

Initiative:



Empowerment Zone/Enterprise Community



Building Communities: Together

Urban Application Guide

The President's Community Empowerment Board

U.S. Department of Housing
and Urban Development
Andrew Cuomo, Secretary



“For the past 5 years, we have worked to bring the spark of private enterprise to inner city and poor rural areas—with community development banks, more commercial loans in the poor neighborhoods, cleanup of polluted sites for development. Under the continued leadership of the Vice President, we propose to triple the number of Empowerment Zones, to give business incentives to invest in those areas.”

—President Bill Clinton
State of the Union, January 20, 1998



“Our empowerment agenda is built on the belief that everyone has a positive contribution to make, and that all communities can create the climate that calls forth that contribution . . . if we give them the tools they need.”

—*Vice President Al Gore*
Los Angeles Empowerment Zone
October 16, 1997



“The concept of Empowerment Zones and Enterprise Communities couples national objectives with local means, Federal goals with local ingenuity. It’s a true and equal partnership, the hallmark of which is performance. It’s an approach which believes that one size does not fit all, that Washington does not know best.”

—Andrew Cuomo
Secretary, U.S. Department of Housing and Urban Development
Boston Globe, July 18, 1997

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THE VICE PRESIDENT
WASHINGTON

By the end of 1998, 20 new EZs — 15 urban and five rural — will be designated in communities across the country. The Second Round incorporates several new innovative ideas and builds on the success of, and lessons learned from, the First Round.

Most importantly, we learned from the First Round the significance of the application process itself, which required communities to develop their own broad-based plans for revitalization. This resulted in more than 500 communities leveraging billions of dollars in new private-sector investment and forging remarkable public-private partnerships. The Wall Street Journal hailed this process as "one of the few concrete examples of how government can instigate change without directly spending a dime."

I want to ensure that, as in the First Round, the application process provides a lasting benefit for all communities competing. So we are again requiring applicants to develop their own strategic plans for change — and to think even more broadly — when doing so. We have learned from the current EZ/ECs, in fact, that communities that are able to link their revitalization efforts to broader regional strategies can enhance those efforts.

Thus, in the Second Round, communities can designate up to 2,000 acres of additional property outside the formal poverty criterion to be included as part of their Zone. This property would receive all the Zone tax incentives and benefits, including the new Brownfields tax incentive to encourage the clean-up and redevelopment of former industrial property. And, we are asking that applicants incorporate metropolitan and regional strategies and potential ways to leverage this additional property — and the Federal tools available — into their plans.

Communities can also incorporate into their plans several promising new ways to take advantage of advances in information technology. New technologies, such as multi-jurisdictional databases and linked communication systems, can be used to enhance the development of your application and to broaden the participation of residents and organizations in the process. This can be used to tie together and enhance various efforts you are undertaking. For instance, technology can expand opportunities for economic development by helping to connect residents and entrepreneurs to the proliferating area of Web-based commerce and to the growing number of technology-based jobs now becoming available.

You can be sure that all of the Federal Agencies that make up the President's Community Empowerment Board (CEB), which I chair, stand ready to assist you in the planning of your application — and in the implementation of that plan. The Department of Housing and Urban Development and the Department of Agriculture in particular will make available to you several other more detailed publications about the EZ initiative and the Second Round. *See the Resources section at the end of this guide for a complete list of these publications and how to obtain them.* We also will be holding a series of workshops in various locations across the country in the coming months.

We on the CEB are prepared to work with you in developing and carrying through your innovative plans for change. Together, we can show the nation that change is possible.

THE PRESIDENT'S COMMUNITY EMPOWERMENT BOARD

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BENEFITS OF EMPOWERMENT ZONE DESIGNATION

The opportunity to be an Empowerment Zone is an exciting opportunity for your community. Reversing the trend of years of decline in many of America's cities, the Empowerment Zone/Enterprise Community (EZ/EC) Initiative marks the most significant effort launched by the Federal Government in decades on behalf of the Nation's most distressed communities. With this Initiative, the Federal Government has turned the traditional approach to Federal programs upside-down, listening to communities rather than prescribing top-down solutions, supporting bottom-up innovation rather than burdening local leaders with regulation, and encouraging flexibility and reinvention.

And the EZ/EC Initiative is working! For example, on December 22, 1997, the Public Finance Department at Standard and Poor's issued a Commentary titled *Report Card on Empowerment Zones*. The report describes the many successes of the Baltimore and Detroit Empowerment Zones:

“When successful, such efforts can contribute to the improvement of a local economy and lead to an improvement in an issuer's credit rating.”

Winning designation is, of course, the key goal of participating in the EZ Round II competition. However, the benefits of the application process itself will be invaluable to your community. Communities pull together to work on solving tough problems, new partnerships are formed, resources are brought together, and in the end, a community has a vision for the future that can guide its actions even if it doesn't win designation. Reflecting on the application process, the former Mayor of Jackson, Mississippi, Kane Ditto wrote:

“The dialogue that occurred during the citizen participation process (that developed the plan) was beneficial to our community-building efforts in Jackson even if we are not designated an Enterprise Community.”

Others have applauded the benefits of the application process. The Mayor of Louisville, Kentucky, Jerry Abramson said:

“As a result, cities are developing an entirely new approach to redevelopment, a more holistic approach that’s going to benefit even those cities that don’t win. We’ll never go back to the old way.”

In addition to bringing communities together, the EZ/EC Initiative offers tangible benefits in the form of tax incentives and a variety of Federal resources. The benefits of being named an EZ in Round II are outlined below. This chapter also discusses the proposed EZ/EC Social Service Block Grant (SSBG) funds for Round II currently before Congress. It ends with a description of the Federal resources available to EZs.

ROUND II TAX INCENTIVES

The Taxpayer Relief Act of 1997 provided two special tax incentives for Round II EZs: Tax-Exempt Bond Financing and Increased Section 179 Deduction.

The tax-exempt bonds have several exciting features. First, the amount of bonding authority available is significant. Designated Zones with populations of 100,000 or more will be eligible to issue up to \$230 million in bonds. Zones with populations under 100,000 will be able to issue up to \$130 million in bonds.

The other exciting feature is that the bonds are not subject to the State cap on private-activity bonds or special limits on issue size. Having \$130–230 million in lower-interest funding provides communities with a significant resource for creating economic activity in their Zones.

Other Available Tax Incentives

- **Increased Section 179 Deduction:** Allows businesses to deduct (up to a maximum of \$37,500) all or part of the cost of certain qualifying property in the year it is placed in service.
- **Environmental Cleanup Cost Deduction (Brownfields tax incentive):** This deduction provides businesses with an incentive to clean up certain sites that are contaminated, or perceived to be contaminated, with hazardous substances. A business can deduct “qualified environmental cleanup costs in the tax year the cost is paid or incurred.”
- **Welfare-to-Work Tax Credit:** The welfare-to-work tax credit provides businesses with an incentive to hire welfare recipients. The maximum credit is \$3,500 per employee in the first year and \$5,000 per employee in the second year.
- **Qualified Zone Academy Bonds:** Beginning in 1998, State or local governments can issue “qualified zone academy bonds” that permit public schools to raise funds for curriculum development or physical expansion. Schools must have resource commitments from business partners.
- **Work Opportunity Tax Credit (WOTC):** The WOTC provides businesses with an incentive to hire individuals from EZ/ECs and other hard-to-employ groups. At the time this publication went to print, this credit was set to expire for individuals who begin work after June 1998.

AVAILABILITY OF HHS EZ/EC SSBG FUNDS

The President’s FY 1999 Budget includes a proposal to fund Round II Urban EZs with \$1.5 billion in U.S. Department of Health and Human Services (HHS) EZ/EC Social Services Block Grant (EZ/EC SSBG) funds. Under the proposal, each Urban EZ would receive \$10 million a year for 10 years, a total of \$100 million per EZ. The grant funding is important because it provides resources and flexibility to communities implementing comprehensive revitalization strategies. The Administration hopes that the Congress will approve this funding request quickly. For information pertaining to eligible uses of EZ/EC SSBG funds, see *Appendix A: Guidelines for the Uses of EZ/EC SSBG Funds*.

NOTE: Applicants should create their Strategic Plans as if they will receive \$100 million in EZ/EC SSBG funds.

The Clinton administration sent legislation to Congress in late March titled “The Empowerment Zone Enhancement Act of 1998,” which requests \$100 million per Zone. The legislation (H.R. 3622) was introduced in the U.S. House of Representatives on April 1, 1998, by Representative Charles B. Rangel of New York. In the Senate, the legislation (S. 1927) was introduced on April 2, 1998, by Senator Carol Moseley-Braun of Illinois.

FEDERAL RESOURCES AVAILABLE TO EMPOWERMENT ZONES

Many Federal agencies have dedicated resources specifically to Round II EZs. The following programs support EZs as they work to revitalize their neighborhoods. Together, these benefits represent just a portion of the assistance the Federal Government hopes to target to communities designated under Round II of the EZ/EC Initiative. While you are not required to include *all* of these program offerings in your Strategic Plan, you should include those that you feel would best support your plans for revitalization.

Through the Community Empowerment Board, Federal agencies have committed the following resources:

- Technical Assistance and Resources (U.S. Department of Housing and Urban Development)
- One-Stop Capital Shops (OSCSs) (U.S. Small Business Administration)
- Brownfields Cleanup and Redevelopment (U.S. Environmental Protection Agency)
- Information Technology–E Rate (Schools and Libraries Corporation)
- Qualified Zone Academy Bonds (U.S. Department of Education)
- Access to Capital (U.S. Department of the Treasury)
- Weed and Seed (U.S. Department of Justice)
- Out-of-School Youth (U.S. Department of Labor)
- Welfare-to-Work Grants (U.S. Department of Labor)
- Regulatory Flexibility (National Partnership for Reinventing Government)
- Ginnie Mae Targeted Lending Initiative (Government National Mortgage Association)

Technical Assistance and Resources

Under Secretary Cuomo's leadership, HUD administers the urban portion of the Clinton administration's EZ/EC Initiative. Currently, HUD has program responsibility for 72 EZs and ECs. As manager of the Initiative, HUD provides staff support. HUD also serves as an information clearinghouse for the current EZ/ECs. All of these support functions will be extended to the 15 new Zones. HUD works closely with Vice President Gore's CEB to ensure that Federal agencies work together to provide better support for distressed communities. HUD also coordinates with the U.S. Department of Agriculture, the manager of the rural portion of the EZ/EC Initiative.

Other specific resources for Round II Empowerment Zones are:

Planning Grants. Designated EZs will be eligible to receive planning grants of \$100,000 each. Eligible planning activities will include hiring and developing staff, consulting services, publication of materials, community outreach and participation, governing board training, and similar startup activities.

Preference Points. This SuperNOFA provides for the award of two bonus points for activities and projects that are located in federally designated EZs, Enhanced ECs (EECs) or ECs; that serve the residents of the EZ, EEC, or EC; and that are certified to be consistent with the Strategic Plan of the EZ, EEC, or EC. The programs within this SuperNOFA include community development technical assistance programs; university and college programs; fair housing initiatives and affordable housing counseling programs; lead-based paint hazard control programs; and drug elimination in public and assisted housing programs. These preference points provide EZs with a competitive advantage when applying for HUD funding.

Community Builders. In partnership with Harvard University's John F. Kennedy School of Government, HUD has launched the Community Builders Fellowship Program to educate and train individuals from diverse professions as community builders. Community builders are skilled professionals from all walks of life: bankers, school principals, law enforcement officials, directors of nonprofit organizations, social workers, academics, architects, planners,

economic development experts, healthcare workers, technology specialists, and others.

Examples of assignments for Community Builders include:

- Meeting with community leaders, business owners, educators, officers of nonprofit organizations, and elected officials to help them design a comprehensive plan for effectively using government, private-sector, and foundation funding.
- Helping a small business owner obtain a loan or grant to expand or open a business.
- Working with a group of developers to find financing for a shopping center in a low-income neighborhood.
- Scouting out a location for a new park with the neighborhood association president.
- Developing ways to increase homeownership in the neighborhoods.

Community builders will be assigned to work with each of the current and new EZ/ECs.

Technical Assistance. HUD will identify and provide technical assistance designed to help EZs implement their Strategic Plans. HUD will offer technical assistance by sponsoring workshops, doing satellite broadcasts, facilitating peer-to-peer assistance, and offering informational publications on topics requested by the Zones.

For more information on HUD technical assistance and resources, please contact the EZ/EC Initiative at 202-708-6339.

One-Stop Capital Shops (OSCSs)

The U.S. Small Business Administration (SBA) has developed an innovative approach to target entrepreneurial development and finance programs to distressed communities. Known as One-Stop Capital Shops, these centers provide a full range of entrepreneurial development, financial, and assistance services to businesses interested in hiring welfare recipients.

SBA opened 15 OSCSs in conjunction with Round I of the EZ/EC Initiative. The SBA has committed to opening 20 new OSCSs.

SBA will provide the following support:

- Onsite staff for coordination of SBA programs.
- A Business Information Center (BIC), including SBA publications, computers and related technology, and access to SBA's Web site at www.sba.gov.

Each OSCS will include the following SBA resources:

- Small Business Development Center (SBDC).
- Service Corps of Retired Executives (SCORE).
- Certified Development Company (CDC).
- Small Business Investment Company (SBIC).
- Microloan Intermediary.
- SBA Guaranteed Private-Sector Lending.

Other resources available:

- Other Federal agency contacts for entrepreneurial development and financial assistance.
- Private-sector resources, including nonprofit organizations.

Note: If you would like to obtain an SBA commitment to open an OSCS in your Zone if you are designated, you must provide the following in your Round II application:

- **A Strategic Plan for OSCS operation, including formal commitments from private-sector and local partners.**
- **A commitment for approximately 10,000 square feet of space for the center.**
- **A commitment to fund initial startup and maintenance costs.**

SBA will open OSCSs based on the following priorities: 1) applicants selected as EZs that completed an OSCS Strategic Plan at the time of original application, 2) selected EZs that subsequently complete an OSCS Strategic Plan, and if available, 3) ECs on a first-come, first-served, resource availability basis. Please contact your local SBA district office for more information.

Brownfields Cleanup and Redevelopment

Brownfields cleanup and redevelopment is an important component of community empowerment in cities across the Nation. Bringing life back to brownfields properties has become a valuable part of the overall approach to creating a better quality of life for residents. The U.S. Environmental Protection Agency (EPA) is committed to continuing its work with distressed communities and EZ/ECs to integrate brownfields cleanup and redevelopment into comprehensive revitalization efforts. Building on existing efforts, EPA will provide broad support to the 15 new Urban Round II EZs.

To support the Round II application process, EPA will:

- Provide technical assistance to communities to integrate brownfields assessment and cleanup plans with the EZ's Strategic Plan.
- Provide information on innovative case studies and best practices on brownfields cleanup and redevelopment.

EPA Regional Brownfields Teams will work with the newly designated EZs to develop comprehensive brownfields action plans for each Zone. Each plan should constitute that Zone's effort to address brownfields cleanup and redevelopment as part of its overall Strategic Plan. In support of the Zone Brownfields Action Plan, EPA may provide each Zone:

- Help in coordinating with State environmental programs in the development and implementation of the Zone's brownfields action plan.
- Environmental site assessments on specific properties within the Zone by EPA's Site Assessment Program.
- Assistance with the identification and coordination of other Federal agencies and programs that may complement or assist with the development and implementation of the Zone brownfields action plan.
- Assistance with the preparation of a \$200,000 EPA Brownfields Assessment grant application.

For more information, contact the Office of Outreach and Special Projects, 202-260-4039.

Information Technology–E Rate

Schools and libraries from distressed communities may apply to receive discounts on telecommunications services. The discounts range from 20 to 90 percent of the cost of telephone services, Internet services, and a range of related services and equipment. The discount will be based on free or reduced-price lunch eligibility figures in the local school attendance area.

E Rate application forms and instructions are available at the Schools and Libraries Corporation (SLC) Web site at <http://www.SLCfund.org>. To apply, school officials must complete two forms—either online at the Web address or on paper versions mailed to the SLC Processing Center, P.O. Box 4217, Iowa City, IA 52244-4217.

For general queries, the Educational and Library Networks Coalition offers a help service at 1-800-733-7870 or at their Web site at <http://www.eratehotline.org>.

Qualified Zone Academy Bonds

Section 226 of the Taxpayers' Relief Act of 1997 created a new type of bond available to schools in EZs or ECs (as well as schools where 35 percent or more of the students receive free or reduced-price lunches). Schools must form a partnership with a business, which must agree to provide in-kind or monetary contributions equal to 10 percent of the bond's value.

For calendar years 1998 and 1999, \$400 million is available to States (allocated on the basis of poverty rates). States can carry over their allocation from one calendar year to another. To qualify for the bonds, the partnership must also be approved by the relevant local education authority (LEA). The LEA must agree to curriculum changes that the school initiates to improve the graduates' workforce skills and/or ability to attend college. The bonds may be applied to school renovations or repairs; technology improvements; professional development; or the costs of mentoring, internship, or other related programs.

For more information, call William L. Smith, Director of the EZ/EC task force at the U.S. Department of Education, 202-401-0504.

Access to Capital

Designated EZ/ECs will have a range of tools available to them to maximize the flow of private capital and investment to their communities.

Community Reinvestment Act (CRA). Following the Clinton administration's initiative, bank regulators adopted new CRA regulations that emphasize lending, service, and investment performance, rather than paperwork. Since 1992, community groups estimate that the private sector has pledged nearly \$400 billion in loans for community development, an amount that represents more than 85 percent of all CRA pledges made since CRA's enactment in 1977. Leading banks and thrifts recognize that community lending is good business and that partnerships with local groups can be a key to reaching all communities. Large banks made \$18 billion in community development loans in 1996 alone. Beginning in 1997, CRA required banks to report the geographic location of small business loans. This data can help ensure that credit is available to all qualified borrowers.

Community Development Financial Institutions (CDFI) Fund. The U.S. Department of the Treasury's CDFI Fund offers several programs that invest in and build the capacity of CDFIs. In FY 1998, \$80 million was appropriated for the fund. President Clinton is seeking \$125 million for FY 1999 as well as congressional reauthorization of the Fund. For more information, call the CDFI Fund at 202-622-8662. Specific CDFI initiatives are listed below:

- **CDFI Core Program:** This program funds grants, loans, and equity investments in CDFIs. CDFIs that serve EZ/ECs automatically meet the geographic eligibility requirements for the program. In two award rounds, the CDFI Fund invested in more than 60 CDFIs serving EZ/ECs. CDFIs can be sources of specialized financing and expertise for your economic development project.
- **Bank Enterprise Awards (BEAs):** BEAs reward mainstream banks and thrifts that demonstrate an increase in their community development lending or other services to distressed communities, or an increase in investment in CDFIs. Banks and thrifts may receive monetary awards for investing in your community.

- *Presidential Awards for Excellence in Microenterprise:* These annual nonmonetary awards recognize the leaders in the field of microenterprise lending.
- *Training and Technical Assistance:* Beginning in 1998, the CDFI Fund will make grant funds available to CDFIs for training services and will contract with CDFI service providers to bolster the capacity of CDFIs around the country.

Partnerships with Government-Sponsored Enterprises (GSEs) and Private Financial Institutions. GSEs, including Fannie Mae, the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Home Loan Banks, can be major sources of capital for housing and community development.

For example, Fannie Mae has opened 28 partnership offices in cities and States throughout the country and will open 5 more in 1998. The partnership offices have developed comprehensive investment plans for each community that are designed to help more than 1 million families buy homes on their own. The partnership offices will work with the new Zones to support the goal of homeownership.

A variety of local institutions can play a role in an EZ/EC capital access strategy. Banks, thrifts, investment banks, mortgage brokerage companies, insurance companies, and securities brokers and dealers may also be recruited to target investments and services in your community.

The Comptroller of the Currency has six regional offices with community reinvestment and development specialists. These specialists are experts in effective community development practices, and work with bankers and their community partners to promote community economic development and access in key markets. The headquarters and regional offices are listed with their telephone numbers below:

Headquarters Office	212-874-4864
Central District	312-360-8884
Midwestern District	816-556-1832
Northeastern District	212-790-4054

Southeastern District 404-588-4515

Southwestern District 214-720-7027

Western District 415-545-5956

Community Adjustment and Investment Program (CAIP).

CAIP is a partnership between the Federal Government and the North American Development Bank (NADBank), a multilateral development bank, to help communities make the post-NAFTA (North American Free Trade Act) transition by increasing the availability and flow of credit for business development. Loans or loan guarantees are made through SBA, USDA, or NADBank. Communities are eligible based on evidence of job losses associated with NAFTA and evidence of transitional need for assistance because of a lack of other job opportunities. For more information, contact NADBank at 562-908-2100.

Other Financial Sources. Businesses, universities, churches, foundations, and public-private economic development partnerships may also play an important role in facilitating lending, loan guarantees, investment, and technical assistance in your community. Corporate and philanthropic foundations are beginning to pursue a variety of program-related investments that may prove useful to your community's strategy.

**Public Safety and Community Empowerment:
Weed and Seed**

Public safety is an integral component of community empowerment. When coupled with efforts to economically revitalize an area, successful law enforcement and crime-prevention efforts can produce lasting results. The connection between public safety and economic development can be greatly enhanced through implementation of the U.S. Department of Justice (DOJ) Weed and Seed strategy, a comprehensive neighborhood-based crime-prevention strategy.

To assist EZs in their crime-prevention efforts, DOJ will:

- Provide assistance to help develop a neighborhood-based, comprehensive Weed and Seed strategy that includes law

enforcement, community policing, prevention, and neighborhood revitalization as its critical elements.

- Identify and help coordinate Federal, State, and local assets that can be used to support the implementation of a Weed and Seed crime-reduction strategy.
- Provide information about innovative crime-control and crime-prevention programs that can be incorporated into the Weed and Seed strategy.
- Train and empower residents to engage in crime-prevention efforts, including establishing and strengthening community-based organizations and forging partnerships with law enforcement agencies.
- Train local law enforcement personnel to enhance community policing skills, including conflict resolution, proactive problem-solving, and community organizing.
- Train childcare and social services providers in the development and management of multipurpose after-school programs for at-risk youths.

The EZ community, in partnership with its U.S. Attorney, must:

- Designate a target area within the EZ for implementation of the Weed and Seed strategy (the entire Zone may be designated a target area if it has fewer than 50,000 residents).
- Form a Weed and Seed steering committee comprised of the U.S. Attorney, local law enforcement representatives, city agencies, significant nonprofit organizations operating in the target area, and resident leaders to provide the guidance and leadership needed to strategically target crime and identify and implement law enforcement and prevention efforts.
- Prepare and submit to DOJ an application for official recognition as a Weed and Seed site. This application will constitute the Weed and Seed strategy developed by the EZ community in its Strategic Plan submission.

The EZ applicant should contact DOJ's Office of Justice Programs, Executive Office for Weed and Seed, and request the Weed and Seed Implementation Manual for guidance in developing their Weed and Seed official recognition application and strategy. For more information, contact Stephen Rickman, Director, Executive Office for Weed and Seed, at 202-616-1152. Information about Weed and Seed is also available at <http://www.ojp.usdoj.gov>.

Opportunity Areas for Out-of-School Youth

The President's Opportunity Areas for Out-of-School Youth initiative, a \$250 million advance appropriation pending congressional authorization, concentrates large amounts of resources in targeted high-poverty communities, including designated EZ/ECs. These resources would leverage State, local, and private resources to sustain public-private efforts to train and employ youth in private-sector jobs and bring about fundamental changes in the neighborhoods served.

The initiative makes employment and training services available to all unemployed youth who live in the community. It also establishes an integrated administrative structure with other service providers who are already located in the community.

It is anticipated that the majority of the \$250 million will support EZ/EC Youth Opportunity grants. The U.S. Department of Labor expects to award large grants to between 15 and 30 communities over a 5-year period.

Six Opportunity Areas for Out-of-School Youth pilot projects are currently operating in EZ/ECs. Three were funded in 1996 (Chicago, Houston, and Los Angeles) and three in 1997 (Boston; the Bronx; and Russell Springs, Kentucky). DOL will also continue to invest in the six existing Opportunity Areas pilot sites and add five more pilot sites. The competition for these additional pilot sites is expected to open in mid-July 1998.

For additional information, contact the Office of Employment and Training, 202-219-7533.

Welfare-to-Work Grants

In August 1996, the Personal Responsibility and Work Opportunity Reconciliation Act reformed the Nation's welfare laws. A new system of block grants to States for Temporary Assistance for Needy Families (TANF) was created, changing the nature and provision of welfare benefits in America.

Moving people from welfare to work is now one of the primary goals of Federal welfare policy. The Balanced Budget Act of 1997,

signed by President Clinton on August 5, 1997, helps to achieve that goal by authorizing DOL to provide welfare-to-work grants to States and local communities to create additional job opportunities for recipients of TANF who have proved difficult to employ. These grants will provide many welfare recipients with the job placement services, transitional employment, and other support services they need to make the successful progression into long-term, unsubsidized employment.

The grants total \$3 billion, with \$1.5 billion to be awarded in FY 1998 and \$1.5 billion in FY 1999. The grants will be either formula grants to States or competitive grants to local communities. A small amount of the total grant money will also be set aside for special purposes: 1 percent for Indian tribes; 0.8 percent for evaluation; and \$100 million for performance bonuses to successful States. Grantees will have up to 3 years to spend the funds.

Formula Grants to States. After reserving the special purpose funds described above, 75 percent of the grant funds will be allocated to States based on a formula that considers States' shares of both the national number of poor individuals and the number of adult TANF recipients. States will be required to pass 85 percent of the money to local private industry councils (known as workforce development boards in some areas), which oversee and guide job training programs in geographical jurisdictions called service delivery areas. A State can retain 15 percent of the money for welfare-to-work projects of its choice. States must provide a match of \$1 in non-Federal funding for every \$2 in Federal funding provided under the formula.

To receive formula funds, the State must submit a plan for the administration of the welfare-to-work grant. The Secretary of Labor must determine that the plan meets the statutory requirements. Governors are responsible for administering formula funds and assuring that they are coordinated with funds spent under the TANF block grant. EZ applicants are encouraged to work with their States to ensure coordination in development of welfare-to-work strategies.

Competitive Grants to Local Communities. The 25 percent of funds not allocated by formula will be used for competitive grants awarded directly to local governments, private industry councils

(PICs), and private entities—such as community development corporations, community-based organizations, community action agencies, and other private organizations—that apply in conjunction with a PIC or local government. The Secretary of Labor will give special consideration to rural areas and cities with large concentrations of poverty. For those proposals that are deemed most competitive, projects that propose to operate in designated EZ/ECs will be eligible for five bonus points.

For specific eligibility and application information contact Mr. Willie Harris, Grants Management Supervisor, Division of Acquisition Assistance, U.S. Department of Labor, at 202-219-8694.

Regulatory Flexibility

A primary goal of the EZ/EC Initiative is to enable local communities to design and implement comprehensive revitalization strategies. To accomplish this goal, more regulatory flexibility will be required not only on the part of State and local government, but at the Federal level as well. Therefore, the Community Empowerment Board (CEB) will work with all communities that have submitted a Strategic Plan, even if they do not receive EZ designation. CEB and the Vice President's National Partnership for Reinventing Government (NPRG) will work with all Federal agencies to overcome programmatic and regulatory impediments to encourage more effective economic, human, physical, environmental, and community development activities.

Ginnie Mae Targeted Lending Initiative

The Government National Mortgage Association (Ginnie Mae) recently announced an initiative to help raise homeownership levels in urban Empowerment Zones and Enterprise Communities (EZ/ECs). This effort, the Targeted Lending Initiative, will provide financial incentives for lenders to increase loan volumes in traditionally underserved areas. By increasing lender activity in these targeted areas, Ginnie Mae provides families and households with additional opportunities to achieve homeownership.

Under the Targeted Lending Initiative, Ginnie Mae will reduce its guaranty fee by up to 50 percent when approved issuers originate

or purchase home mortgage loans in one of 72 designated EZ/EC communities around the Nation and place them in Ginnie Mae pools. The Ginnie Mae guaranty fee will be reduced by 1 to 3 basis points on a pool, depending on the percentage of unpaid principle balance of eligible FHA- and VA-insured or guaranteed loans in the pool. Eligible loans are loans on properties located in the eligible census tracts.

All Ginnie Mae issuers may, and are encouraged to, participate in the Targeted Lending Initiative. There is no separate application procedure or preapproval required. Once a Ginnie Mae issuer has originated or purchased eligible loans, the issuer merely has to indicate the reduced applicable guaranty fee with the pool submission to participate in the Targeted Lending Initiative. The Initiative is effective for pools issued on or after October 1, 1996.

The Ginnie Mae I and II single-family pools and loan packages that are eligible for the reduced guaranty fee are Single-Family, GPM, Buy-Down GEM, ARM, and Serial Note. Pools collateralized by manufactured housing, multifamily project or construction loans, and FHA-insured Title I property improvement loans are not currently eligible for the reduced guaranty fee.

In addition to the financial incentives, Ginnie Mae has developed a customized, easy-to-use mortgage prequalification software program to increase customer awareness of lending opportunities. By increasing the awareness of potential borrowers and providing incentives to lenders, Ginnie Mae is working to assist its mortgage-backed securities issuers and FHA/VA lenders in general to generate \$1 billion in new mortgages to bring homeownership to 15,000 additional households in traditionally underserved communities. Initially, the software will be placed in several HUD model offices.

Ginnie Mae's goal of \$1 billion in new mortgage credit for the targeted lending areas has been exceeded by more than 20 percent. Participation continues to grow since the Initiative's inception in October 1996. More than \$1.2 billion in loans was initiated in the first 11 months. Performance analysis indicates that lending has increased more than 5 percent from the level experienced in the same period during the previous year. Ginnie Mae is confident that the success of the Targeted Lending Initiative will continue and is looking forward to the future.



APPLYING FOR EMPOWERMENT ZONE DESIGNATION

Applying for Empowerment Zone designation is an exciting opportunity for your community to build its vision for the future. Over the next 6 months you will meet, discuss, and debate some of the most important issues facing your community. Throughout the application process, community residents and representatives from local and State governments, businesses, nonprofits and other community stakeholders will work side-by-side, many for the first time, to develop your community's Strategic Plan.

The EZ application process recognizes that you and your local partners are in the best position to create sustainable strategies for revitalizing your community. In short, we depend on you to tell us what is best for your community. Your plan should include a holistic strategy that focuses on creating economic opportunity for residents and it must be sustainable over the long term. A simultaneously challenging and rewarding process, the collaborative effort to develop the application is the foundation upon which your revitalization efforts will be built.

In order to facilitate this process, it is vital that you understand the design of the EZ/EC Initiative and the requirements for designation as an Empowerment Zone. It is important that you read the application materials that HUD has developed to assist you. These materials, described below, contain important information for preparing your application.

NOTICE OF INTENT TO PARTICIPATE

Before you begin the application process, we ask that you submit the Notice of Intent to Participate form to HUD. The Notice can be found in the front of the *Application Forms* publication. Once HUD receives the form, you will be added to our mailing list so you can receive up-to-date information about Round II, including the location and dates of application workshops, Round II application materials, and other developments as the competition period progresses.

Please submit the Notice as soon as possible to:

U.S. Department of Housing and Urban Development
EZ/EC Team, Room 7130
451 Seventh Street, SW.
Washington, D.C. 20410

The Notice of Intent to Participate may also be faxed to:
202-401-7615.

NOTE: It is not mandatory that you submit a Notice of Intent to Participate in order to apply for Round II EZ designation.

APPLICATION REQUIREMENTS

An application for Empowerment Zone designation consists of three parts:

- **Nomination Forms (Parts I–IV):** These are mandatory forms and they must be in correct order for an application to be considered.
- **Strategic Plan:** This is the narrative submission and the core of the application.
- **Census Tract Maps:** 1990 census tract maps identify the boundaries of the State and local nominating entities and the boundaries of the proposed Empowerment Zone.

Before submitting your application be sure that all three parts of the application are accurate and complete and that all required certifications have been signed.

APPLICATION MATERIALS

HUD has created, with the assistance of the Vice President's CEB, 10 documents and publications to assist you in completing your application. Three documents contain the rules and procedures for the application process: *Empowerment Zones: Rule for Second Round Designation*, the *Notice Inviting Applications: Second Round Designation of 15 Urban Empowerment Zones*, and the *Application Forms*. These documents contain critical information regarding the application and evaluation process.

HUD has produced other valuable publications to assist you in putting your application together. These publications are explained in Appendix C.

- *Application Guide*
- *Strategic Planning Guide*
- *Performance Measurement System Guide*
- *Federal Programs Guide*
- *What Works! in Empowerment Zones and Enterprise Communities, Volume II*

Other publications available to assist you in putting your application together are:

- *Internal Revenue Service Publication 954, Tax Incentives for Empowerment Zones and Other Distressed Communities.*
- *Department of Health and Human Services Preliminary Guidelines for Round II EZ/EC SSBG Grants for Empowerment Zones.*

To obtain copies of the publications listed above call 1-800-998-9999. Or visit the HUD Web site and download the publications at <http://www.hud.gov/EZEC.html>

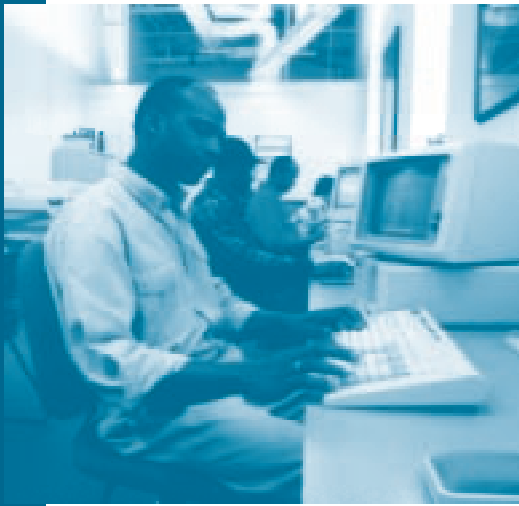
SUBMITTING YOUR APPLICATION

There are three ways to submit your application to HUD—**delivered applications, mailed applications, and applications sent by overnight delivery.** The specific requirements for each of these methods is described in detail in the *Notice Inviting Applications: Second Round Designation of 15 Urban Empowerment Zones*. The Application Forms publication also contains the submission requirements.

Delivered applications are due no later than 5:00 p.m. Eastern Time on October 9, 1998. **Mailed applications** must be post-marked on or before October 9, 1998, and received by HUD Headquarters on or before October 19, 1998. **Applications sent via overnight delivery** must be received on or before October 9, 1998.

The address for submitting applications via any of the methods described above is:

Office of Community Planning and Development
c/o Processing and Control Unit, Room 7255
U.S. Department of Housing and Urban Development
451 Seventh Street, SW.
Washington, DC 20410



APPLICATION FORMS: PARTS I–IV

The Application Forms publication consists of the four nomination forms that you are required to submit as part of your application. The required nomination forms identify the name of the nominating entities, eligibility information, certifications and population data. This chapter explains each of the nomination forms which are numbered Parts I–IV.

Notes on the Application Forms

- **Part I: State and Local Government Identification.** This form asks for names of the nominating State and local government entities that are filing the application.

There is a box on this form that asks you to identify the number of years of designation being requested. Because it is currently proposed that EZ/EC SSBG funds will be distributed to each Empowerment Zone in the amount of \$10 million per year for 10 years, requesting less than 10 years of designation results in forfeiting some portion of the funding.

- **Part II: Eligibility Information.** The Eligibility Information form is divided into four categories: A. Size and Location of the Nominated Area; B. Population & Poverty Rate of the Nominated Area; C. Distress of the Nominated Area; and D. Alaska and Hawaii Nominations. The eligibility information is discussed in further detail below.

- **Part III : Certifications.** The application must contain original signatures on the Certifications form.

- **Part IV: Population Data Form.** The Population Data Form collects information on the census tracts that will make up the nominated area. Complete instructions for obtaining census tract information is contained in the Application Forms publication. The publication also contains detailed instructions for filling out the Population Data Form. Please follow these instructions carefully.

ELIGIBILITY OF THE NOMINATED AREA

Size and Location of the Nominated Area

The nominated area cannot be larger than 20 square miles with one exception—up to 2,000 acres in areas called “developable sites.” Developable sites can consist of no more than three noncontiguous areas. The largest possible nominated area would be 20 square miles plus 2000 acres. The developable sites are also exempt from the poverty rate criteria (see “Developable Sites” box on the next page).

A nominated area (aside from developable sites) cannot contain more than three noncontiguous areas. So, a nominated area could contain as many as six noncontiguous areas—three noncontiguous areas subject to the poverty criteria and three noncontiguous developable sites which are exempt from the poverty criteria and square mileage limitation.

The nominated area cannot be located in more than two contiguous States. A nominated area cannot include any census tracts that are part of a central business district (CBD) unless the poverty rate for each of the included CBD census tracts is at least 35 percent.

EXPANDING YOUR ZONE WITH ADDITIONAL “DEVELOPABLE SITES”

The square mileage limitations of the areas designated as EZs (20 square miles for urban areas and 1,000 square miles for rural areas) can be **expanded** to allow the Zones to include an additional 2,000 acres of property called “**developable sites.**” This additional acreage must be used for commercial and industrial purposes and need not meet the poverty rate criteria needed for other areas of the Zone. Developable sites can be divided into three noncontiguous parcels and would be eligible for all of the benefits and incentives available to other areas of the Zone, including the new brownfields tax incentive.

We encourage you to give careful consideration to identifying which developable sites may be added to your nominated area, and how their expected use fits within your Strategic Plan. This is a terrific new opportunity, which builds on lessons learned from the First Round. It allows communities to link their Zones with other areas that can provide jobs for Zone residents. You should give serious thought to redevelopment efforts that can maximize the potential for the developable sites, and transportation linkages that may be available or necessary to connect Zone residents to these areas.

Examples of developable sites include ports, transportation and railway hubs, dilapidated buildings, brownfields, and former military bases. Give serious consideration to projects that can take advantage of the tax incentives and that meet the needs of your community and the surrounding area as identified in your Strategic Plan.

Several current EZ/ECs—from the urban EZ in Detroit to the rural EC in Cape Charles, VA—have implemented successful large-scale redevelopment projects. Current EZ/ECs have also had notable success in linking their efforts to economic opportunities in the broader region.

New job creation centers outside the formal Zone boundaries could be very helpful in integrating the Zone into your larger regional economy and connecting residents to new employment opportunities. Partners in the your surrounding region and other local government authorities may be very helpful in identifying suitable sites.

Population of the Nominated Area

The maximum population of a nominated urban area is the lesser of (1) 200,000 or (2) the greater of 50,000 or 10 percent of the population of the most populous city located within the nominated area.

For example, assume that the most populous city in the nominated area is 3 million. You would multiply that number by 10 percent, which gives you 300,000. Because 200,000 is the population cap, the maximum population for that nominated area would be 200,000.

In another example, assume that the most populous city in the nominated area is 75,000. You would multiply that number by 10 percent, which gives you 7,500. Because any Zone may nominate an area of at least 50,000, the maximum population could be up to 50,000.

In short, no nominated area can exceed 200,000 in population, and any nominated area can be at least 50,000 in population.

Poverty Rate of the Nominated Area

A nominated urban area must meet the following poverty rate criteria:

- The poverty rate for each of the census tracts within the nominated urban area must be at least 20 percent.
- The poverty rate for at least 90 percent of the area's census tracts must be at least 25 percent.
- Census tracts with populations of less than 2,000 will be considered as meeting the 25-percent poverty criterion if more than 75 percent of the tract is zoned for commercial or industrial use *and* the tract is contiguous to one or more tracts that have a poverty rate of at least 25 percent.

If a nominated urban area consists of noncontiguous parcels, each parcel (excluding developable sites) must independently meet the poverty rate criteria.

Distress of the Nominated Area

This part of the form confirms that you have included information in your Strategic Plan documenting conditions of distress in your nominated area. Distress is defined in the Interim Rule as pervasive poverty, unemployment, and general distress. The Rule contains a definition of these terms.

Alaska and Hawaii Nominations

Special size, distress, and poverty rate criteria apply to applicants from Alaska and Hawaii. Applicants from those States should read the applicable sections of the Interim Rule.

CENSUS MAPS

This part of the application is the 1990 census map(s) showing:

- The boundaries of the local government(s) discussed in Part I: State and Local Government Identification; and
- The boundaries of the nominated area, including developable sites, if any.

The 1990 census tract outline maps can be ordered by calling the U.S. Department of the Census at 301-457-4100. When ordering, please recognize that these maps are plotted on demand and therefore may not be available at State data centers. Information on these centers can be obtained via the U.S. Census Bureau Web site at <http://www.census.gov/sdc/www/>.

Questions About Nominations and Eligibility

What is a participating entity? A participating entity may include any group, organization, regional planning agency, or government entity that participates in the development and implementation of a community's Strategic Plan.

What constitutes a local government? A local government is any individual county, city, town, township, parish, village, or other general purpose political subdivision of a State or any combination thereof.

If an EZ includes geographic areas from more than one relevant local government, must all of them join in the nomination? Yes. If a nominated area crosses the boundaries of State or local governments, then each State or local government must join in the nomination.

Can the same census tract be included in more than one nominated area? No. Each nominated area must be an independent and unique area.

Does a nominated area have to be an existing State-designated enterprise zone? No. However, if a State enterprise zone does participate, the State must still join in the nomination and provide appropriate support for the proposed Federal EZ activities.

How many nominations can be submitted by a nominating entity? The nominating entity or entities may nominate any number of areas. However, no nominated area can contain a census tract that has been included in any other nominated area, including the current Empowerment Zones.

Does Empowerment Zone Designation trigger the Uniform Relocation Act requirements? No. However, any Federal action that otherwise invokes provisions of the Uniform Relocation Act will apply.

Can EZs be established on Indian Reservations? Yes. In Round II, tribal governing bodies are eligible to nominate areas to be designated as Empowerment Zones. These areas are subject to the same eligibility criteria as other nominated areas.



KEY PRINCIPLES OF THE EZ/EC INITIATIVE

The Empowerment Zone and Enterprise Community Program is designed to afford communities opportunities for growth and revitalization. The framework of the program is embodied in four key principles: Strategic Vision for Change, Community-Based Partnerships, Economic Opportunity, and Sustainable Community Development. These principles are drawn from the experiences of communities around the Nation that have used them successfully to develop a holistic approach to community revitalization. As you prepare your application and Strategic Plan, you should be guided by these principles.

- ***The Strategic Vision for Change*** identifies what a community will become in the future and includes a clear statement of the values the community used to create its vision. The vision should include coordinated strategies that will help to achieve the community's goals. The strategic vision should also take into account the development of a performance measurement system that will provide the framework for evaluating progress and adjusting the Strategic Plan.
- ***Community-Based Partnerships*** emphasize the importance of involving all community stakeholders in the revitalization of distressed neighborhoods. Key partners include residents; businesses; local political leaders; local, State, and Federal governments; community development corporations; local public health and social service departments; regional planning organizations; unions; environmental groups; schools and universities; faith-based organizations; and other community groups. A successful EZ

Partnerships

Federal Level

- Remove regulatory barriers
- Simplify program rules
- Coordinate programs
- Invest broad resources
- Provide technical assistance

State Level

- Invest State resources and Federal funds provided to the State
- Pass through EZ/EC SSBG funds
- Coordinate programs and agencies
- Assist with private activity bond issuance

Community Level

- Involve the entire community
- Plan comprehensively
- Leverage private and public resources
- Streamline local government
- Implement Strategic Plan

is able to leverage the resources that these partners bring to the table. Key partners should be included in the governance structure. All partners should be held accountable for their commitment to revitalizing the community.

The Role of States

As Round II applicants develop their Strategic Plans and negotiate partnerships to implement those Plans, they may discover important roles for the State to play. States can assist both applicant communities and designated communities in many ways by:

- Providing population and social data, economic data, and other information useful for measuring local needs and developing a Strategic Plan;
- Targeting multiple State resources, such as grants and loans for affordable housing; transportation services; social services; and economic development;
- Targeting Federal resources, such as block grants awarded to States by the U.S. Department of Justice, the U.S. Department of Health and Human Services, and other Federal agencies;
- Tracking issuance of private activity bonds;
- Expediting the pass-through of EZ/EC SSBG funds;
- Waiving onerous State regulations that impede implementation;
- Sharing office space, staff, and technical assistance helpful to the designated EZs as they plan and implement Strategic Plans; and
- Partnering with EZ communities on the national welfare-to-work initiative. States play a key role in implementation of this initiative.

- ***Economic Opportunity*** includes creating jobs for Zone residents and linking residents to jobs within the Zone and throughout the region. Successful economic opportunity strategies provide entrepreneurs with technical assistance and greater access to capital and credit; assist businesses to expand and create job opportunities for residents; provide residents with jobs; and provide residents with job training and placement services, with an emphasis on linkages to welfare-to-work and school-to-work initiatives.

- ***Sustainable Community Development*** advances the creation of livable and vibrant communities through comprehensive approaches that coordinate economic, physical, environmental, community, and human development. In successful Zones, these approaches preserve the environment and historic landmarks; address brownfields cleanup and redevelopment; advance the use of telecommunications as a means of improving community coordination and interaction; explore the economic development advantages of energy efficiency and the use of renewable energy resources; and improve the quality of and/or access to programs supporting families, youth development, substance abuse prevention, healthcare, human services, education, childcare, affordable housing, transportation, and public safety.

NOTE: You are *not* required to organize your Strategic Plan in terms of these four principles. This discussion of the four principles is intended to stimulate discussion, not to define the elements of your Plan.

The Role of Telecommunications and Information Technology

As Round II applicants develop their Strategic Plans, they should consider the role that telecommunication and information technology can play in helping the community achieve each of the four key goals. This technology, when used most widely and effectively, can assist communities in many areas important to revitalization efforts, such as:

- Facilitating grassroots organization by providing an easier way to share information, exchange ideas, and stay in touch.
- Providing schoolchildren with access to valuable education resources through e-mail, online resources, and Internet-based project learning.
- Providing residents with technology training that will enable them to become qualified for the increasing number of jobs that require technology skills.
- Providing residents with the ability to telecommute to jobs in other areas.
- Fostering economic growth by allowing entrepreneurs and small businesses to market their services over the Internet and learn about new opportunities.
- Connecting communities to other “sister communities” and regional partners and to opportunities emerging in the new global economy.

(continued on next page)

The Role of Telecommunications and Information Technology (continued)

- Improving delivery of services by government agencies, social services providers, and nonprofit organizations.
- Improving family services and education services by facilitating e-mail communication among teachers, parents, and children
- Improving access to healthcare through telemedicine and telehealth applications, linking communities to premier research hospitals and practitioners in other locations.



QUALITY OF THE STRATEGIC PLAN

As the core of the application, the Strategic Plan is your opportunity to describe in detail your strategy for revitalizing the area you are nominating as an Empowerment Zone. In making the Round II EZ designations, the Secretary will take into account the Quality of the Strategic Plan submitted by the applicant and the Quality of the Commitments made in connection with the Plan. In evaluating your application, HUD has allocated 75 out of a maximum 100 points to the Quality of the Strategic Plan. Twenty-five points have been allocated to the Quality of the Commitments.

The following chart outlines the maximum points that will be assigned to each Strategic Plan element. The Rating Factors are:

RATING FACTORS	
Quality of Strategic Plan (75 points)	Maximum Points
1. Vision/Values	5
2. Community Assessment	10
3. Goals	10
4. Implementation Plan	35
a. Projects/Programs	(15)
b. Tax Incentive Utilization Plan	(10)
c. Governance Plan	(7)
d. Community Performance Assessment	(3)
5. Strategic Planning Process Documentation	15
Quality of Strategic Plan Subtotal	75
Quality of Commitments Made in Connection With Strategic Plan (25)	
1. Resources Leveraged	10
2. Resource Commitments Documented	15
Quality of Commitments Subtotal	25
TOTAL POINTS	100

Elements of the Strategic Plan (Maximum Points: 75)

The Strategic Plan is composed of a number of **required** elements that are described in the *Interim Rule* and the *Notice Inviting Applications: Second Round Designation of 15 Urban Empowerment Zones*. Each element will be evaluated by the criteria

contained in the *Notice*. Below is a description of the elements, the maximum points available for each element, examples of successful elements in other Zones, and tips for developing the elements based on lessons learned through Round I.

NOTE: It is not necessary to submit the elements in any particular format. Your plan may be organized and presented in whatever way most clearly communicates your strategy for revitalization.

NOTE: Strategic Plans should be concise and to the point. Therefore it is preferable that the length of the Strategic Plan be no more than 150 pages.

Vision and Values (Maximum Points: 5)

As you begin developing your Strategic Plan, the first step will be creating the future vision for your Zone. This will be an exciting time, as stakeholders come together to dream about the future of the community and share with each other the values that will guide decisions about what that future will be. It is important to spend the necessary time to create a vision that the stakeholders agree upon, and that will inspire the entire community to work together to attain. HUD is looking for innovation and creativity. It is also important that the vision be powerful enough to drive the rest of the strategic planning process. The vision is the foundation upon which the rest of the Strategic Plan is built.

Example. In Baltimore, the entire community—residents, business owners, and other partners—shared the common value of strength and a sense of community within individual neighborhoods. They envisioned a future where the community came together to work to rebuild strong neighborhoods. This vision translated into the development of six community-based, community-run organizations called Village Centers. These centers are developing plans for workforce development by removing barriers to employment and utilizing tools for job development; improving the quality of life in the Zone through initiatives to increase public safety, improve sanitation, and link residents to housing; and community capacity building to sustain the positive change achieved through Empowerment Zone initiatives.

NOTE: The vision should not be a laundry list characterizing the perfect community. It should be a strategic vision reflecting the goals and priorities of community members and acknowledging the community's unique strengths.

Community Assessment (Maximum 10 points)

In order to develop effective revitalization strategies, it is essential that you have an exhaustive base of knowledge of the problems your community faces as well as the assets that can be used to address those problems. Communities evolve as do trends, both positive and negative. Communities must document these trends and identify their causes in order to develop effective solutions.

To illustrate, high unemployment in an area may be the result of a gradual decline of an industry or industries, and understanding the dynamics of that decline can enable communities to develop strategies to reverse that trend. Communities can also decide to adopt alternative strategies if they determine that opportunities lie elsewhere. Don't forget to look beyond your borders for an understanding of how the nominated area fits in with the surrounding area.

Example. Philadelphia took seriously that plans to build the future need to start with the city's current condition. The Empowerment Zone board, in developing its plan, worked to understand the unique strengths of the city as a transportation hub for the East Coast and a central location for suppliers for light manufacturing. The board also recognized low job skills of its residents and lack of access to capital to support small businesses as areas of concern for the Zone. After considering the changing regional economy which was becoming more global in orientation and more dispersed due to suburban development, the Zone identified resources such as land availability and a good transportation infrastructure, and eventually used these resources to support the goal of bringing international manufacturing firms to the Zone.

TIP! Refer to the *Strategic Planning Guide* for more guidance on assessing the strengths and weaknesses of the area. All stakeholders should be asked to lend their expertise to this process of taking stock of community resources.

Goals (Maximum Points: 10)

The development of specific goals and strategies is the point in the strategic planning process when you will begin to transform your vision into specific actions which, if accomplished, will turn the vision into reality.

Goals should be clear, broad statements about specific things the community wants to achieve. Also begin to think about your Strategic Plan in terms of measurable outcomes and outputs, which will be part of your Performance Measurement System.

Following the identification of goals, the next step is to develop strategies. Strategies flow from the goals, and are the pathways to achieving the goals. Strategies will also drive your decisions about specific programs and projects that you will implement.

Goals and strategies are the bridge between the dream and the specific implementation plan.

In every phase of the strategic planning process, make sure that each step you take is related to the both the preceding as well as the succeeding step.

Implementation Plan (Maximum Points: 35)

For a Strategic Plan to be a roadmap to revitalization, it is not enough to have a great vision and broad goals. You need to have a solid plan to give life to the vision and goals. Therefore, as part of your application we are asking that you prepare a detailed plan of how the community will implement its Strategic Plan. The components of the Implementation Plan are: Projects and Programs, Tax Incentive Utilization Plan, and a Governance Plan.

The following example illustrates how the elements of the implementation plan come together:

Central City Zone has as its goal to get jobs for residents. Their strategy for approaching this goal was to fund job placement and job training. Their implementation plan included three or four job fairs each year designed to give residents the opportunity to interact with employers and to discuss potential career options. The job fairs were held

near residents and were co-sponsored by the Chambers of Commerce and the One-Stop Capital Shop. Budgets for each fair were clearly outlined and funding was obtained through sponsorship from local businesses. As its baseline, the city identified that only half of the Zone residents currently held jobs. As the output they would measure, they proposed reporting not just on the number of people who attended the fairs, but the number of residents who actually got jobs as a result of the fair. In this way, the Zone could monitor whether the job fair program was meeting its goal.

TIP! Be as specific as possible in formulating your plan of action. Know your goal and the outputs and outcomes you will measure in order to evaluate your success. Structure your program to give you that output.

TIP! Measure results, not process. A report on the number of job fairs held does not help you to know whether the fairs are helping you to employ EZ residents. You will also need to report on the number of residents who get jobs as a result of the fair.

Projects and Programs (Maximum Points: 15)

This element describes the specific projects/programs to be implemented during the first 2 years of the designation. We want realistic projects/programs that will be implemented during the first 2 years. Some will be started and completed during the 2-year period and some will last well beyond.

We encourage you to emphasize a coordinated strategy. Economic opportunity is the driving force of the EZ/EC Initiative and will hopefully take a prominent place in your planning efforts. We are also looking for projects and programs that are part of a coordinated strategy to make residents employable. Residents often need a number of human services to become employable and to maintain employment. Examples of such human services are childcare, healthcare, drug treatment, education, and family and youth programs. Residents also need safe communities, access to affordable housing, recreation and cultural opportunities, and a livable environment.

We are looking for projects and programs that:

- Leverage resources.

- Identify lead entities that will be held responsible for implementation.
- Offer unique and innovative solutions to problems.
- Help to ensure maximum community participation and project sustainability.
- Have realistic budgets and real commitments.
- Include solutions that use advanced information and/or video telecommunications networks.

We understand that budgets will be preliminary estimates at this point. Designees will be able to refine these budgets as they move through the implementation process.

Tax Incentive Utilization Plan (Maximum Points: 10)

This element addresses a significant aspect of the EZ Initiative — the use of the business tax incentives available to designated EZs to support economic revitalization. Communities must see these incentives as assets that they can use to promote business retention and attraction. We are looking for plans that provide a comprehensive link to the business development strategy of the area. Applicants should provide strategies for marketing the tax incentives to business. Plans should include the use of a number of methods to promote the tax incentives including mailings, business calling programs, and business forums, and involving chambers of commerce, One-Stop Capital Shops and small businesses assistance centers. We are looking for strategies that have the greatest potential for maximizing the use of the tax incentives. Federal tax incentives are also available for a 10-year period.

Example: Areas that have brownfields need remediation in order to be developed for business use. An applicant could work with the EPA to help assess the environmental problems at the developable site. The applicant could use the brownfields tax incentive to remediate the sites. Other tax incentives such as tax-exempt bonds can be used to grow new businesses at the site. The Work Opportunity Tax Credit and the Welfare-to-Work Tax Credit could be used as a further inducement for businesses to hire Zone residents. A strategy like this one would help to get maximum leverage from the resources available to the Zone.

Example: The Cleveland Empowerment Zone developed a tax incentive utilization plan within its EZ Business Opportunity Program (EZ BOP). Using marketing fliers, workshops, and media promotions, Cleveland extensively marketed the Work Opportunity Tax Credit and successfully attracted several small and large businesses to the Zone.

TIP! Involve local business leaders in the process of developing a marketing plan. Talk with them about their needs and how to best sell the Zone as an attractive location for doing business.

Developable Sites Plan (optional)

Developable sites can add a great deal of flexibility to the job creation strategies of the nominated area. We expect that businesses located at the developable sites will be job engines for the nominated area. The Strategic Plan will have to show how Zone residents will be linked to jobs created at the developable sites. It is important that the developable sites strategy, to the extent feasible, include firm commitments from partners.

Example: A port area close to the nominated area is seeking funds for expansion. A coordinated strategy might include providing a combination of grant dollars and tax-exempt municipal bond funds to fuel the growth of the port area. The strategy would also include working with port businesses to develop training programs funded partially with EZ resources to ensure residents can participate in the expanded economic activity at the site. The site may also have environmental problems and the Zone would work with the State and Federal environmental agencies to help solve that problem.

It is important that the area(s) chosen as developable sites are close enough in proximity to the nominated area to benefit Zone residents. In addition, we encourage strategies that support the principles of sustainable community development.

Governance Plan (Maximum Points: 7)

The Governance Plan demonstrates that both the lead implementing entity and other key organizations participating in the implementation of the Strategic Plan have the capacity to implement the plan. Members from all facets of the community should be

represented on the governance board, especially Zone residents and business owners. They should participate in the decisionmaking process including those regarding resource allocation. Residents play an important role.

Applicants should also look beyond the boundaries of the nominated area for partners. Regional planning commissions, county governments and others can provide a regional perspective. For example, there are lots of jobs in suburban areas, yet it is difficult to link inner-city residents to the jobs. By engaging regional players such as transportation authorities, and working with them to change bus routes, rapid transit schedules, etc., applicants can create more opportunities for residents.

Applicants should also give thought to engaging telecommunications and computer companies in their revitalization efforts, including representation on governance boards. Computers and telecommunications are becoming increasingly important and the information economy will continue to grow. Inner-city residents should not be left behind. It is now possible for communities to communicate among themselves and with others at fantastic speeds. It is very important for applicants to use this connection to improve intra- and inter-community communications. Having a governance board that is knowledgeable about the positive impact these technologies can have on revitalization efforts is crucial to the sustainability of those efforts.

TIP! There is no one governance structure that's right for every community. But we have learned from Round I that the governance board sets the tone and pace of the entire community revitalization effort. Leadership matters! An effective governance board is a critical element of a successful strategy. Spend time to develop a diverse board that takes advantage of the human capital in your community. The *Strategic Planning Guide* has tips for creating and operating an effective governance mechanism.

Community Performance Assessment (Maximum Points: 3)

The Community Performance Assessment is your community's tool to ensure that the programs and projects it is implementing are having the desired impacts and that they are effective in achieving your goals. This assessment is part of your Performance Measurement System, and requires that you have a systematic process in place to periodically review your progress in implementing the Strategic Plan. You will want to know on a continuing basis whether programs and projects are meeting expectations, so that appropriate adjustments can be made.

Remember, Strategic Plans are living documents, and they need to grow and change. You will need to periodically amend your Strategic Plan, not only based upon performance considerations, but also because environments will change, unanticipated opportunities and obstacles will emerge, and other issues will arise.

TIP! You will want to amend your Strategic Plan in a manner that involves as much stakeholder involvement and discussion as the preparation of the original Strategic Plan.

Strategic Planning Process Documentation (Maximum Points: 15)

The EZ/EC Initiative values the process by which the Strategic Plan was created. We want to know how communities came together to work on its Strategic Plan and to choose the boundaries of the Empowerment Zone. We want to know if the process included a broad representation of the racial, cultural, gender and economic diversity of the community.

TIP! Develop a specific strategy for getting and keeping the community involved in the process. Identify key subgroups that compose the area and include representatives from each throughout the process. Do not forget to include both new and long-time residents who may not be a part of any organization; these individuals offer the perspective of what it is like to live, work, and raise a family in the Zone.

TIP! Be certain to document the steps in decisionmaking processes from the very first meeting. Assign a person to be responsible for keeping attendance and minutes during meetings. Keep a record of

all contacts with stakeholders. Although we ask that you not include sign-in sheets, meeting minutes, and other examples of this documentation in your application, they will be helpful in completing this section.



QUALITY OF COMMITMENTS (MAXIMUM POINTS: 25)

The second designation factor to be used in evaluating the Strategic Plan is the Quality of Commitments Made in Connection with the Strategic Plan. Nominated areas are required to provide written assurances that the Strategic Plan will be implemented. In addition to the certification, it is essential that HUD be able to evaluate the breadth and quality of such commitments.

Resources Leveraged (Maximum Points: 10)

Leveraging community resources is critical to ensuring that revitalization efforts are successful and sustainable over the long term. Round I of the EZ/EC Initiative has clearly shown that communities that are able to leverage their local assets are the most successful.

Every community has resources that can be employed to solve its problems. It is your job to ensure that you identify and utilize those resources to complement the Federal Government assistance that you will receive as part of the EZ/EC Initiative. Examples of valuable partners include businesses, foundations, educational institutions, faith-based organizations, local and State governments, nonprofits, and chambers of commerce. Contributions do not have to be cash, they can be commitments from a local program to provide job training, or in-kind services such as an advertising firm creating marketing materials for the Zone.

Example: As part of the City of Detroit Empowerment Zone application, the Empowerment Zone Financial Institutions Consortium (EZFIC) committed to lend \$1.1 billion in the Zone over the 10-year life of the Initiative. The EZFIC has approved loans totalling well over \$500 million dollars in just the first 3 years of the Initiative. Their commitment has been critical to creating jobs for Zone residents.

TIP! Be creative and exhaustive in your attempts to leverage resources.

Resource Commitments Documented

(Maximum Points: 15)

While each community is asked to maximize leveraging, it is crucial that the commitments received from community partners are real. Examples of strong commitments include letters from the CEO of a business committing the firm to hiring Zone residents trained through an EZ job training program or letters from high-ranking government officials, education institutions, and others committing resources to the revitalization effort. Without solid commitments, leveraging means very little.

Other forms of solid commitments include memoranda of understanding or agreement, City Council or County Commission resolutions, or other documentation clearly spelling out the nature of the participation and the financial and nonfinancial resources to be contributed.

POST-DESIGNATION REQUIREMENTS

MEMORANDUM OF AGREEMENT

Shortly after designation, EZs will enter into a Memorandum of Agreement with the applicable State entity and HUD. This Memorandum will outline the partnership agreements between the three parties.

PERFORMANCE MEASUREMENT AND REPORTING REQUIREMENTS

Each designee will be required to develop and implement a performance measurement system. The performance measurement system will allow you to evaluate your progress against your performance measures and make necessary mid-course corrections in your Strategic Plan to enable you to meet your goals. It will also permit HUD to monitor your progress in implementing your Strategic Plan.

APPENDIX A: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PRELIMINARY GUIDELINES: ROUND II EZ/EC SSBG GRANTS FOR EMPOWERMENT ZONES

Background

This document includes general guidance about allowed uses of Round II EZ/EC Social Services Block Grant (SSBG) funds that may be made available for Round II Empowerment Zones (EZs). It is based on the assumption that Round II EZ/EC SSBG funding is subject to the same statutory restrictions as the Round I EZ/EC SSBG grants. The U.S. Department of Health and Human Services (HHS) will issue further guidance regarding Round II EZ/EC SSBG funds soon after it is authorized to award the funds.

Awards to States

(a) HHS will award Round II EZ/EC SSBG funds to each State that nominated a designated Round II EZ. HHS will award the funds for each Round II EZ to the State agency that typically receives SSBGs, unless the EZ Lead Entity(ies) and its State request HHS to award them to a different agency.

(b) The HHS Terms and Conditions of the Round II EZ/EC SSBG funds will direct the recipient State agency to provide the funds to the appropriate Round II EZ Lead Entity(ies) for activities specified in the EZ's Strategic Plan and benchmark document/implementation plan. It is expected that the EZs will revise their Strategic Plans and benchmark documents/implementation plans from time to time.

Allowed Uses of Round II EZ/EC SSBG Funds

(a) Round II EZs may use Round II EZ/EC SSBG funds for a wide variety of programs, services, and activities directed at revitalizing distressed communities and promoting economic independence for residents. Allowed programs, services, and activities include, but are not limited to:

- Community and economic development programs and efforts to create employment opportunities.
- Job training and job readiness projects.

- Health programs such as public health education, primary healthcare, emergency medical services, alcohol and substance abuse prevention and treatment programs, and mental health services.
- Human development services such as child, youth, and family development programs, services for the elderly, and childcare services.
- Education projects such as after-school activities, adult learning classes, and school-to-work projects.
- Transportation services.
- Environmental cleanup programs.
- Policing and criminal justice projects such as community policing efforts and youth gang prevention programs.
- Housing programs.
- Projects providing training and technical assistance to the EZ Lead Entity(ies), its (their) board and committee members, and other organizations.
- Projects to finance community-focused financial institutions for enhancing the availability of credit such as loan funds, revolving loan funds, and microenterprise loan funds as well as other activities for easing financial barriers faced by social services entities, housing organizations, and other organizations serving EZ residents.

(b) Round II EZs may use the Round II EZ/EC SSBG funds for projects supported in part with other Federal, State, local, or private funds, and they may allocate a portion of the funds to the State grantee agency for its administrative and grant oversight costs. Round II EZs may not use the funds as the source of local matching funds required for other Federal grants.

(c) Round II EZs must ensure that each proposed use of Round II EZ/EC SSBG funds is directed at one or more of the EZ/EC SSBG statutory goals; included in the Strategic Plan; structured to benefit EZ residents; and in compliance with all applicable Federal, State, and local laws and regulations.

(d) EZ/EC SSBG Statutory Goals: The statutory goals for uses of EZ/EC SSBG funds are as follows:

(1) Achieving and maintaining economic self-support for residents to help them develop and retain the ability to support themselves and their families economically.

(2) Achieving and maintaining self-sufficiency for residents to enable them to become and remain able to care for themselves in daily activities and over the long term.

(3) Preventing neglect and abuse and preserving families; protecting children and adults who are unable to protect themselves from neglect, abuse, or exploitation; and preserving, rehabilitating, or reuniting families living in the designated neighborhoods.

(e) Strategic Plan: All programs, services, and activities financed in whole or in part with Round II EZ/EC SSBG funds must be included in the Strategic Plan and benchmark document/implementation plan. Each project description must indicate the EZ/EC SSBG statutory goal it is attempting to achieve and how it will benefit EZ residents.

(f) Resident Benefit: All programs, services, and activities financed in whole or in part with Round II EZ/EC SSBG funds must be structured to benefit EZ residents primarily; the programs, services, and activities may also benefit nonresidents.

(g) EZ/EC SSBG Statutory Program Options: To the extent consistent with the local strategic vision, localities may use Round II EZ/EC SSBG funds to finance programs, services, and activities for addressing any of the following broad statute-based program options. EZs that use the funds for any of the program options will have more flexibility in using the funds. [See paragraph (h) below.] The EZs are not required to use the funds for the program options, and may use Round II EZ/EC SSBG funds to finance programs, services, and activities addressing other issues. The program options are as follows:

(1) To provide residential or nonresidential drug and alcohol prevention and treatment programs that offer comprehensive services for residents, particularly for pregnant women and mothers and their children.

(2) To support:

(A) Training and employment opportunities for disadvantaged adults and youths in construction, rehabilitation, or improvement of affordable housing, public infrastructure, and community facilities.

(B) Nonprofit organizations such as community colleges and junior colleges providing short-term training courses about entrepreneurship and self-employment for disadvantaged adults and youths, and other types of training that will promote individual self-sufficiency and the interests of the community.

(3) To support projects designed to promote and protect the interests of children and families outside of school hours, including keeping schools open during evenings and weekends for mentoring and study.

(4) To support:

(A) Services designed to promote community and economic development and job support services such as skills training, job counseling, transportation services, housing counseling, financial management, and business counseling.

(B) Emergency and transitional housing and shelters for families and individuals.

(C) Programs that promote homeownership, education, and other routes to economic independence for families and individuals.

(h) To the extent a program, service, or activity in the Strategic Plan and benchmark document/implementation plan is a statutory program option listed in paragraph (g) above, the EZ may use Round II EZ/EC SSBG funds to implement that activity including to:

- (1) Purchase or improve land or facilities.
- (2) Make cash payments to individuals for subsistence or room and board.
- (3) Make wage payments to individuals as a social service.
- (4) Make cash payments for medical care.
- (5) Provide social services to institutionalized persons.

(i) To the extent a program, service, or activity in the Strategic Plan and benchmark document/implementation plan is *not* a statutory program option listed in paragraph (g) above, the EZ may use Round II EZ/EC SSBG funds for the following purposes as a component of that activity only after receiving approval from HHS:

- (1) Purchase or improve land or facilities.
- (2) Make cash payments to individuals for subsistence or room and board.
- (3) Make wage payments to individuals as a social service.
- (4) Make cash payments for medical care.
- (5) Provide social services to institutionalized persons.

(j) To the extent a program, service, or activity in the Strategic Plan and benchmark document/implementation plan is not one of the program options listed in paragraph (g) above, the Plan must include a statement explaining why the locality chose that project.

APPENDIX B: EZ/EC INITIATIVE CONTACT INFORMATION

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

ANDREW CUOMO, SECRETARY

Office of Community Planning and Development, EZ/EC Initiative

451 Seventh Street SW.
Room 7130
Washington, DC 20410
Phone: 202-708-6339
Fax: 202-401-7615
Web site: <http://www.hud.gov>

Community Connections (HUD's Resource Center)

For information on programs to help build communities:
Community Connections
P.O. Box 7189
Gaithersburg, MD 20898-7189
Phone: 1-800-998-9999
E-mail: comcon@aspensys.com

Empowerment Zones and Enterprise Communities

Web site: <http://www.ezec.gov>

APPENDIX C: AVAILABLE PUBLICATIONS FOR URBAN COMMUNITIES

Notice Inviting Applications: Second Round Designation of 15 Urban Empowerment Zones: Published in the *Federal Register* and available upon request.

Empowerment Zones: Rule for Round II Designation: Published in the *Federal Register* and available upon request.

U.S. Department of Health and Human Services Preliminary Guidelines: Round II EZ/EC SSBG Grants for Empowerment Zones.

Application Guide: This *Guide* offers specific instructions as to how urban communities should prepare their application for Empowerment Zone designation.

Application Forms: Nomination for designation as an Urban Empowerment Zone (Parts I-IV): The *Application Forms* identify the eligibility information a community must submit to HUD or USDA to be eligible for Round II designation. Each set of forms contains certifications that the information provided is accurate and that the applicant will implement its Strategic Plan.

Federal Programs Guide: Provides a list of Federal Government programs available to distressed communities. Applicants can use this *Guide* to identify current or prospective Federal Government programs that can be used to help revitalize their neighborhoods.

Strategic Planning Guide: Provides a comprehensive overview of how to prepare a Strategic Plan, including a discussion of the planning process and the ways in which residents, community-based organizations, businesses, nonprofits, government entities, and others come together to create a shared vision for the future.

Performance Measurement System Guide: Provides communities with a “how-to” approach to establishing and implementing a performance measurement system. Performance measurement systems provide an organized process for gathering information to track how well programs and projects are meeting their goals, and

then using that information to improve performance and report to interested stakeholders.

Internal Revenue Service Publication 954, "Tax Incentives for Empowerment Zones and Other Distressed Communities"

What Works! in the Empowerment Zones and Enterprise Communities, Volume II: A compilation of successful projects from current Empowerment Zones and Enterprise Communities (includes contact names and telephone numbers).

To request publications for urban communities, please call 1-800-998-9999.



U.S. Department of Housing and Urban Development
Andrew Cuomo, Secretary