

EMPOWERMENT ZONES

Articles

President Clinton's plan to help poor communities. ✓

Empowerment zones can help poor communities

OUR VIEW By letting communities set agenda.

President Clinton can make federal help an aid, not a hurdle.

President Clinton has found a clever way to help distressed communities — by listening to them.

Poor communities said they needed not just federal money, but also freedom to decide how to use it. They asked for more flexibility to try novel approaches to problems. They said tax incentives weren't enough to lure businesses.

Clinton's plan, announced last week, wisely tries to give them a chance to prove they're right. It improves upon a long-touted concept — enterprise zones — and tests it at a cost of only \$6 a year for each person in the country.

Some \$800 million a year would be distributed to 110 communities for experiments in such things as 24-hour schools and community redevelopment banks.

They'd be set up in both urban and rural communities of fewer than 200,000 people. Those with the best plans for improving job creation, education, health care, housing and crime pre-

vention would be selected.

Many ideas would be tried. Successes could be imitated; failures discarded.

Ten of the areas, dubbed "empowerment zones," would get much more. They'd share \$800 million in tax breaks to lure businesses and create jobs — the traditional enterprise zone approach.

But unlike previous plans, businesses inside and outside would get breaks for hiring people from the zones.

This is a much-needed refurbishing of the enterprise zone concept — already tried by several states with mixed success. In a study of Maryland zones, financial lures ranked twelfth as a reason why businesses locate in a zone.

Listening to local leaders also should help avoid the disasters that gave '60s-era urban renewal a black eye. Then, the federal government blindly dictated what cities could get. Often neighborhoods were razed for new construction, and people were relocated, not helped.

In Clinton's plan, once an area qualifies for help, government would heed community requests to get federal regulations out of the way.

Following communities' leads may be a way to make enterprise zones work.

Helping the Poor Where They Live

SAY YOU'VE GOT A WIFE, TWO KIDS, AN ANNUAL INCOME of about \$15,000 and, miraculously, two grand stashed in a savings account. At prevailing interest rates, it would take about 10 years to double that stake, but once the Clinton budget takes effect you could ask the government to match your bundle dollar for dollar. That's a 100% interest rate over one year, a \$2,000 reward for saving. Not everyone is eligible, of course; the feds aren't *completely* out to lunch. To reap the windfall, you have to earn less than 200% of the poverty-line income (currently \$14,343 for a family of four) and live in one of 104 depressed "empowerment zones" or "enterprise communities." On top of that, you can spend the money for only a few specific worthy purposes, like paying for a college education or helping finance a first home. It's these conditions that render the idea intelligent and refute the notion that all politicians are brain dead. It also aids Bill Clinton politically because it indirectly redeems one of his quadrillion campaign promises.

Candidate Clinton was passionate about the obvious: "While America's great cities fall into disrepair, Washington continues to ignore their fate . . . We will reverse that neglect." *President* Clinton actually proposed little that would. As it has finally shaken out, the centerpiece of Clinton's

urban agenda is a package of tax incentives worth \$2.5 billion for businesses willing to locate in the 104 poor areas. That sum is less than half the Administration's original request, yet it is the first-ever serious funding of the "enterprise zone" concept advanced years ago by conservative Republicans. What's truly new, however, is half a dozen innovative ideas authored by Senator Bill Bradley and an extra \$1 billion to experiment with them—a pittance, given the decay and poverty that consumes so much of America, but an important start.

Bradley begins with a bleak vision, a trend toward confinement: "The poor in cities will live there probably forever as the better-off flee to the suburbs, thus guaranteeing that the cities become poorer still." Accepting that reality, Bradley's proposals include the following besides his "match-your-savings" plan:

- ▶ To fix the infrastructure from within, training programs will employ disadvantaged youth to repair parks, schools and other facilities they and their families use in their daily lives.

- ▶ Since many inner-city residents hold minimum-wage, dead-end jobs (if they're lucky enough to have

- one at all), grants will permit community organizations to train "zoners" in business skills.

- ▶ Kids and streets can be a combustible combination: Schools will be given money to keep them open after hours for mentoring programs—or simply to provide safe havens while parents work.

- ▶ If you can't bring enough jobs in, help prospective workers get out: Counselors will offer advice on the work available in the surrounding suburbs, along with the money needed to get there.

- ▶ Reaching a child in his first year of life can make all the difference in future development: Residential intervention programs for mothers and infants will focus on substance-abuse counseling and primary and preventive health care. "If we don't pay now, we'll pay much more later as society contends with increased crime and other social ills," says Bradley.

This particular proposal seeks to replicate the success of La Casita (The Little House), an oasis of hope in the midst of New York City's blighted South Bronx where addicted homeless mothers work to get clean and develop marketable skills. What's different there is the kids. Almost every other residential treatment program insists that the children of addicts be parked with relatives or foster parents. Having their children with



At La Casita, recovering addicts live with their kids

them adds to the mothers' incentive to get well and fights family disintegration, the growing problem Clinton has called "America's greatest plague."

Bradley knows that many of Washington's mandates ignore "the facts on the ground" and thus rarely alleviate the pain they're aimed at. His legislation incorporates the experience of demonstration projects and leaves the exact distribution of dollars to the communities themselves, once they have won their grants from the U.S. Department of Health and Human Services. "The wrong way to help cities is to set up a pot of money without any direction from the areas that need help," Bradley says. By ensuring community input, he hopes to learn "what's effective, so when we go back for more funds we have a track record to point to."

At a time when Clinton has pledged further spending cuts this fall, Bradley graciously credits the Administration for supporting his plan, but the fact is that what passes for the creative urban strategy Clinton preached so eloquently during the campaign isn't really the President's at all. Yet who gets the credit doesn't matter. Something new is coming, and it may work. ■

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Why not 'enterprise zones' for new business?

**The focus on helping
residents of poor areas
become entrepreneurs.**

Once again, official Washington is talking about an economic fix for the nation's poor.

During the Reagan-Bush years, "enterprise zones" were hawked as the elixir for urban poverty. The Clinton White House is now offering us the twin cures of "empowerment zones" and "enterprise communities" to combat poverty in urban and rural areas.

In truth, none of these schemes amounts to much. They're temporary fixes for the financial woes of the poor.

Whatever relief they offer trickles down to the truly disadvantaged largely by way of wage credits, depreciation write-offs and reductions in the capital gains rate for businesses.

What's missing in all of this are inducements for the poor themselves to become merchants and owners of the small busi-

nesses that dot the neighborhoods where they live.

"The problem today is not that there is too much opportunity at the top," Paul Goldman called me recently to say. "The problem is that there is not enough opportunity for people who want to get to the top."

Goldman, a Richmond lawyer and former chairman of the Virginia Democratic Party, says the incentives offered by Clinton and his recent White House predecessors share the same flaw: They benefit existing businesses.

While that may not sound like such a bad rap to some, it should set off an alarm with the more thoughtful.

If the federal government wants to cut sharply the unemployment rate in Harlem, it should focus on increasing black business ownership there. If it wants to



By DeWayne Wickham, a columnist for Gannett News Service and USA TODAY.

slash the jobless rate among whites in rural Kentucky, it ought to promote entrepreneurship among them.

Why? Because most employers in this country hire employees of the same race.

So, Goldman argues, the quickest fix is to make it easy for people in economically disadvantaged neighborhoods to start their own businesses — and to earn a profit.

Profit is the key word here.

Goldman says if the government can find ways to make start-up businesses profitable, it can usher in a new crop of business owners in the "small-business tax-free zones" he proposes.

Under his plan, firms in the zones would pay no taxes on their first \$250,000 in profits, get a rebate of the Medicare and Social Security taxes they pay and get a refund of unemployment insurance for those with good employment records.

In turn, he says, they will make a big dent in the zones' unemployment rates.

Not a bad idea. Which is why you can expect it to get nowhere in Washington, a city where bad ideas more often make for good politics.

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'Micro-Loan' Programs Aid Low-Income Borrowers

By Jane Applequist

Remember the cliché "small is beautiful"? Well, small is beautiful for thousands of entrepreneurs who have borrowed millions of dollars in small amounts from the nation's more than 200 "micro-loan" programs.

Micro-loans, usually \$25,000 or less, differ from traditional loans in that they are mostly offered to low-income borrowers and usually require little or no collateral.

Foundations, banks and the U.S. government, through the Small Business Administration, support micro-lending as a way to give struggling entrepreneurs a significant boost.

The SBA, which relies on 95 community lenders to disburse funds, has set aside \$3.3 billion for micro-loans as of July 31. About \$5 million has been put into the hands of 517 small-business owners. Average loan amount: \$9,719.

Micro-loan programs especially benefit women and minorities, who have traditionally had the toughest time persuading bankers to give them credit. Most programs are designed to serve low-income people earning \$15,000 a year or less. Some programs, like Tucson's MICRO program, lend only to existing businesses. The MICRO program, believed to be the nation's largest, with 900 loans averaging \$1,700, also emphasizes job creation.

The Coalition for Women's Economic Development in Los Angeles has issued 120 loans since 1989, with a 98 percent repayment rate. The CWED's loan program, like many others, is based on a peer support model developed by the Green Bank in Bangladesh. Borrowers must join a lending circle made up of five or six women who meet regularly to discuss a range of issues.

Glenda Harris and Deborah Payne of Chicago were reluctant to apply because they were sure the low-interest loans offered through the Women's Self-Employment Project were just too good to be true. "I carried a paper about the program in my briefcase for years," said Harris, a jewelry designer who borrowed \$1,500 from the Full Circle Fund program earlier this year.

Harris used most of the money to buy an ample supply of colorful beads, old coins and amulets she uses to create one-of-a-kind ethnic jewelry. Once she built up her inventory, she displayed her wares at weekend street fairs. In a good month, she earns \$1,000.

"Sometimes, I'm overwhelmed because it's selling so well," said Harris, who also earns up to \$100 an hour teaching jewelry-making classes.

Dress and hat designer Deborah Payne used her \$900 loan to buy an industrial sewing machine and an ironing table for her basement workshop. That was all she needed to expand her production of custom-made clothing.

"I'm doing so well, I was able to quit my part-time job working in a lunch program at a school,"

said Payne, who makes a \$39.45 loan payment every two weeks. Things are going so well that Payne and a friend plan to open a tiny retail store around Labor Day.

Although many micro-loan recipients have poor credit and are often unemployed, late

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payments and defaults are rare. In fact, the repayment rate is about 95 percent for most micro-loan programs, including Chicago's Full Circle Fund.

"Peer support works the best," said Connie Evans, executive director of the Women's Self-Employment Project in downtown Chicago. "Women began to redefine community and break out of their isolation. The kind of changes these women make are incredible."

First Chicago Bank and AT&T recently contributed \$17,000 to the Chicago Women's Business Development Center to support its micro-loan program, according to the center's director, Hedy Ratner. In the past three years, approx-

imately 200 women \$2 million to fuel their growth.

Utah's Microenterprise Loan Fund in Salt Lake City has made 10 loans, all of them less than \$10,000, since the bank-funded program kicked off in January. To qualify, applicants must be rejected by a bank, submit a detailed business plan and promise to attend a monthly support meeting where loan payments are collected.

Sam Guerrero, owner of the Art House graphic design firm, chairs the monthly Business Assistance Program. "Everyone has been right on time with their payments and made it to every meeting," he said.

What kinds of businesses received help?

Aaron Cobarras borrowed \$8,000 for equipment and payroll expenses to improve the bakery he operates at a grocery store. Marjorie Bull used her \$5,000 loan to expand Cottage Craft Mercantile, which makes craft patterns.

What kind of businesses didn't get funding? "We rejected someone who wanted to buy used equipment and resell it to Mexico," Guerrero said. "The problem was, he spoke no Spanish and had no clients or contacts in Mexico."

For more information about micro-loans, contact a local Small Business Development Center or SBA office.

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