

*file:
Empowerment
Zones*

*Boxes: These
are the
Summaries for
the EC finalists.*

Fju

Empowerment Zone
ATLANTA, GEORGIA

OVERVIEW

The Atlanta Empowerment Zone is located immediately to the east, west and south of the central business district. A poverty rate of 57.4%, concentrated in an area of only 9.3 square miles, gives the area one of the highest levels of economic distress in America.

The 1996 Centennial Olympic Games will have their most significant venues in and immediately adjacent to the Zone. Furthermore, the area contains the Atlantic University Center (the nations largest concentration of historically black colleges), major hospitals and health facilities, the Martin Luther King, Jr. Historical Site, recreational facilities, transportation routes and many businesses.

Zone Area - 9.29 square miles

Total City Area - 131 square miles

Zone 1990 Population - 49,998

City 1990 Population - 6,478,000

Racial composition - Over 90% African-American

Education - Over 44% residents lack High School Diploma

Income - 33% of residents receive some form of public assistance

Housing - 21% vacancy rate

Poverty rate - 57.4% residents live in poverty

Vision Statement

The City intends to expand its role to build regional unity by serving the different diverse cultures and networking with cities around the world. The City's vision as stated in the Strategic Plan is to create "Urban Villages" working together to improve the quality of life and conditions of the neighborhoods. This vision seeks to empower and inspire members of the neighborhood, especially children and youth, to promote cooperation, collaboration and partnerships among different participants and to create livable communities. If successful, the area will become a self-reliant, self-determined cooperative village.

KEY PRINCIPALS

Economic Opportunity - As many as 5,000 jobs will be created by expanding employment and investment opportunities in the Zone. An entrepreneurial initiative will generate 100 to 200 home-based businesses. One stop capital shops will provide assistance for small business expansion and new business development. A comprehensive program for job training will utilize universities, colleges and technical schools and promote upward mobility.

Sustainable Community Development - Atlanta's plan will create safe, livable communities through comprehensive planning, community policing, capital improvements to public infrastructure, and restoration of the environment. Human services, designed to lift youth and families out of poverty, will encourage self-sufficiency. Those initiatives will be coordinated at four neighborhood service centers. By offering special housing assistance, the plan will facilitate the provision of adequate housing for all.

Community-Based Partnerships - An array of partnerships were formed to develop the plan and proposes to remain together to complete implementation and beyond. Atlanta promoted the development of partnerships throughout the strategic planning process involving nearly 300 entities. This effort will continue during implementation with different levels of government, community groups, the private and non-profit sectors, educational institutions and other community institutions.

KEY ACTIVITIES

Urban Village Centers

Each Urban Village Center will be staffed by a partnership of service providers, but operated by a non-profit neighborhood association and linked by a computer network to a larger community center. Residents will have access to services and/or information on health, housing, employment, training, education, transportation, business development and public safety. These centers "one stop shops" will create a model for service delivery within the inner city. Trained volunteers from the Atlanta University Center and local churches will provide assistance in accessing the full range of services available. The computer network will also be accessible from school-based and home-based computers.

One Stop Capital Shop

One Stop Capital Shop (OSCS) is an integral component of the community's economic development strategy. A partnership of several exiting public/private organizations has requested to administer the OSCS. The applicant has provided general details regarding how SBA/non-SBA program components will be utilized to promote economic development. Basic details regarding the organization/management of the OSCS are also provided.

The overall quality of the application is average and warrants further consideration.

SSBG Funding

- Employment and Investment activities - \$32m
- Safe and Liveable Community programs - \$10m
- Youth and Family Services programs and activities - \$38m
- Housing Activities - \$21m

No demon institutions?

Public Sector Commitments - \$291m

State, County and local commitments from the Housing Authority, City of Atlanta, Fulton County and State of Georgia. Activities include housing, infrastructure improvements, and elderly and family services.

Private Sector Commitments - \$700m

Approximately one-half of this amount is from the Atlanta Committee for the Olympic Games and includes funds for the stadium, establishment of youth and educational programs, job training programs, and other physical construction and improvement programs. Other major contributors of resources include The Trust Company Bank, Georgia Power Company, Atlanta Mortgage Consortium, Atlanta Gas Light Company, Robert W. Woodruff Foundation, Inc., Metropolitan Atlanta Coalition of 100 Black Women, Corporation for Olympic Development and The Atlanta Chamber of Commerce.

Federal Funding/Resources Highlights**HUD**

- Emergency Shelter Program - ESG is a formula program. It is up to the locality to decide where the funds will be allocated.
- HOPWA - Determination for HOPWA funds are made by the locality.

DOT

- Innovative Projects, for various transportation improvements in connection with the '96 Olympics - FTA has received and reviewed Atlanta's grants for Olympics. The FTA is preparing a notice of FY'94 appropriations which will appear in the Federal Register.
- Section 3 Grant for Planning Intermodal Terminal - Grant is at Department of Labor for clearance. Application will receive funding. ✓

DOJ

- Public safety strategies - Funded at \$2,000,000 on 10/10/94.
- Community policing strategies - Funded at \$2,000,000.

SBA

- Women's Demonstration Project - Received funding through OWBO Demonstration Program in FY'94.

EDA

- Revolving loans to small businesses in target area. - Application has been approved. ✓

CNCS

- Americorps, Youth development, job training, community service. - Applicant has been selected to receive funding from the Corporation for National Service in the FY'94 funding cycle. ✓

NEA

- Visual Art Program - Application funded.
- Local Arts Agencies - Application funded.

BALTIMORE, MD

City Population: 736,000

Zone Population: 72,362

Zone Size: 6.8 square miles

Poverty Rate: 41.2%

Unemployment Rate: 17.3%

Infant Mortality Rate: 16.5/1000

Education: 55% of EZ residents have less than a high school education; 21% didn't complete 9th grade; 40% overall school dropout rate

OVERVIEW

The Baltimore Zone includes 3 non-contiguous areas that include 33 different neighborhoods just east, west and southeast of downtown: East Baltimore, Sandtown-Winchester, and Fairfield.

The city's overall vision is to create neighborhoods of choice rather than environments of last resort through a combination of small and large scale neighborhood revitalization efforts designed to connect its big growth generators located just east and west of downtown -- its health care industry, with the nation's largest concentration of life sciences -- with the many people living in these areas in need of jobs.

The revitalization of the communities surrounding the health care facilities will help to attract students, faculty and staff to the life science complex which in turn will help to keep the Johns Hopkins medical group, the city's largest (representing 10,000 jobs), in the city and link Zone residents with enormous employment opportunities by:

- ◆ Establishing 8 Village Center partnerships to mobilize service delivery, voluntary action and leadership development. Zone problems would be solved through these "village partnerships" which will be directed by neighborhood residents who would also be employed in community-building and mobilizing activities; *✓ good plan.*
- ◆ Rebuilding all social and neighborhood systems simultaneously through comprehensive "whole problem" approaches entailing community and economic development, health and family development, public safety, housing, youth support, and education, training and literacy promotion.

PUBLIC SECTOR COMMITMENTS: \$385,523,000**Highlights:**

Local Government Resources: \$209,500,000 for small business loans, SBA One Stop Capital Shop, Harbor Research Campus, Cruise Ship Terminal, Ecological Industrial Park, "Health Advocates" (resident program of health care screening in village centers).

State Government Resources: \$130,340,000 designated for affordable housing, economic development incentives, Harbor Research Campus and Cruise Ship Terminal, education and social service programs.

Federal Government Resources: \$45,683,000 designated for affordable housing, community and economic development, education and social services.

TOTAL PRIVATE SECTOR COMMITMENTS: \$394,200,000**Highlights:**

- NationsBank will provide a total of \$16 million, including \$5.5 million to establish a business information center in the Zone;
- World Alliance Merchant Finance Company will develop and provide equity for the Eco-industrial park in Fairfield;
- Union Trustees Pension Fund will provide \$80 million to finance the eco-industrial park;
- \$130 million from a consortium of lenders and developer equity to build the Harbor Research Campus in East Baltimore;
- 5 local banks have committed over \$50 million in a variety of business and residential loans for the Zone;
- 7 foundations have committed 1% of the value of their assets for each of the next 5 years to Zone projects.

KEY ACTIVITIES

Partnerships: Over \$5 million has been committed from the Johns Hopkins Hospital and Medical Systems, University of Maryland Medical System, Coppin State University, Kennedy Krieger Institute, Bon Secours Hospital, Total Health Care and Liberty Medical Center for health screening, coordination of social and health services delivery, and Harbor Hospital continuum of care for the elderly.

- ✓ **Oil Tank Reclamation and Used Tire Reprocessing:** Will be carried out at a facility to be constructed after clearing and decontaminating a lightly settled area of the Fairfield industrial area in South Baltimore.

Ecological Industrial Park: This project will be developed and financed by a

consortium consisting of the Cornell University Waste Management Institute, the World Alliance Merchant finance Company (WAMFCO), city and state governments, the private sector and the south Baltimore community in which the industrial park is to be located. The lead tenant will be a WAMFCO subsidiary, and the goal is to attract other environmentally-oriented tenants and investors in an incubator-like arrangement using a closed loop production system linked to resource recovery technology that maximizes use of resources while demonstrating both business and environmental efficiencies and providing jobs to the community.

good view

Community Development Bank: City is negotiating with the South Shore Bank of Chicago to capitalize a branch bank in its Zone for home acquisitions and improvements. Status unknown.

good

Secondary Mortgage Assistance: City negotiating a \$100 million commitment with Fannie Mae to purchase secondary market mortgages from local lenders and the state's mortgage revenue bond program for lending to homeowners to pay for rehabilitation costs. Status unknown.

SBA One Stop Capital Shop: City has applied for designation to set up a local Business Information Center and/or Business Resource Center in the city, in or near the Zone. Specific commitments and other agency requirements from local financial institutions appear to have been met.

Chicago, Illinois(EZ)

City Population: 2,800,000

Zone Population: 199,938

Zone Size: 14.33 square miles

Poverty Rate: 49.85%

Unemployment Rate: 25%

Infant Mortality Rate: not provided

Education: 56% of Zone residents over age 25 do not have a high school diploma.

OVERVIEW

The City has approximately 1,120,000 people or 40% of the City's population that live in areas that are eligible for inclusion in the Zone.

The Zone consist of 96 census tracts which are identified as West Cluster, Pilsen/Little Village Cluster and South Cluster.

1. West Cluster is made up of 30 census tracts with a population of 58,000 of which 87% are African American and is the area where much devastation resulted from the riots in 1968 after Dr. Martin Luther King was killed.
2. Pilsen/Little Village Cluster includes 18 census tracts with a population of 45,000 of which 86% are Latino and the area serves as a port of entry for newly arrived immigrants.
3. South Cluster contains 48 census tracts with a population of 97,000 of which 91% are African American in an area which has suffered from the legacy of Federal programs such as Urban Renewal and Public Housing.

The Zone assets include: a strong transportation system, first rate medical facilities, colleges and universities, sports and cultural facilities, parks, and recreational facilities, abundant industrial and commercial land on which to build, dedicated and talented residents, community based organizations with historic involvement in their communities, and three major highways and industrial corridors.

The City has identified two major goals for the Zone:

1. Goal One is alleviating Poverty, creating economic opportunities and enabling low-income residents to seize these opportunities, achieve self sufficiency and build sustainable communities.
2. Goal Two is Reinventing government, fundamentally changing the way federal, state county, and city governments interact with citizens, especially low income citizens

The City has developed seven key strategic initiatives which will become the building blocks for a systematic approach. The initiatives are: Human and Organizational Capacity; Linking Health and Human Services; Public Safety; Economic Empowerment; Development of Affordable and Accessible Housing; Building on Cultural Diversity as a Critical Asset and Youth Futures.

The City has some 200 tools or existing local programs that will be used under the seven initiatives to help build a sustainable community development in the proposed Zone.

use of existing assets

The City's strategic vision is committed to the creation of vibrant neighborhoods which enable individuals and families to reach their highest potential intends to create a true collaboration of neighborhood, businesses and government, will be holistic, yet culturally sensitive; will produce a sustainable community which meets our simple yet critical goals; and will reinvent government and aid in alleviating poverty.

PUBLIC SECTOR COMMITMENT [Figures not provided]

Highlights:

Federal, State, County and Local Existing Commitments Resources:

Financial resources include \$325 million for the improvement of the Green Subway line from DOT. Set aside from the State of \$50 million to be divided among the successful EZ/EC applicants over a ten year period. Set asides from the State from different programs, issuance of general obligation bonds by the City to construct capital improvements, provision of high-tax suspension or tax credits for local businesses locating in Zone, and creation of Tax Increment Financing District.

Double tax breaks!

TOTAL PRIVATE SECTOR COMMITMENTS [Figures not provided]

Highlights:

Eight banks have pledged over \$1 billion for affordable and accessible housing loans. Over 350 participants have indicated that assistance and support will be available in the Zone.

KEY ACTIVITIES - specific manifestations of points mentioned in overview (examples)

The City's application provided for the specific activities to be established after designation by the grassroots Community Governance Council made up of residents who are elected by their Cluster populations.

FULL FEDERAL COMMITMENT

SFA

Eight out of twelve federal applications totalling approximately \$12,000,000 have been approved by Federal agencies.

SBA: One Stop Capital Shop- The City's request warrants further consideration

Need more info!!!

CLEVELAND, OHIO Empowerment Zone

City Population: 505,616
Zone Population: 50,597
Zone Size: 5.8 square miles
Poverty Rate: 46%
Unemployment Rate: 25%
Education: 53% of adults lack high school degrees

OVERVIEW

The City of Cleveland has designated three (3) east side neighborhoods - Fairfax, Hough, and Glenville - as the Empowerment Zone, which is two miles east of downtown. These three neighborhoods have highly motivated residents organizations with a history of collaborative efforts with organizations. There are valuable land resources of 7,500 undeveloped vacant lots for commercial and housing development, and the area is the home of several major employers and institutions.

Cleveland's vision includes three main elements: economic development, labor force development and community building. This vision will be implemented through the following major activities:

- ◆ Employ a ^{good} business organizer to work directly with businesses and ~~manufacturers to meet their~~ service, technical and resource needs and cultivate a climate for job creation and growth.
- ◆ Create the Alliance for Economic Opportunity, a zone wide organization that will work to develop job training to meet current employer needs as well as future zone jobs.
- ◆ ^{good} Coordinate activities of the CDCs, such as the Fairfax Renaissance Development Corporation and Hugh Area Partners in Progress, with public and private organizations, such as Fannie Mae, Neighborhood Development Investment Fund, the newly created Cleveland Development Bank, and Neighborhood Progress, Inc. to develop housing and commercial ventures and entrepreneurial opportunities.
- ◆ Create family/resource centers in the three neighborhoods. The centers will provide for human and family development through education, job training, and access to social services including health care, crisis intervention, day care, counseling, mental health and parenting to meet family needs.

PUBLIC SECTOR COMMITMENT \$41,800,000 *good*

Highlights:

City Highlights: \$40 million designated for public investment and employment producing activities.

State Highlights: \$1.8 million for loan and training programs, housing, and roadway development.

TOTAL PRIVATE SECTOR COMMITMENTS \$8,150,000 *modest*

Highlights:

Cleveland Development Bancorporation \$7.5 million designated for primary financing of three small business enterprise centers.

Cleveland Enterprise Group: \$500,000 a year in support of technical assistance services for new entrepreneurs.

Neighborhood Progress, Inc.: \$150,000 to support strategic planning activities in the three neighborhoods.

KEY ACTIVITIES - specific manifestations of points mentioned in overview

Job Training: The JOB-Match program will be expanded and enhanced to provide vocational guidance services.

Small Business Support: Job development, entrepreneurship and investment will occur through: 1) support of existing and new businesses through creation of "business organizers"; 2) development of enterprise centers or incubators; 3) establishment of land development revolving loan fund for land banking and site development; and 4) real estate development controlled, neighborhood based development corporations.

Entrepreneurship Opportunity: Cleveland Development Bancorporation with \$17 million in private funds will operate three entities: 1) a commercial bank, 2) a real estate development company, and 3) a 165,000 sq. ft. incubator project. *good exp. been*

Family Resource Centers: Each neighborhood will have at least one family resource center that will provide for human and family development. The resource centers will be staffed by a coordinator, specialized health workers and five family coaches. *community thing*

FULL FEDERAL COMMITMENT

DOJ: Community Policing

HUD: CDBG/HOME/UDAG Repayment

DOL: JTPA

DETROIT

City Population: 1,027,974

Zone Population: 101,279

Zone Size: 18.3 square miles

Poverty Rate: 47%

Unemployment Rate: 29%

Infant Mortality Rate: 21.4 per 100,000

Education: 51% of adults over 24 lack high school diploma.

OVERVIEW

The Detroit Empowerment Zone incorporates the most needy neighborhoods in the East Zone, Central Zone and Southwest Zone of Detroit, a total of 48 census tracts. These are the neighborhoods with the highest unemployment, highest crime, highest poverty, highest number of people receiving public assistance and with the lowest income and lowest vehicle ownership.

The Empowerment Zone follows the Detroit River facing Canada (Windsor). It includes many under-utilized automobile production plants that have now moved to other locations. It is anchored by but does not include the Renaissance Center.

Through a strategic plan, the Detroit EZ aims to:

- ◆ Rebuild the industrial base by capitalizing on the resources and opportunities already in the community, such as:
 - ◀ advanced technology in the surrounding industries and academic institutes;
 - ◀ abandoned and under-utilized facilities in the area that can be revitalized;
 - ◀ significant private financing and business expertise to attract new businesses; and,
 - ◀ the city's central location, port facilities and proximity to Canada that will enable Detroit to grow into an international trade and tourist center.
- ◆ Foster the development of emerging industries:
 - ◀ transportation,
 - ◀ health care,
 - ◀ environmental preservation and recovery, and
 - ◀ arts and entertainment.
- ◆ Create a viable work force of local residents by improving job training, child care and educational opportunities.

grants

Create a projected market for EZ residents of 3,275 new jobs, including: ✓ *jobs by mm*

- ◀ 500 in auto companies,
- ◀ 375 in new corporate positions,
- ◀ 200 in financial institutions,
- ◀ 2,000 in health industries and
- ◀ 200 in utilities.

◆ Leverage local and private commitments totalling \$1,944,845,542 - *2 billion*

PUBLIC SECTOR COMMITMENT [total \$1,184,602,000] *\$1.1 billion*

Highlights:

◆ **State of Michigan:**

- ◀ The Michigan Jobs Commission has committed \$1 million to train new and existing employees of businesses located in the Zone.
- ◀ The Michigan Employment Security Commission (JOB Pact) has committed \$500,000 for registration, training, job matching and transportation to jobs for residents in the EZ area.
- ◀ The Michigan State Housing Development Authority (MSHDA) will offer over \$20 million in grants and low interest loans for housing and another \$13 million (added to the \$67 million already allocated) to rehabilitate of 1,768 units within the zone.
- ◀ Additional funds will be spent through the State's JTPA, Michigan State Police special programs, the Department of Transportation, the Department of Natural Resources and the Department of Human Services. This is estimated to be \$100 million over the next 10 years.

◆ **City of Detroit:**

- ◀ \$32,250,000 in HOME funds,
- ◀ \$10,600,000 in HOME Program Income funds, and
- ◀ \$69,650,000 in Community Development Block Grant funds. ✓

◆ **Department of the Army:**

- ◀ The Army's Tank-Automotive Research Development Center (TARDEC) has initiated a multi-outreach program to transfer to the private sector, and especially to small businesses, critical technologies that will enhance industrial performance.
- ◀ Associated community youth outreach program activities include: high school mentoring programs, Engineering-in-the-Classroom seminars, a

speakers bureau, an Internet program, and summer hire and co-op job programs.

TOTAL PRIVATE SECTOR COMMITMENTS [total \$214,823,000]

Highlights:

◆ Ford Motor Company:

- ◆ Commit \$8 million to help create a Development Fund and Community Development Bank with up to \$50 million of private sector financing for economic development. ✓

◆ General Motors Corporation:

- ◆ Commit \$8 million to the creation of a development fund,
- ◆ Transfer its Cadillac Engineering Building and adjacent emissions laboratory and parking (value: \$5 million) to the Detroit Public Schools for use as a vocational and technical education center in the zone. ✓
- ◆ Build a multi-hundred million dollar manufacturing venture that would create more than 500 jobs,
- ◆ Establish a multi-million dollar "value-added" assembly operation within the zone. ✓
- ◆ Make \$50 million in purchases from minority companies in the zone, and
- ◆ Work with the New Center Area Council to improve the community.

◆ Chrysler Corporation:

- ◆ Complete a projected \$120 million expansion of 700 new jobs, 10% to 15% for zone residents, and
- ◆ Support creation of \$50 million development fund for new businesses.

◆ Bank and Financial Institution Consortium:

- ◆ Commit \$1 billion to Empowerment Zone investments in the 10-year plan, ✓ and
- ◆ Provide and technical assistance and apply liberalized lending criteria for new zone businesses.

KEY ACTIVITIES

◆ Job Training:

- ◆ Community Outreach Program of United States Tank-Automotive Research Development and Engineering to teach, mentor and provide jobs,

- ◀ Industry Specific Training program, funded at \$19.663 million from local, state, private, SSBG and other Federal sources, responding to the needs and opportunities of the four focus industries in the zone: manufacturing, health care, construction and green industries.
- ◀ Motivational Training to promote self reliance and entrepreneurship,
- ◀ JOBNET (job linkage program),
- ◀ Training for disabled persons, and
- ◀ Training in job readiness and workplace skills

◆ **Small Business Support - Financing and Technical Assistance:**

- ◀ Train to gain access to capital and technical assistance (\$8.241 million),
- ◀ Establish a Community Development Bank (\$59.531 million),
- ◀ Establish an Empowerment Zone Financial Consortium (\$1.5 million), and
- ◀ Establish a New Commercial Development Corporation (\$2.580 million).

◆ **Strengthen the Business and Technology Base:**

- ◀ Implement a Business Modernization Program (\$3.681 million),
- ◀ Establish a Science Park,
- ◀ Provide Incubator Facilities and Assistance,
- ◀ Develop a Model Industry Area,
- ◀ Form an EZ Business Attraction Consortium, and
- ◀ Operate a Land Bank (\$15.614 million).

◆ **Entrepreneurship Opportunity: \$41.750 million):**

- ◀ Establish a World Trade Center, including development of an international port, to capitalize on proximity to Windsor, Canada,
- ◀ Revive Mexitown as a retail mall, festival and welcome area,
- ◀ Support the culture and arts industries,
- ◀ Promote development of automotive industry support businesses,
- ◀ Enhance and expand existing medical center and services, and
- ◀ Develop an environmental clean-up and restoration service industry with a national market.

◆ **Community Health Care and Social Support Services (\$237.5 million):**

- ◀ Build strong and healthy families through Community Self-Sufficiency Centers (\$68 million),
- ◀ Strengthen the Michigan Families Coordinated Services Center (\$2 million),
- ◀ Expand the Family Support Services Center (\$1.025 million).

- ◀ Assist in early child and parenting through parenting and pre-school education, comprehensive early childhood development training, male responsibility classes, and comprehensive early childhood health care, and
- ◀ Provide independent living, health care and prevention and social services to elderly and HIV populations.

FULL FEDERAL COMMITMENT

Examples:

◆ SBA:

- ◀ One Stop Capital Shop, the cornerstone of a comprehensive strategy to gain access to capital and technical assistance

◆ DOJ:

- ◀ Community Policing
- ◀ Narcotics Prosecution

◆ HHS:

- ◀ Head Start
- ◀ Drug Treatment
- ◀ Temporary Child Care for Children with Disabilities

◆ HUD

- ◀ Major Reconstruction of Obsolete Projects (MROP) (\$15 million)
- ◀ Lead Abatement Assessment (\$6 million)
- ◀ Drug Elimination (\$1.5 million)
- ◀ Home Ownership, CDBG, HOME, Homeless

◆ DOL

- ◀ JTPA for older job seekers)

DATA SHEET FOR HOUSTON, TX

City Population: 1,631,766
 Zone Population: 102,008
 Zone Size: 19.8 square miles
 Poverty Rate: 41.6%
 Unemployment Rate: 8% City wide
 Infant Mortality Rate: not cited
 Education: not cited

OVERVIEW

The Houston Zone includes census tracts where there is a concentration of poverty, unemployment, lower educational achievement, substance abuse, crime and neighborhood stagnation. The proposed Empowerment Zone (EZ) has over 45,000 children and young adults (ages 0-24 years). Young people are 45% of the zone population and almost 50% of those below poverty level.

The vision for Houston is "a better future for children and youth through community-based partnerships." This vision is supported by a set of 10 principles that define the "essentials for living". The strategic plan that emerged contained four major components: Human Development, Economic Development, Housing and Sustainable Development, and Infrastructure. Underlying the vision is the recognition "... that without partnerships within the community, any attempt to improve the life of children would be doomed..."

PUBLIC SECTOR COMMITMENT [total \$255 M] low (bud. 2/1 w/ TTR xx)

Highlights: The City of Houston, Harris County and The State of Texas have identified over \$46 million to be leveraged with a variety of block grant and other public funds.

TOTAL PRIVATE SECTOR COMMITMENTS [total \$91 M]

Central Houston, Inc. committed \$350,000 per year for five years for administration of the E Empowerment Zone.

Exxon Company, U.S.A. spends in excess of \$400,000 annually in the designated area. The range of activities includes the arts, health, education, civic and community service and United Way organizations.

②
SO?

Texas Commerce Bank will dedicate 10% of designated branch profits for distribution by community groups to human development projects within the zone.

NationsBank will lend \$30 million within the zone.

KEY ACTIVITIES - specific manifestations of points mentioned in overview (examples)

*No coord
vision*

Human Development will be fostered by implementing and expanding a plethora of programs covering education, health, and public safety. The COMMUNITIES IN SCHOOLS is designed to reach each school in the EZ to deal with external problems of at-risk children. The READY TO LEARN program provides screening at birth for at-risk babies/families. ADVANCE is a one-stop service program from substance abuse and related support services.

Economic Development

The plan includes a new convention center hotel that will create 1200 permanent jobs (600 for *div* youth from the EZ).

Housing and Sustainable Development

While no one program exemplifies the broad thrust of this component. Projects include: rehab, in-fill, homeless facility, parks, water conservation, toxic clean up and habitat creation.

Infrastructure

The most significant program targets improvements street overlays to facilitate affordable housing and economic development projects in the EZ.

FULL FEDERAL COMMITMENT

(highlight federal agency programs integral to strategic plan)

Examples:

The applications for federal funding are supplemental to this plan.

Bi-state Empowerment Zone

Kansas City, Kansas (KCK)
Kansas City, Missouri (KCM)

OVERVIEW

The cities of Kansas City, Missouri (population 435,146) and Kansas City, Kansas (population 149,767) form the nucleus of a metropolitan area that includes 1.6 million residents, 11 counties, 138 cities, 66 schools districts and 2 states.

KCM, the central city in the metropolitan area, contains a massive 316 square miles within its city limits. Surrounding the heart of the central city are older neighborhoods with quality single-family housing stock, newer suburban subdivisions and vacant land, all within the city limits. Forty-five percent of that land is undeveloped. The metropolitan area contains the highest number of highway miles per capita of anywhere in the country. Because of the city's western origins and lack of physical constraints, Kansas City has an abundance of land to accommodate growth and a low density of development that has created almost complete reliance on the automobile for transportation.

KCM's neighborhoods are relatively small, but clearly identified and very well organized. KCK's neighborhoods are less organized but are rich in identity and ethnic heritage.

- KCM's Population - 435,146
- KCK's Population - 149,767
- Zone Population - 49,399
- Zone Area - 19.6 square miles
- Neighborhoods - 35
- One continuous parcel ✓

DEGREE OF NEED - ("community" refers to average 10 county KC MSA)

RACE

- 79% of the residents are minorities
- 68% of the residents are African-American compared to 13% for the community
- 10% of the residents are Hispanic compared to 1.5% for the community

INCOME

- median household income is \$12,413, which is about 1/3 of metro area
- 43% of households have incomes below \$10,000
- 31% of the elderly population (65 yrs or older) live in poverty, compared to 11% for the metro area

- 55% of the children (ages 0-17) live in poverty, compared to 13% for the community
- 23% of the residents receive some form of public assistance, compared to 5% for the community

PERVASIVE POVERTY

- Poverty is widespread throughout the zone and nowhere within the zone are pockets of affluence located.
- Poverty rate for the zone was 24% in 1980 and has significantly worsened, rising to 39% in 1990.

UNEMPLOYMENT

- Rate of unemployment for the zone in 1980 was 11.5%, whereas in 1990 the rate had sharply risen to 16.6%, compared to a metro-wide rate of 5.5% which clearly demonstrates the severity of unemployment in the zone.

GENERAL DISTRESS

Population stability

- Population of the zone between 1980 and 1990 declined dramatically by 19%, however census data indicates that the number of those in poverty actually increased in absolute terms.

Housing

- 46% of the housing stock in the zone was built prior to 1940.
- This aged housing stock, when impacted by other negative factors, has accelerated housing vacancy rates. The zone had an average housing rate of 22% compared to the metro area's rate of 8% in 1990.
- Homeownership is well below the community-wide average with 57% of the zone residents being renters as compared to 35% community-wide.
- Housing values are also low in the zone with 55% of owner-occupied single-family home valued below \$25,000. ✓

Education

- Residents of the zone lag well behind in educational attainment. 45% of the zone population over 24 have failed to obtain a high school diploma; only 6% of the same age group have attained a college degree compared to a community-wide average of 18% having obtained a college degree.

Family structure

- Children in the zone face a good probability of being raised in a family headed by only one parent. One-quarter of all households in the zone are single-parent households.

Public safety

- In response to a survey mailed to thousands of zone resident,

the top problem was identified was crime. ✓

- For every 1,000 people in the zone, 183 felonies were committed in 1993. Thus, almost one-in-five persons were affected by a felony offense in a single year.

VISION STATEMENT

KC summarizes its vision for the zone as "mirroring the spirit of the people for whom it was created." It is a people-centered vision, in which their success will be measured by the impact they have on the lives and attitudes of people who live in the zone. They seek to empower the zone by ensuring that its residents and neighborhoods participate fully in the economic and social progress of the metro area. ✓

KCK/KCM zone strategy was developed through a highly visible ✓ grassroots process involving a wide array of techniques including opinion surveys, neighborhood forums, town workshops, interview and individual conversations. The focus of the plan is Connections - ✓ connecting people, institutions and programs to one another and to the broader community.

The strategic plan is organized around seven key objectives:

- create broad economic self-sufficiency
- create healthy neighborhood environments
- provide support systems to meet the particular needs of all families and individuals
- provide opportunities for life-long learning
- re-establish community
- citizenship and caring
- strengthen community decision-making processes
- improve the metro context of the urban core

KEY ACTIVITIES

There are three key initiatives that will leverage federal Title XX flexible social service grant resources to strategically intervene in the community's comprehensive agenda for change. The three key interventions are:

- The Economic Empowerment Initiative, an aggressive integrated agenda to create jobs, neighborhood businesses and economic success in the Empowerment Zone.
- The fundamental purpose of this initiative is to create quality jobs within the Empowerment Zone for the residents of the zone and to equip the residents to participate in the metropolitan economy as full partners. In addition, this

initiative seeks to develop and support businesses within the Empowerment Zone that serve zone residents and/or are owned by zone residents.

The Neighborhood Empowerment Initiative, includes an innovative community action network and investments to ensure quality housing.

- The Neighborhood Empowerment program includes two components: Community Action Network and Quality Housing. Community Action Network will be a series of centers providing a range of services that will be available to every neighborhood in the zone. The centers will be linked to one another by computer and are intended to connect residents with information, programs and services. The location for the centers will be determined by the neighborhoods and could be found in schools, existing or proposed community centers, churches or storefronts.

- Quality Housing priorities will be established in each neighborhood for demolition or renovation of abandoned structures.

The Family Advocacy Initiative, ensuring outreach and problem-solving support for families and individuals in need.

- The Family Advocacy Program is a multi-level assistance network to provide peer and professional support to individuals and families in need. The program will serve at least 700 families or individuals in the zone at any time. The program will provide a continuum of care, beginning with improved access to existing services and peer support, with referral to more intensive services if needed.

Public Sector Commitments - \$113.73m - 1-1 material

Highlights:

Economic Empowerment - \$8.0m - includes activities such as job development, neighborhood business, new employee support, adult basic employment, and stay-in-school programs.

Neighborhood Empowerment - \$103.23m - includes activities such as the neighborhood service fund, housing rehab., and home

ownership programs.

Family Advocacy Initiative - \$2.5m - includes activities involving professional advocates.

Private Sector Commitments - \$149.60m

Highlights:

Economic Empowerment - \$57.70m - includes activities involving job development, neighborhood business, entrepreneur business, entrepreneur capital and stay-in-school programs.

Neighborhood Empowerment - \$91.90m - includes activities involving job development, alert centers, neighborhood service centers, home ownership and housing rehab.

Other Federal Commitments - \$196.91m

Highlights:

Economic Empowerment - \$42.10m - includes activities involving job development, neighborhood business, entrepreneur capital, and stay-in-school.

Neighborhood Empowerment - \$154.81m - includes activities involving neighborhood service fund, home ownership, and housing rehab.

Federal Funding/Resources

HHS

- Request for funding for Comprehensive Mental Health services for persons affected with HIV. - A proposal was received, applicant received recommendation for approval, however, given limited funds, score does not appear to be competitive. Funding decisions scheduled for September 19, 1994. This entity may be considered for funding in FY 1995 without a separate application.
- Request for designation as a federally qualified center for special populations and provisions of health care services. - Competitive grant proposal has been received, and a funding decision will be made by September 30, 1994.

SBA

One Stop Capital Shop Evaluation

- The OSCS concept appears to be a reasonable component in the applicant's overall economic empowerment initiative. The applicant provided basic details regarding the use of various SBA program components. However, no details are provided regarding possible locations of the proposed OSCS and its organization and management. For the most part, specific, written commitments from the key program providers identified are absent. The overall quality of the proposal is fair and will receive further Agency consideration.

DOE

- Center of Independent Living - Applicant submitted a successful application. ✓
- Workplace Literacy Program - Applicant submitted a successful application. ✓
- Secretary's Fund for Innovation Technological Education - Application Pending.

HUD

- Neighborhood Leveraged Investments - Requested funds for restoration of portion of the center, establishment of a Jobs and Career Center Program, and construction of a pedestrian skywalk. **LIFT program not yet enacted.**
- Storm/Sewer Grant (CDBG Disaster Relief Fund) Applicant requested funding for rehabilitation of two pump stations to current standards to better handle flooding. - Use of funds is at the discretion of the locality.
- Supportive Housing for Elderly. New construction of a 42-unit apartment building providing affordable rental housing for elderly persons. -The Section 202/811 competition is still underway.

LOS ANGELES

City Population: 3,485,598

Zone Population: 198,703

Zone Size: 19.3 square miles

Poverty Rate: 40%

Unemployment Rate: 24.6%

Education: 62% of the zone population does not have a high school degree

OVERVIEW

The Los Angeles Empowerment Zone contains the traditional industrial core of Los Angeles which includes the Downtown Alameda Corridor, the Historic Core, Central Avenue, Watts and Firestone. The nominated area consists of three noncontiguous areas with a total of 41 census tracts.

The Empowerment Zone follows the route of the Alameda transportation corridor which connects the major rail hubs and wholesale and manufacturing districts of downtown Los Angeles to the largest port complex in the country.

Through a strategic plan which targets the neighborhoods of greatest poverty which also contain the commercial industrial space of greatest promise, the Los Angeles EZ aims to:

- ◆ Improve and enhance the competitiveness of existing industries, safeguarding jobs and creating new opportunities;
- ◆ Foster the development of emerging industries in transportation, health care and arts and entertainment;
- ◆ Create a viable workforce by improving job training, child care and educational opportunities for residents;

PUBLIC SECTOR COMMITMENT

Highlights:

City Capital Budget: \$461 million designated for infrastructure improvements, police and fire facilities, libraries, and public buildings.

Community Redevelopment Agency: \$91 million for list major programs.

Metropolitan Transit Authority: \$2.1 million for list major initiative.

?? City/County: \$1.8 billion list programs.

R. X.

TOTAL PRIVATE SECTOR COMMITMENTS

Highlights: list specifics

Drew Medical Center: \$500,000 to expand medical services to community clinics
Local Initiatives Support Corporation: \$2.4 million to be used in health care development
Foundations and Banks: \$4.2 million in the development of small businesses and capital ventures.

*Weak -
the a
city will
small
residents
No major
commitments*

KEY ACTIVITIES - specific manifestations of points mentioned in overview (examples)

Job Training: Several training programs for zone residents, in particular, Mission College and North Valley Occupational Center will collaborate in providing training in graphic arts, computer assisted design, printing, fabric design and entrepreneurship in Pacoima.

Small Business Support: Small business incubators to be designed to focus on disadvantaged youths and adults to provide skill training, transportation services and financial counseling in partnership with United Way and GTE.

Entrepreneurship Opportunity: UCLA and private foundations will provide a site in the empowerment zone to house manufacturing facilities for use in small business development.

Community Health Care: Drew Medical Center, LISC and several neighborhood associations will join in partnership to create community-based health services.

FULL FEDERAL COMMITMENT

(highlight federal agency programs integral to strategic plan)

Examples:

SBA: One Stop Capital Shop-The shop is an integral part of the applicants overall comprehensive business development strategy. Specific commitments from leading financial institutions.

Good

DOJ: Community Policing

HHS: Head Start/Drug Treatment

HUD: Homeownership/CDBG/HOME/Homeless

DOL: JTPA

EPA: Brownfields to Greenfields

MIAMI METRO-DADE EMPOWERMENT ZONE

City Population: 358,548

Zone Population: 49,616

Zone Size: 13.1 square miles

Poverty Rate: 2.5 times higher than the county (341,000 residents live in poverty)

Unemployment Rate: 13%

Infant Mortality Rate: statistics not provided

Education: 63% of the students in the zone have not completed high school

OVERVIEW

The Miami Metro-Dade Zone incorporates census tracts in three non-contiguous Dade County locations: Miami, Liberty City, and Homestead/Florida City. The distress in this area can be attributed to the such things as the devastation caused by Hurricane Andrew and the closing of Homestead Air Force Base.

The strategic plan is a comprehensive, coordinated approach utilizing proven programs in an innovative mix building on existing strengths, assets, and greatest potential economic opportunities within the County in partnership with residents, community based organizations and institutions of service (both public and private), Federal, State and local governments, business, labor unions, and educators. For example:

- ◆ The City will invest in programs which provide individuals opportunities for economic lift rather than subsidize alleviation of the negative effects off poverty
- ◆ The creation of a Job and Business Core in the central parcel to link the Airport to the Seaport, as well as the Medical complex and the Central Business District will occur. This will also link the distressed communities of Melrose/Allapattah; Overtown; Wynwood; and Little Havana in an EZ.
- ◆ Streamlining, improving and promoting the job training and placement efforts of public and private institutions throughout the County.

PUBLIC SECTOR COMMITMENT (not specified) why?

Highlights:

Metro-Dade Multi-purpose Revolving Loan Fund- a \$1.9 million dollar revolving loan fund providing up to \$100,000 financing.

State match to Federal Empowerment Grant- for \$5 million dollars to allow for additional overlay of tax incentives.

EDA Grant- a 1 million dollar grant secured to build a customized Computer Integrated Manufacturing Training and a demonstration site for new technologies developed for the Apparel industry.

Handwritten note:
 P de
 low v. 50
 so little.

TOTAL PRIVATE SECTOR COMMITMENTS [not specified]

Highlights:

Tacoloy Economic development Corporation, East Little Havana Community Development Corporation, Anne E. Casey Foundation- A \$3 million dollar commitment over the next four years granted to the State for the implementation of a mental Health initiative for Urban Children to devise new ways of delivering MH services to children and families in low-income neighborhoods.

PIC Network of 48 service providers- \$36 million dollars for a comprehensive individualized education and training for unemployed low income people in the zone.

7 plants
- VS
Training

March of Dimes and University of Miami Medical School- A \$3.7 million dollar initiative for universal access to primary health care for children and pregnant mothers in th Zone to be provided through two mobile care units.

KEY ACTIVITIES - specific manifestations of points mentioned in overview (examples)

◆ **Economic Growth:** The creation of 17,355 jobs through the expansion of the Miami National Airport, initiatives to increase tourism at the Port of Miami, and the creation of a Medical Center Complex and a Central Business District.

* over 10 yrs.

◆ **Transportation Needs:** Construction of East-West Rail line and intermodal centers downtown and at the airport and the construction of high speed train lines connecting Orlando, the airport, and downtown.

◆ **Homestead Air Force Base Re-Use Plan:** Dual military/civilian aviation operations, including general aviation and related job training through a relocated branch of Miami Dade Community College

◆ **Public Safety:** Expansion of the existing community policing activities (Neighborhood resource Officers attached to neighborhood Enhancement Team officers for 2 instead of 1 shift per day; expansion in the number and capability of on-board computer terminals in police Drew Medical Center, LISC and several neighborhood associations will join vehicles.)

FULL FEDERAL COMMITMENT

(highlight federal agency programs integral to strategic plan)

DOL: School -To-Work Local Partnership-Grant awarded for \$675,000.

NEW YORK COUNTY/BRONX COUNTY EMPOWERMENT ZONE

City Population: 7,322,564

Zone Population: 199,375

Zone Size: 7.6 square miles

Poverty Rate: Harlem zone area - 39%, South Bronx area - 43%

Unemployment Rate: Harlem - 17.8%, South Bronx 15.6%

Education: 34% of the zone population has a high school education and college graduates comprise only 17% of the population. At present, the graduation rate "barely exceeds the dropout rate.

OVERVIEW

The New York County/Bronx County Empowerment Zone (EZ) is comprised of 40 census tracts in Harlem at the northern end of the Borough of Manhattan and 20 census tracts in the southwest quarter of the Borough of Bronx. Connected by three bridges across the Harlem River, the two communities are socially connected by the historic expansion and development of New York City. Each has experienced south-to-north migration, and the pressures of high population density. Each area has experienced similar racial and ethnic changes, and both presently share similar economic and social characteristics. Harlem is primarily a residential community, though there are some commercial and industrial areas. The South Bronx has a mix of industrial and commercial with some residential.

Through a strategic plan which targets areas of Harlem and the South Bronx of greatest poverty and addresses the most severe needs that result from that poverty, the EZ aims to:

- ◆ Expand the range of economic opportunities available to EZ residents;
- ◆ Prepare children and youth of the EZ for leadership, work and for a productive future;
- ◆ Ensure the availability and high quality of basic support services needed to help EZ residents realize their full productive potential;
- ◆ Restore and maintain the physical environment of the EZ, its housing, infrastructure and open space, and to make it safe for all who live and work in the community;
- ◆ Broaden the means by which residents are able to participate in decisions affecting life of the community.

PUBLIC SECTOR COMMITMENT \$200,000,000 (does not include Federal HHS Title XX Social Services Block Grant funds of \$100 million or other possible Federal programs)

2/11 mental
of TIME 200
money

Highlights:

City of New York: \$100 million designated for use along with matching Federal funds in over one hundred activities in both areas of the zone.

State of New York: \$100 million designated for use along with matching Federal and City funds for many of the same activities.

TOTAL PRIVATE SECTOR COMMITMENTS: \$697,500,000 (does not include other services and types of participation for which dollar values have not been attributed)

good
investment
from LA

Highlights:

Fleet Financial Group: conditional commitment for -

Small Business Loans - \$7.5 million

a newly created Community Development Corporation - \$15 million

Affordable housing construction and mortgage loans - goal of \$25 million

New York Housing Partnership: conditional commitment to generate in excess of \$500 million to finance housing and street-level commercial development in the zone based on mixed-use prototype. Development would create at least 6,000 units of housing and 300,000 square feet of commercial business.

Community Preservation Corporation: sponsored by more than fifty banks and insurance companies in the New York City metropolitan area, CPC would conditionally commit to creating a \$50 million investor pool to provide partial mortgages for affordable housing in the zone. CPC is also prepared, conditionally, to dedicate an unspecified portion of a city-wide \$100 million investor pool to finance commercial development in the Zone.

KEY ACTIVITIES -

Development of Business Opportunities - the strategy is to increase and diversify the retail capacity of the major commercial strips and secondary arterials of the EZ and create small and microbusiness opportunities so as to improve the quality of life for residents, create jobs and reduce the money flowing out of the EZ. Activities to realize that strategy are designed to:

- create several new business improvement districts to provide extra services to organized local businesses;
- create an incubator program for locally-based entrepreneurs in crafts, catering and design businesses, among others;

57

• develop a comprehensive small business assistance program to support the *good*
Development of Business Opportunities (continued) -

expansion of small businesses and build on existing private sector commitments to invest in the EZ;

• create a green business development fund to be administered in one central location for environmentally oriented businesses;

• develop a privately capitalized and operated community capital bank;

• organize a multi-bank community development corporation

• create a vendors' mall at Yankee Stadium; *good*

• expand the Kilmer Park greenmarket;

• expand Bronx Export Program

• redevelop and consolidate distribution facilities at the Bronx Terminal Market;

• institute a "community first source procurement and hiring policy"; *good*

• create culturally appropriate learning centers located in community institutions and specializing in computer literacy, and linked to job training and arts organizations;

• develop a kitchen incubator for home-based food businesses.

Job Training - increase labor market participation among EZ residents and increase levels of employment by improving access to training and jobs, by:

• consolidating assessment services, career development services, customized job training, basic skills education, and placement services in a single location; *good!*

• linking job training to the private sector in developing and targeting job growth;

• job training and other services (including job placement) for residents returning to the community from prison; *good*

• expansion of adult education programs related to occupational opportunities;

• training and re-training services for health care and construction workers;

• convert AFDC and home relief funds into wage and training subsidies for private-sector and non-profit employers who hire public assistance recipients. *good*

Child and Youth Support and Development - To prepare the children and youth of the EZ for leadership and a productive future, a strategy is proposed that will develop their creative and analytical thinking skills and will link them to employment in future growth industries by:

- creating a public service internship program with community-based organizations;
- expanding, through "Neighborhood Education Centers" community-run educational, training, mentoring, counseling, and recreational programs for the whole family;
- good* • creating a model school-to-work program;
- to encourage continued school enrollment, creating a trust fund matched by private contributions for paid internships and graduation incentives;
- develop a model independent school district consisting of charter schools that can experiment with new educational structures and programs;
- support professional development sabbaticals for dedicated teachers;
- expand efforts by local colleges and universities to develop the technological infrastructure of EZ schools;
- good* • design a home instruction program to increase the amount of time parents read to their children;

- create parenting centers in each Neighborhood Education Center to train parents in "matters of school governance;"

- expand substantially the available day-care slots in the EZ;

- upgrade existing early childhood development services

- invest in family preservation services as an alternative to foster care placement.

Family Support Services - to ensure the availability of high quality, basic support services to help EZ residents realize their full productive potential, the following efforts are proposed:

- turn schools into community centers by expanding the number of "Beacon Schools in the EZ;" and

- transforming those Beacon Schools into Neighborhood Education Centers offering a full range of educational, recreational, vocational and family-based services to the whole community;

Family Support Services (continued) -

- reform the social service delivery system by creating comprehensive services that are community managed and neighborhood based through: ✓
- community health care centers including a "free-standing birth center;" and
- creating an EZ Health Consortium composed of representative of all institutional and other health care providers in the EZ for initial planning and development of health care projects;
- neighborhood-based Family Investment Centers where individuals and families can receive individualized assistance in accessing an array of services and entitlements.

Restoration and Preservation of the Physical Environment - to restore and maintain the physical environment of the EZ, its housing, infrastructure, and open space the Application proposes, among the plan's activities, to:

- construct 1,200 units of housing in Manhattan and 350 units of infill housing in the South Bronx beginning next year;
- request waivers from HUD in order to develop joint projects between the Public Housing Authority, HPD and private entities;
- increase the pool of mortgage loans and guarantees available to low and moderate-income EZ residents;
- establish a first-time homebuyers fund available to low-income EZ residents;
- request for 8,000 new Section 8 Project Based Certificates from HUD in support of the city's proposal to dispose of 10,000 city in-rem units, and 6,400 vacant units of housing;
- increase access to capital and banking services to NYCHA residents;
- create an information technology assistance center within the One-Stop Capital Shop; ✓
- remove lead and other toxins from EZ housing;
- initiate capital projects to improve subway stations, streets and highway access and interchange routes, bus shelters, greenways and pedestrian ways; and
- improve passenger security with better station lighting, PA systems and better police surveillance;

Restoration and Preservation of Physical Environment (continued) -

- strengthen community policing;
- continue "weed and seed" initiative to address violent crime;
- include security enhancements in all public housing modernization plans;
- create a community-based public safety council to solve problems, collect information, and coordinate public safety initiatives throughout the EZ;
- expand conflict resolution programs in EZ schools.

FULL FEDERAL COMMITMENT**Examples:**

HHS: The use of HHS EZ Title XX funds are specifically identified in the Application's specific Project Summary Sheets. Also, References are made to other HHS programs such as expansion of Head Start; and several references are made to the need for drug treatment, but no evidence is supplied that funding from such programs have been applied for. However, attribution of funding is included in the Project Summary Sheets of the Application.

SBA: One Stop Capital Shop - Applicant mentioned this program a number of times in the application and the strategic plan. However, use of programs was not well defined, and SBA felt the proposed shop, though it could probably be funded, was marginally conceived ✗ Description of funding is included appropriately in the Application's Project Summary Sheets.

DOJ: Community Policing - The strategic plan mentions "continuing community policing."

HUD: Homeownership/CDBG/HOME/Homeless - The need for homeownership and affordable housing are emphasized; specific funding sources are correlated very briefly with the needs in the Project Summary Sheets for the uses of HOME, Block Grant, Section 108 and other HUD programs.

DOL: JTPA - The use of JTPA funding is included in the Project Summary Sheets.

EDUCATION: Education's programs and the attribution of funding are included in the Project Summary Sheets but no application of funding was evidenced in the Federal Application Form.

OAKLAND

City Population: 372,242

Zone Population: 46,040

Zone Size: 13.44 square miles

Poverty Rate: East Oakland: 44.7%, West Oakland: 55.3%, Fruitvale: 53.2% /San Antonio: 43.8%

Unemployment Rate: East Oakland: 15.2%, West Oakland: 20.3%, Fruitvale: 14.1% /San Antonio: 16%

Infant Mortality Rate: East Oakland: 15.3 per 1000, West Oakland: 2.35%, Fruitvale/San Antonio: 20%

Education: East Oakland: 45% of the zone population does not have a high school degree, West Oakland: 43.2%, Fruitvale/San Antonio: 50.2%

OVERVIEW

The Oakland Zone incorporates the neighborhoods of West Oakland, East Oakland, and Fruitvale/San Antonio. The Empowerment Zone Target Areas constitute 12.4% of Oakland's total population, but include nearly half of the total individuals below the poverty level.

The strategic plan focuses on training and empowering residents to take care of their neighborhood's problems. EZ programs will also provide opportunities for residents to succeed in today's job market. Oakland's three strategic themes are:

- ◆ Community Building - Community Building Teams of local residents employed by the EZ; recreation, comprehensive health care, mentoring and afterschool programs will be established at each of the fourteen schools in the target area; an early warning system will be established with the Alameda County Department of Social Services to identify families in crisis or at-risk / *great*
- ◆ Collaboration and Accountability - Community Councils will be provided with training, information, and support to identify community needs and develop solutions, as well as given both the resources and the authority to implement and evaluate those solutions.
- ◆ Sustainable Development - Fruitvale Transit Village (a model mixed-use development), Seventh Street Revitalization (a mixed use development in the old jazz district in the heart of West Oakland), Oakland Airport Aircraft Maintenance Facility, Oakland Airport Gate Expansion, Alternative Fuel Vehicle Conversion Facility

PUBLIC SECTOR COMMITMENT [\$87.6 million] *below 1 - 1 match*

Highlights:

Oakland Housing Authority: \$25.5 million for physical renovation, building maintenance,

social services, community services; \$3 million for 5 FTE Community Police-OHA Police Force @ \$307,990 per year for 10 years

Oakland Police Department: \$2.4 million for 3 FTE Community Police Officers @ \$238,547 per year for 10 years, \$620,301 for 3 FTE Police Cadets @ \$62,301 per year for 10 years, \$517,230 for vehicle maintenance costs (3 cars)

Port of Oakland: \$20 million for estimated cost of aircraft maintenance facility, \$30 million for estimated cost of airport gate expansion

Oakland Unified School District: \$2.5 million for estimated SB 910 Revenue for expanded Social Work Case Management Programs in EZ schools @ \$25,000 per staff, est. 10 new staff @ 10 years; \$3.6 million estimated CHDP/EPST/MeDiCal Revenue from school clinics

TOTAL PRIVATE SECTOR COMMITMENTS [\$30.8 million]

Par (Total 1-1)

Highlights:

East Oakland Youth Development Center/East Oakland Fighting Back: \$12.5 million for social service programs: It Starts Now, Project Joy, Jamani, Social Work Case Management

East Bay Community Recovery Project: \$2.5 million for Lockwood Gardens Community Organizing Teams

Spanish Speaking Unity Council: \$12.4 million for Fruitvale Transit Village, first phase costs

Fruitvale Collaborative: \$2.5 million for community organizers

Alameda County Child Health and Disability Prevention Services: \$918,310 for volunteer dentist in-kind for school dental clinics

Where are the businesses??

KEY ACTIVITIES - specific manifestations of points mentioned in overview

Community Building Teams: The program will hire and train local residents over a period of 2 years, providing them with work experience and marketable skills, while allowing them to participate in rebuilding their communities. In the second year, Community Building Teams will transfer to an Institution Building Team in the area of their vocational interest. Teams will include the following: School-based teams, Family building teams, Neighborhood revitalization teams, Public safety teams, Sports teams, Culture teams.

Anchor Projects: Fruitvale Transit Village - Fruitvale BART (Bay Area Rapid Transit) station mixed-used development will include a health clinic, the Latin American Library branch, a community center, a senior services center, a Head Start center, retail shops and senior and family housing; Seventh Street Revitalization - will revitalize West Oakland and provide retail space, entertainment and cultural facilities, and mixed income housing; Electric Vehicle Conversion Facility - to be established as a joint public-private partnership, will begin as a conversion and maintenance facility for electric buses, but will be developed into a general purpose alternative energy vehicle conversion and maintenance depot; Oakland Airport Aircraft Maintenance Facility - located within the East Oakland Target Area, will create 100-200 direct

jobs: Oakland Airport Gate Expansion - will produce 200 additional jobs within 5 years, for which preference will be given to EZ residents.

Support for Entrepreneurship: One Stop Capital Shop/One Stop Permit Shop will enhance the small business technical assistance and loan programs; Entrepreneurship Training for 2,000 residents over the ten-year period of the Zone; Small-business Incubation - a number of the Community Building Team activities will be directly focused on creating small businesses that can be spun off to residents, including Food Purchasing Services, Intermodal Transportation Services, and Home Maintenance and Home Repair

FULL FEDERAL COMMITMENT

SBA: One Stop Capital Shop

DOC: Telecommunications and Information Infrastructure Assistance Program (TIAP)

**HHS: Healthy Schools, Healthy Communities
Community Prevention Coalition Demonstration**

**HUD: Housing and Supportive Services Elderly
Youthbuild
Community Outreach Partnership Centers**

DOJ: Comprehensive Communities Program

**DOT: Federal Transit Administration - Section 9, Replacement Running Rail
Section 3, Fixed Guideway Mods**

PHILADELPHIA, PENNSYLVANIA/CAMDEN, NEW JERSEY

City Population: Philadelphia: 1,585,577 Camden: 87,492

Zone Population: 49,645

Zone Size: 4.4 square miles

Poverty Rate: Philadelphia: 51% Camden: 46.07%

Unemployment Rate: Philadelphia: 24% Camden: 17.97%

Education: Philadelphia: 64% of residents 18 years of age and older do not have a high school diploma; Camden: 40% of the secondary student population drop out between the freshman year and graduation

OVERVIEW

Philadelphia's portion of the proposed zone consists of 14 census tracts that include 39,108 residents. The overwhelming majority of Zone households, 64%, are family households. Most of these households exhibit the strains of poverty in their family status, health and educational attainment indicators. More than three fourths of all Zone families are headed by a single parent. Close to 60 percent of families with one parent are existing on incomes which fall substantially below the poverty level.

Philadelphia's neighbor city, Camden, is dependent on the State of New Jersey due to similar socioeconomic and labor market trends. Median household income is 60 percent lower than the median for the state and the city average poverty rate is 36.6 percent. The Empowerment Zone Planning Board chose six census tracts in Camden for their proposed zone. These tracts encompass 23.47 percent of Camden's total land area of 10.38 square miles. Fifteen percent of Camden's total household population reside within the Empowerment Zone area; however, the best and worst of Camden's socioeconomic, physical and environmental conditions are reflected there.

In the last few years, Philadelphia and Camden have been involved in several community-based planning efforts which have resulted in forward-looking, comprehensive strategies. The initiatives developed rely on some of the same principles present in the Empowerment Zone planning process: problem solving and program implementation goals. All of these efforts have helped forge partnerships linking creative ideas from the neighborhoods to the cities and across state boundaries, to the region. From this a vision of growth has emerged, built on the rich regional network of technical, professional and financial resources.

EMPOWERMENT ZONE BUDGETProposed distribution for \$100,000,000 Empowerment Zone monies:

\$78,782,000 - Philadelphia 79% of total funds
 \$48,847,500 for economic opportunity
 \$29,934,500 for community development

\$21,218,000 - Camden 21% of total funds
 \$12,783,000 for economic opportunity
 \$ 8,435,000 for community development

Proposed Allocation of All Funds for Economic Opportunity

Philadelphia

EZ funds	\$48,847,500
Other	\$41,269,500

Camden

EZ funds	\$12,783,000
Other	\$ 4,400,000

Proposed Allocation of All Funds for Community Development

Philadelphia

EZ	\$29,934,500
Other	\$44,000,000

Camden

EZ	\$ 8,435,000
Other	\$11,400,000

PUBLIC SECTOR COMMITMENTS [Total \$85.95 million]

Highlights:

Through a \$2 million increase in the Neighborhood Assistance Tax Credit program the Commonwealth is enabling several large Philadelphia corporations to develop new, long-term partnerships with neighborhood organizations.

Through a special restricted grant of \$1 million expected in FY 95, the Department of Community Affairs will support rehabilitation of scattered site public housing units.

The Bridge Loan Program, accessing \$15 million of new State funds, will increase the capacity of non-profit housing development groups and stimulate private investment in affordable housing.

The Pennsylvania Departments of Environmental Resources and Commerce have made an initial contribution of \$50,000 for cleaning and tank removal.

In addition to the \$54 million of dedicated State funding made available through Capital Redevelopment Assistance in FY 94, several additional projects in North Central and West Philadelphia, totaling \$12 million, are underway.

The Economic Development Authority, the Development Authority for Small Businesses and the Urban Development Division are prepared to offer \$1.7 million, plus technical assistance resources, to the Zone. An additional \$200,000 is expected from the Department of Community Affairs for operating funds for Camden's Urban Women's Center.

Housing strategies will be supported by the New Jersey Housing and Mortgage Finance Agency. A total of \$3.2 million is expected for up to five projects in the Zone. They have also committed \$1 million to rehabilitate Royal Court, a conversion of public housing to homeownership housing.

As part of the Mayor's commitment to the City's neighborhoods, the City's Economic Stimulus Plan has a strong neighborhood component. Starting in FY 95, \$9.5 million of locally derived funds will be invested in the City's neighborhoods, including the Empowerment Zone. An additional \$5 million will be made available to stimulate the city-wide hospitality and tourism industry.

New funds totaling \$3.75 million have also been added to support neighborhood-related activities in the City's operating budget for FY 95. Funds are geared toward projects targeting low-income neighborhoods, including the Zone neighborhoods.

Community safety will be enhanced by an additional \$750,000. An increase of \$1.3 million for recreation and parks will aid the plan. Increase funding of \$850,000 for libraries, arts and culture. Finally, funds for demolition are increasing by \$850,000.

PRIVATE SECTOR COMMITMENTS [Total \$5.1 million]

Highlights:

PNC Bank N.A., PECO Energy Co. and Meridian Bancorp, Inc. have each pledged financial and staff resources over a five-year period to assist sponsored community organization in the achievement of strategies for long-term success.

The corporate community has pledged resources for the development of a Technical Assistance Bank.

Campbell's Soup has initiated a \$100,000 city-wide clean-up program beginning last summer in Camden.

Pew Charitable Trusts has made a \$5 million pledge to the new Bridge Loan Program to stimulate affordable housing development in low income neighborhoods in Philadelphia.

KEY ACTIVITIES

- **Economic Growth:** The creation of 10,844 jobs and training for those and other jobs through various Bi-State partnerships including: Capital Partners/Neighborhood Enterprise Centers; Bi-State Job Bank; Bi-State Labor Force Information Network; Bi-State Technical Assistance Bank; Bi-State Marketing Program; Bi-State Futures Consortium.
- **Housing:** Expanded housing opportunities through the creation of a Housing Trust Fund to serve as a revolving loan and grant fund enabling the development of over 1,000 affordable dwellings for homeowners and renters within two years.
- **Families:** Expansion of existing child care centers and creation of a Family Center to serve as a one-stop-shopping approach to a broad array of family support services.
- **Public Health:** Additional intake facilities for drug and alcohol programs and nurse-supervised lay home visiting to all pregnant women, their infants, and people with AIDS.
- **Safety:** 40 new Town Watch programs, expanded community policing and Community Safety Centers to reduce crime and make residents feel safer.

FULL FEDERAL COMMITMENT

The bi-state partners have actively sought additional federal resources to complement the EZ Strategic Plan. If granted, the additional funds for these programs would total \$19 million (in Philadelphia) and \$12 million (in Camden).

BOSTON

City Population:	574,283
Zone Population:	57,425
Zone Size:	5.8 miles
Poverty Rate:	36%
Unemployment Rate:	16%
Infant Morality Rate:	
Education:	28% high school graduates

OVERVIEW

The basic theme of Boston's Strategic Plan is to create economic opportunity and jobs for residents so that they can move themselves out of poverty to fuller access to the choices and opportunities that contribute to productive lives. The plan also hopes to promote vibrant cohesive communities by using an integrated strategy founded on grass-roots idea of needs, partnership approaches to long term solutions, and tangible commitments to community. The plan says that economic opportunity is if all of the following exists: diversity of economic development, education and targeted skills building, decent housing, safe neighborhoods, and support for healthy children & families. Boston's plan encompasses integrated programs tied to three primary initiative areas which are:

- ◆ Economic opportunity and jobs,
- ◆ Education and work readiness, and
- ◆ Healthy children, families and neighborhoods.
- ◆ A forth initiative of the plan is computerized technology to share information as well as to learn.

PUBLIC SECTOR COMMITMENT [total \$335,000,800]

Highlights:

Boston's capital plan: \$238 million capital improvements either just completed or under construction in the zone. And \$63.8 million in state and fed capital monies are also being spent. For example: Ruggles Center which opened in 1994 is a mixed use dvp. which includes the state registry of motor vehicles; Boston Police Headquarters in Ruggles Plaza is under construction; Roxbury School Track was built by the State for 17 million; Boston City Hospital reconstruction recently completed.

Massachusetts Bay Transit Authority (MBTA): \$4 million dollar bond issue for circumferential transit service starting with three pilot bus routes.

Massachusetts Housing Finance Agency (MHFA): \$20 million for Single Family programs for the empowerment zone.

The Land Bank: \$9 million for economic development project and affordable housing devp. in the zone.

Massachusetts Industrial Finance Authority: \$1 million dollars commitment.

TOTAL PRIVATE SECTOR COMMITMENTS [total \$ 6,525,000]

There are firm commitments from seven large Boston banks (Bank of Boston, Bay Bank, Citizen's National Bank & Trust, Boston Company) The total is for a \$5 million set-aside during a 5 year period. Also, \$1.4 million in equity capital loans from the Minority Enterprise, along with \$100,000 from six banks and \$25,000 from another bank for technical assistance.

KEY ACTIVITIES

Job Training: The application calls for seven business development and job training programs.

Individual Neighborhood and Family Development: The application calls for fourteen human development programs:

It is estimated that 35% of the children enter school developmentally disabled. The plan's goal is to enable child to be developmentally and educationally prepared for school and support families to create nurturing environment. To accomplish this the plan proposes project SEED (EZ \$2,100,000 provides Dimock Community Health Center Boston City Hospital) Boston Public Schools Winner's Circle Program (EZ \$2,800,000) for two public schools will provide a support system for inner city youths through counselors and advocates and a 10 hr day structured program including academic, counselling, tutoring, recreation, friendship. This program was funded from 1990 to 1993 by (OSAP) U.S. Health Service Office of Substance Abuse Prevention.

Economic Opportunity: The application calls for fourteen economic opportunity programs.

But the most innovative proposal is the "Building Community through Technology". The City worked on this proposal with U.S. Department of Commerce's National Telecommunications and Information Administration (NTIA). The proposal envisions a Citizen's Activist Network of "1000 by 2000" Community activists will get computers with modems 50 in year one, 100 in year 2 etc. which will be linked to Hands-Net a electronic network for community change. Also innovative is the Boston Center for Business Development & Education a one-stop center for business development. A key feature of center will be business development department where people

will have access to technology, counselling, and data base info. The center will include Community Computing & Technology Centers complete with computer access and training. The One Stop Human Service Network will link Boston City Hospital, child care centers, multi-service centers settlement houses. Each center will have access to micro-max software a package which determines eligibility for government assistance. Also available will be "Community Net" a bulletin board for community residents.

Community Health Care: The application calls for fourteen health care programs.

Expanded Community Center Program (EZ \$9,800,000) This program is a direct response to youths views of "not knowing if you'll be alive next day" and "we don't have any respect for ourselves, we don't have self esteem". Extended day and weekend programs at the Boston Community Centers. There will be a city wide approach with funds for a staff coordinator who will work between the Boston Public Schools, Community Centers, and Neighborhood community centers. Full Day Kindergarten Boston Public Schools (EZ \$4,200,000 funding).

Local Health Centers, Boston Public Schools, Boston Health and Hospitals (EZ \$2,100,000) will work with their providers doing substance abuse training to identify problems at an early age. Money would be used to train teachers, youth worker, day care workers, health professionals.

Homeless Daytime Counselling, Referral Training Support Services (\$1,750,000 EZ funding) no provider selected.

Parents Behind Bar (Suffolk County Sheriff Department program partners EZ \$1,400,000) The programs for offenders include the Families Intervention Project, Domestic Violence Prevention, Substance Abuse Prevention & Education, Relationship and Parenting. Child Development and Parenting.

Education and Work Readiness: The application calls for thirteen education and work readiness programs.

FULL FEDERAL COMMITMENT

HHS: Boston Against Drugs \$ 423,776
 HUD: YouthBuild \$1,000,000
 DOE: School To Work *

* An allocation amount was not included in the award letter.

To: Sheryl Cashin

From: Peter Necheter

456-2223

CONFIDENTIAL

state Senate Willie Simmons brought together groups

CONF

DRAFT

1

Mid-Delta Empowerment Zone Alliance
No. 45

add

Located in Bolivar, Holmes and Humphreys Counties, Mississippi. The area is comprised of ~~eight~~ *eight* census tracts over three separate parcels that span three separate counties. The nominated area has a population of 29,457 and, in the aggregate, has 983 square miles. Poverty for census tracts (%) are 53, 52, 51, 48, 41, 41, 38, & 38.

A. Background

Application brought together two groups as coordinators with very different constituencies: the Delta Council and the Delta Foundation, one that has traditionally represented the white community and one that represented the black community.

B. Planning Process

The steering committee was made up of a broad spectrum of community based organizations, planning and development districts, local and regional development groups, business, and banking and includes participation across social, ethnic, gender and economic groups.

C. Strategic Plan

I. Overview

Three major themes: building community; expanding economic opportunity; and sustaining community and economic development.

Strategies for building community: improve race relations, strengthen role of churches; increase cooperation among communities and institutions.

Strategies for economic opportunity: promote/attract industrial and manufacturing firms, attract retail business (establish/expand chambers of commerce), strengthen existing businesses, improve work force training programs.

Strategies for sustained development: improve education, improve and increase access to housing and health care

II. Strategic Plan

Will attempt to attract major manufacturing industries; create a revolving loan fund, and create a new adult training center.

SBA ranks the application for a "One-Stop Capitol Shop" extremely highly. Is likely to be funded.

With local banks, the applicant has already put together a Community Development Corporation (this CDC was selected by HUD in an earlier competition for tax credits).

A number of waivers are sought for (1) establishment of escrow system for renters to purchase

No specifics of designated EC

DRAFT**CONF**

Mid-Delta Empowerment Zone Alliance
No. 45

2

homes through HUD; (2) inclusion of areas in the USDA wetlands conservation program; (3) extension of headstart resources for the elderly; and (4) reimbursement of rural hospitals with urban Medicare rate.

D. Evaluation of Plan

This applicant has the resources to be extremely successful in implementing their plan. The Delta Foundation was selected by HUD as one of the 8 rural sites for tax incentives for a CDC; their one-stop capital shop is likely to be funded by SBA; and their application indicates that they have a great deal of resources pledged to the effort -- \$136 million in other resources have been already pledged. However, it is not clear whether partnerships and commitments are firm. The plan will also build upon existing programs and partners at the local, state and federal levels.

One question is whether the EZ program should be used for a community with a relatively larger amount of resources currently at their disposal.

One disappointing factor is the lack of state involvement in the planning process and failure to contribute resources.

Reviews

The comprehensive review team commented that the application

Application provides great amount of detailed planning with goals on how to improve the community, improve race relations and economic conditions. Expects to spend close to \$20 million in job creation and \$20 million in sustainable community development.
Good links with other groups.

The HHS review team commented that

Thought of as a very well developed and comprehensive plan. The proposed activities are linked clearly with the program goals. One strength is the high degree of community and state and local commitments.

Weakness is the lack of budget specificity.

The site visit

Impressed with the 6 Counties and 16 municipalities coming together to approach problem solving on a regional basis. Also impressed with individuals and institutions from extremely diverse backgrounds working harmoniously.

CONF**DRAFT**

1

**Delta Economic Energy District
No. 102**

Located in three states: Chicot County, Arkansas; East Carrol Parish, Louisiana; and Washington County, Mississippi. The area is comprised of ten census tracts. The nominated area has a population of 28,969 and has 776 square miles. Poverty for census tracts (%) are 20, 41, 45, 40, 50, 73, 80, 54, 53, & 48.

A. Background

The lead entity for the application is the Delta Economics Energy District, Inc. (DEED), a non-profit community development corporation. One of the main sponsors of the application has been Louisiana State Senator Charles Jones, who has invested a great deal of energy in bringing together communities for the application.

B. Planning Process

Town meetings were held in each community to address the program and discuss strategies. The community activities concluded with a large rally, with attendance estimated at 2,000 participants.

Local organizations involved in the process include the Foundation for the Mid South and the Quality of Life for America group.

C. Strategic Plan

I. Overview.

Plan would, among other items, improve highways and construct new bridge, develop flood control reservoirs, promote tourism, construct jails, art facilities, neighborhood parks, etc. These are presented as broad lists of actions to be pursued.

II. Strategic Plan

Applicant identified the needs of the community to include: job creation, with education and training; child and elderly care; parenting education; home-based early education for disadvantaged children; housing; infrastructure and environmental improvements; recreational opportunities; and safety and crime prevention activities.

Job creation strategies focus, in part, on aggressive recruitment and support of manufacturing, food processing, warehouse, and service businesses that will be located in industrial parks.

Potential employers are viewed as companies in the textile, wood/furniture and tourism industries.

Proposal also seeks to encourage small business and entrepreneurial activity in the nominated area through access to capital efforts. Plan mentions the application to SBA for "one-stop capital shop" however, no specific application was submitted and SBA will base rural designations on applications already received.

444 - no plans for EC

ed - high
EPA - moderately high

DRAFT**CONF**

2

**Delta Economic Energy District
No. 102**

Plan also proposes the establishment of a "duty free" subzone for national and international markets. This would require additional legislation.

Plan will support the widening of Highways 65 and 82 and the construction of a new Mississippi River Bridge (question on where funding will come) and the construction of a jail in Lake Providence.

Plan will promote tourism in the community, though marketing of events like the Mississippi Delta Blues Festival.

Plan will support the construction or enhancement of major public park in each community; develop small neighborhood parks; acquire and improve access to lakes; develop marinas; maintain lake shores and natural areas between levee and river. Plan will develop flood control reservoirs and will use these lakes for tourism and recreation.

D. Evaluation of Plan

The use of the Title XX funds is very unclear and may be in violation of the statute.

The application included a catalog of activities followed by a budget which lists "EZ technical assistance, EZ Matching, Seed, Loan Fund, and Other." It is not clear which activities will be financed with which funds, and where these funds will be obtained.

Application indicates that initiatives will be funded from private sector as well as local, state and federal government. There are a number of specific programs and commitments listed in the application. Applicant intends to apply to these resources after designation -- there is no guarantee that EZ/EC funds will be leveraged.

Mississippi Power and Light has pledged to provide financial support and technical assistance to various projects within the application, as have several banks, businesses and community action agencies.

While requests have been submitted to the state governments to grant special status to the applicant and cooperate with implementation, there is no definitive approval. Rather, governors have endorsed the application and indicated varying levels of commitment. Louisiana has committed to providing 1/3 of the 10% match for programs in the nominated area and provide \$500,000 for the construction of headquarters office for DEED.

Applicant indicates that approximately \$35 million will be required to fund activities associated with the plan.

The projected administration budget is \$740,000 annually, or 18.5% of the total Title XX grant

CONF

Delta Economic Energy District
No. 102

DRAFT

3

over the 10 year period.

Reviews

The comprehensive review team commented that the application

Tied into the casino that may come to Louisiana. Good theoretical discussion of community involvement with little evidence of actual involvement by the community. Large question of how cohesive the three separate jurisdictions will be in Mississippi, Louisiana and Arkansas. Extremely vague on economic development parts.

The HHS review team commented that

Strategic plan contains broad list of actions to be pursued but does not offer details on how to implement. For example, applicant proposes to establish a child care center in each community yet offers no plan for the development of programs, no idea how many children will be served, no mention of linkages with other programs, and no indication of where centers will be based or how transportation will be provided.

Does not appear that social service programs have secured funding beyond the Title XX funds.

DRAFT

COPY

1

**Rio Grande Valley Empowerment Zone
No. 107**

Located in Hidalgo, Cameron, Starr and Willacy Counties, Texas. The area is comprised of six census tracts, in three separate parcels over four counties. Two counties are within Metropolitan Statistical Areas, but entire application is being considered as rural. Population is 29,859 and area is 227 square miles. Poverty for census tracts (%) are 35, 64, 59, 47, 55, & 51.

A. Background

Area consists of three noncontiguous parcels along the Texas-Mexican border. The Rio Grande Valley is fertile land bordered on the south by the Rio Grande River and Mexico and on the east by the Gulf of Mexico.

The Valley has a predominately Hispanics population, comprise 85% of the area's population, and 40% of the population is under the age of twenty. Over 53% of the population lacks a HS degree and 80% live in crowded and substandard housing.

B. Planning Process

An EZ task force was initiated by four County Judges, who appointed residents of their counties to the task force. Needs assessments, community plans, goals, and program activities were developed by each of the four counties; and all four of their assessments and plans are contained in the application. Similar identified needs appear in all county assessments.

Thirty public meetings were held in the area; additionally, over 70 local meetings for planning and implementation process. Large involvement of state, county and local governments, nonprofit organization, churches, local business community, and residents, including residents of colonias.

The initial driving force behind the application was the Valley Chamber of Commerce.

C. Strategic Plan

I. Overview.

The plan attempts to develop NAFTA-related businesses; use of CDCs for job creation, financing and entrepreneurial training; development of microloan program; address substandard housing, particularly for the colonias through such devices as creating mechanisms for fee simple ownership.

View is that NAFTA will create additional jobs in the area. For "empowerment" of local residents, strategies must be developed to ensure that residents have the proper skills for such jobs as engineers, paralegals, mechanics, machinists, electricians, etc.

Major emphasis is utilization of existing agencies and expansion of their roles, coordinating housing programs with job programs, developing job training and placement services and creating a stronger health care network.

HHS - NO EC

ed - low

CONE

DRAFT

Rio Grande Valley Empowerment Zone
No. 107

II. Strategic Plan

Plan sets up three separate development strategies for each of the parcels. All have strategies for job training and increasing educational skills. Job training includes: workplace literacy programs; televised adult education; secondary school vocational education program, such as hotel management, child care training; public safety officer training, to take advantage of a new prison under construction.

As part of the job training, will incorporate a 1-2 year training program where real jobs are identified and employees are then training to fill the specific positions. Plan intends to use resources, such as Pell Grants, to the maximum extent possible.

Plan also sets up efforts for entrepreneurship and community investment. A group at the University of Texas - Pan America (the Center for Entrepreneurship and Economic Development -- CEED) will focus on business and economic development, job creation and income growth by providing educational and technical assistance. The group currently provides business development information and training, and assists businesses in acquiring capital for start-ups and expansions.

Plan will inventory existing businesses in nominated area to identify opportunities. Intention is to develop support for business organizations and pursue international trade opportunities.

CEED will be responsible for operation of microloan program which would include technical training in management and basic skills. Expectation to make 20-25 microloans per year. [This does not appear ambitious.]

Plan proposes range of programs to address human services, including: access to child care and transportation; literacy and job training; health clinic networks; linking apprentice and job training to schools; providing youth activities; and increase access to housing.

HHS considers two strategies as "particularly strong and innovative:" (1) hiring residents as neighborhood-based advocates who would counsel and refer residents to available services; and (2) use of Advance, a nonprofit education and family support service organization, to provide parenting and family support education.

Plan will establish \$1 million health care professional enhancement fund to help attract personnel. Also, intention to provide, on a cost sharing basis, up to \$100,000 capital cost for areas to establish clinics with \$200,000 for the initial start-up costs. Health care costs assistance will be provided to those persons in the training programs.

D. *Evaluation of Plan*

CONF

Rio Grande Valley Empowerment Zone
No. 107

DRAFT

678

Applicant seeks a ~~two~~-year designation, yet offers budget for only "year one" and "future years." This would need to be clarified prior to designation.

Two of the proposed activities may have problems with Title XX funding: capital costs for transit and construction of health care facilities.

Lack of benchmarks for social services.

Unclear how four counties will cooperate and collaborate; appears to have created four discrete sets of programs, one per county.

It should be noted that the applicant is significantly less rural in its character than most other applications. Under the guidelines created, we permitted communities within Metropolitan Statistical Areas to apply for rural designation, provided that they demonstrated they had rural characteristics.

Very strong on strategic planning. Significant private sector involvement. Partners include the University of Texas at Brownsville; Texas Southernmost College; the University of Texas - Pan American; Texas State Technical School; Texas A&M Extension School; and South Texas Community College.

Other entities providing assistance include: the County Department of Social Services; Delta Area Development Corporation; Port Isabel Navigation District; Starr County Industrial Foundation; and, Willacy County Industrial Foundation.

Reviews

The comprehensive review team commented that the application

Nothing in the proposal contradicts the high reviews given by the presenters. Very well organized plan with wide range of involvement, including private sector. The panel has no reservation in making recommendation of designation.

The HHS review team commented that

Plan does not provide much detail on how broad approaches are to be implemented, and there are no benchmarks or specifics in the budget to clarify strategies. Overall, does not present an action-oriented plan for providing human development services.

The site visit

There ~~is~~ an administrative structure in place to oversee the program. While the structure

CONF.

**Rio Grande Valley Empowerment Zone
No. 107**

DRAFT

4

is innovative, it has the support and range of experienced individuals to ensure implementation. Meetings and discussions on the program have continued since the plan was submitted.

CONF

Kentucky Highlands Investment Corporation
No. 159

DRAFT

1

Located in Clinton, Wayne and Jackson Counties, Kentucky. The area is comprised of seven census tracts over two separate parcels that span three separate counties. The nominated area has a population of 27,219 and, in the aggregate, has 753 square miles. Poverty for census tracts (%) are 35, 39, 43, 40, 33, 37, & 37.

A. Background

The application was submitted by the Kentucky Highlands Investment Corporation (KHIC), a community development corporation (CDC) founded in 1968. It is a community development corporation with a very impressive track record and with the capacity to implement a complicated plan.

Applicant states that area "has historically been exhausted by industrialists who swarmed to the mountains to buy mineral and timber rights with little regard for the environment. The result has been logs and coal removed from the area with polluted streams and lungs."

B. Planning Process

Low-income residents comprise one-third of the KHIC board, which actively participated in the planning process.

Planning began with citizen groups identifying needs, formation of groups to related to items and provide suggestions. Total of 140 individuals participated in the planning process.

C. Strategic Plan

I. Overview

Applicant focuses resources on improving economic opportunities and job creation. Plan projects that 700 construction jobs and up to 3,000 new permanent jobs can be created through the plan, funded by using Title XX funds to leverage a total of \$30.4 million if designated as a Zone or \$5.9 million if designated as a Community.

Applicant states that plan involves the creation of economic opportunity as a vehicle for community development through the growth of tourism, industry and agricultural diversification. Additionally, plan calls for infrastructure improvements.

Plan seeks to increase jobs; develop diversified, sustainable agriculture base with planned reduction of reliance upon tobacco farming; develop workforce prepared for technology.

Plan includes tourism development of natural resource areas; develop areas as year-round recreational destination.

II. Strategic Plan

Among the other activities, plan to renovate downtown facilities, improve interior access roads,

ed - low

CONF

**Kentucky Highlands Investment Corporation
No. 159**

DRAFT

2

expand water systems, build large water supply reservoir, improve sewer systems, install and extend fire water lines and hydrants, construct speculative industrial sites, construct recycling/compost facility, construct community amphitheater, develop airport facilities, build and equip fire station, purchase ambulances, develop industrial parks. (* -- see evaluation comment below.)

Plan will seek to improve infrastructure; develop transportation system for residents, tourists and industry; establish water supply for residents and industry; and develop waste management system.

The job creation plans are tied to local existing businesses and potential future business, such as the construction of a tourist center; the expansion of poultry markets, creating a beginning entrepreneur program for technologically advanced poultry farming; the development of a debt free industrial park; increased production of wood products; and increased research into marketable products such as beef and sheep and herbs.

With the Eastern Kentucky University Rural Development Center, will set up an entrepreneurship training curriculum. Internships will be offered, and recruitment program will be set up.

KHIC has experience with loan funds and will set up additional ones for the plan, funded by federal programs.

Human needs which would be addressed primarily focused on youth facilities and programs. Approximately 25% of the budget is committed to train and employ individuals for factory, home or farm-based businesses.

Proposed activities include: construction of 3 youth centers; creating mentoring and entrepreneurial programs; establish workshops to employ physically and developmentally disabled persons; provide assistance, training and equipment support for home-based businesses; establish local resident operated range chicken houses as source for family income; capitalize a \$2 million SBIC for entrepreneurial start-ups; develop a vocational training program in local wood products manufacturing plant; and capitalize low income farm growers cooperative.

Other programs will focus on health services, including the creation of a primary care health center and telecommunications linkages with medical specialists.

D. Evaluation of Plan

Plan is the creation of KHIC, they played the major role in putting application together and acted as the driving force. The organization was selected by HUD as one of the 8 rural CDCs that

CONF

Kentucky Highlands Investment Corporation
 No. 159

DRAFT

3

received tax incentives for investors.

There are a number of specific commitments made by private sector entities: chicken farming houses in cooperation with Wilson Fields, Inc; home-based data entry business; local bank support for start-up businesses; developing woods product educational center; developing alternate crop research fund in cooperation with Cumberland Farm Products, Inc.

HHS expresses concern that applicant may not use Title XX funding for a number of proposed activities (indicated with a "*" above). Additionally, HHS is concerned that applicant will use Title XX funds to match funding for other federal programs, which is not permitted unless the other programs expressly allow federal match.

The plan commits to measurable returns in terms of number of jobs created, increased tax base, decreased government spending on social programs, etc. Plan incorporates few overhead charges, nearly all directorships will be paid salary from endowment funds.

KHIC and the county governments will serve as the administering entity of the funds. Advisory committee will be remain in place. A director will be hired for each of the two parcels to provided day-to-day implementation of the plan.

Reviews

The comprehensive review team commented that the application

Has a strong state commitment as well as strong commitment from non-profit community and commercial lenders. KHIC gives itself a very prominent role in the application. It uses past success to continue many of its programs.

There is some home construction, some focus on contracting at home on computers for data entry and a number of other innovative programs.

At times, the application appears "too good to be true."

The HHS review team commented that

Human development component is well thought-out and well presented, addressing several of the identified community needs. Plan would be significantly stronger if proposed infrastructure and economic development projects were more directly linked to job training and employment of residents. Plan appears more focused on infrastructure than on services.

In addition, plan to build services on existing network, but their commitment is not firm.

CONF

Kentucky Highlands Investment Corporation
No. 159

DRAFT

4

One example is the Christian Appalachian Project, mentioned as a partner for child development, spouse abuse and other programs. However, their letter of support comments that they will be happy to provide "technical assistance" to KHIC, it does not mention using resources to initiate needed human services programs.

The site visit

State director comments that KHIC is in very strong financial position. Has assisted with the creation of over 3,800 jobs in the surrounding community and does a good job in obtaining matching funds. Each dollar invested with KHIC has been leveraged with \$7.5. "This community and management entity definitely have the capacity to manage the EZ program."

Applicant expressed concern that it will be very critical that the approvals for the requested waivers be obtained on a timely basis.

Be:
This is a
Very Rough
Draft. BAW

File:
E-Zones

September 13, 1993

DRAFT

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Response to Wall Street Journal (WSJ) article criticizing
Administration's Empowerment Zone proposal

- *KEMP: "There's nothing in here that does anything to encourage capital to flow into the areas of the country that have been redlined."*
- **REALITY:** There are several tax provisions that will encourage the flow of capital into the Empowerment Zones and Enterprise Communities. First, all zones and communities will get authority to use tax-exempt bonds to help finance a variety of businesses; currently, bonds of this kind can be used only for manufacturing. Second, the legislation waives the active business requirement for Specialized Small Business Investment Corporations (SSBICs) that would otherwise not be eligible as a qualified small business for the new 50% capital gains exclusion on investments in small businesses, and allows deferral of gain by corporate or individual investors from the sale of publicly-traded securities if the proceeds are reinvested in the equity of a SSBIC. Third, the bill establishes a tax credit for contributions made to Community Development Corporations of up to 5% of the contribution. Fourth, In the Empowerment Zones, Section 179 expensing for depreciable property for qualified zone businesses is increased by the lesser of \$20,000 or the cost of section 179 property that is qualified zone property and that is placed in service during the taxable year.

All of the above are capital incentives in addition to the tax incentives in the bill designed to reduce the cost of labor.

In addition, the Administration's proposals to establish a network of Community Development Financial Institutions and to reform the Community Reinvestment Act by moving from paperwork to performance, will unleash billions in private sector capital to credit-starved, low- to moderate-income communities.

- *KEMP: "It's not empowerment or enterprise, and anyone who voted for it should be ashamed."*
- **REALITY:** This legislation empowers communities to come forth with bold, innovative plans to rebuild. Not only does the legislation provide tax incentives and grants to spur entrepreneurship and the growth of the private sector in the zones, the bill also establishes an Enterprise Board where communities can come and seek programmatic waivers to encourage economic empowerment in their communities. This legislation helps people and communities help themselves.
- *KEMP: (paraphrase) The centerpiece of any enterprise zone proposal should be the elimination of capital gains tax on anyone who works, saves or invests in the zones.*
- **REALITY:** The Administration's Empowerment Zone proposal does in fact include a capital gains exclusion on investments for SSBICs and a deferral of gain by corporate or individual investors from the sale of publicly-traded securities if the proceeds are reinvested in the equity of a SSBIC.

Because all communities are not the same, the Administration's Empowerment Zone proposal provides additional incentives. Including tax incentives to reduce the cost of labor, programmatic waivers for communities with innovative strategic plans, and grants to promote job creation.

The Administration's Empowerment proposal also recognizes that you need a comprehensive approach to rebuilding America's inner cities and distressed rural communities. No matter how many tax breaks you give major corporations, no company will move to a community overwhelmed by violent crime and drugs, or lacking a workforce with the most basic skills. That is why

- *LIEBERMAN: "There are too few real zones and too many quasi-zones."*
- **REALITY:** While the nine Empowerment Zones do get extra incentives, the inducements for the other ninety-five Enterprise Communities is also considerable. The Enterprise Communities are eligible for the tax-exempt facility bonds, tax credit contributions for community development corporations, incentives for investments in SSBICs, and the expanded Low-Income Housing Credit. The Enterprise Communities can also qualify for a portion of the new Title XX funds. Most importantly, however, is that all 106 Zones and Communities can petition the

Enterprise Board for expeditious consideration of waivers and are eligible for specially targeted funding under existing authorizations.

THE WHITE HOUSE
WASHINGTON

September 14, 1993

MEMORANDUM FOR EMPOWERMENT ZONES SUB-GROUP ON CAPITAL
FORMATION FOR BUSINESS AND ECONOMIC DEVELOPMENT (Distribution attached)

FROM: SHERYLL CASHIN, National Economic Council

SUBJECT: Forwarding Documents and Assignments Reminder

Attached are comments and proposals I have recently received from the group thus far. As I said last week, if you have concrete suggestions or proposals for providing access to capital in empowerment zones, please submit them to me in advance of tomorrow's meeting. In particular, if you have recommendations for additions or amendments to the SBA proposal, please send them to me as soon as possible. Otherwise, I will assume that you support the proposal as it currently stands.

In addition, please note that Interior/BIA has proposed that a capital formation strategy be developed for Indian territory. Please send me any responses you have to their proposal.

For those of you that still have investigating to do, i.e., pension funds, banks, and private-sector pooling, I would like to set a deadline of September 24 for reports on those issues. It is critical that we come to closure soon on a general capital formation strategy so that we can begin to move to implementing that strategy, i.e., submitting language to HUD and USDA for the RFP, recruiting investors or licensees for new entities, designing marketing strategy for investments in SSBICs, preparing any needed legislative requests, etc.

As you know, we are required to make a report to the entire EZ group tomorrow. Attached is an outline of the report I would like to make on behalf of the group. (HUD will be making a report on capital formation for housing.) In particular, I would like to say that our sub-group supports SBA's one-stop capital shop proposal and recommends that this general framework be pursued.

cc:

Jack Quinn, Kumiki Gibson
Bob Rubin, Gene Sperling, Paul Dimond
Bruce Reed, Paul Weinstein

**REPORT OF THE EMPOWERMENT ZONES SUB-GROUP
ON CAPITAL FORMATION FOR
BUSINESS AND ECONOMIC DEVELOPMENT**

I. ONE STOP-CAPITAL SHOPS – SBA proposal for business capital access in Empowerment Zones and Enterprise Communities (SBA presenting; Sheryll's summary handout available)

Proposal would result in coordinated technical assistance on the ground for all 104 EZ's and ECs, with each EZ having a shop physically located in the zone and 2 to 3 paid staff to run the shops.

Proposal would result in the following loan/investment volume in EZs and ECs:

- **Micro-Loans:** \$12.9 million in first leverage; \$30 million over five years in 9 EZs with effect of revolving funds
- **SBIC Equity Investment:** \$60 million in all 104 EZs and ECs
- **SSBIC Equity Investment:** \$80 million in all 104 EZs and ECs
- **SBLC Loans:** \$1.8 Billion in 9 EZs (and potentially all ECs)
- **504 CDC Real Estate and Related Equipment Loans:** \$1.2 Billion in 9 EZs

Total Loan and Investment Volume over 5 years: \$3.17 Billion

Total additional federal cost over 5 years: \$ 65 million

Implementation issues: (Sheryll presenting)

- Subgroup generally favors the proposal
- Subsequent appropriation could be sought on annual basis
- Local commitments to use portion of CDBG and Title XX funds
- RFP information to assist communities in planning for shops -- rewarding communities that integrate state, local and private sector capital access tools in their one-stop shop proposals

II. ADDITIONAL TOOLS

Tax-Exempt Zone Facility Bonds: Treasury has offered suggestions that might be included in the RFP to ensure that localities make use of these bonds, e.g., allocation of a percentage of the state loan volume cap. Total potential loan volume for all EZs and ECs: \$ ____

Tax Breaks for Investments in SSBICs and "Bumpers" Businesses: The working group is still investigating the potential for marketing these tools to investors and/or

inducing third parties to pool and market these investments.

Commerce MBDA Megacenters: Commerce has set-aside funds for state-of-the-art MBDA Megacenters in certain locations, including Los Angeles. Commerce is currently exploring how its six regional Megacenters might provide technical assistance to businesses in EZs.

CDFI Bill: The President's CDFI bill is pending in Congress. Assuming passage, EZs and ECs will have priority for participation and the CDFI fund will be a source of matching capital to capitalize a CDFI for community development lending in the zones.

III. ROLE OF OUTSIDE INVESTORS:

Pension Funds: DOL preliminarily is of the view that pension funds could, within existing regulations and constraints, invest in or purchase at least some of the products that will result from EZs and ECs. Pension funds currently purchase the guaranteed portion of SBA loans. DOL is working with SBA to investigate the potential role of pension funds more fully.

Banks: Treasury preliminarily states that banks could invest a small percentage of their unimpaired capital in CDCs, SBICs, and SSBICs. It is still exploring the extent to which banks could play a role at the national and local level in providing capital to EZs and ECs.

IV. INTEGRATING INDIAN COUNTRY INTO CAPITAL FORMATION AND COMMUNITY ENTERPRISE BOARD STRATEGIES

Interior and the Bureau of Indian Affairs have requested that the Community Enterprise Board's efforts to implement empowerment zones include coordinated implementation strategies for Indian Country. In addition, they have requested a coordinated capital formation strategy. (Under the Budget Reconciliation, businesses that locate in Indian nations automatically receive tax incentives for accelerated depreciation and employment of Indians.)

To: Cheryl Cashin
Paul Diamond

From: Larry Parks
Ditas Katague

Re: Initial Comments/Contributions of Commerce to Empowerment Zones

I am sorry that I am unable to attend today's meeting.

Work is in process on examining the level of funding that we can contribute and additional funds we will need to effectively use the EDA loan guarantee authority program to assist businesses locating in the empowerment zone distressed communities. I should have a paper to you in the next day or so.

SBA has some interesting concepts and programs that they will unleash in the empowerment zones. The SBDC program provides technical assistance through university centers; they like the MBDA centers, have a mixed reputation. However, given the types of communities likely to receive empowerment zone designation, new -- state of the art, MBDA MEGA centers can play a significant role in providing management and technical assistance to businesses locating in the zone. Three million dollars has been set aside for a state of the art business assistance center in Los Angeles; one such center is up and running in Chicago now. If we are provided \$6 million more dollars we can have these centers operating in Washington and Miami within the next year. MBDA is divided into 6 regions and we would like to have a MEGA center operating in each of the regions to provide technical assistance to businesses located in the regions. These centers can work with businesses in each of the empowerment zone areas. Centers are staffed by private business consultants, and unlike the smaller MBDA centers, the caliber of consultants has been raised because the centers are better funded. The Chicago center has had a great deal of success in helping minority construction companies obtain surety bonding; introducing technological innovations to small businesses and training owners/staff on computer systems; and working with local lenders to help businesses obtain working capital and other debt financing. The Los Angeles Center will focus on expanding minority business opportunities in technology, international trade and exporting along with providing start - up assistance in business plan preparation.

We will provide you more information as needed.



United States Department of the Interior

BUREAU OF INDIAN AFFAIRS

Washington, D.C. 20240

IN REPLY REFER TO:

SEP 13 1993

MEMORANDUM

TO: Sheryll Cashin
National Economic Council
The White House

FROM: Bureau of Indian Affairs
Ernie Clark, BIA, John Jollie, BIA, Ken Reinfeld, DOI
Sub-Group Members

SUBJECT: Empowerment Zones Sub-Group on Capital Formation for
Business and Economic Development.

Thank you for your willingness to take our suggestions to the full working group. Congratulations on the fine work you have done so far in leading the Empowerment Zone Sub-Group on Capital Formation for Business and Economic Development. The Subgroup is gathering timely information and suggesting valuable capital formation strategies for implementing the Administration's Empowerment Zone initiative. Because of its continued progress, the Bureau of Indian Affairs recommends that the Sub-Group continue its existence.

As American Indian Reservation provisions have been included in the 1993 Budget Reconciliation Act (P.L.103-66), it is imperative that tribal representatives work in partnership with federal representatives as the Administration's Empowerment Zone planning process proceeds. Recent statements by Department of Interior Secretary Bruce Babbitt and Assistant Interior Secretary for Indian Affairs, Ada Deer, have reaffirmed the Clinton Administration's desire to maintain a government to government working relationship with the Nation's federally recognized tribes. Economic development has been designated as a top priority among Indian tribes, as well as, by the United States Government.

American Indians have been a part of the "Enterprise Zones" planning process since the early 1980's, at which time enterprise zones were proposed. Three publications of particular interest are relevant to American Indians and Enterprise Zones:

1. Applicability of Enterprise Zones to American Indian Reservations, U.S. Department of Interior, Bureau of Indian Affairs and U.S. Department of Human and Health Services, Administration for Native Americans, (1981);
2. Report of the Task Force on Indian Economic Development,

U.S. Department of Interior, Washington, D.C. (July 1986); and

3. American Indian Enterprise Zones Summary of Past Initiatives and Look to the Future, The American Association of Enterprise Zones Educational Foundation, Washington, DC, (February 1988).

The above reports outline unique problems that exist in Indian Country, such as geographical remoteness, high costs, small tribal populations, isolation from major markets, high poverty, lack of basic industrial infrastructure, and serious health problems. Because of these peculiar factors prevalent in Indian Affairs, We suggest the following:

- 1) Establish a sub-group of the Capital Formation sub-group working group to identify the institutional arrangements appropriate for Indian Country;
- 2) promote inter-agency coordination among the federal agencies that have Indian economic development programs, Including:
 - a) The Bureau of Indian Affairs;
 - b) Small Business Administration;
 - c) Department of Commerce, MBDA;
 - d) Department of Commerce, EDA;
 - e) Department of Human and Health Services, Administration for Native Americans;
 - f) Department of Human and Health Services, Indian Health Service;
 - g) Department of Agriculture;
 - h) Department of Housing and Urban Development; and
 - i) Department of Transportation;
- 3) Develop a national Indian economic development strategy to be implemented within the framework of the President's Community Enterprise Board; and
- 4) Coordinate the development of both rural and urban empowerment zones with Indian tribes

Do not hesitate to contact us if you have any questions or desire to follow-up on these suggestions.

EXECUTIVE OFFICE OF THE PRESIDENT

13-Sep-1993 03:41pm

TO: Sheryll D. Cashin

FROM: Douglas A. Criscitello
Office of Mgmt and Budget, HTF

CC: Alan B. Rhinesmith

SUBJECT: SBA-proposed "One Stop Capital Shop"

You asked me to review the proposal submitted by SBA to provide a "one stop capital shop" for firms located in the nine empowerment zones. While the proposal would stimulate economic activity in the targeted areas, there may be ways to achieve this end with less Federal cost -- even though the agency's estimated project cost of \$66 million over five years is relatively modest. (As a point of reference, SBA's 1993 appropriations exceeded \$900 million.)

Taken as a whole, SBA could probably accomplish most of the objectives set out in the proposal within its current (and expected) budgetary constraints. To the extent that additional funds are provided, improved services (e.g. technical assistance, credit extension) could be rendered to firms located in the zones.

An analysis of the components of the proposal follows.

1. Micro Loans:

SBA proposes to license an additional intermediary lender in each of the nine empowerment zones. Assuming that each intermediary would borrow from SBA the maximum loan amount permissible under law, the additional subsidy cost would total \$2.3 million over five years.

Analysis: SBA does not necessarily need additional appropriations to license new intermediaries. The proposal assumes that loan demand by intermediaries fully consumes all available appropriations. To date, this has not been the case. Further, even if lender demand was very high, SBA could administratively reduce the maximum intermediary loan amount. A possible alternative to licensing additional lenders, could be to require that existing intermediaries serve the targeted areas. SBA implies that there are four intermediaries per state, so it is likely that there is one located in the general vicinity of each empowerment zone.

Micro Grants:

SBA estimates that making technical/management assistance grants to the additional intermediaries would cost \$11.3 million over five years.

Analysis: Some additional funds might be desired to achieve desired results, but above logic (for loans) still applies.

2. Small Business Investment Companies (SBICs):

SBA would license three new SBICs dedicated exclusively to community development investing. SBA estimates that no additional costs to the Federal government would be incurred relative to baseline funding levels.

Analysis: Demand for the SBIC program has been well below appropriated levels in recent years. Efforts to promote the use of this program in enterprise zones could be an effective economic stimulus tool in these distressed areas.

3. Specialized SBICs:

Similar to above SBIC proposal -- SBA would license three new SSBICs for community development investing. The leverage provided by these SSBICs is expected (by SBA) to cost \$17.3 million over five years.

Analysis: As with the regular SBIC program, demand for Federal leverage under this program has been well below appropriated levels in recent years. Some additional appropriations could be needed for enterprise zones if demand increases substantially, but the extent to which any additional funds are needed is unclear.

4. Small Business Lending Companies (SBLCs)

SBA would license one or two SBLCs dedicated exclusively to community development lending.

Analysis: This proposal could potentially result in substantial additional lending to businesses located in enterprise zones. No additional Federal funding would likely be needed above baseline levels. Loans made to firms located in these areas, however, are likely riskier than those presently being guaranteed by SBA -- potentially resulting in higher credit subsidy costs to the Government.

5. Certified Development Companies (SBA Section 504 CDCs)

SBA would commit to expanding the program by nine CDCs to provide loans to small businesses for real estate and related large equipment. According to SBA, this program expansion would cost \$24.3 million over five years (for the cost of a 5 percent subsidy rate -- up from the current rate of 0.5 percent).

Analysis: It is unclear how much riskier these loans would be than loans presently made under the Section 504 program. As noted above, the greater the likelihood of loan default the greater the cost to the Government. SBA's initial estimate attempts to quantify this greater risk.

6. Small Business Development Centers (SBDCs), Service Corps of Retired Executives (SCORE) and Business Information Centers (BICs)

SBA would work to ensure that at least one SBDC, one SCORE assistant, and one BIC was located in each zone as the core of the "one stop capital shop." This would cost \$1.8 million for BICs and \$8.6 million for project management.

Analysis: Technical assistance and counseling to small businesses located in these areas could likely be handled through the existing network of 965 SBDCs operating throughout the country. Some additional SBA staffing at these centers could be needed to ensure the desired level of assistance to targeted firms.

These are my initial thoughts on the proposal. If you would like to discuss further or have me attend the meeting on this matter, I can be reached on x7241.

AUG 27 1993

E-Zones

TO: Paul Dimond, Special Assistant to the President for
Economic Policy
✓ Bruce Reed, Deputy Assistant to the President for
Domestic Policy

FROM: Assistant Secretary for Planning and Evaluation

SUBJECT: Community Empowerment Initiatives

We have reviewed the proposed "Community Empowerment Principles" and the "Coordinating Structure" for the Community Empowerment Initiatives, as outlined in the August 10 memorandum on this subject. In general, these are on target. We do have one general comment and several specific comments and suggestions.

Our general comment is that the statement of principles should include a clear commitment to a well-defined evaluation component to guide and assess the impact of the service strategies and tax incentives.

Our specific suggestions are outlined below. The shaded words should be added. Those with strike-out marks should be deleted.

Community Empowerment Principles

A Commitment to Community

We suggest that there should be some acknowledgement of state governments' role in providing comprehensive services. Much of our funding flows through the states, and it would be useful if state funding could be targeted to selected areas and zones, as well as federal funds. Indeed, the major funding vehicle included in the Reconciliation bill is the Title XX block grant to states. We therefore recommend that the second bullet be amended as follows:

-- Encouraging comprehensive solutions to local problems by providing incentives to coordinated action at the local level and by focusing and coordinating state supported community assistance services.

A Commitment to Support Families

Amend the second bullet to include family-oriented and social support services and activities. This would better reflect the

policy of helping families to remain intact. We recommend that it should read:

-- Strengthening community supportive services for families by providing adequate physical and mental health facilities and family-focused activities and social support services such as: developmental screening of children to assess their needs and to assist families in securing adequate services; structured activities to strengthen the parent-child relationship; and in-home visits, parent support groups, and other programs for improving parenting skills.

Examples

We recommend that the tenth example read:

The linkage of low-income housing, education, and health and family support programs to ~~encourage establishment of health clinics, improve access to more comprehensive approaches such as family investment centers and tutoring and mentoring programs in communities~~ school-linked services programs.

We believe this better reflects the outcome of linked services.

Coordinating Structure

The third and fourth paragraphs should be amended as follows given that the enacted legislation does not contain provisions relating to an empowerment board:

The first would be to constitute the basic membership of the Empowerment Board, ~~which will be written into the Empowerment Zone law.~~ In this capacity, the working group would initially select the ~~110~~ 104 empowerment sites and then oversee the direction of departmental resources and demonstrations at those sites.

The second capacity would be to ~~go beyond the duties set forth legislatively in the Empowerment Zones statute and~~ serve as a standing committee on community empowerment to apply the broader principles of community empowerment across departments by focusing on specific projects, such as coordinating waiver ~~authorities assistance provided by other programs,~~ and carrying out other related activities.

Thank you for the opportunity to comment.


David T. Ellwood

Copies: D. Ellwood
M.J. Bane
P. Edelman

THE WHITE HOUSE
WASHINGTON

August 10, 1993

MEMORANDUM FOR:

Lloyd Bentsen, Secretary of Treasury
Erskine B. Bowles, Administrator of SBA
Lee Brown, Director of ONDCP
Ron Brown, Secretary of Commerce
Carol Browner, Administrator of EPA
Henry Cisneros, Secretary of HUD
Mike Espy, Secretary of Agriculture
Leon Panetta, Director of OMB
Federico Pena, Secretary of Transportation
Robert Reich, Secretary of Labor
Attorney General Janet Reno
Richard Riley, Secretary of Education
Donna Shalala, Secretary of HHS

FROM:

The Vice President
Carol Rasco, Assistant to the President for
Domestic Policy
Bob Rubin, Assistant to the President for
Economic Policy

SUBJECT:

Community Empowerment Initiatives

For several months, a sub-cabinet community empowerment working group has been refining the core principles through which we might unify and coordinate the community work of key domestic Cabinet departments. The central idea has been to create a consensus on the objectives of the President's community empowerment policies in order that we both coordinate around cross-cutting objectives at the agency level and assure coordination across departmental lines in local communities.

In considering these matters, the working group has recognized the urgency of community problems, the pleas of local leaders for coordinated federal action, and the constraints of the current fiscal environment. We are convinced that, even in a time of resource constraints, much additional effort can be had at the local level through this policy cross-cutting and local operational coordination. This is a time to build on the things that we know will work and to stress consolidation and performance. It is also a time to build reciprocity and shared responsibility into our programs.

With these imperatives in mind, the working group has considered five principles to use in tying together our community empowerment programs. This memorandum sets forth those principles and a suggested coordinating structure by which the Administration would further advance its efforts toward community empowerment.

The purpose of this memo is to solicit your opinions about this community empowerment strategy. Specifically, we are interested in whether you agree that the "empowerment principles" are the correct ones around which to begin the effort (some may well be controversial and require serious discussion) and whether you believe the coordinating structure suggested here is the most appropriate. Please provide your comments to any one, or to all, of us at your earliest convenience, but at least by close of business on Wednesday, August 18, 1993.

Community Empowerment Principles

A Commitment to Community would mean:

- Fundamentally changing the way the federal government does business by respecting "bottom up" initiatives rather than imposing "top down" requirements
- Encouraging comprehensive solutions to local problems by providing incentives to coordinated action at the local level *and greater coordination of these programs*
- Making programs more flexible and responsive to the needs of people who carry them out and are served by them and reducing the burdens of applying for and implementing programs
- Assuring citizens and local governments a meaningful voice in federal decision-making and supporting efforts to engage the civic values of community

A Commitment to Support Families would mean:

- Eliminating government barriers to family cohesion in laws and regulations and encouraging policies that support nurturing home environments
- Strengthening community supportive services for families by providing adequate physical and mental health facilities
- Promoting active parental involvement in community life, such as education and youth recreation programs
→ Activities for strengthening the parent-child relationship
- Providing social support structures for families such as programs for improving parenting skills

Hand on this - all family preservation ideas

- Making parents responsible for financially supporting their children

A Commitment to Economic Lift would mean:

- Creating a continuum of programs in order to move people up a ladder of opportunity
- Rewarding self-improvement across life-cycles and income levels
- Harnessing the marketplace and, where possible, using its rationale in government programs
- Investing in human capital by integrating education and training in all community support programs

A Commitment to Reciprocity and to Balancing Individual Rights and Responsibilities would mean:

- Expecting a commitment to individual and family self-improvement ✓
- Designing programs that embody a balance between rights and responsibilities ✓
- Intervening early in the lives of children and youths to discourage crime, drug use, gangs, and other destructive behaviors ✓

A Commitment to Reducing the Separations by Race and Income in American Life would mean:

- Cooperating to find incentives to reducing spatial segregation by race and income and eliminating barriers to equality of opportunity
- Confronting the ravages of racism by leadership examples and by opening a dialogue of conflict resolution

These principles can guide us operationally as we review government-wide policies and they can focus the cooperation of multiple departments within specific sites -- for example, in an empowerment zone. Examples of results that might flow from the use of these principles are:

- The consolidation and simplification of existing federal planning requirements to encourage local solutions to cross-cutting problems

? N.P.R process

- The review of waiver authorities to maximize flexibility and cooperation among federal departments
- The coordination of application and funding cycles for existing federal programs that deal with similar problems or issues
- The use of surplus federal properties (such as GSA-controlled facilities, HUD-foreclosed housing, and military bases slated for closure) for community purposes
- The strategic location of new federal facilities to promote community and economic development
- The linkage of federal transportation, employment training and affordable housing initiatives to ensure that job-ready individuals have access to employment opportunities throughout a metropolitan area
- The charting of new directions for transportation that promote clean air, energy conservation and more cost-effective settlement patterns
- The coordination of federal community credit initiatives with local anti-crime and community policing programs to attract economic development to inner-city neighborhoods
- The coordination and increased enforcement of statutory requirements that federal housing and other construction funds be spent to provide training and employment opportunities to low-income persons
- The linkage of low-income housing, education, and health and family support programs to encourage establishment of health clinics, family investment centers, and tutoring and mentoring programs in communities
- The facilitation of local comprehensive planning for human capital development that embraces early childhood education, quality public schools, work-related technical education, community colleges, comprehensive higher education, literacy education, worker retraining and the life-long learning needs of the work force
- The elimination of disincentives to work in welfare and other social programs and coordination of the programs to promote and reinforce economic independence.

income access to more comprehensive health

*

Coordinating Structure

The community empowerment principles embody a determination not only to coordinate -- as Cabinet Departments do through the Domestic Policy and National Economic Councils -- but also to commit the federal government to the performance-measured, customer-driven philosophy at the heart of the National Performance Review being undertaken at the direction of the Vice President. In order to create a forum in which Cabinet Secretaries can meet to explore innovative approaches to community empowerment measures, as well as to cross-agency implementation of those approaches (similar to those being developed in the NPR), the coordinating mechanism described below is recommended. This approach will make it possible to go beyond policy discussions to the next step of working with multiple Cabinet officers to select cooperative projects and manage them in a coordinated fashion at the local level.

We propose that the President establish a Cabinet-level Community Empowerment Working Group, to be jointly staffed by the Office of the Vice President, the NEC and the DPC and supported by the existing sub-cabinet working group that designed the empowerment zones proposal. The Working Group would meet monthly and function in two capacities:

The first would be to constitute the basic membership of the Empowerment Board, ~~which will be written into the Empowerment Zones law.~~ In this capacity, the working group would initially select the ~~110~~ empowerment sites and then oversee the direction of departmental resources and demonstrations at those sites.

^{10a}
The second capacity would ~~be to go beyond the duties set forth legislatively in the Empowerment Zones statute and~~ ^{to allow to} serve as a standing committee on community empowerment to apply the broader principles of community empowerment across departments by focusing on specific projects, such as coordinating waiver authorities, and carrying out other related activities.

In effect, this would link coordinated policy development at the agency level and application of the National Performance Review at the local level. To reflect the breadth of purpose, the working group would be chaired by the Vice President (who will also chair the statutory Empowerment Zones Board), and Carol Rasco and Bob Rubin would serve as Vice-Chairs.

We look forward to your reaction. We will schedule a meeting at the earliest mutually convenient time to discuss our next steps and get this critical project underway.

THE WHITE HOUSE
WASHINGTON

September 7, 1993

MEMORANDUM FOR KUMIKI GIBSON

FROM: SHERYLL CASHIN
SUBJECT: SBA's Proposed use of Title XX funds

Kumiki,

Attached is a proposal from Erskine Bowles, the SBA Administrator, for establishing "One-stop capital shops" in the nine empowerment zones and providing similar services to the 95 enterprise communities. Through the coordinated usage of a variety of SBA and other capital access tools, SBA estimates that some \$3 billion in private and public capital could be funneled to the zones. This proposal estimates expanded SBA administrative and program costs of approximately \$65 million over five years -- costs which would have to be requested in subsequent appropriations requests. Key members of the capital formation subgroup will be discussing this and other options at a meeting today at 3:30 p.m. in Room 230 OEOB.

One part of the proposal requests that a portion of Title XX funds -- \$ 11,858,000 -- be used to pay for approximately half of the costs of providing technical advisory to small businesses located in empowerment zones. (See pp. 6-7 of proposal) These services would be provided through the Small Business Development Centers (SBDCs) and Service Corps of Retired Executives (SCORE) facilities located in empowerment zones. (The other half would be paid by the local governments as part of a statutory matching requirement under the SBDC program.)

As we discussed this morning, my question to you is whether there is a way we could use the Title XX for this purpose? Is it within the scope of Title XX and if so, how would we deal with the fact that the money is supposed to go through the states in the form of a block grant? I hope you can make our meeting and if not, please let me know your thoughts on this issue.

cc:

Gene Sperling
Paul Dimond
~~Bruce Reed~~
Paul Weinstein



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416



September 3, 1993

Memorandum

To: Sheryll Cashin
National Economic Council

From: Erakins Bowles

Subject: Proposed "One Stop Capital Shop" - Job Creation Through Existing SBA Program Tools for Empowerment Zones and Enterprise Zones.

We have posted out the "One Stop Capital Shop" proposal sent to Bob Rubin on 8/18/93 (see attached). This proposal was the outcome of meetings with Mayor Riordan of Los Angeles and Mayor Schموke of Baltimore, on how SBA can help these cities create businesses and jobs.

We are proposing that this "One Stop Capital Shop" should be coordinated and implemented in the (9) empowerment zones, and service the (95+) enterprise zones. We believe that over \$3.0 billion in assistance to small businesses could be made available over 5 years, with a modest legislative change, and some additional dollars for administrative overhead.

The heart of the "One Stop Capital Shop" is combining SBA's economic resources, the SBLCs, SBIC/SSBICs, CDCs, and micro lenders, with business development advice provided by our SBDC, SCORE, and SBI programs. Our research shows that our micro loan program, which makes loans up to \$25,000, has been successful because our micro lenders provide a significant amount of business development advice to each of the recipients of the loans they make. Furthermore, the input we have received from our town hall meetings indicates that the market, that today is truly starved for capital, is composed of borrowers needing funds between \$25,000 and \$150,000. Below that level, we have the potential of meeting market demand through an expanded micro loan program.

This proposal allows SBA to refocus its economic resources toward economically distressed areas with only a relatively minor cost increase. We believe that newly licensed SBLCs and SBIC/SSBICs can service more than one zone and enterprise area.

Additional funding for the Certified Development Corporation (CDC) program of \$24.3 million and the Specialized Small Business Investment Company (SSBIC) of \$17,298,000 over the five year period, would be necessary to realize this plan. Additional funding of \$2,250,000 in program subsidy funds and \$11,250,000 for grants will be necessary to fund the expanded Micro Loan and Grant programs. SBA's project management costs will amount to \$2,085,050 per year or \$10,425,250 over the 5 year period. These funds totaling \$65,523,250 are not available under current appropriations levels.

The Request for Proposal (RFP) for cities would have to stipulate that CBDG funds of \$187,764,700 be made available to support the unguaranteed portion of SBA's \$1.8 billion in loans that would be made by the SBLC.

In addition, the \$12 million needed to cover business development services of the SBDC/SCORE will need to be provided by existing Title XX funding.

The following is a brief description of each SBA program and the services they provide:

NOTE: The estimates contained in this paper reflect program levels that can be achieved in an area having excellent local support for such programs. The estimates will vary from location to location, and a more informed estimate can be made once locations are established. Attached is a chart that illustrates these projections.

MICRO LOANS:

The SBA's Micro Loan Program provides financial and technical assistance through non-profit intermediaries, to new or existing small business to a target population of women, low income, and minority entrepreneurs.

The legislation allows for \$750.0 thousand in loans to an intermediary lender in the first year of operation. This can be increased to \$1.250 million in the second year. The maximum amount that an intermediary can have outstanding with SBA, at any one time, during the 5 year pilot program, is \$1.250 million. We would have one intermediary located at each site. Legislative changes would need to be made that would allow for more than 4 intermediaries in any one state, and an increase in the total number of intermediaries that would be allowed into the program.

The legislation also requires the intermediary lender to match SBA's money with a 15% cash injection. Over the 5 year period, SBA will be supporting a program level of \$11,250,000, with the intermediaries contributing another \$1,687,500 to the initiative, bringing the total

public/private program level to \$12,937,500.

The subsidy rate for Micro Loans is 15.25% plus 4.75% for the interest buy-down contained in the program, for a total of 20.0% of the program level. (\$1,250 million x 9 locations x .20 subsidy rate = \$2,250,000)

MICRO GRANT:

The legislation mandates a 25% grant based on the amount of the loan extended to the microloan intermediary. In the out years, the grant is based on the outstanding balance that the intermediary owes to SBA. Because the legislation allows for the intermediary to have an outstanding balance, not to exceed \$1.250 million, we allowed for a grant in the out years that reflects an outstanding balance of \$1,250 million. (\$1,250 million x 9 locations x .25 = \$11,250,000 for the five year period.) The cost of the grants are figured at 100%.

SMALL BUSINESS INVESTMENT COMPANY (SBIC)

These are the SBA's venture capital programs which are delivered by private sector investment companies licensed by SBA. These licensees provide risk capital to small businesses. As an example, we have found venture capitalists willing to focus on the inner city of Los Angeles as well as specialized venture capitalists who will focus only on those new business that are owned by minorities. We intend to promote, in both the SBIC and the SSBIC programs, the formation of new lenders by utilizing the new tax incentives contained in the empowerment legislation. These organizations would bring "seed capital" to this endeavor.

This proposal envisions a total of three unrelated regional SBICs that would service the needs of all nine empowerment zones and the 95 enterprise zones.

The attached chart matches a \$20,000,000 investment by the private sector at a 3:1 leverage ratio provided by our SBIC program, bringing the total program level to \$80 million. The first year's injection is made through the capitalization of the SBIC by the private sector venture capitalist with SBA starting its leverage in the second year of operation.

The cost for the SBIC program (subsidy rate) is currently at 15.39% giving a 5 year cost of \$9,234,000 at a program level of \$80 million.

SPECIALIZED SMALL BUSINESS INVESTMENT COMPANY (SSBIC)

The establishment of the SSBICs will mirror the SBICs.

This paper projects a private sector capitalization by the venture capitalist of \$15 million, being leveraged 4 times, giving a total program level over the 5 years of \$75 million. The subsidy rate for the SSBIC is currently at 28.83%, giving a 5 year cost for the program level of \$75 million of \$17,298,000. SBA can not fund this phase of the initiative out of current appropriations levels and therefore is requesting new funding of \$17,298,000 for this effort.

SMALL BUSINESS LENDING COMPANY (SBLC)

The nine empowerment zones will be serviced by one or two Small Business Lending Companies (SBLCs) specifically required to carry out the intent of this initiative. We are looking at the model submitted by Sam Beard's Grow America, as being a prototype. The SBLCs would have representation at each site. This will allow the SBLCs to spread their risks over several locations and have the ability to build a loan portfolio that is cost justified.

The SBLCs included in this initiative, would raise the needed capital for the unguaranteed portion of each SBA supported loan through the use of CBDG funds allocated by the local government. Capital needed to support overhead costs, in excess of operational income, would come from private investors.

The projection is for an SBA program level over a 5 year term to reach \$1,596,000,000. The unguaranteed portion to support SBA lending at this level, that would come from CBDG funds, would be \$187,764,700, bringing the total assistance to small business to \$1,783,764,700. Although the current subsidy rate for the 7(a) program is 2.20%, we have used a subsidy rate of 8% in this calculation. It is felt that the type of lending envisioned in the program will need to have a higher reserve for losses in order to support the goal of the program. Based on this projection, the 5 year SBA costs for this phase of the program would be \$127.7 million.

The reallocation of SBA resources to achieve this initiative will effect the availability of capital for other 7(a) projects by the following amounts. Our current annual appropriation of \$155 million at a subsidy rate of 2.20% will allow for a \$7.045 billion 7(a) lending program. Using a \$300 million lending year for this initiative, at an 8.0% subsidy rate, the subsidy cost will be \$24 million, leaving

a total subsidy of \$131 million for our other 7(a) lending. This \$131 million will yield a program level of \$5.955 billion or approximately \$1.09 billion less than the \$7.045 billion we could fund, if this initiative was not undertaken.

CERTIFIED DEVELOPMENT COMPANY (CDC)

The CDC program is SBA's primary real estate lending program. A project being financed under this program brings together a first mortgage lender at 50% of the project costs, SBA at 40% of the project costs with a second mortgage, and the small business concern or the local development company injecting the remaining 10%. The seed capital to operate a CDC comes from private investors and local government agencies.

This program is anticipated to generate a program level of \$486 million over the five year period. We have increased the subsidy rate for these loans from .5% which is the normal rate to 5.0%. This reflects our determination to reach the clientele that this project is being designed to assist. Total costs over the 5 year term, to the SBA at a 5% subsidy rate, is \$24,300,000. Our current subsidy appropriation will not cover this program level and therefore it will be necessary to seek an increase of \$24,300,000 over the 5 year period.

The actual assistance to the small business community under the CDC program will consist of \$607.5 million in private sector first mortgage lending, \$486.0 million in SBA financing and \$121.5 million in other contributions, for a total assistance package to the small business community of \$1,215.0 billion.

SMALL BUSINESS DEVELOPMENT CENTERS (SBDCs), SERVICE CORPS OF RETIRED EXECUTIVES (SCORE) AND BUSINESS INFORMATION CENTERS (BICs)

These are our business advisory service programs where we provide hands-on managerial, financial, marketing and technical advisory services to small businesses. Each recipient of a loan through an SBLC within an empowerment zone would be required to work with a business development counselor either at an SBDC or SCORE operation, thereby ensuring a greater chance of survival and success for that small business. The Business Information Centers (BICs), provide the latest in high-technology hardware, software, and telecommunications to assist small businesses. BICs use state-of-the-art personal computers, graphic workstations, CD-ROM technology, and interactive videos that allow the small business entrepreneur access to market research databases, use of planning and spreadsheet software, and use

of vast libraries of information to help them start or build their businesses.

We propose that the "One Stop Capital Shop" in the empowerment zones service enterprise zones through the SBDC and SCORE network. This network includes 965 SBDCs and 13,000 SCORE members. Priority service by the SBDC and SCORE programs will be given to the enterprise zones.

We propose that Title XX funding be used to pay for this part of the cost of the "One Stop Capital Shop." (The federal share of the cost per center, for SBDC assistance will be \$250,000 x 9 centers for a total of \$2,250,000 per year or \$11,250,000 over the 5 year period. The SBDC legislation requires a 100% match, 50% in cash and 50% in-kind contributions. This support is supplied by corporate donations, state funding sources and university participation. The total level of assistance given to small business would be \$22,500,000 over the 5 year period.

The SCORE assistance will cost \$13,500 per center x 9 centers = \$121,500 per year or \$607,500 over the 5 year period. We recommend the use of Title XX funding for this purpose, otherwise, additional appropriations will be needed to cover the cost of this phase of the initiative.

The cost for the 9 BICs is \$360,000 per year or \$1,800,000 for the project period.

Project management costs, including on site and central management for 9 centers and the 95+ enterprise zones will amount to approximately \$1,725,000 per year or a 5 year project cost of \$8,625,000.

SUMMARY

This initiative will bring to the small business community programs worth over \$3.0 billion. The assistance includes substantial support from the federal and local governments and the private sector. A summary of the contributions making up this assistance package is as follows:

PROGRAM	SBA PROGRAM OR GUARANTY LEVEL	THIRD PARTY FUNDING	TOTAL PROGRAM
(000)			
MICRO LOAN	\$11,250 (1)	\$ 1,688 (2)	\$ 12,938
MICRO GRANT	11,250	-	11,250
SBIC	60,000 (3)	20,000 (4)	80,000
SSBIC	60,000 (5)	15,000 (4)	75,000
SBLC	1,596,000 (6)	187,765 (7)	1,783,765
CDC	485,000 (8)	729,000 (9)	1,214,000
SBDC	-	22,500 (10)	22,500
SCORE	-	608 (11)	608
BIC	1,800 (12)	-	1,800
PROJECT MANAGEMENT	8,525 (13)	-	8,525
TOTAL	\$2,234,928 (14)	\$976,851	\$3,211,486

- (1) SBA cost is \$2,250 based on credit subsidy rate of 20.0%.
- (2) Microloan intermediary required to match 15% of SBA loan.
- (3) SBA cost is \$9,234 based on credit subsidy rate of 15.39%.
- (4) Private sector venture capitalist provides this funding.
- (5) SBA cost is \$17,298 based on a credit subsidy rate of 28.83%.
- (6) SBA cost is \$127,800 based on an estimated credit subsidy rate of 8.00%. Current subsidy rate is 2.20%.
- (7) CBDC funds provide this source of capital.
- (8) SBA cost is \$24,300 based on an estimated credit subsidy rate of 5.00%. Current subsidy rate is .5%.
- (9) \$607,500 of loan funds come from banks in form of 50% loan to value first mortgage. Balance of \$121,500 comes from recipients or community development corporation.
- (10) \$11,250 of these funds come from Title XX funding and the balance of \$11,250 of funds come from the required match by the states.
- (11) \$608 of funds for SCORE come from Title XX funding.
- (12) SBA will provide the funding for the BICs of \$1,800.
- (13) SBA required funding cost for S&E to operate 9 centers and the 95+ enterprise zones of \$8,525.
- (14) Total SBA out of pocket cost is as follows:

SBA COST OVER 5 YEARS

<u>PROGRAM</u>	<u>CREDIT SUBSIDY/ OUT OF POCKET</u>	<u>SBA PROGRAM</u>
MICRO LOAN	9 2,250*	\$11,250
MICRO GRANT	11,250*	11,250
SBIC	9,234	60,000
SBIC	17,288*	60,000
SBLC	127,800	1,596,000
CDC	24,300*	486,000
SRDC	-	-
SCORE	-	-
SIC	1,800*	1,800
PROJECT MANAGEMENT	<u>0,625*</u>	<u>0,625</u>
TOTAL	<u>6202,557</u>	<u>\$2,234,925</u>

* New SBA appropriations to totally \$65,523 needed to implement program.

Some Advocates of Enterprise-Zone Concept Find Little to Cheer in Democrats' Legislation

E-ZONE FILE COPY

By LAURIE MCGOWLEY

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON — For more than a decade, Jack Kemp was the nation's most relentless champion of enterprise zones to help distressed inner cities — to no avail. But now that the Democrats finally have enacted the idea, all he can muster is a Bronx cheer.

"It's a tragedy, it's a hoax," says Mr. Kemp, a former Republican congressman and housing secretary. "It's not empowerment or enterprise, and anyone who voted for it should be ashamed."

"It is ironic that you had the Democrats pushing forward on this and every Republican voting against it," says Stuart Sudder, director of domestic policy studies at the Heritage Foundation, a conservative think tank. "But the basic elements of their plan are upside down or just wrong."

The legislation, approved by Congress as part of its deficit-reduction package, is substantially different from some earlier versions pushed by Mr. Kemp, his conservative allies and some Democrats in an effort to combat high unemployment, high crime and welfare dependency, and spur an urban economic renewal. Rather than bestowing tax breaks on hundreds of areas — from East Harlem in East Los Angeles, as Mr. Kemp likes to say — the legislation will give the lion's share of \$3.5 billion in tax incentives and grants to just six cities and three rural areas. Funneling most of the benefits to a handful of cities is sure to make the selection process a bloody one, critics say.

And rather than providing the sweeping capital-gains tax relief that Mr. Kemp is pushing, the main break is wage credits for businesses operating in the zones. "I'm all for lowering the cost of labor," Mr. Kemp says, "but there's nothing in here that does anything to encourage capital to flow into the areas of the country that have been redlined" — discriminated against in the granting of credit.

Described as First Step

But supporters argue that the legislation is a crucial first step in crafting an urban policy for a country that has largely ignored festering inner-city problems. Even as urban violence and decay has worsened over the past decade, Washington has done little to break the cycle of despair and destruction.

After last year's riots in Los Angeles, then-President Bush vetoed a bill creating enterprise zones because it also raised taxes. Now, President Clinton has seen his modest urban agenda founder amid budget and management headaches.

Against this backdrop, supporters say that enterprise zones, though still largely unproven and controversial, establish an important precedent that down-and-out communities should be helped into the economic mainstream. "This is a significant pilot program that, once proven successful, we hope will be expanded and

replicated," says Jerry Abramson, mayor of Louisville and president of the U.S. Conference of Mayors.

And Sen. Donald Riegle, a Michigan Democrat, says the legislation was an important step to add direct funding for social problems, suggesting that the Kemp approach relied too much on tax breaks. "Distressed communities can't begin to turn themselves around while most of the work force lives in dilapidated housing, has inadequate access to child care and inadequate education," Sen. Riegle says.

Other congressional proponents, however, are quick to acknowledge that the legislation is far from perfect. Referring to its limited scope, Democratic Rep. Charles Rangel of New York says, "How can I feel so great?" Still, he's hoping that the zones will be successful in showing "in a dramatic way what you can do with people who society has given up on, if you give them some attention" and economic opportunities.

Nine Super Zones to Benefit

The legislation creates nine super zones, called "empowerment zones" — five in big cities, one in a medium-size city and three in rural areas to be selected by the secretaries of housing and urban affairs and agriculture. The areas will share federal largess totaling \$3.3 billion in tax incentives, mostly wage credits to encourage the hiring of zone residents, and \$720 million in social-service grants. And they'll get authority to use tax-exempt bonds to help finance a variety of businesses; currently, bonds of this kind can be used only for manufacturing facilities.

Businesses in the zones will also be allowed to deduct more of the cost of certain business property in the year it is purchased.

An additional 95 areas — 65 urban, 30 rural — will be selected as "enterprise communities," eligible for the special bond rules, plus \$280 million in grants.

The administration was determined to steer the bulk of the benefits to a small number of cities in an effort to really test the program. But from the start, that also has been its biggest political vulnerability.

"There are too few real zones and too many quasi-zones," says Sen. Joseph Lieberman, a Connecticut Democrat who is a longtime supporter of the enterprise-zone concept. He urged his colleagues to approve 50 to 75 zones that would get extensive benefits, but not what he considers the excessive goodies that now are targeted for the super zones.

He is concerned that even if the subsidies for the empowerment zones are effective, they will be too costly to replicate on a broad scale.

Many city representatives, while supporting the legislation as a first step, are simply dismayed that they will be left out. Cities will be chosen on a competitive basis after submitting applications, but New

York, Chicago and Los Angeles already are considered shoo-ins. "That leaves the rest of the country to fight over the remaining three spots," says Jeffrey Finkle, executive director of the National Council for Urban Economic Development, which represents local economic development officials. "That's terribly unfair to Gary, Ind., Youngstown, Ohio, and Pittsburgh. You are creating a new entitlement for a select number of cities."

Plan Criticized

Frank Shafron, director of policy and federal relations for the National League of Cities, which has many small and medium-size cities among its members, says, "The nine zones are in Fat City, while the 95 other ones get S&H green stamps."

But supporters of the approach say it's wise to provide extensive benefits to a limited number of areas, rather than spreading paltry benefits on a massive scale.

One of the biggest policy debates involving enterprise zones over the years has been not only whether tax incentives will work, but what kind of incentives to try. For Mr. Kemp, the centerpiece of any enterprise zone proposal should be the elimination of the capital gains tax on anyone who works, saves or invests in the zones. This, he says, would greatly increase the seed capital flowing into America's low-income communities and reward entrepreneurs.

But Eugene Steuerle, a senior fellow at the Urban Institute, says "capital gains relief doesn't make a lot of sense." For one thing, he says, "it's hard to control. Are your gains related to activity in that

Creating Tax Breaks

Here are the main elements for the empowerment and enterprise zones passed under the budget legislation.

EMPOWERMENT ZONES

NUMBER: 95

- 65 big cities, one medium city and three rural areas.

INCENTIVES:

- \$2.5 billion in tax incentives, primarily wage credits. Employer's zone credit rate credits equal to 25% of the first \$15,000 of worker's wages, for a maximum of \$3,000.
- \$720 million in direct grants over two years for social services spending on child care, worker training, education and other needs.
- A change in bond rules to allow tax-exempt bond financing to be used for non-manufacturing businesses.

ENTERPRISE ZONES

NUMBER: 95

- 65 city-own urban and 30 rural communities.

BENEFITS:

- Same change in bond rules as above.
- \$280 million in grants for social spending.

Source: Congressional Budget Office

area or related to sales in other places?" Mr. Steuerle has a more basic concern about all enterprise-zone proposals. "The central difficulty is that, by their very nature, they discriminate on the basis of geographic location," he says. "So you are giving away tax credits to McDonald's on one side of Broadway, but not in Burger King on the other side. You have discrimination against workers in those other areas, and you can't do it for long without creating anger and resentment."

59

E-ZONES

THE WHITE HOUSE
WASHINGTON

September 3, 1993
DRAFT

MEMORANDUM FOR CAROL RASCO
BOB RUBIN
BRUCE REED
GENE SPERLING

FROM: PAUL DIMOND
PAUL WEINSTEIN

SUBJECT: UPDATE ON EMPOWERMENT ZONE IMPLEMENTATION
WORKING GROUP

I. SUMMARY

The sub-cabinet working group continues to function effectively. To complement the tax incentives provided in Budget Reconciliation, we are completing the building of a comprehensive empowerment zone program to offer essential federal resources and substantial private capital through a national challenge grant process. We are confident that our final package will induce States and localities to develop innovative strategic plans with significant State and private sector matches.

Kumiki Gibson has proven an invaluable addition to our team. She has worked very collegially and effectively with us to move the process along. New agencies that have been added, including SBA and EPA, are coming forward with major contributions. We are working through the sensitive issues relating to the Title XX capped entitlement and HHS's role that will assist in promoting the President's vision of economic self-sufficiency for families and economic empowerment for distressed communities. Consensus is emerging on other important issues of substance, process, and structure.

II. PROGRESS TO DATE

- The sub-cabinet level working group had three meetings and critical tasks have been assigned. Agendas are attached.
- We meet with Kumiki more frequently to plan next steps, to consider options, and to manage the process on an on-going basis.
- Interagency issue groups, chaired by key players, have been established to do the work and/or present options on:

1. Scope and limits of Administration ability to implement empowerment zones without further legislation. (K.Gibson, P. Weinstein). A draft of the Presidential Directive to establish the Enterprise Board and to assure inter-agency cooperation to implement empowerment zones has been drafted. Under this Directive, any further legislation is needed only for (a) statutory waivers and (b) each agency seeking annual authorization and appropriation for programs to be included in empowerment zone program; options on these sensitive issues are being explored.

2. RFP Challenge Grant Process. (A.Cuomo, B.Nash, M.J.Bane). HUD and DoAg, with assistance from HHS, are taking the first cut at drafting the Request for Proposals and selection criteria (including with respect to the Title XX capped entitlement) for the challenge grant process and timeline for applications. They will present their recommendations, and alternative options on major issues, to the working group at the next meeting on September 14. They are focussing on innovative approaches that will encourage local initiative and substantial State and private sector matches.

3. Capital formation for business and economic development. (S.Cashin, E.Bowles, L.Parks, M.Foley). The issue group is developing several bold proposals that will stimulate several billion dollars in private capital. The recommendations, and alternative options on major issues, will also be presented at the next meeting working group meeting.

4. Capital formation for housing and community development. (B.Katz and A. Cuomo, B. Nash, D. Sykes). This issue group is exploring how to exploit several innovative public-GSE-private partnerships that will provide several billion dollars in private capital, in addition to substantial federal support to leverage additional private capital. The recommendations, and alternative options on major issues, will also be presented at the next meeting.

5. Agency Contributions. (P. Dimond and C. Edley). Each of the agencies will be presenting their first cut of possible contributions and participation in the empowerment program immediately after Labor Day. I have spoken to each agency and am confident that we will have a very credible set of initial agency commitments from which we can build in the weeks ahead to fill any holes. Given the constrictions of the FY 95 Budget Review process, we may need your assistance in solidifying some commitments and raising others. (There are, in any

event, difficult issues concerning how best to have each agency seek authorization and appropriation each year in Congress.)

6. **Message.** (J. Quinn, B. Reed, G. Sperling). As we finalize the federal empowerment package, selection criteria, and challenge grant process, this issue group will shape the announcement that will carry the message of our community and economic empowerment principles to the country.

- Paul D. continues to meet privately with the Assistant Secretaries and issue group leaders to assure that we hear and resolve any problems early and stimulate the best thinking and work possible.

III. TIMELINE

The working group is proceeding on the following projected timeline:

- October–November, 1993: announce the selection criteria, goals and federal inducements to the country and issue the RFP to the communities.
- February–March, 1994: joint applications will be submitted by communities and States.
- March–April, 1994: first round of designations will be made by the Secretaries of HUD and DoAg. (Not all designations will be made in the first round in order to avoid Congressional backlash.)
- October, 1994: announce second round of Challenge Grant.
- February–March, 1994: new and amended joint applications will be submitted by communities and States.
- March–April, 1994: second round of designations made.

The important point is to make sure that we have the first round of designations made early enough in 1994 so that we can begin to have demonstrable signs of initial success by the 1996 election. Subject to this endpoint, we should proceed no more rapidly than proves necessary to assure that we develop a dynamic program and challenge grant process: we must provide the communities and States the incentives, the time, the single point of contact and the interagency support necessary to develop their own strategic plans and State–private sector matches that will succeed.

IV. ON-GOING PROCESS AND STRUCTURE

Finally, it appears that a consensus is emerging in our working group in support of an operating structure to implement the empowerment zone program that would work as follows in the months ahead:

1. Enterprise Board, two levels --

a. Cabinet-level, but only as needed, will review major policy issues, provide policy direction, assure full Secretary support and cooperation, and make recommendations to President. V.P., Chair; C. Rasco and B. Rubin, Vice-Chairs.

b. Sub-cabinet working group will assure interagency input, review and support for selection criteria and challenge grant process; will resolve (or shape for decision) any major policy and political issues concerning selection criteria, designations, waivers, or interagency cooperation for review, first by Deputy Chairs, then by Chair and Vice-Chairs and, only as appropriate, the Cabinet-level Board. Oversight of this process will be provided by Deputy Chairs J. Quinn, B. Reed, and G. Sperling; P. Dimond, Special Assistant, with K. Gibson and P. Weinstein, will provide the hands-on management of the Sub-cabinet level working group process.

2. HUD and DoAG will bear line responsibility for designation of zones and communities and implementation of the empowerment program in the designated areas, including periodic review to assess the progress of each community in achieving its benchmarks for success. HHS and the other agencies will detail staff, as needed, (a) to review applications and applicants' requests for cooperation and flexibility and (b) to provide input on designation of empowerment zones and enterprise communities to HUD (urban: A. Cuomo/H. Cisneros) and DoAg (rural: R. Nash/M. Espy). A designee of the Vice-President could be assigned to A. Cuomo's office to assist in designation and interagency input and cooperation.

4. Empowerment Zone and Enterprise Community Implementation -- In each zone and community, HUD or DoAg will charge one of its staff to lead an interagency team with staff from other agencies to assure federal responsiveness and cooperation in assisting the designated zones and communities in implementing their strategic plans.

This structure will assure specific personal accountability at each level of responsibility, while providing the means for interagency input and cooperation -- right down to the local community where it matters the most. Through the continuing process of informal contact directly between the responsible staff of the VP, DPC and NEC with their counterparts in the agencies, most issues can be resolved without requiring the direct involvement of the Deputies, Vice-Chairs or the Chair, or the Cabinet level. Nevertheless, important issues can be presented as appropriate to each higher level.

This structure will succeed in getting the basic planning done that needs to be done **this year**, while permitting the evolution, over time, into an effectively functioning **operating structure for the long haul**.

Finally, the proposed structure for the Enterprise Board with the two-level working group -- cabinet and sub-cabinet -- directly mirrors the structure and process envisioned for the empowerment working group. It also continues the basic structure and process that we used with the Secretaries and Assistant Secretaries in developing the policies and Presidential decisions on the empowerment zones and community development banking initiatives. As a result, the proposed structure allows us to move forward with basically the same structure, process and group in planning the implementation of the empowerment zone program and in developing and implementing community empowerment principles more broadly.

Please let us know if you have any suggestions, questions or concerns.

THE WHITE HOUSE

WASHINGTON

August 11, 1993

MEMORANDUM FOR COMMUNITY DEVELOPMENT AND ECONOMIC
EMPOWERMENT WORKING GROUP (SEE ATTACHMENT A)

FROM: PAUL DIMOND

SUBJECT: MEETING ON STRATEGY FOR EMPOWERMENT
IMPLEMENTATION

Congratulations to every member of the Working Group! Each of you contributed to passage of the Empowerment Zone Proposal in the 1993 Budget Reconciliation Act.

That means, of course, that the hard work only now begins: Please try to join us for a meeting, **Thursday, August 11, from 1:00 to 3:00 pm in Room 324 OEOB**, to explore strategy for effectively implementing the new Act. Please call Nicole Lindsey at 456-2800 to confirm whether you will be able to attend.

Our Agenda will include:

- A. **Summary of Budget Reconciliation Act.** Discussion of 5-year, \$2.5 billion tax provisions and 2-year, \$1 billion capped entitlement under Title XX of the Social Security Act for 9 Empowerment Zones and 95 Enterprise Communities (as well as special tax provisions for the Indian Nations and SSBICs)
- B. **Summary of initial draft of additional Agency programs in FY 94-98.**
- C. **Options for Implementation:**
 1. Implement Enterprise Board and one-stop application and federal coordination through Executive action. Seek discrete authorizing legislation for \$225 million appropriated for FY 93 and authorizing legislation and appropriation for \$500 million FY 94. Seek separate appropriations and authorizations by each Agency in subsequent fiscal years for additional Agency Programs.
 2. Seek passage of Economic Empowerment Act of 1993, possibly with broader authorization for subsequent years and broad waiver authority (possibly including a "third-tier" of 200 communities that will receive only one-stop coordination and waivers, as suggested by Subcommittee Chair Kanjorski).
 3. Seek waiver authority (and, possibly, a "third tier") in Reinventing Government

legislation.

4. In application process, ask local communities to apply for specific waivers. Then, bundle requests for statutory waivers approved by Secretaries and Enterprise Board and submit package of statutory waiver requests (including, possibly, "third tier") to Congress for approval.
5. Others?

D. Next Steps:

1. Research scope of Executive authority to establish Enterprise Board.
2. Draft application timeline and process, as well as Request for Proposals.
3. Make decision (and redraft) Economic Empowerment Act of 1993 and/or discrete legislation for FY93 \$225 million and FY94 \$500 million.
4. Determine how to integrate new SSBIC capital incentives and zone facility/CTC bond provisions with other SBA programs, new CDFI-CDC and CRA investments, private markets, and Commerce-EDA programs to assure flow of capital into all zones and communities.
5. Determine how to use the enterprise grants from the capped entitlement under Title XX to:
 - (a) lever substantial private sector and State matching commitments and
 - (b) promote economic development, jobs, entrepreneurship, safe streets (e.g., CDFI, CDC, microenterprise, CIC-cooperative franchises; community policing; personal, family and community self-sufficiency and economic growth).
6. Finalize nature, scope, and strategy for securing authorization and appropriation for additional Agency programs.
7. Develop and communicate message for media, constituents, and applicants; and work with communities, mayors, CBO's, governors, private sector (including GSE's, foundations, major national corporate drive) to stimulate public and private sector matching commitments and innovative strategic plans.

THE WHITE HOUSE

WASHINGTON

August 12, 1993

Thursday 1 Sept 93

MEMORANDUM FOR COMMUNITY DEVELOPMENT AND ECONOMIC
 EMPOWERMENT WORKING GROUP (ATTACHMENT A)

FROM: PAUL DIMOND

SUBJECT: MEETING ON EMPOWERMENT IMPLEMENTATION

Thank you for participating in our meeting today on strategy for implementing the empowerment zone/enterprise community Reconciliation legislation. We will meet again on Friday, August 27, from 1:00 to 3:00 pm in Room 324 OEOB to recommend decisions on next steps and to define remaining issues.

With respect to next steps, the following issue groups will develop positions (or options, as appropriate) and submit their draft written reports to our office by close of day on Wednesday, August 25. (The Chairs listed in parentheses are responsible for organizing the issue group, including participants from each interested Agency. The first person listed is in charge of convening the group and drafting the issue group report, including any separate addendum or options.)

- Scope of Administration authority to establish Interagency Board, provide one stop coordination and flexibility, draft of Executive Order or Memorandum of Understanding, and strategies for securing statutory waiver authority. (Chairs, K. Gibson, V.P.; P. Weinstein, DPC; S. Katzen, OMB)
- Draft timeline and process for application, draft NOFA or Request for Proposals, determine how to maximize State and private sector match by applicants, determine reach and contract in applicant strategic plans under Title XX capped entitlement. (Chairs, A. Cuomo, HUD; Bob Nash, DoAg; M. Bane, HHS)

In addition, each Agency must report by the same time to OMB (Chris Edley, Steve Redburn) on the additional programs (including \$ amounts) that it wants to commit to the enterprise communities and empowerment zones, as well as any other programs for which these communities may be given a priority in selection. Based on the materials submitted, we will transmit on August 26 an agenda for the August 27 meeting.

By September 1, the following additional issue groups will develop positions (or options, as appropriate) and submit draft reports to our office:

- Capital formation for Business and Economic Development. (Chairs S. Cashin, NEC; E. Bowles, SBA; L. Parks, Commerce; and M. Foley, B. Mathis, Treasury)
- Capital Formation for Housing and Community Development (Chairs, B. Katz, HUD; B. Nash, DoAg; D. Sykes, HHS)
- Legislative Decisions re Appropriations and Authorizations (Chairs, P. Dimond, NEC; P. Carey, WH Leg)
- Message (Chairs, G. Sperling, Elgie Holstein, NEC; B. Reed, Paul Weinstein, DPC; NEC; A. Cuomo, HUD; B. Nash, DoAg; K. Gibson, V.P.)

In the midst of a series of rolling vacations throughout this month, we can still make substantial progress with cooperation from all of the Agencies: fortunately, there is the depth of talent on the working group team to proceed without missing a beat. I look forward to seeing all of you in two weeks. In the interim, do not hesitate to call me, Sheryll Cashin or Paul Weinstein if you have any questions or suggestions.

Thanks for your continuing help!

cc:

Carol Rasco
Bob Rubin
Bo Cutter
Gene Sperling

THE WHITE HOUSE

WASHINGTON

August 26, 1993

MEMORANDUM FOR COMMUNITY DEVELOPMENT AND ECONOMIC EMPOWERMENT
WORKING GROUP (ATTACHMENT A)

FROM: PAUL DIMOND

SUBJECT: MEETING ON EMPOWERMENT ZONE IMPLEMENTATION

We will meet on Friday, August 27 at 1:00 p.m. in Room 324
OEOB. The Agenda will include:

- Scope of Administration authority to establish interagency
Enterprise Board and to implement Empowerment
Zone/Enterprise Community challenge grant process and
program (K.Gibson, P. Weinstein)
- Timeline and process for application, draft of NOFA and
Request for Proposals, maximizing State and private sector
match (A. Cuomo, B. Nash, M.J. Bane)
- Next Steps (P. Dimond)

If you have not done so already, please bring to the meeting
your updated report in writing on the nature of the programs,
priority participation, and cooperation that your Agency wants to
provide to assist in implementing the Empowerment Zone program.
Please also remember that by September 1 the remaining issue
groups need to submit their draft report on positions (including
alternative options).

Thanks for your continuing cooperation!

THE WHITE HOUSE
WASHINGTON

September 1, 1993

MEMORANDUM FOR COMMUNITY DEVELOPMENT AND ECONOMIC
EMPOWERMENT WORKING GROUP (ATTACHMENT A)

FROM: PAUL DIMOND

SUBJECT: MEETING ON EMPOWERMENT ZONE IMPLEMENTATION

We will not meet this Thursday. We will meet on Tuesday, September 14, from 3:30 to 5:30 p.m. in Room 324 OEOB. At that time, we will review and discuss the proposals and options presented by each issue group:

- Timeline and process for application and designation, draft RFP and maximizing state, local and private sector match
- Capital formation for Business and Economic Development
- Capital formation for Housing and Community Development
- Legislative issues re statutory waivers, appropriations and authorizations.

Since our last meeting, I have spoken with each Agency concerning additional programs, priority participation, contributions and other cooperation in implementing the Empowerment legislation and assisting designated Zones and Communities. I am pleased to report that most of the Agencies are at least matching their prior suggestions, and several of the Agencies that have joined our Working Group since passage of Budget Reconciliation will be providing substantial additional participation, including bold new initiatives from SBA and EPA. For those of you who have not already done so, please finalize a summary of your Agency participation and transmit it directly to me and to Steve Redburn **no later than Friday, September 3**. This is essential to enable the issue group working on the draft RFP and inducing state, local and private sector match to complete its work.

Within the next few days, your Agency will be receiving a draft of the Presidential Directive through the OMB document review process for comment.

Thanks for your continuing help! Please call if you have any questions.

THE WHITE HOUSE

WASHINGTON

August 18, 1993

MEMORANDUM FOR EMPOWERMENT ZONES SUB-GROUP ON CAPITAL
FORMATION FOR BUSINESS AND ECONOMIC DEVELOPMENT (Distribution attached)

FROM: SHERYLL CASHIN, National Economic Council

SUBJECT: Follow-up to August 17 Meeting

Thank you for your enthusiastic participation in yesterday's meeting. I greatly appreciated everyone's insights and observations. The following is a summary of the next steps we agreed to, with assignments.

We agreed that there seemed to be great potential for increasing capital flows to empowerment zones but that we had to think very carefully and realistically about the constraints attached to each potential source of capital and how each could be meshed with the geographic and other criteria that will define empowerment zones and enterprise communities.

To that end, we agreed that for each capital source or vehicle we would have someone attempt to write down, in a few pages, the current users or investors, how it works, who it is marketed to, how much capital it does or could generate, and the geographic areas where the vehicle is most used. In addition, the writer should attempt to identify the constraints we will face in trying to use this vehicle in empowerment zones and what actions this group should recommend be taken to make use of and market the vehicle. Please consider, specifically, the geographic and poverty criteria that will define empowerment zones (as described in the 7-page summary of the Budget Reconciliation provisions that was handed out at the meeting.)

Please think as proactively as possible and remember that this is a just a starting point to stimulate ideas and responses from the entire group. Everyone is invited to submit comments and suggestions on any item that they believe we should consider in moving forward on our agenda.

Please circulate your papers to the entire group by Monday, August 30 (using the attached distribution). (I will be on vacation during the week of Aug. 23. and will be back in the office on the 30th.) Tentatively, I hope we can reconvene on August 31 or September 1 to begin identifying potential courses of action. Please do not hesitate to call me if you have any questions or concerns.

Writing assignments:

SSBICs: Rick Hernandez, Wayne Foren

Bumpers 50% Exclusion: Maurice Foley (Please cover any technical constraints to pooling Bumpers investments.)

Empowerment Zone Private Activity Bonds: Maurice Foley

Models for Pooling of Empowerment Zones Investments: Mozelle Thompson, Brian Mathis (This assignment includes talking to social investment funds about potential constraints.)

Banks (equity investments in SSBICs, CDFIs or other potential avenues to their involvement): Mozelle Thompson

Pension Funds (equity investments in CDFIs or other potential avenues to their involvement): Olena Berg, Ellen Seidman, Sheryll Cashin

Models for Successful, Wholistic Approaches and Marketing: Larry Parks, Rick Hernandez, Wayne Foren, John Jolley

cc:

Jack Quinn

Kumiki Gibson

Bob Rubin

Gene Sperling

Paul Dimond

✓ Bruce Reed

FROM THE DESK OF

Jack Quinn 8/9

Bruce Reed:

We are planning to
distribute this tomorrow.
I would appreciate
any comments you
might have. Thank you

E-Board - needs to be included
in NPA recons.

Here's what we do

- JQ + Kenichi

Ranges of racism?!

Empowerment Board / Enterprise Board
We don't endorse these principles
or reject

File:
E-Zones

THE WHITE HOUSE
WASHINGTON

August 9, 1993

MEMORANDUM FOR: Lloyd Bentsen, Secretary of Treasury
Lee Brown, Director of ONDCP
Ron Brown, Secretary of Commerce
Carol Browner, Administrator of EPA
Henry Cisneros, Secretary of HUD
Mike Espy, Secretary of Agriculture
Leon Panetta, Director of OMB
Federico Pena, Secretary of Transportation
Robert Reich, Secretary of Labor
Attorney General Janet Reno
Richard Riley, Secretary of Education
Donna Shalala, Secretary of HHS
Erskine B. Bowles, Administrator of SBA

FROM: The Vice President
Carol Rasco, Assistant to the President for
Domestic Policy
Bob Rubin, Assistant to the President for
Economic Policy

SUBJECT: Community Empowerment Initiatives

For several months, a sub-cabinet community empowerment working group has been refining the core principles through which we might unify and coordinate the community work of key domestic Cabinet departments. The central idea has been to create a consensus on the objectives of the President's community empowerment policies in order that we both coordinate around cross-cutting objectives at the agency level and assure coordination across departmental lines in local communities.

In considering these matters, the working group has recognized the urgency of community problems, the pleas of local leaders for coordinated federal action, and the constraints of the current fiscal environment. We are convinced that, even in a time of resource constraints, much additional effort can be had at the local level through this policy cross-cutting and local operational coordination. This is a time to build on the things that we know will work and to stress consolidation and performance. It is also a time to build reciprocity and shared responsibility into our programs.

With these imperatives in mind, the working group has considered five principles to use in tying together our community empowerment programs. This memorandum sets forth those principles and a suggested coordinating structure by which the Administration would further advance its efforts toward community empowerment.

The purpose of this memo is to solicit your opinions about this community empowerment strategy. Specifically, we are interested in whether you agree that the "empowerment principles" are the correct ones around which to begin the effort (some may well be controversial and require serious discussion) and whether you believe the coordinating structure suggested here is the most appropriate. Please provide your comments to any one, or to all, of us at your earliest convenience, but at least by close of business on Wednesday, August 11, 1993.

Community Empowerment Principles

A Commitment to Community would mean:

- Fundamentally changing the way the federal government does business by respecting "bottom up" initiatives rather than imposing "top down" requirements
- Encouraging comprehensive solutions to local problems by providing incentives to coordinated action at the local level
- Making programs more flexible and responsive to the needs of people who carry them out and are served by them and reducing the burdens of applying for and implementing programs
- Assuring citizens and local governments a meaningful voice in federal decision-making and supporting efforts to engage the civic values of community

A Commitment to Support Families would mean:

- Eliminating government barriers to family cohesion in laws and regulations and encouraging policies that support nurturing home environments
- Strengthening community supportive services for families by providing adequate physical and mental health facilities
- Promoting active parental involvement in community life, such as education and youth recreation programs

- Making parents responsible for financially supporting their children

A Commitment to Economic Lift would mean:

- Creating a continuum of programs in order to move people up a ladder of opportunity
- Rewarding self-improvement across life-cycles and income levels
- Harnessing the marketplace and, where possible, using its rationale in government programs
- Investing in human capital by integrating education and training in all community support programs

A Commitment to Reciprocity and to Balancing Individual Rights and Responsibilities would mean:

- Expecting a commitment to individual and family self-improvement
- Designing programs that embody a balance between rights and responsibilities
- Intervening early in the lives of children and youths to discourage crime, drug use, gangs, and other destructive behaviors

A Commitment to Reducing the Separations by Race and Income in American Life would mean:

- Cooperating to find incentives to reducing spatial segregation by race and income and eliminating barriers to equality of opportunity
- Confronting the ravages of racism by leadership examples and by opening a dialogue of conflict resolution

These principles can guide us operationally as we review government-wide policies and they can focus the cooperation of multiple departments within specific sites -- for example, in an empowerment zone. Examples of results that might flow from the use of these principles are:

- The consolidation and simplification of existing federal planning requirements to encourage local solutions to cross-cutting problems

- The review of waiver authorities to maximize flexibility and cooperation among federal departments
- The coordination of application and funding cycles for existing federal programs that deal with similar problems or issues
- The use of surplus federal properties (such as GSA-controlled facilities, HUD-foreclosed housing, and military bases slated for closure) for community purposes
- The strategic location of new federal facilities to promote community and economic development
- The linkage of federal transportation, employment training and affordable housing initiatives to ensure that job-ready individuals have access to employment opportunities throughout a metropolitan area
- The charting of new directions for transportation that promote clean air, energy conservation and more cost-effective settlement patterns
- The coordination of federal community credit initiatives with local anti-crime and community policing programs to attract economic development to inner-city neighborhoods
- The coordination and increased enforcement of statutory requirements that federal housing and other construction funds be spent to provide training and employment opportunities to low-income persons
- The linkage of low-income housing, education, and health and family support programs to encourage establishment of health clinics, family investment centers, and tutoring and mentoring programs in communities
- The facilitation of local comprehensive planning for human capital development that embraces early childhood education, quality public schools, work-related technical education, community colleges, comprehensive higher education, literacy education, worker retraining and the life-long learning needs of the work force
- The elimination of disincentives to work in welfare and other social programs and coordination of the programs to promote and reinforce economic independence.

Coordinating Structure

The community empowerment principles embody a determination not only to coordinate -- as Cabinet Departments do through the Domestic Policy and National Economic Councils -- but also to commit the federal government to the performance-measured, customer-driven philosophy at the heart of the National Performance Review being undertaken at the direction of the Vice President. In order to create a forum in which Cabinet Secretaries can meet to explore innovative approaches to community empowerment measures, as well as to cross-agency implementation of those approaches (similar to those being developed in the NPR), the coordinating mechanism described below is recommended. This approach will make it possible to go beyond policy discussions to the next step of working with multiple Cabinet officers to select cooperative projects and manage them in a coordinated fashion at the local level.

We propose that the President establish a Cabinet-level Community Empowerment Working Group, to be jointly staffed by the Office of the Vice President, the NEC and the DPC and supported by the existing sub-cabinet working group that designed the empowerment zones proposal. The Working Group would meet monthly and function in two capacities:

The first would be to constitute the basic membership of the Empowerment Board, which will be written into the Empowerment Zones law. In this capacity, the working group would initially select the 110 empowerment sites and then oversee the direction of departmental resources and demonstrations at those sites.

The second capacity would be to go beyond the duties set forth legislatively in the Empowerment Zones statute and serve as a standing committee on community empowerment to apply the broader principles of community empowerment across departments by focusing on specific projects, such as coordinating waiver authorities, and carrying out other related activities.

In effect, this would link coordinated policy development at the agency level and application of the National Performance Review at the local level. To reflect the breadth of purpose, the working group would be chaired by the Vice President (who will also chair the statutory Empowerment Zones Board), and Carol Rasco and Bob Rubin would serve as Vice-Chairs.

We look forward to your reaction. We will schedule a meeting at the earliest mutually convenient time to discuss our next steps and get this critical project underway.

*File
E-Zones*

Breakdown of Title XX Funds

Empowerment Zones

9 Zones have a total of \$720 million.

- 6 Urban Zones can receive up to \$100 million each.
- 3 Rural Zones can receive up to \$40 million each.
- The average CD Bank/Credit Union needs \$7 to \$10 million for an initial capitalization. The Federal Government's match is half of that amount (\$3.5 to \$5 million).

INDIVIDUAL URBAN EMPOWERMENT ZONES

Total Grant	CDFI \$	Policing/Drug \$	CDC/Micro.	Other
\$100	\$5	\$50	\$4	\$41

ALL URBAN ZONES

Total Grant	CDFI \$	Policing/Drug \$	CDC/Micro.	Other
\$600	\$30	\$300	\$24	\$246

RURAL EMPOWERMENT ZONES

Total Grant	CDFI \$	Policing/Drug \$	CDC/Micro.	Other
\$40	\$4	\$12	\$2	\$22

ALL RURAL EMPOWERMENT ZONES

Total Grant	CDFI \$	Policing/Drug \$	CDC/Micro.	Other
\$120	\$12	\$48	\$6	\$66

TOTALS FOR ALL ZONES

Total Grant	CDFI \$	Policing/Drug \$	CDC/Micro.	Other
\$720	\$42	\$348	\$30	\$312

Enterprise Communities

95 Communities have a total of \$280 million.

- Both Urban and Rural Communities can receive up to \$2.9 million each.

EACH URBAN AND RURAL ENTERPRISE COMMUNITY

Total Grant	CDFI \$	Policing/Drug \$
\$2.94	\$1.47	\$1.47

TOTALS FOR ALL COMMUNITIES

Total Grant	CDFI \$	Policing/Drug \$
\$280	\$139.65	\$139.65

*Brice
I was playing
with them as a
little. We don't
know if we can
do this yet.*

PJW

THE WHITE HOUSE

WASHINGTON

August 6, 1993

MEMORANDUM FOR GENE SPERLING

FROM: PAUL DIMOND
SUBJECT: EMPOWERMENT ZONES

Introduction. Attached is a draft agenda for a meeting of all of the key players in our working group to develop strategy for effectively implementing the empowerment legislation included in the Budget Reconciliation Act. With effective inter-agency cooperation and strong guidance from the White House, I believe that we can work with communities, mayors, governors, and the private sector to demonstrate a variety of substantial successes in the 9 empowerment zones and 95 enterprise communities.

The Goal. Although the Budget Reconciliation empowerment provisions differ materially from our original proposal, we can work creatively with the various pieces to induce, from hundreds of communities all across rural and urban America, the following:

- real local innovation in developing comprehensive strategic plans
- substantial state, local, and private sector support (even in communities that are not selected)
- continuing leverage for additional, on-going private sector capital, equity and credit

The Challenge. Our challenge is to make the pieces all work together toward these ends. The attached agenda seeks to focus on the issues that are critical to meeting this challenge. Although the changes to our proposal in Budget Reconciliation do make our job more difficult in some respects, I also believe that the provisions as finally enacted also provide substantial opportunities to achieve our goals. For example, consider:

- The provisions for deferral of gain for rollover of investments into SSBICs and exclusion of 50% of the gain on sale of investments in SSBICs may provide an opportunity for combining other SBA programs to make private capital available to all 95 enterprise communities, as well as the 9 empowerment zones. Erskine Bowles is already working on this; I have asked him to enlist the full cooperation and insights of Secretary Brown, the Commerce Department and the EDA. Such a coordinated effort may provide a lever to bring major private investment resources to the table; and this will also provide a good opportunity to gain the enthusiastic support of Chairmen

Lieberman and LaFalce. (The provisions for private facility bonds in the Budget Reconciliation Act -- when combined with new investments that can spring from our CDFI legislation and strengthening of the Community Reinvestment Act by regulation -- will also add substantially to capital that will be available for business expansion and community development; and, if we continue to work cooperatively with Fannie Mae, Freddie Mac, FHFB, and FHA, we can infuse many billions of dollars of capital for housing in all of the zones and communities).

- If we are creative in establishing our selection criteria to influence the development of local strategic plans and state and private sector match, the \$1 billion in capped entitlement over two years under Title XX of the Social Security Act may offer an unexpected, but nonetheless powerful lever. Our challenge is to make sure that there is a strong emphasis on economic development and self-sufficiency so that we don't end up with another social service grab bag. I have already asked Peter Edelman and David Ellwood at HHS to help us make sure that the selection criteria operate to ensure that the capped entitlement induces real economic self-sufficiency and investment --not just social spending -- to help revitalize the economies in distressed communities.
- The provision of an "incremental" wage credit to all the Indian Nations provides an opportunity to test the administrative feasibility and impact of such a closely targeted incentive for subsidizing only increases in economic activity and jobs from a 1993 baseline. We will also be able to compare the impact of the incremental credit with the more expensive, flat wage credit made available in the 9 empowerment zones to subsidize both existing and new jobs for zone residents.
- Finally, by keeping in-tact the basic structure of 9 empowerment zones and 95 enterprise communities, the Budget Reconciliation Act provides the platform for the President to use his bully pulpit both (a) to target particular zones for major business expansions and (b) to build a national private sector commitment to providing support for all zones and communities.

Hard Decisions. As set forth in the attached agenda, there are, of course, difficult decisions immediately ahead:

- how can we secure maximum federal responsiveness and waiver authority?
- how can we build true inter-agency cooperation?
- how can we make sure that \$3 to \$4 billion in innovative support from the Agencies under the existing baseline for FY95-98 will be made available and will further induce all zones and communities to work with the private sector to rebuild their communities?

- should we seek major authorizing legislation or rely on Executive action supplemented by discrete bills, as needed, to implement the Enterprise Board?
- how can we provide support for public safety and community policing in the zones and communities?

Conclusion. Gene, the big picture is that we can make economic empowerment and community development really sing in a substantial number of communities in the years to come. For the first time in 12 years, an Administration has enacted an enterprise proposal, one that we can implement as a truly comprehensive approach to community development and economic empowerment.

We've certainly got the people to do the job: Secretaries Cisneros and Espy, Assistant Secretaries Cuomo and Nash, Secretary Brown and SBA Administrator Bowles. By adding the Vice-President, we will gain even greater visibility. Moreover, the Vice-President can provide the leadership necessary to make sure that there is real cooperation and support from all the Secretaries and Agencies -- an historic first for any Administration -- in implementing the program, while the NEC and DPC can continue to provide the best policy advice and serve as the honest brokers to make sure that any decisions for the President honestly and fairly present all relevant sides.

When all is said and done, I believe that the President will be able to point with pride to the new direction he is charting to empower distressed rural and inner-city communities to become engines of economic growth in dynamic local and regional economies. The President will be able to demonstrate to all Americans how such communities can become net contributors to the growth of the national economy if we provide a hand-up instead of a hand-out. All-in-all, the Budget Reconciliation Act provides us with the basic platform that we need for launching such an essential, new idea for the future of the country.

cc Bruce Reed

THE WHITE HOUSE
WASHINGTON

August 9, 1993
DRAFT

MEMORANDUM FOR COMMUNITY DEVELOPMENT AND ECONOMIC
EMPOWERMENT WORKING GROUP (SEE ATTACHMENT A)

FROM: PAUL DIMOND

SUBJECT: MEETING ON STRATEGY FOR EMPOWERMENT
IMPLEMENTATION

Congratulations to every member of the Working Group! Each of you contributed to passage of the Empowerment Zone Proposal in the 1993 Budget Reconciliation Act.

That means, of course, that the hard work only now begins: Please make the time to join us for a meeting, **Thursday, August 11, from 1:00 to 3:00 pm**, to explore strategy for effectively implementing the new Act.

Our Agenda will include:

- A. **Summary of Budget Reconciliation Act.** See Attachment B.
Discussion of 5-year, \$2.5 billion tax provisions and 2-year, \$1 billion capped entitlement under Title XX of the Social Security Act for 9 Empowerment Zones and 95 Enterprise Communities (as well as special tax provisions for the Indian Nations and SSBICs)
- B. **Summary of initial draft of additional Agency programs in FY 94-98.** See Attachment C.
- C. **Options for Implementation:**
 1. Implement Enterprise Board and one-stop application and federal coordination through Executive action. Seek discrete authorizing legislation for \$225 million appropriated for FY 93 and authorizing legislation and appropriation for \$500 million FY 94. Seek separate appropriations and authorizations by each Agency in subsequent fiscal years for additional Agency Programs.
 2. Seek passage of Economic Empowerment Act of 1993, possibly with broader authorization for subsequent years and broad waiver authority (possibly including a "third-tier" of 200 communities that will receive only one-stop coordination and waivers, as suggested by Subcommittee Chair Kanjorski).

3. Seek waiver authority (and, possibly, a "third tier") in Reinventing Government legislation.
4. In application process, ask local communities to apply for specific waivers. Then, bundle requests for statutory waivers approved by Secretaries and Enterprise Board and submit package of statutory waiver requests (including, possibly, "third tier") to Congress for approval.
5. Others?

D. Next Steps:

1. Research scope of Executive authority to establish Enterprise Board.
2. Draft application timeline and process, as well as Request for Proposals.
3. Make decision (and redraft) Economic Empowerment Act of 1993 and/or discrete legislation for FY93 \$225 million and FY94 \$500 million.
4. Determine how to integrate new SSBIC capital incentives and zone facility/CIC bond provisions with other SBA programs, new CDFI-CDC and CRA investments, private markets, and Commerce-EDA programs to assure flow of capital into all zones and communities.
5. Determine how to use the enterprise grants from the capped entitlement under Title XX to:
 - (a) lever substantial private sector and State matching commitments and
 - (b) promote economic development, jobs, entrepreneurship, safe streets (e.g., CDFI, CDC, microenterprise, CIC-cooperative franchises; community policing; personal, family and community self-sufficiency and economic growth).
6. Finalize nature, scope, and strategy for securing authorization and appropriation for additional Agency programs.
7. Develop and communicate message for media, constituents, and applicants; and work with communities, mayors, CBO's, governors, private sector (including GSE's, foundations, major national corporate drive) to stimulate public and private sector matching commitments and innovative strategic plans.

cc Bruce Reed, Greg Simon, Gene Sperling

B Reed

THE WHITE HOUSE
WASHINGTON

August 12, 1993

MEMORANDUM FOR COMMUNITY DEVELOPMENT AND ECONOMIC
 EMPOWERMENT WORKING GROUP (ATTACHMENT A)

FROM: PAUL DIMOND

SUBJECT: MEETING ON EMPOWERMENT IMPLEMENTATION

Thank you for participating in our meeting today on strategy for implementing the empowerment zone/enterprise community Reconciliation legislation. We will meet again on Friday, August 27, from 1:00 to 3:00 pm in Room 324 OEOB to recommend decisions on next steps and to define remaining issues.

With respect to next steps, the following issue groups will develop positions (or options, as appropriate) and submit their draft written reports to our office by close of day on Wednesday, August 25. (The Chairs listed in parentheses are responsible for organizing the issue group, including participants from each interested Agency. The first person listed is in charge of convening the group and drafting the issue group report, including any separate addendum or options.)

- Scope of Administration authority to establish Interagency Board, provide one stop coordination and flexibility, draft of Executive Order or Memorandum of Understanding, and strategies for securing statutory waiver authority. (Chairs, K. Gibson, V.P.; P. Weinstein, DPC; S. Katzen, OMB)
- Draft timeline and process for application, draft NOFA or Request for Proposals, determine how to maximize State and private sector match by applicants, determine reach and contract in applicant strategic plans under Title XX capped entitlement. (Chairs, A. Cuomo, HUD; Bob Nash, DoAg; M. Bane, HHS)

In addition, each Agency must report by the same time to OMB (Chris Edley, Steve Redburn) on the additional programs (including \$ amounts) that it wants to commit to the enterprise communities and empowerment zones, as well as any other programs for which these communities may be given a priority in selection. Based on the materials submitted, we will transmit on August 26 an agenda for the August 27 meeting.

By September 1, the following additional issue groups will develop positions (or options, as appropriate) and submit draft reports to our office:

- Capital formation for Business and Economic Development. (Chairs S. Cashin, NEC; E. Bowles, SBA; L. Parks, Commerce; and M. Foley, B. Mathis, Treasury)
- Capital Formation for Housing and Community Development (Chairs, B. Katz, HUD; B. Nash, DoAg; D. Sykes, HHS)
- Legislative Decisions re Appropriations and Authorizations (Chairs, P. Dimond, NEC; P. Carey, WH Leg)
- Message (Chairs, G. Sperling, Elgie Holstein, NEC; B. Reed, Paul Weinstein, DPC; NEC; A. Cuomo, HUD; B. Nash, DoAg; K. Gibson, V.P.)

In the midst of a series of rolling vacations throughout this month, we can still make substantial progress with cooperation from all of the Agencies: fortunately, there is the depth of talent on the working group team to proceed without missing a beat. I look forward to seeing all of you in two weeks. In the interim, do not hesitate to call me, Sheryll Cashin or Paul Weinstein if you have any questions or suggestions.

Thanks for your continuing help!

cc:

Carol Rasco
Bob Rubin
Bo Cutter
Gene Sperling

TB Reed

THE WHITE HOUSE
WASHINGTON

August 11, 1993

MEMORANDUM FOR COMMUNITY DEVELOPMENT AND ECONOMIC
EMPOWERMENT WORKING GROUP (SEE ATTACHMENT A)

FROM: PAUL DIMOND

SUBJECT: MEETING ON STRATEGY FOR EMPOWERMENT
IMPLEMENTATION

Congratulations to every member of the Working Group! Each of you contributed to passage of the Empowerment Zone Proposal in the 1993 Budget Reconciliation Act.

That means, of course, that the hard work only now begins: Please try to join us for a meeting, **Thursday, August 12, from 1:00 to 3:00 pm in Room 324 OEOP**, to explore strategy for effectively implementing the new Act. Please call Nicole Lindsey at 456-2800 to confirm whether you will be able to attend.

Our Agenda will include:

- A. **Summary of Budget Reconciliation Act.** Discussion of 5-year, \$2.5 billion tax provisions and 2-year, \$1 billion capped entitlement under Title XX of the Social Security Act for 9 Empowerment Zones and 95 Enterprise Communities (as well as special tax provisions for the Indian Nations and SSBICs)
- B. **Summary of initial draft of additional Agency programs in FY 94-98.**
- C. **Options for Implementation:**
 - 1. Implement Enterprise Board and one-stop application and federal coordination through Executive action. Seek discrete authorizing legislation for \$225 million appropriated for FY 93 and authorizing legislation and appropriation for \$500 million FY 94. Seek separate appropriations and authorizations by each Agency in subsequent fiscal years for additional Agency Programs.
 - 2. Seek passage of Economic Empowerment Act of 1993, possibly with broader authorization for subsequent years and broad waiver authority (possibly including a "third-tier" of 200 communities that will receive only one-stop coordination and waivers, as suggested by Subcommittee Chair Kanjorski).
 - 3. Seek waiver authority (and, possibly, a "third tier") in Reinventing Government

legislation.

4. In application process, ask local communities to apply for specific waivers. Then, bundle requests for statutory waivers approved by Secretaries and Enterprise Board and submit package of statutory waiver requests (including, possibly, "third tier") to Congress for approval.
5. Others?

D. Next Steps:

1. Research scope of Executive authority to establish Enterprise Board.
2. Draft application timeline and process, as well as Request for Proposals.
3. Make decision (and redraft) Economic Empowerment Act of 1993 and/or discrete legislation for FY93 \$225 million and FY94 \$500 million.
4. Determine how to integrate new SSBIC capital incentives and zone facility/CIC bond provisions with other SBA programs, new CDFI-CDC and CRA investments, private markets, and Commerce-EDA programs to assure flow of capital into all zones and communities.
5. Determine how to use the enterprise grants from the capped entitlement under Title XX to:
 - (a) lever substantial private sector and State matching commitments and
 - (b) promote economic development, jobs, entrepreneurship, safe streets (e.g., CDFI, CDC, microenterprise, CIC-cooperative franchises; community policing; personal, family and community self-sufficiency and economic growth).
6. Finalize nature, scope, and strategy for securing authorization and appropriation for additional Agency programs.
7. Develop and communicate message for media, constituents, and applicants; and work with communities, mayors, CBO's, governors, private sector (including GSE's, foundations, major national corporate drive) to stimulate public and private sector matching commitments and innovative strategic plans.

FAX COVER SHEET

DATE 8/11

THE WHITE HOUSE / NATIONAL ECONOMIC COUNCIL

**WORKING GROUP
COMMUNITY EMPOWERMENT ZONES**

<u>Dept.</u>	<u>Name</u>	<u>Phone No.</u>	<u>FAX No.</u>
AGRICULTURE	Bob Nash	720-4581	720-2080
	Mike Alexander	720-9245	720-5437
CEA	Joe Stiglitz	395-5104	395-5036
COMMERCE	Larry Parks	482-5061	482-2693
DPC	Bruce Reed	456-6515	456-7739
	Paul Weinstein	456-7930	" "
EDUCATION	Mike Smith	401-3414	205-5377
HHS	David Ellwood	690-7409	690-7383
	Mary Joe Bane	401-2337	401-5770
	Peter Edleman	690-8157	690-7595
HUD	Andrew Cuomo	708-2690	708-3336
	Mark Gordon	" "	" "
	Bruce Katz	708-2713	708-2476
JUSTICE	Nancy McFadden	514-2927	514-4699
	Eleanor Achenson	514-2107	514-1724
LABOR	Larry Katz	219-8271	219-8822
	Doug Ross	219-6050	219-6827
LEG. AFFAIRS	Howard Paster	456-2230	456-6220
	Paul Carey	456-6782	456-2604
OMB	Chris Edley	395-3120	395-4639
	Sally Katzen	395-4852	395-3047
	Steve Redburn	395-7236	395-7238
NEC	Gene Sperling	456-2174	456-2878
	Paul Dimond	456-7604	456-2223
	Sheryll Cashin	456-6410	456-2223
SBA	Erskine Boles	205-6605	205-6802
	Wayne Foren	205-6510	205-6959
TRANSPORTATION	Ann Bormolini	366-1103	366-3956
	Judith Burrell	366-6524	366-7952
TREASURY	Maurice Foley	622-1334	622-1772
	Alicia Mannell	622-2210	622-2633
	Brian Mathis	622-2125	622-0265
V.P.	Jack Quinn	456-6605	456-6212
	Kumiki Gibson	456-7022	456-6429

FROM: Sheryll Cashin

PHONE: 456 - 2800

PAGES FOLOWING COVER SHEET 2

THE MILTON S. EISENHOWER FOUNDATION

Marvin E. Wolfgang
Marilyn Melkonian
Co-Chairs

Elliott Currie
M. Isolina Ferris
Bernard W. Kinsley
Vice Chairs

Lulu Mae Nix
Raymond Shonhitz
Co-Chairs, Executive Committee

Soji Teramura
Treasurer

Lynn A. Curtis
President

HEADQUARTERS:
SUITE 200
1660 L STREET, N.W.
WASHINGTON, D.C. 20036

TELEPHONE: (202) 429-0440
FACSIMILE: (202) 452-0169

RESEARCH AND EVALUATION OFFICE:
TELEPHONE (212) 242-4016
FACSIMILE (212) 924-1435

MICHAEL D. BARNES
HOGAN & HARTSON
COUNSEL

Thomas O. Barr
David H. Bayley
Gibert Bonnemisson
Edward W. Brooke
James P. Comer
Joy G. Dryden
Robert E. Duke
Patrick J. Griffin
Fred R. Harris
Harry C. McPherson, Jr.
Thomas Potter
Yvonne Scruggs
Mimi Silbert
Elizabeth Sturz
Roger W. Wilkins

File:
E-Zones

MEMORANDUM

TO: Mack McLarty III, Chief of Staff
Robert E. Rubin, Assistant to the President for Economic Policy

FROM: Lynn A. Curtis, President, Milton S. Eisenhower Foundation

DATE: July 26, 1993

Thank you for Mr. Rubin's note of 22 June, 1993 (enclosed).

You refer to Police Chief Willie Williams in Los Angeles. We have been working with Chief Williams for the last six years to implement innovative community policing – first in Philadelphia and now in Los Angeles. Funds have come from the Bureau of Justice's Assistance in the Department of Justice.

For FY 1993, funding was cut in half by the Bush Administration for our program with Chief Williams, which is in South Central Los Angeles in the heart of the riot area. Funding for all other Eisenhower programs around the nation also was cut in half. One reason was that the Foundation criticized the Bush Administration in Congressional testimony and in public policy reports. (I wrote policy papers for the Clinton-Gore campaign, and this was known to the Bush people, as well.)

Accordingly, we have been seeking a meeting with White House officials, Attorney General Reno, Deputy Attorney General Heymann, and other Clinton appointees, to discuss reinstatement of the full FY 1993 budget for South Central Los Angeles and for other cities where we work.

Mack McLarty, III
Robert E. Rubin
July 26, 1993
Page 2

In addition, Congressman Neal Smith, Chairman of the House Appropriations Subcommittee on Commerce, Justice, has included earmarked language to continue Eisenhower Foundation inner city initiatives for FY 1994. We therefore are respectfully requesting that Senator Hollings, Chairman of the Senate Appropriations Subcommittee on Commerce, Justice, include a specific earmark paragraph for Eisenhower, as in past years. We have been told that Senator Hollings needs a signal from the Justice Department or the White House that the Administration backs the kind of inner city initiatives that we have been implementing in places like South Central Los Angeles with Chief Williams.

Is there any way that the White House can assist? We are not sure if markup will be before August 6. Our work is a blueprint for how community policing can support economic development, youth investment and child initiatives in the Administration's new empowerment zones.

I appreciated the opportunity to meet with Paul Dimond several weeks ago on empowerment zones. He asked for Foundation feedback, based on our just released twenty-fifth anniversary update of the 1968 Kerner Riot Commission, a copy of which was sent to you, Mr. Dimond and everyone else in the White House working on relevant domestic policy.

Our suggestions, below, are substantive, based on what past experience and evaluations have taught about what works -- and what doesn't.

Democrats who we are advising on the conference committee that now is negotiating the budget comprise say that, if empowerment zones stay in, their number could be expanded. That is a bad idea.

Remember the Model Cities program in the 1960s? Originally, it was targeted to just a few places. But, after all the horse trades were made, eligibility was expanded to most places in the United States. The initiative was greatly watered down. It did not have sufficient resources in or impact on any one place. It failed.

Presently, we believe that the geographic size of empowerment zones and enterprise communities may be too large. Unless you better target geographically, you risk a Model Cities-type failure, in our view.

Regardless of whether the zones are watered down, you might want to reflect on the words which you use to package them to the public. "Empowerment" is a Kemp word. Some psychologists working with folks in the inner city have coined the phrase "post empowerment

Mack McLarty, III
Robert E. Rubin
July 26, 1993
Page 3

syndrome." That is, for example, when the federal government makes an inadequate grant over too short a period of time to an inner city organization. By the end of the short term grant, the resource-poor grant recipients are told that they must use volunteers and make "partnerships" to create a "financially self-sufficient" for-profit operation -- in the middle of a place like South Central Los Angeles, with no business infrastructure in place. The result always is failure. People get angry. There may be a riot. Or a slow or quiet riot -- in the form of crime or drugs.

You are wise to lay out many kinds of programs and then let local coalitions "bubble up" from the grassroots what works best for them. This is the only way to give them a genuine stake in both planning and implementation. But you can assist grassroots people by documenting more of what seems to work best, based on the best available scientific evaluations.

For example, scientific evaluations over the last twenty years suggest that HeadStart and Job Corps are the two most cost-effective across-the-board prevention programs ever created for the inner city. It took the endorsement of the conservative CEOs on the Committee for Economic Development in New York for the country to accept that, for every dollar invested in HeadStart, for example, there are almost five dollars of benefits -- in terms of less crime, less drugs, less welfare dependency, less school dropouts, more employability, more stable families and more solid, tax-paying citizens.

On the other hand, you include JPTA on your empowerment zone list of options. But JPTA has failed for high risk youth -- the kind of Crips and Bloods we work with in South Central Los Angeles in coordination with Chief Williams. A scientific evaluation showed that young people *not* in JPTA actually did better than similar young people in the program. Accordingly, JPTA needs to be replaced with a job training and placement system that looks much more like the successful Job Corps -- if empowerment zones have any chance of succeeding.

You are very much on the right track to incorporate community policing into empowerment zones. But scientific evaluations have shown that more cops on the beat *per se* do *not* usually reduce crime in the toughest neighborhoods. Certainly the experience in Washington, DC shows that more police does not equal less violence.

Rather, you need to deploy police in different ways. They need to be more preventive and less reactive. With Chief Williams in South Central L.A., we have police serving as big brothers to high risk kids. The police even help youth with home work. This means changes in the way police are taught at the police training academy in any one city. It also means trying

Mack McLarty, III
Robert E. Rubin
July 26, 1993
Page 4

police deployment from ministations (some residential, some non residential) that are located in the neighborhoods where they work. That is what Eisenhower now is implementing in the U.S., and what Mr. Rubin refers to in his letter, enclosed.

Minority-led, inner city nonprofit organizations need to be insured of a stronger role, we believe, in the overall empowerment zone plan. These nonprofits groups have proven, over the last twenty years, to be the most cost effective implementers of change in the trenches of the inner city. Your empowerment zone language says that they will be involved. You need more clear, explicit guidelines, we believe. Based on our experience in the Carter Administration, other players in the process -- like governors and mayors -- will have disproportionate power unless you specifically strengthen the real (not paper) power of grassroots organizations.

Technical assistance is *desperately* needed at this grassroots level. Even if your regulations give more power to nonprofit inner city organizations, they need a lot more information on what works and what doesn't at the grassroots level. This is something I discussed at some length with Mr. Dimond.

There are far more good programs scientifically evaluated as successful, some public and some private, that ought to be incorporated into a well-written compendium of what works.

The zones will fail without closer regard to timing. Community policing can secure economic development which can generate jobs for which at-risk youth can qualify *if* they participate in reformed job training and several kinds of remedial education which your zones presently do not specify. What does that imply about which programs need to begin in zones before which other programs?

On evaluation of empowerment zones, your evaluator, the National Academy of Science, is not known for its sensitivity to inner city street level reality. You do need some academic-type measures of your ambitious plan. But they ought to be "triangulated" with journalistic-type participant observations that explain to the average taxpayer what exactly happened -- and why. We do not foresee the kind of evaluation you have proposed as creating the most skillful blend of measures. The result may well be business as usual. That is, during the Reagan and Bush Administrations, evaluations were very unsophisticated, if they were done at all. So public policy was not informed by good science. As a result, policy was based more on political expediency than what worked in an objective sense.

If you find appropriate, we would be pleased to meet to discuss these and other issues related to empowerment zones and coordinated investments in children, youth in the inner city.

Mack McLarty, III
Robert E. Rubin
July 26, 1993
Page 5

Much of what we have to say is based on our carrying out some of the Mobilization for Youth principles of Robert Kennedy.

For example, we now are seeking meetings with Secretary Cisneros and Secretary Reich on modest federal matching of funds raised by Eisenhower from private American and Japanese sources for a Corporation for Youth Investment. The Corporation will replicate more widely successful inner city community based nonprofit youth programs around the nation. It will also teach sound management to community based nonprofits -- something that appears to have bipartisan support.

We would appreciate your assistance in securing these meetings, to match private with public funds.

As I discussed with Mr. Dimond, in late 1992 or early 1993, the Eisenhower will hold a Summit on these issues and our update of the Kerner Report. The Summit's premise is that we already know what works when it comes to investing in children, youth and the inner city. We simply need to replicate success more widely on a national scale.

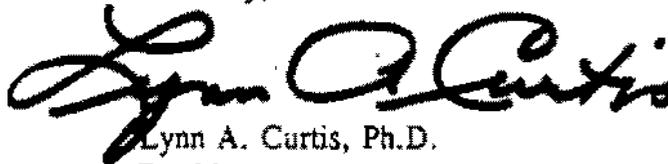
We seek to follow what Vaclav Havel and others call "the butterfly effect." It is the notion that the slightest flutter of a butterfly's wings in one part of the planet can unleash a typhoon in another. Al Gore and the ecologists understand the basic notion of comprehensive interdependence that underlines this philosophy. But we do not have sufficient comprehensive interdependence in our policy for children, youth and the inner city. Can the White House be represented at high levels at our Summit?

Last, I seemed to be the token Democrat at the enclosed meeting in the office of the Senate Minority Leader. Does the White House wish a briefing?

Thank you for your consideration.

With best wishes, I remain,

Sincerely,

A handwritten signature in black ink, appearing to read "Lynn A. Curtis". The signature is fluid and cursive, with the first name "Lynn" being particularly prominent.

Lynn A. Curtis, Ph.D.
President

THE WHITE HOUSE
WASHINGTON

June 22, 1993

Lynn A. Curtis, Ph.D.
President
The Milton S. Eisenhower Foundation
1660 L Street, NW
Suite 200
Washington, DC 20036

Dear Dr. Curtis:

Thank you for telling me about the Milton S. Eisenhower's involvement with the U.S.-Japan Community-Police Partnership.

I was interested to learn that Chief Williams has implemented several Japanese-style policing techniques, and I appreciate your thoughtfulness in bringing this to my attention.

Sincerely,



Robert E. Rubin
Assistant to the President
for Economic Policy

THE WHITE HOUSE

WASHINGTON

March 29, 1993

Lynn A. Curtis, Ph.D.
President
Milton S. Eisenhower Foundation
Suite 200
1660 L Street, N.W.
Washington, D.C. 20036

Dear Lynn:

Thanks so much for writing and sending your report.

It is evident that we share a commitment to rebuilding our nation's cities. We must use the most effective mechanisms available as we invest in our cities and communities. My proposals to help cities include increased immunizations for children, full funding for Head Start and the Women, Infants, and Children program, and an economic stimulus package that will provide summer jobs for youth and will jump-start our economy.

I value the input of your organization, and I have forwarded copies of your report to Bob Rubin of the National Economic Council and to Carol Rasco, my assistant for domestic policy.

I hope I can count on your support as we move America forward.

Sincerely,

Bill Clinton



September 20, 1992

Lynn A. Curtis, Ph.D.
The Milton S. Eisenhower Foundation
1660 L Street, N.W., Suite 200
Washington, D.C. 20036

Dear Dr. Curtis:

Mike Barnes has forwarded your letter to me. Thanks so much for giving me a sneak preview of some of the policy conclusions made in preparation for the Kerner Report. I've turned them, and your generous offer of campaign assistance, over to the headquarters. Thanks.

Sincerely,

A handwritten signature in cursive script that reads "Bill Clinton".
Bill Clinton

BC:ss

LOS ANGELES POLICE DEPARTMENT



WILLIE L. WILLIAMS
Chief of Police

TOM BRADLEY
Mayor

P.O. Box 30156
Los Angeles, Calif. 90030
Telephone:
(213) 485-3202
Ref: 1.1

April 15, 1993

The Honorable Janet Reno
The Attorney General
United States Department of Justice
Room 4400
10th & Constitution Avenue, N.W.
Washington, D.C. 20530

Dear Madam Attorney General:

Because of the disturbances in 1992, the South Central area of Los Angeles is in great need of federal funding. Yet, the Department of Justice plans to cut funding in half for an important program in South Central. I respectfully request that you consider reversing this decision.

The South Central police-community partnership is a strategic focal point of the work and efforts now in progress to build understanding and a common sense of purpose following the Rodney King case. The partnership is essential to the production of ideas, activities, and options for gang prevention, drug prevention, violence, and the promotion of safe streets in the South Central Los Angeles area.

I am writing in support of full funding in Fiscal Year 1993 for the Milton S. Eisenhower Foundation and the Challengers Boys and Girls Club located in South Central Los Angeles. It is vitally important that full support and encouragement is continued in the days and weeks to come.

The Challengers Boys and Girls Club is a non-profit community organization that recruits youth, ages 10-17, to participate in the club and special activities with officers from the Los Angeles Police Department. Over the past two years, program funds from the Bureau of Justice Administration (BJA) have encouraged and supported this police-community partnership project.

The Honorable Janet Reno
 Page 2
 1.1

The Senate Appropriations Subcommittee on Commerce and Justice has consistently earmarked \$500,000 for Eisenhower to administer, assist and evaluate the National Neighborhood Crime and Drug Prevention Program. Most of the funds are, in turn, directed by Eisenhower to police-community partnerships in five cities, including Los Angeles.

BJA granted the full \$500,000 to Eisenhower in earlier years, but for Fiscal Year 1993, BJA has instructed Eisenhower to apply only for \$250,000. One reason given was that the Department of Justice reallocated demand-side funds to more funds for supply-side interdiction. Funds for supply-side interdiction is estimated to be about 70% and demand-side funds are about 30% for prevention, education and treatment. The inequality is all the greater because not all programs in Eisenhower's funding category at BJA have been cut in half.

The Los Angeles South Central partnership is in its last year of BJA funding for Fiscal Year 1993. This is the most crucial year. Program effects are just beginning to take hold. To cut funding in half at the key point of implementation is to insure program failure, and earlier funding of the program by BJA will become wasted investments.

In addition, cutting funding in half will cut the private sector Eisenhower matches in half. This, too, will help to insure failure. For example, one result will be that the evaluation cannot be completed. So the government will not have a measure of what worked.

BJA will make its Fiscal Year 1993 grant to Eisenhower in May 1993, and I urge you to reverse BJA's decision and fund at the \$500,000 level, not at the \$250,000 level.

I thank you for your attention and support.

Very truly yours,



WILLIAM L. WILLIAMS
 Chief of Police

United States Senate

OFFICE OF THE REPUBLICAN LEADER

WASHINGTON, DC 20510-7000

July 16, 1993

Dr. Lynn Curtis
President of the Milton Eisenhower Foundation
1725 I Street, NW
Washington, D.C. 20036

Dear Dr. Curtis:

Crime prevention must be the top priority in Congress.

Unfortunately, during the past several years, the crime debate in Washington has grown stale and quite predictable. While Congress ties itself in knots over habeas corpus reform, exclusionary rule reform, and the politics of guns, violent crime continues to rise, people continue to get hurt, families continue to suffer, and our neighborhoods and local communities become more dangerous places in which to live and work.

As you may know, I have been a staunch supporter of habeas and exclusionary rule reform, believing that these reforms will help keep violent criminals behind bars. But, standing alone, they won't stem the tide of violence that is crashing over the landscape of America.

Quite simply, we in Congress need some fresh approaches to the crime problem, some new ideas.

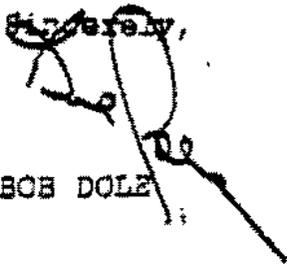
To help stimulate the policy debate, I am writing to invite you to join me, my Republican colleagues, and other experts on crime prevention in an informal breakfast meeting on Thursday, July 22. The meeting will take place in the Office of the Senate Republican Leader, Room S-230 of the Capitol, from 8:30 a.m. to 9:30 a.m.

The meeting will simply involve a give-and-take of ideas. There will be no formal presentations.

If you are able to attend the breakfast, or if you have any questions, please contact Dennis Shea of my staff at (202) 224-3135.

Thank you for taking the time to review this letter. I hope to see on you on the 22nd.

Sincerely,


BOB DOLE



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20410-0001

*Paul D -
What have we
done on this?
BR*

M E M O R A N D U M

TO: Paul Dimond
Chris Edley
Howard Paster
Bruce Reed
Gene Sperling
Christine Varney
Paul Weinstein

FROM: Bruce Katz

SUBJECT: Funding for Empowerment Zones in House and Senate
Supplemental Appropriations Bills

DATE: June 23, 1993

In General:

Last year, Congress appropriated \$500 million in Title XII of the Dire Emergency Supplemental Act of 1992 (PL 102-368), for community investment program activities, (i.e., targeted investment for enterprise zones.)

The money was appropriated subject to enactment of subsequent authorizing legislation. The authorizing legislation, however, was vetoed by then-President Bush in the tax bill (HR 11).

Congress has yet to consider this Administration's version of authorization legislation. The lack of authorizing legislation could mean that any targeted investment activities as part of the Administration's empowerment zone initiative could go unfunded -- in both FY 1993 and FY 1994.

This situation has been brought about in part by pressure on the Appropriations Committees to offset new spending contained in the 1993 Supplemental Appropriation Bill, including funding for Administration priorities such as summer jobs and community police.

House and Senate Action:

The House passed and sent to the Senate two supplementals, one which took no action regarding the funds for community investment programs (HR 2118) and the other which deferred

obligation of the funds until after September 30, 1993 (HR 2244). By deferring obligation of the \$500 million in community investment funds, the House Appropriations Committee was able to score outlay savings in FY 93 -- which contributed to the offsets for other funding priorities in the supplemental.

The Senate marked up and passed HR 2118 (the House bill silent on use of the community investment funds). Rather than defer obligation of the funds, the Senate supplemental rescinded the FY 93 \$500 million appropriation in order to offset new spending in other areas, including summer jobs (\$200 million), community police (\$200 million) and other spending in the Commerce, Justice, State accounts (\$100 million). The Senate rescission action contributed to overall outlay savings in both FY 93 and FY 94.

Recommendation/Action Needed:

The two supplementals are expected to go to conference early next week. Prior to the conference, the White House needs to contact the relevant Committee and Subcommittee Chairmen (Senators Byrd and Harkin; Congressman Natcher) to clarify the Administration's interest in seeing the \$500 million for the community investment program restored in conference. The White House should make the following points:

- o The Administration places a very high priority on funding community investment program activities in both FY 93 and FY 94.
- o It is essential that we maintain funding for these activities in FY 93 (even if we delay actual obligation/outlays until FY 94), since it is highly doubtful that any new funding for these activities will be available in the FY 94 appropriations cycle. In short, if we don't ensure funding now, a critical portion of the President's plan for targeted investment and urban revitalization will go unfunded.
- o The activities that these funds would support are an important component in the President's empowerment zone initiative and his efforts to help revitalize distressed communities.
- o The empowerment zone legislation will be submitted to the Congress shortly. Secretary Cisneros is working with the White House (DPC) to prepare the legislation for Congress.
- o The budget reconciliation bill (as passed by the House) contains the tax portions of the

empowerment zone proposal.

- o Including targeted investment funds in the supplemental would complement the tax incentives by providing resources for more targeted activities such as infrastructure development, community policing efforts and workplace skills development.
- o Although funding the community investment program could put additional pressure on the Committees to find appropriate offsets, the Administration is prepared to assist in this regard. OMB is currently exploring offset alternatives that the Appropriations Committees can consider.

TALKING POINTS
DOMESTIC POLICY COUNCIL MEETING
ON COMMUNITY DEVELOPMENT AND EMPOWERMENT

June 10, 1993

TALKING POINTS FOR POOL SPRAY

* I'm here for a briefing from the Domestic Policy Council on what we're doing to empower individuals and communities to get ahead.

* I asked for a progress report on:

* my Empowerment Zone plan to create jobs in poor communities, which passed the House last month and is under consideration in the Senate;

* our expanded Earned Income Tax Credit, to make sure that no one in America who works full-time with a family at home has to live in poverty, which is at the heart of my economic plan;

* my pledge to put 100,000 new police on the streets, to make our neighborhoods safe again;

* legislation we will soon propose to create a national network of community development banks; and

* our efforts to work with Congress and the governors on a plan to end welfare as we know it.

* Much of this agenda is part of my economic plan, which is all the more reason I hope the Senate will approve it quickly. We need my economic plan if we're going to begin to provide opportunity, inspire responsibility, and restore community in this country.

SUMMARY OF CLINTON INITIATIVES ON COMMUNITY DEVELOPMENT AND EMPOWERMENT

1. Earned Income Tax Credit

The economic plan would expand the Earned Income Tax Credit to lift more working families above the poverty threshold and to provide a greater work incentive to low-income workers. The proposal would ensure that if a family of four or fewer people had a full-time minimum wage worker, the family would be lifted to the poverty line so long as it also received food stamps (assuming the minimum wage would be indexed for inflation). The proposal also substantially expands the EITC adjustment for family size.

The EITC proposal accomplishes other goals as well. It substantially simplifies the EITC so that families will find the credit easier to apply for and so that both tax filers and the IRS can handle the credit more readily without making mistakes. And, the proposal establishes a new component of a few hundred dollars a year for very poor workers without children. This new credit, limited to workers with incomes below \$9,000, is designed to shield them from the effects of the energy tax.

When fully in effect, the Clinton proposal would expand the EITC more than \$7 billion a year.

2. Empowerment Zones

The House approved over \$5 billion for tax incentives in 10 Empowerment Zones and 100 Enterprise Neighborhoods in urban and rural communities. The types of tax incentives range from a wage tax credit and a targeted jobs tax credit for the ten large zones to a tax-exempt bond facility for all 110 zones.

On the spending side, \$1 billion in funds would be made available for community policing and other programs for all 110 zones. An additional \$4 billion in existing program funds would be made available for targeted programs in zones. Finally, the legislation would create an Enterprise Board which would be authorized to waive provisions of Federal law or regulation administered by the Secretaries of HUD, Agriculture, HHS, Labor, or Education.

The Senate Finance Committee will be reviewing the Empowerment Zone proposal as part of Budget Reconciliation. The spending and waiver portions of the bill are being held up until we can resolve some policy difference with the Hill. We have been working closely with Senator Mitchell's staff and the Senate Banking Committee on developing an acceptable proposal as well as a strategy for passage of the legislation. Unfortunately, the House Appropriations Committee did not reserve funding for the Empowerment Zone proposal for FY94. We are working to fix this in the Senate.

3. Community Policing

The FY93 Supplemental Appropriations bill includes \$200 million for community policing. That bill has passed the full House and is on track in the Senate.

The Administration budget included \$250 million in both FY93 and FY94 for community policing. A House Appropriations subcommittee refused to appropriate the FY94 money because Congress has not yet passed the authorization language we submitted as part of our Empowerment Zone proposal. We're trying to fix this in the Senate.

Sen. Biden and Rep. Brooks are near agreement on a crime bill that will include an Administration-backed community policing title, which would provide over \$2.3 billion over 5 years as part of a broader effort to put 100,000 new police on the street. HUD, Education, National Service, and a DoD/DoL Troops-to-Cops initiative will also contribute to meeting the 100,000 cops pledge.

4. Community Development Banks and CRA Reform

The Administration will submit legislation, perhaps as soon as next week, to create the Community Banking and Credit Fund (the "Fund"), whose purpose is to establish a network of Community Development Financial Institutions (CDFI). This legislation would authorize over the next four years \$382 million for capital investments or technical assistance in CDFIs. A whole range of CDFIs could qualify for assistance, including community development banks, community development credit unions, microenterprise loan funds, revolving loan funds, and community development corporations.

The final draft of this legislation will be ready at the end of this week. In the House, the Appropriations Committee did not set aside the \$60 million for FY94, so we will have to get our funding for the program in the Senate, and work to ensure that it gets through conference.

The Office of the Comptroller of the Currency and the other banking regulators will also be announcing shortly, at the President's request, that they will begin a process of reform of the Community Reinvestment Act (CRA). The reform will include moving CRA from paperwork to performance by establishing a more quantifiable CRA standard.

5. Welfare Reform

On Friday, June 11, the Administration will release the names of the interagency working group on welfare reform. Most members of the Domestic Policy Council have representatives on the working group. The goal is to produce a plan late this year.

Meanwhile, state and local officials have formed an advisory group that should submit its recommendations to us by late August.

THE WHITE HOUSE
WASHINGTON
May 13, 1993

File:
E-Zones

MEMORANDUM FOR GENE SPERLING

FROM: PAUL DIMOND

SUBJECT: UPDATE ON EMPOWERMENT ZONES LEGISLATION

In preparation for the meeting with the leadership staff from the House and Senate, I wanted to update you on where we stand at 11:30 p.m. today. As further information becomes available, I will update further.

I. House. In general, we need to coordinate with Leadership as to how to proceed on the floor following Budget Reconciliation for the tax portion, how to proceed through the Committees on the other portions of the Bill, and how to garner support in the absence of any strong champions.

A. Democrats.

• Ways and Means. Janice Mays is still shepherding the Empowerment Zone proposal through the process. Representatives Rangel at the 11th hour finally asked for something more for urban areas. This morning a compromise was reached through the good offices of Chairman Rostenkowski, Representative Rangel, and Howard Pastor: a total of \$5.3 billion for Empowerment Zones and additional tax expenditures to aid minority business and to support the Low-income Housing Tax Credit. Maurice Foley will work out the details and report back. It appears that the Black Caucus will now lend full support to the Empowerment proposal and to the Reconciliation package. [John Shainer and Theresa Bearman are the staff contacts for Representatives Rangel and Jefferson, respectively.]

We should follow-up with a core group in the Black Caucus (a) to assure better on communication/input, (b) to stress our willingness to try and beef up the expenditure side of the Empowerment Proposal from existing funds, (c) to detail what we are doing from the current budget on issues of concern to the Caucus, and (d) to meet with the NEC/DPC forthwith so that we can start a dialogue about urban/minority issues that will help all of us in our future planning and cooperation.

Rules Committee Chair Moakley has requested

-2-

slightly greater discretion in the HUD Secretary and 30% poverty (rather than 35%) for CBD on poverty criteria for Enterprise Communities so that Brockton, MA might qualify. Maurice will work this out with Janice Mays (perhaps by limiting to cities under 100,000). David Pomerantz is the staff contact.

Representative Waters has asked about a special provision for L.A. concerning credits for Ben & Jerry's ventures there. On the merits, I discussed the various existing provisions which would be available to such ventures in L.A. (and other zones) for Ben & Jerry's and (other companies). I explained how we had shaped the proposal to be open to such ventures following our meeting with her.

- Banking. Subcommittee Chair Kanjorski's Chief of Staff is pining to hold hearings on the authorization/enterprise board portion of the bill. It is not clear that he has Chairman Gonzales' full support for this yet. In any event, he will be talking to House Leadership to make his case.

- Leadership. Following meetings with Craig Hannah, Faith Rivers and Janice Mays, Mike Wessel has been helpful in trying to assist in setting up a legislative strategy session. We need to do this soon, so that they can take the lead in moving this through the House. [Gene is also exploring a joint meeting with Senate and House Leadership staff.]

II. Senate. In general, we need to coordinate with Leadership as to how to proceed in the Finance Committee on Budget Reconciliation for the tax portion of the proposal and in other Committees for the authorizing portion of bill.

A. Democrats:

- Banking/Finance Committees -- After the meeting with the members, Andrew Cuomo, Maurice Foley, and I met with the staffs of the committees and members to present the merits of our proposal. There was far greater understanding of the policy tradeoffs and political issues on the staff. With respect to the 10/100 split there was still some interest in exploring alternatives, but the staffs understood that the choice of the wage credit drives the focus to fewer rather than more empowerment zones. As a result, the possibility of strengthening the 100 enterprise communities still remains a possible option if needed

-3-

in the Senate.

• Committee Assignments -- The tax portion of the bill will go to Senate Finance. It is not yet clear which Committee (or Committees) will handle the authorization portions of the bill. Steve Harris, Chief of Staff of Senate Banking, has offered on behalf of Senator Reigle to work closely and cooperatively with the Leadership Staff and with us to move the authorization provisions forward; Steve mentioned specifically working with Kim Wallace in Senator Mitchell's shop to assist us.

Andrew Cuomo, Maurice Foley and I need to follow up with Senate Finance Committee Staff, particularly Lawrence O'Donnell and Susan Himes. We will do so this week.

• Leadership -- Gene is working with John Hilly and George Kondanes (sp?) to seek their assistance in shepherding legislation through Reconciliation and Committees.

• Individual Senators --

Senator Bradley's staff is on board and willing to pitch in. Contact is Ari Fitzgerald.

Senator Mosley-Braun's staff is supportive. The contact is Geoff Gibbs.

Senator Feinstein is supportive, although the incentives differ from her proposed tax-free zone approach. Mark Kadash is the staff person.

Senator Lieberman's staff is now engaged in a substantive discussion with us. We need to provide them with the actual scoring of the tax incentives to advance that discussion. The contacts are Ken Glueck and William Bonvillian. Pending further discussions, they have agreed to hold their powder.

B. Republicans

D'Amato -- Andrew Cuomo met with D'Amato and is following up with Chief of Staff Michael Kinsella tomorrow. Reaction is lukewarm to date.

Bond -- Chief of Staff Warren Erdman is positive and wants to be of assistance in forging a bi-partisan coalition to support distressed communities, including with respect to CD Banks and Empowerment Zones.

Grassley -- Staff is sympathetic. Ken Cunningham is contact.

Chafee -- Staff is supportive. Bob Greenawalt is the contact.

Kassebaum -- David Bartel is examining sympathetically,

-4-

but needs to talk with the Senator before making any expression of support or concern.

Match -- Staff is supportive. Evan Liddiard is the Contact.

Danforth -- Staff is supportive. Rob McDonald is the contact.

Hatfield -- Doug Paul is sympathetic.

Mack -- Likes the empowerment stuff, alot; generally supportive. Scott Barnhart is the contact.

Stevens -- Lukewarm. Earl Comstock is the contact.

Simpson -- Will review. Brent Erickson is the contact.

Packwood -- Lukewarm. Greg Powell is the contact and wants to discuss with Maurice Foley at greater length.

Jeffords -- O.K. on concept, but staff doesn't think it has anything to offer Vermont. We need to follow up on the poverty criteria. Mark Powden and Bill Testerman are the contacts.

Specter -- Staff is very supportive. Barry Calwell is contact.

Durenberger -- Staff is sympathetic. Pat Eveland is the contact.

Domenici -- Staff is lukewarm. Kay Frazier is contact.

III. Outreach

A. Media -- Sheryll has a file with all of the national press and editorials. Additional Editorial Board contact might be appropriate once we clear Ways and Means, particularly is we can get more like that in the Washington Post.

B. Mayors/Governors -- Association groups seem very supportive thus far. We need to follow up to solidify with firm declarations of support.

C. Community Groups -- Good support at initial outreach meeting. Some minor quibbles are now surfacing to which we need to be sensitive. We need to follow up to solidify with firm declarations of support.

Let's confer to tomorrow about how to proceed. Thus far, we are still in the game, with only minor modifications to the Empowerment Proposal agreed to in House Ways and Means.

cc Andrew Cuomo, Maurice Foley, Bob Nash
Sheryll Cashin, L.G. Holstein, Paul Weinstein, Bruce Reed
Paul Carey, Tim Keating