U.S. Department of Housing and Urban Development
EZ/EC Initiative

Empowerment Zones &
Enterprise Communities

Phone: (202) 708-6339
Fax: (202) 401-7615

To: Julian Potter, Nicole Rabner

Fr: Ken Sain

Date: July 28, 1999

6 Pages to follow

Comments: Julian-

We will send you all of the annual reports separately. If you need any follow up call Dennis, I will be away for the rest of the week.

Ken.

Empowerment Zone/Enterprise Community Initiative

The Empowerment Zone and Enterprise Community (EZ/EC) Initiative is a key element of President Clinton's job creation strategy for America. Its purpose is to create jobs and business opportunities in the most economically distressed areas of inner cities and the rural heartland.

The EZ/EC effort provides tax incentives and performance grants to create jobs and expand business opportunities. It also focuses on activities to support people looking for work, such as job training, child care, and transportation.

What sets this Initiative apart from previous urban revitalization efforts is that the community drives the decision-making. Residents decide what happens in their neighborhoods, not federal officials in Washington. Each EZ/EC community has written quantifiable goals that determine how the money will be spent and what the results of the activity will be.

Although the Empowerment Zone/ Enterprise Community Initiative is a ten-year effort, visible change in zone neighborhoods is already taking place in the form of business startups and expansions, new jobs, commercial and housing development, and improved services for community residents.

Round One

On December 21, 1994, President Clinton and Vice President Gore designated 72 urban areas and 33 rural communities as Empowerment Zones or Enterprise Communities. They are receiving more than $1.5 billion in performance grants and more than $2.5 billion in tax incentives. Total public and private investment in the urban EZ/ECs already exceeds $8 billion.

Each Round I urban Empowerment Zone received $100 million and each rural, $40 million, in performance grants for job creation and job-related activities. The Round I urban EZs are located in:

Atlanta, Georgia	Baltimore, Maryland
Chicago, Illinois	Detroit, Michigan
New York, NY	Philadelphia/ Camden
Cleveland, Ohio*	Los Angeles, California *

***Originally designated as a Supplemental EZ, granted full EZ status under the Taxpayer Relief Act of 1997. As SEZs, Los Angeles received a grant of $125 million and Cleveland, $90 million.**

Boston, Houston, Kansas City, KS/MO, and Oakland each received $25 million as Enhanced Enterprise Communities. The remaining 93 urban and rural areas received $3 million.

The Round I rural EZs are located in:

Kentucky Highlands, Kentucky	Mississippi Delta, MS
Rio Grande Valley, Texas	

Employers in the urban and rural Empowerment Zones are eligible for wage tax credits, worth $3,000 for every employee hired who lives in the Empowerment Zone boundaries. EZ businesses also are eligible for increased tax expensing for equipment purchases. (EZ businesses may write off as an expense the cost of the depreciable, tangible personal property they purchase, up to $37,500 -- $20,000 more than the normal $17,500 first-year, write-off for businesses not in the EZ.)

All of the 105 communities are eligible to receive tax-exempt bond financing that offers lower rates than conventional financing to finance business property and land, renovations, or expansions.

Round Two

The Taxpayer Relief Act of 1997 authorized a competition for a second round of 20 EZ designations -- 15 urban, 5 rural. Communities not designated as Round I Empowerment Zones as well as qualified rural communities and Indian Nations were eligible for the second round of 20 zone designations.

During the Round II competition, 279 communities and groups of adjacent communities competed for the designation -- 119 in urban areas and 160 in rural areas. In order to compete for status, communities submitted strategic revitalization plans that act as roadmaps for transforming troubled communities.

Zones were selected based on a scoring system that measured the quality of revitalization plans and private and public sector commitments made to implement the plans. An interagency task force of career civil servants made the selections.

On January 13, 1999, Vice President Al Gore named 20 economically distressed communities as Round Two Empowerment Zones, making them eligible to share in $3.8 billion in proposed federal grants and tax-exempt bonding authority to finance sweeping revitalization and job creation programs over the next 10 years.

The 15 urban Round II Empowerment Zones are in:

Santa Ana, California
Miami-Dade County, Florida
Boston, Massachusetts
St. Louis, Missouri/ E. St. Louis, Illinois
Cincinnati, Ohio
Columbia/ Sumter, South Carolina
El Paso, Texas
Huntington, West Virginia/ Ironton, Ohio
New Haven, Connecticut
Gary/ Hammond/ E. Chicago, Indiana
Minneapolis, Minnesota
Cumberland County, New Jersey
Columbus, Ohio
Knoxville, Tennessee
Norfolk/ Portsmouth, Virginia

The 5 rural Round II Empowerment Zones are in:

Desert Communities, California (Riverside)
Southwest Georgia United (Cordele)
Southernmost Illinois Delta (Ullin)
Lake Agasiz (Fargo, ND)
Oglala Sioux Tribe (Pine Ridge, SD)

The Second Round offers additional potential to link communities to their broader regional economies. Second-Round Zones were able to designate up to 2,000 acres of underutilized "developable sites," property outside the formal Zone area that can receive Zone benefits and be used for job-creation for Zone residents.

The Vice President also announced that President Clinton's proposed federal budget for the 2000 fiscal year will seek an additional $65 million in special grants that would go to some of the cities that applied for but did not receive designation as Urban EZs. A total of $45 million of the grants would go to the 15 communities called Strategic Planning Communities that were finalists in the competition for selection as Urban EZs.

The Strategic Planning Communities, which would each get $3 million next year under the President's budget request are in:

Anchorage, Alaska
Birmingham, Alabama
Burlington, Vermont/Plattsburgh, New York
Charleston/North Charleston, South Carolina
Jackson, Mississippi
Kansas City, Missouri/Kansas City, Kansas
Louisville, Kentucky
Tacoma/Lakewood, Washington
Las Vegas/North Las Vegas, Nevada
Little Rock/North Little Rock, AR
New Orleans, Louisiana
New York City/Brooklyn, New York
Newark/Elizabeth, New Jersey
Providence, Rhode Island
San Antonio, Texas

Round II Funding

The 20 new EZs will share $55 million in federal grants already approved for this year. $3 million for each Urban Zone and $2 million for each Rural Zone.

The Clinton Administration has already won Congressional approval of $2.2 billion in tax-exempt bonding authority for the group of 20 Round II EZs, along with other tax incentives over the next 10 years.

The Administration is seeking Congressional approval for $1.5 billion in federal grants for the group of 15 Urban Zones spread over 10 years, and $100 million in such grants for the group of five Rural Zones for the same period.

This works out to $130 million in bonding authority and $100 million in grants for each Urban Zone, and $60 million in bonding authority and $20 million in grants for each Rural Zone over 10 years.

If Congress approves full funding for the Empowerment Zones, the federal investment is expected to help create and retain about 90,000 jobs and stimulate $20.3 billion in private and public investment in the next 10 years in the Zones. This would have a dramatic effect in the areas of our country which face high unemployment, weak economies, shortages of affordable housing and challenges.

New York, NY Empowerment Zone
The New York Empowerment Zone Corporation (NYEZC) is responsible for review, oversight and annual audit of the New York City Empowerment Zone (EZ). NYEZC's fundamental mission is to assist the Local Development Corporations (LDCs) to implement and realize the goals of the Strategic Plan developed by the Upper Manhattan and the Bronx Communities. The City of New York and the State of New York each committed to match the federal grant of $100 million, thus providing $300 million to the EZ over 10 years.

NYEZC provides final approval for funding of initiatives recommended by the two designated LDCs: the Upper Manhattan Empowerment Zone Development Corporation (UMEZ); and the Bronx Overall Economic Development Corporation (BOEDC). The NYEZC's Board of Directors (Board) is comprised of representatives of the Governor of the State of New York, the Mayor of the City of New York, the 15th Congressional District, the 16th Congressional District, UMEZ, and the Bronx Borough President. A representative of the Secretary of the U.S. Department of Housing and Urban Development is an ex-officio non-voting member of the Board.

Enterprise Communities in the State
There are four Enterprise Communities (ECs) in the State of New York (Albany/Schenentady/Troy, Buffalo, Rochester, and Kingston/Newburgh). The State of New York has committed to matching the federal grants to the ECs as well.

Federal Investments
The following reflects the amount of EZ Social Services Block Grant (SSBG) funds "drawn down" from the HHS Payment Management System by the State of New York for each EZ/EC as of 3rd Quarter, FY 1999.

Each EZ/EC must use procedures established by the State for accessing the EZ/EC SSBG funds. These procedures may vary by State. The procedures used by some States allow the localities to have access to resources for their EZ/EC projects for a period of time prior to when the State draws down the federal funds from the HHS Payment Measurement System.

During the first two years of implementation there were some problems with the State of New York's drawdown requirements related to SSBG funds that have led to delays in progress. A GAO report stated that " ... state government's involvement has created an unnecessary layer of bureaucracy..." (GAO/RCED-97-21). There have also been recent problems with the City of New York that have led to some delays in implementation of NYEZC's strategic plans.

Many EZ/ECs are using the grant funds sparingly in order to leverage financial investments by their State and local governments and private sector partners. The designated sites are fully aware that they may use the funds for projects and activities at any time throughout the 10 year designation period, and HHS is supportive of the localities using the funds according to their needs throughout the period.

The drawdown amounts are not meant to be used as sole indicators of the general progress made by any specific EZ/EC.

Empowerment Zone

	Authorized	Total Draw	Balance
NYC	$100,000,000	$14,128,497	$85,871,503

Enterprise Communities (ECs)

Albany	$2,947,368	$1,674,021	$1,273,348
Buffalo	$2,947,368	$1,870,126	$1,077,242
Rochester	$2,947,368	$2,362,865	$ 584,503
Newburgh	$2,947,368	$2,287,863	$ 659,505