

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

EMPOWERMENT ZONES

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
(Dollars in Thousands)				
<u>Program Level:</u>				
Obligations .....	\$184,593	\$45,214	NA	NA
<u>Appropriations:</u>				
Enacted or Proposed .....	\$185,000 a/	\$45,000	NA	NA
Rescission .....	-\$407	NA	NA	NA
Subtotal .....	\$184,593	\$45,000	NA	NA
Budget Outlays .....	\$31,350	\$90,000	\$104,000	+\$14,000

NA = Not Applicable

SUMMARY OF BUDGET ESTIMATES

No funding is proposed for Urban Empowerment Zones (EZs) in fiscal year 2003. Both the Department and the Congress have noted the slower rate of obligation and expenditure within the program and the significant level of unexpended balances.

EXPLANATION OF INCREASES AND DECREASES

The 2003 Budget does not propose continued funding of EZs. Current available balances as well as CDBG and HOME formula funds are sufficient to cover needs. The 2002 Budget enacted \$45 million for Round II urban EZs.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. The Omnibus Budget Reconciliation Act of 1993 authorized the Secretary to designate 15 Round II urban EZs. This Act had also authorized the Secretary of HUD to designate 6 Round I urban EZs and 65 urban Enterprise Communities (ECs). The Taxpayer Relief Act of 1997 later authorized two additional Round I urban EZs. The 2000 Community Renewal Tax Relief Act authorized the designation of 40 renewal communities (28 urban, 12 rural) and 9 new Round III Empowerment Zones (7 urban, 2 rural) designated on December 21, 2001, which utilize only tax incentive provisions.

2. Program Area Organization. The EZ/EC Initiative marked an effort launched by the Federal Government on behalf of the Nation's distressed inner cities and impoverished rural communities. Launched in 1993, the Initiative is an interagency effort focused on the creation of self-sustaining, long-term development in distressed urban and rural areas throughout the nation. The Initiative is based on a holistic, participatory approach whereby community stakeholders partner together to develop and implement innovative and comprehensive strategic plans for revitalization. Utilizing a combination of Federal tax incentives and flexible grant funds, (for Rounds I & II) these partners are reinvigorating communities that have been in decline for decades. Businesses are expanding and creating jobs, residents have access to the services they need to take advantage of new economic opportunities, and crime and violence are down.

This Initiative seeks to revitalize city neighborhoods in a way that retains and attracts middle-class residents and empowers low-income residents to become a part of the middle class. EZ grant funds are used at local discretion for a broad range of

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activities that assist residents, businesses, and organizations including: affordable housing and activities promoting homeownership; workforce preparation and job creation efforts linked to welfare reform; neighborhood development; technical and financial assistance to businesses; support for capital projects; financing of projects in conjunction with the Section 108 Loan Guarantee program and other economic development projects; community policing; education; and social services. HUD promotes partnerships with private and community service providers who can help residents achieve self-sufficiency.

In addition to Round II EZ grant funding, the Federal Government contributes tax incentives to promote revitalization in EZ areas. EZ businesses can take advantage of several incentives, including: the EZ Employment Credit (currently available to Round I EZs and available to businesses in Round II EZs for wages paid or incurred after December 31, 2001); the Environmental Clean-up Cost Deduction; Section 179 expensing of investments in capital; and the Work-Opportunity and Welfare-to-Work tax credits. EZs can also take advantage of Qualified Zone Academy Bonds to help promote private sector involvement in local schools and provide funding for teacher training, rehabilitation, or equipment, as well as tax-exempt Enterprise Zone Facility Bonds, to subsidize job-creation and business expansion in the Zones.

The conceptual framework of the EZ program is embodied in four key principles:

- **The Strategic Vision for Change** identifies what a community will become in the future and includes a clear statement of the values that the community used to create its vision. The vision should include coordinated strategies that will help to achieve the community's goals, and should 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; interfaith non-profit organizations; and other community groups. A successful EZ should be able to leverage the resources that these partners bring to the table. Key partners should be included in the governance structure, and all partners should be held accountable for their commitment to revitalizing the community.
- **Sustainable Community Development** advances the creation of livable and vibrant communities through 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, affordable housing, youth development, substance abuse prevention, healthcare, human services, education, childcare, transportation, and public safety.
- **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.

These principles are drawn from the experiences of communities around the Nation that have used them successfully to develop holistic approaches to community revitalization. Applicants were challenged to address these principles in their Strategic Plans, which describe in detail the community's strategy for revitalization and

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is the vehicle for building commitments, large and small, among all of the individuals and organizations that will be working together to strengthen their community.

Progress for any EZ/EC is measured by the progress that the community makes in implementing its Strategic Plan. A wide range of indicators have been developed, based on three of the four core principles, against which EZ/ECs report specific activities. (There are no specific indicators for the Strategic Vision for Change goal.) Under Community-Based Partnerships, communities report on governance and capacity building activities; under Economic Opportunity, communities report on workforce development, business assistance and capital and credit access activities; and under Sustainable Community Development, communities report on housing, public safety and crime prevention, infrastructure, environment, health, education, human services and family support, and other similar activities. The Performance Measurement System (PERMS), a computerized system implemented in late 1998, is used to collect this data.

a. Eligible Recipients. Round II Empowerment Zones are eligible to receive grant monies and benefits of tax incentives. Round III Empowerment Zones and Renewal Communities will benefit solely from tax incentives through their Tax Incentive Utilization Plans.

b. Allocation of Funds. Criteria for competitive selection included several factors, such as the extent to which the activities proposed in the application:

- create permanent jobs accessible to low-income persons, minority persons, persons receiving public assistance, and unemployed persons;
- complement welfare reform initiatives that empower low-income persons and families receiving public assistance to become economically self-sufficient;
- involve interagency and intergovernmental coordination of Federal, State and local public and private (including nonprofit) resources;
- use private resources to leverage assistance under this Act, including the extent to which there is a firm commitment for the use of the resources; and
- establish or expand business opportunities within the Empowerment Zones.

c. Eligible Activities. Eligible activities include those that are consistent with the EZ/EC's Strategic Plan. Grant funds are available to support the financing of capital projects, including housing and economic development, in urban EZs. Eligible activities include financing of projects in conjunction with the Section 108 loan guarantee program and other economic development projects, business assistance, and workforce development, and support of affordable housing and homeownership initiatives. The funds could also integrate human capital needs with economic and community development initiatives. This includes day care, transportation, education, job training and other social service support designed to enable the recipients to achieve economic self-sufficiency.

d. Program Accomplishments. The following list of accomplishments provides a national snapshot of the cumulative successes of the Urban EZ/EC Initiative as reported by the EZ/ECs in HUD's Internet-based EZ/EC Performance Measurement System (PERMS).

- **Projects and Programs:** The EZ/ECs report that over 2,800 neighborhood-based projects and programs have been developed and are underway as a result of each EZ/ECs' locally derived Strategic Plan. One billion dollars in Federal EZ/EC seed money has leveraged over \$13 billion in additional public and private sector investments related to the implementation of local EZ/EC Strategic Plans.
- **Private Sector Involvement:** Private sector involvement has played a vital role in the EZ/EC Initiative. Countless corporations have hired Zone residents and actively participated in EZ/EC governance, as well as providing funds and in-kind technical assistance to the Zones. Well-known companies involved in the Zones include General Motors, Ford,

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Chrysler, Home Depot, The Walt Disney Company, GAP, Ameritech, Rite Aid, Microsoft, Starbucks, MCI/Worldcom, IBM, Amazon.com, and hundreds of others.

- **Housing:** The Empowerment Zones and Enterprise Communities report that they have completed over 6,650 new housing units and have rehabilitated another 18,900. Over 43,000 homeless people have been served under the various homeless housing and social service programs. The Empowerment Zones and Enterprise Communities serve over 22,500 residents through 375 homeownership programs.
- **Workforce Development:** The Empowerment Zones and Enterprise Communities report that they are engaged in more than 1,300 job training programs with over 88,800 Zone residents having received job training. Over 40,000 Zone residents have been placed in jobs as a result of these job training programs. Zone residents have attended approximately 330 job fairs resulting in over 12,000 job placements.
- **Access to Capital:** As a result of the EZ/EC Initiative, access to cheap sources of capital—the lifeblood of commerce—has greatly improved. Loan pools totaling over \$2 billion dollars have been created with approximately 16,000 loans processed and over 13,000 jobs created from those loans. In total, the EZ/EC's report that over 13,000 businesses have received financial assistance and over 18,000 have received technical assistance to improve operations. Over 43,000 jobs have been created or retained as a result of this assistance.
- **Environment:** The EZ/ECs report that they are engaged in many Brownfields projects – transforming abandoned and contaminated commercial and industrial sites into clean, reusable parcels of land for development. EZ/EC's have remediated over 250 brownfield sites to date. The EZ/EC's are also involved in approximately 272 beautification programs.
- **Public Safety:** The EZ/ECs report that over 750,000 people have been served by 300 public safety programs operating in the Empowerment Zones and Enterprise Communities. There are also over 450 crime prevention programs which have served over 820,000 residents.
- **Health Care:** There are over 900 health-related programs in the EZ/ECs serving approximately 475,000 residents. Forty-one new health-care facilities have opened in the EZ/EC neighborhoods and 10 have been remodeled, providing expanded service to greater numbers of families.
- **Human Services:** Within the Empowerment Zones and Enterprise Communities, there are:
  - over 279 child care programs serving over 29,000 Zone families;
  - approximately 328 elderly programs serving nearly 42,000 Zone residents;
  - over 679 youth programs serving 220,000 Zone youth; and
  - over 600 recreation/arts programs serving over 560,000 Zone residents.
- **Education:** Education is vital to the well-being and economic development of the EZ/EC's. The following are educational successes:
  - over 10,000 children have been served by almost 125 head-start/pre-school programs;
  - over 129,000 EZ/EC residents have been served by 1,100 K-12 education programs;
  - over 7,300 residents have been served by 45 post-secondary assistance programs; and

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- over 6,900 residents have been served by 73 vocational education and GED programs.

Urban and rural EZ/EC programs and projects are highlighted in the publication, *What Works! In the Empowerment Zones and Enterprise Communities, Volume IV*, providing reason to celebrate the successful revitalization of our Nation's communities. They serve as models for programs throughout the country, helping to bring businesses and residents back to America's most distressed areas and giving hope to the people of every community. Some examples of successes are:

- In Spring 2001, the Huntington, WV-Ironton, OH Round II EZ broke ground on the Huntington Business and Technology Park located on its developable site. Amazon.com will be the anchor tenant for the new business park. In November 2000, Amazon.com established initial operations in a 26,000-square-foot area of the Jean Dean Municipal Safety Building located in the EZ. This location serves as a temporary home while a new state-of-the-art facility is constructed. The West Virginia Development Office, in conjunction with the City of Huntington, the Huntington Area Development Council, the Huntington/Ironton EZ, and Marshall University, had worked together to recruit Amazon.com to West Virginia. Amazon.com was attracted to the EZ for various reasons; the availability of labor and a pre-planned site helped the partners form their proposal. Economic incentives (such as wage credits and tax-exempt bonds) available in the EZ also were crucial factors in the bid's success. Employing as many as 347 full-time workers, Amazon.com's first customer service center on the East Coast responds to a growing global customer base.
- In 2000, the El Paso EZ has brought together lenders and technical assistance professionals from all over the city to establish a one-stop capital shop (OSCS). The El Paso Business Resource Center provides a number of services such as business development assistance, financial planning help, and even a development design shop. With the new center, the EZ plans to promote the growth of entrepreneurship in the community and provide greater access to capital. Located in the Center for Workforce Preparedness, the OSCS is equidistant from the two noncontiguous parts of the EZ. The 10,000-square-foot facility provides space for approximately 30 offices that surround a common area with training and conference space, a comprehensive business resource library, 10 computer workstations, administrative support, and a reception area. The center includes a small business development center, a procurement technical assistance center, a business information center, the local Service Corps of Retired Executives, and ACCION Texas (a microlender). Several additional programs, such as the local U.S. Small Business Administration and the Business Resource Division of the Greater El Paso Chamber of Commerce, are also located in the facility. The organizations are complemented by two offices devoted to bank and non-bank lending agencies.
- In Philadelphia, Pennsylvania, 3 acres at the center of the American Street corridor have been cleaned up and redeveloped to become the new home of Asia Foods, the second largest distributor of Asians foods in the mid-Atlantic. The EZ helped to secure \$900,000 in State funds and the city provided \$300,000 to remediate the contaminated site. Drug addicts were moved out of an abandoned office building, and above and below ground storage tanks were removed. Construction of the new warehouse began in December 1998 and the 60,000 square foot distribution center was dedicated on March 23, 1999. The EZ provided \$500,000 for construction of the new facility in addition to more than \$1 million from the City's development authority. The principal owners of Asia Foods have added 24 people from the EZ to their staff of 46. They are partnering with other companies in the EZ and envision Phase II, a plan to bring in 6 to 8 small distributors of fresh produce, fish, and other foods to complement their current enterprise.

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Status of Funds

a. Unobligated Balances. This table compares obligations with funds available by year.

	ACTUAL <u>2001</u>	ESTIMATE <u>2002</u>	ESTIMATE <u>2003</u>
	(Dollars in Thousands)		
Unobligated balance, start of year.	\$214	\$214	...
Appropriation.....	184,593	45,000	...
Collections.....	...	...	...
Recovery of Prior Year Obligations.	...	...	...
Total Available.....	184,807	45,214	...
Obligations.....	<u>-184,593</u>	<u>-45,214</u>	...
Unobligated balance, end of year.....		214	...

b. Obligated Balances. The status of obligated balances is as follows:

	ACTUAL <u>2001</u>	ESTIMATE <u>2002</u>	ESTIMATE <u>2003</u>
	(Dollars in Thousands)		
Obligated balance, start of year....	\$93,214	\$246,457	\$201,457
Obligations incurred.....	<u>184,593</u>	<u>45,000</u>	...
Subtotal.....	277,807	291,457	201,457
Outlays (Gross).....	<u>-31,350</u>	<u>-90,000</u>	<u>-104,000</u>
Obligated balance, end of year.....	246,457	201,457	97,457

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED (\$ AND FTE AND RESULTS

The EZ/EC program most directly advances Strategic Goal #8 Support community and economic development efforts through increasing the number of jobs and other community development related projects. However, the EZ program also supports several other Strategic Goals by advancing homeownership and affordable housing.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
<b>Strategic Goal 8: Support community and economic development efforts.</b>			
Discretionary BA (Dollars in Thousands)	\$184,593	\$45,000	...
FTE			
Headquarters	9	10	10
Field	1	1	1
Subtotal	10	11	11
<b>Strategic Objective 8.1: Provide capital to create and retain jobs to improve economic conditions in distressed communities.</b>			
Indicator: EZ and EC projects achieve local goals in seven activities.	See table below	See table below	See table below

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STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
<b>Strategic Objective 8.2: Help communities more readily access revitalization resources to become more livable.</b>			
<b>FTE Total</b>	<b>10</b>	<b>11</b>	<b>11</b>

Summary of EZ/EC accomplishments and goals

Goals Identified in Implementation Plans	Percent of EZ or EC Projects Achieving Planned Goals		
	2001 (actual)	2002 (goal)	2003 (goal)
Residents receiving homeownership assistance	87%	90%	90%
New affordable housing completed	88%	85%	85%
Rehabilitated affordable housing completed	85%	80%	80%
Homeless residents served by homeless assistance programs	88%	90%	90%
Residents served by social service programs	86%	85%	85%
Residents find gainful employment	64%	85%	85%
Residents served by public safety and crime prevention programs	83%	90%	90%