Welcoming remarks to the 2006 National Community Reinvestment Conference
Green Valley Ranch, Las Vegas
By Janet L. Yellen, President and CEO of the Federal Reserve Bank of San Francisco
For delivery on Monday, March 20, 2006, 9:10 AM Pacific Time, 12:10 PM Eastern

Good morning. I'm Janet Yellen, President and CEO of the Federal Reserve Bank of San Francisco. On behalf of the San Francisco Fed and our co-hosts, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, I'm delighted to welcome you to Las Vegas and to the 2006 National Community Reinvestment Conference.

This is actually the second time we've held this conference in Las Vegas. The last time we were here was in 1998, and the city has grown significantly in the last eight years. Back then, there wasn't an Eiffel Tower in the middle of the Strip.[1] But there were already signs of community development pressures as a result of the region's rapid growth. Since 1998, these pressures have only increased. The poverty rate in the region has increased, and the income gap between rich and poor has grown.[2] At the same time, house values have skyrocketed, and while this growth has had benefits for the local economy, it has also made the area less affordable to low-income families.[3]

This "tale of two cities" highlights the need for community development, and its role in ensuring that low-income families and neighborhoods benefit from macroeconomic growth. When we hosted our first community reinvestment conference in the early 1990s, it was focused primarily on educating banks about the Community Reinvestment Act. In the past year and a half, the regulatory agencies have issued major revisions to the CRA, and, as before, one of the goals of this year's conference is to help you to understand the new regulations and provide you with information on how to meet your CRA obligations.

But this conference is about more than just the letter of the CRA. It's also about finding innovative solutions to the community development challenges facing fast-growing places like Las Vegas, older cities like Detroit, and rural areas like California's Central Valley. Everyone in this room has made a commitment to expanding opportunity for low-income families and to revitalizing low-income communities. So while the details of the CRA regulations are important, the main objective of this conference is to give you the

---

[1] The Paris hotel was built in 1999.

[2] Peter Fronczek (2005) *Income, Earnings, and Poverty from the 2004 American Community Survey*. U.S. Bureau of the Census: American Community Survey Reports ACS-01. The poverty rate in Clark County increased from 9.9 to 12.7 percent between 2000 and 2004. Data from the American Community Survey also show a drop in the median income and a larger proportion of families earning less than $25,000 between 2000 and 2004. A study by the Center on Budget and Policy Priorities showed that income inequality in Nevada increased between 1990 and 2000. Unfortunately, the lack of annual data at the local level makes it difficult to estimate exactly how much change there has been between 1998 and 2006, but interviews with local nonprofits support this assessment.

[3] National Association of Realtors (2006). Quarterly median house price data, 1998-2005. The data show that house prices in Las Vegas have gone up 151 percent between the first quarter of 1998 and the last quarter of 2005.

chance to focus on the underlying goal of your work and to share challenges and best practices with your colleagues in the community development field.

In my remarks today, I would like to reflect on the ways in which the community development field has changed since the urban renewal programs of the 1950s and 60s. This history demonstrates the tremendous capacity for the field to adapt and to find more effective ways of serving low-income families and communities, while at the same time reminding us that neighborhood poverty is not something that is easily solved.

To give us a framework for understanding the history of community development, I'd like to talk about New Haven, Connecticut, because the urban renewal efforts coincided with my own time there as a graduate student. I moved to New Haven in the late 1960s to study economics at Yale University. I was drawn to economics, not, as you might think, as a result of an early fascination with interest rates, but because I wanted to understand the underlying causes of the Great Depression. At its peak, the number of unemployed during the Great Depression stood at over 13 million people.[4] To put that number in perspective, there were nearly twice as many unemployed workers during the Great Depression as there are today, even though our population has more than doubled.[5] My passion for economics—and for my job at the Fed—stems from the belief that monetary policy is an important tool that can be used to minimize the likelihood of such an event happening again, and to minimize the suffering that an economic downturn can inflict on American families and neighborhoods.

When I arrived in New Haven in 1967, the city was at the tail end of one of the most massive and ambitious urban renewal projects in the country. Between 1954 and 1967, the city spent more than 27 million dollars in federal grants to completely rebuild the downtown area—twenty times more per capita than what New York City spent over the same period.[6] Dilapidated tenement buildings were replaced with modern high-rise apartments. Small commercial streets were converted into shopping malls. And neighborhoods were flattened to build freeways linking downtown to the growing suburbs. The city's mayor proclaimed that urban renewal would "make New Haven the first slumless city." President Johnson's Secretary of Labor called New Haven's redevelopment efforts "the greatest success story in the history of the world."

The success story was short-lived, however, and by the time I arrived in New Haven there was already evidence of the negative impacts of urban renewal on the city and its residents. By 1967, more than 20 percent of New Haven's population—about 22,000

---

[4] Estimates of the number of unemployed during the Great Depression fall between 13 million and 15 million people. The 13 million figure is from R.W. Hafer (2005). *The Federal Reserve System: An Encyclopedia* (Wesport and London: Greenwood Press), p. 176.
[5] *Fifteenth Census of the United States: 1930; Population Volume II: General Report/Statistical Subjects,* Washington: US Government Printing Office, 1933, Page 25. The population of the U.S. has gone from 122,775,046 in 1930 to 281,421,906 in 2000. The unemployment level in February 2006, as reported by the Bureau of Labor Statistics, was 7.2 million.
[6] Douglas W. Rae (2003) *City: Urbanism and its End.* New Haven and London: Yale University Press, pp. 324, 353

people—had been displaced to new neighborhoods.[7] More than 2,000 small businesses in the downtown area were also dislocated.[8] The city's low-income families, particularly African-American households, were increasingly concentrated in mammoth public housing projects like Elm Haven.[9] And the newly built freeways ripped through the urban fabric of the city, isolated neighborhoods, and contributed to the exodus to the suburbs. Rather than creating the first slumless city, efforts at urban renewal in New Haven had unintended consequences, creating neighborhoods with high levels of concentrated poverty, unemployment, and crime.

Our understanding of the principles underlying effective community development has evolved considerably since 1967. A couple of years ago, I had the opportunity to return to New Haven and to visit Monterey Place, a HOPE VI project located near Yale University.[10] Rather than monolithic brick buildings that characterized the Elm Haven public housing project, Monterey Place consists of a mixed-income community with townhouses designed to mimic traditional New England architecture. The development, funded by a mix of public and private dollars, is managed not by the Housing Authority but by a private company. There are efforts to link the community to the neighborhoods surrounding it, and several of the units offer homeownership opportunities for low-income families. The development also includes a new public school and a community center that offers social services and classes to local residents.

The contrast between the urban renewal programs of the 60s and HOPE VI encapsulates how much approaches to community development have changed in the last forty years. Let me highlight just four of those changes.

The first major change has been in the field of community development finance, evidenced by the diversity of institutions and organizations that are represented in the audience today. Whereas early efforts at urban renewal were funded largely by centralized federal grants, today's community development projects are more likely to be financed by a combination of public and private dollars. The Low Income Housing and New Markets Tax Credit programs, for example, both reflect a shift in the federal government's role in community development. Instead of providing funds directly to neighborhoods, these programs encourage private investment by offsetting risk through tax incentives and credit enhancements. The community development finance field has become extremely innovative in the way it secures both equity and debt financing, and has brought a much wider range of investors, lenders, and funders to the table.

The second major change has been the shift away from building large public housing developments like Elm Haven in New Haven or Cabrini Green in Chicago. Research has documented the social and economic benefits associated with de-concentrating poverty,

---

[7] Rae (2003), p. 339.
[8] Rae (2003), p. 343.
[9] Rae (2003), p. 383.
[10] The New Haven Housing Authority received a $46 million HOPE VI grant to demolish and redevelop Elm Haven. Over a 12-year period, the 805 units at Elm Haven were replaced with approximately 600 units, of which 400 are low-income rentals.

whether by helping families re-locate to higher income neighborhoods or by building new mixed-income developments in the place of distressed public housing.[11] On balance, programs like HOPE VI have sparked significant improvements in formerly distressed neighborhoods.[12] These neighborhoods have seen declines in crime and unemployment, and increases in neighborhood income, property values, and private investment.

The third major change has been a renewed emphasis on developing comprehensive approaches to solving neighborhood poverty—strategies that go beyond rebuilding the "bricks and mortar" of the community and that focus on expanding opportunity for low-income families. In New Haven, for example, urban renewal replaced dilapidated homes with new buildings, but it did not address other needs like employment opportunities for displaced factory workers. As some of the sessions in the conference will illustrate, there is a better understanding of how to develop holistic approaches to meeting residents' needs by supporting entrepreneurs, providing job training, offering asset building products, and facilitating transportation and child care.

The final change, and perhaps the most important, has been the recognition that resident participation is vital to the success of any redevelopment effort. In New Haven, the renewal task force did not include any affected residents or businesses, and in the words of one federal official, "the community was seething" at what they perceived to be a complete disregard for their well-being.[13] Today's community development efforts are much more likely to involve residents in the planning and design of their community, encompass a wide range of community groups and partners, and build on local economic priorities and assets.

These changes in the community development field have fundamentally altered the theory and practice of neighborhood revitalization, and there is evidence of the success of these efforts in many communities across the United States.

But, the lessons from the past should also caution us against thinking that there are easy solutions to neighborhood poverty. Even the elements of successful community development that we are talking about at this conference are difficult to implement well. For example, building mixed-income communities—as with HOPE VI—has promoted economic growth and has revitalized a number of distressed neighborhoods. But it has also led to an overall reduction in the number of subsidized rental units for low-income residents, at a time when demand for affordable housing is growing. Moreover, these efforts often displace residents from communities where they have established strong social networks. Are there better ways of revitalizing neighborhoods that don't involve

---

[11] For a review of the research findings from the Gautreaux and Moving to Opportunity Demonstration projects, see Bruce Katz (2004). *Neighborhoods of Choice and Connection: The Evolution of Neighborhood Policy and What it Means for the United Kingdom*. The Brookings Institution: Washington, D.C.

[12] Susan J. Popkin *et al.* (2004). *A Decade of HOPE VI: Research Findings and Policy Challenges.* The Urban Institute: Washington, D.C.

[13] Rae (2003), p. 350. See pages 351-357 for a more detailed discussion on the lack of resident participation in urban renewal and its consequences.

resident displacement? What new financing tools or programs are needed to provide for a wider range of affordable housing options?

Similarly, while taking comprehensive approaches to neighborhood poverty and engaging residents are critical to sustainable community development efforts, they also require significant time and resources. Research on comprehensive community initiatives shows that the process of community building and revitalization can take decades. How do you reconcile this long-term commitment with the need to satisfy the annual reporting requirements of funders, or the short-term expectations of shareholders? Given the reality of limited resources, is it really possible to implement programs that address all of the factors that contribute to neighborhood poverty? If not, which problems should be addressed first?

There are no easy answers to these questions, and I think they underscore the extremely difficult nature of your work. The goal of this year's conference is to give you an opportunity to discuss these difficult questions and to learn from your colleagues. It is only through this type of open engagement and willingness to learn that we will be able to foster long-lasting change.

In conclusion, I would personally like to recognize the positive impact that your work is having in low-income communities. Forget for a minute about your "outstanding" CRA rating and think instead of the families you helped find a suitable home, the small store you helped to finance, or the savings accounts that you opened. All these activities help to strengthen our nation's low-income communities, and we look forward to hearing more about your successes over the next three days. Thank you. I hope you enjoy the conference.