COMMUNITY PLANNING AND DEVELOPMENT
EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
2011 Summary Statement and Initiatives
(Dollars in Thousands)

EMPOWERMENT ZONES	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2009 Appropriation	...	...	...	...	...	$16,376
2010 Appropriation/Request	...	...	...	...	...	17,000
2011 Request	...	...	...	...	...	17,000
Program Improvements/Offsets	...	...	...	...	...	...

Summary Statement

No new appropriation is requested for the Empowerment Zone (EZ) and Renewal Community (RC) programs in fiscal year 2011. HUD requests continuing funding of EZs and RCs solely through the use of tax incentives. HUD supports extending these community renewal tax incentives from December 31, 2009 to December 31, 2011.

Unless extended by Congress in 2010, all current EZ and RC communities will lose access to the Federal tax incentives when their designations expire on the scheduled sunset date of December 31, 2009. The President's 2010 Budget proposed legislation to extend the designations from December 31, 2009 to December 31, 2010 so that the EZs' and RCs' ongoing efforts to encourage and support business investment, economic revitalization, and expansion of job opportunities for residents in the designated high poverty and high unemployment census tracts may continue. Extending the incentives through 2011 will provide additional incentives for private investment and job creation to continue in the designated areas and is consistent with the Administration's place-based goals to strengthen and revitalize communities.

The current economy's growing jobless rate and the diminishing number of small business investments make a strong case for supporting a continuing Federal commitment to extending the HUD-administered EZ and RC Initiatives for an additional year. Extending the EZ/RC designations allows for continued opportunities for job growth and business expansion in some of the most economically distressed communities in the nation. According to the most current (2000) Census data, an EZ's average poverty rate is 38.28 percent and average unemployment rate is 16.61 percent. For an RC, the average poverty rate is 34.59 percent and average unemployment rate is 15.20 percent. Given the severity of the economic crisis, there is a high probability that the 2010 Census data for the 30 EZs and 40 RCs will show even higher poverty and unemployment rates. The Community Renewal tax incentives can reduce the cost of business expansion, modernization and labor costs.

Working with Internal Revenue Service (IRS) data for 1999 through 2008, HUD determined that 504,000 jobs for EZ and RC residents generated over $2 billion in employment credits for eligible businesses in distressed neighborhoods. To date, IRS data shows that businesses in the EZs/RCs have claimed more than $3.5 billion in EZ/RC employment credits.

The surge in businesses seizing the opportunity to utilize the $11 billion tax package is reflected in the current data available showing that RC businesses have benefited from the $1.8 billion in Commercial Revitalization Deduction (CRD) Allocations (2002-2009) to establish, expand or substantially renovate commercial properties and generate new jobs in the RCs. As the initial promotion of the $11 billion tax package and outreach to eligible EZ/RC businesses intensified, the use of the tax incentives showed a steady upward progression, particularly over the more recent years of the EZ/RC designation, leading to substantial increases in business development and job creation. Despite this surge, only an estimated 45 percent of the estimated $11 billion of tax incentives has been utilized in the Empowerment Zones/Enterprise Communities/Renewals Communities.

Extending the designations and modifying the tax incentives will allow full utilization and deeper program evaluation. Tax incentives are an important part of the national “tool kit” helping to alleviate concentrated poverty in very-low income EZ/RC communities. Tax incentive programs to stimulate job creation and investment work best if business owners can plan on their continuing availability.

Program Overview

The Omnibus Budget Reconciliation Act of 1993 authorized the Secretary of HUD to designate six urban EZs (one EZ in this round is no longer designated as such) and 65 urban Round I Enterprise Communities (ECs). The Taxpayer Relief Act of 1997 later authorized two additional Round I urban EZs. This Act also authorized the Secretary to designate 15 Round II urban EZs. The 2000 Community Renewal Tax Relief Act (CRTR Act) authorized the Secretary to designate 40 Renewal Communities (28 urban, 12 rural) and eight Round III Empowerment Zones, as well as tax incentive provisions to support community revitalization efforts.

The goal of the EZ and RC programs is to create sustainable, long-term economic development in distressed areas by using a strategic plan (for EZs) or a “Course of Action,” and economic growth promotion requirements (for RCs) developed and implemented through partnerships among private, public, and non-profit entities. Residents provide input into what happens in their neighborhoods. Each community develops quantifiable goals and ways to measure the results of implementation. Although these communities’ primary benefit is tax incentives, HUD is responsible for measuring performance of the communities. The progress in carrying out the strategic plans and commitments is tracked in HUD’s Internet-based Performance Measurement System (PERMS).

HUD-designated EZ and RC communities encompass 5.3 million residents living in over 2,000 high poverty, high unemployment Census tracts. The EZ and RC tax incentives reduce the cost of capital for area businesses and provide strong incentives for business owners to hire and retain residents from the designated areas, as well as purchase new equipment, renovate and expand operations, and otherwise invest in the revitalization of distressed neighborhoods. The incentives include employment credits for hiring and retaining local residents, tax deductions for purchasing equipment, accelerated depreciation for investing in commercial construction and rehabilitation, low-cost loans through the issuance of tax-exempt bonds, and other incentives.

In addition to tax incentives, 15 EZ designees received a total of $385 million in appropriations between fiscal years 1999 and 2005. EZ grantees have utilized the funds to undertake a range of community revitalization and economic development activities, consistent with a locally developed 10-year strategic plan. HUD performance data for grant funded projects indicate successful leveraging of grant dollars with other sources: for 426 EZ projects completed to date, EZs have leveraged $103 million in HUD grant funds to attract $515 million in funds from other public and private sources. The 15 EZ grantees will continue to complete grant funded activities and HUD will close out the grants in fiscal year 2010.

<table>
<tr><th></th><th colspan="3">Renewal Community and Empowerment Zone Economic Activity</th></tr>
<tr><td rowspan="3">EZ Activity</td><td>EZ Bonds Issued</td><td colspan="2">$643,291,594</td></tr>
<tr><td rowspan="2">EZ Grant Leveraging for completed projects</td><td>HUD EZ Grant Invested</td><td>Total Other Funds Invested</td></tr>
<tr><td>$102,964,943</td><td>$514,615,170</td></tr>
<tr><td rowspan="2">RC Activity</td><td>Annual RC Outreach and Assistance to Area Businesses</td><td colspan="2">61,440 businesses</td></tr>
<tr><td>Commercial Revitalization Deduction Allocations to RC Businesses</td><td colspan="2">$1,847,783,808</td></tr>
<tr><td>EZs and RCs Combined</td><td>Employment Credits Claimed or Allowed (1999-2008)</td><td>$3,579,231,240</td><td>504,000 jobs for EZ/RC Residents Generated Over $2 Billion in Credits in 2007-2008</td></tr>
</table>

<u>Departmental Goals</u>

The Community Renewal program, with emphasis on HUD-designated Empowerment Zones and Renewal Communities, addresses the Department's goals in the following ways:

1. The Community Renewal program works with the directors of the EZs and RCs to help enhance sustainability and expand economic opportunities in designated revitalization areas that qualified on the basis of their high poverty, low employment and characteristics of general distress at the outset of the program. The Federal government has made $11 billion in tax incentives available to eligible businesses in these communities, and Community Renewal personnel work with the EZ and RC directors to help them to fully understand these incentives and market them to local business owners, business groups, and local tax practitioners. These incentives include employment credits that encourage employers to hire local residents, increased Section 179 deductions that help business owners finance purchases of equipment, Commercial Revitalization Deductions that help business owners in RC areas finance the purchase and rehabilitation of commercial properties, and Enterprise Zone Facility bonds, which provide low-cost financing to support economic

development projects in EZs. Projects financed with the Enterprise Zone Facilities bonds must maintain a workforce comprised of at least 35 percent EZ residents to retain their tax exempt status.

2. The Community Renewal program also works with the leaders of the 30 EZs and 40 RCs to foster better living environments by improving physical conditions and quality of life. The EZs' strategic plans are comprehensive community revitalization strategies, including sustainable development, crime control, and social services elements. HUD's requirements under the provisions of the statutes Congress enacted for the 28 RC programs in urban areas and 12 RC programs in rural areas require that the 40 RC directors work locally to target community improvement resources to the designated area, including:

    a. providing services for RC residents to help them become self-sufficient, which can include services for Temporary Assistance for Needy Families (TANF) recipients, job support services, child care and after school care for children of working residents, employment training, transportation services, and others;

    b. enhancing crime-reduction and/or prevention services;

    c. targeting job training for, and technical, financial, or other assistance to, employers, employees, and residents of the Renewal Community; and

    d. offering free or low-cost real property such as land, homes, and commercial or industrial structures, to neighborhood organizations and community development corporations in the Renewal Community to help facilitate development.

   HUD reviews annual reports from the RCs to assess the degree to which the RCs are meeting these requirements.

3. The Empowerment Zones and Renewal Communities initiative improves accountability, service delivery, and customer service to HUD and its partners through the review of performance reports and on-site monitoring of the individual EZs and RCs to determine if they should retain their designations. This is HUD's obligation under the statutory provisions enacted by Congress.

4. The initiative promotes participation by community organizations through extensive collaboration-building efforts, as required under the statutory provisions for the EZ strategic plan and the RC course of action.

5. The program has assisted economic recovery in the Gulf Coast region by providing technical assistance on tax incentives for eligible businesses in 12 communities with EZ and RC designations in Louisiana, Texas, Mississippi, and Alabama.

Program Evaluation and Performance Reporting

HUD collects information that the Empowerment Zones and Renewal Communities report annually using HUD's on-line Performance Measurement System (PERMS). The data for each community is publically available on HUD's website at http://www5.hud.gov/urban/perms/perms.asp. The program office reviews each annual report to evaluate progress and determine continued eligibility for each designee. Community Planning and Development field office representatives contribute to the assessment of annual reports for EZ designees, and use information on other HUD-funded activities to help understand the overall revitalization efforts in the designated areas.

Annual performance reports provide both narrative and quantitative data regarding activities underway in EZ and RC communities. RC communities provide data on their efforts to utilize the tax incentives to encourage economic investment and revitalization in the designated area, and report on progress made toward other state and local commitments made to build partnerships, reduce crime, enhance business conditions and otherwise improve economic opportunities for residents of their communities.

Recent successes reported by EZ/RC designees include:

1. The owners of 598 Broadway Street in the Lowell, Massachusetts Renewal Community received a Commercial Revitalization Deduction allocation worth more than $1.8 million, which allowed them to substantially rehabilitate the building and deduct the costs over just 10 years instead of the normal 39 years. Work began on the ground floor, which had been boarded up and closed in. The owners opened it up with large windows, thereby returning the space to an active commercial use. The project at 598 Broadway Street is a prime example of this expansion, resulting in a total private investment of over $2 million dollars, the rehabilitation of over 7,000 square feet of retail space, and the creation of approximately 10 new full-time jobs.

before

after

Broadway/ School St. Lowell, MA
Mixed-use redevelopment

2. The Harlem Auto Mall opened in March 2006 in the New York Empowerment Zone on a site where neglected lots, abandoned buildings and a road salt storing facility once stood. It was the first auto dealership north of 60th Street in more than 40 years. Located between 127th and 128th streets and 2nd and 3rd Avenues, the Auto Mall created more than 80 jobs for the Upper Manhattan Community. The owners presented cars from the Chevrolet, Saturn and Cadillac franchises for sale to interested buyers. The Mall was financed with a $17 million Empowerment Zone Bond issuance. The tax exempt Enterprise Zone Facilities bond is a valuable financial tool that reduces the cost to finance construction of commercial and industrial property in the EZs.

Because interest on the bonds is tax free to bond holders, this lowers borrowing costs for EZ businesses. The proceeds of the bond issuance were used for constructing, furnishing and equipping the Harlem Auto Mall.

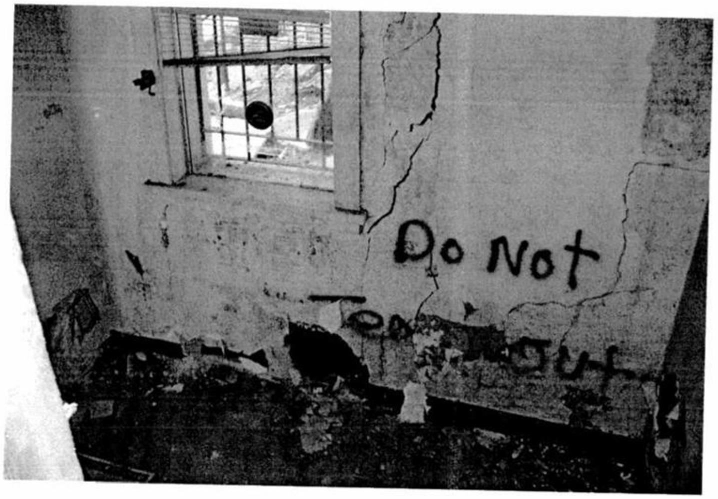
Harlem Auto Mall Before Completion

Harlem Auto Mall After Completion

3. The Rhodes Funeral Home building at 3933 Washington Avenue in New Orleans, Louisiana, was constructed in the early 1900s and originally served as the Tivoli Movie Theatre. The theatre was segregated, allowing black patrons to view motion pictures only from the upstairs seating area. In 1968 the building was purchased by the Rhodes Family and renovated to provide funeral services for Black families.

   In 2005, Hurricane Katrina destroyed much of the building. A few years later, a Renewal Community tax incentive helped to rescue the Rhodes building. In 2008, Rhodes Funeral Homes, Inc. received a commercial revitalization deduction allocation of $3,240,000 for the substantial rehabilitation of the entire facility, including the lobby, chapels, general offices, and other areas. These renovations were essential to bring the building back into service as a funeral home.

After Hurricane Katrina



During Recent Renovations

4. After 40 years of continued growth, Palermo Villa, Inc. decided to consolidate its offices and plants into a single facility. With locations in Elk Grove Village, Illinois, and Milwaukee, Wisconsin, Palermo Villa needed to make a choice between the two cities. The commercial revitalization deduction (CRD), a tax incentive available to businesses in HUD's Renewal Communities, is an important financial tool that helped Milwaukee remain home to Palermo's pizza. Each year, businesses in the Milwaukee Renewal Community may claim CRD allocations totaling $12 million to construct or substantially rehabilitate commercial properties. These allocations make it possible to deduct construction or rehabilitation costs over just 10 years instead of 39 years.

   Palermo Villa invested $27 million to construct a new, 135,000 square foot facility in Milwaukee's Menomonee Valley and as a result received a $10 million CRD allocation. In addition, Palermo's retained 195 employees in Milwaukee and was able to relocate 85 employees from Illinois to Milwaukee with the construction of its new facility.

The new Palermo Villa Facilities

These projects are just a handful of the more than 2,000 active and completed implementation plans and projects underway in the designated areas. Many more are featured on the Community Renewal webpage on HUD's website at www.hud.gov/cr and in the HUD publication, *Spotlight on Results: Capturing Successes in Renewal Community and Empowerment Zones*.

HUD established a productive partnership with the IRS to obtain summary EZRC utilization data. The partnership was established in a memorandum of agreement effective October 2006. Data provided by the IRS constitutes a reliable and accurate source for the program's single performance indicator: the annual dollar amount of EZ and RC employment credits claimed by sole proprietors. The utilization of employment credits in EZ and RC communities has shown a steady upward trend, with rare exceptions, since the inception of the EZ and RC programs.

While the tax incentives are set to expire on December 31, 2010, this does not exonerate HUD from its responsibility to issue closeout procedures for the remaining Round II grant funds in order to accommodate the provisions of the appropriations laws enacted in 2003, 2004, and 2005. If Congress extends the designation periods of the EZs and RCs through 2010, as called for in the President's Budget, the Federal EZRC tax incentives would be available for the extended 1- year period for the 15 Round II EZs as well as the Round III EZs and RCs. These Federal tax incentives, which are set to expire on December 31, 2010, unless extended by Congress, are critical to the achievement of all 70 of the designee's performance goals, particularly for the Round III EZs and the RCs, which received no Federal appropriations for program administration or projects.

Empowerment Zones/Enterprise Communities/Renewal Communities

Performance Review and Monitoring		
	2002-2006	2007-2009
Annual Report Reviews Completed	199	214
Grant Monitoring Round II EZ	20	12
Technical Assistance Visits	N/A	13
Technical Assistance Conference Calls	35	24
Guidance Issued	N/A	2

The comprehensive nature of the EZ program and indirect benefits conferred by EZ and RC tax incentives also pose a challenge to program evaluation. HUD published one interim assessment of the Round I Empowerment Zones in 2001, and the Secretary's Advisory Council on Community Renewal conducted public hearings in 2003. The authorizing legislation mandates external review of the EZ and RC programs by the Government Accountability Office (GAO). GAO's report on the initial implementation of the first round of Federal EZ designations issued in 2004 (GAO-04-306), and subsequent report in 2006 (GAO 06-727), indicated that while it found conditions in the communities were improving, its methodology could not establish a correlation between the statistical changes in poverty, unemployment and distress and the Federal designations. A GAO review focusing on Round III and RC designees commenced on July 13, 2009 and is currently underway.

The following indicates the status of grant funds provided to Round II EZs:

STATUS OF ROUND II EZ GRANTEE ACTIVITY
(AS OF JANUARY 2010)

Grantee	Obligated	Disbursed	Percent Disbursed
Boston	25,615,299.00	25,049,058.39	97.79%
Cincinnati	25,615,299.00	21,952,315.89	85.70%
Columbia/Sumter	25,615,299.00	21,164,423.48	82.62%
Columbus	25,615,300.00	25,117,186.49	98.06%
Cumberland County	25,615,300.00	24,056,804.36	93.92%
El Paso	25,615,300.00	22,229,366.64	86.78%
Gary/Hammond/East Chicago	25,615,300.00	23,449,960.61	91.55%
Huntington/Ironton	25,615,300.00	24,201,498.53	94.48%
Knoxville	25,615,300.00	19,816,405.90	77.36%
Miami	25,615,300.00	21,878,135.78	85.41%
Minneapolis	25,615,299.00	24,979,019.57	97.52%
New Haven	25,615,300.00	25,485,806.98	99.49%
Norfolk/Portsmouth	25,615,299.00	25,591,500.11	99.91%
Santa Ana	25,615,300.00	24,445,343.03	95.43%
St. Louis/East St. Louis	25,615,300.00	23,180,654.00	90.50%
TOTAL/AVERAGE	$384,229,495.00	$352,597,479.76	91.77%

The National Defense Appropriations Act of 1991 (31 USC 1552) requires that funds remaining unexpended after September 30, 2010, be returned to the Federal Treasury, and all 15 grantees are planning to expend their remaining funds during the grant period. Accordingly, HUD estimates that the full amount of funds remaining will be expended before the beginning of fiscal year 2011.

COMMUNITY PLANNING AND DEVELOPMENT
EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2009 Budget Authority	2008 Carryover Into 2009	2009 Total Resources	2009 Obligations	2010 Budget Authority/ Request	2009 Carryover Into 2010	2010 Total Resources	2011 Request
Empowerment Zones/Enterprise Community/Renewal Communities	...	...	...	...	...	...	...	...
Total	...	...	...	...	...	...	...	...

FTE	2009 Actual	2010 Estimate	2011 Estimate
Headquarters	15	11	10
Field	3	3	3
Total	18	14	13

COMMUNITY PLANNING AND DEVELOPMENT
EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
Program Offsets
(Dollars in Thousands)

Empowerment Zones/Enterprise Community/Renewal Communities	Amount
2009 Appropriation	...
2010 Appropriation/Request	...
2011 Request	...
Program Improvements/Offsets	...

Proposed Actions

HUD supports immediately extending the tax incentive package through December 31, 2011. Legislative action is needed to extend the existing EZ and RC designations beyond December 31, 2009. Bipartisan legislation consisting of House bill H.R. 1677 would extend the designations to December 31, 2015 and enhance the $11 billion tax incentive package available to 300,000 businesses located in the 71 designated areas. The rationale for extending the tax incentive eligibility period is based on the positive increasing trend of utilization during the period from 2005 to present, thus, the probability of sustaining or increasing job opportunities during the extended designation period is high. The preliminary IRS data on tax incentive utilization for tax years 2007 and 2008 shows dramatic increases in jobs generating employment credits. Data shows, despite recent increases in utilization of the EZ and RC tax incentives, overall utilization is well below estimated levels. Only 15 percent of the available bond cap for tax-exempt Enterprise Zone Facility bonds available to EZ designees has been issued to date.

As in recent years since fiscal year 2005, no grant funding is proposed for Round II Empowerment Zones (EZs) in fiscal year 2011. The program will continue to focus on maximizing the use of tax incentive and tracking the use of program income.

Program Description

The Community Renewal initiative consists of two types of designations, Empowerment Zones and Renewal Communities. There are currently 30 urban EZs, which HUD designated in three competitions held in 1994 (Round I), 1998 (Round II) and 2001 (Round III). All EZs are eligible for the same set of Federal tax incentives, which are effective through December 31, 2010. HUD also designated 40 RCs in 2001, which included both urban and rural areas. The RCs designations confer a slightly different set of tax incentives, which are also effective through December 31, 2010. The total package of tax incentives made available to EZ and RC designees in the Community Renewal and Tax Relief Act of 2000 is estimated at $11 billion, which can be claimed by businesses investing in and employing residents of the designated areas. The program has not received an appropriation since fiscal year 2005, which was the final award of HUD grant funds to 15 Round II EZ designees. None of the Round III EZs or the RCs received appropriations for funding to support program implementation or projects.

Claims for Community Renewal tax incentives since 1999 represent approximately $4 billion in tax savings. These tax savings are available to approximately 300,000 businesses located in distressed EZ and RC areas. Businesses claiming these credits range from large corporations such as Toyota, Ameritech, Dell Computer and Marriott Corporation to small manufacturers, grocery stores, pharmacies, restaurants and other retailers that provide both job opportunities and needed services in underserved areas. HUD has worked aggressively since 2001 with the local leaders of the EZ and RC communities to promote utilization of the tax incentives – particularly among small- and medium-sized businesses.

During the most recent reporting year, RC directors and their community partners contacted over 61,000 local businesses to provide information and assistance in utilizing the Federal tax incentives to achieve their business investment, expansion and resident employment goals. In addition to their own tax incentive utilization efforts, the EZs reported progress on approximately 2,000 on-going strategic plan activities to revitalize the designated areas. With the tax incentives for all RC and EZ communities extended until December 31, 2010, HUD will continue to receive inquiries, provide technical assistance and monitor eligibility and performance of designees through at least fiscal year 2011.

Area Characteristics			
	RC	EZ	Total
Designated Areas	40	30	70
EZRC Census Tracts	1,127	728	1,855
Businesses in EZRCs (2006)	167,954	127,763	295,717
Residents in EZRC (2000)	3,423,256	1,859,535	5,282,791
Average Poverty (2000)	34.59%	38.28%	N/A
Average Unemployment (2000)	15.20%	16.61%	N/A

Distinctions among the EZ and RC designations are as follows:

URBAN EMPOWERMENT ZONES

Launched in 1993, the EZ/EC Initiative was an interagency effort focused on the creation of self-sustaining, long-term development in distressed urban and rural areas throughout the nation. Round I and II Empowerment Zones received grant funding to implement their strategic plans, in addition to tax incentives, bonus points for other Federal competitive grant programs, and leveraging of public and private funding. Round III Empowerment Zones utilize only tax incentives, leverage and bonus points.

The conceptual framework of the EZ program is embodied in four key principles that applicants address in their Strategic Plans. The principles, which are drawn from the best practices of holistic approaches to community revitalization, are as follows:

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;

Community-Based Partnerships emphasize the importance of involving all community stakeholders in the revitalization of distressed neighborhoods. Key partners should be included in the governance structure, and all partners should be held accountable for their commitment to revitalizing the community;

Economic Opportunity includes creating jobs for Zone residents and linking residents to jobs within the Zone and throughout the region; and

Sustainable Community Development advances the creation of livable and vibrant communities through physical, environmental, community, and human development.

EZ Tax Incentives. The EZs use tax incentives to help achieve strategic plan goals. Tax incentives available only to EZs include the following:

1) Enterprise Zone Facility Bonds, which are tax exempt up to a certain ceiling. State and local governments have issued nearly $650 million in tax exempt bonds to help finance projects in the Empowerment Zones. Projects financed with these bonds must draw 35 percent of their workforce from the designated area.

2) Non-recognition of Gain on Sale of EZ Assets; and

3) Partial Recognition of Gain on Sale of EZ Stock.

RENEWAL COMMUNITIES

The 40 Renewal Communities (RCs) foster efforts to encourage economic development through the use of Federal tax incentives. As well, the State and local governments and community-based organizations must adopt a “course of action” including at least four of six required goals and actions. These include the following: reducing tax rates or fees, increasing the efficiency of local services; supporting effort to reduce crime; streamlining government requirements; involving local partners; and soliciting in-kind contributions. RC designees also are required to work with State and local governments to achieve at least four of five economic growth promotion requirements, described below:

1) repeal, reduce or not enforce within the RC licensing requirements for occupations that do not ordinarily require a professional degree;

2) repeal, reduce or not enforce zoning restrictions on home-based businesses in the RC that do not create a public nuisance;

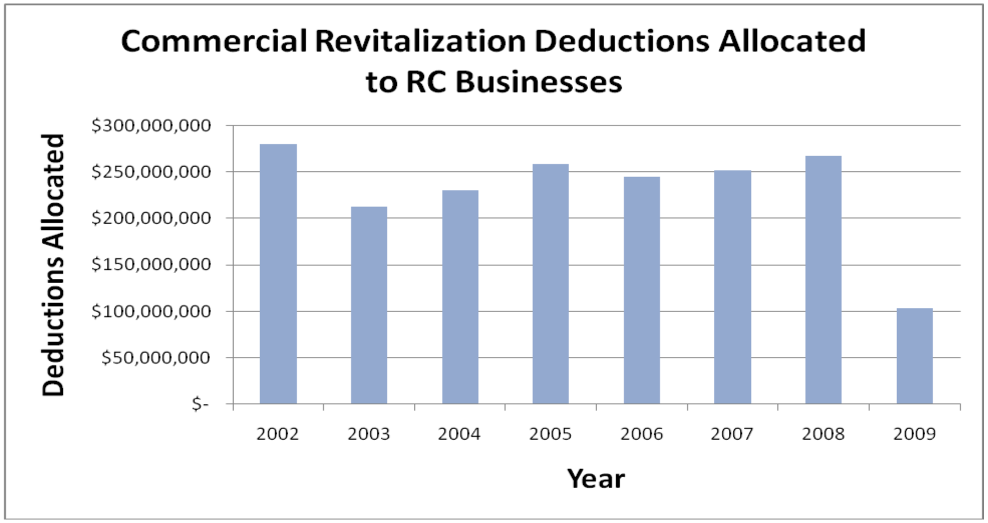
3) repeal, reduce or not enforce permit requirements for street vendors in the RC who do not create a public nuisance;

4) repeal, reduce or not enforce zoning or other restrictions in the RC that impede the formation of schools or child care centers; and

5) repeal, reduce or not enforce franchise or other restrictions on competition for businesses providing public services in the RC, including taxicabs, jitneys, cable television, or trash hauling.

RC Tax Incentives. The tax incentives available only in RCs include the following:

1) Commercial Revitalization Deduction (CRD), which allows an eligible business owner to depreciate either one-half of his or her property construction or substantial rehabilitation cost in the first year the property, is placed in service or all the cost on a ratable basis over 10 years. The business owner must receive a CRD allocation for the depreciated amount, and the commercial building must be located in an RC-designated area. According to PERMS, states have awarded over $1.8 billion in CRD allocations to businesses in the RCs from 2002 through 2009; and



2) Zero Percent Capital Gain Rate for the sale or transfer of RC Asset.

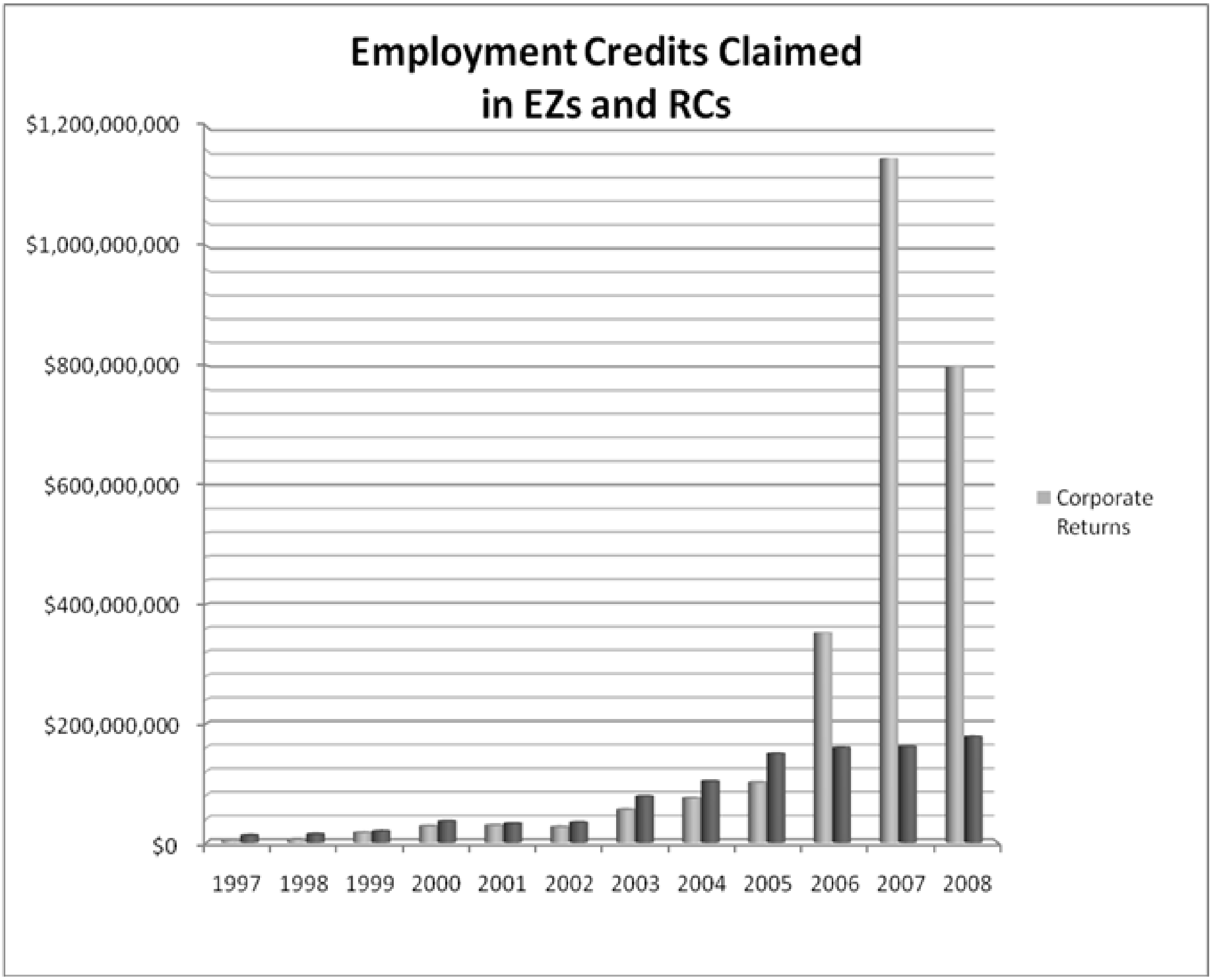
Tax incentives Common to both EZs and RCs include:

1) Work Opportunity Tax Credit for businesses that hire 18- to 39-year old EZ and RC residents and other hard-to-employ groups;

2) Increased Section 179 Deduction for depreciation expenses; and

3) Qualified Zone Academy Bonds (QZABS), which enable State and local governments to issue bonds that permit public schools to raise funds for curriculum development or physical improvements.

IRS estimates that 251,000 tax returns have claimed more than $3.5 billion in EZ and RC employment credits from 1999 to 2008. HUD used IRS data to determine that 504,000 jobs for EZ and RC residents generated over $2 billion worth of employment credits for eligible employers throughout the country in 2007-2008. The following chart shows the increase in utilization of employment credits by business owners.



	Individual Returns	Corporate Returns
1997	$12,101,583	$4,644,914
1998	$14,196,496	$5,869,794
1999	$19,428,273	$16,958,619
2000	$36,116,828	$27,796,621
2001	$32,158,936	$29,063,063
2002	$34,004,126	$26,373,080
2003	$77,966,226	$55,508,274
2004	$103,059,558	$74,933,294
2005	$149,640,247	$101,108,941
2006	$159,483,048	$351,706,021
2007	$161,248,058	$1,146,900,549
2008	$177,571,912	$798,193,877

COMMUNITY PLANNING AND DEVELOPMENT
EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
Justification of Proposed Changes in Appropriations Language

There was no appropriation in fiscal year 2010 and no new funding is proposed for 2011.

EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
Crosswalk of 2009 Availability
(Dollars in Thousands)

Budget Activity	2009 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2009 Resources
Empowerment Zones/Enterprise Community/Renewal Communities	...	...	...	...	...	...
Total	...	...	...	...	...	...

COMMUNITY PLANNING AND DEVELOPMENT
ENPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
Crosswalk of 2010 Changes
(Dollars in Thousands)

Budget Activity	2010 President's Budget Request	Congressional Appropriations Action on 2010 Request	2010 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2010 Resources
Empowerment Zones/Enterprise Community/Renewal Communities	...	...	...	...	...	...
Total	...	...	...	...	...	...