

THE WHITE HOUSE

WASHINGTON

May 10, 1999

TOUR OF SWEET AUBURN MARKET and ROUNDTABLE

DATE: May 11, 1999
TIME: 2:10-2:30pm (tour)
2:40-3:40pm (Roundtable)
LOCATION: Sweet Auburn Market, Atlanta GA
FROM: Gene Sperling

I. PURPOSE

To visit this Empowerment Zone location where you can highlight the EZ/EC effort that has been a priority for both you and the Vice President over the last six years. Also, by focusing on Empowerment Zones, it may make this trip less duplicative of your July trip, which will include, but will go beyond, Empowerment Zones.

II. BACKGROUND

See attachment on the Sweet Auburn Market and the roundtable participants.

III. PARTICIPANTS

Pre-brief

YOU

Gene Sperling

Maria Echaveste

Mayor Bill Campbell

Ruby Jones

Council Member Debbie Starnes

Secretary Cuomo

Administrator Alvarez

15 CEOs

Tour

YOU

Mayor Bill Campbell

Council Member Starnes

Gene Sperling

Maria Echaveste

Administrator Alvarez

IV. SEQUENCE OF EVENTS

- YOU will be greeted by Mayor Bill Campbell at the Atlanta Hartsfield Airport.
- YOU, the Mayor, and your delegation of CEOs and Cabinet arrive at the Sweet Auburn Market where YOU are greeted by Council Member Debbie Starnes and Ruby Jones, Director, Sweet Auburn Market.
- Councilwoman Starnes will give YOU and the delegation a brief overview of the market.
- YOU and the delegation will tour the market and stop to speak with selected vendors. YOU will be followed by the rest of the participants.
- Following your walk through the market, YOU will exit the market and take your seat in a casual horse shoe setting with chairs but not table
- YOU will participate in a second roundtable discussion with seven local business representatives, Mayor Campbell, and Rep. Cynthia McKinney.
- YOU make brief remarks and then open it up to a discussion (Mayor Campbell will moderate)
- YOU depart.

V. PRESS COVERAGE

Open

VI. REMARKS

Speechwriting will provide opening remarks.
Notecards will be included in briefing book for dialogue.

VII. ATTACHMENT

1. One page on tour of the Sweet Auburn Curb Street Market
 - Background on the market
 - Background on tour leader
2. Background on Roundtable with Local Atlanta Business Owners

TOUR OF THE SWEET AUBURN CURB STREET MARKET

Background on the Sweet Auburn Curb Street Market:

History

- Currently a part of the City of Atlanta's Empowerment Zone, the Sweet Auburn Curb Street Market has been operating since 1923. It originally began as an open-air market in 1918 until the Atlanta Women's Club transformed it into an enclosed structure.
- The market is located in the City's historic Sweet Auburn area, the City's first African American commercial district. The market was in disrepair in 1992 when the City applied for a Section 108 loan guarantee of \$4.9 million to refurbish the facility.

Current Economic Development

- Approximately 24 business are located within the market with total space for up to 35 businesses. These businesses include produce vendors, a florist, a garden center, a seafood market, and various restaurants. Eight businesses in the market receive direct EZ assistance.
- Businesses with the market often hire residents from the surrounding EZ neighborhoods and thereby benefit from EZ tax credits.
- In total, more than \$8.3 million in federal funding has been directed to the market and its vendors. These funds include EZ grants to businesses for equipment, CDBG funds for site improvements and commercial rehabilitation and Section 108 loans for commercial rehabilitation.

Background on Tour Leader, Ruby Jones:

Ruby Jones, Property Manager, Sweet Auburn Curb Market

- Ruby Jones will lead the tour through the market.
- Ms. Jones is the property manager for the market and is involved in attracting new businesses and meeting and developing relationships with neighborhood residents. As property manager, she is responsible for leasing, marketing and coordinating events at the market, which include voter registration drives, cooking demonstrations, educational tours of the markets and food drives.
- Since the market is located in the EZ, Ms. Jones vigorously encourages the vendors of the market to hire residents from the neighborhood.
- She is also the volunteer coordinator for the Atlanta Downtown Partnership and serves on the board of directors of the Midtown Assistance Center.

ROUNDTABLE WITH LOCAL ATLANTA BUSINESS OWNERS

Roundtable Participants:

- Seven business people will participate in the roundtable at the market (see below)
- Mayor Bill Campbell will moderate the discussion.
- Rep. Cynthia McKinney will participate in the roundtable as well.
- All but one of the businesspeople operates a business or invests in the Empowerment Zone (Jason Slaughter of S&W International Foods operates his business in a distressed area of Atlanta just outside of the zone).

1. Sallie Adams Daniel, Senior Vice President, Nations Bank of Georgia

- Ms. Daniel is an active member of the Atlanta EZ and is a director on its governing board.
- Ms. Daniel will talk about NationsBank's commitment to community revitalization around the nation. She will also talk about her involvement in the EZ and NationsBank partnership with local CDCs.
- Nations Bank has undertaken a number of activities that support the revitalization of the Atlanta EZ and other distressed underserved communities. NationsBank partners with two CDCs located in the EZ --- the Historic District Development Corporation and Summerhill Neighborhood Development Corporation. NationsBank provides the CDCs with technical assistance and invests in their projects.

2. John Aderhold, Chairman of Aderhold Properties (Developer of the Fulton Bag and Cotton Mill)

- Mr. Aderhold, Chairman of Aderhold Properties, is the developer of the Fulton Bag and Cotton Mill project, one of the marquis projects helping to revitalize the Cabbage Town neighborhood in the heart of the Atlanta EZ.
- Mr. Aderhold will speak to the importance of federal assistance in the development of the project. He will also comment on the impact that the site has had on the surrounding area and the successful economic return on his investment in the project.
- The development includes a mixed income residential project with 206 loft apartments of which 83 are rented by low- and moderate-income persons. There is also commercial space at the site, which is expected to create jobs and businesses in the EZ.
- The project used a \$1 million EZ loan to leverage a \$10 million HUD Section 221(d)4 loan, a \$400,000 City of Atlanta Loan and over \$6 million in Historic Tax Credits and Low-Income Tax Credits. This project has anchored a flurry of redevelopment in the surrounding area including the Eureka restaurant, whose owner is a roundtable participant as well.

3. *Tricia Donegan, Owner of Eureka Restaurant*

- Tricia Donegan, owner of this restaurant which opened in the EZ in November 1998, received technical assistance from the Atlanta One Stop Capital Shop (run by SBA) in putting together her business plan.
- Ms. Donegan employs 20 people, of which 10 are EZ residents, enabling her to use the Empowerment Zone Wage tax credit.
- Ms. Donegan will discuss her success in hiring EZ residents as well as the importance of the major Fulton Bag and Cotton Mill revitalization project to her decision to locate this small business in the EZ.
- She also owns a restaurant in another low-income East Atlanta neighborhood.

4. *Kenneth Bleakely, President of North Yards Business Park, LLC*

- The Atlanta EZ recently announced a \$5 million grant to Mr. Bleakely's company, North Yards Business Park, to develop a brownfields site into a 55-acre industrial park in the EZ that will cost \$25 million. The EZ investment made this project possible.
- The project is a joint venture between the Atlanta Development Authority, Antioch Urban Ministries, and a partnership created by the downtown business community that includes North Yards (the partnership is known as COPA, the Centennial Olympic Park Area).
- Kenneth Bleakely will talk about the COPA business partnership and why it decided to invest in the site. He will also discuss the organization's perspective on hiring EZ residents. Lastly, he may comment on recent new commitments from prospective tenants at the site, including Coca-Cola.
- North Yards has made a commitment to have its infrastructure contractors hire 50% EZ residents and has also set a target of having park tenants hire 50% of their employees from the EZ.
- The project also received a \$500,000 Brownfields Economic Development Initiative grant and a \$500,000 HUD Section 108 loan to demolish dilapidated structures and make infrastructure improvements.

5. *Sonya Jones, Owner of the Sweet Auburn Bread Company and Southcity Cuisine (note: these businesses are located in the market)*

- Sonya Jones and her husband, Robert Jones, own two shops in the market. They employ six people. She is a professional chef trained at the Culinary Institute of America in New York. Sonya initially owned only the Southcity Cuisine, and later assumed ownership of Sweet Auburn Bread Company.
- Sonya Jones will talk about her experience as a small business owner in the EZ. She will comment on the importance of both the EZ funds and the surrounding development to the success of her business.
- Ms. Jones's clientele includes employees of the adjacent Grady Hospital, Hugh Spaulding Children's Hospital, residents of the Grady Homes, public housing and the remaining community.

6. *Vivian Reid, Co-Owner of the Kaffee Shop (note: this business is located in the market)*

- Vivian Reid, along with her two sisters, own this store which sells a variety of coffee products and which has been in business for a year and a half.
- Ms. Reid will discuss how owning and operating a small business has improved the lives of her and her sisters. She will also talk about the fact that they have been able to hire an employee at the shop who is a Welfare-to-Work participant.

7. *Jason Slaughter, Owner of S&W International Foods (note: this business is not located in the EZ)*

- S&W International Foods was established in 1996 and is a tremendous example of a growing small business that received federal support in its startup phase.
- Jason Slaughter will talk about his decision to locate in the city of Atlanta. Although his business is not located in the EZ it is in an area that fits the model for a New Market. Slaughter will comment on the importance of federal assistance in the startup phase, and his difficulty at times accessing private capital.
- The company cuts and repackages meat products and manufactures a line of frozen biscuits.
- The company has grown from 12 employees to a staff of 60 over the last several years and increased sales from \$6 million last year to expected sales of \$13 million for this year.
- Two SBA guaranteed loans have helped S&W to add new plants and equipment allowing the company to grow significantly. The company has secured contracts with Sara Lee Corporation, Church's, Popeyes, Wal-Mart, Publix, and Kroger.

SUGGESTED SCRIPT FOR SWEET AUBURN ROUNDTABLE

FORMAT FOR SWEET AUBURN ROUNDTABLE:

1. Mayor Bill Campbell opens with welcome to the participants: you, the seven business people, and Rep. Cynthia McKinney. He will then introduce you
2. You will give brief opening remarks (provided separately by speechwriting)
3. You open discussion with business people
 - You may want to turn to Sallie Adams Daniel to talk about NationsBank investment in the EZ
 - You may then want to turn to Jason Slaughter to talk about his experience as a fast growing company that was seeking capital during its startup phase.
 - At any time you wish, you can refer questions to or ask for comment by any of the 15 CEOs from your morning roundtable who will accompany you to Atlanta (they will be seated in the front row with several microphones available to them).

SEVEN LOCAL BUSINESS PEOPLE AND SUGGESTED QUESTIONS:

Question for SALLIE ADAMS DANIEL, Senior Vice President, Nations Bank of Georgia:

Ms. Daniel, how have you seen the Atlanta EZ develop and what role have you and Nations Bank had in this development?

Daniel's Background:

- Ms. Daniel is an active member of the Atlanta EZ and is a director on its governing board.
- Nations Bank has undertaken a number of activities that support the revitalization of the Atlanta EZ and other distressed underserved communities.

Daniel's Likely Points:

- Ms. Daniel will talk about NationsBank's commitment to community revitalization around the nation. She will also talk about her involvement in the EZ and NationsBank partnership with local CDCs.
- NationsBank provides the CDCs located in the EZ with technical assistance and invests in their projects.

Question for JOHN ADERHOLD, Chairman of Aderhold Properties (Developer of the Fulton Bag and Cotton Mill):

Mr. Aderhold, can you talk a bit about how public and private entities have come together to make your Fulton Bag and Cotton Mill development project a success?

Aderhold's Background:

- Mr. Aderhold, Chairman of Aderhold Properties, is the developer of the Fulton Bag and Cotton Mill project, one of the marquis projects helping to revitalize the Cabbage Town neighborhood in the heart of the Atlanta EZ.
- You should know that Fulton Bag and Cotton Mill was damaged by a fire on Monday, May 3. It is not expected that this will deter development.

Aderhold's Likely Points:

- Mr. Aderhold will speak to the importance of federal assistance in the development of the Fulton Bag project. He will also comment on the impact that the site has had on the surrounding area and the successful economic return on his investment in the project.
- The development includes a mixed income residential project with 206 loft apartments of which 83 are rented by low-and moderate-income persons. There is also commercial space at the site, which is expected to create jobs and businesses in the EZ.
- The project used a \$1 million EZ loan to leverage a \$10 million HUD Section 221(d)4 loan, a \$400,000 City of Atlanta Loan and over \$6 million in Historic Tax Credits and Low-Income Tax Credits.
- This project has anchored a flurry of redevelopment in the surrounding area including the Eureka restaurant, whose owner is a roundtable participant as well.

Question for TRICIA DONEGAN, owner of Eureka Restaurant:

Ms. Donegan, what prompted you to open your restaurant in the EZ?

Donegan's Background

- Tricia Donegan owns Eureka restaurant which opened in the EZ in November 1998.
- She also owns a restaurant in another low-income East Atlanta neighborhood.

Donegan's Likely Points:

- Donegan received technical assistance from the Atlanta One Stop Capital Shop (run by SBA) in putting together her original business plan.
- Ms. Donegan employs 20 people, of which 10 are EZ residents, enabling her to use the Empowerment Zone Wage tax credit.
- Ms. Donegan will discuss her success in hiring EZ residents as well as the importance of the major Fulton Bag and Cotton Mill revitalization project to her decision to locate this small business in the EZ.

Question for KENNETH BLEAKELY, President of North Yards Business Park, LLC

Mr. Bleakely, your business park has made a commitment to hire a significant number of EZ residents. Can you talk a bit about this admirable effort?

Bleakely's Background:

- Kenneth Bleakely is the President of North Yards Business Park, LLC.
- The project is a joint venture between the Atlanta Development Authority, Antioch Urban Ministries, and a partnership created by the downtown business community that includes North Yards (the partnership is known as COPA, the Centennial Olympic Park Area).

Bleakely's Likely Points:

- The Atlanta EZ recently announced a \$5 million grant to Mr. Bleakely's company, North Yards Business Park, to develop a brownfields site into a 55-acre industrial park in the EZ that will cost \$25 million. The EZ investment made this project possible.
- North Yards has made a commitment to have its infrastructure contractors hire 50% EZ residents and has also set a target of having park tenants hire 50% of their employees from the EZ.
- The project also received a \$500,000 Brownfields Economic Development Initiative grant and a \$500,000 HUD Section 108 loan to demolish dilapidated structures and make infrastructure improvements.

Question for SONYA JONES, owner of the Sweet Auburn Bread Company and Southcity Cuisine (note: these businesses are located in the market)

Ms. Jones, I just was on a tour of this terrific market -- how have you seen Sweet Auburn Market change in recent years?

Jones' Background:

- Sonya Jones and her husband, Robert Jones, own two shops in the market.
- They employ six people.

Jones' Likely Points:

- Sonya Jones will talk about her experience as a small business owner in the EZ. She will comment on the importance of both the EZ funds and the surrounding development to the success of her business.
- Ms. Jones's clientele includes employees of the adjacent Grady Hospital, Hugh Spaulding Children's Hospital, residents of the Grady Homes, public housing and the remaining community.

Question for VIVIAN REID, Co-Owner of the Kaffee Shop (note: this business is located in the market)

Ms. Reid, it's my understanding that you've hired an employee who is a Welfare-to-Work participant at your store here in the market. Can you tell us about this?

Reid's Background:

- Vivian Reid, along with her two sisters, own this store which sells a variety of coffee products and which has been in business for a year and a half.

Reid's Likely Points:

- Ms. Reid will discuss how owning and operating a small business has improved the lives of her and her sisters. She will also talk about the fact that they have been able to hire an employee at the shop who is a Welfare-to-Work participant.

Question for JASON SLAUGHTER, owner of S&W International Foods (note: this business is not located in the EZ)

Mr. Slaughter, I think I read that your business has grown substantially in the last few years and that SBA helped you in that growth. Can you talk about working with SBA?

Slaughter's Background:

- Jason Slaughter established S&W International Foods, a meat packaging and frozen biscuit company, in 1996.
- The company has grown from 12 employees to a staff of 60 over the last several years and increased sales from \$6 million last year to expected sales of \$13 million for this year.

Slaughter's Likely Points:

- Jason Slaughter will talk about his decision to locate in the city of Atlanta. Although his business is not located in the EZ it is in an area that fits the model for a New Market.
- Slaughter will comment on the importance of federal assistance in the startup phase, and his difficulty at times accessing private capital.
- Two SBA guaranteed loans have helped S&W to add new plants and equipment allowing the company to grow significantly. The company has also secured contracts with Sara Lee Corporation.

EMPOWERMENT ZONES

Across the country, communities are reeling from a decade of declining opportunity and rising social and economic isolation. The Clinton Administration is introducing the Economic Empowerment Act of 1993 as a first piece of larger community empowerment agenda to bring on a new era of opportunity, responsibility and community. The Empowerment Zone proposal moves beyond both top-down, bureaucratic proposals on one hand and on the other hand, traditional enterprise zone proposals on the other hand that assumed that tax breaks alone can revitalize communities, without changing the way government does business. The Clinton proposal recognizes that community empowerment will come only when we empower local communities with the incentives, deregulation and flexibility they need to come up with coordinated and comprehensive economic strategies that include a strong private sector commitment.

- 1. BOTTOM-UP STRATEGIC PLANS:** The entire economic empowerment zone program will be run through a competitive, challenge grant process. No applicant will be eligible for a single dollar of federal enterprise support unless it submits a strategic plan that brings together the affected community, private sector and governmental people and demonstrates how the community will reform the delivery of relevant government services. The challenge grant process is designed to empower local communities to be as innovative as possible in their planning.
- 2. ONE-STOP WAIVER AUTHORITY:** To empower communities to implement their bottom-up strategy, an Enterprise Board -- consisting of relevant Cabinet Secretaries will -- will guarantee a single point of contact for responding to requests for support and waivers in order to empower each local community to implement its own strategic plan using existing federal programs and resources more effectively and efficiently.
- 3. 10 EMPOWERMENT ZONES AND 100 ENTERPRISE COMMUNITIES:** A total of 110 zones and neighborhoods will be chosen through the empowerment challenge grant process. All 110 will be eligible for empowerment tax incentives and given special priority at many innovative federal programs including community development banks, community policing, education enterprise schools as well as an innovative Fannie Mae Community Neighbors and Community Buyers programs. The 10 Empowerment Zones will be more resource-intensive and will be given capital incentives as well as two substantial Employment and Training Credits. One empowers employers with a wage credit for hiring residents within the zones, while also empowering zone residents to move to work opportunities outside of the zone.
- 4. INDEPENDENT EVALUATION AND SUNSET:** Provide for independent evaluation of results after several years of operation before expanding the Act to other communities; require full consideration of what works and what doesn't by contracting for an independent evaluation and enacting a sunset after 10 years

SUMMARY OF ZONE INCENTIVES AND INVESTMENTS:

In addition to enhanced flexibility to coordinate strategic plans, the 10 Empowerment Zones and the 100 Enterprise Communities will receive or be eligible for five basic forms of incentives and investments. a) Capital incentives to spur private sector investment;

b) empowerment incentives; c) Employer wage credits that empower both business within the zone and businesses outside of the zone who hire zone residents. This ensures that the proposal empowers zone communities while still empowering individuals to move to opportunities outside the zones. d) Investment programs, such as community policing and enterprise schools. e) Zone Priority Investments: A host of federal programs will give recipients of the 110 zones priority status for grant applications for investments that may be essential to a comprehensive empowerment strategy. Starred incentives (*) are available only for the 10 Empowerment Zones.

CAPITAL INCENTIVES

- Tax-exempt private activity bonds for investments in tangible property in zone
- Expansion of Low Income Housing Tax Credit
- Increased Property Expensing under Section 179*
- Accelerated depreciation for tangible investments*

EMPOWERMENT INCENTIVES

- Resident Empowerment Savings Accounts -- tax credits for employer contributions; penalty-free withdrawals for education, purchase of first home, starting a small business or investing in community investment corporation or fund
- Resident Empowerment Opportunity Card
- Private Activity Bonds for zone businesses, Community Investment corporations and

Funds, and ESOPs owned 50% or more by zone residents.

EMPLOYMENT TAX INCENTIVES

- Employment and Training Credits ("ETC") for zone residents
- A multi-year ETC for zone employers
- A one-year Targeted ETC for non-zone employers

INVESTMENTS UNDER THE ACT

- Enterprise Grants
- Community Policing

ZONE PRIORITY INVESTMENTS

- Community Partnerships against Crime, Community Development Financial Institutions and Banks, - HUD Matching Fund for CDCs
- Up to 30 Enterprise School Communities
- SBA, Commerce and EDA funds and technical assistance
- School-to-Work, Apprenticeship, Youthbuild, Youth Fair Chance, Job Corps
- Drug Prevention and Rehabilitation-to-Work - "One Stop Shop" Career Centers (JPTA), - Access and Moving to Opportunities - Distressed Public Housing, McKinney Homeless Shelter, Assistance, Self-sufficiency, FHA and FmMHA Fannie Neighbors and Community Buyers

Cost: The Budget includes \$4.1 billion in tax incentives. Approximately 75% of the cost comes from the wage tax credits. Over the next two years, \$500 million currently in the budget will be allocated to Enterprise Grants for empowerment zones, while an additional \$500 million will go to community policing, of which a substantial amount will be targeted toward the 110 zones. In addition, several Departments have made commitments to target existing investment programs to the zones, so that there can be an equal amount of of invesments and tax incentives. For example, the Department of Education has already committed funding and support local communities to create 30 Enterprise Schools initiatives within the zones to make schools 24 hour, 365 day-a-year community centers. HUD has agreed to target \$200 million of its Community Partnership against Crime funds -- public safety and drug prevention -- to the zones.

Population:

Percentage:

Tax Incentives:

Poverty criteria

Population criteria

HR11

Details

How much does it cost?

\$4.1 billion in tax expenditures:

\$1 billion in Enterprise and community policing

% of urban and rural.

When the Community Empowerment Working Group first started to design the Empowerment Zone proposal, our hope was that much of the good from the legislation would come through creating a process that would encourage local communities to pull together, analyse their needs together, and come up with comprehensive strategies for reinventing ourselves together. This emphasis on innovation, comprehensiveness, and direct community involvement in the preparation of the applications has been inspired by the belief that effective revitalization must begin with local level planning. In announcing the initiative, the President stressed this point by stating that "not a dime will go out without a coordinated strategy developed at the grass-roots level." (New York Times, May 5, 1993) Since the Vice President has led the Community Enterprise he has used his expertise on reinventing government to give further emphasis to this community building role that the very process of empowerment zone applications can have.

I, as with others, had been hearing very encouraging stories about the degree that the empowerment zone process were having precisely the effect that we had hoped for: the very process of cooperatively designing a comprehensive empowerment zone strategy was itself having positive effects by bringing communities together to analyse their situation and come up with innovative strategies to address it -- what the Vice President refers to as "the magic feacher." I asked Sheryl Cashin and my intern from Georgetown Law School, Sean Fox to search for examples in the newspapers and they have found some interest articles in regional papers. What we found was that this positive theme -- that the process itself was making communities winners -- was being repeated in different regional papers across the country. Three points seem to come through in many of these articles.

1. The existence of a common goal has brought together diverse groups which rarely, if ever, cooperated in the past.
2. Many communities have for the first time developed a "holistic" approach to economic revitalization which encompasses both capital formation strategies and the provision of social services such as child-care, job-training, education, and health care.
3. The public-private partnerships that have developed as a result of the application process will be a force for change far into the future.

It is important to note, however, that while there is far more than praise than criticism, two negative themes can be found in a few articles. One, is that Empowerment Zones are pitting poor communities against each other -- even within single cities. Two, is the view that selections will be determined by political reasons, with mid-term elections being a factor in the timing of decisions. Thus, we must ensure that we continue to

Below are selections from several newspapers articles stressing the importance of the process itself in accomplishing three main positive results:

1. HOUSTON CHRONICLE:

"Whether or not Houston wins an empowerment zone designation, the participation of a wide variety of community players to prepare the application will result in on-going discussions. . . . The process has brought people together who had never worked with each other before."
Judy Butler, aide to Mayor Bob Lanier (Houston Chronicle, May 28, 1994)

2. DETROIT FREE PRESS:

In an editorial entitled, "Empowerment Zone: Application Cooperation Gives Detroit a New Attitude" from June 20, 1994, the article states: "Detroit's empowerment zones application is nearly ready to be sent to Washington. . . . But even if Detroit is denied, the application process itself will benefit the city. The process has created a previously unfamiliar sense of cooperation among Detroit citizens, neighborhood groups, and city officials."

3. DETROIT NEWS:

Excerpts from "Project Empowers Spirit of City Unity," by Vivian Toy, The Detroit News, June 12, 1994

"A preliminary draft of Detroit's application for a federal empowerment zone focuses on family and the workforce and promises unprecedented cooperation among Detroit businesses and community organizations."

"The process has spurred a continuing effort to raise millions of dollars in commitments for area businesses from investment in some of the city's poorest neighborhoods."

"It's a rare day when you have the Big Three auto giants sitting down at the same table with neighborhood leaders to talk about turning things around in Detroit," said Arthur Carter, a Detroit public schools administrator and a co-chair of the education and training task force. "It's been an invaluable learning experience for everyone . . ."

4. ARKANSAS

"In the rural area what has happened is that . . . mayors, bankers, business owners, judges, etc. are coming to meetings with community based organization--blacks and whites together as partners in a planning process." Becky Williams of Arkansas (letter to Carol Rasco, Assistant to the President for Domestic Policy, April 21, 1994)

5. USA TODAY

"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." Mayor Jerry Abramson of Louisville, President of the U.S. Conference of Mayors (USA Today, May 23, 1994)

6. ST. LOUIS DISPATCH

"The key to this grant application is the opportunity presented to Kinloch to form a holistic plan to address its major problem areas." St. Louis County Economic Council official Claude Louishomme (St. Louis Post-Dispatch, May 26, 1994)

7. CHICAGO TRIBUNE:

"It [the application process] also illustrates that the media's constant focus on Chicago's very real neighborhood problems masks significant physical and human assets in these same communities. Linking these neighborhood leaders with the resources necessary to act on their plans must be a priority in the future. . . . In many respects. . . Chicago is already a winner. The empowerment zone process is a strong statement that meaningful city government-neighborhood planning can work in Chicago." Thomas Lenz, Local Initiatives Support Corporation and member of Chicago's Empowerment Zone Coordinating Council (Chicago Tribune, May 23, 1994)

8. PHILADELPHIA ENQUIRER:

Excerpts from "The Cities Are Lining Up To Get Empowerment Zones", by Neal Pierce, Philadelphia Inquirer, May 16, 1994 (Also in Houston Chronicle)

"The real story, however, is about a different politics: the Clintonites' strategy to get cities and counties to tap the will to revitalize even their poorest communities, and to evoke new city and regional alliances to support those neighborhoods."

"It is not the Jack Kemp vision of enterprise zones - throw out a bunch of tax incentives and see how many businesses then want to set up shop in graffiti-smeared, crime-plagued areas. Nor is it Lady Bountiful liberalism - show how you can spend Washington's money."

"Instead, Washington is challenging applicant communities to show buy-in from a broad range of partners - grass-roots community groups, local governments, health and social service agencies, environmental organizations, churches, businesses, universities."

"Some places seem truly to grasp the spirit and potential of the new deal the feds are offering. Consider the example of America's most ravished great city, in the nation's most segregated region - Detroit. With the bait of empowerment zone designation, and anxious to bolster freshmen Mayor Dennis Archer, the big institutions of the Detroit region have produced a startling set of initiatives."

"But for now, the competition reminds us that every metropolitan area has all the resources it needs to revive its depressed neighborhoods - if it will only mobilize them. Just a dozen or two cities emulating Detroit's verve in building new coalitions to combat poverty and inner-city depression would justify the whole effort."

9. BOSTON GLOBE

Excerpts from "Plan Would Revitalize Areas Along Blue Hill Ave.", by

Adrian Walker, The Boston Globe, May 9, 1994

"The steering committee writing the plan included community activists, business activists, and local and state elected officials. [Linda] Haar [the coordinator of the project] said she believes one of the strengths of the city's proposal is the broad coalition working to formulate it....

"Haar said the empowerment zone differs from other urban renewal programs because it brings together a wider array of programs that affect economic development, job training, capital and social services."

"Instead of programs that throw money at people, we're saying no none of those models, individually, can work," Haar said. "You really need to bring combined resources to bear."

10. LOS ANGELES TIMES:

Excerpts from "Cities Unite To Boost Chances for Grants," by Mary Helen Berg, Los Angeles Time, May 22, 1994

"Southeast cities have united on two fronts to form an economic development coalition to attack social problems in the area. Leaders in eight cities have voted during the past month to form a nonprofit community development corporation that they hope will help give the region clout, making the area more eligible and more attractive to public and private funding groups. In addition, six cities have created a consortium to apply for joint designation as a federal Enterprise Community..."

"The projects 'create some joint vision on the region in terms of identifying needs and solving the area's problems,' said George Cole, a Bell councilman and founding member of the development corporation."

10. MIAMI HERALD

Excerpts from "Dade Scrambles to Win Empowerment Zone", by Tony Fugh and Dexter Filkins, Miami Herald, March 13, 1994.

"Just when it seemed like everyone had given up on America's ghettos, the federal government is poised to launch one of its biggest assaults in recent memory. Metropolitan Miami may be a prime beneficiary."

"Bud Kanitz, executive director of the National Neighborhood Coalition, an information clearinghouse on national policies and low-income neighborhoods, said Empowerment Zones are a break with the failures of the past."

"It's a comprehensive approach that's far better than the proposals made by previous administrations," Kanitz said."

"The focus on public and private investment working together differentiates Empowerment Zones from past attempts to attack inner-city poverty, some experts say."

POLITICAL CONSIDERATIONS

Despite the general positive response that the empowerment zone application process has elicited from local participants, it is important to note that there have been two types of negative comments there are two potential political problems that must not be ignored. First, the drawing of the empowerment zone's boundaries has prompted intense political disputes in some cities. At least one community leader has described the application process as "pitting the poor against the poor."

Second, the selection process by the Community Enterprise Board is being depicted by some a process driven solely by political considerations, with assertions that certain major cities are assured of an empowerment zone based on their political importance -- and that mid-term election timing could be an issue. Therefore, while we stress the positive aspects, we have to be vigilant in showing that this process will be fair and objective and that the competitive process is a sound way to both encourage innovation and cooperation as well as being a sound use of resources so that we avoid such a dilution of resources that no positive good can come.

SELECTED NEGATIVE COMMENTS

Excerpts from "Empowerment Zones: Fed Program Creates Skepticism, Confusion", by Karen Rothmyer, Newsday, May 10, 1994

"Unfortunately, [Angelio] Falcon says, 'the empowerment zone program forces poor areas to compete with each other rather than developing strategies that are useful for all.' This certainly has been the case in New York. With a cap on the proposed zone's population set at 200,000 - whereas a population of at least twice that lives in the areas - boundary lines are the fiercest point of contention."

Excerpts from "L.A. Communities Vie For \$100 Million in Federal Funding," by Robert Lopez, Los Angeles Times, March 13, 1994

"A multimillion-dollar federal empowerment zone that would promote economic development in Los Angeles will likely be carved into several portions, and communities across the city are already jockeying for their piece."

"No matter how it [empowerment zone] is carved up, the 20-square-mile zone will still exclude an overwhelming majority of the eligible areas covering 80 square miles in Los Angeles. And as a May 15 deadline approaches for the City Council to prepare a draft report on which communities will benefit, the battles among competing interests have begun."

"Hopefully, it won't get too ugly," said Reynold Blight, director of state enterprise zone programs for the city's Community Development Department."

"We're all fighting for this piece of pie, and I don't know if there is enough money to satisfy us all," said Richard Marshall, a member of the Community Advisory Council to the 9th Council District in South-Central."

Excerpts from "A Federally Funded Empowerment Zone is Good News For L.A., But Its Limited Size Will Exclude Many Needy Areas," Los Angeles Times, November 7, 1993

"There is just one problem: The zone can only be 20 square miles with no more

than 200,000 residents, assuring that many needy areas will be left out and forcing city officials to make difficult choices in determining which area will receive the federal assistance."

"It becomes tough to pick such a small areas when there are so many needing help," said Reynold Blight, director of enterprise zone programs for the Los Angeles Community Development Department, the city agency that will run the federal empowerment zone program."

"It does create a situation where you have a bunch of people fighting over it. I know my group wants a piece for sure," said Ezekiel Mobley, executive director of the Central City South Association of Commerce and Industry, a consortium of about 50 businesses near USC that incorporated in September in part to lobby for the zone benefits."

COMMENTS FROM AROUND THE COUNTRY ABOUT THE EMPOWERMENT ZONE APPLICATION PROCESS

Excerpts from "Getting on the Future of St. Louis," by E. Lance McCarthy, St. Louis Post-Dispatch, June 15, 1994

"Despite the low odds of winning, the planning process will have positive results. For St. Louis, a city that responds to projects instead of developing a strategic long-range plan, the benefits are enormous."

"The comprehensive process of the St. Louis plan reveals how many great programs exist and how many dedicated residents serve the city. The plan has included an executive committee, led by the mayor, focusing on business development and human capital, social services, public safety and community development and community outreach, in which citizens participate."

"The process demanded the commitment of more than 300 people. These participants are motivated by the belief that the metropolitan region can realize its full economic and social potential when the most disadvantaged are given the opportunity to change - through their own actions - the impoverished conditions of their lives."

"Some thought these conditions would be solved immediately when the city's first African-American mayor, Freeman Bosley, Jr., took office a year ago. But there was no plan. The empowerment zone offer the opportunity to create that plan."

"Throughout the process, the community has voiced its needs, goals and solutions. Those solutions include job development, leadership training, recreation for youth, housing rehab, revolving loan programs and one-stop shops to deliver social and economic services."

"... the Empower St. Louis Initiative is a teachable moment that will mark St. Louis as a winner, that will include the disenfranchised and that will unite a network of citizens who care about the future of our city. We must structure a plan for economic growth, led by technology and manufacturing, with community input and equity."

Excerpts from "Project Empowers Spirit of City Unity," by Vivian Toy, The Detroit News, June 12, 1994

"A preliminary draft of Detroit's application for a federal empowerment zone focuses on family and the workforce and promises unprecedented cooperation among Detroit businesses and community organizations."

"The process has spurred a continuing effort to raise millions of dollars in commitments for area businesses from investment in some of the city's poorest neighborhoods."

"It's a rare day when you have the Big Three auto giants sitting down at the same table with neighborhood leaders to talk about turning things around in Detroit," said Arthur Carter, a Detroit public schools administrator and a co-chair of the education and training task force. "It's been an invaluable learning experience for everyone."

"Still, coordinating council members say unlikely alliances formed. One coordinating council member said it took intensive arm twisting to get corporate support for some lofty ideas."

"Said G. Patrick Thompson [task force member], 'The business and financial community have been willing to listen to us, and that's a major departure. They really wrote us off for 20 years.'"

"The coordinating council met two or three times a week to collate task-force suggestions. They often emerged bleary-eyed after five or six hours of haggling and sometime heated arguments over priorities and commitment."

"We don't always agree, but the one thing we do is stay at the table until we do agree," said Gloria Robinson, city planning director and council co-chair."

"A universal goal throughout has been bringing services to people, and into communities. 'It had to be a bottom-up approach, where we developed program around people and their needs,' said Marvin Petty, a coordinating council member."

"Even if Detroit is passed over, council members say, the process moved Detroit closer to renewal."

"The process is going to go forward whether we get the federal dollars or not," [John] Slater said. For once, we just all got together and dreamed, and now that we know what needs to be done, we're going to make sure it happens."

"An effective, comprehensive well-managed . . . system is the mainstay of a thriving economy," [Al Martin, director of the Detroit Department of Transportation] said."

Excerpts from "City Among Hundreds in Competition for Six \$100 Million Federal Grants," by Tim O'Brien, St. Louis Post-Dispatch, May 26, 1994

"The Kinloch Community Involvement Committee will get help with the applications from several government and community agencies, including the St. Louis County Economic Council, The Urban League of Metropolitan St. Louis, and the Preventative Partnership Program - a program to prevent alcohol and other drug abuse."

"St. Louis County Economic Council official Claude Louishomme said the city needs to organize a campaign to bring business back into the community."

"The key to this grant application is the opportunity presented to Kinloch to form a holistic plan to address its major program areas," said Louishomme.

Excerpts from "Planning Effort A Model for the City," by Thomas J. Lenz, Chicago Tribune, May 23, 1994

"The just-concluded process for determining the configuration of Chicago's proposal for the federal empowerment zone program is proof that neighborhood-based planning is alive and well in the Windy City."

"As a member of the coordinating council appointed by Mayor Daley to oversee the process, I approached the task with some ambivalence. While the stakes were high (\$100 million in new HUD funds plus millions more from existing federal programs), Chicago had never before attempted participatory planning on this scale."

"Could the numerous and, at times, fractitious community groups produce quality plans in the short time frame set by the federal government? Could the city design and adhere to a bottom-up process in keeping with the empowerment zone program's goal?"

"The answer to both questions, I am happy to say, has been an unqualified 'yes.' With less than two months lead time, literally hundreds of community organizations came up with dozens of blueprints for neighborhood renewal. The 33 plans submitted to the coordinating council were remarkable in two ways."

"First, they displayed a profound commitment to neighborhood-level collaboration. On numerous occasions, formerly antagonistic groups put their differences aside to build a common vision and plan for their community."

"Second, the plans were brimming with good 'doable' ideas on linking Chicago's disadvantaged residents with jobs, housing and services. For example, a number of proposals suggested using the CTA's Green Line reconstruction as a catalyst for generating retail, industrial and housing development adjacent to the new stations."

"This surplus of promising ideas and partnerships made the inevitable winnowing process extremely difficult. It also illustrates that the media's constant focus on Chicago's very real neighborhood problems masks significant physical and human assets in these same communities. Linking these neighborhood leaders with resources necessary to act on their plans must be a priority in the future."

"Finally, the mayor and his staff, particularly Planning and Development Department head Valerie Jarrett, are to be credited with creating a model locally driven planning process. As a veteran of several citizen advisory groups over the years, I had expected to plan a largely reactive role. Instead, the city took the empowerment zone program's goals to heart and vested the neighborhood groups and the coordinating council with the authority necessary to develop the plan."

"In many respects, however, Chicago is already a winner. The empowerment zone process is a strong statement that meaningful city government-neighborhood planning can work in Chicago."

Excerpts from "Cities Compete for Cash in 'Olympics'-like Fever/Billions in Federal 'Empowerment' Grants, Tax Breaks at Stake", by Maria Puente, USA Today, May 23, 1994

"The Clinton administration also is putting a high value on the 'bottom-up' approach, in which neighborhoods and grass-roots organizations have a major say in picking zones and deciding what to do with them."

"St. Louis, Mo., for instance, plans to hold more than 50 public meetings before submitting its plan."

"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," [Louisville Mayor Jerry] Abramson says.

"The [Clinton] approach has much more positive potential because the key is the combinations of dollars and flexibility," says Jim Gibson, senior associate at the liberal Urban Institute think tank in Washington. "The government is responding to local strategies rather than (ordering) program configuration."

LOS ANGELES TIMES:

Excerpts from "Cities Unite To Boost Chances for Grants," by Mary Helen Berg, Los Angeles Times, May 22, 1994

"Southeast cities have united on two fronts to form an economic development coalition to attack social problems in the area. Leaders in eight cities have voted during the past month to form a nonprofit community development corporation that they hope will help give the region clout, making the area more eligible and more attractive to public and private funding groups. In addition, six cities have created a consortium to apply for joint designation as a federal Enterprise Community..."

"The projects 'create some joint vision on the region in terms of identifying needs and solving the area's problems,' said George Cole, a Ball councilman and founding member of the development corporation."

Excerpts from "The Cities Are Lining Up To Get Empowerment Zones", by Neal Pierce, Philadelphia Inquirer, May 16, 1994 (Also in Houston Chronicle)

"The real story, however, is about a different politics: the Clintonites' strategy to get cities and counties to tap the will to revitalize even their poorest communities, and to evoke new city and regional alliances to support those neighborhoods."

"It is not the Jack Kemp vision of enterprise zones - throw out a bunch of tax incentives and see how many businesses then want to set up shop in graffiti-smearred, crime-plagued areas. Nor is it Lady Bountiful liberalism - show how you can spend Washington's money."

"Instead, Washington is challenging applicant communities to show buy-in from a broad range of partners - grass-roots community groups, local governments, health and social service agencies, environmental organizations, churches,

businesses, universities."

"Some places seem truly to grasp the spirit and potential of the new deal the feds are offering. Consider the example of America's most ravished great city, in the nation's most segregated region - Detroit. With the bait of empowerment zone designation, and anxious to bolster freshmen Mayor Dennis Archer, the big institutions of the Detroit region have produced a startling set of initiatives."

"A consortium of lead universities - Wayne State, Michigan State and the University of Michigan - have agreed to focus resources of multiple departments, including their schools of business development, urban studies and architecture, on Detroit's zone, and to keep up the effort whether Detroit "wins" in the competition or not."

Leading Detroit foundations, including Kresge and Hudson-Webber, have put together a \$10 million fund to provide operating assistance to community-based organizations."

"Detroit Renaissance - the chief executives of the region's 50 largest businesses, including GM, Chrysler and Ford - are launching a community development bank somewhat akin to Chicago's famed South Shore Bank, aiming for almost \$50 million in capitalization."

"None of Washington's reinvented, user-friendly ways of running the zone competition means picking the winners won't be contentious. The process could also encounter huge snags when the federal departments begin waiving regulations that hamper local governments in the zones."

"But for now, the competition reminds us that every metropolitan area has all the resources it needs to revive its depressed neighborhoods - if it will only mobilize them. Just a dozen or two cities emulating Detroit's verve in building new coalitions to combat poverty and inner-city depression would justify the whole effort."

Excerpts from "Plan Would Revitalize Areas Along Blue Hill Ave.", by Adrian Walker, *The Boston Globe*, May 9, 1994

"The steering committee writing the plan included community activists, business activists, and local and state elected officials. [Linda] Haar [the coordinator of the project] said she believes one of the strengths of the city's proposal is the broad coalition working to formulate it. Several other cities competing for the funds are expected to rely heavily on outside consultants to formulate their proposals."

"If it's the community plan, the community is invested," Haar said. "If a consultant give you a plan, how do you sustain it? How does the city sustain it? I think we're way ahead of the game in that regard."

"I think right now we have a good comprehensive outline of how to approach the needs of the communities in the empowerment zone," said Howard Lebowitz, the director of intergovernmental relations. "What's needed now is to fill in the details."

"Haar said the empowerment zone differs from other urban renewal programs because it brings together a wider array of programs that affect economic development, job training, capital and social services."

"Instead of programs that throw money at people, we're saying no none of those models, individually, can work," Haar said. "You really need to bring combined resources to bear."

Excerpts from "Phoenix Business Urged to Empower Zone", by John DeWitt, Arizona Business Gazette, April 21, 1994

"Phoenix businesses should jump into the planning process for empowerment zones, designed to create jobs, the effort's leaders say. The result, they say, could be receiving \$100 million in federal funds in a 20-square-mile areas of central and south Phoenix and substantial tax breaks for businesses that locate in the zone."

"Alfredo Gutierrez who is chairman of the 42-member city Commission on the Empowerment Zone, says the zone does not have to be another big-government welfare program."

"This idea this time is that the traditional program - Model Cities, CETA, etc. - that have been around since the War on Poverty started in '63 didn't work in terms of saving inner cities or creating new jobs and long-term economic development," said Mr. Gutierrez, a former state senator who now runs the political consulting firm of Jamieson and Gutierrez."

"The challenge is to create something that sustains itself and that generates permanent jobs," he said."

Excerpts from "Dade Scrambles to Win Empowerment Zone", by Tony Pugh and Dexter Filkins, Miami Herald, March 13, 1994.

"Just when it seemed like everyone had given up on America's ghettos, the federal government is poised to launch one of its biggest assaults in recent memory. Metropolitan Miami may be a prime beneficiary."

"The Clinton people tout their program as an ambitious departure from the failed anti-poverty programs of the past. Is it? 'If they really concentrate on one area, I think they could accomplish a lot,' said Nilsa Velazquez, who heads a childcare center in Wynwood. 'That money will make a big difference.'"

"Yet even as Metro-Dade scrambles to capture one of the prizes, there's a nagging sense that after so many dashed expectations, it might be best not to hope for too much."

"I am for the Empowerment Zones, and I want Overtown to be included," said Metro Commission Chairman Arthur Teele. "But no government program has ever changed the physical conditions of the place. You are not going to see a lot of difference."

"Bud Kanitz, executive director of the National Neighborhood Coalition, an information clearinghouse on national policies and low-income neighborhoods, said Empowerment Zones are a break with the failures of the past."

"It's a comprehensive approach that's far better than the proposals made by previous administrations," Kanitz said.

"The focus on public and private investment working together differentiates Empowerment Zones from past attempts to attack inner-city poverty, some experts say."

"James Button [a professor of political science at the University of Florida] says the ideas of encouraging private investment with tax incentives -- coupled with the public money to train residents -- has not been tried extensively. 'The public-private venture is one worth trying,' Button said."

Excerpts from "Daley Urges Unity to Get \$100 million for Poverty Fight", Chicago Tribune, February 17, 1994

"Mayor Richard Daley walked a political tightrope Wednesday in urging more than 200 community leaders to join together to draft a plan for an assault on inner-city poverty in Chicago."

"On the one hand, he was embracing a new-style, grassroots, cooperative approach, for addressing urban ills. He was offering to 'work hand-in-hand' with neighborhood activists in preparing the anti-poverty plan for submission to federal officials by June 30."

"But on the other hand, he couldn't help himself at times from falling back into old-style City Hall ways and telling the assembled leaders what he wanted their plan to include."

"The application process itself is difficult. A city has to come up with a plan that will attack poverty in a coordinated way on a number of fronts and will continue once the federal funds run out. In addition, a city has to show that the plan has come from the community, rather than City Hall."

"It was that requirement in mind that Daley said Wednesday: 'Our application. . . has to live and breathe with the hope and dreams of the people it will help so that the people in Washington, D.C., reviewing it can feel our fervor and share our enthusiasm.'

'It is critically important that community groups, local business owners, church leaders and people drive the process. . . . All of you know much better than the bureaucracy in Washington, D.C., what will work in the communities.'

MEMORANDUM FOR

FROM:

SUBJECT: EMPOWERMENT ZONES

By the end of this month, over 500 communities nation-wide are expected to submit applications to HUD and USDA in a bid to have part of their community designated an empowerment zone or an enterprise community under the Economic Empowerment Act of 1993. As the application deadline nears, attention of the press and the public will inevitably focus on the competitive nature of the selection process--which communities will be chosen and which will not. Such a narrow focus, however, ignores a fundamental observation about the application process: the "bottom-up" approach has sparked a significant level of community participation and cooperation that will have beneficial economic effects in the long-term *even in the those areas that are not designated empowerment zones*. This theme should serve as an integral part of the administration's message around the empowerment zones over the next few months.

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THE ADMINISTRATION'S MESSAGE

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THE WHITE HOUSE
WASHINGTON

August 24, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
JON ORSZAG

SUBJECT: New Initiatives in FY97 Budget

Leon said that you were interested in reviewing the new initiatives that were already in your current budget. Attached is a three-page list of these initiatives, along with pages from the Budget on EZ/ECs, Brownfields, CDFIs, HIV/AIDS, Immunizations, Charter Schools, and research and development. If there are any initiatives that we missed or did not provide enough information on, we can send it to you later in the day.

experienced, skilled people serve the ill, the frail, the isolated elderly, and young people with emotional, mental, or physical disabilities. The budget also proposes \$6 million for The Points of Light Foundation. All told, the Corporation would provide opportunities for over a million Americans to engage in service.

AmeriCorps strengthens America's communities in several ways. National, State, and local organizations operate AmeriCorps programs, designing them individually to meet specific needs. AmeriCorps members do not displace existing volunteers or employees; they participate alongside the men and women already working to solve problems at the community level. They provide a regular source of service that most volunteers, given their time constraints, cannot offer.

The Corporation operates few AmeriCorps programs itself; its primary work is ensuring quality in AmeriCorps programs that are locally developed and implemented. The Corporation works with States to run competitions that determine what programs will participate in AmeriCorps. Because States best know their own needs, they enjoy considerable autonomy in determining priorities, selecting programs, and offering additional assistance. AmeriCorps is not a mandate for any State or organization, although 49 States sought AmeriCorps funds last year.

In addition, AmeriCorps seeks to encourage strong partnerships with the private and non-profit sectors. AmeriCorps grantees must raise matching funds from outside the Corporation, and many AmeriCorps programs are underwritten by businesses, including American Express, Fannie Mae, General Electric, IBM, and Timberland.

Following intense competition last year, bipartisan, gubernatorially-appointed State commissions and the Corporation chose 450 organizations to participate in AmeriCorps, including the American Red Cross, the National Coalition of Homeless Veterans, the YMCA, and local United Ways across the country. Wherever they serve, AmeriCorps members are meeting vital needs and getting solid results:

- In Kansas City, they helped close 44 crack houses and drove out drug dealers from a 173-block community—and brought in over 3,000 volunteers to keep the area safe and clean;
- In Simpson County, Kentucky, they raised the reading levels of nearly half of the county's second grade students; and
- In Miami, they recruited and worked with over 5,000 volunteers to build 44 new homes for working families.

Many AmeriCorps members act as "volunteer generators" who recruit and supervise other citizens in direct service. The Corporation's motto—"getting things done"—expresses AmeriCorps' commitment to achieving direct and demonstrable results.

With a strong commitment to community-based direction, the Corporation maintains a small Washington staff. The law limits administrative costs included in grants to AmeriCorps programs to five percent of grant amounts.

Empowerment Zones and Enterprise Communities

As part of his 1993 economic program, the President proposed, and Congress enacted, the Empowerment Zones and Enterprise Communities program. Under it, communities develop a strategic plan to help spur economic development and expand opportunities for their residents, in exchange for Federal tax benefits, social service grants, and better program coordination.

Empowerment Zones (EZs) and Enterprise Communities (ECs) are parts of urban or rural areas with high unemployment and high poverty rates. For EZs, the Federal Government provides tax benefits for businesses that set up shop, and grants to community groups for job training, day care, and other purposes. For ECs, the Government provides grants to community groups for the same array of purposes. EZs and ECs both can apply for waivers from Federal regulations, enabling them to better address their local needs.

The 1994 competition for the first round of EZ and EC designations generated over

500 applications as well as new partnerships for community revitalization. The 105 selected communities made well over \$8 billion in private-public commitments, apart from the promised Federal resources. Even in communities that applied but were not designated as EZs or ECs, local efforts to marshal resources and forge broad coalitions to support an innovative economic empowerment strategy produced tangible benefits.

But many other communities lack the seed capital to implement their strategies and sustain private commitments. Thus, the President now proposes a second round of EZs/ECs to stimulate further private investment and economic opportunity in distressed urban and rural communities and to connect residents to available local jobs. The program would again challenge communities to develop their own comprehensive, strategic plans for revitalization, with input from residents and a wide array of community partners. The Administration would invest in communities that develop the most innovative plans and secure significant local commitments.

The second round would build on the President's "brownfields" tax incentive (described in Chapter 9), which would encourage businesses to clean up abandoned, contaminated industrial properties in distressed communities. Also, this round would offer a competitive application process that would stimulate the public-private partnerships needed for large-scale job creation, business opportunities, and job connections for families in distressed communities. The Administration would seek up to 105 new designations, with communities receiving a combination of tax incentives, direct grants, and priority consideration for waivers of Federal program requirements from the President's Community Empowerment Board, chaired by Vice President Gore.

The proposed budget for the second round includes \$2 billion for tax incentives, including incentives for brownfields clean-up and small business investment, and \$1 billion for direct grants and loans over three years. Each EZ or EC would have to identify performance benchmarks to show what it plans to accomplish in each year of the 10-year designation.

Community Development Financial Institutions (CDFIs)

Proposed by the President in 1993 and created a year later, the CDFI Fund is designed to expand the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities. By stimulating the creation and expansion of a diverse set of CDFIs, the Fund will help develop new private markets, create healthy local economies, promote entrepreneurship, restore neighborhoods, generate tax revenues, and empower residents.

CDFIs provide a wide range of financial products and services—e.g., mortgage financing to first-time home buyers, commercial loans and investments to start or expand small businesses, loans to rehabilitate rental housing, and basic financial services. CDFIs also cover a broad range of institutions—e.g., community development banks, community development credit unions, community development loan funds, community development venture capital funds, and microenterprise loan funds. These institutions, not the CDFI Fund, decide which individual projects to finance.

The budget proposes \$125 million for the CDFI Fund, with gradual increases each year to bring the six-year total to \$1.6 billion. Private sector interest in the program has already dramatically exceeded expectations. To date, the CDFI Fund has received requests for assistance from new and existing CDFIs of over \$300 million, about 10 times the amount available for the first round.

These applications, however, barely scratch the surface of long-run potential. The Fund also plans to implement an aggressive, long-term program of training, technical assistance, and capacity building, which would help the CDFI field grow substantially over time while maintaining high-quality standards and market discipline. In addition, the Fund will inaugurate an annual Presidential Microenterprise Awards program and coordinate a new Federal Microenterprise Initiative.

Additional resources would enable the Fund to implement a new initiative to support private institutions that provide secondary

homes to home- and community-based settings without Federal waivers.

- *Coverage expansions without waivers.*—The plan enables States, without waivers, to expand coverage to any person whose income is under 150 percent of the poverty line. States would pursue these expansions within their per-person limits, thereby limiting Federal costs.

Protections for the Most Vulnerable

The budget retains the policy of helping low-income seniors and people with disabilities by preserving the shared Federal-State responsibility for their Medicare premiums, copayments, and deductibles. It also retains payment protections for Medicaid-eligible Native Americans treated in Indian Health Service and other facilities. These protections are not subject to the per-person cap.

MAINTAINING AND EXPANDING COVERAGE FOR WORKING AMERICANS

Reforms to Make Health Coverage More Accessible and Affordable

In his State of the Union address, the President challenged Congress to enact insurance reforms to enable more Americans to maintain health insurance coverage when they change jobs, and stop insurance companies from denying coverage for pre-existing conditions. The budget proposes that plans make coverage available to all groups of businesses, regardless of the health status of any group members. Insurers would have to provide an open enrollment period of at least 30 days for all new employees (whether or not they were previously insured), and insurers could not individually underwrite new enrollees—i.e., their premiums would have to match other enrollees' with similar demographic characteristics.

To increase affordability, the President's insurance reforms phase out the use of claims experience, duration of coverage, and health status in determining rates for small businesses. To put the self-employed on a more equal footing with other businesses, the reforms gradually raise the self-employed tax deduction for health insurance premiums from 30 to 50 percent. And to help give small

businesses the purchasing clout that larger businesses have, the budget proposes \$25 million a year in grants that States can use for technical assistance and for setting up voluntary purchasing cooperatives.

Health Insurance for the Temporarily Unemployed

The budget gives premium subsidies to individuals who lose their health insurance when they lose their jobs, to pay for private insurance coverage for up to six months. States would receive funding to design and administer the program, which would provide coverage for about 3.8 million Americans a year. During the four-year period for which this program is authorized, a Commission would study and provide recommendations to the Administration and Congress as to making it permanent.

PROMOTING PUBLIC HEALTH

The budget continues our Nation's critical investment in basic biomedical research, an investment that plants the seeds for lifesaving advances in medicine. The budget proposes \$12.4 billion for NIH, a \$467 million increase over 1996 and a 20 percent increase since 1993. Further, the budget advances our efforts to eradicate, once and for all, the dreaded disease of polio. And it supports childhood immunizations, which have proven their cost-effectiveness time and again.

The budget continues the President's strong commitment to HIV/AIDS prevention and treatment. It increases funds to prevent HIV transmission by \$34 million over 1996 levels. It increases Ryan White funding by \$32 million over 1996 to ensure that our most hard-hit cities, States, and local clinics can assist those with AIDS. It increases funding for potentially life-prolonging therapies, including some of the newly-discovered drugs that show so much promise in treating AIDS. It increases support for drug treatment—one of the most effective forms of HIV prevention. And it increases AIDS research funding at NIH in the continuing search for effective treatments, vaccines, and a cure.

The budget also gives substance abuse treatment and prevention a 17 percent increase, helping expand efforts against drugs.

And it increases support for the Indian Health Service (IHS) by eight percent—keeping our Nation's commitment to Native Americans and continuing efforts to promote Tribal administration of IHS programs.

Biomedical and Behavioral Research: The budget continues the Administration's long-standing commitment to biomedical and behavioral research, which advances the health and well-being of all Americans. The \$12.4 billion proposal for the NIH invests in research directed to areas of high need and promise, as well as in basic biomedical research that would lay the foundation for future innovations that improve health and prevent disease. The budget includes increases for HIV/AIDS-related research, breast cancer research, high performance computing, prevention research, gene therapy, and developmental and reproductive biology. The Office of AIDS Research will continue to coordinate all of NIH's AIDS research. The budget also includes funding for a new NIH Clinical Research Center, which would give NIH a state-of-the-art research facility in which researchers would bring the latest discoveries directly to patients' bedsides. NIH's highest priority continues to be financing investigator-initiated research project grants.

Ryan White HIV/AIDS Treatment Grants: The budget proposes \$807 million for activities authorized under the Ryan White CARE Act, an increase of \$32 million over 1996. This level would fund grants to cities disproportionately affected by the HIV epidemic; to States to provide medical and support services; to community-based organizations to provide HIV early intervention services; and to support pediatric AIDS demonstration activities. In addition, the Administration has sought more funds for State AIDS drug assistance programs funded under Title II of the Ryan White program—to finance newly-discovered life-prolonging AIDS therapies, some of which are beginning to receive Food and Drug Administration approval. Under this Administration, funding for Ryan White grants has risen by 89 percent. The budget for 1997 would increase Ryan White funding by 132 percent since 1993.

HIV Prevention: The budget proposes \$618 million for Centers for Disease Control and

Prevention (CDC) HIV prevention activities, a \$34 million increase over 1996. At the historic White House Conference on HIV and AIDS, the President made his commitment to HIV prevention clear: "We have to reduce the number of new infections each and every year until there are no more new infections." A portion of these funds would address the linkages between substance abuse and HIV infection.

Indian Health Service: The budget proposes \$2.4 billion for the IHS, a \$186 million increase. IHS clinical services—often the only source of medical care on isolated reservation lands—grow by \$138 million, maintaining our commitment to Native Americans. The budget allows the Tribes to continue taking greater responsibility for managing their own hospitals and clinics; it increases the "contract support costs" that help underwrite Tribal activities by 31 percent, to \$201 million. In addition, the budget proposes a major new initiative to bring water and sewer lines to those Native Americans still without adequate access to these basic necessities. This initiative would ensure that about 4,000 more Native American homes receive water and sewer lines—a step which has been critical to improving public health.

Substance Abuse Treatment and Prevention: The budget increases support for State substance abuse treatment and prevention activities by \$67 million, to \$1.3 billion. The budget reiterates support for Performance Partnerships, which would give States more flexibility to better design and coordinate their substance abuse prevention and treatment programs, and better target resources to local priority areas. In addition, it increases funds for substance abuse demonstration and training activities by \$140 million, to \$352 million. The budget establishes a \$20 million Substance Abuse Managed Care Initiative that, with the rapid growth of managed care, would help to establish service guidelines and design quality assurance, monitoring, and evaluation systems. This strong support for substance abuse activities would enable hundreds of thousands of pregnant women, high risk youth, and other under-served Americans to receive drug treatment and prevention services.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC): WIC reaches over seven million women, infants, and children a year, providing nutrition assistance, nutrition education and counseling, and health and immunization referrals. As a result of funding increases under President Clinton, WIC participation has grown by nearly 25 percent in the past three years. The budget proposes \$3.9 billion, to serve 7.5 million individuals by the end of 1997, fulfilling the President's goal of fully funding WIC in four years.

Immunizations: The budget proposes \$957 million in spending on immunizations, including the Vaccines for Children program. For many diseases, the Administration is ahead of schedule to meet the goal of immunizing 90 percent of two-year-old children by 1996. The most recent figures show that, from April 1994 to December 1995, 90 percent or more of all two-year-old children were immunized against diphtheria, tetanus, pertussis, and hemophilus influenza type B. Further, rates for immunization against measles, mumps, rubella and polio are approaching the 1996 goals. Nevertheless, the Nation must maintain its efforts in order

to lock in these gains and meet the goals for the remaining immunizations.

The budget also includes a major \$47 million initiative in the Department of Health and Human Services (HHS) to eradicate polio—preventable through immunizations—throughout the world. (This HHS funding comes in addition to polio-eradication efforts that the Agency for International Development supports.) Polio is already gone from the Western Hemisphere. This shows that, like smallpox, polio can be wiped from the face of the earth, sparing all children from this crippling disease and saving the United States the hundreds of millions of dollars we now spend to immunize against it.

Infectious Disease: The budget proposes \$88 million for CDC's cooperative efforts with States to address infectious disease, an increase of \$25 million. It would support training and applied research, and States' disease surveillance capability. All Americans face threats from the onset of infectious disease problems, such as drug resistant bacteria, and emerging viruses, such as the hantavirus. CDC works with State health departments to monitor and prevent such problems and to contain outbreaks.

This Administration has energized State and local efforts to raise the educational achievement of every child and to create safe learning environments. It also has worked with Congress to improve the largest Federal education programs for disadvantaged children, focusing them more on results and less on process.

Goals 2000: This Administration initiative, enacted in 1994, supports State efforts to raise academic achievement for all students. Goals 2000 helps States and communities focus on results. It builds on the National Education Goals, first articulated by the Nation's governors (led by then-Governor Bill Clinton) and President Bush in 1989, which provide clear targets but encourage States to develop their own means to achieve them.

States and localities receive funds to set their own challenging academic standards for all children, then design their curriculum, teacher training, educational technology, instruction methods, and assessment tools around them. Goals 2000 also helps States and schools involve parents in the education of their children. Currently, nearly all States participate in the program.

The budget proposes \$491 million for the program, 32 percent more than in 1995. Under it, every State and over 12,000 schools could receive grants.

Charter Schools: Charter schools are public schools that parents, teachers, and communities create, and that States free from most rules and regulations and hold accountable for raising student achievement. Begun as a grassroots movement in 1991, and supported by Federal start-up funds since 1995, public charter schools now number 250 nationwide,

some of them already showing results in higher student test scores and lower drop-out rates. The budget proposes \$40 million for public charter schools in 1997, and increases over the next five years to fund start-up costs for up to 3,000 such new schools.

Title I—Education for the Disadvantaged: Title I provides funds to raise the educational achievement of disadvantaged children. In 1994, the President proposed and Congress adopted changes to: focus Title I resources better on areas with the largest concentrations of low-income children; set the same high standards for those children as for all others; and hold schools accountable for progress toward achieving those standards. Schools now have much more flexibility in using these funds. The budget includes \$7.7 billion, six percent more than in 1995.

Education Technology: Technology can expand learning opportunities for all students and help raise student achievement. Yet many school districts lack the necessary resources to integrate technology fully into their school curricula.

The President has launched a national mission to ensure that all children are technologically literate by the dawn of the 21st Century, with communication, math, science, and critical thinking skills essential to succeed in the Information Age. Specifically, the President proposes a Technology Literacy Challenge Fund, with four goals: (1) helping States put enough computers in every classroom; (2) connecting these computers to the Information Superhighway; (3) giving teachers the training they need to integrate technology into teaching; and (4) fostering the development of high quality, widely available edu-

HOW STATES USE GOALS 2000 TO ADVANCE THEIR REFORMS

In Maryland, scores on tests designed to measure progress toward the State's standards are increasing year after year.

In Michigan, 13 Upper Peninsula school districts are working with Bay Mills Community College and Lake Superior University to train teachers to use technology to improve math and science teaching and learning.

In Harrison County, Kentucky, Goals 2000 is helping train parents as volunteer instructional aides and reaching out to parents through cable television programs and homework hotlines.

terms). The partnerships enable the private sector to translate new knowledge into novel technologies that benefit its bottom line and society at large.

Science and Technology Highlights

Under the 1996 budget resolution, Congress would cut support to S&T programs by about 30 percent by the year 2002.¹ At a time when increased global competition threatens U.S. markets, and when Japan has proposed doubling its investments in S&T, the President believes we cannot afford such deep cuts. In his budget negotiations with the bipartisan congressional leadership, the President has repeatedly reaffirmed his commitment to economic prosperity, education, health, the environment, and national security. S&T investments are critical to these goals. The budget fulfills his commitments by:

Increasing Total Funding for Science and Technology: This budget marks the fourth straight year that the President has proposed increases in S&T investments. Table 10-1 shows the proposal to invest roughly \$73 billion in research and development (R&D), over \$1 billion more than in 1996.² In keeping with previous efforts, the budget also provides an increasing share for civilian R&D investments, with those investments at 47 percent of the total. Table 10-2 lists selected S&T highlights.

Boosting Funding for Basic Research and Health Research: The budget proposes \$14 billion for basic research, a \$278 million increase over 1996, including a four percent increase for the National Science Foundation. Given the importance of basic and applied health science research, the budget boosts funding at the National Institutes of Health by four percent.

Strengthening University-based Research: University-based research is key to America's future; simultaneously, it provides

new knowledge and new technology, and it trains the next generation of scientists and engineers. The budget proposes \$13 billion for university-based research, an increase of \$155 million over 1996. It also proposes \$22 billion for merit-reviewed research (six percent more than in 1996), which comprises 31 percent of the R&D budget.

Investing in Innovation to Create New Jobs and Industries: Under this Administration, many of the new jobs have been high-tech, high-wage jobs in industries like biotechnology and computing—jobs that didn't exist a decade or two ago. The budget maintains a strong investment in technology to foster these high-priority civilian S&T industries and jobs. Funding continues or expands for high-performance computing research; for the Advanced Technology Program, which works with industry to develop high-risk, high-payoff technologies; for a Manufacturing Extension Program to help small business battle foreign competition by adopting modern technologies and production techniques; and for other programs.

Increasing Environmental Research: S&T investments are critical for enhancing environmental quality. While we are making progress on many pollution fronts, emerging global environmental problems pose new risks. The budget maintains vital research to provide safe food, clean air, and pure water. It supports research into new environmental technologies to provide better environmental protection at lower cost, while generating jobs and exports. It supports programs to increase energy efficiency and the development of renewable energy sources that cut demand for foreign oil, and partnerships with industry to develop cars that use less fuel. The budget invests in programs that preserve biological diversity and help us understand and prepare for changing climate conditions and natural disasters. These investments also provide a sound scientific basis for rational rule-making on, and the cost-effective implementation of, environmental regulations. (For more details, see Chapter 9.)

¹ American Association for the Advancement of Science, 1995.

² Research and development (R&D) is a widely-accepted measure of investment in S&T.

November 18, 1997

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Julian Potter

CC: Gene Sperling
Bruce Reed

SUBJECT: Decision Memorandum on Second Round
Empowerment Zone Designations

The purpose of this memo is twofold. First, to outline the budgetary and programmatic constraints surrounding the implementation of a second round of Empowerment Zones (EZ); and second, to present options regarding the designation process for a second round of Empowerment Zones.

The CEB has been coordinating discussions with the NEC, DPC, OMB, HUD, USDA and Treasury on the development of realistic and sound proposals for your review. Several iterations on a designation strategy were reviewed by the board but a thorough analysis proved them to be legislatively, programmatically or administratively infeasible. In the final analysis, two consensus positions emerged which reflect the positions of the leadership on the CEB.

I. Background

The premise of the Empowerment Zone Initiative is to provide a holistic approach to revitalizing our nation's distressed urban areas. The first round application process provided communities with incentives to develop a comprehensive community-driven strategic plan. The Federal government supported that process by providing generous tax incentives and a flexible block grant of Title XX funds.

Although the premise of the EZ Initiative has not changed, the grant funding and tax benefit package available for Round II designations has been reduced and does not currently support the holistic and comprehensive approach set forth in the first round.

II. Programmatic and Budgetary Constraints of Round II

The Taxpayer Relief Act of 1997, signed into law by the President on August 6, provides the statutory authority for 20 new EZ designations (15 urban and 5 rural). The statute calls for the new zones to be designated by January 1, 1999. The Act also provides for new tax incentives to support those zones.

1. Grant Benefits Are Uncertain, Less Generous And Not As Flexible

The main difference between Round I and Round II is a reduction in the amount and flexibility of grant funding available at the time of application. Round I was funded through a flexible block grant of \$100 million for EZs and \$3 million for ECs. This block grant provided communities with the opportunity to develop a comprehensive strategic plan that was tailored to locally driven needs and resources.

Advantages

- Insures earliest possible use of tax incentives which are already available to designated communities. Streamlines application process and reduces waiting period for making awards;
- Insures that at least twenty communities would go through the same type of beneficial application/strategic planning process that first round applicants experienced;
- Creates a small pool of 40 Senators and 20 Representatives who are vested in obtaining the flexible grant funds;
- Allows the Administration to move through the difficult process of choosing twenty winners out of very large pool of applicants at a quicker pace.

Disadvantages

- Criticism from GAO, Public Interest Groups and Rural Communities, for not allowing enough time or providing appropriate technical expertise for communities to put together the smaller "tax focused" plan;
- Only the 20 designations will be required to develop a comprehensive/strategic plan instead of all the original applicants;
- If you announce the winners before going to Congress to seek the additional funds for the grant side of the program, you severely limit the number of members interested in funding the program;
- If flexible grants are not approved by Congress, we have created a program that is associated with tax-based "Kemp styled strategies;"

IV. Recommendation

Both of the options presented above fall short of meeting the objectives and goals developed during the first Round Empowerment Zone Program. Yet, this memorandum was written under the assumption that the Administration must move forward with the designation of 20 new zones without having secured flexible grant funds. If this is the case, the best option in support of viable community development, would be Option # 1.

V. Decision

_____ Option 1

_____ Option 2

_____ Discuss Further

January 29, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA TYSON

SUBJECT: COMMUNITY EMPOWERMENT RECOMMENDATIONS AND DECISIONS FOR FY 97 BUDGET

In your State of the Union Address, you announced:

"...through our successful empowerment zones and community development banks, we are helping people to find jobs and start businesses. And with tax incentives for the companies that clean up abandoned industrial property, we can bring jobs back to places that desperately, desperately need them."

We are working on budget initiatives to implement your statement:

1. **Tax Incentives for Clean-up of Brownfields.** Attached at Tab A is the Urban Policy Working Group's recommendation on a new tax incentive for clean-up of contaminated sites ("Brownfields") in order to put them back into productive use to help develop sustainable communities and create jobs in distressed neighborhoods. The budget cost can range from \$2 Billion to 5 Billion over 7 years.
2. **Additional Funding for Community Development Banks.** Attached at Tab B is the Working Group's recommendation to request substantial additional appropriations for your community development banks to catalyze a self-sustaining network of CD Banks, micro-enterprise loan funds, and related secondary market initiatives by the year 2000. The budget cost can range from \$1.25 Billion to \$2.5 Billion over five years.
3. **A Second Round of Empowerment Zones and Enterprise Communities.** The Working Group is also in the process of considering an options memo for a proposal for a second round of Empowerment Zones and Enterprise Communities. The budget cost of these options range from \$1.25 Billion to \$2 Billion over seven years. I will transmit the options to you when ready.

Your NEC staff and I are working closely with OMB and each of the agencies on their own FY97 Budgets and non-budgetary polices that will fully support the basic principles of your community empowerment agenda. Under separate cover, I will provide you with a report that summarizes how the full range of such initiatives is designed to implement your community empowerment agenda.

February 12, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA TYSON
GENE SPERLING
PAUL DIMOND

SUBJECT: COMMUNITY EMPOWERMENT WORKING GROUP -- CONSENSUS
RECOMMENDATIONS AND FY 97 BUDGET

In your State of the Union Address, you announced:

"...through our successful empowerment zones and community development banks, we are helping people to find jobs and start businesses. And with tax incentives for the companies that clean up abandoned industrial property, we can bring jobs back to places that desperately, desperately need them."

The Principals have achieved consensus on recommending three initiatives for your FY97-2002 Budget to further implement all three aspects of your message -- **Brownfields Clean-Up; a Second Round of Empowerment Zones and Enterprise Communities; and additional support for CD Banks.** The NEC is working closely with the OVP, OMB, Treasury and the relevant agencies to provide the necessary details in the FY97 Budget for your approval. The Principals also recommend that you remain mindful of any opportunities to include such initiatives in any Balanced Budget agreement that may yet emerge from negotiations with Congress this year.

1. **Tax Incentives for Clean-Up of Brownfields.** The Principals propose to include approximately \$2 billion in tax incentives for FY97-2002 to encourage the clean-up and redevelopment of land by new purchasers and owners who are required under current law to capitalize the costs of cleaning-up environmental contamination. Treasury is now working closely with EPA to score options to make this tax incentive available in all census tracts with poverty rates of 25% or more, contiguous tracts that are zoned 75% or more industrial or commercial, and all EZs and ECs. The proposed tax incentive will involve some form of amortization of clean-up costs on a fairly rapid basis. For example, a 10-year, 200% declining balance schedule permits deduction of 1/3 the cost in the first year and 1/2 the cost by the third year; it would provide a present value equal to 80% of a current deduction of all clean-up costs. We will present Treasury's final scoring of the options to you as soon as available.

- Alternative Options. Alternative options include: (1) raising the total revenue loss to approximately \$5 billion dollars to permit current deduction of all clean-up cost in such areas; (2) narrowing the range of areas covered substantially to permit current deductibility; or (3) providing a capped amount of current deduction to each state, which would then ration the tax incentive among eligible areas through an application process.

2. **A Second Round of Empowerment Zones and Enterprise Communities.** The proposal includes a range of tax incentives (totalling \$1 billion over 7 years) and discretionary investments (\$1 billion over three years) to support a second round of 105 EZs and ECs (including 25 urban and 15 rural EZs and 40 urban and 25 rural ECs). Attached is an outline that illustrates a range of proposed discretionary investments and tax incentives that might be used to help spur business in the zones and to help residents find jobs. Treasury is working on final scoring estimates for the tax incentives, while OMB is reserving funds in the discretionary budget offered up by each participating agency to demonstrate their support for a second round of EZs and ECs.

- Concerns. Some principals expressed concern that the proposed range of federal investments did not include social and other services. Some Principals expressed concern that we do not yet have evaluations (a) of what particular tax incentives will most efficiently stimulate business expansion in poor places and (b) of the results of the first round. Some others feared that proposing a second round might distract attention and energy from successfully implementing the first round.
- Reasons for Recommendation. The Principals agreed, however, that the primary purpose of the federal incentives and investments is not to promise any "top-down" federal solution but instead to provide local communities with credible new tools to engage the private sector in developing -- from the "bottom up" -- their own ways to expand business and to help people find jobs. The selection criteria will also encourage local communities to implement your foundation policies (e.g., public safety, good schools, and school-to-work) in ways that support business expansion, learning high skills, and involving the affected communities fully in the design and implementation of the local strategy. The Principals also agreed that proposing a second round would respond (a) to the clear demand for more EZs and ECs generated by the first round and (b) to the growing bi-partisan support for EZs and ECs (e.g., the seven first-year Republican Senators praising your EZ/EC program in Philadelphia and a bi-partisan EZ/EC bill proposed by Senators Lieberman and Abraham). Finally, the Principals agreed that you should propose a substantial expansion of this signature initiative of your First Term as a part of the FY97 budget in order to enable you and the Vice President to take your hopeful message of community empowerment across the country. A budget proposal for a second round of EZs and ECs will demonstrate your commitment in the years ahead to empowering local communities "to find the ways to get the private sector to assume [its] rightful role as the driver of economic growth" in places largely abandoned over the past generation by the old economy.

3. **Additional Funding for Community Development Banks.** The Principals recommend that the FY97 budget include \$125 million in Treasury's appropriation for the CDFI Fund, ramping up in each ensuing year for a total of \$1.25 billion over five years. Treasury is also examining whether there is any potential for additional support on the mandatory side of the budget through partial expensing for equity investments in CD Banks and Venture Funds: such a tax incentive for investing in CDFIs could be limited to EZs as an integral component of the additional tools to spur business investment, start-ups and expansion in the zones.

- Reasons for Recommendation. This funding is essential to achieve your vision of catalyzing a self-sustaining network of community development banks, micro-enterprise financing, venture funds, and related secondary market initiatives by the dawn of the new century. Your successful defense of the Community Reinvestment Act from attack by some Republicans in Congress provides a platform for you, the Vice President, and the Secretaries of Treasury, HUD, Commerce, and Agriculture, leading mayors to launch a campaign to engage the private sector and major financial institutions in joining this nation-wide network of CDFIs to assure access to capital and business expertise.

Your NEC staff and I also continue to work closely with OVP, OMB, Secretary Cisneros and each of the agencies on their own FY97 Budgets and non-budgetary policies that will fully support the basic principles of your community empowerment agenda. We will provide you with a summary of the entire package of proposals as the budget process moves forward.

- Concerns. Current tax law requires new purchasers to capitalize virtually all of the costs of clean-up on the grounds that purchasers discount the purchase price by the amount of the costs of clean-up; in contrast, current owners who caused the pollution are generally permitted to currently deduct all of the costs of clean-up on the theory that such costs are generally related to their on-going trade or business. Some Principals therefore expressed a concern that only current deductibility of clean-up costs for new purchasers would be viewed as an adequate incentive. Other principals feared, however, that unless the Brownfields tax incentive is limited to distressed communities, it might serve only to raise the price of all contaminated land by the amount of the clean-up.

- Reasons for Recommendation. On balance, the Principals believe that the proposed poverty criteria for eligibility are about right to define high-poverty areas which can benefit from a tax incentive to clean up abandoned land. The Principals also believe that a front-loaded amortization schedule with a present value equal to 80% of current deductibility is sufficient to encourage the clean-up and development of contaminated land that is most likely to be put back into productive use by new purchasers. The Principals also believe that such an incentive provides a good "opening bid" that will have general political appeal and will enable you to take the lead in building "common ground" on the issue, while expressing your willingness to work with all interested parties on enacting the most effective and efficient incentive possible. Finally, the Principals believe that the option of sending a capped amount to enable states to ration a current deduction would not be as efficient in enabling the private sector to get to work cleaning-up abandoned land and putting it back into productive use; it also would mean that the Brownfields clean-up tax incentive might lose much of its appeal to mayors, who are its primary proponents and view the cities as the rightful beneficiaries.



THE VICE PRESIDENT
WASHINGTON

March 23, 1998

The Honorable Gene Sperling
Assistant to the President for Economic Policy
Chair - National Economic Council
The White House
2FL/WW
Washington, D.C. 20500

Dear Chair Sperling:

I am writing to follow-up on our meeting of the Community Empowerment Board (CEB). The meeting was very beneficial in setting out our next steps as we work together in continuing to move forward the Empowerment Zone (EZ) and Enterprise Community (EC) Initiative and our Community Empowerment Agenda. Most important, not only must we continue to support our current efforts, but we also need to apply the lessons we have learned to prepare for a second round of EZs and to integrate broader regional strategies into our approach.

I want to ensure that, as in the first round, the application process provides a lasting benefit for all communities competing. Therefore, we must do all we can to assist applicants in pursuing comprehensive strategic plans that link various issues from across the breadth of your agencies--from the environment to transportation. There is a specific opportunity for communities to pursue several new areas that we discussed in the meeting, such as linking transportation to welfare-to-work, intra-community communications programs, energy efficiency, pre-emergency disaster planning and, where applicable, military base redevelopment.

To get the most out of the application process, I am asking that you work with the applicant communities to provide your expertise and technical assistance where it can be helpful. There also will be many conferences and workshops in the coming months that will require participation from all levels of your agency, from the national to the local. In particular, I want to highlight the need for your support and expertise for our annual White House Community Empowerment Conference, which will be July 15-16 in Washington, D.C.

I also request that you support the second round process in several other important ways: by identifying particular programs and initiatives that can be helpful to the designated communities; by detailing knowledgeable staff (preferably two) to represent your agency and assist in the evaluation process; and by working with Members of Congress and outside groups to convey the importance of obtaining our full budget request to support the second round communities.

Finally, let me reinforce that we will be giving increased focus to building on our community efforts by linking them to broader metropolitan and regional strategies. The Council of Environmental Quality (CEQ) and the CEB have been co-chairing an interagency working group that is focused on identifying changes in federal policy, regulations, and programs that promote regional/metropolitan cooperation and discourage wasteful sprawl. As I noted at our meeting, this group has developed a draft report of recommendations. I view this report as the beginning of an extremely important effort, and I would like to ensure that every agency has provided its full input into its development.

I encourage you to review the many possible programs that your agency oversees that potentially impact this area. In addition, I specifically request that your Chief of Staff (or senior member of your immediate staff) work with your representative to this CEQ/CEB group--who will have a copy of this report--and with others throughout your agency to support any additional recommendations that can be provided. Please note that the final deadline for agency submissions to the report is May 1.

Thank you for your hard work and the success we have witnessed in our community empowerment efforts to date. Your continued assistance remains absolutely crucial as we move forward in these efforts. Please keep us updated on your agency's responses to the requests I have made in this area.

If you have any questions or follow-up, please feel free to contact me directly or Julian Potter at 456-9044.

Sincerely,

A handwritten signature in black ink, appearing to read "Al Gore". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Al Gore

AG/ejp

cc: Meeting Attendees
Agency Chiefs of Staff
CEB Working Group Members
CEQ/CEB Interagency Working Group Members

THE WHITE HOUSE

WASHINGTON

July 6, 1999

SIGNING OF EMPOWERMENT ZONE BOARD

DATE: July 7, 1999
TIME: 10:55 am-11:05 am
LOCATION: Pine Ridge High School, South Dakota
FROM: Gene Sperling

I. PURPOSE

To make official the Executive Board for the first Empowerment Zone on an Indian reservation, to highlight the success of Empowerment Zones all across the country, and to stress that this historic partnership between the Oglala Sioux Tribe and the Government of the US will have a positive effect on the Pine Ridge reservation.

II. BACKGROUND

You and the Vice President have designated 135 urban and rural Empowerment Zones (EZs) and Enterprise Communities (ECs) across the country. This includes a First Round of EZ and ECs, designated in 1994 and a Second Round, designated in January, 1999. Designated communities were chosen on the basis of their strategic revitalization plans and receive special incentives and resources to help carry out their plans. The EZ/EC initiative has already leveraged over \$10 billion in additional public and private sector investment in community revitalization efforts. You proposed (and Congress passed) the first round of the EZ/EC initiative in 1993. You as well proposed the second round, FY 1999, provided first-year funding for the new EZs and ECs.

The grassroots Presidential initiative supports local solutions to problems and issues identified by community members. Federal dollars are offered to support the ten year comprehensive plan will be implemented on a project by project basis. The plan funded with \$2 million a year for 10 years (20 million) with which leveraging other funding can deliver up to \$100 million.

The proclamation that Secretary Glickman, Harold Salway will sign (you will also sign the proclamation as "the witness") states 5 points: (1) the partnership is a 10 year partnership to support the economic and social improvement of the Reservation; (2) the Federal Government will support the sovereignty of the Pine Ridge Oglala Sioux; (3) the Pine Ridge Oglala Sioux Empowerment Zone is a means, based on bottom-up, grassroots citizen participation, to enhance the ability of Pine Ridge Oglala Sioux to improve by their own actions the economic and social conditions on the reservation; (4) acknowledge the importance of the strategic plan and benchmarks as a tribally-determined vehicle by which such economic and social development can occur; and (5) the Federal Government is committed to use its resources and capabilities to support the implementation.

III. PARTICIPANTS

- Harold Salway, president, Oglala Sioux Nation
- Secretary Daniel Glickman
- Senator Thomas Daschle
- Senator Tim Johnson
- Rep. John Thune

IV. SEQUENCE OF EVENTS

- YOU proceed to the signing table, accompanied by Harold Saulway, Secretary Daniel Glickman, Senator Thomas Daschle, Senator Tim Johnson, and Rep. John Thune.
- YOU witness the signing by Secretary Glickman.

V. PRESS COVERAGE

White House Photo Only

VI. REMARKS

None

EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES: Program Overview

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

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

- **Economic Opportunity.** Creating jobs within the community, attracting private investment, and expanding access for residents to jobs throughout the region is a first priority to enabling residents to become self-sufficient and communities to revitalize.
- **Sustainable Community Development.** Sustainable economic development can only be successful when part of a coordinated and comprehensive strategy that includes physical and human development, for example, safe streets, clean air and water, lifelong learning and a commitment to personal, family and civic responsibility.
- **Community-Based Partnerships.** A strategic plan for revitalization should start with broad participation of the entire community, including community residents, community groups, private and non-profit sectors, educational and religious institutions and local and state governments.
- **Strategic Vision for Change.** A vision for change is not a laundry list of concerns, shortcomings, and deficits. It is a vision that describes what the community will become -- e.g. a center for emerging technologies, a key export center for farm products. It is also a strategic map that builds on assets and coordinates a response to the needs of the community by integrating economic, physical, human, and other strategies.

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

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

certain small businesses. And, corporate and individual investors may now defer the gain on the sale of publicly traded securities by reinvesting the proceeds in a Specialized Small Business Investment Company (SSBIC) -- an SBA-licensed venture capital firm that provides equity investment and loans to socially and economically disadvantaged businesses.

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

Private-Sector Investment: Designated EZs and ECs will have a range of tools available to maximize the flow of private capital and investment to their nominated areas. Fannie Mae, for example, has committed to work with EZs and ECs to generate substantial investments for housing and homeownership. Other new initiatives -- such as the President's Community Development Banking and Financial Institutions Bill, the SSBIC rollover provision, and new, proposed Community Reinvestment Act regulations that focus on actual lending and investment in low-income communities -- should also result in substantial new credit investment in underserved communities.

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

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

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

EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES: The Application Process

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

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

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

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

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

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

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