



Remarks by Kenneth J. Knuckles, President and Chief Executive Officer, Upper Manhattan Empowerment Zone

Grace Church, Mount Vernon, June 2013

Thank You for that warm and generous introduction.

[acknowledgments]

Rev. Dr. W. Franklyn Richardson
Senior Pastor, Grace Baptist Church
Rodney J. Reynolds
Vice President, Men's Ministry
St. Clair Davis
Friend, Fellow member of Sigma Pi Phi
Richard Thompson
Chairman of the Deacon Board

[All Protocol Observed]

As some of you may know, I attend and I am a lifelong member of Macedonia Baptist church around the corner. I was graciously invited here today to talk about economic and community development. I wonder, however, if roles should be reversed, and if I should be sitting in the audience. I have been leading UMEZ – the Upper Manhattan Empowerment Zone - for ten years; Grace Baptist's economic development is as old as the church/mission itself i.e 125 years – Grace sponsored vocational classes as well as religious Sunday school before the turn of last century. So I am humbled to be here today.

I also feel whenever I come to Grace that I'm visiting a close relative that I don't see enough. This is not a metaphor.

- Grace as "Mother" of Macedonia 1888, 1913, etc.
- *[J.P.R business in 6th Avenue Garage]*

As I mentioned, I lead the Upper Manhattan Empowerment Zone, facilitating economic development in Harlem and Washington Heights. We were set up along with other such zones in different parts of the country with \$100 Million under President Bill Clinton. In our case, with the leadership of Congressmen Rangel, New York City and New York State added to the pot of money and incentives to encourage investment in one of New York's most distressed areas. To date, we have awarded:

- \$95 million in grants focused on workforce development and capacity building in arts and culture
- \$72 million in loans to small businesses and larger commercial enterprise
- \$57 million in tax exempt bonds to large retailers including an automobile dealership

For a total of \$224 million of investments. But here is the real point: we have leveraged nearly 1.2 billion of private capital invested in Upper Manhattan.

This commitment created nearly 9,000 direct jobs thus far. We are known for Harlem USA and the East River Plaza, but we know these investments make space for smaller investments— from UMEZ, from the SBA and traditional banks - to succeed. UMEZ investments brought a vibrancy to Upper Manhattan and allowed more businesses to flourish. On a corridor once known as the easiest place to score drugs, we now can claim our own Restaurant Row. We can dine on sushi, gourmet pizza, French cuisine and more, in addition to our beloved soul food. Harlem has several destination restaurants including Dinosaur BBQ and Marcus Samuelsson’s Red Rooster attracting tourists (and the First Family) from around the country and world. These investments in commercial and retail development have served to stabilize, and then propel the residential real estate market in Harlem and Upper Manhattan. Other investors are creating more housing and more services and more jobs. Once derelict and abandon brownstones are renovated and have families living in them, making blocks safer for all the residents. And, this is a point not often enough emphasized, those with property who have stayed have seen their property values grow exponentially. So while issues of poverty and quality education continue to be at the forefront of challenges facing families in Harlem and Upper Manhattan, we now have the challenge of making sure this rising tide lifts everybody’s boat, and I would argue that that is a better problem to face than issues of years ago.

Major change in local, national and international arenas does not happen as a result of a single player. As we hear the news about Nelson Mandela’s health, I was reminded of the efforts of the Interfaith Council on Corporate Responsibility- an inter-denominational group of churches and synagogues – to get their members to pull their pension fund investments away from companies doing business in South Africa. Soon thereafter, many universities, and city and state governments followed suit. Nelson Mandela was released, negotiations were held, and free and fair elections were held, and of course, Mr. Mandela became the First President of post-apartheid South Africa.

Here, locally, economic development also doesn’t happen in a vacuum; one actor cannot do it all. Government and quasi -government agencies like UMEZ cannot do it all. The private sector cannot do it all by itself. Organizations with credibility in the neighborhood must be involved. The Ford Foundation noted this in a report two years after the Federal Government created the **Community Reinvestment Act** in the late 1970s. The CRA encourages both commercial banks and savings associations to contribute to the needs of communities, including low- and moderate-income neighborhoods. The Ford Foundation report called for the creation of a new organization that could help the large banks more easily identify and manage the community investments. That organization is now known as LISC – Local Initiative Support

Corporation and has a national office and local chapters throughout the U.S. LISC supports community development on three levels – helping them obtain major financing for projects, an advocacy and policy campaign to support such organizations, and direct technical/managerial assistance to make sure the investments succeed.

LISC – and others – noted the prime role that the faith-based organizations can play in community development. Community development creates jobs, and thus is an engine for economic development. I will give you three examples of organizations, supported by LISC, with a rich history of community via their congregations, that participate fully in community and economic development, not unlike Grace Baptist Church’s community development corporation – UJAMAA (ood ya MAH).

In Jamaica, Queens, The Greater Allen AME Cathedral founded a CDC in the mid-1970s. With its very large membership base, the church and its CDC’s corporate subsidiaries find themselves as the second largest employer in the borough of Queens (JFK Airport remains the largest). The CDC currently owns and manages fifteen properties – all of them with a target audience – such as seniors, veterans, physically impaired and all at low income (at or below 60% of the area median income). Each of these has programming and services targeted at the populations they are housing. Like UMEZ, Allen’s investments have not just allowed but encouraged others to safely invest in South East Queens.

In Harlem, we have like-minded faith-based investors as well, who have been pivotal to Harlem’s recovery.

Founded in 1986, the Harlem Congregations for Community Improvement, Inc. (HCCI) is a coalition of more than 90 inter-faith congregations with programs to provide

- affordable housing, commercial investments and safe streets;
- job training, employment opportunities, referral services;
- access to and understanding of healthcare; and,
- educational programs for adults and young people.

HCCI works through alliances with other community organizations, elected officials and local residents, and has leveraged more than \$240 million in support from federal, state, and city agencies. HCCI’s real estate office has developed more than 2,000 units of low, moderate and middle-income housing and nearly 40 commercial spaces including a suburban size Pathmark supermarket. Their commitments have created over 1,500 jobs in the Harlem community. UMEZ has worked with HCCI to provide workforce training in the construction trade.

In 1987, Reverend Dr. Calvin O. Butts, III challenged his parishioners at the Abyssinian Baptist Church. To dedicate themselves to rebuild the Central Harlem community “brick by brick and block by block”. Two years later they founded Abyssinian Development Corporation

and have since has leveraged over \$600 million of investments in the Harlem community, and have over 140 employees.

Abyssinian Development Corporation works to increase the availability of quality housing to people of diverse incomes; enhance the delivery of social services, particularly to the homeless, elderly, families, and children; foster economic revitalization; enhance educational and developmental opportunities for youth; and build community capacity through civic engagement.

South East Queens and Harlem (and many other neighborhoods) have been reinvigorated in the past few decades. It hasn't happened overnight, and it clearly takes the public and private sectors, and community based not for profits like Allen, ADC, HCCI and Grace, all playing catalytic and, hopefully, synergistic roles; but there is one more integral piece to economic development that I would like to address today: the entrepreneur.

This is the time of year –graduation time – when many people are out making inspiring speeches about entrepreneurship. In my view economic development engines like UMEZ, like Grace and other CDCs must be able to both be entrepreneurial and successfully identify other entrepreneurs to invest in. Today, I want to convey a cautionary tale, yet an inspirational one.

It is estimated that nearly half of all men in the US at some point in their lives work for themselves, and nearly a quarter of them sustain that for at least six years. UMEZ is in a fortunate position that our large (and successful) investments like Harlem USA and the East River Plaza allow us the flexibility to invest in smaller entrepreneurs. Unlike banks and the SBA, we don't require significant collateralization, but we do want our investments to succeed. We work with several "technical assistance providers" that are familiar with the various neighborhoods of Upper Manhattan to help us evaluate and support the entrepreneurs that come to us. We also serve as a liaison between business owners and other providers of capital, and technical assistance, including banks, micro-loan programs, pro bono legal counseling, business advice counseling and other capital and technical assistance programs.

We know that great cooks do not necessarily make successful restaurateurs. Nor do outside investors with plenty of funds, but who don't understand the setting, the workforce or the clientele. A successful entrepreneur will bring much to the table:

- Near or absolute obsession with the specific business backed by research
- A comprehensive business plan
- A solid market analysis
- Ability to communicate
- Great employees and available workforce
- Transparent and open relationships with investors
- A mentor
- A board of advisors, especially in the leader's weak areas
- Some level of equity capital to invest

UMEZ has invested about \$12 million in the past few years in small business and micro lending. We have done this at a time when business faces a tough economy:

- entrepreneurs have no access to other forms of capital like savings, home equity, available credit card debt or their own pension funds to draw on
- the purchasing power and the discretionary income of the potential consumer based is extremely limited

Half of our lending portfolio for small business is under water – some in delinquency and some in litigation.

Despite that, UMEZ must continue on this path. Entrepreneurship and small business is the backbone of the residential community in Upper Manhattan, and in fact is the backbone of the U.S. economy. Our task is to apply the lessons learned and move forward effectively. We must use the lessons of both the successful and the failed investments to inform our future policies. When job creation is hovering around 7% nationally, and Harlem and other inner cities are experiencing three times that, it is absolutely imperative that we continue our investments in small business.

And 48% of our investments are doing extremely well. I can point to businesses like Fishers of Men, with now two locations and a nice write-up in New York Magazine that paid back its UMEZ loan ahead of schedule. I can point to Manna, the soul food buffet that we have help to launch three different very successful locations. And I can point to Jacob Restaurant – with two locations that was started by a former Manna employee without direct funding from UMEZ, but in a “market space” that our other investments created.

What our successful loans have in common, I listed before –

- Leaders with a comprehensive business plan
- A solid market analysis
- Ability to communicate, especially transparently with investors
- Great employees /workforce
- Mentors and advisors
- Owner’s equity capital invested in the business

And these leaders understand the economic times. Their aspirations have not exceeded their financial capacity.

So at UMEZ, it must be our mission to be an essential resource, but be extremely prudent. If we do not hold ourselves to rigorous standards, it will undermine our ability to serve anybody.

Likewise, we hold our borrowers to the same rigorous standards. Entrepreneurs are key to the American Dream, that not enough African-American and Latino-American families have

been able to participate in. This is not for lack of ambition, not for lack of talent, not for lack of hard work, but simply there are not enough lenders in the space that UMEZ is in.

There are ways the faith-based community can participate. As a CDC, when you are planning large residential buildings, think of it as more than housing with a target audience that might not otherwise get access to quality housing. Consider all the contractors and subcontractors- architects, designers, plumbers, electricians, expeditors, painters – the list goes on. Are they local to the community? Are they Minority led enterprises? Are they Women and Minority led enterprises? Who is their workforce? What about the continued workforce and contractors to run the buildings and the programs in the building?

What about retail space in the buildings? Are the buildings in prime locations for some retail space? Perhaps for some office space? Is the space fitted for the proper kinds of businesses? Then, when you rent space to entrepreneurs, hold them to the same standards you would imagine if you were a lender – do not hesitate to say No if there is no good business plan. Do not hesitate to say No if they do not have the attributes I've listed earlier.

Right here at Grace, in this congregation you have a legendary entrepreneur, in the person of Earl Graves, who, with his wife has built a living chronicle documenting over 40 years of Black American enterprise.

Thanks largely to the Graves family we know beyond a shadow of a doubt, creative talent and energy is alive and well in our communities. While financing and other resources may not be readily available, with preparation we know that those resources can be found.

Finally, economic development no matter how grand or modest the aspiration, always begins with an individual man or woman or maybe a small group of men and women bound together around a common cause or an idea. With proper preparation and execution, economic development can first enrich the community which it serves through quality product and job creation and ultimately, reward those who first dare to dream and then proceed to make their dreams a reality.