housing and apartment renovations.

CONCLUSIONS

Though non-Federal funds were used to operate the program to attract outside businesses, the program still required sponsor effort and resources. Even though program objectives were highly motivated and were in line with Special Impact program goals, the various strategies employed by the sponsors failed to attract any businesses. However, the fact that several private firms have initiated economic development activities in Bedford-Stuyvesant indicates that these firms may have increased their confidence in the area because of the Special Impact program

CHAPTER 3

MANPOWER PROGRAM

Restoration established a comprehensive manpower program in January 1969 to recruit, counsel, and get jobs for unemployed and underemployed residents. The sponsor set a goal of 1,500 yearly placements in jobs or training opportunities for the 2-1/2-year period ended June 1971. Restoration reported 3,565 placements in jobs and training during this period. For the year ended June 30, 1972, the sponsor retained an annual goal of 1,500 but reported only 704 placements.

PROGRAM DESIGN

Before 1969 the sponsor's manpower activity had been limited to job creation and work training aspects of the economic development, housing, home improvement, and community facility programs. The manpower aspects of these programs are discussed in related sections of this report. OEO provided a total of \$726,000 to operate the manpower program from inception through June 30, 1972.

Also, the sponsor entered into an agreement for the period July 1967 through December 1969 with the Opportunities Industrialization Center of New York, Inc., a Department of Labor-funded manpower program, to provide prevocational and skill training. The Center retained control over program design and implementation and the sponsor's role was that of a fiscal agent for Labor. A total of \$2,336,000 was paid to the Center under this agreement. After 1969 the sponsor had no further involvement with the Center.

The sponsor's manpower program consisted of four basic elements:

- Developing jobs and training opportunities
- Recruiting individuals for temporary and permanent jobs, including those created by other Restoration and D&S programs, and referring them to organizations for training and subsequent job placement
- Counseling, both before referral and after placement

--Initially verifying placements and periodically following up, for 1 year, on individuals placed

Job development

The job development activity arranged for employers and training organizations to apprise the manpower program of job and training opportunities and authorize it to refer eligible individuals to fill such jobs or receive training. The activity was pursued both in the target area and in other parts of New York City, but chiefly in Brooklyn. Examples of such arrangements follow.

--Firms participating in the private business program were offered placement services

--The Brooklyn Chamber of Commerce agreed in October 1969 to make 600 jobs available annually. However, the Brooklyn Chamber of Commerce failed to meet its quota, providing only 769 jobs, of which only 242 persons referred by the manpower program were hired through June 1972

--Under an internal arrangement within Restoration, the manpower program recruited individuals for temporary employment renovating exteriors under the annual home improvement program (See ch. 4.) From July 1969 through June 1972, 1,173 such persons were recruited for the program.

The training organizations to which referrals were made provided both classroom and on-the-job training and placed trainees in jobs.

Recruitment

The program sought to attract recruits by placing posters in various parts of the community, mailing brochures to local organizations, and broadcasting spot announcements on the radio. In addition, four neighborhood centers--operated by Restoration to bring its programs closer to the community--publicized the program and referred individuals to it. Job applicants were directed to program headquarters, where they were screened and referred to jobs suitable to their backgrounds or to training programs. Employers reported on each referral, indicating whether a placement was made

The manpower program, under an agreement with Labor, also certified that individuals met income and other eligibility criteria for employment with various Brooklyn firms that participated in a manpower training program funded by Labor. The sponsor included those persons, eligible for the Labor program, in its reported job placement statistics, although it had not always recruited such individuals or referred them to employers.

Followup and counseling

A followup was made of each placement reported by an employer to verify the placement and to find out if any related problems had arisen. Subsequent followups were made for 1 year. Counseling was to identify and find solutions for any problems. It was provided to applicants at their initial screening before referral and when problems were disclosed by the followup process. In addition, counselors regularly visit certain employers with whom multiple placements have been made to deal with any problems.

Reported placements and referrals

From January 1969 through June 1971, about 8,000 persons sought employment through the manpower program. About 90 percent were referred to employers or training programs, of which 3,565 were reported as placed by the sponsor. Following is a breakdown of the 3,565 reported placements and referrals for job placement and training.

| | | |
|---|--------------------|---------------------|
| Job placement | | |
| Manpower program | ^a 2,192 | |
| Temporary work experience | | |
| Home improvement program | 921 | |
| Other | <u>189</u> | 3,302 |
| Referrals | | |
| For subsequent job placement by other organizations | 106 | |
| For training and subsequent placement | <u>157</u> | <u>263</u> |
| | | <u><u>3,565</u></u> |

^aIncludes about 990 persons certified as eligible for employment under the manpower training program funded by Labor, mentioned above; of these, about 390 were placed through the sponsor's manpower program. We did not determine the status of the remaining 600 persons who may have participated in the Labor program.

As noted above 921 of the reported job placements were made under the sponsor's home improvement program which lasted for approximately 5 months each year and provided a relatively short work experience for the majority of workers (See p 36) Also, the sponsor recorded as job placements approximately 600 persons who were not placed in jobs through the manpower program, although these persons may have participated in the Labor-funded training program

In addition, job placements, temporary work placements, and referrals were overstated To verify the sponsor's reported placements and referrals, we (1) sent questionnaires to employers of 100 randomly selected individuals reported as placed by the sponsor, (2) obtained information from one employer that, according to the sponsor, had hired 106 individuals for temporary jobs, and (3) sent questionnaires to various agencies which, according to the sponsor, had provided job placement or training to 100 randomly selected individuals

We received responses from employers relating to 74 individuals reported as placed in jobs and from various agencies relating to all 100 individuals reported as receiving jobs or training These responses plus subsequent followup by the sponsor showed that (1) for reported job placements, 14 individuals were not hired and no information was available for 2 individuals and (2) 21 individuals were not referred or there was no record of the individual being referred to jobs or training. Also information on the 106 individuals placed in temporary jobs showed that 63 of the reported placements were not made

The sponsor has stated that, because our review identified discrepancies in reported placements, the following controls have been initiated

1. All placements are to be verified by someone other than the counselor who made the placement
- 2 A referral and disposition form has been designed to facilitate employer response
- 3 A computerized manpower information system has been implemented to provide for more accurate and effective data

Our analysis also showed that 85 percent of the reported job placements were with employers in Bedford-Stuyvesant and other parts of Brooklyn and the remaining 15 percent in Manhattan. The employers indicated that some persons reported as placed were no longer employed by them, we did not ascertain their subsequent employment status because of the difficulty in locating them

Other Federal- and State-funded organizations, such as the Central Brooklyn Model Cities, Bedford-Stuyvesant Youth-in-Action, the Opportunities Industrialization Center, the New York State Employment Service, and a Labor-contracted Joint Apprenticeship Program, were active in Bedford-Stuyvesant and engaged in manpower activities similar to those under the Special Impact program. These organizations generally provided manpower training and placement as well as outreach, counseling, and job referral services

As shown in the schedule on page 23, the sponsor, during the 2-1/2 years ended June 1971, reported only 263 referrals to other agencies for job training and placement. Because of the limited number of referrals and the many individuals in Bedford-Stuyvesant needing manpower services, the sponsor should make greater efforts to increase referrals for job training and/or placement to other manpower programs

CONCLUSIONS

The sponsor reported that about 3,500 persons were placed through the manpower program, but we noted that (1) many of the placements were only temporary job placements which afforded a relatively short work experience and (2) job placements were overstated. We could not assess the impact of this program on the target area because of a lack of sufficient information as to the subsequent work experience of persons placed.

The manpower program offers a potential for job placements which may not have been fully realized. As previously noted, Bedford-Stuyvesant, as a part of New York City, is in an advantageous position compared with many other urban areas. It is connected by a mass transit system with various parts of the city, including the vast center of commerce and industry in neighboring Manhattan. Although New York City provides a potential source of employment,

most of the job placements have been with Brooklyn employers in the area surrounding Bedford-Stuyvesant. The sponsors should emphasize job placements in Manhattan and other parts of New York City.

BEST DOCUMENT AVAILABLE

CHAPTER 4

HOUSING PROGRAMS

The sponsors attempted to improve housing conditions in Bedford-Stuyvesant by (1) constructing new housing, (2) rehabilitating existing housing and establishing a home improvement program to renovate the exteriors of houses on selected blocks, and (3) establishing a program to enable residents to obtain home financing or refinancing or home improvement loans on reasonable terms. Restoration had primary responsibility for the housing programs, however, D&S was responsible for property acquisition and liaison with Federal and city agencies.

According to the 1970 census, Bedford-Stuyvesant had about 110,000 housing units, of which about 75 percent were built before 1940. A local Model Cities study showed that two-thirds of the houses in the area had deteriorated. Two community surveys also disclosed the need for large-scale housing improvements.

In mid-1969 the sponsors established goals to (1) develop 700 units of new and rehabilitated housing by June 30, 1971, and (2) achieve an annual production rate of 2,000 units by 1973. As of June 30, 1971, they had brought about 600 units into some stage of development (planning, construction, or completion). About 500 of these units were developed under the new construction program, but none were complete as of June 30, 1971. The remaining 100 units were being developed under the rehabilitation program, 54 of them were completed as of June 30, 1971.

As of May 1973, 1 new construction project of 52 units had been completed and 5 other projects to provide 1,180 units were being developed. As of April 18, 1973, 34 units were completed and about 550 units were being developed under the rehabilitation program. Also, by June 30, 1972, the exteriors of 2,230 houses had been renovated, providing work for 2,716 men. Mortgage loans, amounting to \$16.5 million, to 862 borrowers were made or committed as of March 1973.

From its inception through June 30, 1972, Special Impact program funds totaling \$3,722,000 had been expended or committed for housing construction and rehabilitation--

\$1,071,000 for program administration (personnel and support costs) and \$2,651,000 in investment funds

Investment funds were to be spent for land acquisition, architectural and legal services, and sometimes for construction. These costs were then usually recouped through sales or permanent financing. However, through June 1972 about \$104,000 of investment funds were not recouped, which eroded available funds. The Director of the housing programs stated that about \$60,000 was not recovered because properties which the sponsors had purchased and rehabilitated were sold for less than the cost of rehabilitation and property acquisition and that \$44,000 was lost because the cost of rehabilitating several buildings purchased from FHA exceeded the sales price of the property.

NEW CONSTRUCTION

The new construction program, begun in 1969, had the dual purpose of building low and moderate-income federally subsidized housing for Bedford-Stuyvesant residents and, over the long term, developing in Bedford-Stuyvesant the capability to plan and construct the housing. The sponsors adopted the following general policies to carry out the new construction program.

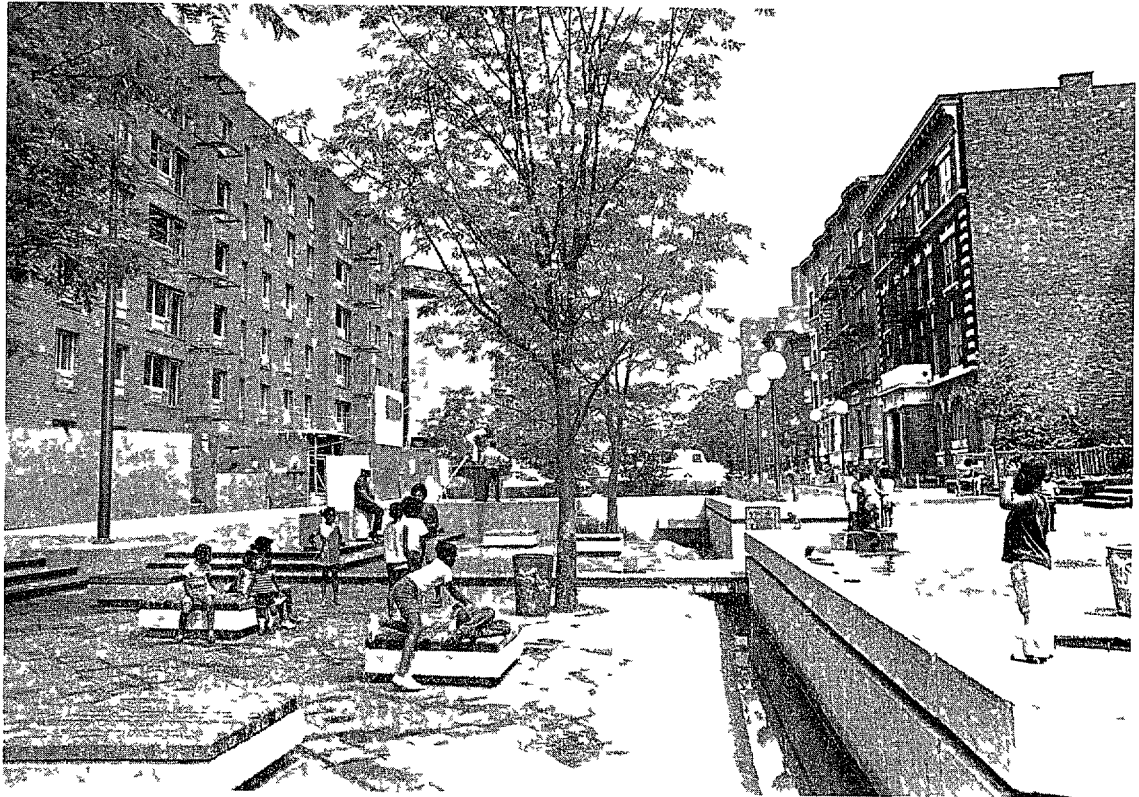
- Acquire land for new construction.
- Arrange for financing of construction costs
- Obtain an outside contractor or provide their own contractor. Local contractors were used as much as possible with the objective of developing minority-owned contractors.
- Assist in forming not-for-profit companies to manage newly constructed housing units

Program results

As of February 1972, one project, known as site A, was fully occupied. Two projects, sites 31 and 66, were under construction and three projects were being planned.

Site A

The 52 site A units were built on a street improved by the sponsors under a nonfederally funded program known as Superblock. The sponsors (1) hired a black architect, (2) obtained FHA financing, and (3) appointed their own subsidiary, Bedford-Stuyvesant Restoration Construction Corporation (BSRC), as the general contractor. At the same time, they reorganized BSRC, hiring an experienced black construction superintendent as construction manager and employing an out-of-town construction firm to advise BSRC on its internal management and to work with it during the estimating and construction phases of the project.



SUPERBLOCK PROGRAM--SITE A PROJECT ON LEFT

The sponsors aided BSRC in obtaining necessary bonding by providing capitalization of \$150,000, depositing \$200,000 in escrow, and agreeing to indemnify the surety company against losses. Construction, started in January 1971, was completed

in December 1971 at a cost of about \$1,250,000 The project was fully occupied in February 1972.

Site 31

The project provides for constructing 196 units in two buildings and is being sponsored jointly by Restoration and two fraternal organizations. The site was acquired with Model Cities funds and FHA financing was obtained for construction. Project costs were estimated at \$5 million. Construction, which began in November 1971, was delayed because of difficulty in finding a general contractor which could obtain bonding and agree to perform within FHA cost limitations. Two contractors who had been retained withdrew because they were unable to perform within those limits. Model Cities apparently resolved this problem when it agreed to absorb construction costs of \$200,000 in excess of the FHA limitation. Completion was scheduled for spring 1973.

Site 66

The project, estimated to cost about \$4 million, provides for constructing 138 apartments and an early childhood center which will provide a preschool orientation program. Acquisition of the site, which is adjacent to the sponsors' headquarters, was financed by the New York City Education Construction Fund. Construction, begun in May 1972 and scheduled for completion in winter 1973, is being performed with FHA financing by a joint venture of BSRC and an out-of-town construction firm.

Other projects

The sponsors are developing three other new construction projects to provide some 846 housing units. They have acquired land and developed plans but have not begun construction for the 94-unit Greene Avenue project. The remaining projects (St. Joseph and Myrtle Avenue sites) were in the design stage as of April 1973 and are expected to provide 752 housing units plus commercial and community space.

Program management

The construction of the various projects has been delayed somewhat by the many steps that must be taken before construction can begin, such as obtaining an architect, developing

working drawings, obtaining a contractor able to perform within cost limitations, and obtaining approvals from city and Federal authorities. The required approvals included approval from the New York City Housing Development agency on the number of housing units and the adequacy of parking facilities, the city building department, and reservation of funds and final project approval by FHA.

As noted previously the site 31 project was delayed because of difficulty in obtaining a contractor which could perform within the FHA cost limitation. Also, obtaining various Federal and City approvals was time consuming. Twenty months elapsed between June 1970, the date of the sponsors' initial action, and February 1972, when construction was completed on site A. Obtaining required approvals, such as FHA feasibility and commitment letters; an FHA permit to begin construction, and excavation, foundation, and building permits from the city took about 10 months.

Although the sponsors stated that the time consumed by the Federal and city agencies in processing approvals was the normal result of the requirements, it sometimes constituted unreasonable delays. The sponsors stated, however, that city and local agencies are now much more responsive.

The relative inexperience of the sponsors' staff in the overall management of the housing programs may have affected accomplishments. Although some individuals were employed who had expertise in certain program elements, such as property acquisition and construction supervision, the sponsors recognized that overall they had been unable to obtain sufficient experienced and competent architectural, engineering, and construction personnel. However, by mid-1971 they believed that they had gained sufficient experience to increase the scope of their program.

Although quantitative information was not available, it seems likely that the program has created some construction jobs for local residents. The program has also made it possible for the sponsors to employ their subsidiary to work, using local residents, on new construction projects.

REHABILITATION

The sponsors set up the housing rehabilitation program in August 1968 to engage in large-scale renovation of deteriorated dwellings within Bedford-Stuyvesant. Some interrelated objectives were

- To provide sound housing at reasonable prices.
- To prevent the further abandonment and decay of sound housing in Bedford-Stuyvesant.
- To create jobs for local construction workers.
- To sponsor development of local construction companies.

The sponsors adopted the following general policies to carry out the housing rehabilitation program.

- Acquire property suitable for rehabilitation.
- Arrange for financing of construction costs.
- Obtain an outside contractor or use BSRC as contractor.
- Assist in forming not-for-profit companies to arrange for the sale of rehabilitated properties.

Restoration also entered into a contract with FHA under which it rehabilitated FHA-owned dwellings. These properties were outside the target area, most of them were in East New York, which is adjacent to Bedford-Stuyvesant. Although the rehabilitation work varied, depending on the condition of each house, it generally included renewing walks, ceilings, and floors, restoring bathrooms and kitchens by installing new plumbing fixtures and appliances, and painting.

Identifying and inspecting properties, contacting owners, negotiating prices, and insuring that a clear title was obtained caused delays in the rehabilitation program. A sponsor official informed us that, as a result of these steps, acquiring 50 housing units could take up to 12 months. Rehabilitation was also delayed at the outset of the program because the work force included a large percentage of disadvantaged persons, with the sponsors' subsidiary, BSRC, acting as general contractor. Later, procedures were revised to employ outside contractors for these projects.

Since the policy of using private contractors for rehabilitation was adopted, the sponsors have employed 45 such contractors. Thrity-five have been provided with working capital loans or cash advances to assist their contract performance. Although there was no requirement, the contractors were urged to employ, to the extent possible, local minority workers and those who were unemployed or disadvantaged.

Of the 45 contractors, 40 were based in Bedford-Stuyvesant. The majority of the firms were black owned and others were partially black owned. We were unable to obtain information from the sponsors as to the number or percentage of minority, unemployed, and disadvantaged workers employed by the contractors under the rehabilitation program or the number of jobs created by the program.

HOME IMPROVEMENT PROGRAM

Program design

The home improvement program, established in 1967, was designed to

- Launch a program which would be highly visible within the community.
- Renew community interest in property maintenance and improvement, by upgrading the exteriors of dwellings within the target area.
- Provide work experience for young men.
- Stimulate the creation of local home improvement companies.

Restoration was solely responsible for the program, which was carried on each year from July through November. The above objectives were to be met by improving the exterior of homes on selected blocks in the target area, using a work force recruited from Bedford-Stuyvesant. The sponsor hoped that some of the workers would form their own home improvement companies. Total expenditures of Special Impact program funds for the home improvement program from the inception of the program through June 1972 totaled \$2,675,000.

Program goals and results

The home improvement program was to renovate, over a 5-year period, the exteriors of 3,300 homes on 66 blocks and employ 1,564 men. During this period 2,716 men renovated 2,230 homes on 55 blocks.

Exterior renovation

The improvements included repairing and painting iron grills and railings, doors, window sashes and frames, and stoops and distributing new garbage cans. Most of the houses improved under the program had brownstone facades. Beginning in 1970 hallways of apartment buildings were painted on rainy days. Although significant improvements were noted, we were unable to determine to what extent homeowners had improved their property because of interest generated by the program.



EXTERIOR RENOVATION WORK



EXTERIOR RENOVATION WORK

To insure fairness Restoration selected blocks by lot because most homeowners wanted to participate in the program. A block was eligible for the program if it had a block association and 50 percent of the landlords agreed to pay \$25 for the cost of materials and (1) had not been designated for urban renewal or other housing programs, (2) contained no more than a specified number of apartments, commercial or abandoned buildings, or vacant lots, or (3) had no buildings whose improvement would be hazardous to workers. From 1967 through 1971 Restoration improved an average of 11 blocks annually. At the end of 1972 there was a backlog of 116 blocks eligible for the program because they had applied but had not been previously drawn for participation.

Work experience

Workers were recruited by means of newspaper, radio, and sound truck advertisements, door-to-door canvassing, and referrals by other community organizations. Supervisors possessing required skills were also hired. All new workers were given orientation. The sponsor provided counseling for workers having problems during, and at the completion of, the program.

The workers received a relatively short work experience, as shown by the following table.

| <u>Number of weeks worked</u> | <u>Number of workers</u> | <u>Percent of total workers</u> |
|-------------------------------|--------------------------|---------------------------------|
| Less than 1 through 5 | 1,406 | 57 |
| 6 through 10 | 679 | 28 |
| More than 10 | <u>379</u> | <u>15</u> |
| | <u>2,464</u> | <u>100</u> |

The number of workers recruited reached 1,100 in 1968 but declined to 604, 306, and 252 in calendar years 1969, 1970, and 1971, respectively. Although the annual renovation rate remained relatively constant, the Director of the home improvement program stated that there were significantly more hires in some years than in others because of high turnover resulting from large numbers of workers leaving to return to high school, as encouraged by the sponsors, and because workers left due to a lack of motivation or to accept other employment.

Home improvement companies

Program participants formed six home improvement companies--five were formed by supervisors and one by a worker. However, as of June 1972, none of these companies were still in business.

MORTGAGE POOL

Program results

Before 1968 Bedford-Stuyvesant residents had difficulty obtaining adequate financing to purchase homes and homeowners could not refinance mortgages or get home improvement loans on reasonable terms. Because residents and homeowners were unable to obtain bank loans and were forced to pay high interest rates to private lenders, the sponsors established a mortgage pool in May 1968 through the cooperation of some 80 banks and insurance companies in the New York City area. Pledges of \$65 million for FHA-insured loans were received to enable area residents to obtain home financing or refinancing or home improvement loans on reasonable terms. Specific goals for fund use were not set, but as of March 1973, \$16.5 million in loans to 862 borrowers were made or committed. The Restoration Funding Corporation, established by the sponsors, operates the mortgage pool. Special Impact funds were used to defray administrative expenses of \$412,000.

Program operation

Mortgages were for periods not exceeding 30 years at varying interest rates. To be eligible for financing through the mortgage pool, applicants under FHA requirements had to have annual incomes in excess of one-half of the amount of the mortgage, be able to make a downpayment of from 3 to 10 percent of the purchase price, pay for closing costs (between \$600 and \$2,000), and be employed. Also, applicants were required to pay a fee of 1 percent of the mortgage amount to Restoration Funding Corporation. Interest rates charged on mortgages closed or committed through March 1973 ranged from 7 to 8.5 percent. For the past 15 months the interest rate has been 7 percent.

The sponsors advertised the program through radio, television, and newspaper advertisements, door-to-door literature distributions, and presentations before various

community organizations and hoped that real estate brokers would refer clients to the program. As a result of the above efforts, between 25 and 50 applications for mortgages were received a month. About 85 percent of the applications were for refinancing mortgages or home improvement loans, the remaining applications were for new mortgages to finance the purchase of homes. Processing an application took 6 to 8 weeks and included obtaining information needed to obtain an FHA commitment, executing documents for FHA and the lending bank, and inspecting property for the bank.

About one-half of the applications were rejected or withdrawn, chiefly because of structural defects in the property which had to be repaired or improved before a mortgage could be obtained. Arrangements were made with FHA to facilitate mortgages in such cases by insuring loans to make repairs or improvements and, at the same time, make a mortgage commitment.

The sponsors attributed the failure to use a greater portion of the available mortgage funds to several factors.

1. The sponsors' staff was not experienced in processing mortgages.
2. At the outset of the program, advertising was not effective.
3. Real estate brokers did not refer their customers to the mortgage pool because they had no financial incentive to do so.

However, the sponsors have gained experience and have taken actions to alleviate these problems by increasing advertising significantly and by developing a plan whereby a fee will be paid to brokers who bring applications for the refinancing of mortgages to Restoration.

CONCLUSIONS

The goals of the new construction and the housing rehabilitation programs have been met to a limited degree, but, because few units have been completed, the programs have thus far had a relatively small impact on Bedford-Stuyvesant's housing problems. Although there was visible evidence of

improved housing conditions we could not determine how this revitalization will psychologically affect residents and thus act as a deterrent to further abandonment and decay of existing basically sound housing.

Limited progress has been made by the housing programs thus far primarily because of factors beyond the sponsors' control, such as (1) the many approvals which must be obtained and the red tape involved in granting such approvals and (2) the difficulty in finding contractors that would perform within FHA cost limitations. Also the sponsors' inexperience in operating a housing program may have affected program accomplishments.

Although quantitative information was not available, it seems likely that the housing programs have created a number of construction jobs for local residents. Moreover, the programs made it possible for the sponsors to employ their subsidiary, BSRC, which provided jobs for residents in new construction and rehabilitation work. Further, they have encouraged existing local and minority-owned construction companies by awarding renovation contracts to them whenever possible.

The sponsors should, in the future, be able to accelerate the production of completed housing units, since some of the above difficulties will already have been largely overcome for initiated projects and they will have gained the needed experience for managing housing programs.

The sponsors have launched a highly visible program in the community by upgrading the appearance of a substantial number of Bedford-Stuyvesant dwellings. The large number of block applications indicated wide community interest in the program, however, we could not determine to what extent it had induced homeowners to improve their property.

The mortgage pool has allowed over 800 property owners to obtain FHA-insured financing. Although the effectiveness of the program may have been reduced because of staff inexperience and ineffective promotional efforts, the elimination of these factors has improved the program's outlook.

CHAPTER 5

COMMUNITY FACILITIES

The sponsors initiated a community facilities development program in 1967 to provide commercial, cultural, social, and other services to residents. By June 1972 the sponsors had substantially renovated a building to be used as project headquarters, a community center, and rentable office space, had begun construction of a retail center, and had made plans for day-care centers.

PROGRAM ACCOMPLISHMENTS

Project headquarters, community center, and rentable office space

In 1967, primarily to provide a community facility, the sponsors began to renovate the former Sheffield Farms milk-bottling plant, a six-story structure with 100,000 square feet of floor space. The project's secondary objective was to provide work for residents who would be hired along with skilled craftsmen to complete the renovation

The sponsors acquired the Sheffield building for \$300,000 and estimated that the renovation would be completed in about 18 months for about \$2 million. The sponsors appointed BSRC as general contractor and employed inexperienced residents for much of the work. For the remaining work, they employed local and, where necessary, other firms as subcontractors. Residents were employed directly by BSRC for demolition, plumbing, brickwork, carpentry, and interior-finishing and concrete work, experienced supervisors gave them on-the-job training. A local subcontractor did the electrical work, while outside companies installed elevators and air-conditioning.

The building was completed in 4-1/2 years at a cost to the Special Impact program of about \$3.7 million, including \$70,000 for training residents in construction. Non-Federal funds defrayed additional costs of \$592,000. Through June 30, 1972, the Special Impact program defrayed operating costs of the Sheffield building of \$672,000.

Sponsor officials stated that, because of the following factors, the costs of renovating the Sheffield building increased and completion and occupancy were delayed

- 1 Unforeseen structural deficiencies in the building had to be corrected to insure safety
2. The sponsors were inexperienced contractors and the goal of training workers in construction not only increased costs but delayed the project
- 3 Labor and material costs increased significantly in the New York City area
- 4 An elevator strike occurred in New York City

The building provides space for offices of the sponsors, a theater to be used for dramatic productions and community activities, and office space for businesses which are providing services to Bedford-Stuyvesant. The sponsors occupied the upper four floors of the building in March 1971. As of April 1973 the building's occupants included a large New York City bank, an insurance company, a newspaper company, a legal services organization, a utility company, a drug addiction center, and two subsidiary corporations of the sponsors.

Other community projects

To offset the economic decline caused by the abandonment of local retail establishments, the sponsors planned a major commercial complex. The project will provide more than 200,000 square feet of space for retail stores, entertainment facilities, a restaurant, a skating rink, and a community square. Construction began in mid-1972 and is expected to be completed in 1974.

The construction cost of the retail center was estimated at over \$4 million. Funds will be provided primarily by a nonprofit foundation with additional financing by the Special Impact program and commercial banks. Through June 30, 1972, the sponsors had invested \$1 million of Special Impact funds in the retail center, primarily for land acquisition.

The sponsors also developed and obtained approval from New York City for 5 day-care centers to handle more than 900 children, including children of mothers who need freedom for employment or training. However, as of April 1973, plans for two of the five centers have been abandoned. A sponsor official stated that construction funds for day-care centers are being sought from commercial banks and the New York State Youth Facilities Fund and that New York City had agreed to defray the operating expenses of the centers. It is anticipated that Federal funds will be used only for administrative support and possibly for project development costs. No Federal funds, except for the salaries of two individuals who planned the day-care center program, have been used as of April 1973.

CHAPTER 6

AREA PUBLIC SERVICES

The sponsors believed that the support and participation of the community were necessary for the Special Impact program's success. They viewed the lack of community involvement as responsible for a negative response to previous programs with similar objectives.

To foster involvement the sponsors questioned residents to determine what they thought were their most serious problems. They also opened a series of neighborhood centers, staffed primarily by local residents, to help residents solve problems related to public services and to maintain regular contact with the community. In addition, the sponsors established a program-planning unit.

PROGRAM OPERATION

Funding

The Special Impact program furnished financial support for the area public services program by providing funds for (1) personnel and support costs incurred by the sponsors in operating the program and (2) use in starting programs conceived and developed by the program-planning unit. Through June 30, 1972, the Special Impact program had defrayed \$2,920,000 in personnel and support costs, of which \$1,550,000 was for operating neighborhood centers. Of \$225,000 earmarked for new programs of the planning unit, \$204,000 had been committed through June 30, 1972, to program areas--such as health, housing, and cultural programs--and is expected to be recouped when sponsors are found to assume operations of the programs.

Survey of community attitudes

In the summer of 1967, under the sponsorship of Restoration and the direction of the Center for Urban Education, 80 residents surveyed the social, economic, and physical conditions in the target area, after they were trained in basic survey techniques.

The survey covered 3,075 households on such things as housing conditions, rents, home ownership, employment,

income, and community problems. As the residents saw it, the major problems of Bedford-Stuyvesant were housing, employment, and education. Although this was not surprising, the survey's summary of findings pointed out that the survey demonstrated that it was feasible to have residents rather than outsiders conduct such surveys and that the community was aware of its problems. Also the survey made the Special Impact program visible within the target area during its early stages. Later 16 of the residents who made the survey received 10 months of training in community planning. They then staffed the first two neighborhood centers.

Neighborhood centers

Under the direction of a small headquarters staff in its Area Development Division, Restoration opened five neighborhood centers, each with a staff of 10 persons. Two were opened in April 1968 and two in January 1971. Another center was opened in December 1972. Generally, the staffs at the centers were available to assist residents from 11 a.m. to 7 p.m.

The neighborhood centers fulfill a variety of purposes:

- Provide outreach for other programs of the sponsors, such as manpower, housing, and private business development
- Distribute literature on Restoration programs and on other area community development activities.
- Coordinate programs with public and private agencies.
- Work with block and tenant associations.
- Implement certain short-range community action programs.
- Assist residents with other problems related to area public services.

Although all centers provide many services, each specializes in certain types of programs to preclude duplication in administration. At the time of our review, the centers' specialties were

- Cultural affairs and education.
- Health and social services.
- Youth development.
- Housing and sanitation

As an example of center specialization, the center involved with health activities has implemented several short-range programs designed to detect health deficiencies in area children. During an 8-month period the center provided (1) 305 hearing tests, (2) 395 vision tests, (3) 506 screenings to detect lead poisoning, and (4) 310 screenings for sickle cell anemia and referred 918 individuals to neighborhood health centers.

Planning activities

Beginning in late 1969, a unit was formed within D&S to plan programs, in conjunction with Restoration's Area Development Division, to attack problems arising from the failure of public services to function satisfactorily in Bedford-Stuyvesant. The problem areas included health, education, housing, sanitation, and recreation. In addition to identifying, analyzing, and researching existing problems, the group prepared program proposals, sought alternative sources of funding, and provided help during program implementation.

About 24 long-range and 23 short-range programs were considered through June 30, 1972. The program-planning unit determined, in conjunction with the neighborhood centers, which programs would be implemented. Their implementation depended on (1) how quickly they could be phased into the neighborhood center operation and (2) the availability of funds.

Generally the short-range programs (see items 1 through 4 above for examples of programs) could be implemented through one of the neighborhood centers whereas the long-range programs needed additional staff and funding.

Of the 24 long-range programs, 14 were in various stages of development and 10 were completed--sponsors had been found to continue them--by June 1972. Completed programs included

- a summer theater for young people,
- a program to rehabilitate ex-offenders,
- an experimental reading and mathematics program,
- preparation of a guide booklet to Bedford-Stuyvesant explaining the sponsors' programs and other community services, and
- a children's library in a housing project

Examples of long-range programs under development included programs for a housing project and center for senior citizens, a program for developing a sanitation company, and a teaching program on health services.

CONCLUSION

The area public services program achieved its objectives of involving the community in program planning and implementation, maintaining contact with the community, and analyzing and developing solutions to problems related to public services. The neighborhood centers helped make the sponsors' programs available to Bedford-Stuyvesant residents

CHAPTER 7

SCOPE OF REVIEW

We made our review primarily at Restoration and D&S, which jointly administered the Bedford-Stuyvesant Special Impact program, and at OEO headquarters in Washington, D.C. We covered the activities of these corporations from July 1967 to June 1972.

To evaluate the program results and efficiency in administering the Special Impact program, we reviewed legislation and Federal agencies' policies and procedures relating to the program, examined records on various economic development projects initiated under the program, reviewed program audit reports and evaluations, visited project sites, and interviewed program participants, representatives of local businesses and industry, and officials of local poverty agencies

OFFICE OF ECONOMIC
OPPORTUNITY

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D C 20506

June 14, 1973

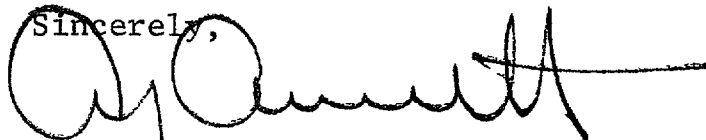
Mr. Morton E Henig
Associate Director
Manpower and Welfare Division
U. S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Henig

Thank you for the opportunity to provide commentary by OEO staff members on the draft report titled "Economic Development Programs Initiated in Bedford-Stuyvesant, Brooklyn, New York, under the Special Impact Program, Office of Economic Opportunity".

If additional information is required, please contact Mr. Morgan Doughton, Acting Associate Director for Program Evaluation.

Sincerely,

A handwritten signature in black ink, appearing to read "Alvin J. Arnett", with a long horizontal stroke extending to the right.

Alvin J. Arnett
First Assistant Director

Enclosure

APPENDIX I

OEO Response to GAO Draft Report
On the Economic Development Programs Initiated in
Bedford-Stuyvesant, Brooklyn, New York under the
Special Impact Program, Office of Economic Opportunity

General Comments

We appreciate the timeliness and thoroughness of this report. It should be of particular use to the Department of Commerce's Office of Minority Business Enterprise if they assume responsibility for the operation of the Special Impact Program.

However, we believe a number of statements need to be expanded for clarity and to show more accurately the impact of your findings. For example, the last paragraph of page 3 makes the conclusion that the program helped residents of the area by initiating new housing developments, renovating residences, etc. This paragraph would be more meaningful if you would indicate the degree of assistance provided in general quantitative terms, e.g. few, some, many.

Following are additional comments to various sections of the report which, in our opinion, could be used to more accurately present the results of the GAO review.

Private Business Program

[See GAO note 1, p. 54.]

In addition, the second to last sentence of page 5 refers to "a number of private firms", which is unnecessarily vague.

The last line on page 21 starts by saying, "During this period " Could you please clarify what period is intended--one year or 1969-72? There are several such references throughout.

[See GAO note 1, p. 54.]

Manpower Programs

The first paragraph on page 6, which discusses employment placements, needs a frame of reference. For example, the number of unemployed and underemployed in the Bedford-Stuyvesant area probably approximates 20,000 or more and is being regularly fed by many entering the labor market. Therefore, the placement rate by the Corporation is probably not by itself making a dent in the problem.

At the bottom of page 14, we believe it is worth noting that the unemployment rate in the community probably is higher than the official count. We would also hope that the unemployment rates for 1972 can be entered in the chart shown on page 17. Furthermore, it would be valuable to note, toward the end of page 17, that the New York City economy shows signs of erosion, regardless and independent of national economic trends. This erosion adds to the seriousness of Impact Area unemployment because in the city as a whole more people are pursuing the same, or fewer, jobs.

The end of the next-to-last paragraph on page 33, indicates that "A total of \$726,000 was expended to operate the manpower program through June, 1972." Is this cumulative, over several years? Does this refer only to OEO-provided monies, or does it also include (especially in this instance) monies from the Department of Labor, Ford Foundation, etc.?

We believe that the major discrepancies you uncovered in the Corporation's job referral and placement data, described in your draft make it appropriate to enter just before the tabulation on page 38 a statement saying that the data has been found to be exaggerated. We suggest this because of the surprising differences you have identified between claimed and actual rate of job placement as set forth on pages 39 and 40.

[See GAO note 1, p. 54.]

APPENDIX I

Housing Programs

We would suggest that the bottom paragraph of page 6 should have a sentence added, if you agree, "yet one doubts that this rate of renewal and building offsets more than a part of the rate of housing decay "

We suggest revising the sentence on page 7 which begins "Roadblocks to greater progress ", and then explains that the slow rate of development to the organization's mortgage process "resulted primarily from factors beyond the sponsors' control " The problems the sponsors had with the external factors you describe (lengthy federal and city approvals, difficulty with contractor costs) also reflect to some degree the final reason given--"in-experience of the sponsors" It therefore seems unnecessarily generous to suggest that the lag in this program was "primarily from factors beyond the sponsors' control "

We disagree with the inference on page 15 that housing deterioration is just a function of below average income levels The area has a low rate of home ownership The area also reflects the malady common to many areas of our country--the emergence of irresponsible attitudes about property, the erosion of mutual assistance and respect, and the decay of citizen roles and responsibilities The issue is far deeper than mere income deficiency

The absence of mortgage capital, as mentioned on page 16, has not yet been solved by the grantees Granted, the Corporation has generated major institutional commitments But, the Corporation has yet to develop significant delivery which shows progress toward substantially increasing the ratio of home ownership in the area So far, most funds applied through this pool of commitment have been used to help existing owners re-finance under the lower interest rates the pool offers, and the process is a veneer of change

The rate of success by the Corporation in its new housing program and its home renovation program needs to be understood within the context of the size of the problem And judged by the size of the problem, the rate of success so far has indeed been regrettably small

For example, on page 42, you refer to a Model Cities study which showed that two-thirds of the approximately 110,000 area houses were severely or moderately deteriorated The 700 units of new and rehabilitated housing set as the first

W

year goal have significance and this goal is given perspective when seen as an annual rate of renewal of 1% of the existing number of deteriorated houses. Similarly, with the 2,000 unit goal for 1973.

We find your report on the background of the slow development of the mortgage program on page 59 most enlightening. One is prompted to suggest that the problems you have reported, such as the failure of brokers to refer prospects because "they had no financial incentive to do so" certainly represent problems which an alert corporation management should have foreseen and anticipated, and we suggest that a statement should be made on this page rather than attributing the problem to inexperience as your closing paragraph does. Throughout many of the activities of the grantees, inexperience on the part of the organization has resulted in substantial added expense to the taxpayer (and in slower, smaller benefits to the poor of the community), the organization must escape that syndrome by attracting management of superior caliber at all levels and by limiting its activities to those it truly has the capacity to effectively manage.

Community Facilities

On page 8 of the report, why were the structural deficiencies in the Sheffield plant "unforeseen"? Was the advance analysis of the buildings a deficient one? [See GAO note 2, p. 54.]

Area Public Services

The Corporation's two year budget includes \$1,366,000 for the neighborhood centers' direct operating costs. You state on page 8 that the centers are "staffed primarily by local residents." Since this bears strongly on a major issue surrounding the Corporation, that of the degree to which it effectively mobilizes self-help and mutual assistance among the citizens of the area, we wonder what your representatives may have discovered shedding light on the ratio between staff hours in these centers and volunteer hours. One would hope that the staff-volunteer ratio was 1-5 or higher, favoring the volunteer. Was that the case? [See GAO note 2, p. 54.]

Do you have any additional information to indicate on page 9 how many ex-offenders have been assisted? How many, effectively? [See GAO note 2, p. 54.]

The second paragraph on page 66 again refers to the operation of the neighborhood centers. Repeating the query we posed above, to what extent is the operation of those centers handled by staff versus volunteer? In gauging value, accessibility is one obvious measure. What are the hours? Are they open evenings, and weekends, especially, when the neighborhood people probably best can get to them? If the typical center has 400 staff hours available per week, do the volunteer hours approach 2,000? This should be a pivotal point of community involvement. Can you shed light on it as part of the report's objective of assessing the effectiveness of operations of this dual grantee? [See GAO note 2, p. 54.]

APPENDIX I

GAO notes

1. Material deleted pertains to comments on matters that did not concern the contents of this report or matters included in the report draft which have been revised in the final report. Page numbers in these comments refer to our draft report, not this final report.
2. As GAO did not develop information on these matters during its review, it cannot respond to the question raised in the comment.



THE ASSISTANT SECRETARY OF COMMERCE
Washington D C 20230

June 19, 1973

Mr Donald C Pullen
Assistant Director
General Accounting Office
441 G Street, N W.
Washington, D C 20548

Dear Mr Pullen.

This is in reply to your letter of May 5, 1973,
requesting comments on a draft report entitled
"Economic Development Programs Initiated in
Bedford-Stuyvesant, Brooklyn, New York, Under
The Special Impact Program, Office of Economic
Opportunity "

We have reviewed the comments of the Office of
Minority Business Enterprise and believe they
are appropriately responsive to the matters
discussed in the report

Sincerely yours,



Henry B Turner
Assistant Secretary
for Administration



U S DEPARTMENT OF COMMERCE
Office of the Secretary
Washington D C 20230

June 6, 1973

Mr Donald C. Pullen
Assistant Director
General Government Division
United States General Accounting Office
Washington, D C. 20548

Dear Mr Pullen

On May 5, 1973, you forwarded copies of a draft report to the Congress on the economic development programs initiated in Bedford-Stuyvesant, New York, under the Special Impact Program of the Office of Economic Opportunity, to Secretary Dent and to me. The Secretary has asked me to respond.

Legislation has been forwarded to Congress which, when enacted, will transfer the Special Impact Program from OEO to the Secretary of Commerce. Naturally, we are very much interested in this entire area, an area which in many respects is new to OMBE's traditional programs, and which in many other respects is similar. We are looking forward to the transfer.

Since the transfer has not yet been accomplished, we have no first-hand experience with or exposure to the economic programs initiated in Bedford-Stuyvesant, and we do not feel qualified to provide specific comments on the report.

You can be sure we will keep our copy of the draft report readily available for reference as we move further into the active administration of the Special Impact Program. I am sure it will be useful to the entire Department, and I thank you for forwarding the same.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alex Armendaris".

Alex Armendaris
Director
Office of Minority Business Enterprise

PRINCIPAL OFFICIALS OF THE
OFFICE OF ECONOMIC OPPORTUNITY
RESPONSIBLE FOR THE ADMINISTRATION OF
THE SPECIAL IMPACT PROGRAM

| | Tenure of office | |
|--|------------------|------------|
| | <u>From</u> | <u>To</u> |
| DIRECTOR | | |
| Alvin J. Arnett (acting) | June 1973 | Present |
| Howard Phillips (acting) | Jan. 1973 | (a) |
| Phillip V. Sanchez | Sept. 1971 | Jan. 1973 |
| Frank C. Carlucci | Dec. 1970 | Sept. 1971 |
| Donald Rumsfeld | May 1969 | Dec. 1970 |
| Bertrand M. Harding (acting) | Mar. 1968 | May 1969 |
| R. Sargent Shriver | Oct. 1964 | Mar 1968 |
| ASSISTANT DIRECTOR FOR COMMUNITY ACTION PROGRAMS (note b) | | |
| Theodore M. Berry | Apr 1965 | Sept. 1969 |
| ASSISTANT DIRECTOR FOR PROGRAM DEVELOPMENT (note c). | | |
| Theodore M. Jones (acting) | Aug 1972 | Oct. 1972 |
| Carol M. Khosrovi | July 1971 | Aug 1972 |
| Alfred H. Taylor (acting) | June 1971 | July 1971 |
| Joseph P. Maldonado | Aug. 1970 | June 1971 |
| Marvin J. Feldman | Jan. 1970 | Aug 1970 |
| Robert Perrin (acting) | Sept. 1969 | Jan. 1970 |
| ASSOCIATE DIRECTOR FOR ECONOMIC DEVELOPMENT: | | |
| Louis Ramirez | Oct. 1972 | Present |

^aOn June 11, 1973, the U.S. District Court of the District of Columbia ruled that Mr. Phillips was illegally holding this position. One June 26, 1973, Mr. Alvin J. Arnett was appointed Acting Director.

^bIn September 1969 this position was terminated and responsibility for the Special Impact program was transferred to the Office of Program Development.

^cIn October 1972 this position was terminated and responsibility for the Special Impact program was transferred to the Office of Economic Development.

Copies of this report are available at a cost of \$1 from the U S General Accounting Office, Room 6417, 441 G Street, N W , Washington, D C 20548 Orders should be accompanied by a check or money order Please do not send cash

When ordering a GAO report please use the B-Number, Date and Title, if available, to expedite filling your order

Copies of GAO reports are provided without charge to Members of Congress, congressional committee staff members, Government officials, news media, college libraries, faculty members and students

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE \$300**

**POSTAGE AND FEES PAID
U S GENERAL ACCOUNTING OFFICE**



**SPECIAL FOURTH-CLASS RATE
BOOK**