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Economic Empowerment Zones

U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

OFFICE OF THE ASSISTANT SECRETARY FOR TRANSPORTATION POLICY

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This is the EZ/EC analysis that prompted Ellen's decision with DOC and others.

Round Two of the President's Empowerment Zone/Enterprise Community Initiative: Leverage Trade and Transportation to Stimulate the Economic Revitalization of Distressed Urban Communities

Central cities -- as centers of industry, finance, and distribution -- are major contributors to national and international trade activity. For example, a huge portion of our nation's international and domestic trade -- 95 percent of exports and imports -- moves through our cities' ports and related intermodal facilities.

But all too often trade growth does not mean jobs for central city residents. Higher costs of operating in central cities -- due to environmental conditions, traffic congestion, shortage of skilled labor and security considerations -- create incentives for firms to locate outside the urban center.

Redevelopment of commercial and industrial property in the vicinity of our nation's ports and rail heads is key to creating trade-related jobs for the poor communities. President Clinton's proposal for a second round of EZ/ECs addresses the issue head-on. In addition to the other benefits available to EZ/ECs, the proposed legislation would permit cities to designate up to 1,000 acres in ECs and 2,000 in EZs to receive special tax incentives designed to facilitate large scale economic development. These incentives will balance the playing field in terms of business costs and leverage the locational advantage and infrastructure of cities to stimulate private investment for center city trade-related economic development.

These provisions provide strong incentives to:

- Develop abandoned, underused or contaminated sites.
- Create trade-related jobs, such as cargo-handling, warehousing, or light manufacturing, that are accessible from distressed communities.
- Leverage the locational and infrastructure advantages of central cities
- Capture some value of the increased trade -- due to NAFTA, GATT, and our overall economic recovery -- that passes through or close by distressed urban neighborhoods.
- Clean up environmental "brownfields."
- Slow the outmigration of industry and jobs to suburban greenfields.

Examples of Potential Industrial or Commercial Development

There are many examples of sites that could become centers for trade and transportation jobs with the benefits of the proposed incentives:

MIAMI

Miami's port -- the country's leading freight link to South America -- is looking to develop an intermodal container transfer rail facility at a site adjacent to Miami's Enterprise Community and near the waterfront.

Consolidating freight-handling facilities near the port will attract other freight-related development such as storage, assembling, light manufacturing or other commercial development linked to port trade. This project could help assure that the growing numbers of trade-related jobs don't flee to the outer suburbs: indeed, the proposed facility will consolidate operations now conducted outside Miami's urban core.

LOS ANGELES

The Federal government has proposed to make a major investment in the $1.8 billion Alameda Corridor, which includes highway, rail, and seaport improvements. The project -- which runs through some of LA's poorest communities -- provides opportunities to encourage trade-related development.

Tax advantages offered by the proposed EZ/EC legislation could encourage development of the many abandoned warehouses or other underutilized industrial sites along the Alameda Corridor and create jobs near to and accessible from the Empowerment Zone. For businesses, the access these communities have to the ports of LA and Long Beach -- the premier gateway for Pacific Rim trade -- could become a major selling point. In this way, a significant transportation investment would leverage private investment in emerging growth industries, including apparel, environmental/recycling, food processing, and printing, to provide jobs in distressed central city areas.

CHICAGO

Chicago is the premier national rail center, as well as the focus of the Great Lakes water trade. But many center city transportation and trade-related facilities have fallen into disuse. Candidates for redevelopment with EZ/EC tax benefits include underutilized rail yards and three former steel mills in the vicinity of working waterfronts on Lake Calumet and the Chicago River. Jobs at the steel mill sites, where redevelopment for light industry is proposed, would be accessible to residents of the nearby Empowerment Zone.

KANSAS CITY

After Chicago, Kansas City is perhaps the leading rail crossroads nationally. Efforts are underway to restore and revitalize Union Station in what is now a substantially underutilized and environmentally contaminated area -- an area which happens to be located at the center of Kansas City's Enhanced Enterprise Community (EEC).

This proposed $204 million project would preserve and restore the station, create a $30 million transportation center and museum and build a multi-media science center. A public-private partnership is being created to design, fund, and build the project, including $40 million private endowment to guarantee its future operation.

Like ports, major rail facilities can leverage economic development. The project would create as many as 900 new jobs between 1999 and 2030 for residents of the surrounding EEC.

Examples of Industrial or Commercial Redevelopment Successes

Here are a few examples of sites where light industrial or commercial industry development has created new jobs, leveraging trade and transportation,

NEW YORK/NEW JERSEY

Port Authority of NY/NJ -- An example of the type of economic development a port can sponsor was completed by the Port Authority of NY/NJ in the 1980's. The Port Authority purchased several hundred acres of old contaminated dump sites in Elizabeth, NJ. Through extensive remediation and mitigation efforts, the land was developed into an industrial park, which is in use today and is being expanded to accommodate more businesses. A major distribution center for IKEA is among the industries located here.

PORT OF SOUTH LOUISIANA (Laplace, LA)

Port of South Louisiana -- The port purchased the property of a former sugar refinery (Godchaux) in Reserve, LA and developed it into a public marine terminal (Globalplex Intermodal Terminal) for handling general and dry bulk cargo. The port has invested over $25 million in the facility, including the purchase price of $12.2 million. This facility creates local jobs by allowing the port to diversify its trade profile and attract more labor intensive businesses to operate at the port. While this development is in a rural area, it is the kind of development we want to encourage in all types of EZ/ECs.

INDIANAPOLIS, IN

Union Station -- This project, completed in 1986, used private investment and city, HUD, and Federal transit funding to redevelop the Indianapolis Union Station, including the head house and train-shed complex. The renovated intermodal station serves Amtrak and Trailways and is one block from access to local buses. The head house now includes over 60 station retailers and food vendors. The train shed was converted into a unique hotel with 26 suites built inside authentic 1920-era Pullman cars. A block away from the station, a new retail mall is under construction.