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THE WHITE HOUSE

Office of the Press Secretary


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EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES Available Resources

In addition to the \$3.5 billion in tax incentives and social service grants authorized in last year's Budget Reconciliation Act, Empowerment Zones and Enterprise Communities (EZ/EC) will have access to additional federal resources of up to \$3 billion and billions of additional private investment. By going through the process of developing a strategic vision for change and the support of broad-based community partnerships, EZs/ECs will also put themselves in a position to be given consideration for additional federal investments that may total upwards of \$3 billion, plus a substantially larger amount of private investment in business expansion, housing and community development. For a complete listing of these programs, see the HUD and USDA Federal resource guidebooks. Examples include:

? **One-Stop Capital Shops:** Up to 12 Small Business Administration (SBA) One-Stop Capital Shops will be located in designated EZs or ECs, with at least three serving rural areas. The Capital Shops will also serve as national and regional capital distribution points for underserved markets, with each shop having the capacity to provide \$300-\$400 million in private loans and equity investments over five years.

? **Community Development Corporation (CDC) Tax Credit:** EZs and ECs have the opportunity to nominate two local community development corporations to receive an exciting new tax benefit. Up to 20 non-profit CDCs (including eight in rural areas) will be designated by HUD. The program will provide up to \$1 million in tax credits for up to \$2 million in contributions to a CDC.

? **Fannie Mae:** Fannie Mae has committed to work with EZs and ECs to generate substantial private investment for housing and homeownership based on their \$1 billion HouseOakland initiative. 

? **Community Development Banks:** The President's Community Development Bank and Financial Institutions (CDBFI) legislation, which is pending in Congress, will provide \$384 million in equity investments on a matching basis and technical assistance to a network of CDBFIs. This program will leverage approximately \$2 billion in public and private investment into low- to moderate-income communities.

? **Community Policing:** The \$22 billion crime bill pending in Congress will help put more police officers on the streets to work cooperatively with communities that make a long-term commitment to public safety.

? **HUD Grants:** HUD is proposing to provide up to \$1 billion to be used by EZs or ECs. These funds can be used to provide badly needed, new or rehabilitated housing and for Economic Revitalization Grants to help subsidize loan guarantees under the Section 108 Loan Guarantee program and other projects to spur economic development.

? **USDA Grants:** USDA is proposing to provide \$400 million to designated rural EZs and ECs over the next four years. The funding will be available for housing and community facilities, business development, and water and waste systems.

EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES:
Program Overview

The Empowerment Zones (EZ) and Enterprise Community (EC) program is designed to empower people and communities all across the nation by inspiring Americans to work together to create jobs and opportunity. The Federal government will designate up to 9 EZs and 95 ECs that meet certain poverty and distress criteria and that prepare creative strategic plans for revitalization. (See Application Process Handout for more details).

Key Principles: Four key principles will guide the application and selection process:

? Economic Opportunity. Creating jobs within the community, attracting private investment, and expanding access for residents to jobs throughout the region is a first priority to enabling residents to become self-sufficient and communities to revitalize.

? Sustainable Community Development. Sustainable economic development can only be successful when part of a coordinated and comprehensive strategy that includes physical and human development, for example, safe streets, clean air and water, lifelong learning and a commitment to personal, family and civic responsibility. ? Community-Based Partnerships. A strategic plan for revitalization should start with broad participation of the entire community, including community residents, community groups, private and non-profit sectors, educational and religious institutions and local and state governments.

? Strategic Vision for Change. A vision for change is not a laundry list of concerns, shortcomings, and deficits. It is a vision that describes what the community will become -- e.g. a center for emerging technologies, a key export center for farm products. It is also a strategic map that builds on assets and coordinates a response to the needs of the community by integrating economic, physical, human, and other strategies.

Overcoming Federal Barriers: A primary goal of this initiative is to renew the commitment to cooperation among the federal, state and local governments. The Community Enterprise Board will work with all communities that have submitted a strategic plan for change -- even if they are not designated as an EZ or EC -- to overcome programmatic, regulatory, and statutory impediments and encourage more effective economic, human, physical environmental and community development strategies.

Tax Incentives: The legislation included approximately \$2.5 billion in new tax incentives. ECs are eligible for new tax-exempt facility bonds for certain private business activities. Businesses located in EZs will also be afforded an employer wage credit of up to \$3000 per year per employee for wages and training expenses for employees who are zone residents. And zone businesses will be afforded additional Section 179 expensing deductions of up to \$20,000 (for an annual total of up to \$37,500). In addition, although not limited to EZs or ECs, individual investors are eligible for a 50% exclusion of capital gains for investments in certain small businesses. And, corporate and individual investors may now defer the gain on the sale of publicly traded securities by reinvesting the proceeds in a Specialized Small

Business Investment Company (SSBIC) -- an SBA-licensed venture capital firm that provides equity investment and loans to socially and economically disadvantaged businesses.

Social Services Block Grants: The legislation included \$1 billion in flexible social services block grant (SSBG) funds that can be used to promote economic self-sufficiency and reduce dependency. ECs will receive approximately \$3 million in SSBG funds for approved activities identified in their strategic plans. In EZs, designated areas will receive up to \$40 million for each rural zone and up to \$100 million for each urban zone for approved activities identified in their strategic plans.

Private-Sector Investment: Designated EZs and ECs will have a range of tools available to maximize the flow of private capital and investment to their nominated areas. Fannie Mae, for example, has committed to work with

EZs and ECs to generate substantial investments for housing and homeownership. Other new initiatives -- such as the President's Community Development Banking and Financial Institutions Bill, the SSBIC rollover provision, and new, proposed Community Reinvestment Act regulations that focus on actual lending and investment in low-income communities -- should also result in substantial new credit investment in underserved communities.

One Stop Capital Shops: The Small Business Administration (SBA) has committed to targeting some of its considerable lending and community development tools to small and minority businesses in distressed communities and underserved markets. Up to 12 One-Stop Capital Shops will be located in designated EZs or ECs, with at least three serving rural areas. The Capital Shops will also serve as national and regional capital distribution points for underserved markets, with each shop having the capacity to provide \$300-400 million in private loans and equity investments over 5 years.

Additional Federal Programs: On September 9, 1993, the President issued a Presidential memorandum creating the Community Enterprise Board and directing 13 agency members of the Board to identify existing programs that further the goals of the EZ/EC initiative and make resources available from those programs for use by EZs and ECs in implementing their strategic plans. Included in the application materials is a menu of programs, including Community Policing and National Service, for which EZs and ECs may receive consideration and technical assistance.

National Challenge to the Private Sector in Each Region: With the EZ/EC application process, and the tools listed above, local communities and governments have a unique opportunity to build strategic alliances with the private sector in their region. Many of the tools, such as the SSBIC rollover, One Stop Capital Shops, and CRA Reform, offer positive incentives to the private sector to get involved. The EZ/EC initiative is a national challenge to all sectors to come together to realize a strategic vision for community revitalization.

EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES:

The Application Process

Basic Requirements: Nine empowerment zones and 95 enterprise communities will be designated through a nationwide competition. In order to apply, communities must meet certain eligibility criteria regarding size, poverty, unemployment and general distress. They must be nominated by their states and local governments. And, they must submit strategic plans developed with the input of community residents that describe the community's vision for the future and explains how this vision can be implemented.

Designating Secretaries: Secretary Cisneros of the Department of Housing and Urban Development will designate up to 6 urban zones and 65 urban communities. Secretary Espy of the Department of Agriculture will designate up to 3 rural zones and 30 rural communities.

Key Evaluation Principles: The strategic plan will serve as the foundation for community applications, and will be judged on the basis of four key principles: economic opportunity, sustainable community development, community-based partnerships, and strategic vision for change.

Application Forms: Unlike most other federal programs, the empowerment zone and enterprise community application requires very few forms to be filled out. Rather, it encourages communities to identify their own problems and solutions, and to tell the federal government how its resources can be used most effectively to revitalize distressed communities. Communities will be expected to submit strategic plans of their own design, that demonstrate creativity and innovation and outline specific steps on the road to revitalization.

Application Guidance: The application materials released today outline eligibility criteria and the benefits of designation, describe the four key principles and the key selection criteria, outline elements that should be included in community's strategic plans, and explain the application process. In addition, planning guidebooks for both urban and rural areas, issued by the Departments of HUD and Agriculture respectively, provide more detailed guidance on how to prepare strategic plans that encompass the range of concerns communities may wish to address. A separate guide on federal programs offers an extensive listing of federal resources available to

help designated zones and communities implement their plans, as well as recommendations from numerous federal departments and agencies on different aspects of strategic planning.

Application Workshops: Throughout February, HUD and USDA will offer a series of 12 workshops across the nation to provide technical assistance for communities that wish to apply. The workshops will offer explanations of eligibility criteria, demonstrations of innovative and creative strategic planning, and discussions with numerous federal officials regarding how their programs can help in the development and implementation of strategic plans.

Application Deadline: Applications must be received by 4:00 p.m. on June 30, 1994.