



OFFICE OF THE VICE PRESIDENT  
WASHINGTON

October 16, 1995

MEMORANDUM FOR LES SAMUELS, Treasury  
MICHAEL BARR, Treasury  
PAUL DIMOND, NEC  
PAUL WEINSTEIN, DPC  
MARK MAZUR, CEA

FROM: SHERYLL CASHIN  
Community Empowerment Board

SUBJECT: Relaxing restrictions on EZ/EC Tax Incentives

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Attached is an article -- published last Friday in the Baltimore Sun -- about the impediments presented by the 35%-resident-employment requirement. I believe this article underscores the need to seek sensible changes in the existing EZ/EC program (both for section 179 expensing and the private activity bonds), regardless of whatever other incentives or expansions we might champion in the context of budget reconciliation. Such "technical corrections" would improve the potential for a signature Presidential initiative to succeed.

My understanding is that many of the potential changes being contemplated by Treasury to relax eligibility restrictions on the EZ bonds present modest additional costs, as perhaps would be the case if such changes were also applied to eligibility for section 179 expensing. I would be happy to work with those of you who are refining the current list of options to address these issues.

cc: Jack Quinn  
Kumiki Gibson  
Gene Sperling  
Bruce Reed

# Rules limit businesses' tax breaks

Empowerment zone  
has residency  
requirements

'It's an impossible goal'

35 percent  
of workers must  
live in area

By ERIC SIEGEL  
SUN STAFF

Several businesses in Baltimore's empowerment zone are upset at being shut out of the biggest tax breaks offered under the revitalization effort because they do not meet a federal requirement that more than a third of their employees live in the zone.

And economic development officials working for the city and the empowerment zone say their efforts to recruit companies to relocate in the \$100 million revitalization area are being hampered by the same federal regulation.

Under federal law, companies cannot qualify for accelerated depreciation of equipment of \$37,500 and tax-exempt bond financing of up to \$3 million unless 35 percent of their employees

live within the boundaries of the empowerment zone — even if the companies themselves are in the zone.

"That's ludicrous," said Donald "Duke" Zimmerman, president of Globe Screen-Print, a fourth-generation family-owned Southwest Baltimore printing company where two of 40 employees live in the empowerment zone. "We'd have to turn over a third of our company to qualify. It's an impossible goal."

Globe ScreenPrint and other businesses still qualify for federal tax credits of up to \$3,000. [See Empower, 4B]

Baltimore Sun 10/13/95

# Rules limit empowerment zone tax breaks

[Empower, from Page 1a]

for each employee who lives in the city's empowerment zone in East, West and South Baltimore.

But companies with skilled, longtime workers say the restrictions on the larger breaks create a Catch-22: They cannot expand their business and increase the number of zone residents they employ without the tax initiatives, and they cannot qualify for the initiatives until they up their percentage of zone residents.

Federal officials have proposed relaxing one of the regulations. They have suggested that new businesses locating in empowerment zones be given a year to reach the 35 percent threshold and have asked for public comment on the proposal. Baltimore empowerment zone officials want to see the regulation broadened.

"We want to give a comment that we like the regulation and want to see it extended to all businesses," said William E. Carlson, counsel to the Empower Balti-

more Management Corp., the quasi-public organization that administers the city's empowerment zone.

The U.S. Department of Housing and Urban Development, which is helping to oversee empowerment zones in Baltimore and five other cities, hasn't taken a formal position but recognizes the problem.

"HUD's aware that concern has been raised," said Alex Sachs, a HUD spokesman.

It also is an issue that has been raised by companies being recruited to locate in the empowerment zone.

"We've had the issue come up a couple of times," said Leslie Bender, a consultant working with Baltimore's empowerment zone in trying to lure new companies. "If you're coming from Baltimore County or Howard County, you might have people commuting."

Michele Whelley, executive vice president of the Baltimore Development Corp. (BDC), the city's economic development agency, agreed that the 35 percent requirement "does limit" the usefulness of the tax breaks.

"There's some opinion that that part of the law was enacted with less thought than there should have been on how it would impact on business attraction and development strategies," Ms. Whelley said.

In cases where businesses don't

qualify for the large empowerment zone breaks, she said. "We're looking at other opportunities for financing."

Globe ScreenPrint in July received a \$100,000 BDC loan in July.

Mr. Zimmerman said he is grateful for the assistance, but said he also could use the larger empowerment zone breaks to upgrade his building and equipment.

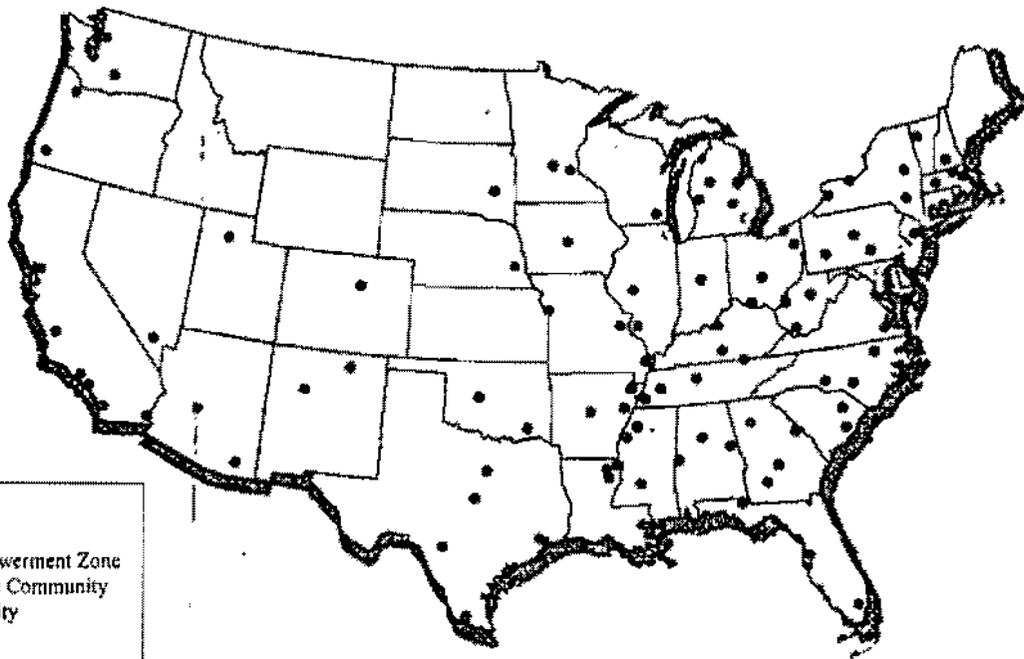
Describing the 35 percent requirement as "an absolute killer for any established business," he said: "It seems like the whole [empowerment zone] is skewed to bringing upstart companies to the zone."

Joseph Vrzalik, the chief executive officer of Depsco Services Inc., a machine shop and metal fabricator in Southwest Baltimore where three of 70 employees are zoned residents, agreed the requirement was "absolutely unreasonable unless I start a brand new company."

"An existing company would have to grow by that 35 percent or let go longtime employees," he said. In either case, he said, he would have trouble hiring the kind of skilled workers he needs from the neighborhood.

Maryland Chemical Co., a chemical distributor located since 1953 in what is now the empowerment zone, has 22 employees, none of whom lives in the zone, said Jeanette Partlow, the company's compliance manager.

# EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES



- URBAN**
- Empowerment Zone
  - Supplemental Empowerment Zone
  - Enhanced Enterprise Community
  - Enterprise Community

- RURAL**
- Empowerment Zone
  - Enterprise Community

## EMPOWERMENT ZONE (EZ)

California: Los Angeles  
 California: Oakland  
 Georgia: Atlanta  
 Illinois: Chicago  
 Kentucky: Kentucky Highlands\*  
 Maryland: Baltimore  
 Massachusetts: Boston  
 Michigan: Detroit  
 Mississippi: Mid Delta\*  
 Missouri/Kansas: Kansas City, Kansas City  
 New York: Harlem, Bronx  
 Ohio: Cleveland  
 Pennsylvania/New Jersey: Philadelphia, Camden  
 Texas: Houston  
 Texas: Rio Grande Valley\*

## ENTERPRISE COMMUNITY (EC)

Alabama: Birmingham  
 Alabama: Chambers County\*  
 Alabama: Greene, Sumter Counties\*  
 Arizona: Phoenix  
 Arizona: Arizona Border\*  
 Arkansas: East Central\*  
 Arkansas: Mississippi County\*  
 Arkansas: Putaski County  
 California: Imperial County\*  
 California: L.A., Huntington Park  
 California: San Diego  
 California: San Francisco, Bayview, Hunter's Point  
 California: Watsonville\*  
 Colorado: Denver  
 Connecticut: Bridgeport  
 Connecticut: New Haven  
 Delaware: Wilmington  
 District of Columbia: Washington  
 Florida: Jackson County\*  
 Florida: Tampa  
 Florida: Miami, Dade County  
 Georgia: Albany

Georgia: Central Savannah\*  
 Georgia: Crisp, Dooley Counties\*  
 Illinois: East St. Louis  
 Illinois: Springfield  
 Indiana: Indianapolis  
 Iowa: Des Moines  
 Kentucky: Louisville  
 Louisiana: Northeast Delta\*  
 Louisiana: Macon Ridge\*  
 Louisiana: New Orleans  
 Louisiana: Ouachita Parish  
 Massachusetts: Lowell  
 Massachusetts: Springfield  
 Michigan: Five Cap\*  
 Michigan: Flint  
 Michigan: Muskegon  
 Minnesota: Minneapolis  
 Minnesota: St. Paul  
 Mississippi: Jackson  
 Mississippi: North Delta\*  
 Missouri: East Prairie\*  
 Missouri: St. Louis  
 Nebraska: Omaha  
 Nevada: Clarke County, Las Vegas  
 New Hampshire: Manchester  
 New Jersey: Newark  
 New Mexico: Albuquerque  
 New Mexico: Moro, Rio Arriba, Taos Counties\*  
 New York: Albany, Schenectady, Troy  
 New York: Buffalo  
 New York: Newburgh, Kingston  
 New York: Rochester  
 North Carolina: Charlotte  
 North Carolina: Halifax, Edgecombe, Wilson Counties\*  
 North Carolina: Robeson County\*  
 Ohio: Akron  
 Ohio: Columbus  
 Ohio: Greater Portsmouth\*  
 Oklahoma: Choctaw, McCurtain Counties\*  
 Oklahoma: Oklahoma City

Oregon: Josephine\*  
 Oregon: Portland  
 Pennsylvania: Harrisburg  
 Pennsylvania: Lock Haven\*  
 Pennsylvania: Pittsburgh  
 Rhode Island: Providence  
 South Dakota: Beadle, Spink Counties\*  
 South Carolina: Charleston  
 South Carolina: Williamsburg County\*  
 Tennessee: Fayette, Haywood Counties\*  
 Tennessee: Memphis  
 Tennessee: Nashville  
 Tennessee/Kentucky: Scott, McCreary Counties\*  
 Texas: Dallas  
 Texas: El Paso  
 Texas: San Antonio  
 Texas: Waco  
 Utah: Ogden  
 Vermont: Burlington  
 Virginia: Accomack\*  
 Virginia: Norfolk  
 Washington: Lower Yakima\*  
 Washington: Seattle  
 Washington: Tacoma  
 West Virginia: West Central\*  
 West Virginia: Huntington  
 West Virginia: McDowell\*  
 Wisconsin: Milwaukee

\* denotes rural designee

Michael Kramer

File  
E-Zones

# Hope Grows in Harlem

**P**OLITICIANS DO PENANCE IN PLACES LIKE HARLEM AND the South Bronx. They tour and deplore and promise, and very little ever changes. Last week it was Bill Clinton's turn. At a church in Harlem across the street from an abandoned building and down the block from a crack house, the master of empathy was strangely subdued. Perhaps because so much of his agenda is perceived of as dead or dying, the staple of such appearances, a litany of Administration accomplishments, was largely truncated. There was a bit of boasting ("We've done more in 20 months than anybody has in a month of Sundays"), but Clinton's overall tone was plaintive. "One of the things I ran for President about," he said, setting a rather minimalist goal for an activist leader, "was just to get us to face our problems again . . . and go to work on them instead of just talking about them all the time."

Given his muted remarks, Clinton seemed hardly aware that some in Harlem are already beginning to feel the effects of his presidency, a definite, substantive change in direction as, however incrementally, Clinton refocuses government spending and moves to implement proposals that have languished for decades.

Along Harlem's main thoroughfare, 125th Street, business is booming, a function of indignant forces mostly but of Clinton's policies as well. The vacancy rate for commercial property is less than 2%, and space is renting for more than \$30 per sq. ft., about the same as in midtown Manhattan, an astounding surge. New stores will soon dot the cross streets, and nearby housing units are being rehabilitated. The private investment responsible for most of this growth is following rising incomes and the return of better-off families. Perhaps most important is the anticipated designation of the area as one of the nation's first six empowerment zones. "EZs," as they are known, are the latest incarnation of an old idea formerly called enterprise zones. What Clinton's added to the notion beyond tax incentives for businesses is a panoply of social services (day care and job training being the most prominent) designed to produce a work force capable of staffing the enterprises likely to be attracted by the tax breaks. After the Harlem-South Bronx EZ is formally approved later this year, the Federal Government will pour \$100 million into the area, an amount New York City and State will match. Added to the total \$300 million will be about \$70 million in low-interest loans from Fleet Bank. "Only some corporations see the opportunities available," says Fleet's James Murphy. "Others will wake up before long and leverage the thing further. Harlem's coming

back, and the EZ deserves a lot of the credit."

Coming back and being back are different, of course. Harlem's depression is still staggering. Single female-headed households account for 63% of all households with children. Forty-two percent of the population has an income below the poverty line. Black men living in Harlem are less likely to reach age 65 than men in Bangladesh. The murder rate for males nationally is 10.2 per 100,000 people; in Harlem it's over 100. The area's infant-mortality rate is 60% higher than that of New York City as a whole and can be attributed largely to alcohol and drug abuse by expectant mothers.

Some of this horror will be alleviated by Clinton's crime bill; more cops will walk Harlem's streets. Increased Head

Start slots are coming too, along with new antidrug programs and additional dollars for day care. Above all, the newly expanded earned-income tax credit, a Clinton triumph, will lift about 54,000 working-poor families out of poverty. When fully implemented, about \$100 million in new credits will come back to Harlem, and most of that money will be spent right there.

Public education, in trouble everywhere and in crisis throughout New York City, is worse in Harlem, where union rules ensure that the least competent teachers are assigned. As a result, barely 40% of students are performing at or above grade levels. At Junior High School 43, which is fairly representative, class size averages more than 30 students, discipline is hit or miss, books are scandalously lacking and there aren't even enough

chairs to go around. Like airlines that overbook, the school counts on absentees. When "too many" students miraculously show up, teachers negotiate among themselves for chairs. Most of this tragedy is due to local budget cuts. One promising program is Teach for America, which trains eager, idealistic college graduates to serve in the nation's most distressed regions. By including Teach for America in his National Service plan (which already has 20,000 Americorps volunteers, more than the Peace Corps ever had), Clinton will add teachers to the classrooms of Harlem. If he wins his fight to redistribute \$11 billion in federal education aid according to need, those classrooms will get more money too.

Jimmy Carter first visited what will soon be the Harlem-South Bronx EZ in 1977. Ronald Reagan toured the same streets in 1980, declaring he'd seen nothing "that looked like this since London after the blitz." Neither delivered more than rhetoric. Clinton has pledged the least, but at least he's delivering something. —With reporting by Lina Lofaro/New York



**WHAT BILL HATH WROUGHT:** The domestic agenda may founder, but some urban policies are working

E-Zones

THE WHITE HOUSE

WASHINGTON

September 21, 1994

MEMORANDUM FOR DPC PROGRAM STAFF

FROM: Carol H. Rasco *CR*

SUBJECT: Procedures for DPC Review of Empowerment  
Zone/Enterprise Community (EZ/EC) Applications

The following are revised guidelines and procedures for review of the Empowerment Zone/Enterprise Community (EZ/EC) applications by Domestic Policy Council (DPC) staff. Please review these guidelines and procedures carefully. In order to insure that this Presidential initiative is successful, we will need each one of you to carefully review these applications.

Background

On June 30, 1994, the Departments of Housing and Urban Development (HUD) and Agriculture (USDA) received 525 applications from communities applying for EZs and ECs. HUD received 295 urban applications (77 of which are for Empowerment Zones). USDA has received 230 rural applications.

The coordinated process for reviewing these applications will proceed over the summer. Secretaries Cisneros and Espy will consult with the members of the Community Enterprise Board on the results of the review process, before making final designations. Designations are expected to begin sometime in the late fall.

The review of these applications will be closely guarded. USDA and HUD have leased space on 7th and D Streets, SW (Reporter's Building), which will serve as the government-wide work site for all members of the Community Enterprise Board (CEB) to review the applications. No individual who has not gone through training will be allowed into the reviewing area.

Reviewers from USDA, HUD, HHS, Transportation, Justice, Commerce, Education, SBA, and EPA are working in teams for comprehensive review of all applications. After analyzing the applications, each team will make a presentation to a Ratings Panel of three to five individuals. The Ratings Panel will rate each application on a relative point scale; points will be awarded in specific categories, including the quality of the strategic plan, the strength of assurances of support, the quality of community and business sector input, innovation, community partnership, and need. The Ratings Panel will then submit its recommendations to the respective secretaries. Secretary Cisneros will then review the recommended urban applications and Secretary Espy will review the recommended rural applications. The 40 best applications

will go to the Community Enterprise Board (CEB) from Secretaries Cisneros and Espy. At that point, the members of the CEB will possibly only have approximately one to two weeks to review the recommendations.

Membership of the CEB is as follows:

Vice President (Chair)  
Assistant to the President for Domestic Policy (Vice Chair)  
Assistant to the President for Economic Policy (Vice Chair)  
Secretary of Agriculture  
Secretary of HUD  
Secretary of HHS  
Secretary of the Treasury  
Secretary of the Interior  
Secretary of Commerce  
Secretary of Labor  
Secretary of Transportation  
Secretary of Education  
Attorney General  
Director of the Office of National Drug Control Policy  
Administrator of the EPA  
Administrator of the SBA  
Chair of the Council of Economic Advisers  
Director of the Office of Management and Budget

What's at Stake

104 designations will be awarded. 9 of these are Empowerment Zones (6 urban and 3 rural). The other 95 are Enterprise Communities (65 urban and 30 rural).

Communities who win designation as an Enterprise Community receive:

1. Tax-Exempt Facility Bonds for certain private business activities. This new category of private activity bonds is available as a tax incentive to finance purchases of business property and land in both ECs and EZs.
2. \$3 million in EZ/EC-Social Service Block Grant funds to be used for economic and human development.
3. Special consideration in competition for approximately \$3 to \$5 billion in Federal programs.
4. One-Stop Shopping for program/regulatory flexibility through the CEB.

Communities who win designation as an Empowerment Zone receive:

1. All benefits provided to ECs.
2. Substantial EZ/EC-SSBG funds: Up to \$40 million for each rural zone and up to \$100 million for each urban zone.
3. An Employer Wage Credit for EZ residents to extended to qualified employers engaged in trade, or business, in EZs. The Credit is available to any employer engaged in a trade or business in an EZ, even if it is not an "Enterprise Zone business." The tax credit is up to 20% of the first \$15,000 of qualified wages and expenses for training paid or incurred to each resident employee who meets the relevant criteria.
4. Businesses are afforded an increased Section 179 Deduction for qualified properties. The maximum Section 179 Deduction for depreciable tangible property (not land or buildings) is increased from \$17,5500 to \$37,500 for EZ businesses.

#### Procedures

Each of you will be asked to comment on the recommended applications submitted to the CEB by Secretaries Cisneros and Espy. You are more than welcome to comment on all aspects of a particular application, but your chief focus should be on those parts that are related to your issue areas. Your comments should be guided by the following:

1. Is the strategic plan, as it relates to your issue areas, innovative?
2. Is the strategic plan, as it relates to your issue areas, consistent with the President's goals/major policy initiatives? Will the plan promote those goals and policy initiatives?
3. Is the strategic plan, as it relates to your issues areas, likely to be successful? Will it promote change? Will it make people's lives better?
4. Will the waiver requests, as they relate to your issue areas, promote innovation? Do they address real problems? Do you recommend that we approve the waiver requests?
5. Are private sector, state and local government resources being leveraged effectively and to the fullest extent possible?

6. Do you believe the plan was developed with community participation as it relates to your issue areas? Does the plan focus on bottom-up approaches to community development? Will it empower community residents?
7. Are the programs requested for targeting to the EZ/EC appropriate for the purposes requested for in the application? Is this the best use of these program dollars.
8. Does the plan effectively promote coordination? Is reinvention an integral part of the plan?
9. Is the money truly being used for programs (some governmental entities will want to use the money for budget shortfalls in existing programs or administrative costs).

Much of your focus will be on how a particular community proposes to utilize the Title XX dollars. However, you should also note where the tax incentives are being used to promote Administration policy goals. For example, a commitment from private sources to use the new tax-exempt private facility bonds to finance the purchase of a building for a new child care facility, community health center, or a community development credit union.

#### APPLICATION REVIEW OPTIONS

##### Option 1

1. Place all 40 applications in Room 211. They will each be in a box and review sheets will be available to each DPC staffer. Each staffer will be responsible for reading their relevant sections. After completing the review, they will sign a log after they have read the application and fill out the review sheet.
2. Bruce Reed and Paul Weinstein will review the comments and make a recommendation to me.

##### Option 2

1. Same as option 1.
2. Bruce Reed and Paul Weinstein review all the applications and recommend the ten best to me.
3. I convene a group meeting of the staff to discuss the ten best.

Option 3

1. We divide the applications up among staff. All the applications will remain in Room 211 which will serve as a reading room. The lead staffer will be responsible for reading their applications.
2. Bruce Reed and Paul Weinstein review the comments and make a recommendation of the top ten to me.
3. I convene a meeting of the DPC and other relevant White House staff to discuss the top ten.

One final note. The review of the EZ/EC applications is highly confidential. Please be advised that staff should not be discussing these applications with anyone outside or inside the administration with the exception of other DPC staff and then White House staff participating in this review process.

THE WHITE HOUSE  
WASHINGTON

June 20, 1994

*Bruce  
Fye  
Car Fisher*

MEMORANDUM FOR CAROL RASCO  
BOB RUBIN

THROUGH: BRUCE REED  
GENE SPERLING

FROM: PAUL WEINSTEIN  
SHERYLL CASHIN  
PAUL DIMOND

SUBJECT: NEXT STEPS ON EMPOWERMENT  
ZONES/ENTERPRISE COMMUNITIES

Since the beginning of the application process last January, inquiries about a second round of Empowerment Zones/Enterprise Communities (EZ/EC) have been growing. Secretary Cisneros has been promoting the idea. And OMB, as part of its FY 1996 Budget Process, has included a second round of empowerment zones as an option for consideration.

We disagree with any proposal to institute a second round of EZs/ECs that simply duplicates the existing program. However, we believe there may be some low-cost options for an additional round that would be effective and would build on the most positive aspects of the program. Such a proposal might include providing a low cost capital tax incentive -- as opposed to the expensive wage credit -- and grants to designated ECs and some additional sites.

We fear that if we do not engage in a deliberative process on this issue, a second round option may ultimately be adopted that is not cost-effective. We are also exploring an idea about a Government Sponsored Enterprise (GSE) option that could be part of an urban package that would not be limited to the zones. We propose that the DPC/NEC, in consultation with the Vice President's office, begin discussions on this issue.

If we are going to have any influence on the content of the FY 1996 Budget regarding EZ/ECs, we need to reach a consensus over the next several weeks.

There are several compelling reasons for building on the existing EZ/EC initiative:

First, as recent news articles from across the country indicate, the Administration's EZ/EC initiative has had its intended effect of bringing together diverse partners in a community to focus energy on a distressed community -- partners that normally do not work

together. Many of these reports indicate that communities have for the first time developed a "holistic" approach to economic revitalization and public-private partnerships have developed as a result of the application process that will be a force for change in the future.

Second, because we will only be designating nine EZs this fall, there will be a number of communities that will be disappointed who may have been deserving of a designation. By announcing that we will be planning (with the help of Congress) a second round, we can diffuse considerable tensions around the initial selections.

Third, a second round would provide a strong incentive to designated ECs to follow through on their strategic plans and commitments.

We recommend that you convene a meeting of Bruce Reed, Gene Sperling, Jack Quinn, Kumiki Gibson, and us early next week to discuss this issue.

THE WHITE HOUSE

WASHINGTON

June 13, 1994

MEMORANDUM FOR CAROL RASCO

FROM: Paul Weinstein

SUBJECT: Empowerment Zone/Enterprise Community  
(EZ/EC) Designation Process Timetable

Last Wednesday, HUD briefed us on their proposed process for screening the EZ/EC applications. Attached is their overview of the process and a separate memo from Peter Necheles on USDA's.

Two issues came up which you need to consider: (1) At what point do the Vice President and the you and Bob Rubin wish to have your staffs involved in the process of reviewing applications? and (2) is HUD's proposed completion date of September 1 early enough for the White House.

1) I recommend White House Staff not review any application until Secretary Cisneros and Secretary Espy present their (40) finalists to the Board around the end of August. This differs from the agreement reached in the May 26 designation memo from you, Bob, and Jack which stated White House staff would review applications prior to review by the secretaries. I believe such a policy is dangerous because it would give the appearance of White House political interference. In addition, reviewing 200 applications is probably not the best use of White House staff time. (The reason this is an issue is that Jack Quinn originally wanted the staff for OVP, NEC, and DPC to review all the "most viable" applications. I am not clear on his current views of this matter).

2) Although the agencies feel they can complete the selection process by mid-September, they feel they need more time (particularly USDA), because they will need to have some negotiations with applicants about performance agreements, changes in their strategic plans, and conditions for receiving waivers and program funds. These negotiations could take place after designation, but we loose much of our leverage in these discussions by waiting until that juncture. However, delaying the completion of the process after mid-September will make it difficult to announce any designations before the election. I remain convince that it would be a mistake to choose any EZs or ECs before the fall election.

\_\_\_\_\_ Agree

\_\_\_\_\_ Discuss Further

cc: Bruce Reed

# THE GOALS

- Supplement a review process that produces by September 1, 1994 all information necessary for the Secretary to begin consultation with the Community Empowerment Board (CEB) and then make final Empowerment Zone (EZ) and Enterprise Community (EC) designations.
- Provide a comprehensive and efficient system to solicit the input of other federal agencies regarding Title XX funding eligibility, program waivers and program funding.
- Make available the necessary space, resources and equipment to enable representatives of the CEB and other federal agencies to review EZ and EC applications and deliver the resulting information to CEB members.
- Guarantee a fair and open process ensuring that the best applications with the greatest opportunities for success are presented to the Secretary and CEB for review and decision.
- Work collaboratively with the Department of Agriculture to coordinate the HUD and USDA review and designation processes.

# THE TOOLS

- Central location for all EZ and EC activities at the Reporter's Building directly across from HUD on Seventh-Street. All HUD and USDA staff, along with all staff of other federal agencies, will work from this central location.
- Full integration of HUD and USDA operations, including central filing, computer, duplication, fax and other systems.
- Custom-designed, computer-based system permitting quick entry of information and standardized measures of application completeness and eligibility.
- Training programs for all HUD and non-HUD personnel concerning the evaluation of applications, use of the custom computer program, and other necessary skills.

# THE PROCESS

- **June 27**

- Training of all HUD and non-HUD personnel begins.
- Full EZ and EC operations transferred from HUD headquarters to the Reporter's Building.

- **June 30**

- Applications arrive at HUD headquarters and are transferred to the Reporter's Building.
- Basic application information is entered into the computer database, providing a complete catalogue and profile of all applications received. This process will continue over the Fourth of July holiday weekend.

- **July 5**

- EZ and EC applications are available for inspection by representatives of the CEB and other federal agencies.

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- Review of applications begins.

- The reviews will be conducted by trained HUD and other federal agency staff members working in teams of five.

- Each team will be supervised by a HUD official experienced in the review of economic development proposals.

- Each reviewer will be responsible for a series of applications; each application will be reviewed for completeness, eligibility, requests for federal waivers and funding, and content.

- Each review will result in presentations to the team leader and other team members. As a result of this process, each reviewer will be fully prepared to make a comprehensive presentation to the Rating Panel.

- **July 11**

- The Rating Panel begins hearing presentations by application reviewers.

- The size of the Rating Panel will be determined by the total number of applications received; it is likely to consist of three or five members.

- The Rating Panel will accomplish the following tasks:

- Comprehensively review, and listen to reviewer presentations concerning, each EZ and EC application.

- After reviewing all applications, rate each application on a relative point scale; points will be awarded in specific categories, including the quality of the strategic plan, the strength of assurances of support, the quality of community and business sector input, innovation, community partnership, and need.

- Throughout the review process, distribute to other federal agencies applications that are likely to require quick decisions on federal program waivers and funding availability.

- **July 12**

- The Rating Panel notifies other federal agencies that particular applications are available for review to determine federal program waivers and funding availability.

- Other federal agencies begin reviewing the applications at the central HUD/USDA location; computers, copying equipment, and work spaces will be available for representatives of these federal agencies.

- **August 19**

- The Rating Panel completes its review of all EZ and EC applications and begins scoring each application on a relative point scale.

- The Rating Panel incorporates the decisions of other federal agencies regarding program waivers and funding availability.

- **September 1**

- The Rating Panel presents the results of its work to the Secretary.

- The Secretary begins his consultation with the CED and then makes his final designations.

*How would it work in rural area?*

*will review for SBA  
strongly expected change*

**USDA REVIEW PROCESS  
EMPOWERMENT ZONE AND ENTERPRISE COMMUNITY PROGRAM**

**DRAFT**

**GOALS**

- Selection process that will provide the Secretary with options to present 50 of the most appropriate demonstration projects in rural America prior to September 1, 1994.
- Implement a selection process that permits the comprehensive review and analysis of 250 applications by every member of the Community Enterprise Board, and that provides adequate period for the determination of program and waiver approvals by other federal agencies.

**PROCESS**

**June 27th** Training for all EZ/EC reviewers and other interested federal employees

Training consists of the introduction to the philosophy and objectives of the EZ/EC program (will request Rasco, Rubin, Espy and Cisneros participate in training); the goals of the review; the tools and process of the review; and ground rules -- security, confidentiality, biases, etc.

**June 29th** The EZ/EC operations at the Reporter's Building is initiated:

Computer system running; office equipment in place; file system operational; copy center and mail room organized; security guard assigned for 15 hour shifts (from 6am to 9pm), and on Saturday hours (from 9am to 6pm).

Employees will be directed not to work on a flexible week schedule and their hours will be staggered to ensure continued operations from 7am to 7pm. Staff for the file room will work during the hours of operation.

**June 30th** Applications received

Must be received by 4pm EDS time. Original and at least one (1) copy received at USDA, room 5405, 14th and Independence Avenue, SW. Booths will be set up in the morning on the curbside of USDA at the main entrance of the Administration Building and on the Fourth Wing of the South Building. Signs will be at all entrances directing applicants to bring their packages to those two sites. Runners will transfer applications each hour from the drop off sites to the Reporter's Building. No applications will be accepted at the Reporter's Building.

**USDA Review Process  
EZ/EC Program****DRAFT**

June 10, 1994

**June 29th Applications logged into the system**

Use of bar code system where each application entered will be assigned a bar code to track location and to restrict access. From June 29- July 1, approximately 30 staffers will enter name of applicant, contact person, address, telephone number and whether an EZ or EC application.

Runners will then carry applications to the fourth floor where approximately 5 staffers will create files in secured file room with original copy in locked cabinet with limited access, and with two file copies that may be logged out to only those employees with the proper access codes.

Copy center staff will duplicate applications that were submitted with only one copy. (Maps and other media -- such as video tape -- will not be copied)

**July 1st Logging completed and Report Produced**

Report on the complete list of all applicants by State, city, town or county, Congressional district and whether applying for an EZ or an EC will be completed prior to the close of business.

**July 1st Eligibility Review Process Initiated**

During the first week, approximately 20 employees work on the eligibility review of applications, ensuring that applications are complete (fully signed with maps), and that applicant satisfies poverty, size and population criteria. Once this process is completed, these employees will be reassigned to the technical review teams.

Applications that are not complete will be submitted to the outreach staff, initially 5 employees, who will contact the lead entity through phone and fax, with a hard copy of the fax sent by regular mail, indicating the items that are missing and providing the applicant with 5 working days to remedy the item. A report on all applicant that have been notified will be compiled each day, indicating the results of our inquiries.

**USDA Review Process  
EZ/EC Program****DRAFT**

June 10, 1994

**July 5th Technical Review Process Initiated**

Approximately 50 employees, in teams of 5, begin to review the content of the applications. The review should not take longer than 1.5 days per application. As each application will be reviewed by two separate teams, each reviewer has a work load of just over 12 applications that must be completed in no more than 30 working days.

Teams are structured with one manager, person with experience in the process, and four reviewers -- from various Departments and agencies, with at least one person from HHS on each group.

Individual reviewer has access to only those applications assigned to his/her code (bar code is placed on back of federal id). Reviewer only permitted access to one application at a time, goes to the file room and requests file from clerk who notes removal on computer system. Reviewer is required to return file prior to leaving the building for the day. Manager has access to all applications assigned to members of his/her team.

Manager assists with the review by team members. Every second day, teams will meet in assigned conference rooms to discuss the reviews. The team manager will facilitate the presentation by the reviewer of each application to the group as a whole. Other members are required to participate in the discussion of each application, ensuring the wide discussion of the strengths and weaknesses of the strategic plans. The presenter takes notes of these comments. These sessions should last no longer than 2.5 hours.

Individual reviewer, based on his/her own review as well as the group discussion, critiques the application and completes his/her analysis with scores for the regulatory items. These are inputted into the computer system and the file is returned to the file room on the fourth floor. The reviewer then obtains a new file for his/her next review.

The team manager, who has computer access to the work completed by his/her review team, reads through the work completed by each of the individual reviewers and determines whether to return the application for further consideration or grades the application as "high", "medium" or "low". Based on the group discussion, as well as the computer work sheet, as well as access to the application file, the manager writes an

**USDA Review Process  
EZ/EC Program**

**DRAFT**

June 10, 1994

executive summary which indicates the strengths and weaknesses of the application. There are no scores on this summary.

Each application will be assigned to two separate review clusters who are directed not to discuss their reviews outside their own team to ensure impartial scoring.

July 5th **Senior Manager Review**

Three or four senior managers of the process will have access to all of the work by the individual reviewers and the team managers. To ensure quality control, these senior managers will periodically attend the group discussions and/or review an application with the computer report and/or executive summary. The senior managers are authorized to direct an additional review, a rewrite of the executive summary, or the reassignment of employees, according to their strengths or weaknesses.

July 5th **Federal Departments Invited to Independently Review Applications**

Those employees who receive training are permitted to use the system and granted access to any application. These employees are not permitted access to the computer system and their review will not be included in the applicant's file. Employees may not review more than one file at a time and must return the file before leaving the fourth floor reading area. Such employees are not provided access to the seventh floor.

July 11th **Site Visits**

State FmHA/RDA Directors and EZ/EC Contact persons are provided with the complete list of applicants from their State or from multi-State applicants. Directors are required to conduct a site visit of all applicants. Prior to each site visit, Directors or Contact persons are briefed on the specifics of the application by the relevant team manager. The site visit will use a questionnaire form that goes to the concreteness of the application. The results will be returned to the team manager who will ensure the site visit report is placed in the file.

July 18th **Federal Departments Informed of Program and Waiver Requests**

At the end of each day, a report will be prepared on applications that

*what about  
w/2000 //*

**USDA Review Process  
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June 10, 1994

receive a "high" mark from a single team manager, or that receive two "medium" marks from both team managers.

There will be at least three staffer appointed as liaisons with the other federal departments. Liaisons will review reports on daily basis and compare with computer generated list of each program and waiver request on a particular application.

Liaisons will contact the Departments by phone and by fax of the presence of an application: stating only the code number for the application, and the programs or waivers requested. Further identification will be limited to avoid the premature release of rankings.

Departments will be required to review the application on site; they are permitted to have only the pertinent pages photocopied for removal from the premises. They will receive a form that indicates their conditional commitment for funding or approval of waiver. The forms are to be completed by the Subcabinet member responsible for the Empowerment Zone program and returned to the Liaison within the agreed upon time constraints (at present, ten working days). The data on these forms is inputted by the liaison into the computer file.

July 18th Heath and Human Service Review for Title XX Feasibility

At the end of each day, a report will be prepared on applications that receive a "high" mark from a single team manager, or that receive two "medium" marks from both teams.

Special Title XX HHS employees will receive the "high/medium" report from senior managers and will be provided with access to the application file, the executive summary and to the computer review. The Title XX employee will be expected to complete his/her review within two working days and input into the computer file the status of HHS' approval, and whether the use of the Title XX funds is considered as "high", "medium" or "low" approval.

July 18th Review by the staff of the CEB Chair and Co-Chairs

Staff from the Vice President, NEC and DPC (respectively, the Chair and Co-Chairs of the CEB) will receive the "high/medium" report.

add review by SBA for one stage Capital program

**USDA Review Process  
EZ/EC Program****DRAFT**

June 10, 1994

Special VP, NEC and DPC employees will receive a list of these applications from the team manager and will be provided with access to the application file, the executive summary and to the computer review. Their review will not be included in the applicant's file. They may not review more than one file at a time, and must return the file before leaving the fourth floor reading room.

**July 25th Review by Panel of Rural Development Experts**

A panel of five senior USDA employees with experience with rural development, grant making and/or other appropriate skills conducts a review of the executive summaries and the applications for only those applications that receive "high/medium" marks.

Panel staff will provide information on HHS' review and that of the other agencies. Team managers may be called for additional information on a particular application.

The panel will discuss the applications and individually score such factors as: quality of the strategic plan, the strength of assurances of support, the quality of community and business sector input, innovativeness, feasibility, level of need, and community involvement.

The review panel produces a list of suggested finalists to the Under Secretary who will have access to presentations by team managers as well as to all files.

**August 22nd Presentation of the Finalist to the Secretary**

The Under Secretary and Senior Managers will present the Secretary with all of the "high/medium" applications and will indicate the relative strengths and weaknesses, based on the analysis of the Panel, the technical reviewers, the site visits, and the analysis by the Under Secretary.

The Secretary will determine which applications are to be submitted to the Community Enterprise Board for their consultation in compliance with the President's memorandum.

E zones

THE WHITE HOUSE

WASHINGTON

November 10, 1993

MEMORANDUM FOR S CASHIN  
K GIBSON  
P WEINSTEIN

FROM: P DIMOND PD

SUBJECT: NAME FOR CHALLENGE GRANT PROCESS

As you know, I think we need a name for the empowerment zone challenge grant process. Just to get the ball rolling, I offer the following:

AN ALL-AMERICAN CHALLENGE

Count this as a challenge to come up with something better.

Waters  
Walt  
Reynolds  
Rush  
H. Ford

→ Mike Alexander, Bob Nash



THE WHITE HOUSE  
WASHINGTON

October 19, 1993

MEMORANDUM FOR THE VICE PRESIDENT  
BOB RUBIN  
CAROL RASCO

FROM: Kumiki Gibson  
Paul Dimond  
Sheryll Cashin  
Paul Weinstein

SUBJECT: Workplan for Empowerment Zone Implementation

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Outlined below is the (revised) workplan for the Community Empowerment Working Group.

**WEEK OF OCTOBER 18, 1993**

I. Seminars

Kumiki will arrange the following seminars:

- A. Application/Planning Process (October 26, 1993)
- B. Governors & Mayors (November 2, 1993 (tentative))
- C. Education (November 3, 1993 (tentative))
- D. Public Safety (November 4, 1993 (tentative))

II. Contributions

Staff Members talk to OMB, HUD, USDA, and HHS regarding each agency's proposed contributions

- 1. Accurate identification?
- 2. Any more programs?
- 3. Other types of support?

**WEEK OF OCTOBER 25, 1993**

October 26, 1993: Seminar on Application/Planning Process  
Staff members work with issue groups on reports (List B)

**WEEK OF NOVEMBER 1, 1993**

Agencies revise contributions, cooperation and participation  
Issue groups revise reports

November 2, 1993 (tentative): Meetings with Mayors &  
Governors

November 3, 1993 (tentative): Education Seminar

November 4, 1993 (tentative): Seminar on Public Safety

**WEEK OF NOVEMBER 8, 1993**

White House reviews agency and issue groups reports  
Working group meeting to review reports and resolve issues

**WEEK OF NOVEMBER 15, 1993**

HUD, USDA, and HHS complete draft NOFA, application  
(including selection criteria, performance measures, process  
of assistance and designation); plan for workshops,  
assistance, communication, inspiration

Working group meeting to discuss any issues

**WEEKS OF NOVEMBER 22, 1993 AND NOVEMBER 29, 1993**

White House reviews NOFA, application, and plans for  
workshops

Resolution of any outstanding issues by Chair and  
Co-chairs and, as necessary, the President

**WEEK OF DECEMBER 6, 1993**

Final revisions, planning, preparation

**WEEK OF DECEMBER 13, 1993**

Announce the selection criteria, goals, and federal assistance and inducements to the country and issue the relevant regulations

**WEEKS OF DECEMBER 20, 1993 THROUGH JANUARY 14, 1993**

Hold workshops in all regions; explain how federal government can be of assistance to applicants to engage in transforming public-private-community planning

**JANUARY 15 - MAY 1994**

Federal Assistance with community planning (To Be Decided)

**MAY 1994**

Due date for applications

**JUNE - JULY 1994**

Review applications

Complete any negotiations regarding strategic plans

**AUGUST 1, 1994**

First round of designations will be made by the Secretaries of HUD and USDA (in consultation with the Enterprise Board)

**AUGUST 1994 - JUNE 1995**

Complete remaining designations. (We have not yet determined whether this will be accomplished through a second round of applications or through a process of rolling applications and designations.)

Provide assistance to designees to implement strategic plans; complete any additional necessary legislative action in Congress by June 30, 1995; customer driven, performance review of progress of designees in implementing strategic plan based on agreed goals and benchmarks

THE WHITE HOUSE  
WASHINGTON

October 18, 1993

MEMORANDUM FOR      JACK QUINN  
                             CAROL RASCO  
                             BOB RUBIN

FROM:                    Paul Weinstein  
                             Paul Dimond  
                             Sheryll Cashin  
                             Kumiki Gibson

SUBJECT:                Outstanding Issues Relating To  
                             Empowerment Zones

As we mentioned last week, several issues exist that may need to be resolved by you in the next few weeks. The following is a list of those issues on which we require guidance:

**1. Time-line for issuing the RFP.**

Attached is a proposed communique to the Enterprise Board which includes a workplan. We need to know whether you are agreeable to this schedule and issuing this communique. We believe there would be great symbolic value to being able to say that the RFP was issued in the first year of the Clinton Presidency. In addition, because of technical requirements in the legislation we feel that late-December is the absolute latest date we can issue the RFP.

**2. Scope of activities to be funded by Title XX.**

We need to know how the President and the Vice President want the Title XX money to be allocated. Based on the original empowerment zone legislation, we believe these scarce resources should be utilized for three purposes: (1) Promoting economic development and the creation of jobs; (2) encouraging the creation of capacity-building, community-based social service institutions that contribute to economic self-sufficiency and are self-sustaining, such as child care facilities, health centers, and learning centers; (3) funding innovative empowerment programs that are priorities for the President, including welfare reform, Individual Development Accounts, and community safety initiatives.

While we have had some success with HHS and others in getting them to focus on these areas, there are still some who believe the Title XX monies should be used solely for providing traditional social services. We believe that approach would be a mistake because

providing traditional social services. We believe that approach would be a mistake because we would be funding the outcome of the problem, not the solution. Please advise us as to how to proceed.

### **3. The Community Empowerment Principles.**

Last summer, Secretary Cisneros recommended that a set of principles be adopted as the Administration's community empowerment principles:

- A commitment to community.
- A commitment to support families.
- A commitment to economic lift.
- A commitment to reciprocity and to balancing individual rights and responsibilities.
- A commitment to reduce separations by race and income in American life.

As we discussed in our memo to you of Sept. 20, 1993, HUD has begun referring to these principles in their public papers, including the NPR Performance Agreement to be signed by the President, as the Administration's official philosophy on community empowerment, although the principles are still under review. Several agencies expressed concern that the principles were not specific enough to actually guide policy choices. We are involved in a process with HUD of clearly defining the problems faced by communities in order to revise these principles. Please let us know if you disagree with this approach.

cc: Bruce Reed  
Gene Sperling  
Elaine Kamarck

## ASKING THE RIGHT QUESTIONS ABOUT DISTRESSED COMMUNITIES?

The nature and scope of the problems of distressed inner city communities have vexed analysts, community leaders, blue ribbon commissions, Mayors, Governors, state legislatures, Congress and Presidents for decades. The concern is growing that virtual urban wastelands -- marked by violence, crime, a lost generation of youth and children, unemployment, and a flight of capital and people -- are expanding geographically in the core of many central cities and may threaten local and regional economies in many parts of the country. The specter of increasing racial ghettoization, economic isolation, hostility, rage, and suspicion form what many consider to be the country's greatest challenge, as well as the most dangerous threat to national prosperity and security.

In order to understand the nature and scope of the issues, four charts are attached that depict:

- (1) the **dynamics** of the flows of people, capital, firms and jobs in our geographically expanding metropolitan areas
- (2) the **factors** which contribute to these flows
- (3) the **fulcrum points** where potential for effective application of **levers of change** might be applied and
- (4) the **basic foundation policies** that may well serve all persons and communities.

These charts provide a simple **model** for **beginning** a discussion both of the problems to be addressed and of the policies to be considered. Viewed together, these four charts form the makings of a policy for empowering distressed communities and poor persons in those communities to achieve economic independence through full integration into the fabric of the larger metropolitan landscape and regional and national economy.

In reviewing the four charts, it may be helpful to consider three aspects of the dynamics of growth or decline of inner city and metropolitan areas:

- People and firms vote with their feet, their time and their pocketbook on where they want to locate, go to school, work and invest. Government cannot dictate where economically independent people or firms move.
- In the U.S. and other dynamic economies all across the globe, people of all races and incomes and firms large and small have been locating in metropolitan areas; at the margin, the preponderance of the net growth has been centrifugal, i.e., movement to geographically expanding suburban rings and exurban spaces. Government cannot dictate that people and firms not choose to buy an "acre" for their own home or firm.
- In the United States, there are very few instances where Anglos move in any numbers into areas that are identified as minority, particularly African-American, and many minorities fear (and have been effectively excluded) from moving into areas perceived as whites-only. Historically, government has concentrated project-based, subsidized and public housing -- and poor, minority households -- in the inner cities.

The resulting dual housing market has been a major engine of neighborhood succession and racial ghettoization.

In reviewing the attached charts, it may also be useful to keep in mind an overview of the current situation and trends in metropolitan America:

- Older metropolitan regions of the northeast and midwest with the lowest percentage minority population are the most highly segregated by race. University, military, and newer metropolitan regions of the Southwest and the West with the highest proportion of minorities (African-American, Hispanic and Asian) are the least segregated. The largest increase in numbers and total percentage of "minority" population is Hispanic and Asian, not African-American, including in the three fastest growing states -- California, Texas and Florida.

- The number of households on AFDC has grown to approximately 4 million (but only half of whom have been or will remain on welfare for more than 2 years). The number of persons below the poverty line has increased from 28 million in 1980 to 37 million in 1992. There are approximately 10 million people (and less than 4% of the total population in metropolitan areas) who reside in census tracts with high concentrations of poverty.

- The number of census tracts in metropolitan areas with high concentrations of poverty increased dramatically from 3200 in 1980 to 5000 in 1990, while the population density in these high poverty census tracts declined almost 12%. (Middle income African-Americans are beginning to move out of inner-city areas in increasing numbers and, as reflected in the 1990 census, are now joining the inter-regional migration patterns of whites). As a result, the geographic extent of poor "ghettoes" in many inner cities expanded even more dramatically than the marked geographic expansion of the surrounding metropolitan area. (The increase in tracts with high concentrations of poverty was not limited to African-Americans: between 1980 and 1990, there was a larger percentage increase in the number of Hispanic and Non-Hispanic white neighborhoods with high concentrations of poverty than African-American, although this increase may have been less visible because it was spread throughout the smaller metropolitan areas and rural America.)

- Differences in the growth of regional economies directly impacted the number and geographic extent of poor persons and high poverty neighborhoods within particular metropolitan areas. Between 1980 and 1990 the Midwest and the interior areas of the Northeast, Middle Atlantic, and South witnessed relatively large increases in the number of poor persons and the largest percentage increase in number of census tracts with high poverty concentrations.

- In the U.S., there is ample room for broader centrifugal expansion of metropolitan areas and population because each succeeding concentric ring provides a substantially greater land area for development.

- Unlike countries such as Japan that have tried to concentrate the location of firms, the more broadly dispersed location of firms and people in the U.S. has proven more convenient and efficient: average commuting times in the U.S. are less than one half those in Japan and two-thirds those in much of Europe.

- In the U.S., there are numerous examples of bottom-up community initiatives that are transforming communities block by block; there are waves of new immigrants who are clawing their way up ladders of economic opportunity and transforming communities block by block; and there are many examples of African-American and other minorities who are seeking -- and succeeding -- in not only joining the economic mainstream but creating additional wellsprings, creeks and tributaries.

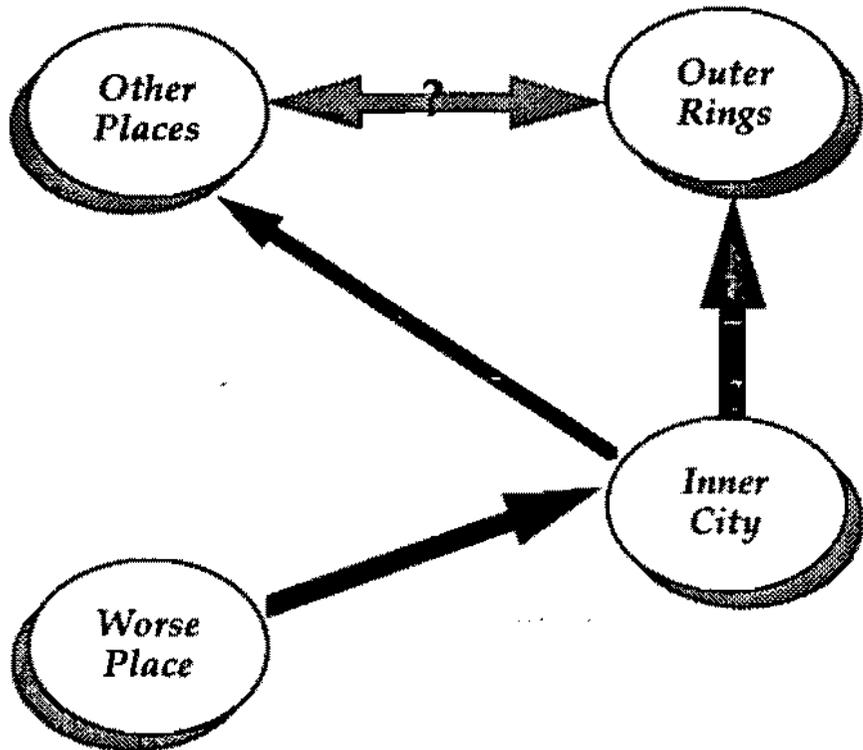
- In the U.S., many central cities have tremendous public and private assets ( e.g., research universities, hospital centers, headquarters and financial services, distribution centers).

- In the new economy of information and knowledge, central cities do not face the disadvantage of lack of open space which was necessary in the old economy to build long-line, mass production factories conveniently located near transportation; but telecommuting from home or work, from anywhere in geographically expanding metropolitan areas, is becoming both easier and more effective.

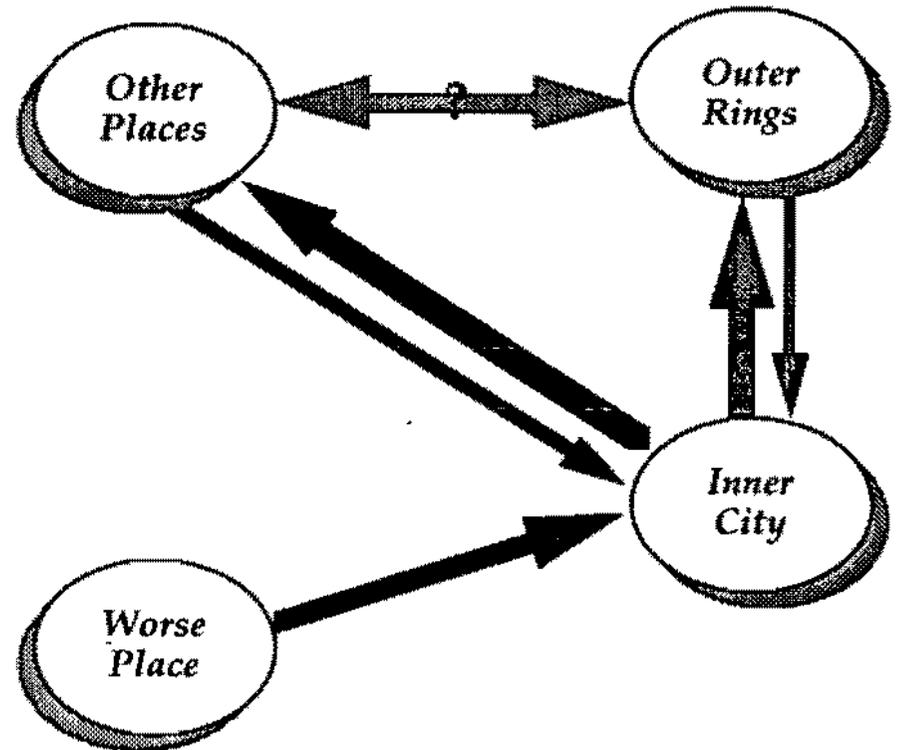
In sum, there is great variety in how the dynamics of the flows of people, firms and capital actually play out within and between metropolitan areas and regions. In drawing conclusions from the attached illustrations, humility -- not hubris -- may be the better part of discretion and provides another reason to avoid any claim for an all encompassing, comprehensive "urban policy." Despite the difficulties, strategies that work with the private markets, dynamic flows, current assets, and from the bottom-up hold more promise of empowering poor families and distressed communities to assume responsibility for joining in an historic crossing to full -- and increasing -- opportunity for all Americans.

# Historic Flows

Net



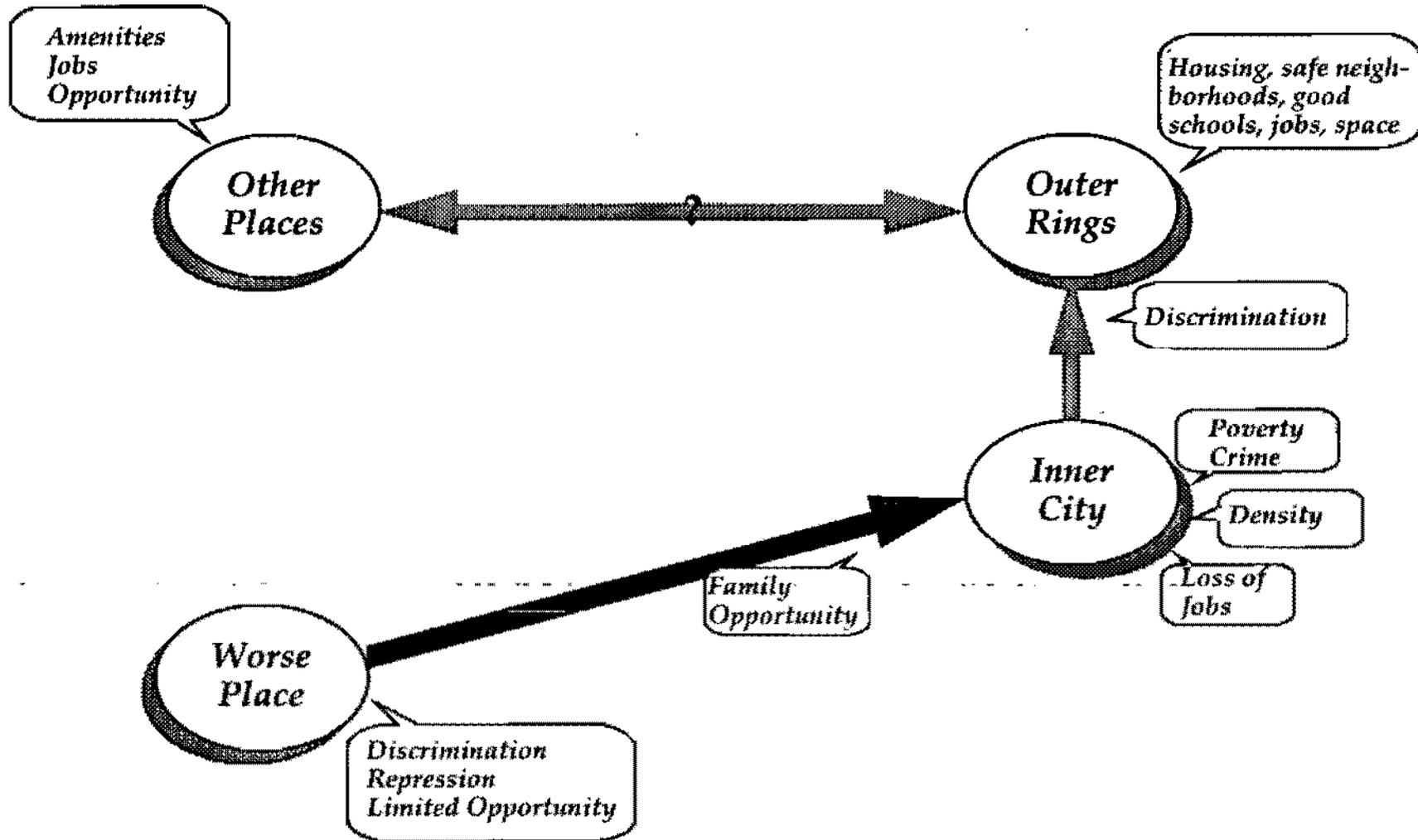
Gross



# Factors Which Contribute to Flows

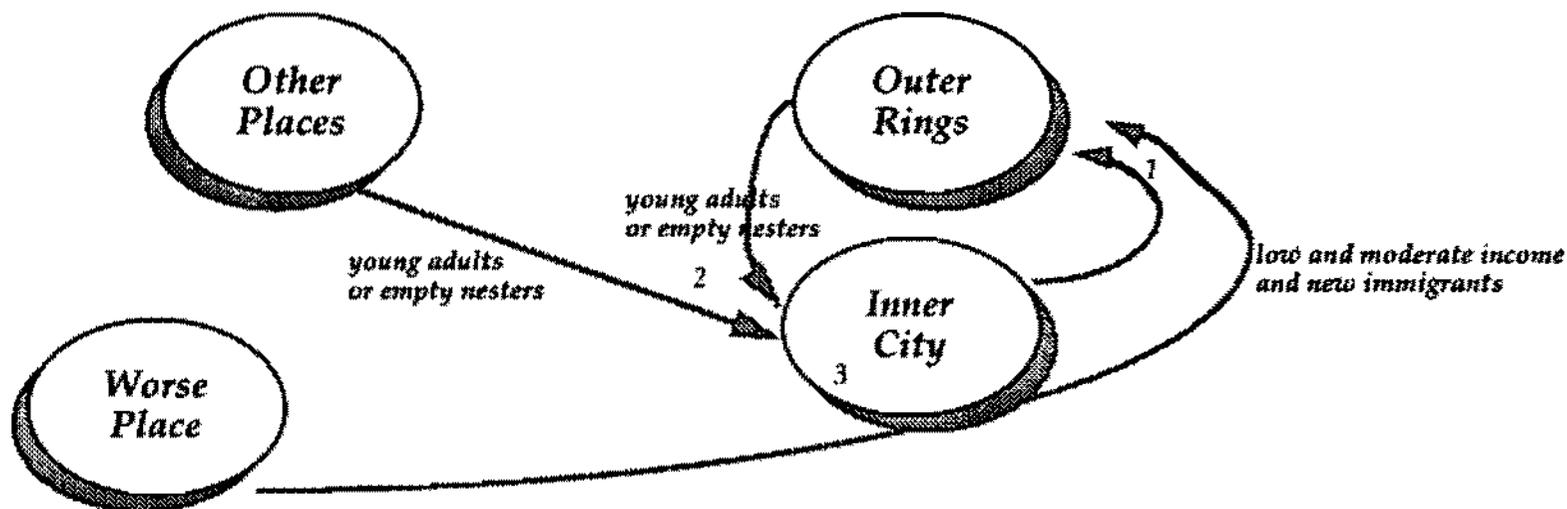
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## Historic Net Flows



## Fulcrum Points Where Potential for Effective Levers of Change

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1. Increase opportunities for low and moderate income persons and households and new immigrants to move to outer rings
  - a. ending discrimination
  - b. promoting mobility through housing vouchers (not project-based subsidies)
  - c. promoting links to local labor market job and school-to-work networks
  - d. promoting low and moderate income house ownership
2. Increase opportunities and amenities in inner city for young adults and empty nesters from outer rings and other places (and for current residents)
  - a. invest in economic activity and building off of existing assets and new opportunities – increase expanding nodes of economic activity and jobs
  - b. provide safe streets, neighborhoods, work, shopping, recreation
  - c. provide school choice, charters
  - d. encourage community, entertainment, cultural, retail activity
  - e. encourage niches, havens, oasis
  - f. encourage mixed income, not concentrated low-income, rental housing and home ownership
  - g. promote link to local labor market job and school-to-work networks
3. Empower communities
  - a. family/cooperative assets and firms, entrepreneurship (bottom-up economic empowerment), healthy start, head start, family-active learning, learning levers
  - b. expand capacity (and spin-offs) of existing churches, firms, community-based organizations

Issues: Make fringe development in outer rings harder? Facilitate inner city redevelopment through environment cleanup? Regional or State special service taxation or compacts (e.g., Transportation, Recreation, Culture, Schools, Water, Sewer)?

Suggested Draft Language For Waivers For Distressed Communities

(a) IN GENERAL. -- At the request of local governments that:

(1) have applied to have an area designated as an enterprise community or an empowerment zone pursuant to the Federal designating law;

or

(2) have developed a strategic plan for the purposes of revitalizing a community with pervasive poverty, unemployment, and general distress;

or

(3) have developed a strategic plan for the purposes of revitalizing a community experiencing out-migration equal to a decrease in the population of an area (as determined by the most recent census data available) by 10 percent or more between 1980 and 1990.

or

(4) are experiencing financial difficulties in part as a result of Federal mandates.

the Community Enterprise Board may coordinate, provide flexibility, or waive any provision of Federal law or regulation administered by the Secretary of Housing and Urban Development, the Secretary of Agriculture, the Secretary of Health and Human Services, the Secretary of Labor, the Secretary of Education, the Secretary of the Interior, the Secretary of Commerce, the Secretary of Transportation, the Attorney General, if the Board determines:

(1) that the public interest that would be served by granting the proposed waiver outweighs the public interest that would be served in furthering the underlying purposes of the applicable statute or regulation in the geographic area if the proposed waiver is denied.

(b) LIMITATIONS ON WAIVERS.

(1) The Community Enterprise Board may waive provisions of law or regulations governing a program that involves the expenditure of Federal funds only if the Board finds that, if the waiver is granted, the funds will be spent in accordance with a plan that advances the purposes of that program.

(2) The Community Enterprise Board may not waive provisions of law or regulation governing programs that would have the

effect of directing Federal funds to enterprise communities or empowerment zones that could not have received the funds absent the waiver.

(3) The Community Enterprise Board shall have no authority to waive any provision of law or any regulation unless the Secretary of the Federal Department charged with administering that provision of law or regulation, after consultation with the Community Enterprise Board, consents to the waiver.

(4) No waiver may be granted under this section regarding eligibility and benefits under the Social Security Act or the Food Stamp Act, or of any law or regulation respecting public or individual health or safety, civil rights and non-discrimination, environmental protection, labor relations, labor standards, occupational health or safety, pensions, taxation, or any other law or regulation that the Attorney General shall, by regulation determine.

(5) No waiver may be granted under this section that would have the effect of increasing direct Federal spending above levels that would have occurred in the absence of the waiver.

(c) **PROCEDURE.** -- The appropriate Secretary may receive requests for waivers under this section and refer those requests to the Community Enterprise Board and to the Secretary of the Federal Department charged with administering the program for which a waiver is sought. The appropriate Secretary shall inform the requesting party and the Congress of the disposition of the request for waiver.

(d) **REVOCATION.** -- The appropriate Secretary, in consultation with the Community Enterprise Board and following hearing, may revoke waivers in the event of substantial noncompliance with a strategic plan or failure to make progress in achieving the benchmarks set forth therein

(e) **SUNSET.** -- This section shall expire on September 30 of the first fiscal year that begins 5 years after the date of enactment.

(f) **IMPLEMENTATION.** -- In consultation with the Community Enterprise Board, the appropriate Secretaries shall, by notice jointly published in the Federal Register, establish such requirements as may be necessary to carry out the provisions of this Act. Such notice shall describe the criteria and procedures to be used by the Board in considering the waivers authorized by (section ??) of this Act.