

# The Abell Report

*What we think about, and what we'd like you to think about*

Published as a community service by The Abell Foundation

## Abell Salutes:

*"Globetrotters" —  
Students Have Fun  
Mapping Their Way  
to Expanded Knowledge  
of Geography*

- 1) In which two African countries would you find the Atlas Mountains?
- 2) Which city is further north? Ottawa in Canada, London in England, or Moscow in Russia?
- 3) What body of water borders Malawi, Tanzania and Mozambique?

For children in Baltimore City elementary schools, this is kids' stuff.

Their answers come out of the growing knowledge of geography they're acquiring in the "Globetrotters" program, now in its third year in 90 of the city's public elementary schools. "The program is designed," according to Dr. Sari Bennett of the Maryland Geographic Alliance which, in partnership with The Abell Foundation, is the sponsor, "to address a widely recognized problem—the lack of geographic knowledge among Americans. The whole idea is to get children so excited about map-reading that they go beyond geography to learn about the world."

The program provides a large, full color map to each of the classrooms; curriculum calls for the teacher and the class to spend a few

*(continued on page 5)*

## Baltimore City's Spending Of Federal Community Development Block Grant Dollars For Economic Development Is Less Than Comparable Cities

*The Cornerstone of Baltimore's Economic Development During The Burgeoning 1970s Was Its Ability to Leverage Federal, State, And Private Resources; Today, Even Though Those Resources Are Scarce, Baltimore Spends Little of the Federal Funds That Are Available For Job Creating and Tax Producing Activities. Is a reallocation needed?*

The *Time* cover story of August 24, 1981, featured James Rouse and Baltimore's Inner Harbor; its title proclaimed, "Cities are Fun." For Baltimore's spectacular development of its inner harbor and other dramatic redevelopment efforts, the city was hailed as one of the most innovative cities in America. From around the world, urban officials flocked to Baltimore to learn the secret of the city's economic development success story.

### *Baltimore Is Missing the Opportunity ...*

The cornerstone of Baltimore's economic development program during the 1970s and 1980s was its ability to leverage federal, state, and private sector resources. Federal programs like the Urban Development Action Grant (UDAG), Urban Re-

newal, and the Community Development Block Grant (CDBG) helped the city to build a new downtown, establish a tourism industry, and begin crucial inner city neighborhood revitalization. With Federal Economic Development Administration funding, the city worked aggressively to aid industries through outreach initiatives and business park development. Small Business Administration opportunities were exploited to offer an array of financing programs for business. Department of Labor resources helped to make critical employment and training linkages. In addition, state programs were tapped and city bonds were floated to help meet local requirements. Whenever possible, private sector participation was encouraged, creating what are now known as public-private partnerships.

Today, federal resources are scarce and Baltimore, like other cities, struggles to fund economic de-

velopment activities in light of other pressing needs. But unlike other cities that have managed to acquire public funds and put them to work in job-creating programs, Baltimore spends little of the federal funds that are available on job-creating and tax-producing economic development activities. Largely because of this decision, Baltimore in the 1990s lags behind its urban counterparts throughout the country in local economic development spending and initiatives. This lost opportunity costs the city taxes and jobs, further stagnating an already perilous local economy.

### ***Baltimore's Percentage of CDBG Resources Dedicated To Economic Development Compares Unfavorably With Other Cities***

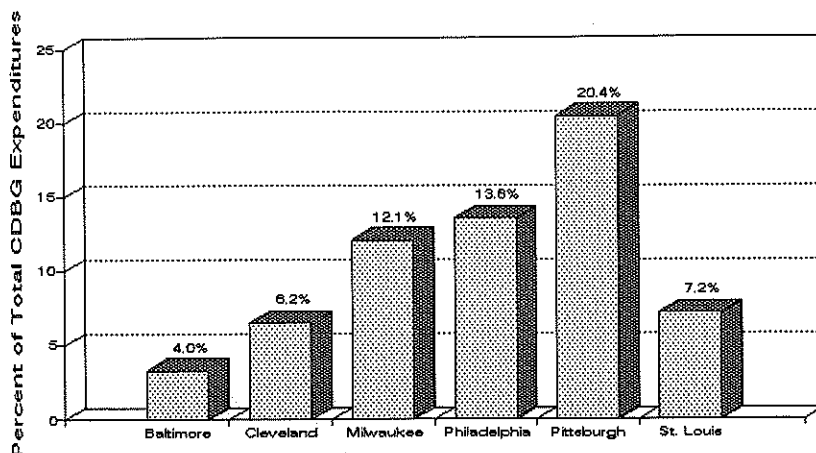
Every year Baltimore receives approximately \$24,000,000 from the U.S. Department of Housing and Urban Development (HUD) through the Community Development Block Grant program. More than 800 cities are entitled to such funds, which they are permitted to utilize for projects to alleviate poverty and boost neighborhoods. Included among the list of eligible activities are housing, public services, economic development and property acquisition/clearance.

According to a study by the National Council for Urban Economic Development (CUED), Baltimore dedicated less than one percent of its

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### **Economic Development Expenditures 1987 - 1992**



total CDBG resources to economic development in 1992. By comparison, entitlement cities across the country dedicated eight percent of their resources to economic development. Between 1987 and 1992, Baltimore spent an average of four percent of its allocation on economic development while five comparison cities (Cleveland, Milwaukee, Philadelphia, Pittsburgh, and St. Louis) allocated an average of 12 percent during that six-year period. Cleveland averaged the next lowest allocation for economic development at six percent while Pittsburgh was the most aggressive in its use of the program, dedicating about 20 percent of its funds to economic development activities.

It is important to note that nationally CDBG's use for economic development has declined during the past several years, in large part due to restrictions and regulatory requirements imposed by HUD. The Office of the Inspector General has cited a number of communities, including Baltimore, for their failure to document their compliance with the CDBG program's rules, especially for economic development activities. With a new administration in Washington

and a better understanding of HUD's documentation requirements, cities are taking another look at CDBG as a vital element of their economic development programs. As Kenneth Poole of CUED and principal author of the CUED report points out, "In the past, Baltimore and other cities had access to significant amounts of federal and state funds that are no longer available. With few alternatives remaining, CDBG now represents one of the most important sources of funding for economic development in many cities."

### ***\$4,100,000 Would Be Freed Up ...***

In 1992, Baltimore allocated only \$147,000 of its CDBG allocation to economic development activities and related public service activities. What would happen if Baltimore allocated more of its CDBG resources to economic development? How much would be available? Assuming Baltimore had about \$24,000,000 available through CDBG (equivalent to its 1992 entitlement grant), Baltimore would

have the following amounts available for additional economic development depending on the scenario adopted:

cent over a five year period compared to 16 percent spent by comparison cities. Moving this expenditure category in line with other cities

Between 1987 and 1992, the city created 747 jobs by providing \$1,900,000 million in direct loans and \$2,100,000 million in technical assistance to businesses. Upon closer examination, however, one finds that only two of these jobs were created in 1991 and 1992 (through one loan for \$10,000). Of the remaining jobs that were created from CDBG economic development spending (745), 321 were short-term construction jobs resulting from the city's now-defunct minority contractors' program. By comparison over the same five-year period, Milwaukee was able to use its CDBG resources to fund a lending program that created or retained 807 jobs; Pittsburgh's efforts resulted in 1,558 jobs; St. Louis created or retained 2,188 jobs; and Philadelphia gained or kept 13,877 jobs.

### CDBG Funds Available For Economic Development Under Various Scenarios

Baltimore's 1992 Level	0.7%	\$147,000
Baltimore's 1987-1992 Average	4.0%	\$972,000
Similar to Cleveland's Average	6.2%	\$1,507,000
Similar to Milwaukee's Average	12.1%	\$2,940,000
Similar to Pittsburgh's Average	20.4%	\$4,957,000

Who would lose if the city reallocated resources so as to create more money for economic development?

Baltimore had \$8,000,000 in unspent CDBG dollars at the end of 1992, which could have been utilized for a number of job generating activities. Furthermore, compared with other cities, Baltimore expends a relatively large proportion of its funds for acquisition activities (i.e. to purchase residential land in anticipation of reusing it for unspecified purposes—

would free up \$4,100,000 million. In summary, reducing each of these two categories by a small percentage would still allow for a significant gain in economic development, while maintaining Baltimore's spending levels in those two categories above the national average.

### Economic Development Impact

Poole comments, "If Baltimore is to expand its funding for economic development it needs to be

### *CUED Recommends That Baltimore Focus Its Efforts More Intensively On Assisting Value-Added Businesses*

CUED also found evidence that CDBG funds provide a greater return when used to help "value-added" enterprises (i.e. those that export their goods or services from the community) than when used to help neighborhood-based businesses. Of the 132 CDBG-funded loans made in 1992 by the five comparison cities, 64 percent were made to value-added businesses. Those value-added businesses resulted in the creation of 90 percent of the jobs created and 88 percent of the low-mod (i.e. low and moderate income) jobs created. Furthermore, neighborhood-based businesses required more than \$19,000 of CDBG loan funds to leverage each low-mod

### Re-allocation of Baltimore's CDBG

Category	'92 Spending	%	Spending at the national average	%	Available for economic development
Pub. Serv.	\$8 million	33%	\$3.8 million	16%	\$4.1 million
Acquisition	\$3.8 million	16%	\$0.9 million	4%	\$2.8 million
Unspent	\$8 million	33%	N/A	0%	\$8.0 million

most likely residential). Reducing this expenditure from an average of 16 percent (between 1987 and 1992) to a level closer to the national average of four percent would free up nearly \$3,000,000 per year and bring Baltimore in line with similar cities.

In addition, Baltimore's allocation for public services (e.g. home loans for purchase or rehabilitation, homeless services, and youth and elderly services) averaged 27 per-

circumspect in how it re-enters this arena." With few alternatives and a continually growing need for investment, Poole suggests that "Baltimore must take a long and hard look at how it can use CDBG most effectively to bring about results—new jobs, additional tax revenues, and increased investment in distressed areas." Over the past few years, Baltimore has had a checkered pattern of success in its CDBG-funded economic development activities.

job created or retained while value-added businesses required less than \$11,000 for each low-mod job.

According to Poole, while the neighborhood-based efforts can help expand constituencies in distressed areas, the value-added enterprises create new opportunities for growth and job opportunities for residents. As an example, a study of CDBG-funded loans made to businesses in Cleveland, Milwaukee, Philadelphia, Pittsburgh, and St. Louis during 1992 indicated that the loans made to value-added businesses created an average of five times more jobs than loans made to neighborhood-based businesses. As a result, CUED recommends that Baltimore focus its efforts more intensively on assisting value-added businesses over those supporting neighborhood-based enterprises.

### **Guiding Principles**

Poole lists four principles that the city should apply in directing its CDBG funds to economic development:

- seek business diversity within the urban economy as a whole;
- focus directly on low and moderate income workers;
- concentrate on developing worker skills;
- seek to aid business as close to their "bottom line" as possible.

In particular, CUED recommends that Baltimore utilize its CDBG dollars for economic development programs that:

- aid businesses that export their goods or services from the community, also referred to as "value-added" businesses (e.g. manufacturing concerns, business services, professional services, and wholesale trade);
- encourage new business formations which have direct results in terms of new jobs creation;
- address the needs of its inner city

neighborhoods; and,

- improve the overall climate for doing business in the city.

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## ***HUD Has Encouraged Cities To Use These Funds For Neighborhood-Based Businesses ...***

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Baltimore, the CUED report recommends, must begin to use its CDBG more aggressively, but the city must also use those resources strategically. HUD has encouraged cities to use these funds for neighborhood-based businesses, but no city that wants to compete effectively can use its CDBG to undertake these activities exclusively, or even primarily. Baltimore should balance its efforts to promote economic opportunity in the neighborhoods with the need to grow businesses that have a long term future and that can employ people living in the neighborhoods.

Following is a list of specific activities that might be attempted to promote business development and expansion:

- *Business finance for value-added enterprises*  
During 1992, programs in Philadelphia, Pittsburgh, and Milwaukee have provided between \$490,000 and \$4.2 million in financing to value-added businesses. Any program established in Baltimore should be directly targeted to addressing the credit needs of businesses that produce a good or service for export from the community.
- *Incubator development*  
Existing business incubators (BDC's South Harbor Business Incubator and John Hopkins' Al-

pha Center on the Bayview campus) are full or near full, and several cities including St. Louis and Abilene, Texas have used CDBG funds to leverage other public and private investment to develop local incubators. St. Louis invested \$150,000 in their facility as part of a plan to create 600 jobs over the next ten years.

- *Micro-enterprise development*  
With the BOSS micro-enterprise program, Baltimore has initiated a strategy for aiding self-employment initiatives. Congress "suggests" that cities allocate one percent of their CDBG funds for this activity which would provide between \$200,000 and \$250,000 for promoting micro-enterprises in Baltimore.
- *Marketplace development*  
A marketplace that builds upon Baltimore's unique network of public markets to provide entrepreneurial opportunities for low income residents of Baltimore's neighborhoods is worth investigating. Important services that might not be offered otherwise such as fresh produce, arts and crafts, home-cooked food, and other locally made items, could be provided. In Arlington County, Virginia, an International Marketplace was established for \$15,000.
- *Youth entrepreneurship*  
An entrepreneurial development program targeted to disadvantaged youth similar to one in Camden, NJ, could be funded at \$150,000.
- *Seed and venture fund*  
A fund to finance businesses in targeted areas similar to a program in Milwaukee which could build upon existing programs and help to meet the capital gap facing busi-

This article is an executive summary of a full report published by The Abell Foundation. If you would like a copy of the full report, please contact The Abell Foundation, 111 S. Calvert St., Baltimore, MD 21202 (410) 547-1300.

nesses could be capitalized at \$100,000 with significant impact.

In addition to these activities, the city might also consider a variety of initiatives to revitalize urban neighborhoods including:

- environmental clean-up support,
- telecommunications infrastructure improvements,
- neighborhood-based business assistance,
- technical assistance to community-based organizations involved in promoting neighborhood economic development.

Those efforts aimed at improving the business climate should include:

- training linked to employment opportunities created by economic development successes,

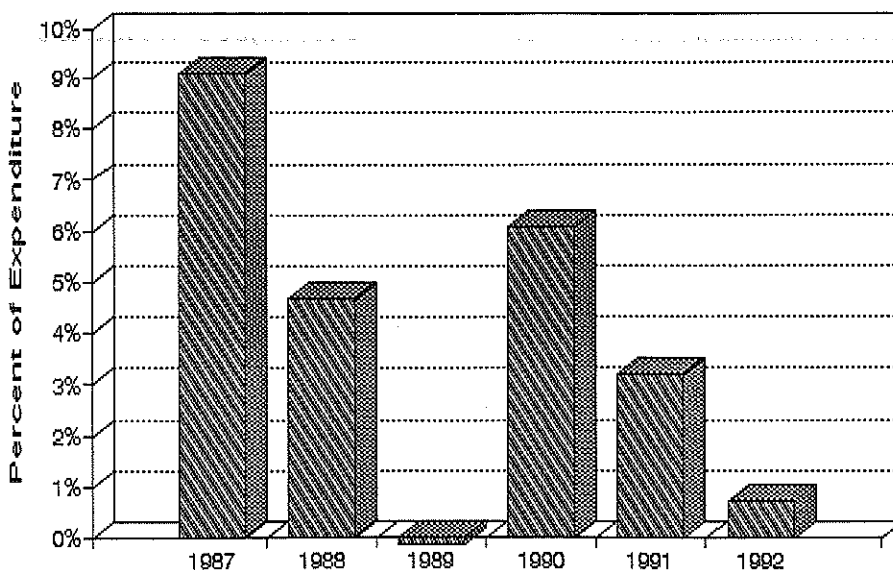
- improving business-government relations,
- promoting industrial competitiveness,
- improving security.

All big cities have much to do and too little with which to do it. Baltimore is no exception. CDBG offers a much needed yet currently underutilized resource that can be used to support the city's economic development program.

Using that resource wisely, Baltimore can create economic success and reestablish itself as an innovator in urban economic development.

In 1993, Baltimore City spent five percent of its CDBG allocation on economic development activities, a significant improvement over 1992 (at less than one percent) but only slightly better than the five year average of four percent.

## Baltimore CDBG Expenditures: Percent for Economic Development, 1987-1992



## Abell Salutes: "Globetrotters"

(Continued from page 1)

minutes every school day discussing whichever map the class may be focused on—United States, Europe, Africa, or the world. Here are typical daily classroom studies:

Tuesday - Deserts are dry, sandy or rocky places that are usually hot and sunny. Can you find a desert somewhere in western Utah? What is the name of this desert? (Great Salt Lake Desert.)

Wednesday - Your Crum map of the United States shows the location of the fifty states and the District of Columbia. However, if you look closely you can also find the names of the two major mountain chains located in the U.S.. (Look for the big black letters turned on their sides.) Can you name these two mountain chains? Hint: One runs from Alabama to Maine and the other runs from Montana to New Mexico. (The Appalachian Mountains and the Rocky Mountains.)

The three best students from each class compete intramurally; one team of three of the best of the best then competes in a city-wide contest. Last year, Hamilton Middle school won; each of the victors received a trophy and \$100.

Here are the answers to the questions asked at the beginning of the article: 1) Morocco and Algeria 2) Moscow 3) Lake Malawai.

The kids probably knew these answers—which is why The Abell Foundation salutes them, and all of the teachers who helped make the "Globetrotters" program a growing success.

The following back issues of  
The Abell Report  
are available.

Check request and send to:

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- "Reducing Impacted Concentrations Of The Poor In America's Cities; Is It An Answer?"
- "A Math-Science Residential High School For Maryland; Changing Times Mandate Revisiting The Issue."

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## Some Recent Grants by The Abell Foundation

**Advocates for Children and Youth** \$75,000  
Third-year funding for the Student First initiative, an advocacy program seeking educational reform. Student First will address two major issues: teacher performance standards and curriculum reform within the Baltimore City Public Schools.

**American City Manufacturing Company** \$15,000  
Toward the development of a business plan for a training program for welfare recipients at Cadmus Journal Services, a printing and information processing company. By combining employee training, educational and social supportive services, the American City Manufacturing Company with Cadmus Journal Services will create 50 data-entry jobs for previously unemployed workers.

**Baltimore Clayworks** \$4,800  
For the implementation of a community arts program serving minority and underserved, primarily native American youth in East Baltimore.

**Citizenship Law-Related Education Program** \$26,723  
Toward the cost of "Law-Links", a summer internship program for 50 at-risk Baltimore City youth to work in local law firms.

**Greater Homewood Community Corporation** \$15,000  
For the expansion of the adult literacy program for residents in the Greenmount, Hamden, Remington, and Waverly communities.

**Maryland Department of Public Safety and Correctional Services** \$103,928  
For second-year funding of the Acupuncture Substance Abuse Treatment Program for Female Offenders at the Baltimore City Detention Center.

**Mc Kim Community Association** \$100,000  
For renovation costs of the 1781 Quaker Meeting House in order to expand services for children living in the Jonestown Urban Renewal area of Baltimore City.

**New Song Urban Ministries** \$166,000  
A two-year 1-1 challenge grant for the acquisition and renovation of a 28,000 sq.ft. community center to house health, job training, house renovation, and educational services for residents living in a 10-block area in Sandtown Winchester.

**Parents Anonymous** \$40,000  
A two-year grant in support of Parents Anonymous' Public Education Program, designed to build the agency's fund-raising capacity and to increase the public awareness about the problem of child abuse and availability of therapeutic services.

**University of Maryland at Baltimore** \$242,648  
A three-year grant to underwrite the cost of Project STOPP (Selling Teens on Pregnancy Prevention), a family planning education program to encourage deferring teenage births.