INVESTING IN A NEW FUTURE:

Special Report on Community Development Financing in Selected Empowerment Zone/ Enterprise Community Sites

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A number of institutions and individuals involved in this assessment have had prior, and in some cases contemporaneous, experience in other ways related to the Empowerment Zone/Enterprise Community Initiative. The U.S. Department of Housing and Urban Development, Office of Policy Development and Research, has provided Community Outreach Partnership Center grants to academic institutions and consortia of academic institutions for the purposes of underwriting technical assistance and research support to community-based organizations, including those within designated EZ/EC areas. Such COPC grants have been received by Arizona State University, Cleveland State University (as part of a consortium with Case Western Reserve University), San Francisco State University (as part of a consortium with the University of California at Berkeley), the University of Illinois - Chicago and Wayne State University (as part of a consortium with Michigan State University and the University of Michigan).

Direct and indirect technical support have also been provided by some institutions during the plenary and implementation phases of the EZ/EC Initiative in select cities. Arizona State University's Morrison Institute played a supporting role in the development of the Phoenix EC's benchmarking methodology, with staff unrelated to this assessment. Wayne State University supported and assisted in the development of Detroit's EZ application. The College of Education, unrelated to the College of Urban, Labor, and Metropolitan Affairs (CULMA) and to this assessment, stands to be involved in six projects included in the EZ plan that are pending approval and award of SSBG funds.

As for individuals: Prior to his role as Professor of Professional Practice at the Milano Graduate School of Management and Urban Policy at the New School for Social Research, where he served as a technical consultant to the New York field team for this assessment, Dr. Dennis Derryck was Director of Commercial Development at the Harlem Urban Development Corporation, where he played a central role in the preparation of New York's Empowerment Zone Application. Dr. Michael Giles is Fellow and former Senior Advisor for Research and Evaluation at the Carter Center, which provided technical assistance to community organizers during the formative stages of Atlanta's EZ proposal. Dr. John Hall is involved with colleagues from ASU in a Community Outreach Partnership Center grant from the U.S. Department of Housing and Urban Development which, in part, provides technical support to community-based organizations in neighborhoods targeted by the Phoenix EC. Dr. Ali Modarres provided early technical assistance in data gathering and GIS database development for Los Angeles' EZ application, including development of an initial set of maps for the Los Angeles County Community Development Commission. As Executive Director of The Providence Plan, a nonprofit strategic planning organization in Providence, Rhode Island, Dr. Michael Rich directed the city's successful application for designation as an Enterprise Community and helped launch a number of community-building initiatives. As Deputy Director of the Massachusetts Government Land Bank, Karl Seidman participated on a state level task force designed to assist communities seeking EZ/EC designation and worked to secure the agency's set aside of funds for projects in communities receiving EZ/EC designation. David Wright was serving in an unrelated capacity in the Governor's Office when the State of New York was asked for, and determined to provide, support to localities seeking EZ/EC designation.

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EXECUTIVE SUMMARY

Fostering Community Investment And Lending

The Urban Empowerment Zone/Enterprise Community Initiative is a place based, people focused effort to rebuild the poverty-stricken inner city communities of America. Through this initiative, 72 urban sites across the nation have been provided with financial and other support for community-based economic development. While these activities take many forms, the EZ/EC Initiative has served to highlight efforts to revitalize inner city communities by *fostering and targeting community investment and lending*. We spotlight those efforts in this report.

One in a series of assessment reports on the EZ/EC program conducted for the U.S. Department of Housing and Urban Development by the Nelson A. Rockefeller Institute of Government, in cooperation with Price Waterhouse, LLP, this report focuses on *community development financing* activities planned and under way in a sample of 18 Empowerment Zone/Enterprise Community sites across the nation (for a description of the overall assessment study, please see Appendix A). The study defines community development financing as: capital made available at the community level for businesses, homes or community projects in targeted EZ/EC areas. Intentionally broad, this view seeks to include institutions and tools used to affect the cost and availability of capital directly, through investment in public infrastructure, flagship projects or incubators that serve to free up capital by underwriting business or housing costs. Produced in collaboration with a team of field associates located in these sites (please see *Contributors* listed at the front of this volume), this report:

- Places these new community development financing activities in the context of past and contemporaneous efforts.
- Provides a measure of the relative access to capital for community development financing in EZ/EC sites and their respective metropolitan areas.
- Explores the degree to which community development financing was raised as an issue during the strategic planning process, and the context within which the topic was raised.
- Explicates the themes underlying community development financing activities designed by the framers of EZ/EC strategies in these sites.
- Outlines the content of community development financing activities and their evolution.
- Examines the degree of progress that has been made in implementation through July, 1997.
- Assesses barriers that have arisen and how they have been met.
- Describes the nature and extent of community participation in the design, review/approval and operation of community development financing initiatives.
- Characterizes how the community development financing activities created through the EZ/EC Initiative differ from other such mechanisms. And,
- Offers concluding thoughts on common challenges and best practices among these programs.

Experience and Expectations

The EZ/EC Initiative, while notable, is neither the first nor the only effort to encourage community development financing in inner-city areas. During the last thirty years, the federal government has enacted legislation to affect the availability of capital in low-income and minority communities via regulation. At the same time, a number of federal programs were established which were aimed at investing in and expanding community development in urban communities. Recent years have also seen a proliferation of foundation-sponsored initiatives encouraging microenterprise and entrepreneurship.

A review of other community development financing initiatives in the past or underway identified a number of common management and administrative challenges, such as interpreting legislative and regulatory authority; striving for focus during the intensity of program start-up; establishing new procedures; balancing process needs with attention toward outcomes; dealing with resource constraints on time and funding; and securing commitments from necessary stakeholders, financing institutions and the like.

The experience of previous community development financing efforts provides a useful backdrop and context within which to view community development financing efforts in the EZ/EC communities included in this study. Understanding history and contemporaneous efforts help provide an appropriate level of expectation for the programmatic activities observers are likely to find and the challenges likely to be in evidence during early implementation of community development financing activities under the EZ/EC Initiative.

Measures of Lending in EZ/EC Sites

Additional context for EZ/EC community development financing activities is provided by a comparative analysis of lending activity in designated EZ/EC sites and their surrounding areas. Examining already-available capital for residential and commercial lending in the sites helps to set the scene for EZ/EC-sponsored activities.

RESIDENTIAL LENDING: Home Mortgage Disclosure Act data was obtained for each of the 18 metropolitan areas in our study. For each, 1995 data – the most recent available – was obtained at the census tract level and a data set constructed comparing an aggregation of the tracts comprising each EZ/EC and their corresponding Metropolitan Statistical Area (HMDA covers loans made for the purchase, improvement or refinancing of single or multi-family housing, whether they are financed conventionally, or by VA, FHA or FMHA financing).

Such comparisons were drawn for a number of measures of lending. These include: (1) a comparison of total lending activity between the EZ/EC sites and their corresponding MSAs; (2) a comparison between the composition of total loan activity in each EZ/EC and corresponding MSA (the relative share of all loans either originated, meaning approved and made, unaccepted, meaning approved by the institution but declined by the applicant, or denied, referring to loan applications turned down by a financial institution); (3) a comparison between the rate of loan *originations* and denials per 1,000 dwellings in EZ/EC sites and their corresponding MSAs; and (4) a comparison between the value of originated and denied loans in the EZ/EC sites and their corresponding MSAs.

Loan activity is more prevalent in MSAs than EZ/EC sites by a nearly 2:1 ratio. A comparison of positive lending activity tilts even more in favor of MSAs over EZ/ECs, with a ratio of loan originations per 1,000 dwellings in MSAs to EZ/EC sites of nearly 3:1. And, a comparison of the value of that positive activity tilts even more in the direction of MSAs over EZ/EC sites, with a ratio of the value of originated loans per 1,000 dwellings in MSAs to EZ/EC sites of over 5:1.

HMDA data also enable comparisons to be drawn between similarly situated groups of loan applicants in different geographic areas, as a way of refining attention to the contrast between those geographic areas. For this purpose, three groupings of loan applicants in each of the MSA and EZ/EC areas were drawn, based on household income: low-income applicants had household incomes below 51 percent of the area median, working-class households had incomes between 51 percent and 96 percent of the area median, and moderate-to-middle-income applicants had household incomes between 96 percent and 120 percent of the area median. The rate of loan originations and denials for low-income applicants in the MSAs were compared against those in the EZ/ECs, and so on for working-class and moderate-to-middle-income applicants.

In summary, with the exception of Phoenix, the proportion of loans originated among low-income, working-class and moderate-income individuals was greater for the overall MSAs than the proportion of loans originated for individuals living in the EZ/EC sites. Again, with the exception of Phoenix, the proportion of loan denials was less for the overall MSAs than the proportion of loans denials among individuals living in the EZ/EC sites.

COMMERCIAL LENDING: Absent an existing source of aggregate information on commercial lending by geographic area, we constructed a partial picture for the purpose of this study. Using the total amounts of commercial loans made in 1995, any part of which was guaranteed or provided by the U.S. Small Business Administration's primary programs (7A and 504), divided by the total number of eligible firms, we generated average lending amounts for each EZ/EC site in this study and its corresponding MSA.

In nearly half the sites (Baltimore, Chalotte, Los Angeles, New York City, Oakland, Phoenix, San Francisco and Tacoma), the amount of SBA-related lending per eligible firm was higher in the EZ/EC than the MSA as a whole. Lending in the Los Angeles SEZ stood out especially, the highest overall and nearly double the average for the MSA. Lending in the Dallas MSA vs. the EC had the highest contrast, with the difference favoring the MSA over the EC by a nearly 2.3:1 ratio.

This contrast between capital availability/lending activity in the EZ/ECs and their surrounding areas and the apparent ability of SBA programs to target such areas contribute to the rationale for interventions designed to increase community development financing in the EZ/ECs.

The Strategic Planning Process

PROCESS: As we noted in our first report, most cities organized their strategic planning process around a series of task forces, working groups, and committees which were given primary responsibility for developing strategies and programs, and in some cases, actually drafting the strategic plan itself. Few cities, however, relied upon a specific group vested with responsibility for developing proposals relating to community development finance.

LEVEL OF PRIORITY: Every one of the 18 sites in this study incorporated community development financing within their EZ/EC strategies and activities.

Field associates were asked to assess the level of priority afforded to community development finance in the strategic plan along a continuum ranging from none, low, average, high, to highest. Associates in eleven of the eighteen jurisdictions included in the study indicated that the attention or priority given community development finance during the strategic planning process could be considered high or highest.

THEMATIC FOCUS: As could be expected, there were a wide range of issues pertaining to the financing of community development activities that were raised during the strategic planning process in the 18 study communities. While our definition of community development was rather broad and encompassed economic development, housing, and community projects/public works, most of the discussion about community development finance during the strategic planning process centered on topics pertaining to economic development. Several themes emerged, including access to capital, streamlining business access to government programs and technical assistance through One-Stop Capital Shops and business service centers, and new and innovative lending instruments.

Increasing Capital Availability in Zone Neighborhoods

At the very broadest level, several associates reported that discussions during the strategic planning process focused on increasing access to capital in zone neighborhoods. These issues were most typically raised in the context of both commercial and residential investment, though in a few cases concerns about infrastructure, community facilities, and public safety were also raised. Access encompassed concerns about both the availability as well as the accessibility of capital for investment in economic development, housing, community facilities, and services in Zone neighborhoods.

In a majority of cities, including all six Empowerment Zone cities, discussion of the need for a community development bank or some other form of community-based financial institution was raised during the strategic planning process.

In some cities, discussion during the strategic planning process of the need to increase available capital in zone neighborhoods also focused on leveraging commitments from existing private banks and financial institutions.

While discussions concerning increased access to capital in most cities focused on developing new sources of finance for business development and expansion, in a few cities there was also concern about developing new sources of funding for housing, particularly for home ownership.

Increasing Access to Capital: One-Stop Capital Shops

Availability of capital was but one major community development financing theme that was raised during the strategic planning process. Associates in several cities reported that another common theme raised by many stakeholders in the strategic planning process was a need to increase awareness and accessibility of sources of capital. In several cities it was pointed out that individuals and businesses were either unaware of potential funding sources or often lacked the capacity to successfully apply for such funding. Thus, a strategy that emerged in many cities was improving the links between residents, entrepreneurs, and small businesses to technical assistance, counseling/mentoring programs, and various commercial and residential loan programs. The most prevalent mechanism used was a One-Stop Capital Shop.

While the concept of a One-Stop Capital Shop was based on the need to improve access to capital for business development, some cities extended this idea to residential finance. In Atlanta, for example, EZ funds were used to establish a center for home ownership. Similarly, a one-stop center for housing finance and housing services was proposed in Chicago's strategic plan. In Baltimore, the Village Centers located in each of the zone neighborhood clusters would counsel residents to increase their access to information and opportunities to buy homes. In addition, the Baltimore plan called for the creation of two housing consortia which would coordinate housing counseling services and facilitate planning and implementation of housing projects within the Zone by linking the Village Centers to qualified housing agencies.

Another theme related to access to capital that was raised in some cities concerned programs to extend capital to residents who would not be deemed credit worthy under conventional lending rules. Several cities emphasized the need for including outreach and awareness efforts in addition to the establishment of such credit pools. The issue was defined as "not only increasing the willingness of financial institutions to provide capital, but also by increasing the capacity of local residents to apply for, obtain, and effectively use capital."

New and Innovative Lending Instruments

A third theme that characterized the discussion of community development finance in many of the study cities was the need for new types of lending instruments. An issue raised in several cities was that even in those instances where capital was available, and businesses were aware of it, quite often it did not meet the needs of small businesses. The most widely cited need across the study cities was for some type of microlending program, which would both provide small amounts of capital as well as assist those clients banks and other lending institutions typically do not serve. Microlending proposals were included as action items in the strategic plans of several cities and in many other cities micro lending programs were noted as either existing or under development with other resources.

In a few cities, discussion of community development finance during the strategic planning process focused on ways in which zone residents and businesses could exert greater control over lending institutions. In a few other cities the EZ/EC strategic planning process was used as a means to foster coordination among existing programs and resources.

The most common themes raised during the strategic planning process regarding community development related to economic development and housing. As noted elsewhere in this report, while several cities have allocated EZ/EC resources for programs and activities in the areas of community projects and public works, these issues did not emerge as major topics of discussion concerning community development during the strategic planning process.

Community Development Financing Strategies Planned or Underway

New sources of commercial capital and better linkages to existing commercial lenders were sought by EZ/EC sites as the wherewithal that would enable new businesses to form and enable resident businesses – particularly small ones – to grow and flourish, providing a source of present and future employment, goods and services for community members.

Providing a source of capital for rehabilitation, construction and acquisition of housing would give residents stronger roots in a more desirable community and fuel sustainability, it was thought. Other uses of community development capital involved public works, such as roads, sidewalks, lighting and other infrastructure relating to public safety and economic development, as well as large-scale, mixed use projects.

ECONOMIC DEVELOPMENT

Strategies and activities proposed in the area of economic development generally took one of three forms, which were oftentimes interrelated: the creation of *new institutions* or mechanisms to provide commercial capital; the creation of new or demonstrably *tailored lending programs* provided through existing lenders, private and public; and the establishment of *"one-stop capital shops"* or other, related means by which capital and technical assistance were to be pulled together and made more accessible. Other initiatives included mixed-use or *flagship projects* and the creation of *incubators or industrial parks*, where certain aspects of overhead cost are centralized (and technical and peer assistance is provided) as a way of making it easier for new business ventures to get off the ground.

HOUSING

The EZ/EC strategic plans and subsequent program reports among the majority of cities included in this study reflect the devotion of considerable attention and resources to housing. Common topics of interest include encouraging home ownership; improving the housing stock through rehabilitation and new construction of owner-occupied and rental housing, code enforcement and other techniques; strengthening producers of housing such as intermediary organizations; and improving public housing.

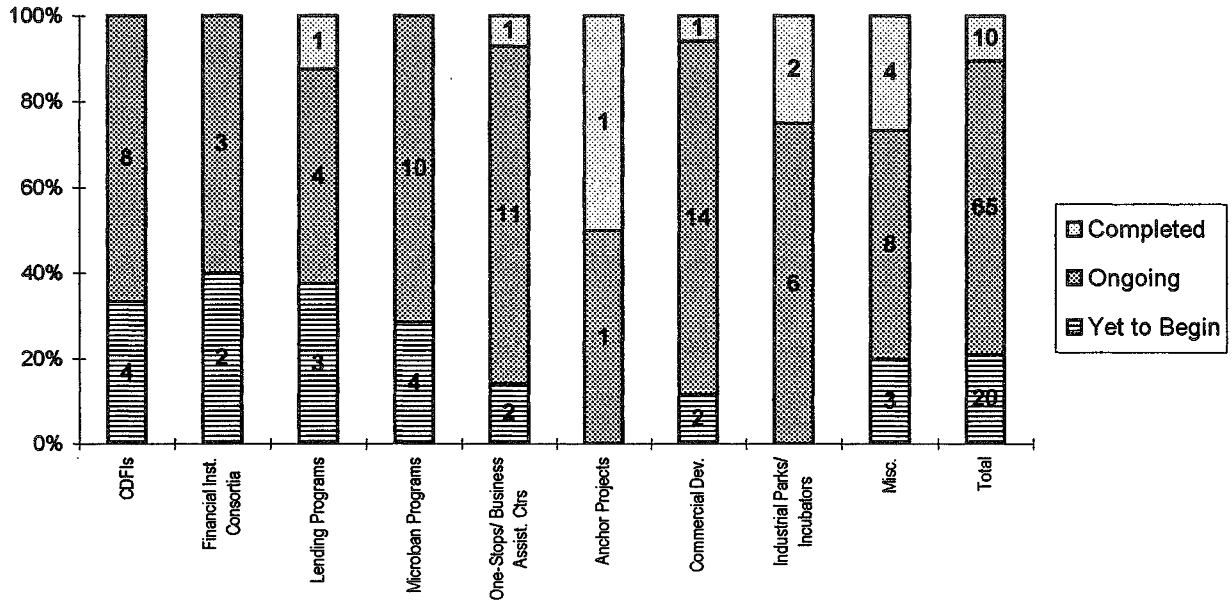
Implementation of Community Development Financing Activities in EZ/EC Study Areas

As in our previous reports, we sought in this round not only to describe the intent of participating communities but also to offer some measure of the extent to which that intent has been implemented.

To that end, we asked the field associates to provide a narrative description of community development financing activities in the EZ/ECs, tracking each backward to the strategic plan, noting modifications reported subsequently through Benchmarking and Performance Review documents, recording the current status according to their observation and input from key local informants on the ground, and gauging how far the activity is in implementation. The latter was to be measured against baseline and milestone data identified by the EZ/EC sites themselves, where available.

ECONOMIC DEVELOPMENT. Community development financing activities in this category inclue: (1) *Community Development Financial Institutions*; (2) *Financial Institutions Consortia* [initiatives involving existing rather than newly created institutions]; (3) *Loan Funds*; (4) *Microloan Programs*; (5) *One-Stop Capital Shops*; (6) *Anchor Projects*; (7) *Commercial Development*; (8) *Incubators and Industrial Parks;* and (9) *Miscellaneous.* Their aggregate status is shown in Chart ES-1.

Chart ES-1: Completion Status of Economic Development Activities



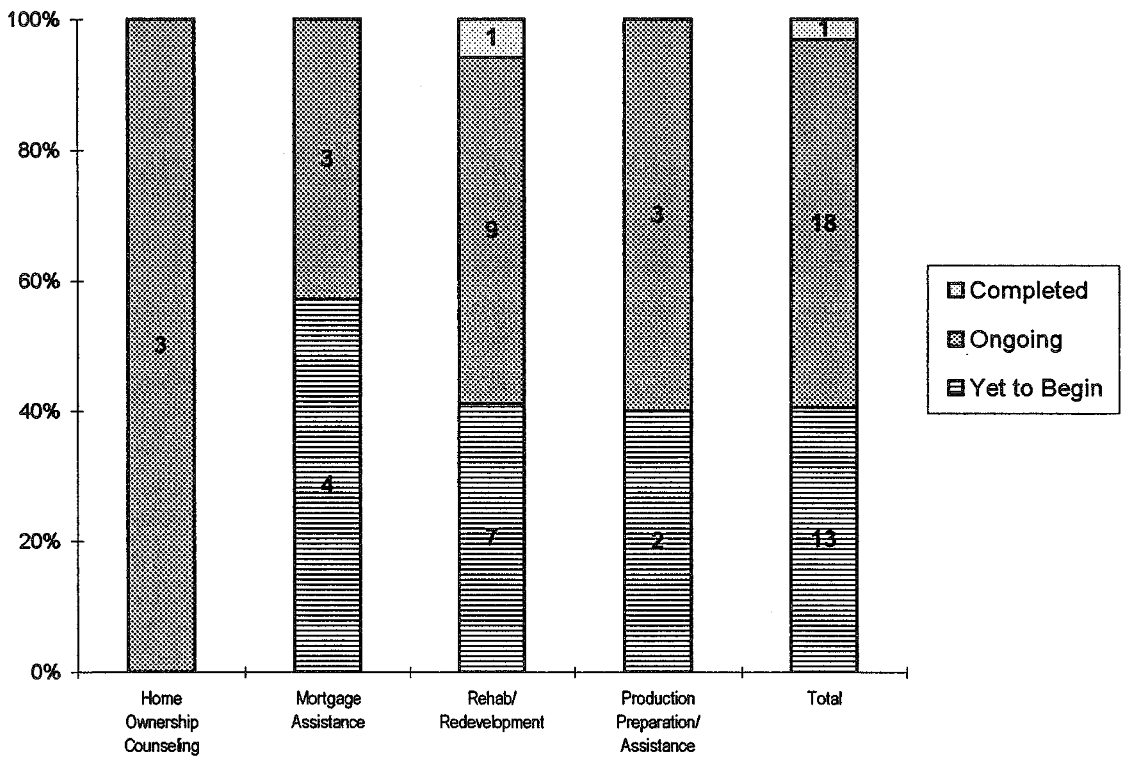
On average, nearly seven in ten economic development-related community development financing activities are ongoing, about one in ten are completed, while a little more than two in ten have yet to begin. Implementation appears to be furthest along on Anchor Projects (an approach that is most pronounced in Boston and Oakland, the two Enhanced Enterprise Community sites included in the study); Industrial Parks/Incubators (in the Boston EEC as well as in the Baltimore and Chicago EZs and ECs in East St. Louis, Louisville and Minneapolis); One-Stop Shops (especially those in Atlanta, Baltimore, Detroit, Boston and Tacoma); and Commercial Development activities (particularly those in Cleveland and Boston).

Twelve CDFIs are at various stages of implementation among the EZ/EC study sites, including four within the Philadelphia/Camden EZ. Of the 12, two-thirds are ongoing with the remaining third under discussion/development as of the end of July, 1997. Apart from the development of a number of credit unions, the predominate CDFI model among EZ/EC sites is based upon replication of Chicago's South Shore Bank (in Detroit and Louisville, for example, with Cleveland's efforts largely preceding the EZ initiative). As in the case of it's financial institutions consortia, an approach also pursued effectively in Boston, Detroit's Community Development Bank has shown notable, albeit early, signs of success.

Loan programs, particularly those targeted to microloans, were nearly ubiquitous among the EZ/EC sites in this study. Many had yet to begin and a large proportion were running behind the schedule anticipated by the respective local site. Successful exceptions to his pattern appear in Baltimore, Cleveland and Phoenix.

HOUSING. Community development financing activities in this category include: (1) *Home Ownership Counseling;* (2) *Mortgage Assistance Programs*; (3) *Rehabilitation/Redevelopment Programs*; and (4) *Production Preparation/ Assistance.* Their status is illustrated in Chart ES-2.

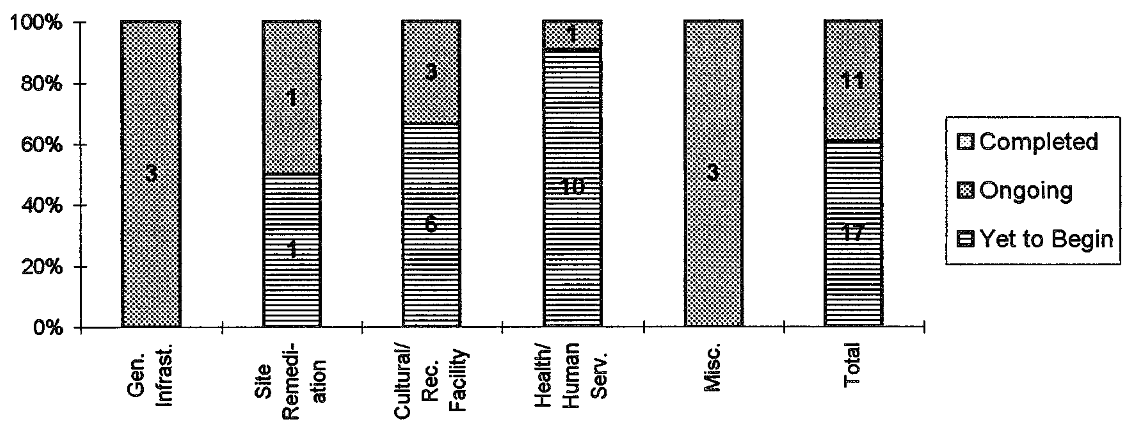
Chart ES-2: Completion Status of Housing Activities



Fifty-six percent of community development financing housing activities were ongoing as of July, 1997 with another three percent complete and more than four in ten yet to begin. As a subcategory, home ownership counseling activities were furthest along in implementation. All such activities were ongoing, with progress in Baltimore and East St. Louis reportedly running closest to local expectation. Roughly three-fifths of all housing rehabilitation/ redevelopment activities and housing production preparation/assistance activities were ongoing, with the other two-fifths of such activities yet to begin as of July, 1997. Conversely, the majority of mortgage assistance programming among the study EZ/EC sites had yet to begin. Atlanta's Mortgage Assistance Program was characteristic of, and Baltimore's Housing Venture Fund an exception to, this pattern.

COMMUNITY PROJECTS/PUBLIC WORKS. Community development financing activities categorized as Community Projects/Public Works include: (1) *General Infrastructure;* (2) *Site Remediation;* (3) *Cultural/Recreational Facilities;* (4) *Health/Human Services;* and (5) *Miscellaneous.* Activities grouped together as general infrastructure and miscellaneous are further along in implementation than other community development financing Community Projects/Public Works activities. On the opposite end of the spectrum, the strong majority of community development financing health/human service facilities had yet to begin as of July, 1997. Their status is illustrated in Chart ES-3.

Chart ES-3: Completion Status of Community Projects/Public Works Activities



Common Barriers Faced During Implementation

We asked each field associate in this round, based on their observation and analysis and input from key local informants, to identify and describe those barriers that arose to implementation of community development financing strategies and activities in their EZ/EC. A wide-ranging list of implementation issues resulted.

The two barriers to implementation cited most commonly among the associates were the *capacity of community organizations and businesses* (cited in Baltimore with respect to the review of projects and cited in Boston, Chicago, East St. Louis, San Francisco and Tacoma in connection with delivery capacity) and *design issues*, where the design of an initiative did not fit well with actual circumstance or was itself restrictive (cited in Baltimore with respect to housing and in Boston, Phoenix and Tacoma with respect to business lending).

A second set of implementation issues concern the *city review process for contracts and projects.* Delays and confusion in review processes were cited in Boston, Chicago, Detroit and Oakland. As noted in Chicago, such delays became self-feeding as long lapses in time brought about changes in project scope, which required new reviews and re-clearance by legal departments, necessitating re-approvals and fueling further delay. A related challenge was cited in New York, where long lapses occurred *after* project approvals before money actually started flowing to contractors.

Neighborhood conditions (including physical decline due to disinvestment and social conditions such as low levels of education and training, location of entry-level jobs and lack of income) were cited as a significant barrier to implementation of community development financing in Cleveland and New York. And, the nature of the neighborhoods and city life in San Francisco was cited as effectively prohibiting certain forms of community development financing (such as community development banks and one-stop capital shops) from being pursued.

A series of implementation issues were cited by field associates in one or two EZ/EC sites. These include *leadership trouble/turnover* (Atlanta, Cleveland and East St. Louis); *administrative costs and budgeting* (Atlanta); *novelty of approaches and sponsoring organizations* (Chicago); and a *lack of a linked bank-developer-city government-culture* (Oakland).

A final set of implementation issues involved *trust* and *multi-layered project review*, which appeared to be interrelated. Several associates cited a lack of trust between the community and city government generated by past experiences (Atlanta, Baltimore, New York and East St. Louis). In Atlanta, Baltimore and Oakland, to varying degrees, this has evolved into community-level project review/approval and even some operational responsibility for EZ/EC programming.

Community Input and Governance

CITIZENS AS ADVISORS

Field associates in all 18 study cities reported that citizens played some advisory role in discussions regarding EZ/EC-funded community development activities. The formality of this role varied widely across the study cities; some had relatively ad hoc community input while others established advisory bodies to provide a direct channel for citizen participation in various community development initiatives such as business service centers and loan funds.

Several cities relied on existing citizen participation mechanisms as the primary means for generating citizen input on community development activities (Chicago, Dallas, East St. Louis, Louisville, Phoenix, Tacoma and Minneapolis).

By contrast, a few cities established new advisory groups to serve as a formalized means for community input in newly established community development entities. In Atlanta, for example, a separate eleven-member citizens advisory board was created for the Atlanta Center for Homeownership.

CITIZEN PARTICIPATION IN EZ/EC GOVERNANCE STRUCTURES

Eleven of the study cities, including all six Empowerment Zone cities, provided for some means of citizen participation and involvement in the governance of various community development initiatives. The types of arrangements in place in these cities allowed for both direct and indirect citizen participation in the design and implementation of community development activities. Examples of direct participation occurred when cities established new governing boards that included one or more seats for Zone representatives to preside over specific community development entities such as a community development bank, a business assistance center, or a loan program. Examples of indirect participation occurred when cities relied on their existing EZ/EC governance entity, which included some community representatives, to monitor and oversee newly created community development finance entities.

CITIZENS AS DECISION MAKERS

In a few cities, zone residents were included on the boards of directors of newly established community development financing entities such as revolving loan funds, community development banks, and one-stop capital shops. There were few illustrations reported by the field associates, however, of instances in which zone residents and stakeholders actually controlled the allocation of EZ/EC resources.

The initiative is still relatively young and that the jury is still out regarding the extent of community influence that will be exercised under the EZ/EC Initiative. Many cities are only beginning the process of issuing RFPs and awarding funds to specific vendors. Programs and decisionmaking processes that have emerged in many instances look very different from what was originally intended. Nonetheless, in terms of fostering "broad participation by all segments of the community," the EZ/EC Initiative in most cities appears to be living up to the spirit of this principle. Whether Zone stakeholders emerge as the "most important element of revitalization" remains to be seen.

Differences from Other Sources of Community Development Capital

In assessing the new community development finance tools that were created (or proposed) with EZ/EC resources, associates consistently emphasized four themes regarding how these new programs differed from other sources of community development capital.

First, several associates noted that many EZ/EC-funded programs tended to focus on non-traditional borrowers – i.e., those with poor or no credit history – and placed an emphasis on making housing and economic development financing affordable for EZ/EC residents and entrepreneurs. In addition, as noted above, many cities used their EZ/EC funds to establish micro lending programs, some providing loans as low as $500, to fill a niche that most banks and commercial lending institutions fail to serve.

Second, many associates pointed out that EZ/EC funds were the only major source of capital investment exclusively targeted to EZ/EC neighborhoods in their cities. Because funds are targeted to neighborhoods, many more businesses are receiving loans than if they were applying to larger, more regional sources of community development capital. Targeting a neighborhood gives businesses in them a competitive advantage, making those neighborhoods more desirable.

Third, a number of associates reported that the creation of One-Stop Capital Shops and business service centers made it easier for EZ/EC residents and business entrepreneurs to access technical assistance resources and learn about available sources of financing.

Finally, a few associates provided examples of how EZ/EC funding was more flexible than other available sources of capital, enabling projects to take place that might not have occurred in their absence.

Challenges and Best Practices

The challenges relating to EZ/EC-funded community development finance activities most frequently raised by the associates tended to focus on program implementation. Associates in several cities noted issues pertaining to difficulties in forging linkages among various EZ/EC-funded activities, problems in relating EZ/EC organizational structures with existing state and local administrative systems, and low levels of administrative capacity among nonprofit neighborhood-based groups and many small businesses were particular issues that posed a significant challenge to community development finance activities in their cities.

Associates in several cities, including Atlanta, Boston, Phoenix, and Tacoma, all identified the creation of one-stop business resource centers as a best practice. Other newly created community development finance institutions were also noted as best practices by the field associates.

With concerns expressed about organizational capacity and program implementation, several associates noted capacity building efforts as strengths in the initiatives underway in their communities.

It was observed that one reason certain places become "Meccas" for small businesses and entrepreneurs has to do with the build up of *social capital* there in the form of business support networks, non-profit training and economic development organizations, a small-business-oriented city administration, and a socially enlightened business community.

Relationships and supports of that kind do not just happen. Nor do they happen overnight. Effort and time is required, beginning first with the crucial recognition that community development requires both financial capital and social capital; both money and strong bonds among lenders, business people and workers, between investors, entrepreneurs, consumers in the community at large, to ensure it is put to most productive use.

The design of the Empowerment Zone/Enterprise Community Initiative begins from this very point. While it is still early, much of the activity we have observed reflects genuine effort to live up to the principle. And the ultimate success of the undertaking will very much depend on the abilities of its "implementers" to take this comprehensive, sustainable vision and make it a reality. That remains to be seen.

I. Introduction

The Urban Empowerment Zone/Enterprise Community Initiative is a place based, people focused effort to rebuild the poverty-stricken inner city communities of America. Through this initiative, 72 urban sites across the nation have been provided with financial and other support for community-based economic development. While these activities take many forms, the EZ/EC Initiative has served to highlight efforts to revitalize inner city communities by *fostering and targeting community investment and lending*. We spotlight those efforts in this report.

The EZ/EC Initiative, while notable, is neither the first nor the only effort to encourage community development financing in inner-city areas. During the last thirty years, the federal government has enacted legislation to affect the availability of capital in low-income and minority communities via regulation. At the same time, a number of federal programs were established which were aimed at investing in and expanding community development in urban communities. Recent years have also seen a proliferation of foundation-sponsored initiatives encouraging microenterprise and entreprenuership.

This brief review of prominent regulatory, investment and lending efforts, accompanied by summaries of the issues arising during their implementation, provides not only the requisite background for this report, but presents descriptions of the types of issues which might be expected to occur during the early implementation of community development financing efforts in EZ/EC communities.

FEDERAL REGULATION

Federal regulation of community development financing has emerged as a direct response to discrimination and the practice of redlining. Enacted in 1968 as part of the Civil Rights Act, the Fair Housing Act was meant to ensure fair lending and access to capital. Specifically, the Fair Housing Act prohibited discrimination in the sale and rental of housing, as well as mortgage lending. The Equal Credit Opportunity Act, enacted in 1974, prohibited discrimination in credit transactions (i.e., consumer, commercial or real estate loans). In 1975, the Home Mortgage Disclosure Act (HMDA) was enacted, which required depository institutions to report on information on mortgage lending activities by census tract. Shortly after, the Community Reinvestment Act (CRA) was passed to address concerns that financial institutions were not meeting the credit needs of their local communities.[1]

Home Mortgage Disclosure Act

In 1975, the Home Mortgage Disclosure Act (HMDA) was enacted in order to provide information to regulators on mortgage lending. Since then, the Home Mortgage Disclosure Act has undergone a series of amendments intended to increase the monitoring of lending activities, in terms of coverage and data requirements, in order to verify fair lending practices. During the 1980's, HMDA was expanded to include a broader range of depository institutions (i.e., banks, savings associations and credit unions), as well as nondepository institutions (i.e., for-profit mortgage lending institutions).[2] Most notably, the amendments contained in the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989 required lenders to report data at the loan application level, including the applicant's race, gender, income level, whether the application was approved or denied, and the reason for denial.[3] In 1992, Congress required that HMDA data, modified for confidentiality purposes, be made available to the public.[4] HMDA data is also available down to the level of census tracts, enabling geographic analysis of lending activity to be performed more readily. [For an example please see Section II of this report, where data from HMDA and other sources is used to illustrate the pattern of lending in 18 EZ/ECs compared to their respective Metropolitan Statistical Areas.]

While HMDA data have shown that greater proportions of black and Hispanic loan applicants have been denied credit when compared to white and

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[1] Evanoff, Douglas D. and Segal, Lewis M. (1996). "CRA and fair lending regulations: resulting trends in mortgage lending," in *Economic Perspectives*, vol. 20, no. 6.

[2] Federal Financial Institutions Examination Council (1997). *HMDA: Who is required to report*; accessed 08/14/97; available from the Internet at: http://www.ffiec.gov/hmda/reporter.htm.

[3] Evanoff, Douglas D. and Segal, Lewis M. (1996).

[4] Federal Financial Institutions Examination Council (1997).

Asian applicants, HMDA data generally do not contain enough information to determine by themselves whether loan processes have indeed been discriminatory. Key variables such as the applicant's level of debt, debt repayment record and employment history are not included under HMDA. However, HMDA data may be used to identify cases which merit further investigation for evidence of discriminatory lending practices.[5]

Implementation issues: Several problems have emerged during the implementation of the Home Mortgage Disclosure Act. Most pertain to the quality of the data being collected. First, errors have occurred at various stages of data collection, and they have often been difficult to detect. For example: information has been recorded incorrectly on the loan application and errors have occurred during data entry. Second, at times, information has not been recorded at all. A major weakness in the HMDA data has been that banks have not consistently provided the reasons for turning down loans.[6] Third, there was no uniform policy among the regulators about what actions should be taken against institutions with poor quality data.[7] Finally, it has been difficult to assess the lending activity of small banks because they have not had the volume of residential mortgage loans needed to make statistically valid conclusions.[8]

Community Reinvestment Act

In 1977, the Community Reinvestment Act was enacted in response to concerns that financial institutions were not being responsive to the "credit needs" of their local "communities" (terms which were not defined in the legislation).[9] Four federal agencies administer CRA and evaluate the extent to which financial institutions are meeting local credit needs: the Federal Reserve Board, the Office of the Comptroller of Currency, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision.[10] Early implementation of CRA was marked by little controversy and few institutions were rated harshly by compliance examiners. From 1977 to 1988, only eight of 50,000 applications for new banking facilities were rejected based on CRA regulations. However, by the late 1980's, fueled by bank mergers and prominent media stories about discrimination in mortgage lending, (e.g., "The Color of Money" published in the *Atlanta Journal-Constitution* and "The Race for Money" published in the *Detroit Free Press*) CRA quickly became the tool by which community groups protested and monitored the activities of banking institutions.[11]

Like the Home Mortgage Disclosure Act, the Community Reinvestment Act was amended several times once it was enacted. Of the amendments, most notable were the amendment to require the public disclosure of CRA performance ratings (1989) and the amendments changing the performance evaluation system in 1989 and 1995.

In 1995, the replacement of the 12 performance assessment factors with 3 factors (lending, investment and service) was intended to clarify concerns about the lack of specification in what constituted reinvestment in the community and put more emphasis on performance. The lending factor is comprised of "the number, amount and distribution across income groups and geographic areas of mortgage, small business, small farm and consumer loans in the assessment areas or communities," and takes into consideration "the innovativeness in addressing the credit needs of low-or moderate-income individuals." The investment factor is comprised of "how well a bank satisfies the credit needs of its local

[5] Lindsey, Lawrence B. (1993). *Fair Lending Enforcement and the Data on the 1992 Home Mortgage Disclosure Act (HMDA).* S. Hrg. 103-452., Statement to the Hearing before the Committee on Banking, Housing and Urban Affairs, United States Senate, November 4, 1993.

[6] Lindsey, Lawrence B. (1993); and National Institute for Computer-Assisted Reporting (1995). *Home Mortgage Disclosure Act Data 1992-1995.* Accessed 08/14/97; available from the Internet at: http//www.nicar.org/data/frb.

[7] U.S. General Accounting Office (1995). *Community Reinvestment Act: challenges remain to successfully implement CRA.* GGD-96-23; accessed 08/12/97; available from the Internet at: http://www.gao.gov.

[8] Ludwig, Eugene A. (1993). *Fair Lending Enforcement and the Data on the 1992 Home Mortgage Disclosure Act (HMDA).* S. Hrg. 103-452., Testimony at the Hearing before the Committee on Banking, Housing and Urban Affairs, United States Senate, November 4, 1993.

[9] Marshall, Jeffrey (1992). *Staying ahead of CRA: What financial institutions must know to win at community investment.* Homewood, IL: Richard D. Irwin, Inc.

[10] Texas Low Income Housing Information Service (1996). Federal Housing Programs: Community Reinvestment Act. accessed 08/04/97; available from the Internet at: http://uts.cc.utexas.edu/~txlihis/crainfo.html.

[11] Marshall, Jeffrey (1992).

neighborhoods through qualified community investments that benefit the assessment area." The service factor assesses "how well the credit needs of the community are met by the bank's retail service delivery systems" and takes into consideration the "distribution of the branches," and "alternative delivery systems such as ATM, telephone, computer and mail" systems.[12]

Implementation issues: During the last twenty years, the Community Reinvestment Act has been marked by several classic implementation problems, including: a lack of legislative clarity, problems arising from administrative discretion, the tension between focusing on process or outcomes, and problems arising from constraints in resources. In 1995, a report issued by the General Accounting Office found that multiple policy statements issued during the period of 1989 and 1992 led to some confusion among both bankers and examiners about the focus of CRA examinations, as well as the interpretations of the assessment factors. In addition, the report specified that differences in examiner training and examiner experience contributed to inconsistencies in CRA performance ratings. Specifically, some examiners had advanced training about CRA, while others had none.[13]

Inconsistency among CRA performance assessments has been confounded by other problems, including: the lack of information and time – and the consequent use of inaccurate data – to assess an institution's performance, and the failure to specify what information and reasoning was used in determining an institution's performance. In addition, there were concerns that there was too much emphasis on the documentation of an institution's efforts to comply, as opposed to the institution's performance and results.[14]

However, these implementation problems did not go unchecked. For example, in the early 1990's, the Office of the Comptroller of Currency dedicated more resources to examiner training. A training and career development program was developed and expanded, and a career track for compliance examiners was established. The FDIC added a Fair Lending Specialist to each of the regional offices, and steps were taken to address data quality issues. In addition, regulators increased outreach and education efforts to banks, community groups and others on the issues of fair lending and CRA compliance.[15]

INVESTMENT AND LENDING

The federal government has implemented a number of policies and initiatives in order to provide resources to urban areas for community development. Among these programs are: Community Development Block Grant Program, Urban Development Action Grant Program, Community Development and Financial Institutions Program and Community and Individual Investment Corporations. The federal government has also provided loans and venture capital financing to the nation's small businesses through the Small Business Administration.

Community Development Block Grant Program

The Community Development Block Grant Program was created under Title I of the Housing and Community Development Act (1974) and provided block grants to states and localities for investment in neighborhood revitalization. The program consolidated seven categorical grant-in-aid programs (urban renewal, Model Cities, water and sewer facilities grants, open space grants, neighborhood facilities loans, public facilities loans, and rehabilitation loans) and provided local governments with more flexibility in funding community development programs.[16] Since 1975, Congress has

[12] Evanoff, Douglas D. and Segal, Lewis M. (1996), 23-24.

[13] U.S. General Accounting Office (1995). *Community Reinvestment Act: challenges remain to successfully implement CRA.* GGD-96-23; accessed 08/12/97; available from the Internet at: http://www.gao.gov.

[14] Ibid.

[15] Hove, Jr. Andrew C. (1993). Ludwig, Eugene A. (1993). *Fair Lending Enforcement and the Data on the 1992 Home Mortgage Disclosure Act (HMDA).* S. Hrg. 103-452., Testimony at the Hearing before the Committee on Banking, Housing and Urban Affairs, United States Senate, November 4, 1993; Ludwig, Eugene A. (1993); and U.S. General Accounting Office (1995). *Community Reinvestment Act: challenges remain to successfully implement CRA.* GGD-96-23; accessed 08/12/97; available from the Internet at: http://www.gao.gov.

[16] Nathan, R. P. et al. (1977). *Block grants for community development: the first Report on the Brookings Institution Monitoring Study of the Community Development Block Grant Program.* U.S. Department of Housing and Urban Development, Washington, DC.

appropriated more than $62 billion dollars to the Community Development Block Grant Program.[17]

Activities funded under the CDBG block grant program were required to do at least one of the following: benefit low-and moderate income people; help prevent or eliminate slums or blight; or meet some other urgent community development need.[18] Eligible activities include: economic development, housing rehabilitation, public works improvements and public services.[19]

Cities with a population of 50,000 or greater were eligible to receive CDBG formula funding; cities with a population of less than 50,000 could also participate in the program, but they had to compete with non-metropolitan cities for discretionary funding in the state-administered Small Cities CDBG program.[20] The size of a grant was determined by a needs-based formula revised in 1977 to better target funds to distressed cities by using the incidence of aged housing, poverty, and growth lag in an entitlement city.[21] In essence, the new allocation system emphasized revitalizing depressed areas and addressed the problems of slow population growth rates.

CDBG changed the funding mechanism and the administrative process of delivering aid to localities. Compared to the categorical programs of the 1960's, the CDBG program had fewer regulations, required a single application from each locality (as opposed to multiple program applications) and had shorter application processing times (applications were automatically approved if HUD did not act in 75 days).[22]

Implementation issues: Findings from the first evaluation studies on CDBG revealed that: only small amounts of CDBG were used for leveraging other resources, and actual leveraging was often delayed; local generalist officials were more influential in the CDBG program than in categorical programs, both procedurally and substantively; and the attitude of local officials, as opposed to actual procedures employed, affected the level of citizen participation in the program.[23]

A second report identified other trends and issues in implementation, including: how the revised formula allocation system allowed the program to target more urban distressed communities; how, by comparison to previous categorical programs, local officials were exercising more control in terms of substantive decision-making; and how there had been an increase in the participation of citizens and local legislatures as well. Researchers found that CDBG programs were significantly different from those carried out under categorical grants: housing construction and rehabilitation projects were smaller scale, and the basic development strategy of a community tended to be influenced by the range and severity of local problems.[24]

A subsequent report identified seven categories of implementation problems which had occurred during the first five years of the CDBG program: procedural, operational capacity, private-for-profit organizations, nonprofit organizations, citizen involvement, costs and other. Procedural problems were most frequent during implementation, including differences in operating procedures, fiscal years, and policy preferences. Implementation problems with housing and general improvement programs were also reported frequently, and operational capacity problems became less important over time. Furthermore, while the report states that "expenditure rates were found to be rough indicators of program progress," the

[17] U.S. General Accounting Office (1994). *Community development: block grant economic development activities reflect local priorities.* RCED-94-108; accessed 08/12/97; available from the Internet at: http://www.gao.gov.

[18] Kettl, Donald (1983). The regulation of American federalism. Baton Rouge, LA: Louisiana State University Press.

[19] U.S. General Accounting Office (1994). *Community development: block grant economic development activities reflect local priorities.* RCED-94-108; accessed 08/12/97; available from the Internet at: http://www.gao.gov.

[20] Rich, Michael J. (1991). "Targeting federal grants: the community development experience, 1950-1986. *Publius.* vol. 21, no. 1.

[21] Dommel, P. R. et al, (1978). *Decentralizing community development: the second report on the Brookings Institution Monitoring Study of the Community Development Block Grant Program.* U.S. Department of Housing and Urban Development, Washington, DC, 23.

[22] U.S. Department of Housing and Urban Development (1975). *Community Development Block Grant Program: First Annual Report,* Office of Community Planning and Development, Washington DC.

[23] U.S. Department of Housing and Urban Development (1975); and Nathan, R. P. et al. (1977).

[24] Dommel, P. R. et al, (1978).

researchers described various problems in collecting these data, such as different reporting procedures, different draw-down routines and poor information systems, which would make program comparisons difficult, if not impossible.[25]

In a separate study conducted by the General Accounting Office, many of the observations made in these evaluative reports were confirmed, including: the emphasis and pressure to get the program up and running and distributing funds; the low priority given to monitoring; the compilation of incomplete or vague data; and an increase in HUD regulations over time.[26]

Urban Development Action Grant Program

In 1977, the Housing and Community Development Act (HCDA) established the Urban Development Action Grant (UDAG) program. According to Section 119 (a), UDAG grants were to be made available "to severely distressed cities and urban counties to help alleviate physical and economic deterioration through reclamation of neighborhoods having excessive housing abandonment or deterioration, and through community revitalization in areas with population outmigration or a stagnating or declining tax base." Such investments were to be made, according to Section 119 (b): "only to those cities and counties that have...demonstrated results in providing housing for persons of low- and moderate-income and in providing equal opportunity in housing and employment for low- and moderate- income persons and members of minority groups."

The legislation specified that UDAG eligibility was to be defined by the following criteria: age and condition of housing stock, including residential abandonment; average income; population outmigration; and stagnating or declining tax base [Section 119 (b)]. In 1984, labor surplus areas were added to the list of eligibility criteria.[27] Eligible activities were "any activity for which Community Development Block Grants may be used."[28] These included: acquisition or disposition of land and structures, including air and water rights; public facilities improvements; clearance activities; public services; interim assistance (i.e., repairing streets, snow removal); payment of the nonfederal share of federal grant-in-aid programs; urban renewal completion; loss of rental-income payments; housing rehabilitation and preservation; the removal of architectural barriers; and planning purposes. UDAG funds could also be used for financing small business investment companies (SBIC's) or assisting small businesses, as well as making relocation payments to individuals or businesses.[29]

The defining characteristic of the UDAG program was that the regulations required "firm, private sector commitment to a project before any UDAG funds [could be] awarded."[30] Essentially, the UDAG was a federal effort to "directly fund private concerns through capital subsidies."[31]

UDAG legislation specified provisions for citizen participation in the application process. Specifically, according to Section 119 (c), a written citizen participation plan had to be prepared and followed; information pertaining to program requirements had to be made available; and public hearings needed to be held so that citizens may express their views.

Implementation issues: In 1978, 174 of the 236 UDAG projects originally funded responded to a survey conducted by HUD, in which the projects were asked to report about implementation problems. More than half of the respondents (55 percent) reported having implementation problems, in the areas of:

[25] Brookings Institution (1982). *Implementing Community Development: a Study of the Community Development Block Grant Program*. U.S. Department of Housing and Urban Development, Office of Policy Development and Research. Washington, DC.

[26] U.S. General Accounting Office (1978). *Management and evaluation of Community Development Block Grant need to be strengthened.* Washington, D.C. RCED-78-160; and Kettl, Donald (1983). The regulation of American federalism. Baton Rouge, LA: Louisiana State University Press.

[27] Rich, Michael J. (1992). "UDAG, Economic Development, and the Death and Life of American Cities." *Economic Development Quarterly*. vol. 6, no. 2.

[28] U.S. Department of Housing and Urban Development (1979). *Urban Development Action Program: First Annual Report*, Office of Community Planning and Development, Washington DC, 6.

[29] Levy, John M. (1981). *Economic development for cities, counties and towns.* First Edition. New York, NY: Praeger Publishers.

[30] U.S. Department of Housing and Urban Development (1979), 4.

[31] Galster, George (1996). *Reality and research: social science and U.S. urban policy since 1960.* Washington, DC: Urban Institute Press, 26.

program regulations, legally binding private financial commitments, the environmental impact review process, legal problems regarding citizen complaints, other litigation, site acquisition, relocation, historical preservation or other problems. The problems most frequently reported were problems with private financial commitments and "other" types of problems, including: intergovernmental relations, relations with industrial firms and lenders, and contract delays.[32]

Specifically, the problems with private financial commitments usually pertained "to the failure of the private sector participants to proceed with the commitments made as part of the Action Grant application."[33] In fact, six UDAG grants were withdrawn as a result of failed private investment commitments in the following cities: Atlanta, GA; Bridgeport, CT; Cleveland, OH; Erie, PA; Kankakee, IL; Olean, NY. Problems with other governmental programs were with the EDA's Title I and IX programs and HUD's Section 8 program.[34]

The cities were asked to specify the roles played by local organizations in the planning process. Most frequently, city departments were involved in the planning process. Furthermore, private developers played a greater role in the metropolitan cities, while nonprofit groups played an important role in small city projects.[35]

The cities were also asked to specify what economic incentives were offered to encourage private developer participation, such as: tax abatement, below market interest rates, loan guarantees, land write-downs, interest subsidies, rezoning and public improvements. For the most part, other public improvements was the incentive most frequently mentioned by both metropolitan and small cities. The incentives least likely to be used included: loan guarantees, interest subsidies and rezoning.[36]

Community Development Financial Institutions Program

In 1994, the Community Development Financial Institutions Act was passed in order to create "a CDFI Fund to promote economic revitalization and community development by investing in and assisting Community Development Financial Institutions through equity investments, capital grants, loans and technical assistance support."[37] The CDFI Fund is administered by the U.S. Department of Treasury, and is governed by an advisory board comprised of 15 members: 9 members are private citizens, 5 members are the Secretaries of Agriculture, Commerce, Housing and Urban Development, Interior, and Treasury, and 1 member is the administrator of the Small Business Administration.[38]

Community Development Financial Institutions (CDFI's) may take any one of a variety of organizational forms and address different types of credit needs. Included among CDFI's are: community development banks, community development credit unions, community development loan funds, microenterprise loan funds and combinations among them. Regardless of their form, the basic purpose of these institutions is generally the same: to address credit or financial services needs in economically distressed areas that have not been met by traditional financial institutions.[39]

For the purposes of the federal CDFI Program, eligible CDFI's were financial institutions which were *not* public agencies or institutions, and met the following four criteria: having the primary mission of promoting community development; serving an investment area or target population; providing development services and equity investments or loans; and maintaining an accountability to residents of the investment area or target population. The criteria were deliberately constructed to be unrestrictive so as to accommodate the many institutional structures of

[32] U.S. Department of Housing and Urban Development (1979).

[33] Ibid. 70

[34] Ibid.

[35] Ibid.

[36] Ibid.

[37] The Coalition of Community Development Financial Institutions (1996). *Issues at a Glance.* Philadelphia, PA.

[38] Ibid.

[39] For an informative discussion of the various types of CDFIs, their respective features and purposes, see Tholin, Kathryn (1994). *Community development financial institutions: Investing in people and communities.* Chicago, IL: The Woodstock Institute.

CDFI's and encourage responsiveness to various markets.[40]

CDFI's may use the CDFI Fund for a wide range of activities, including: basic financial services; housing for low-income people; commercial facilities that promote revitalization, community stability, job creation or job retention; businesses that provide jobs or services for low-income people; community facilities; and technical assistance for capacity building, training, program development, investments or loans. In most cases, CDFI funds must be matched on a one-to-one basis from nonfederal sources, with the same types of funds.[41]

In 1995, the CDFI Fund received more than 265 applications from various institutions consisting of 5 year business plans with descriptions of "their financial performance, management capacity, a comprehensive market analysis that explain[ed] the market they serve or plan to serve, as well as products they have developed, projected community impact, community need, matching commitments, risks and assumptions, major goals and tasks, community ownership and governance."[42] First round awards were made to 32 organizations serving 46 states in July, 1996, totaling to over $37.2 million. Twenty-four of these 32 organizations serve one or more EZ/EC sites (several are financial intermediaries operating over large geographic areas that may include a number of EZ/EC sites). Those CDFIs that touch upon identifiable EZ/EC sites number 19 urban EZ/EC sites among them, including 10 of the 18 urban EZ/EC sites in this study (the Baltimore, Chicago, Detroit, Philadelphia/Camden and New York (Bronx) EZs; the Cleveland SEZ; the Boston EEC; and ECs in Charlotte, Louisville and Tacoma).

The CDFI Act also established a Bank Enterprise Awards Program intended to provide grants to CDFI and non-CDFI depository institutions. Thirty-eight banks and thrifts were awarded $13.1 million in BEA proceeds in October, 1996. However, they were selected from among only 53 applications that were received. The Coalition of Community Development Financial Institutions has suggested that these funds had limited appeal, due to the lengthy application process and limited amount of resources allocated to the program.[43]

Availability of a second round of CDFI funding was announced in April of 1997. The first notice was for the core component of CDFI – "direct assistance to CDFI's that serve target markets through loans, investments and other activities." The second was for a new intermediary component – "financial assistance to CDFI's that provide financing primarily to other CDFI's and/or to the support the formation of CDFI's." The change in implementation was in recognition that providing financial assistance to specialized intermediaries was an effective way to expand and support the CDFI industry.[44]

Community and Individual Investment Corporations

In keeping with the spirit of the Community Development Financial Institutions Program, the Department of Housing and Urban Development launched the Community and Individual Investment Corporation (CIIC) initiative with the expressed purpose of creating "self-sufficient institutions dedicated to the economic development of their communities." Specifically, CIIC's are designed to be for-profit corporations, with purpose and structure similar to cooperatives. CIIC's are capitalized by seed capital from the Economic Development Initiative, Community Development Block Grant, Section 108 or U.S. Department of Health and Human Services Title XX,[45] along with money from banks, private foundations and resident investors. However, what

[40] The Coalition of Community Development Financial Institutions (1996).

[41] Ibid.

[42] Ibid.

[43] Ibid.

[44] U.S. Department of Treasury (1997). "Community Development Financial Institutions Program; Final Rule and Notices of Funds Availability (NOFA) Inviting Applications for the Community Development Financial Institutions Program (CDFI) Program - Intermediary and Core Components." 12 CFR Part 1805. *The Federal Register*. vol. 62., no. 65, Friday, April 4, 1997, Rules and Regulations.

[45] Seciton 108 refers to Economic Development Loan Fund which is the loan guarantee provision of the Community Development Block Grant program that permits community to use federlly funded loan guarantees, instead of CDBG funds, to leverage private funds for economic development and community revitalization. The Economic Development Initiative (EDI) provides grant funds to be used to enhance the security of the Section 108 loan guarantees, leverage funds and reduce the risk of future defaults on the Loan Fund. Health and Human Services Title XX referes to Title XX of the Social Securty Act which authorizes the distribution of Social Service Block Grant (SSBG) funds.

makes CIIC's different from other community financial institutions is that residents have an economic stake in the CIIC venture because they purchase shares in the corporation. Residents might purchase Class A voting shares or they might purchase shares through the use of Individual Development Accounts.[46]

The Community and Individual Investment Corporation initiative is intended to serve the EZ/EC communities, as well as other CDBG eligible communities. The objective is that the services and products offered by CIIC's would complement the services and products offered by other financial institutions in the community. To do this, the Department of Housing and Urban Development advises communities to gather data about the services and products provided by existing financial institutions and identify gaps in the market. The Department of Housing and Urban Development anticipates that it would take at least seven months to operationalize the CIIC's from the time the funds are made available. The intent is for CIIC's to serve niche markets in low- or moderate-income communities which have previously been under-served.[47]

Small Business Administration Programs

The Small Business Administration (SBA) was established in 1953 to "aid, counsel and protect the interests of the nation's small business community." Since that time, the SBA has worked with intermediaries, banks and other financial institutions to provide loans and venture capital to small businesses unable to secure financing through traditional means. The SBA offers a full range of lending programs. Among them are: the 7(a) Loan Guaranty Program, 504 Certified Development Company Program, Certified and Preferred Lender Program, Small Business Investment Companies Program, Microloan Demonstration Program and, finally, the One-Stop Capital Shop.[48]

The One-Stop Capital Shop has been celebrated as "the SBA's Contribution to the Empowerment Zone/Enterprise Communities Initiative." The idea behind the One-Stop Capital Shop was to create Business Information Centers within the designated EZ/EC communities and centralize access to a full range of SBA financial and technical assistance, as well as centralize access to other federal, state, local and private sector capital resources.[49] SBA One-Stop Capital Shops can now be found in five of the 72 urban EZ/EC sites (Detroit, Boston, New York City, Tacoma and Kansas City), with another four located nearby and serving EZ/EC sites (in Atlanta, Baltimore, Philadelphia/Camden and Oakland). The EZ/EC homepage states that this new program was intended to "redeploy, not duplicate, existing technical and financial assistance."

While the One-Stop Capital Shopsare just now being implemented, a brief review of experiences of two of the more prominent programs administered by the Small Business Administration describes common issues which can develop among large scale, decentralized financing programs.

The SBA's 7(a) Loan Guaranty program is the SBA's "primary lending program." It was designed to meet the majority of the needs of the small business community. Under this program, private-sector lenders provide loans to small businesses unable to secure financing through traditional means. The SBA guarantees the loan. As a rule, the maximum loan guarantee is $750,000. Eligibility is dependent upon four factors: the type of business, the size of business, the use of the loan funds and special circumstances.[50]

In 1996, the General Accounting Office released a report about why some lenders participated in the 7(a) program and why others did not. The study, based on interviews with 61 lenders found that the SBA's 7(a) program enabled lenders to offer loans that they otherwise would not have been able to make, such as loans to new businesses, loans to businesses with less equity, and loans with longer maturities. However, the report also stated that lenders who did

[46] U.S. Department of Housing and Urban Development (1996). *The Community and Individual Investment Corporation: a guide to a new economic partnership between citizens, government, communities and the private sector.* Office of Community Planning and Development, Washington, DC.

[47] Ibid.

[48] U.S. Small Business Administration (1997). *SBA: financing your business*; accessed 08/14/97; available from the Internet at: http://www.sba.gov/business_finances.

[49] U.S. Small Business Administration (1996). *Profile: who we are, what we do.* Fourth Edition. Washington, D.C.

[50] U.S. Small Business Administration (1997).

not participate in the program declined for a number of reasons, including: their institution did not focus on small businesses; the SBA documentation requirements were extensive and time consuming; there was a lack of demand for the 7(a) loans; the lender lacked experience in dealing with the 7(a) programs; and unfavorable loan terms for borrowers.[51]

The Small Business Investment Companies (SBIC) Program was created in 1958 to expand access to capital for entrepreneurs. SBIC's are investment companies which are privately owned and managed, but licensed by the Small Business Administration. SBIC's provide equity capital, long term loans and technical assistance to entrepreneurs and small businesses, using their own funds, as well as funds borrowed from the federal government. In 1972, the SSBIC's were created. SSBIC's are Specialized Small Business Investment Companies, which provide the same services but target entrepreneurs and small businesses owned by socially or economically disadvantaged people. The SBA provides a "Licensing Kit" to those interested in establishing a licensed SBIC or SSBIC, and, among other things, the SBA requires applicants to have a minimum capital investment, a detailed business plan and a qualified staff.[52]

In reports issued in 1994 and 1995, the General Accounting Office found several examples of monitoring problems regarding the recent administration and management of SBIC's and SSBIC's. For example, a GAO report released in 1995 stated that some SBIC's and SSBIC's "engaged in improper management practices by providing loans to officers and directors of the licensees," "made loans for prohibited real estate purchases," and made "loans to individuals of questionable eligibility."[53] The GAO also reported that timely corrective action for regulatory violations was seldom taken, and that some of the violations were not resolved for several years.

In another study, it was reported that eligibility profiles were not prepared for an estimated one-third of the small businesses financed under the SSBIC program. Furthermore, the profiles that were prepared were not as detailed as they could have been, with 62 percent citing only one eligibility factor.[54] However, since that time, the SBA has revised the program regulations, clarifying what information needs to be documented on small businesses financed under the program.[55]

Microloan Programs

In recent years, the number of microloan programs in the United States has increased.[56] Microloan programs, often provided by nonprofit institutions, make small, short-term loans for working capital to entrepreneurs who are unable to access traditional financing for a variety of reasons (i.e., the size of the loan, the profitability of the loan, a new business status or the lack of capital or collateral). Typically, the microloans are for businesses which require very little capital to begin operating. This allows loan recipients to generate income quickly and make loan payments.[57] In contrast to traditional loans, microloan programs provide ongoing technical assistance to loan recipients.[58]

The capital for microloans often comes from grants or low interest loans from government agencies and foundations. These are low-cost sources of capital which, consequently, also allow lenders to cover their costs at a much lower level.[59] Because of the high

[51] U.S. General Accounting Office (1996). *Small business: a comparison of SBA's 7(a) loans and borrowers with other loans and borrowers.* RCED-96-222; accessed 08/13/97; available from the Internet at: http://www.gao.gov.

[52] U.S. Small Business Administration (1997).

[53] U.S. General Accounting Office (1995). *Small Business Administration: Prohibited Practices and Inadequate Oversight in SBIC and SSBIC Programs.* T-OSI-95-16; accessed 08/17/97; available from the Internet at: http://www.gao.gov.

[54] U.S. General Accounting Office (1994). *Small Business Administration: inadequate documentation of eligibility of Businesses Receiving SSBIC financing.* GAO/RCED-94-192; accessed 08/17/97; available from the Internet at: http:www.gao.gov.

[55] U.S. General Accounting Office (1995). Status of Open Recommendations: Improving Operations of Federal Departments and Agencies. OP-95-1; accessed on 08/17/97; available from the Internet at: http://www.gao.gov.

[56] Servon, Lisa J. (1997). "Microenterprise programs in U.S. inner cities: economic development or social welfare?" *Economic Development Quarterly Journal,* vol. 11, no. 2.

[57] Parzen, Julia Ann & Kieschnick, Michael Hall (1992). *Credit where it's due: development banking for communities.* Philadelphia, PA: Temple University Press.

[58] Kelley, Brian M. (1991). *Microloan programs for new and growing small businesses.* S. Hrg. 102-191., Statement to the Hearing before the Committee on Small Business, United States Senate, May 6, 1991.

[59] Parzen, Julia Ann & Kieschnick, Michael Hall (1992).

volume of loans necessary to break even on the costs of microloans, lenders may work together to form regional loan funds.[60] For example, in 1994, a group of banks formed Lenders for Community Development, a multi-bank consortium in the Silicon Valley in order to provide microbusiness loans and loans for low-income housing.[61]

Frequently, microloans are flexible, in terms of collateral, security and lending periods. The normal collateral and ratio guidelines are not applied, however some lenders do try to balance risk with collateral.[62] Others lend to entrepreneurs with little or no collateral, or those with troubled credit histories.[63]

Microloan programs often target specific groups with loans and services that are tailored to meet particular needs. For example, Accion is a program based in Brooklyn, New York City that targets the low-income Latino community and provides market rate loans and basic business training to the self employed. The Women's Initiative for Self Employment is a project in San Francisco which provides entrepreneurial training and individual loans to low- and moderate-income women.[64]

Foundation Sponsored Efforts

The federal government and financial institutions are not the only providers of community development financing – foundations are involved as well. Recently, the Ford Foundation committed $20 million dollars to "support a set of innovative programs mobilizing financial resources to strengthen families and communities in urban and rural America, as well as overseas."[65] Among the programs supported by the Ford Foundation are:

- A four-year demonstration and evaluation of an Individual Development Account program run by the Corporation for Enterprise Development and Washington University of St. Louis, wherein personal savings deposits are matched with private or public funds, and withdrawals are restricted to investments in home ownership, starting or expanding a business and higher education;
- The development of a new environmentally sound development bank in Ilwaco, Washington, by the Shorebank Corporation of Chicago and Ecotrust, a conservation group based in the Pacific Northwest, to provide financial and technical assistance to new and existing business; and
- The National Federation of Community Development Credit Unions, a provider of long-term subordinated loans to community development credit unions across the nation.[66]

In 1992, the Ewing Marion Kauffman Foundation established the Center for Entrepreneurial Leadership Inc. to promote and support entrepreneurship. While the Center supports many programs and activities, one of its primary goals is to promote public sector and community entrepreneurship. For example, the Center has sponsored the Initiative for a Competitive Inner City (ICIC). The ICIC is an initiative being piloted in four cities (Boston, Oakland, Kansas City and Baltimore) which seeks to create and grow profitable inner city businesses by tapping into the existing and potential competitive advantages of inner cities. In a separate effort, the Center established three "seed funds" in the Kansas City area, at $1 million dollars each, to provide capital resources to women, Hispanic-Americans and African Americans for business start ups and expansions.[67]

Finally, the Aspen Institute maintains an Economic Opportunities Program, a research and education program that seeks to promote innovative community-based strategies for employment and income generation within disadvantaged communities.

[60] Ibid.

[61] Kontzer, Tony (1994). "Banks collaborate to meet Community Reinvestment Act mandates, stay profitable." *Business Journal of San Jose*, vol. 12, no. 8, June 4, 1994.

[62] Kelley, Brian M. (1991).

[63] Servon, Lisa J. (1997).

[64] Ibid.

[65] Ford Foundation (1997). *Program initiatives: building assets for low-income people and communities* (press release, April). accessed 05/02/97; available from the Internet at: http://www.fordfound.org/news/press497.programs.html.

[66] Ibid.

[67] Ewing Marion Kauffman Foundation, (1996-1997). *Ewing Marion Kauffman Foundation: Center for Entrepreneurial Leadership Inc.* accessed on 08/05/95; available from the Internet at: http://www.emkf.org/entrepreneurs/index.html.

During the last few years, this program has included five initiatives, each funded by private foundations, which have focused on microenterprise or sectoral development: the Self-Employment Learning Project (SELP), the Microenterprise Intermediary Project, the Sectoral Employment Development Project (SED), the Sectoral Employment Development Learning Project (SEDLP) and the Targeted Labor Force Profiling Project (TLFPP).[68]

SUMMARY

During the last thirty years, the federal government has enacted legislation to affect the availability of capital in low-income and minority communities via regulation. At the same time, a number of federal programs were established which were aimed at investing in and expanding community development in urban communities. Furthermore, recent years have seen a proliferation of foundation-sponsored initiatives encouraging microenterprise and entreprenuership. This brief review of the experiences of these efforts illustrates a number of common implementation challenges including:

- a lack of clarity in procedural regulations or administrative definitions;
- an initial focus to getting new programs up and running, with comparatively little attention paid to monitoring;
- managerial problems associated with administrative discretion;
- the use of administrative procedures which are unfamiliar or perceived as troublesome or time consuming;
- the tension between focusing on process or outcomes;
- problems caused by constraints in resources, such as time and funding;
- quality of data issues; and
- a difficulty in securing private sector financial commitments to publicly sponsored programs.

The experience of previous community development financing efforts provides a useful backdrop and context within which to view community development financing efforts in the EZ/EC communities included in this study. Understanding history and contemporaneous efforts help provide an appropriate level of expectation for the programmatic activities observers are likely to find and the challenges likely to be in evidence during early implementation of community development financing activities under the EZ/EC Initiative.

68 Aspen Institute (1996). *The Aspen Institute's Policy Programs: Economic Opportunities Program.* Accessed 08/05/97; available from the Internet at: http://www.aspeninst.org/dir/polpr/SELP/SELP1.html.

II. Measures of Lending in EZ/EC Sites

Section I of this report provides one form of backdrop and context for community development financing activities in EZ/EC sites: it looks across time and program boundaries for lessons learned through the experiences of other efforts to encourage access to capital in inner cities for community development purposes. Quite a different form of context is provided by an analysis of the level of lending available in such communities.

Before we turn our attention to an explication of community development financing activities planned and underway in EZ/EC sites, therefore, this section presents data on the level of lending activity in our sample of 18 cities/sites across the nation. We employ data from the regulatory and financing agencies of the federal government discussed in Section I to describe residential lending and, though to a lesser extent due to the more limited availability of data, commercial lending in these sites.

We draw contrast, where such contrasts can be drawn, between measures of lending activity for the 18 EZ/EC sites and the surrounding MSA of which they are part. We know of no absolute standard to gauge adequacy of access to capital (presumably clarity increases at the extremes of the scale – loans so available as to be ready for anyone who asks would be preferable to the opposite and equivalent absence of available capital). Consequently, we aim to use these relative measures of difference between lending activity in EZ/ECs and surrounding MSAs, where they are notable or notably absent, to support or undermine a *rationale* for, if not proof of, the need for interventions in order to increase the availability of community development capital.

RESIDENTIAL LENDING

We begin with Home Mortgage Disclosure Act data. HMDA data, as reported to and through the Federal Financial Institutions Examination Council was obtained for each of the 18 metropolitan areas in our study. For each, 1995 data – the most recent available – was obtained at the census tract level and a data set constructed comparing an aggregation of the tracts comprising each EZ/EC and their corresponding Metropolitan Statistical Area.

Such comparisons were drawn for a number of measures of lending. These include: (1) a comparison of total lending activity between the EZ/EC sites and their corresponding MSAs; (2) a comparison between the composition of total loan activity in each EZ/EC and corresponding MSA (the relative share of all loans either originated, meaning approved and made, unaccepted, meaning approved by the institution but declined by the applicant, or denied, referring to loan applications turned down by a financial institution); (3) a comparison between the rate of loan *originations* and denials per 1,000 dwellings in EZ/EC sites and their corresponding MSAs; (4) a comparison between the value of originated and denied loans in the EZ/EC sites and their corresponding MSAs; (5) a comparison of loan outcomes by the median income of applicants in the EZ/EC sites and their corresponding MSAs; and (6) a comparison between median income groupings of applicants by loan outcome in EZ/EC sites their respective MSAs.

The latter two charts permit an analysis of the influence of median income on lending activity. One reflects whether or not two categories of applicants similarly situated by income nonetheless have different loan outcomes should they be in EZ/EC sites rather than elsewhere in the MSA. The other shows differences in the composition of given categories of loan outcome according to the median income of applicants (i.e. of all originated loans, what share go to applicants below 51 percent of median income?).

Chart I illustrates the volume of loan activity expressed as a rate for every 1,000 dwellings. By loan activity, we mean the number of loans originated, accepted or denied. For example, in the Atlanta MSA, 85 loans were originated, accepted or denied for every 1,000 dwellings. In the Atlanta Empowerment Zone, 25 loans were originated, accepted or denied for every 1,000 dwellings.

Loan Activity

For the 18 MSAs in the study sample, there was an average of 81 loans originated, accepted or denied for every 1,000 dwellings. However, as would be expected, there were differences in the volume of loan activity across the individual MSAs. Some MSAs had higher rates of loan activity. For example, Detroit had the highest rate of loan activity, at 105 loans originated, accepted or denied per 1,000 dwellings. Other MSAs with comparatively higher rates of loan activity were: Charlotte, Louisville, Tacoma and Phoenix. Some MSAs had lower rates of loan activity. New York City had the lowest rate of loan activity, by far, at 28 loans originated, accepted or denied per 1,000 dwellings. Other cities with comparatively lower rates of loan activity were: Boston, Los Angeles and San Francisco.

For the 18 EZ/EC sites in the study sample, there was an average of 41 loans originated, accepted or denied for every 1,000 dwellings. Again, there were differences in the volume of loan activity across the individual EZ/EC sites. Some EZ/EC sites had higher rates of loan activity. For example, Louisville had the highest rate of loan activity, at 79 loans originated, accepted or denied per 1,000 dwellings. Other EZ/EC sites with comparatively higher rates of loan activity were: Louisville, Cleveland, Los Angeles and Tacoma. Some EZ/EC sites had comparatively lower rates of loan activity. Once again, New York City had the lowest rate of loan activity, at 6 loans originated, accepted or denied per 1,000 dwellings. Other EZ/EC sites with comparatively lower rates of loan activity were: Detroit, Boston, Atlanta and Baltimore.

- Comparing EZ/EC Sites to MSAs:

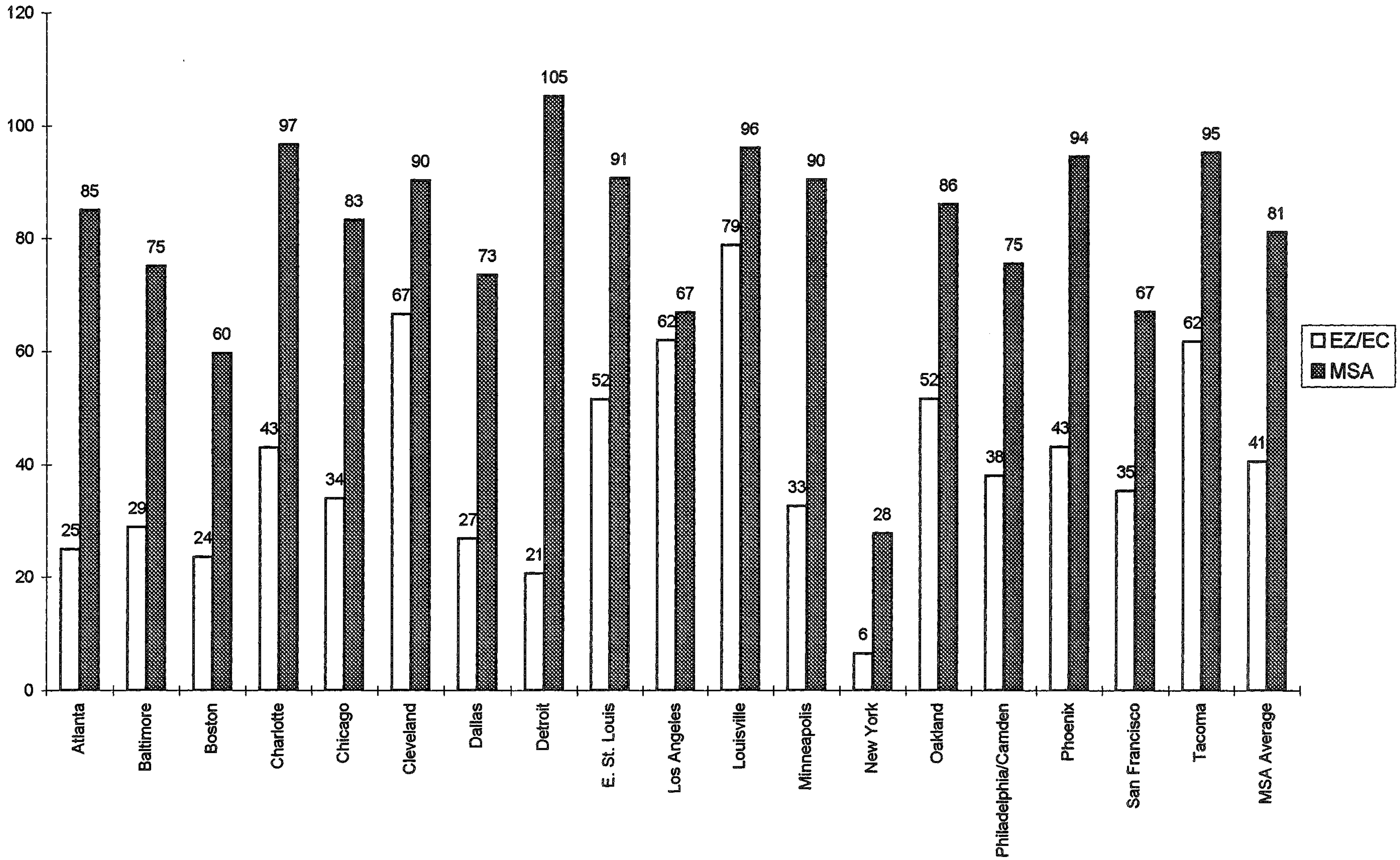
Compared to the average rate of loan activity in the 18 MSAs, the average rate of loan activity in the EZ/EC sites was almost half. This indicates that, proportionately, there was considerably less loan activity in the EZ/EC sites. Put another way, there is a nearly 2:1 ratio of loan activity in MSAs to loan activity in EZ/EC sites.

However, as would be expected, there were differences in these proportions as well. In several of the study cities, the rate of loan activity in the EZ/EC was fairly close to the rate of loan activity in the overall MSA. This was most notable in Los Angeles, Louisville and Cleveland. In other study cities, such as Detroit, New York City and Atlanta, the rate of loan activity in the EZ/EC site was considerably lower than the rate of loan activity in the MSA. The ratio of loan activity in MSA to EZ/EC site for these three places was more than double the average for the 18 metropolitan areas as a whole.

Chart 1: A Comparison of Loan Activity by Location

The Total Number of Loans Originated, Accepted or Denied per 1,000 Dwellings in 1995

EZ/EC Sites vs. MSA



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Composition of Total Activity

Chart 2 illustrates the composition of total loan activity in EZ/EC sites and their corresponding MSA, according to whether loans were originated, unaccepted or denied.

As shown, originated loans represent a significantly higher share of total loan activity in each MSA than in the corresponding EZ/EC site. And, not surprisingly, loan denials represent a correspondingly larger share of loan outcomes in EZ/EC sites than in MSAs.

Among the 18 MSAs, the proportion of loans originated was greater than the proportion of loans denied. However, among the 18 sites EZ/EC sites, the proportion of loans originated was greater than proportion of loans denied in only 14 of the sites. In the EZ/EC sites of Philadelphia/Camden, Dallas, East St. Louis and Phoenix, the proportion of loans denied was greater than the proportion of loans originated.

- Comparing EZ/EC Sites to MSAs:

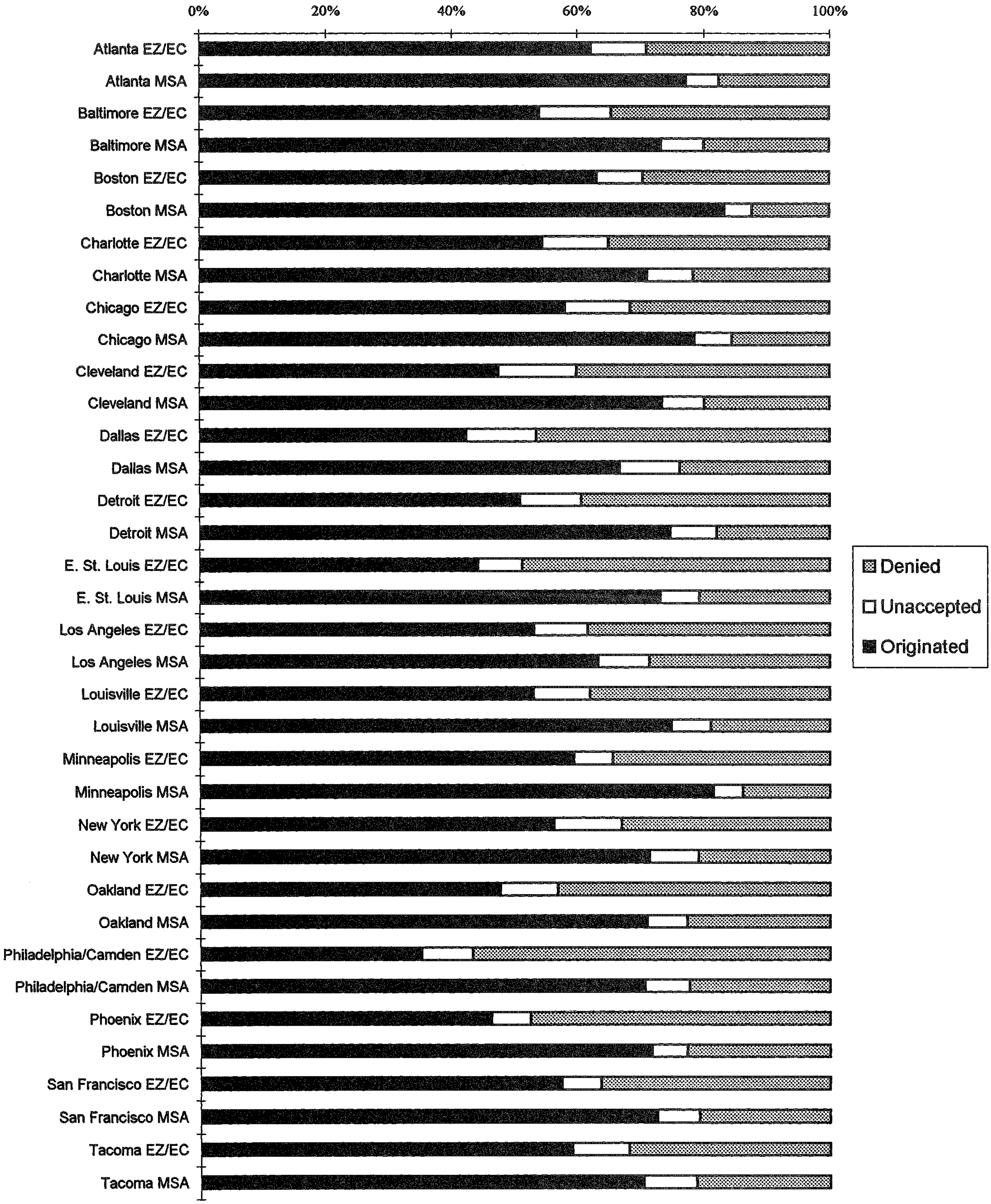
On average, there were 2.83 loans originated in the MSAs for every 1 loan originated in the EZ/EC. By comparison, there were 1.02 loans denied in the MSA for every 1 loan denied in the EZ/EC. The most notable findings among these data included:

- The ratio of loan denials was lower than the 18-area average in six EZ/EC sites: Philadelphia, Cleveland, Los Angeles, Oakland, E. St. Louis and Louisville.
- The ratio of loan origination was lower than the 18-area average in 6 of the EZ/EC sites,: Cleveland, Los Angeles, Oakland, Louisville, San Francisco and Tacoma.

Both the ratio of loan origination and the ratio of loans denied were less than the average in 3 EZ/EC sites: Cleveland, Los Angeles, Oakland and Louisville.

Chart 2: Composition of Total Loan Activity, 1995

Share of total loans either originated, unaccepted or denied: EZ/ECs vs. MSAs



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Rate of Loans Originated and of Loans Denied

For the 18 MSAs in the study sample, there was an average of almost 60 loans originated for every 1,000 dwellings and an average of 16 loans denied for every 1,000 dwellings. As would be expected, there were differences in the rates for loans originated and loans denied across the individual MSAs. For the 18 EZ/EC sites in the study sample, there was an average of 21 loans originated for every 1,000 dwellings and an average of almost 16 loans denied for every 1,000 dwellings. As would be expected, there were also differences in the rates for loans originated and loans denied across the individual EZ/EC sites.

Chart 3 illustrates the number of loans originated and the number of loans denied expressed as rates for every 1,000 dwellings for Empowerment Zone sites vs. their MSAs. For example, in the Atlanta MSA, 65.68 loans were originated for every 1,000 dwellings and 14.98 loans were denied for every 1,000 dwellings. In the Atlanta Empowerment Zone, 15.49 loans were originated for every 1,000 dwellings and 7.21 were denied for every 1,000 dwellings.

Among the cities with Empowerment Zones:

- The New York City, Philadelphia/Camden and Baltimore MSAs had loan origination rates which were less than the average rate for the 18 MSAs. By contrast, Chicago and Detroit MSAs had loan origination rates which were greater than average rate for the 18 MSAs.
- With the exception of Detroit, all of the MSAs had lower rates for loan denials than the average rate for the 18 MSAs.
- All of the Empowerment Zone sites had lower rates of loan origination than the average rate for the 18 EZ/EC sites.
- With the exception of the Philadelphia/Camden, all of the Empowerment Zone sites had lower rates of loan denials than the average rate for the 18 EZ/EC sites.

Most notable was that the proportion of loans originated outside of the Empowerment Zones was much greater than the average proportion for the 18 cities. Furthermore, the proportion of loans denied in the Philadelphia/Camden Empowerment Zone was considerably greater than that of the larger MSA.

Chart 3: A Comparison of Amount of Loans Originated and Loans Denied by Location

The Number of Loans Originated per 1,000 Dwellings and the Number of Loans Denied per 1,000 Dwellings in 1995

EZs vs. MSAs

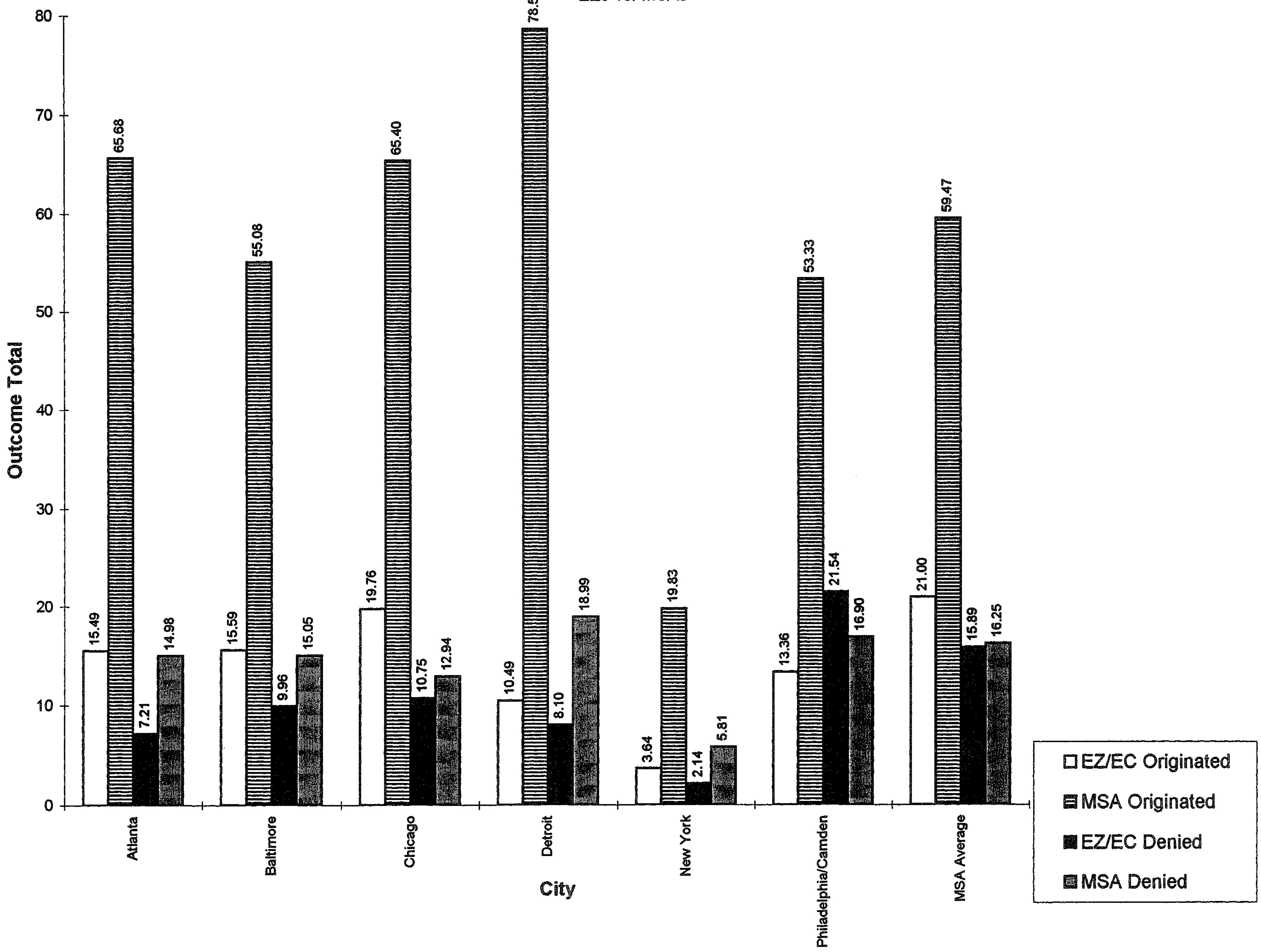

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Chart 4 illustrates the number of loans originated and the number of loans denied expressed as rates for every 1,000 dwellings for Supplemental Empowerment Zones or Enhanced Enterprise Communities. For example, in the Boston MSA, 49.66 loans were originated for every 1,000 dwellings and 7.40 loans were denied for every 1,000 dwellings. In the Boston Enhanced Enterprise Community, 14.89 loans were originated for every 1,000 dwellings and 6.96 were denied for every 1,000 dwellings.

Among the cities with Supplemental Empowerment Zones or Enhanced Enterprise Communities:

- The Cleveland and Oakland MSAs had loan origination rates which were greater than the average rate for the 18 MSAs. By contrast, the Boston and Los Angeles MSA had loan origination rates which were less than the average rate for the 18 MSAs.
- The Cleveland, Los Angeles and Oakland MSAs had greater rates of loan denials than the average rate for the 18 MSAs. The Boston MSA rate was considerably less than the average rate for the 18 MSAs.
- The Cleveland, Los Angeles and Oakland EZ/EC sites had loan origination rates which were greater than the average rate for the 18 EZ/EC sites. The Boston EEC site had a loan origination rate which was considerably less than the average rate for the 18 EZ/EC sites.
- The Cleveland, Los Angeles and Oakland EZ/EC sites had loan denial rates which were greater than the average rate for the 18 EZ/EC. The Boston EEC had a loan denial rate which was considerably less than average rate for 18 EZ/EC sites.

Compared to the average for the 18 study cities, greater proportions of loans originated from within the zones in Los Angeles, Cleveland and Oakland. However, compared to the average for the 18 study cities, greater proportions of loans were also denied within the zones.

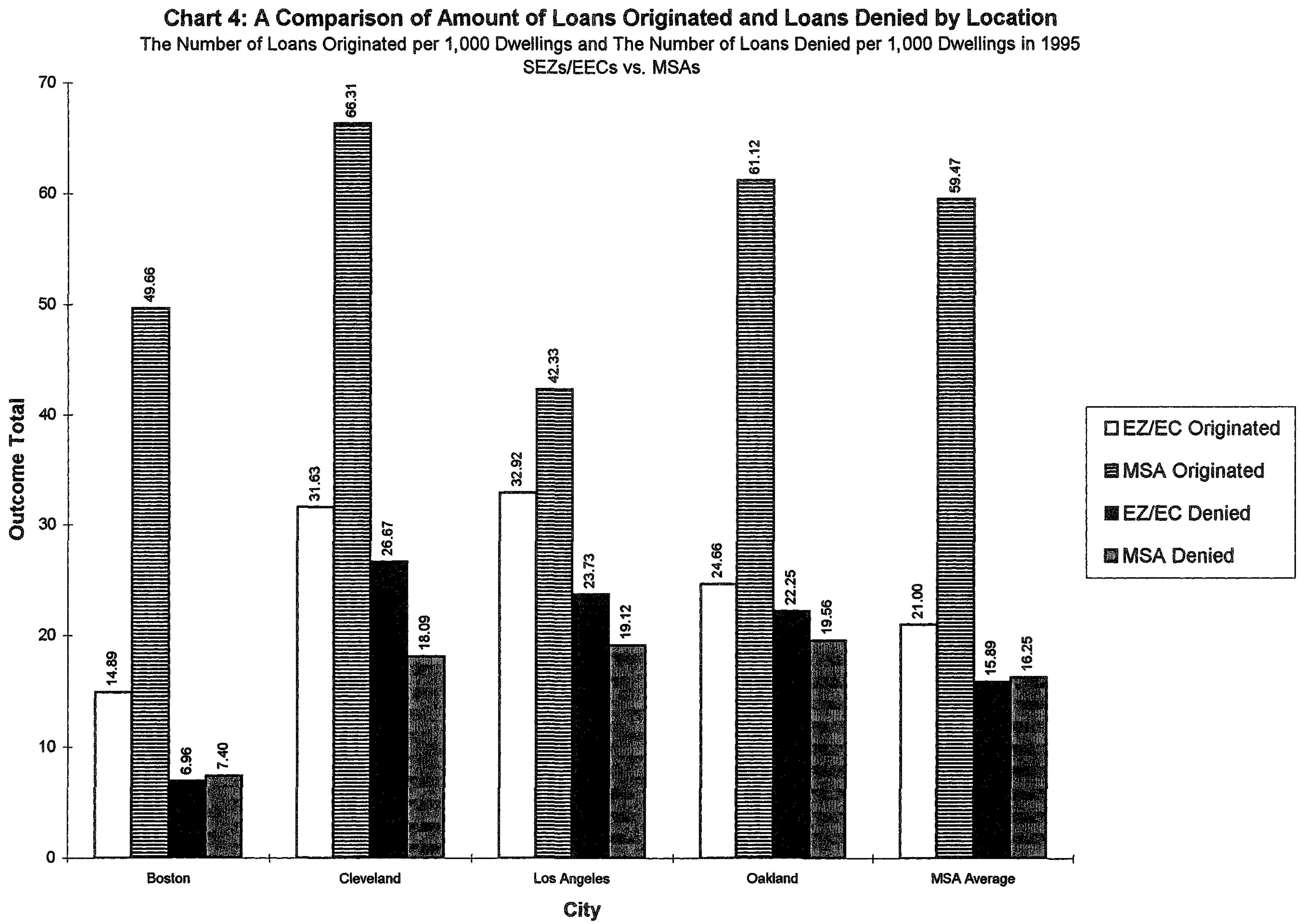


Chart 4: A Comparison of Amount of Loans Originated and Loans Denied by Location
The Number of Loans Originated per 1,000 Dwellings and The Number of Loans Denied per 1,000 Dwellings in 1995
SEZs/EECs vs. MSAs
Outcome Total
City
Boston
Cleveland
Los Angeles
Oakland
MSA Average
EZ/EC Originated
MSA Originated
EZ/EC Denied
MSA Denied
14.89
49.66
6.96
7.40
31.63
66.31
26.67
18.09
32.92
42.33
23.73
19.12
24.66
61.12
22.25
19.56
21.00
59.47
15.89
16.25

Chart 5 illustrates the number of loans originated and the number of loans denied expressed as rates for every 1,000 dwellings in Enterprise Communities. For example, in the Charlotte MSA, 68.72 loans were originated for every 1,000 dwellings and 20.93 loans were denied for every 1,000 dwellings. In the Charlotte Enterprise, 23.48 loans were originated for every 1,000 dwellings and 15.05 were denied for every 1,000 dwellings.

Among the cities with Enterprise Communities:

- Six MSAs had loan origination rates which were greater than the average rate for the 18 MSAs: Charlotte, East St. Louis, Louisville, Minneapolis, Phoenix and Tacoma. By contrast, the Dallas and San Francisco MSAs had loan origination rates which were less than the average rate for the 18 MSAs.
- Six MSAs had loan denial rates which were greater than the MSA average: Charlotte, Dallas, East St. Louis, Louisville, Phoenix and Tacoma. By contrast, the Minneapolis and San Francisco MSAs had loan denial rates which were less than the average rate for the 18 MSAs.
- Four EC sites had loan origination rates which were greater than the average rate for the 18 EZ/EC sites: Charlotte, East St. Louis, Louisville, and Tacoma. Four EC sites had loan origination rates which were less than the average rate for the 18 EZ/EC sites: Dallas, Minneapolis, Phoenix and San Francisco.
- Four EC sites had loan denial rates which were greater than the average rate for the 18 EZ/EC sites: East St. Louis, Louisville, Phoenix and Tacoma. Four EC sites had loan denial rates which were lower than the average rate for the 18 EZ/EC sites: Charlotte, Dallas, Minneapolis and San Francisco.

Compared to the average for the 18 study cities, greater proportions of loans originated from within the zones in Louisville, Tacoma and San Francisco. However, compared to the average for the 18 study cities, greater proportions of loans were also denied within the zones in Louisville and East St. Louis.

- Comparing EZ/EC Sites to MSAs:

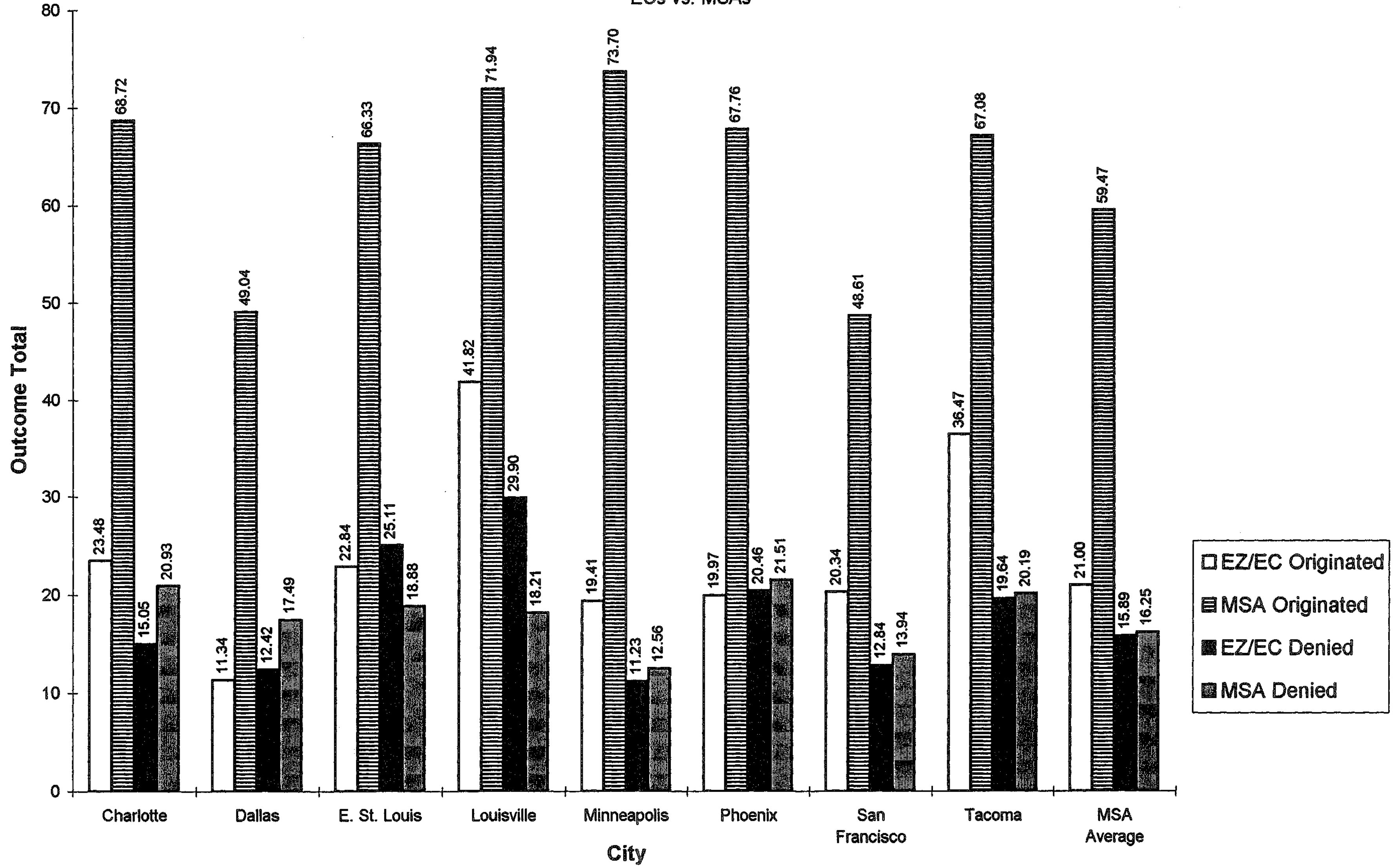
Overall, the average rate for the total number of loans originated in the MSAs was considerably higher that the average rate in the EZ/EC sites. For the 18 MSAs in the study sample, there was an average of almost 60 loans originated for every 1,000 dwellings compared to an average of 21 loans originated for every 1,000 dwellings for the 18 EZ/EC sites in the study sample: *a ratio of nearly 3:1.* By contrast, the average rate for the number of loans denied in the MSAs, 16 for every 1,000 dwellings, was very close to the average rate in the EZ/EC sites, at almost 16 loans denied for every 1,000 dwellings: *a ratio of about 1:1.*

To recap: lending activity is clearly more prevalent in MSAs as a whole, on average, than in the disadvantaged areas designated as EZ/EC sites. The ratio of lending activity in MSAs to EZ/EC sites is 2:1 among our 18 metropolitan areas as a group. Moreover, loan originations are even more prevalent in MSAs relative to EZ/EC sites in our study, with a 3:1 ratio of MSA loan originations as a percent of total outcomes to EZ/EC loan originations as a share of outcomes.

Chart 5: A Comparison of Amount of Loans Originated and Loans Denied by Location

The Number of Loans Originated per 1,000 Dwellings and The Number of Loans Denied per 1,000 Dwellings in 1995

ECs vs. MSAs



Value of Loans Originated and Loans Denied

For the 18 MSAs in the study sample, there was an average value of $6,149 in loans originated for every 1,000 dwellings and an average value of $1,231 in loans denied for every 1,000 dwellings. As would be expected, there was a range in the values of loans originated and in the values of loans denied across the individual MSAs. For the 18 EZ/EC sites in the study sample, there was an average value of $1,213 in loans originated for every 1,000 dwellings and an average value of $727 in loans denied for every 1,000 dwellings. As would be expected, there was a range in the values of loans originated and in the values of loans denied across the individual EZ/EC sites.

Chart 6 illustrates a comparison of the values of the loans originated and the values of loans denied expressed as a rate for every 1,000 dwellings in cities with Empowerment Zones. For example, in the Atlanta MSA, $6,684 in loans was originated for every 1,000 dwellings and $910 in loans was denied for every 1,000 dwellings. In the Atlanta Empowerment Zone, $996 in loans was originated for every 1,000 dwellings and $284 in loans was denied for every 1,000 dwellings.

Among the cities with Empowerment Zones:

- The values of the loans originated in the Atlanta, Chicago and Detroit MSAs were greater than the average value for 18 MSAs. By contrast, the values of the loans originated in Baltimore, New York City and Philadelphia/Camden were less than average value for the 18 MSAs.
- Without exception, the values of the loans denied in the six MSAs with Empowerment Zones were less than the average value for the 18 MSAs.
- With the exception of the Chicago Empowerment Zone, the values of loans originated in the Empowerment Zone sites were less than the average value for the 18 EZ/EC sites.
- With the exception of the New York City Empowerment Zone, the values of the loans denied in the Empowerment Zone sites were less than the average value for the 18 EZ/EC sites.

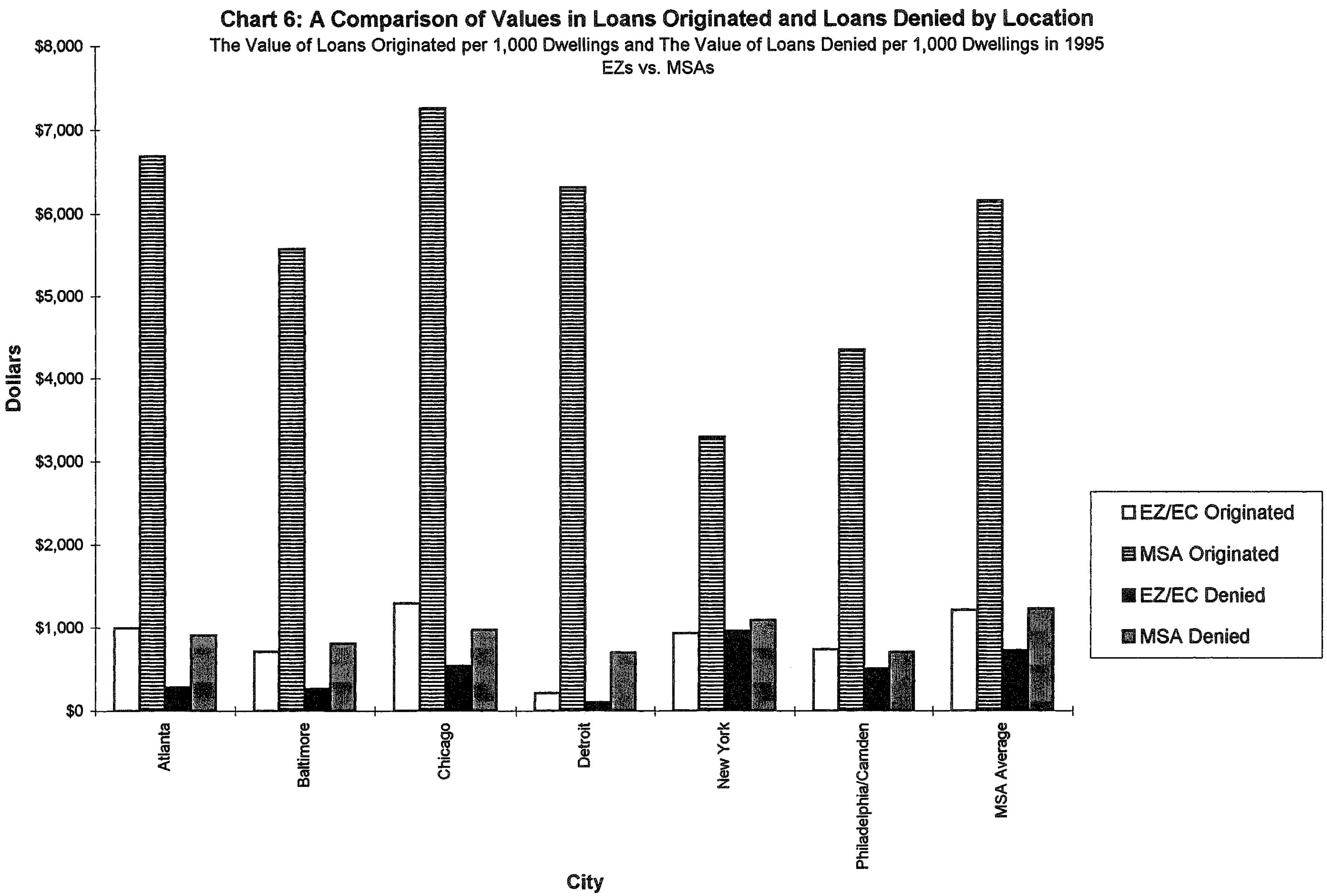


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Chart 7 illustrates a comparison of the values of the loans originated and the values of loans denied expressed as a rate for every 1,000 dwellings in cities with Supplemental Empowerment Zones or Enhanced Enterprise Communities. For example, in the Boston MSA, $6,598 in loans was originated for every 1,000 dwellings and $406 in loans was denied for every 1,000 dwellings. In the Boston Enhanced Enterprise Community, $1178 in loans was originated for every 1,000 dwellings and $755 in loans was denied for every 1,000 dwellings.

Among the cities with Supplemental Empowerment Zones or Enhanced Enterprise Communities:

- The values of the loans originated in the Boston, Los Angeles and Oakland MSAs were greater than the average value for 18 MSAs. The value of the loans originated in Cleveland were less than average value for 18 MSAs.
- The values of the loans denied in Los Angeles and Oakland were considerably greater than the average value for 18 MSAs. By contrast, the value of loans denied in the Boston and Cleveland MSAs were less than the average value for the 18 MSAs.
- The values of the loans originated in Los Angeles and Oakland EZ/EC sites were greater that the average value 18 EZ/EC sites. By contrast, the value of the loans originated in the Boston and Cleveland sites were less than the average value for the 18 EZ/EC sites.
- The value of the loans denied in Los Angeles and Oakland were greater than the average value of the 18 EZ/EC sites. By contrast, the value of loans denied Boston and Cleveland were less than the average value for the 18 EZ/EC sites.

Chart 7: A Comparison of Values in Loans Originated and Loans Denied by Location

The Value of Loans Originated per 1,000 Dwellings and The Value of Loans Denied per 1,000 Dwellings in 1995
SEZs/EECs vs. MSAs

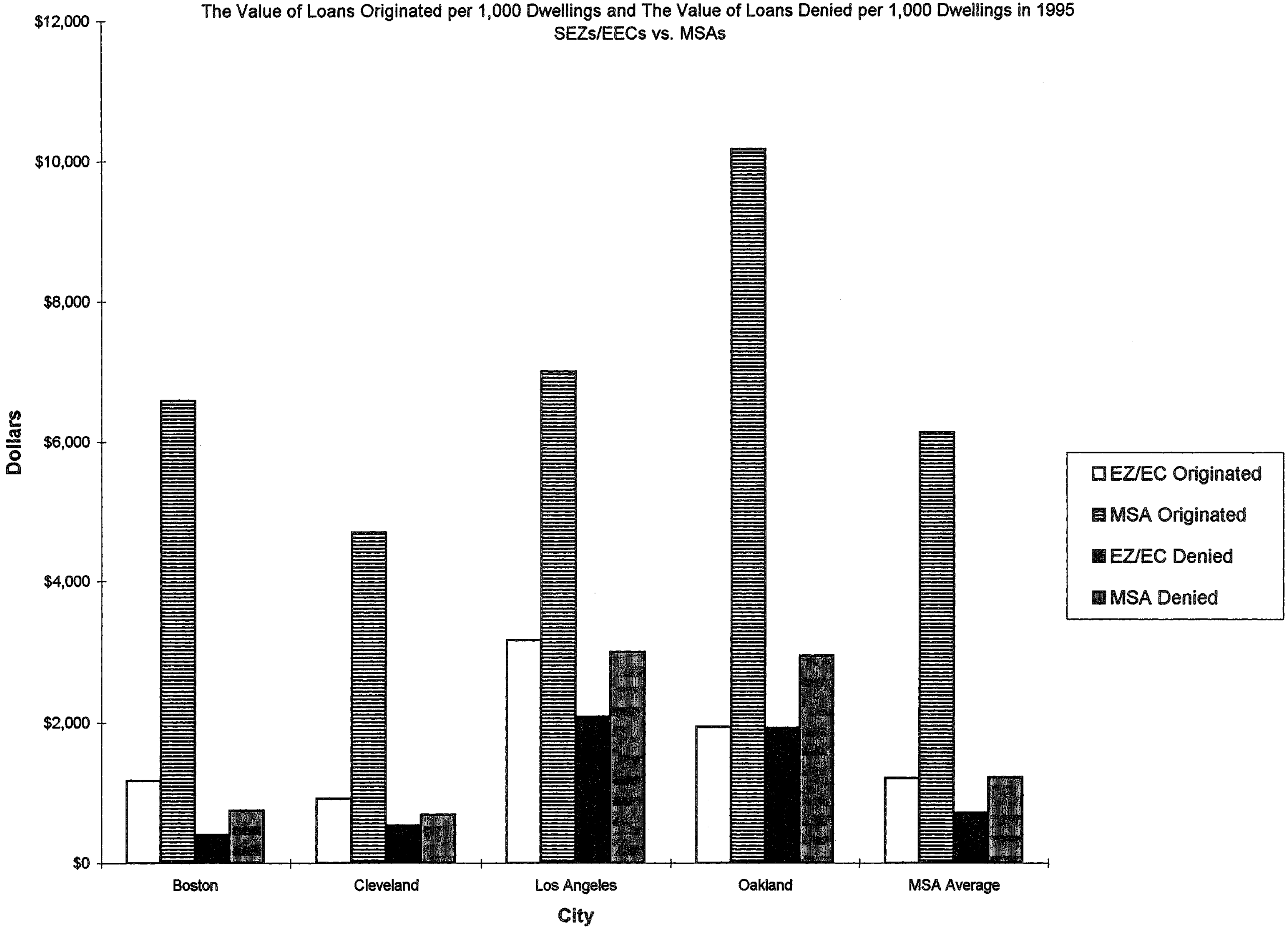

Chart 8 illustrates a comparison of the values of the loans originated and the values of loans denied expressed as a rate for every 1,000 dwellings in cities with Enterprise Communities. For example, in the Charlotte MSA, $5,903 in loans was originated for every 1,000 dwellings and $972 in loans was denied for every 1,000 dwellings. In the Charlotte Enterprise Community, $958 in loans was originated for every 1,000 dwellings and $499 in loans was denied for every 1,000 dwellings.

Among the cities with Enterprise Communities:

- The values of the loans originated in six of the MSAs were less then the average value for the 18 MSAs: Charlotte, Dallas, East St. Louis, Louisville, Minneapolis, and Tacoma. The values of the loans originated in Phoenix and San Francisco were greater than the average value for the 18 MSAs.
- The values of the loans denied in six of the MSAs were less than the average value for the 18 MSAs: Charlotte, Dallas, East St. Louis, Louisville, Minneapolis and Phoenix. By contrast, the values of the loans denied in San Francisco and Tacoma were greater than the average value for the 18 MSAs.
- The values of the loans originated in six of the EC sites were less than average value of the 18 EC sites: Charlotte, Dallas, East St. Louis, Louisville, Minneapolis and Phoenix. By contrast, the values of the loans originated in San Francisco and Tacoma were considerably greater then the average value for the 18 EZ/EC sites.
- The values of the loans denied in six of the MSAs were less than the average value of the 18 EC sites: Charlotte, Dallas, East St. Louis, Louisville, Minneapolis and Phoenix. By contrast, the values of the loans denied in San Francisco and Tacoma were greater than the average value for the 18 EZ/EC sites.

- Comparing EZ/EC Sites to MSAs:

The average value of theloans originated per 1,000 dwellings in the 18 MSAs was 5.07 times greater than the average value of the loans originated per 1,000 dwellings in the 18 EZ/EC sites. By contrast, the average value of the loans denied in the 18 MSAs was only 1.69 times greater than average of the loans denied in the 18 EZ/EC sites. Other notable findings among these data included:

- The values of the loans originated in MSAs of Detroit, E. St. Louis, Baltimore and Phoenix were considerably greater than the average value of the loans originated in the corresponding EZ/EC sites.
- The values of the loans denied in the MSAs of Detroit, Atlanta, and Baltimore were also greater than the average value of the loans denied among in the corresponding EZ/EC sites.
- The values of the loans denied in the MSAs of New York City, Cleveland, E. St. Louis and Louisville were comparatively less than the average value of the loans denied in the corresponding EZ/EC sites.

To recap: loan activity is more prevalent in MSAs than EZ/EC sites by a nearly 2:1 ratio. A comparison of positive lending activity tilts even more in favor of MSAs over EZ/ECs, with a ratio of loan originations per 1,00 dwellings in MSAs to EZ/EC sites of nearly 3:1. And, a comparison of the value of that positive activity tilts even more in the direction of MSAs over EZ/EC sites, with a ratio of the value of originated loans per 1,000 dwellings in MSAs to EZ/EC sites of over 5:1.

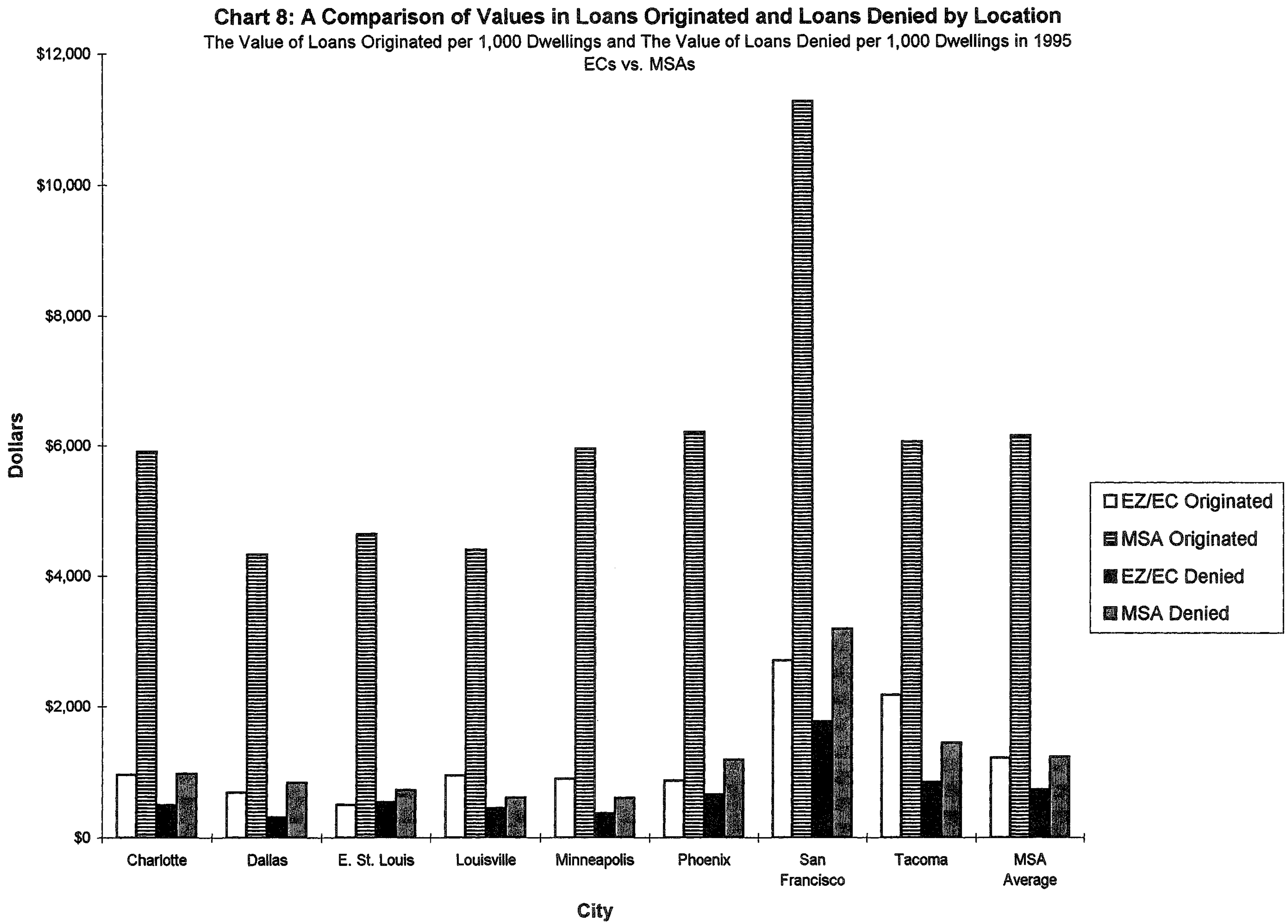
Chart 8: A Comparison of Values in Loans Originated and Loans Denied by Location
The Value of Loans Originated per 1,000 Dwellings and The Value of Loans Denied per 1,000 Dwellings in 1995
ECs vs. MSAs
Dollars
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
Charlotte
Dallas
E. St. Louis
Louisville
Minneapolis
Phoenix
San Francisco
Tacoma
MSA Average
City
EZ/EC Originated
MSA Originated
EZ/EC Denied
MSA Denied

Proportion of Loan Outcomes by Percentage of Median Income

HMDA data captures information on loan activity not only by geography but also by selected demographic characteristics of loan applicants. For some analyses, testing for evidence of discrimination by race or gender, for example, this permits researchers to examine how loan outcomes may differ on a given variable within a geographic area: i.e. on whether loan origination rates are lower or higher for African Americans or Hispanics within a given community. The data also enable comparisons to be drawn between similarly situated groups of applicants in different geographic areas, as a way of refining attention to the contrast between those geographic areas.

Charts 9, 10 and 11 illustrate how loan outcomes vary between MSAs and EZ/EC sites for given groupings of applicants based on their median income. These data hold the income level of the grouping of applicants relatively constant, permitting comparison between the loan outcomes for low-income, moderate income and moderate-to-middle-income applicants within each of the 18 EZ/EC sites and the loan outcomes for low-income, moderate income and moderate-to-middle-income applicants within each of the 18 corresponding MSAs.

Among loans made to low-income individuals (those with incomes below 51 percent of the area median):

- Without exception, the proportion of loans originated was greater for the overall MSA than the proportion of loans originated for individuals living in the EZ/EC sites.
- Without exception, the proportion of loans denied among loan income people was greater for those living in the EZ/EC sites than the proportion of loans denied for the overall MSA.

Among loans made to working-class applicants (those with incomes between 51 percent and 96 percent of the area median):

- With the exception of Phoenix, the proportion of loans originated was greater for the overall MSA than the proportion of loans originated for individuals living in the EZ/EC sites.
- With the exception of Phoenix, the proportion of loans denied was among working class was greater for those living in the EZ/EC sites than the proportion of loans denied for the overall MSA.

Among loans made to moderate-to-middle-income applicants (those with incomes between 96 and 120 percent of the area median):

- Without exception, the proportion of loans originated was greater for the overall MSA than the proportion of loans originated for individuals living in the EZ/EC sites.
- Without exception, the proportion of loans denied among moderate income individuals was greater for those living in the EZ/EC sites than the proportion of loans denied for the overall MSA.

In summary, with the exception of Phoenix, the proportion of loans originated among low-income, working-class and moderate-income individuals was greater for the overall MSAs than the proportion of loans originated for individuals living in the EZ/EC sites. Again, with the exception of Phoenix, the proportion of loan denials was less for the overall MSAs than the proportion of loans denials among individuals living in the EZ/EC sites.

Chart 9: Proportion of Loan Outcomes by Percentage of Median Income in 1995
Empowerment Zones

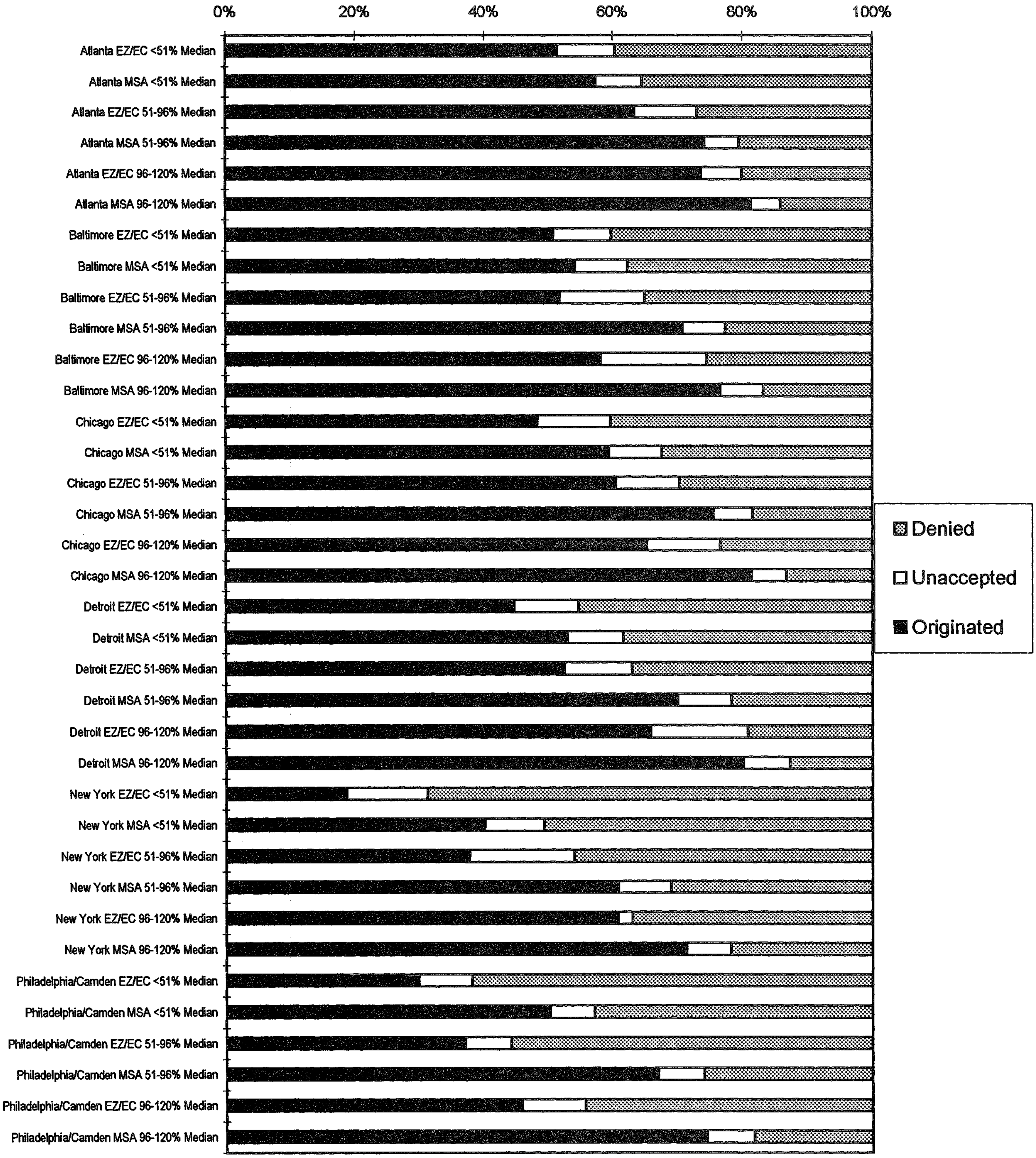

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Chart 10: Proportion of Loan Outcomes by Percentage of Median Income in 1995
Supplemental Empowerment Zones/Enhanced Enterprise Communities

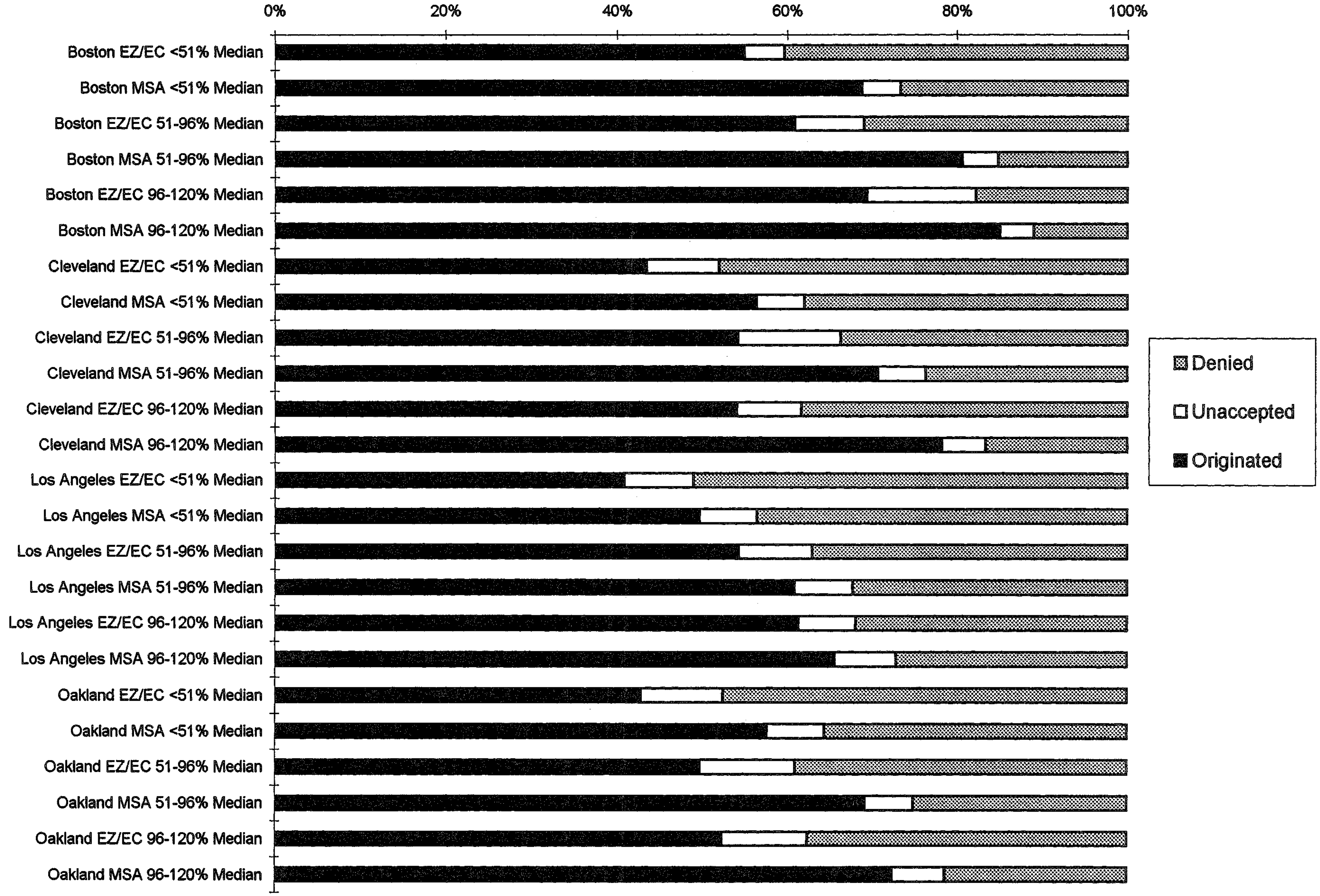
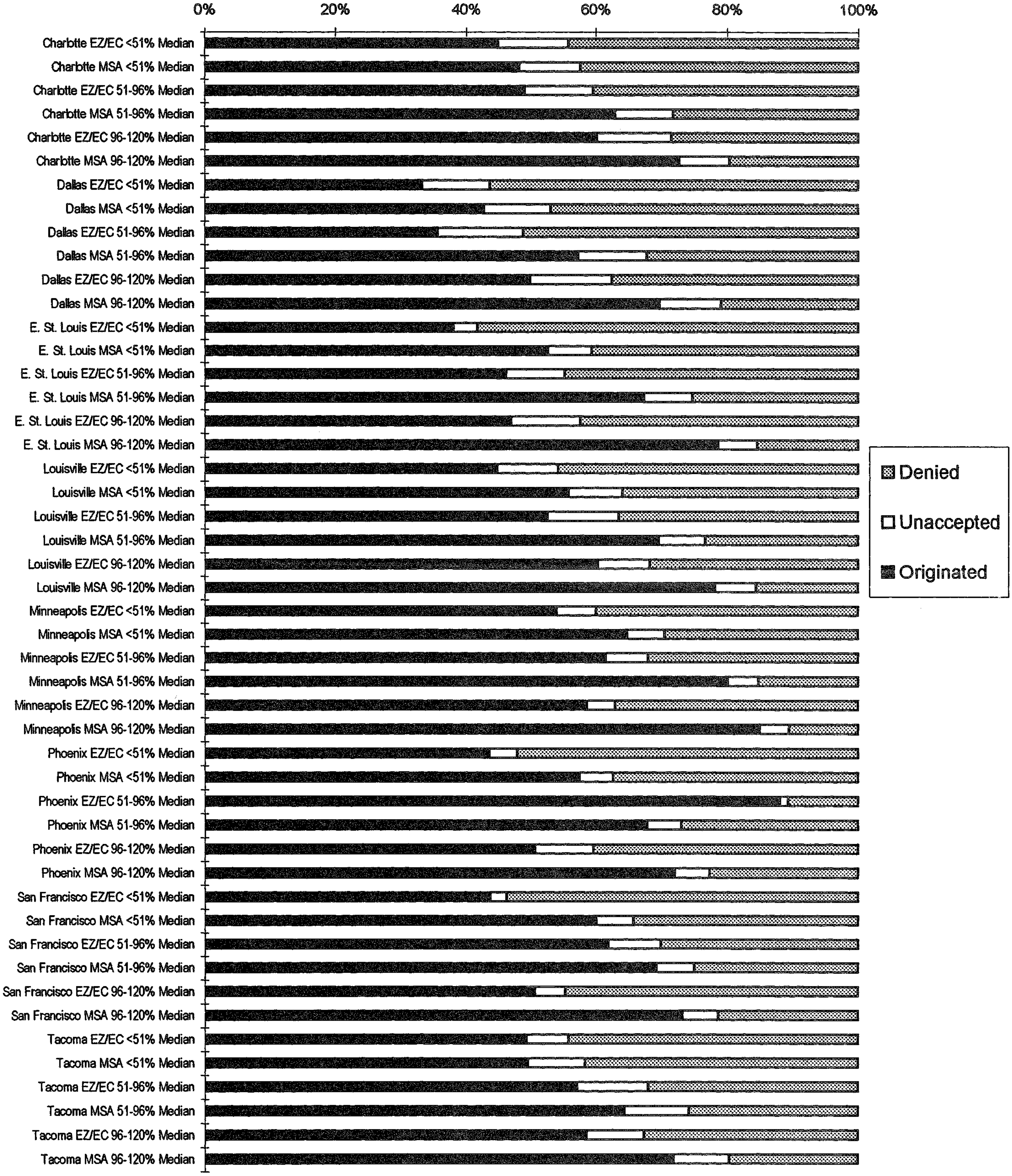


Chart 11: Proportion of Loan Outcomes by Percentage of Median Income in 1995
Enterprise Communities



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Loans Originated and Denied by Income

Reversing this cross-tabulation provides information on the relative concentration of given income groups in certain loan outcomes, and how these concentrations differ between EZ/EC sites and their corresponding MSAs: i.e. whether lower income earners represent a greater or lesser share of originated loans than other groups, and how that share compares between EZ/EC sites and their surrounding MSAs. Charts 12, 13 and 14 present such comparisons in the proportion of median income groups as a percentage of loan outcomes in EZ sites, SEZ and EEC sites and EC sites, respectively, and their MSAs.

Among all loans originated,

- With the exception of Phoenix, greater proportions of loans were originated to low-income individuals in the EZ/EC sites when compared to the overall MSA.
- Smaller proportions of loans were originated to working class individuals in the EZ/EC sites when compared to the overall MSA -- except in Chicago, Boston, Los Angeles, Oakland, Phoenix and San Francisco.
- With the exception of New York City, smaller proportions of loans were originated to moderate income individuals in the EZ/EC sites, when compared to the overall MSA.

Among all loans denied:

- Without exception, greater proportions of loans were denied among low-income individuals in the EZ/EC sites when compared to the overall MSA.
- With the exceptions of Los Angeles and East St. Louis, fewer proportions of loans were denied among working class individuals in the EZ/EC sites when compared to the MSA.
- Without exception, fewer proportions of loans were denied among moderate income individuals in the EZ/EC sites when compared to the overall MSA.

In summary, among low-income individuals, greater proportions of loans were originated and denied among the EZ/EC sites when compared to the overall MSA. Among working-class individuals in 11 of the 18 sites, fewer proportions of loans were originated and denied in the EZ/EC sites when compared to the overall MSA. Among moderate-income individuals, fewer proportions of loans were originated and denied when compared to the overall MSA.

- Low-income applicants comprised a larger share of loan denials than loan originations in each of the six EZ sites and their respective MSAs; in both of the SEZ and both of the EEC sites and their respective MSAs; and in each of the eight EC sites and their respective MSAs.
- Moderate-to-middle income applicants comprised a larger share of loan originations than loan denials in each of the six EZ sites and their respective MSAs; in both of the SEZ and both of the EEC sites and their respective MSAs; and in 5 of the EC sites and their respective MSAs. The exceptions were Minneapolis where the share was even, and Phoenix and San Francisco, where the pattern was reversed and where moderate-to-middle income applicants were a larger share of denials than loan originations.
- There were considerable differences in the rates of loan originations to loan denials across the sites and among income distribution. Compared to the MSAs, there was much more variation in the rates of loan originations to loan denials among the EZ/EC sites. However, as income increased, there was less variation among the rates for both the EZ/EC sites and MSAs.

Chart 12: Proportion of Median Income Group as a Percentage of Loan Outcomes in 1995
Empowerment Zones

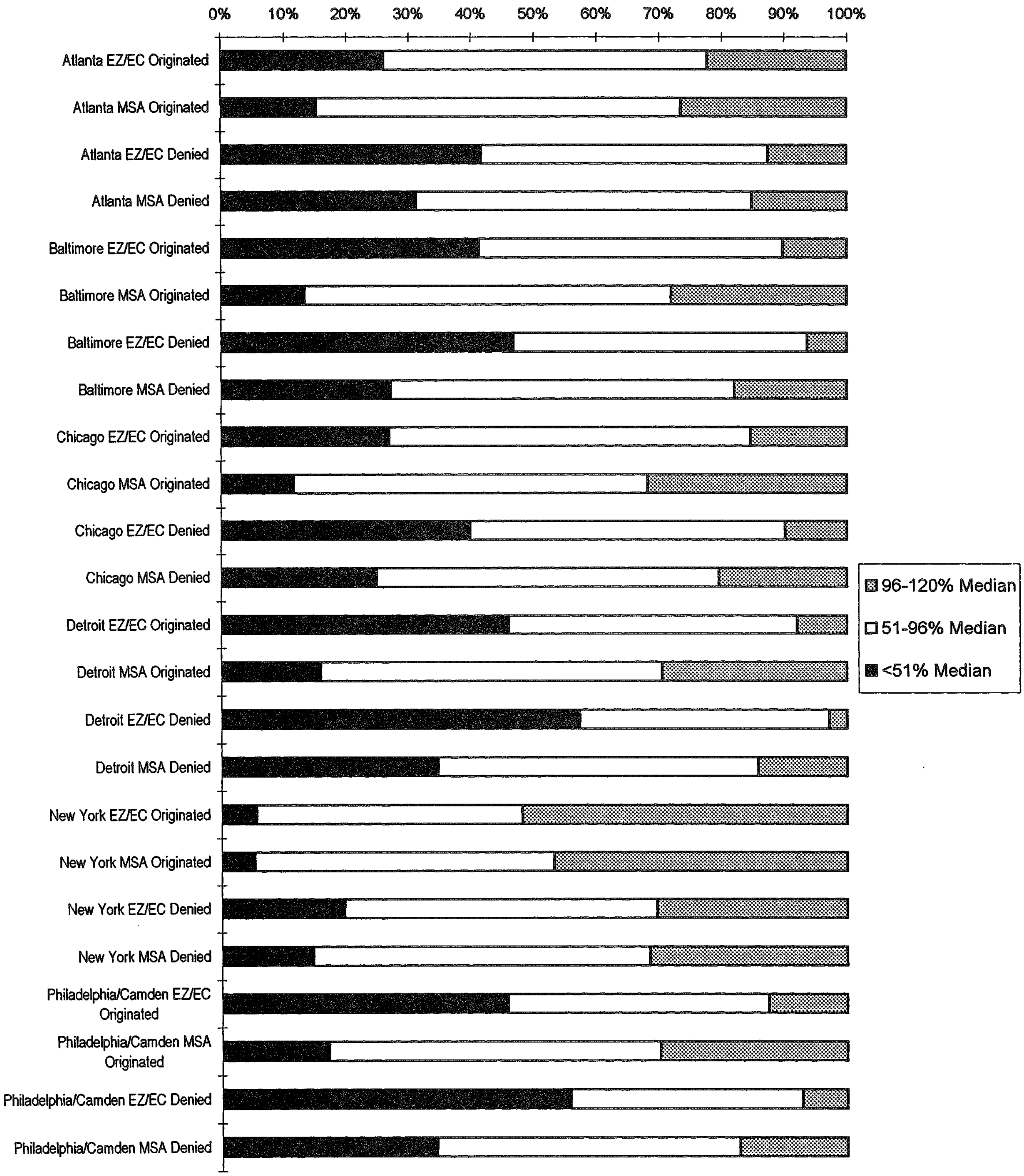

Chart 13: Proportion of Median Income Group as a Percentage of Loan Outcomes in 1995
Supplemental Empowerment Zones/Enhanced Enterprise Communities

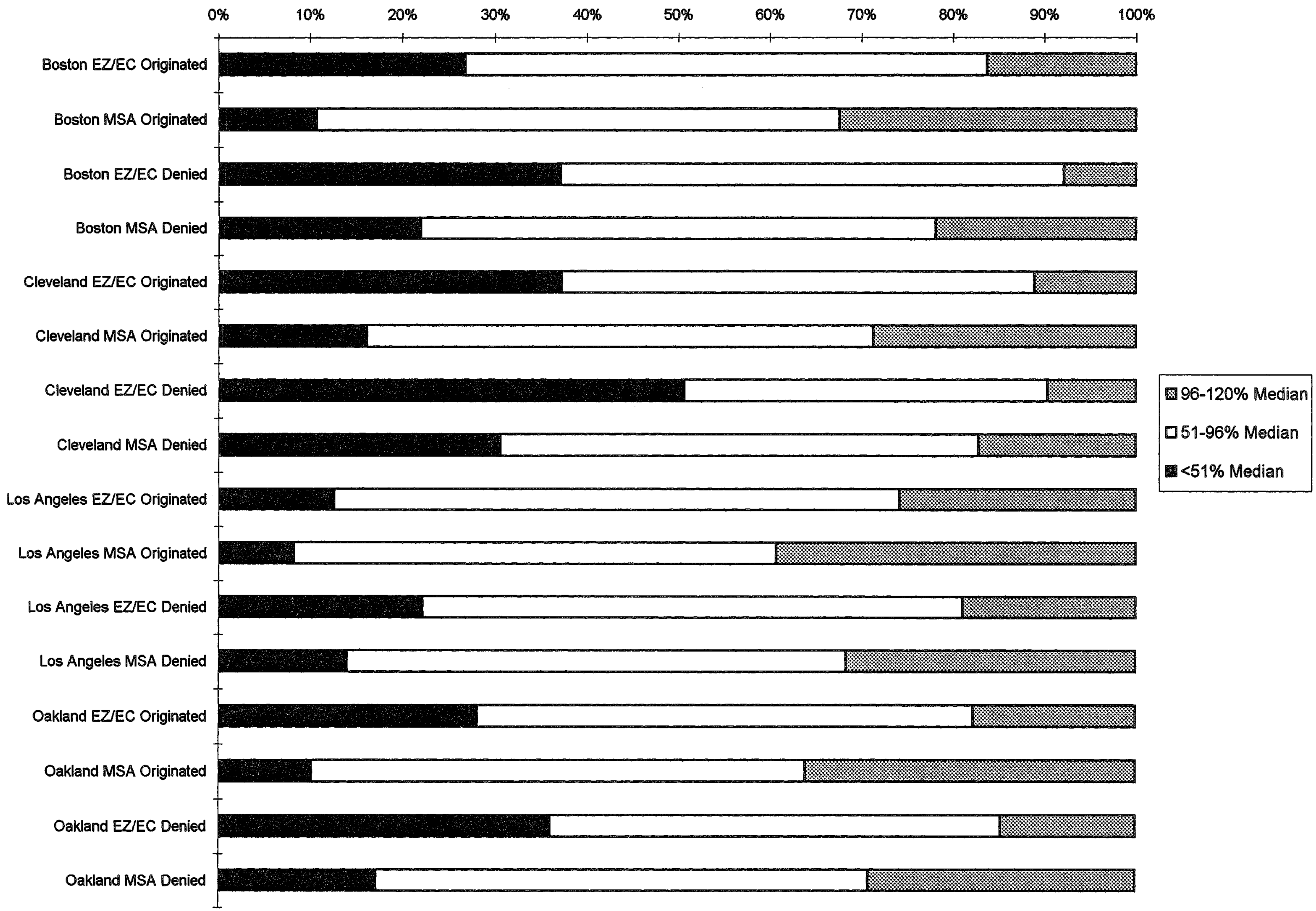

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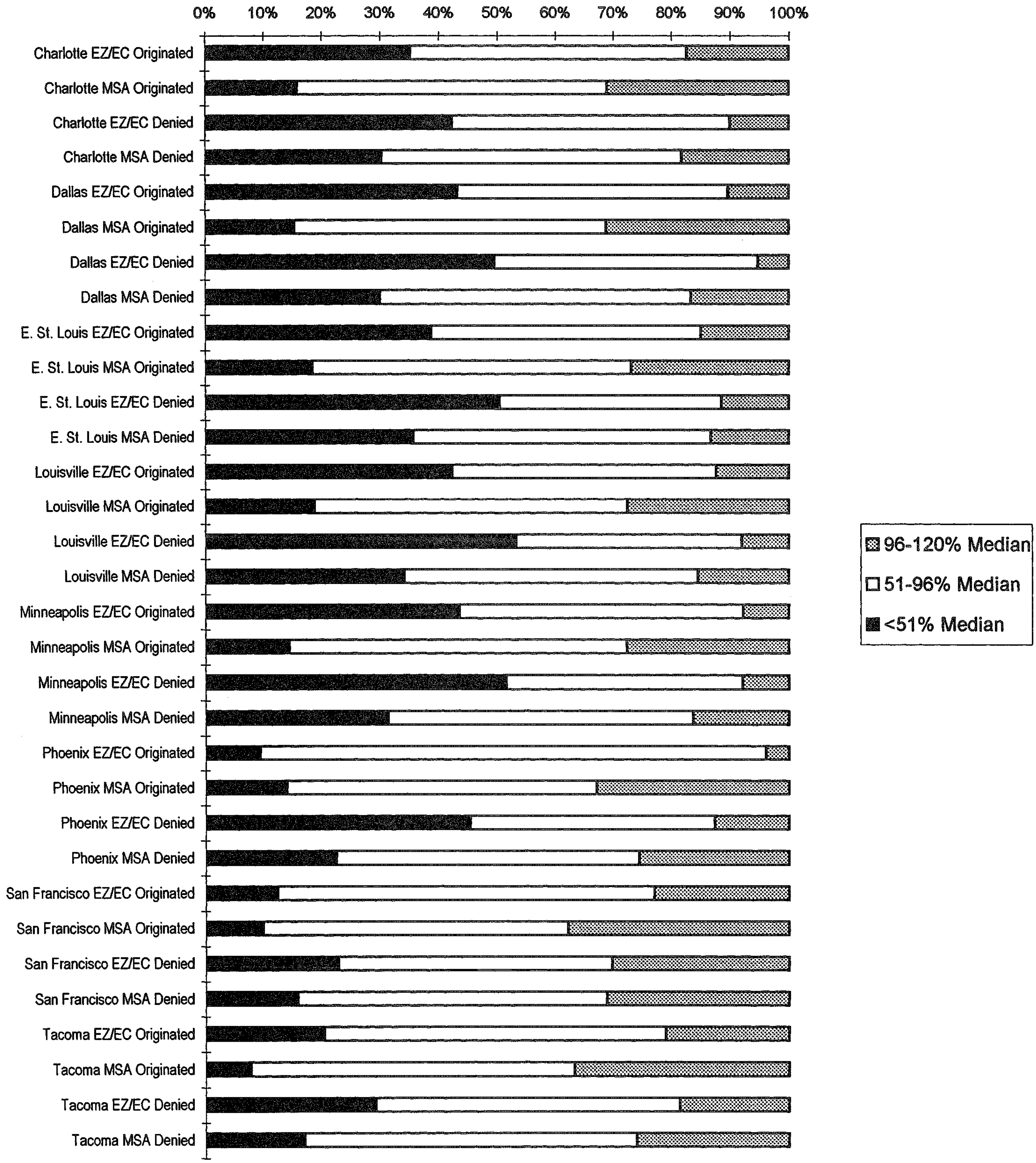
Chart 14: Proportion of Median Income Group as a Percentage of Loan Outcomes in 1995
Enterprise Communities



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COMMERCIAL LENDING

Business lending is important to the economic health of communities but, unfortunately, has not been subject to the same data collection and disclosure requirements as residential lending under HMDA. New CRA "Disclosure Statement" provisions begin to require banks to disclose commercial lending activity in low-, moderate-, middle- and upper-income census tracts as of July, 1997. Such data will not be available on a loan-by-loan basis, however, permitting comparisons between the activities of different institutions but not permitting analysis of lending by geography. The Federal Deposit Insurance Corporation (FDIC) has "Call Reports" on commercial loans under $1 million, but this data is available only on a bank-by-bank basis and covers all outstanding loans an institution may have, rather than those originated within a given year.

Absent an existing source of aggregate information on commercial lending by geographic area, we constructed a partial picture for the purpose of this study. Under the Freedom of Information Law, we requested and obtained a listing of every loan and loan guarantee made in 1995 through the two primary programs of the U.S. Small Business Administration, the 7(a) "Low Doc" and Loan Guaranty programs and the 504 Certified Development Company Program. The data was available and supplied on a loan-by-loan basis, including the zip code for each individual business receiving a loan.

Eligibility for participation in SBA lending programs is restricted to firms of a given size. The specifics of the size restrictions vary according to sector and industry. A minority of industries have size restrictions based on the volume of their annual sales. Far more common is size determined by the number of a firm's employees, with 500 or fewer employees being by far the most common threshold for eligibility under SBA guidelines.

As with the HMDA data described above, we sought to standardize our measures of SBA-related lending in order to compare EZ/EC sites in our study with their own surrounding Metropolitan Statistical Areas (MSA) and with one another, compensating for the very different geographic size and potentially different volume of businesses and commercial lending that might be present in these areas. To do so, we determined the gross amounts of the SBA-related loans (the total value of each loan rather than the lesser amount covered by the SBA) for each EZ/EC and MSA, and divided the sum by the number of firms with 500 or fewer employees (identified from County Business Patterns data produced by the U.S. Census Bureau) for each corresponding geographic area.

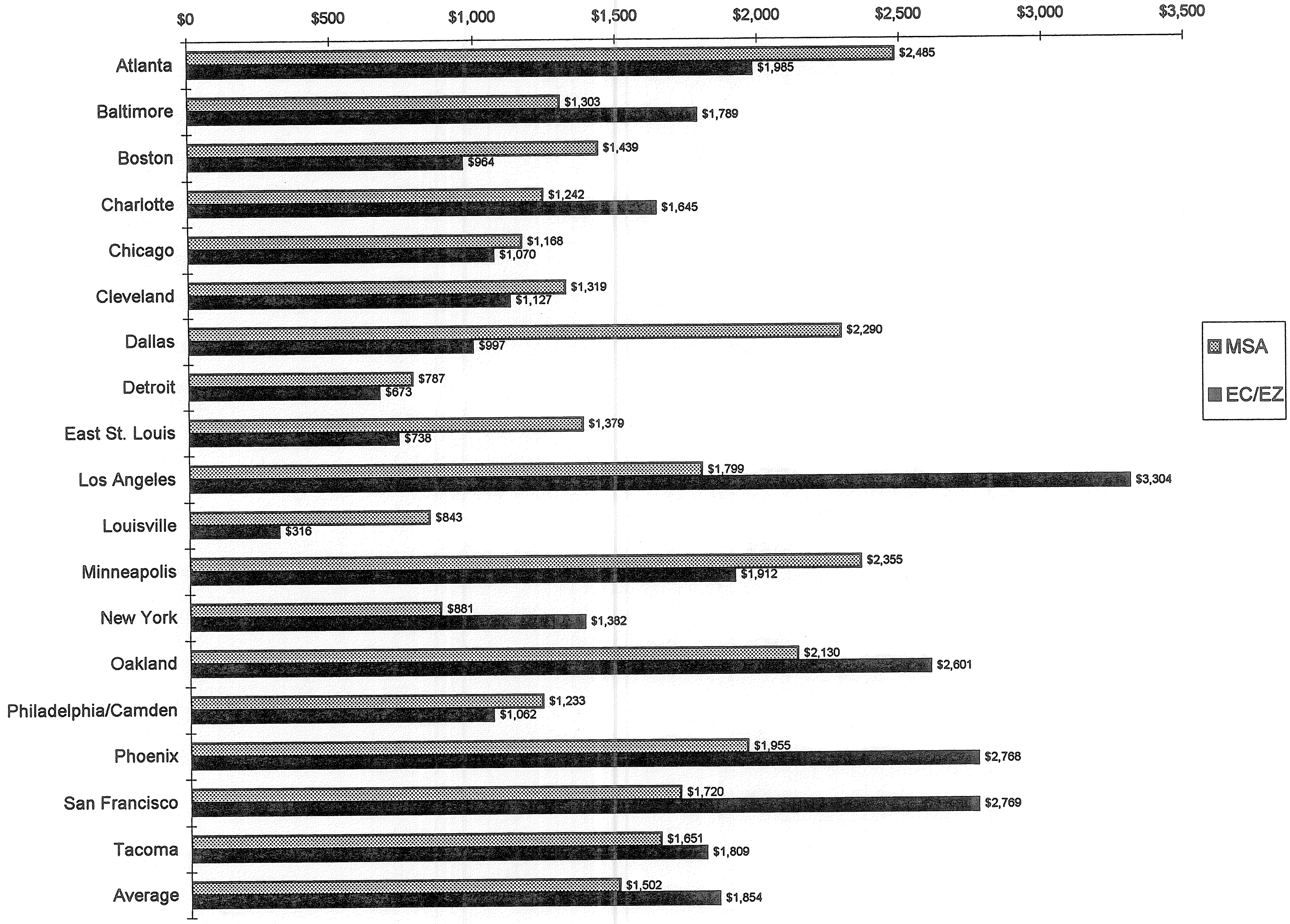
The data on SBA-related lending (the numerator) and eligible firms (denominator) was available by zip code. Consequently, in order to match EZ/EC program geography, the values for all the appropriate numerators and denominators needed to be *apportioned*: zip code-level data was converted to census tracts by taking the proportion of geographic overlap between zip codes and census tracts and applying that proportion to the data. [Where there was no reported data on lending for a tract after apportionment, that tract was left out of both the numerator and denominator.] Values for the MSAs were constructed by adding up all the corresponding census tracts. Values for the EZ/EC sites were likewise generated by aggregating information for those census tracts comprising each EZ/EC.

Chart 15 reflects the relative amount of SBA-related commercial lending activity per eligible business for each of our 18 study EZ/ECs and their respective MSAs. This is necessarily a rough approximation of relative commercial lending activity, to be sure. But the overall pattern is interesting and quite different than the residential lending activity described above. In nearly half of our study sites, the amount of SBA-related lending per eligible business is higher in the EZ/EC site than in the MSA as a whole (Baltimore, Charlotte, Los Angeles, New York City, Oakland, Phoenix, San Francisco and Tacoma).

Both the contrast and the average amounts stand out especially in Los Angeles, where there is a nearly 2:1 ratio between average SBA-related commercial lending per eligible business in the LA SEZ ($3,304) and the overall Los Angeles MSA ($1,799). Indeed, only three average lending amounts besides the Los Angeles SEZ's fall above $2,500, and all are for EZ/ECs rather than MSAs (in the Oakland EEC and the Phoenix and San Francisco ECs). Meanwhile, the largest contrast between average amounts of SBA-related lending is in Dallas and favors the MSA ($2,290) over the EC ($997) by nearly 2.3:1.

Chart 15: Average SBA-Related Lending Per Eligible Business in 1995

Total Loan Values Divided by Eligible Businesses in EZ/ECs vs. MSAs



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III. The Backdrop for Community Development Finance Strategies in the EZ/ECs: The Strategic Planning Process

As we discussed in our first report, the strategic planning process for the EZ/EC Initiative was notable because of the breadth and depth of community participation. Field associates reported that outreach was extensive and a much wider group of participants (residents, community groups, business leaders, major nonprofits, and government officials) were involved in formulating the strategic plan than had typically been the case in most previous federal urban initiatives. For most cities, the strategic planning process involved a steering committee and several task forces and working groups organized around specific substantive topics. In some cities groups were formed at both the citywide and neighborhood levels.[69]

In this section we discuss the degree to which community development financing issues were raised during the strategic planning process, and the context within which these issues were raised. We were especially interested in learning which groups of participants identified community development finance as critical needs that should be addressed through the strategic plan and the extent to which those needs should receive priority over other competing needs. We were also interested in the level of attention or priority afforded to community development as a topic during strategic planning. Also of interest was the nature, process and composition of committees, task forces or other subgroups involved in the strategic planning process whose focus included community development financing. Finally, we were interested in learning how, if at all, communities used the strategic planning process as an opportunity to take stock of existing community development finance activities.

As could be expected, there was a wide range of issues pertaining to the financing of community development activities that were raised during the strategic planning process in the 18 study communities. While our definition of community development was rather broad and encompassed economic development, housing, and community projects/public works, most of the discussion about community development finance during the strategic planning process centered on topics pertaining to economic development. Several themes emerged, including access to capital, streamlining business access to government programs and technical assistance through One-Stop Capital Shops and business service centers, and new and innovative lending instruments, to name but a few. Each of those is briefly discussed below along with several other issues that emerged.

Increasing Capital Availability in Zone Neighborhoods

At the very broadest level, several associates reported that discussions during the strategic planning process focused on increasing access to capital in zone neighborhoods. These issues were most typically raised in the context of both commercial and residential investment, though in a few cases concerns about infrastructure, community facilities, and public safety were also raised. Access encompassed concerns about both the availability as well as the accessibility of capital for investment in economic development, housing, community facilities, and services in Zone neighborhoods.

In Oakland, for example, it was pointed out that at the time the city was preparing its strategic plan there were no banking institutions or branches located in West Oakland, a neighborhood of approximately 48,000 residents, and relatively few banking facilities in the other two zone neighborhoods. Similarly, in Dallas there were only two branches of local banks serving the city's zone neighborhoods at the time the strategic plan was prepared. The associates for Louisville noted that while community development finance was not brought up during the strategic planning process as a generic topic for discussion and consideration, community development finance was synonymous with a proposal for the creation of a community development bank that emerged from a concept paper prepared by Shorebank Advisory Services that was commissioned by the city in 1992. That report recommended the creation of a development banking enterprise for the city's West

[69] Building A Community Plan for Strategic Change: Findings from the First Round Assessment (Albany, NY: Nelson A. Rockefeller Institute of Government, State University of New York, March 1997), p. 41.

End neighborhoods, which was seen as the best means for accelerating the small amounts of private investment that were beginning to take place in West End communities.

In several other cities, including all six Empowerment Zone cities, discussion of the need for a community development bank or some other form of community-based financial institution was raised during the strategic planning process. In Baltimore, the strategic plan proposed the creation of a community development bank that would provide capital resources for economic development in zone neighborhoods, commercial revitalization, entrepreneurial development, and housing rehabilitation.

Like Louisville, the concept of establishing a community development bank became the central focus in Los Angeles, and was driven in part by the city's designation as a Supplemental Empowerment Zone, which although the award brought with it a larger sum of money ($125 million), its uses were restricted to economic development activities. The associate reported that Los Angeles chose to put all of its SEZ funds in the creation of a community development bank because that strategy would enable the city to focus in depth on the community need most frequently cited during the strategic planning process – that of creating and retaining jobs for residents of the zone neighborhoods, which is directly related to the ability of businesses to access needed capital to finance expansion and growth. The Los Angeles associate added that during the strategic planning process the need to strengthen the economic base in order to reverse the cycle of deterioration and disinvestment and to provide the context for long term community building was specifically expressed.

In Cleveland, another Supplemental Empowerment Zone city, the source of federal funding ($87 million in Economic Development Initiative grants and $3 million in EZ/SSBG funds) also resulted in that city's strategic plan shifting to an exclusive focus on community development finance. However, unlike Los Angeles, which chose to put all of its SEZ federal resources into the development of a community development bank, Cleveland opted to invest its federal resources in a variety of lending instruments that would be coordinated through the city's economic development department and hire a team of business organizers that would be placed in Community Development Corporations in designated zone neighborhoods to stimulate business development. The funding available to businesses in the Cleveland SEZ ranges from microloans of $1,000 to real estate commercial development loans of $5 million. In addition, loans are also available for affordable housing projects including both new construction and rehabilitation as well as home ownership.

Though many cities emphasized the need for the creation of a community development bank or some other form of community financial institution, not all cities saw this as the most appropriate means to increase access to capital in zone neighborhoods. The San Francisco associates pointed out that city officials there felt that San Francisco's neighborhoods were too diverse and independent to support a single community bank serving all needs. According to one city official, "If we were to create a single community development bank of that sort where would we put it and what clienteles would it serve?"

In some cities, discussion during the strategic planning process of the need to increase available capital in zone neighborhoods also focused on leveraging commitments from existing private banks and financial institutions. This was perhaps greatest in Detroit where an Empowerment Zone Financial Institutions Consortium comprised of representatives from Comerica Inc., First of America Bank, First Federal of Michigan, Liberty Business and Industrial Development Corporation (BIDCO), Greater Detroit BIDCO, Michigan National Bank, NBD Bank Corp., Detroit LISC, First Independence, Standard Federal and First Nationwide established a private partnership to develop alternative lending programs for the Zone. The Consoritum, which pledged to make $1 billion available for Zone projects over the initiative's ten-year history, reviewed the impact of existing financial programs and suggested new programs for the Zone. These new activities would include assured growth in future lending; improvements to capital and credit delivery systems, increase access to credit, reduce fees for individual consumers and small business owners, create an appraisal data pool and list of approved appraisers, support reasonable environmental standards, offer small businesses lines of credit, establish consumer education programs, and partner with community development organizations. The associates added that the Detroit Alliance for Fair Banking reached a bilateral agreement with Comerica Bank, one of the EZFIC member institutions, for the creation of a $1.1 billion Detroit Community Development Action Plan covering the whole of Detroit for the period 1996-1998.

While discussions concerning increased access to capital in most cities focused on developing new sources of finance for business development and expansion, in a few cities there was also concern about developing new sources of funding for housing, particularly for home ownership. In Baltimore a Housing Venture Fund was proposed that would pool funds from the Baltimore Community Development Financing Corporation in partnership with local banks to provide home mortgage funds for Zone residents who by traditional banking standards are not credit worthy. The New York City strategic plan called for efforts to increase the pool of mortgage loan guarantees available to low- and moderate-income residents in zone neighborhoods and the establishment of a first time home buyers fund. In Atlanta, concerns about housing affordability and home ownership were incorporated into the city's strategic plan and reflected a desire to address issues of economic development (redevelop vacant, abandoned, or underutilized property) as well as housing affordability.

Increasing Access to Capital: One-Stop Capital Shops

Availability of capital was but one major community development financing theme that was raised during the strategic planning process. Associates in several cities reported that another common theme raised by many stakeholders in the strategic planning process was a need to increase awareness and accessibility of sources of capital. In several cities it was pointed out that individuals and businesses were either unaware of potential funding sources or often lacked the capacity to successfully apply for such funding. Thus, a strategy that emerged in many cities was improving the links between residents, entrepreneurs, and small businesses to technical assistance, counseling/mentoring programs, and various commercial and residential loan programs.

As part of the EZ/EC Initiative the U.S. Small Business Administration announced it would target its lending and community development technical assistance tools to small and minority businesses in distressed communities and underserved markets through the creation of twelve One-Stop Capital Shops (OSCS) located in designated Empowerment Zone and Enterprise Communities. Each OSCS would have the capacity to provide $300-$400 million in loans and investments for small businesses in distressed neighborhoods. The idea behind the concept of a One-Stop Capital Shop was that the services and assistance of several agencies and organizations would be centralized in a single location making it easier for individuals and small businesses to seek the help they needed.

Communities interested in receiving a designation for a One-Stop Capital Shop were encouraged to include discussion of their plans for a OSCS in their EZ/EC strategic plans. Eight of the study cities (Atlanta, Baltimore, Boston, Detroit, New York City, Oakland, Philadelphia, and Tacoma) received SBA designation for One-Stop Capital Shops and several cities included plans for these business assistance facilities in their strategic plan, though they were not selected by the SBA. Several of those cities (e.g., Chicago, Cleveland, Los Angeles, Louisville) have decided to continue to go forward with some variant of the One-Stop Capital Shop. In Los Angeles, for example, One-Stop Capital Shops were proposed as a major strategy in the original strategic plan for making capital accessible to zone businesses. Only one center has been developed in Los Angeles County (Glendale, CA) and none exist in the EZ. Many of the proposed functions, however, have been assumed by the community development bank and its intermediaries.

While the concept of a One-Stop Capital Shop was based on the need to improve access to capital for business development, some cities extended this idea to residential finance. In Atlanta, for example, EZ funds were used to establish a center for home ownership. Similarly, a one-stop center for housing finance and housing services was proposed in Chicago's strategic plan. In Baltimore, the Village Centers located in each of the zone neighborhood clusters would counsel residents to increase their access to information and opportunities to buy homes. In addition, the Baltimore plan called for the creation of two housing consortia which would coordinate housing counseling services and facilitate planning and implementation of housing projects within the Zone by linking the Village Centers to qualified housing agencies.

Yet, not all cities were embracing the movement towards more centralized institutions for community development finance and technical assistance. As the San Francisco associates noted, "although more centralized institutions such as community banks and one-stop capital shops now seem all the rage, we believe these kinds of solutions could well be divisive, inefficient, and counterproductive in a socially diverse and politically active city of neighborhoods like San Francisco. One size doesn't fit all—and the size 'big' is anathema in San Francisco." The associates pointed out that the existing system of community development finance in San Francisco, though comprised of many different types of agencies and organizations, appears to be working quite well, and any effort to centralize that system would likely run into problems.

Another theme related to access to capital that was raised in some cities concerned programs to extend capital to residents who would not be deemed credit worthy under conventional lending rules. While several cities emphasized the need for including outreach and awareness efforts in addition to the establishment of such credit pools, participants in Oakland were especially sensitive to the capacity of Zone residents to utilize these new programs. The Oakland associates noted that the need for capital access and investment in Zone neighborhoods was universally recognized by participants in the city's strategic planning process. The issue was defined as "not only increasing the willingness of financial institutions to provide capital, but also by increasing the capacity of local residents to apply for, obtain, and effectively use capital."

New and Innovative Lending Instruments

A third theme that characterized the discussion of community development finance in many of the study cities was the need for new types of lending instruments. An issue raised in several cities was that even in those instances where capital was available, and businesses were aware of it, quite often it did not meet the needs of small businesses. Perhaps the most widely cited need across the study cities was for some type of microlending program, which would both provide small amounts of capital as well as assist those clients banks and other lending institutions typically do not serve.

In Charlotte, for example, the field associates noted that each of the three cluster area executive directors were taking steps to develop a microlending program, which would provide capital to borrowers who may not qualify for conventional loans or provide loans on terms that are not available from other lenders. The microlending programs will be targeted for borrowers who either have a poor or non-existent credit history, or need loans that are smaller than a bank's minimum loan amount. This component of the Charlotte EC program was created in response to general concerns about the social and economic conditions in EC neighborhoods raised by residents during the strategic planning process. The community development financing component was seen as one mechanism for increasing business activity in the EC areas, which in turn would improve local social conditions. The focus of the micro lending program was to provide individuals with commercial loans to start or expand a business.

Micro lending proposals were included as action items in the strategic plans of several cities and in many other cities micro lending programs were noted as either existing or under development with other resources. For example, associates in Atlanta and Chicago both pointed out that their states recently agreed to establish micro lending programs that would provide funding to small business owners, including those with home-based operations.

Not all cities were willing to establish new and innovative techniques for community development finance. In Phoenix, for example, the associates noted that affordable housing advocates and local finance experts were successful in pushing city officials to place innovative community development financing instruments such as Section 108 loans into the strategic plan. The associates report, however, that many of these recommendations have not been implemented because city officials see them as too risky.

Neighborhood Control

In a few cities, discussion of community development finance during the strategic planning process focused on ways in which EZ/EC residents and businesses could exert greater control over lending institutions. In Atlanta, for example, one of the top priorities adopted by the citizens' Community Empowerment Board that was incorporated into the strategic plan was to "increase control of financial resources at the grassroots level and provide community-based boards to monitor/implement programs." Strategies that would be employed to implement this priority included the creation of credit unions in zone neighborhoods owned and managed by resident shareholders, recruitment of branch banks to locate in the zone, use of EZ funds to capitalize community development corporations, and the appointment of community leaders from zone neighborhoods to serve on various advisory and policymaking boards.

Another way in which this issue played itself out concerned the economic development strategies cities chose to pursue with their EZ/EC resources. In Boston, for example, discussions concerning community development financing during the strategic planning process involved a debate over the relative balance of efforts between more traditional job creation efforts, largely advanced by city and state officials, versus the concerns of individual merchants and business trade associations who expressed a need for entrepreneurial and business start-up activities that would provide capital to start new businesses and to support existing firms in the business districts located in zone neighborhoods. Based on the desires of local businesses and zone residents to foster zone business ownership, the strategic plan increased its emphasis on entrepreneurial and small business development which included expanding capital availability for such firms.

Coordination of Community Development Resources

In a few cities the EZ/EC strategic planning process was used as a means to foster coordination among existing programs and resources. In Dallas, existing programs and initiatives were a principal source of information, expertise, and design recommendations. Matches between the goals of the EZ/EC Initiative and ongoing activities, particularly the job creation efforts of the recently established Southern Dallas Development Corporation, were sought throughout the strategic planning process. In Boston, several of Massachusetts' quasi-public agencies have agreed to participate in the EZ inner-city lending advisory panel and the Boston Center for Business Development and Education (Boston's One-Stop Capital Shop), and to designate funds to be set aside for EZ business financing. The Phoenix associates noted that during the strategic planning process the City Neighborhood Services Department presented a great deal of evidence, much of it compiled by city staff, pointing out significant needs in the areas of housing and community development and proposed a more logical merger and collaboration among community development finance tools including EZ/EC, CDBG, Title XX, SSBG, JTPA, LISC assistance, and HOPE 3, to name but a few.

Community Projects/Public Works

The most common themes raised during the strategic planning process regarding community development related to economic development and housing. As noted elsewhere in this report, while several cities have allocated EZ/EC resources for programs and activities in the areas community projects and public works, these issues did not emerge as major topics of discussion concerning community development during the strategic planning process.

Associates in Dallas, East St. Louis, and Oakland all noted there was some discussion of infrastructure needs during the strategic planning process, and most typically, these issues tended to be raised by city officials as opposed to residents or community groups. The East St. Louis associate reported that municipal officials expressed interest in obtaining development financing, especially for infrastructure improvement and large-scale commercial development. In Oakland, Port of Oakland, locally elected officials and some city staff championed plans to use EZ SSBG funds as a short-term financing resource for local infrastructure projects like the Port of Oakland's airport gate expansion and airplane maintenance facility. In both Atlanta and Dallas, on the other hand, Zone residents raised specific concerns about infrastructure, especially streets, street lighting and parks.

In a few cities, associates reported issues concerning public safety in Zone neighborhoods were an important part of discussions held regarding community development strategies. In Atlanta, the major emphasis on public safety needs focused on improving police-community relations, with special priority given to creating a community policing initiative in the Zone and establishing a number of conflict resolution centers. The Baltimore associate noted that the emphasis upon public safety during the strategic planning process reflected a widespread belief among those who developed the strategic plan that crime was a serious problem that must be addressed if the Zone was to attract residents and business investment. Similarly, in Cleveland, the strategic plan included provisions for community policing to promote the city's economic development and community building objectives. Cleveland's strategic plan proposed to use EDI/Section 108 funds (on a 50/50 matching basis with private funds) to support resident involvement in community policing efforts in each of the five zone neighborhoods.

Level of Priority Given

Field associates were asked to assess the level of priority afforded to community development finance in the strategic plan along a continuum ranging from none, low, average, high, to highest (see Table 1). Associates in eleven of the eighteen jurisdictions included in the study indicated that the attention or priority given community development finance during the strategic planning process could be considered high or highest.

Table 1: Level of Priority for Community Development Finance in the EZ/EC Strategic Plans

Highest	High	Average	Low
Cleveland	***Atlanta***	***Detroit***	Charlotte
Louisville	***Baltimore***	East St. Louis	**Los Angeles (housing)**
Philadelphia-- American Street	*Boston*	***Philadelphia-- West Philadelphia***	Minneapolis
Camden	***Chicago***		Oakland
Tacoma	Dallas		San Francisco
	Los Angeles (econ. development)		
	New York City		
	Philadelphia-- North Philadelphia		
Key: Cities in ***Bold Italic*** text are Empowerment Zone cities; cities in **Bold** text are Supplemental Empowerment Zone cities; cities in *Italic* text are Enhanced Enterprise Communities; Enterprise Communities are in regular text.			

Based on the patterns of field associate responses (see Table 2), the level of priority cities gave to community development finance appears to be related to the amount and type of funding cities received. Three of the five cities where associates reported community development financing was given the highest priority (Cleveland, Louisville, and Tacoma) were all cities that originally applied for – but did not receive – Empowerment Zone designation. The other two were designated areas in the bi-state Philadelphia/Camden Empowerment Zone. In Cleveland, nearly all of the funds the city received through its Supplemental Empowerment Zone designation were earmarked for economic development, due largely to the restrictions placed on the uses of HUD Section 108 and EDI funds the city received. In both Louisville and Tacoma, participants in the strategic planning process quickly came to consensus that the most effective use of their $3 million award in EZ SSBG funds would be achieved by focusing on economic development strategies.

Similarly, of the eight cities where field associates reported community development finance was a high priority, all but Dallas were either an Empowerment Zone (Atlanta, Baltimore, Chicago, New York City, Philadelphia), a Supplemental Empowerment Zone (Los Angeles), or an Enhanced Enterprise Community (Boston). Again, the amount and source of funding appear to contribute significantly toward explaining these patterns.

Detroit is the only one of the ten major EZ/EC jurisdictions included in the study where community development finance was not considered a high or highest priority. According to the Detroit associate, because so much of the strategic planning process took place in task forces with fairly narrow mandates, it is difficult to authoritatively determine the priority of community development financing in the planning process. Development finance was a major issue for the Business and Economic Development task force which devoted four of its twenty-two proposals to increasing (or improving access to) community development financing in the Zone. On the other hand, less than four percent of Detroit's $100 million in EZ SSBG funds was allocated for these activities, suggesting that the overall strategic planning process accorded development finance a comparatively low priority.

In San Francisco, the field associates reported that the city's Enterprise Community program gave a low priority to community development financing during the strategic planning phase and an even lower priority during the benchmarking and performance review phases. They attributed this low priority to several factors. First, the total amount of money allocated ($3 million) was modest to start, and that amount was distributed to multiple and diverse claimants. Agreed-upon funding principles dictated that the total grant (minus administrative overhead) be quartered for equal distribution to each of the four EC neighborhoods. Then, within the neighborhoods, first-year halves of those portions were further divided among four to ten different projects ranging in amounts from $10,000 to $100,000. One consequence of this process, described by the associates as "egalitarian morselization," was that capital-intensive projects of the sort that would require community development financing (such as housing development and physical infrastructure improvement) were deemed infeasible and thus downgraded in priority. A second factor was time. Given the small amount of money and the limited time involved many neighborhood EC participants chose to respond to urgent needs for human services and job training rather than to pursue long-term capital development goals. A final factor was that EC program administrators were committed to the grassroots bottom-up planning principle of the EZ/EC Initiative and reluctant to exert greater central control of EC activities in San Francisco. As the associates noted, "thus empowered and unrestrained, the Neighborhood Planning Boards were dramatically near-sighted in their bottom-up planning and decision-making."

The associates pointed out, however, that one should not conclude that the low priority given to community development financing in San Francisco is indicative of the absence of need or activity. To the contrary, the associates note that there is a lot of community development financing activity taking place in San Francisco, many different agencies and organizations are involved in it, much of it is focused geographically on the four EC neighborhoods, at least some of it has been inspired by or linked to the EC program, but most of it would have taken place even if the EC program didn't exist.

Table 2: Summary of Priority Given to Community Development Finance and Types of Issues and Needs Raised During the Strategic Planning Process

City	*Priority*	*Issues Raised/Needs Identified*
Empowerment Zones		
Atlanta	High	Emphasis was on not only funding various community development projects but also ensuring continuous community involvement in the development of projects throughout the implementation process. Specific issues raised included housing affordability and quality, encourage business ownership within zone neighborhoods, and public safety.
Baltimore	High	Business development, home ownership financing, public safety
Chicago	High	CDF was an important theme raised by many neighborhood groups during strategic planning process
Detroit	Average	One-Stop Capital Shop, Community Development Bank, Financial Institutions Consortium, and Neighborhood Commercial Development Management Corporation
New York City	High	Increase and diversify retail capacity of neighborhood business areas; revitalize retail, consumer and neighborhood services; increase self employment, access to capital for business formation and expansion, and attract private investment to the EZ; expand the available housing stock
Philadelphia/Camden	Average to Highest	Targets of community development financing held most important differed across the three Zone areas in Philadelphia—housing was given highest priority in West Philadelphia while business development (e.g., commercial and industrial loans, commercial strip revitalization, One-Stop Capital Shop) was seen as primary concern in the other two Zones. Initial strategic plan focused on creation of two community banks, one in each state.
Supplemental Empowerment Zones		
Cleveland	Highest	The primary goal of original EZ plan was to enhance support for existing employers within the zone and increase access to capital and credit. A second goal was to accelerate the formation of new business enterprises.
Los Angeles	Low/High	Home ownership did not surface as a major priority and was given low-to-moderate attention by participants. Job creation and business expansion was given high priority and was raised as an issue at every community meeting. Specific tools/strategies mentioned included business incubators, venture capital funding, business loans, community-owned bank, revitalize and improve neighborhood business districts, and increase community ownership of businesses.
Enhanced Enterprise Communities		
Boston	High	Debate over emphasis plan should give to job creation versus entrepreneurial and business start-up activities. Based on local businesses and resident desires to foster local business ownership, the strategic plan increased its emphasis on entrepreneurial and small business development which included expanding capital availability for such firms. Housing and housing finance was not raised as an issue by residents or community leaders and therefore was not a focus of the strategic plan.
Oakland	Low	Issue defined as not only the need to increase availability of capital for community development finance, but also as the need to increase the capacity of local residents to apply for, obtain, and effectively use capital.
Enterprise Communities		
Charlotte	Low	CDF was seen as one mechanism for increasing business activity in the EC areas, which in turn would improve social conditions. There was a perceived need for small loans to assist residents start their own businesses. Other issues addressed included setting up referral linkages to local banks, providing technical assistance to loan applicants, business mentoring, targeted business recruitment and business development.
Dallas	High	Home renovation and preservation; new and existing business financing; neighborhood self improvement; bank involvement; and infrastructure. At the time the strategic plan was prepared there were only two branches of local banks serving the EC areas.
East St. Louis	Average	Increase city's capacity to provide economic development assistance; increase business development financing; increase funds for housing rehabilitation and home purchase; increase access of community organizations to technical assistance and funding
Louisville	High/Highest	When Louisville's request for EZ designation was denied and the city received EC designation instead, creation of a Community Development Bank became the primary focus of the revised plan for revitalizing the zone area. Emphasis was placed on supporting businesses owned and operated by residents of the EC.
Minneapolis	Low	Strategic plan distinguished between economic and community development and identified projects largely in the areas of workforce readiness, youth job training, conflict resolution, and enterprise development.
Phoenix	High	Discussions emphasized real needs and importance of better collaboration/coordination among various financing tools, including many federal programs.
San Francisco	Low	Most participants in strategic planning process had backgrounds in human services and gave a higher priority to those kinds of needs and issues. CDF issues that were raised focused on improved capital access for small local businesses (e.g., establishment of some kind of community financing institution) and low-interest loans for housing rehabilitation.
Tacoma	Highest	Emphasis on creating economic opportunity and promoting sustainable community development. Following the downsizing from EZ to EC strategic plan, business development (One-Stop Capital Shop, microloans) became one of two strategies chosen for implementation in revised EC plan.

Nature and Composition of Committees, Task Forces, and Working Groups

As we noted in our first report, mostcities organized their strategic planning process around a series of task forces, working groups, and committees which were given primary responsibility for developing strategies and programs, and in some cases, actually drafting the strategic plan itself. Few cities, however, relied upon a specific group vested with responsibility for developing proposals relating to community development finance. In most cities (see Table 3), associates reported that community development finance was an area that was covered by other committees or groups. The typical pattern followed by many cities was to organize their task forces and committees around substantive areas and themes, largely along functional lines (e.g., housing, economic development, human services, public safety, etc.).

In Boston, however, there was a subcommittee of the Economic Development Task Force that focused specifically on business financing issues. This committee met with local businesses, banks, city and state agencies to assess business credit and related needs and both to develop specific programs and activities and to leverage financing commitments from existing institutions. There was also a task force of state economic development agencies, consisting primarily of quasi-public financing corporations, that met with communities preparing EZ and EC applications. The business financing subcommittee met with this task force to discuss financing needs and leveraging of commitments from state programs and individual state agencies.

In Chicago, a separate committee was formed with the specific charge to develop a proposal for a One-Stop Capital Shop. The 38-member committee included representatives from major banks, city and state agencies, nonprofit technical assistance providers, and some community groups, and was staffed by South Shore Bank, perhaps the nation's preeminent community development financial institution.

Evidence of the Need for Community Development Financing

Associates in most cities reported that there was very little formal evidence included in the strategic plans that supported the need for new or expanded activities in the area of community development finance. In many jurisdictions, needs assessment was typically based on the personal experiences conveyed by residents and businesses in the zone neighborhoods and on the opinions of public and private officials representing agencies and organizations active in housing and economic development.

In instances where specific evidence was incorporated into the strategic plans, it tended to come from census data, planning reports, and needs assessments conducted by specific city and state agencies, such as economic development, housing, police, and human services.

Table 3: Summary of Consideration of Community Development Financing (CDF) in the EZ/EC Strategic Planning Process

City	*Who raised issue*	*Evidence of need*	*CDF Committee*
Empowerment Zones			
Atlanta	Residents were a major force guiding the development of CDF proposals in the strategic plan. Individuals and representatives from neighborhood and civic associations were most active. CDC representatives were not major participants in strategic planning discussions.	Data and information pertaining to CDF from several ongoing planning efforts and initiatives were included in the strategic plan.	Though no specific task force or committee was established to focus on CDF, three of the four working groups (Housing, Economic Development, and Public Safety) did discuss CDF issues.
Baltimore	Business development raised by BDC and city agencies; home ownership came from EZ residents	Census data, state and city agencies	Three of five committees addressed CDF issues
Chicago	Though plan did not focus on CDF in a specific way, CDF was an important theme raised by many neighborhood organizations that participated in process	Not specifically addressed in strategic plan	Separate committee formed to develop a proposal for a One-Stop Capital Shop. Members included representatives from major banks, city and state agencies, nonprofit technical assistance providers, and some community groups. Staff support was provided by South Shore Bank
Detroit	Issues raised by CDCs and community-based organizations; economic development professionals from public and private agencies and other interested organizations such as local universities and foundations, bankers; and small business people, especially aspiring entrepreneurs.	Primarily personal testimony and anecdote, with some analysis by members of the Financial Institutions Consortium.	The Business/Economic Development task force considered issues relating to community development finance.
New York City	Part of larger discussions about ED; local businesses	Local studies and administrative data	Not a specific group; part of focus of economic development group.
Philadelphia/Camden	Residents in one zone area pushed for housing rehabilitation. Other participants emphasizing community development finance were city officials and representatives from the business community.	No quantitative data offered in the strategic plan, though there was a series of anecdotal information offered.	City officials and consultants addressed the issue on a regional level; Community Trust Boards in the three Philadelphia Zone areas each gave some consideration to community development finance issues.
Supplemental Empowerment Zones			
Cleveland	All stakeholders emphasized CDF issues but with different emphases. Residents wanted housing. CDC representatives wanted to attract businesses to revitalize housing and commercial activities. City officials felt their was plenty of money from other sources to do housing so focus should be on business attraction and retention. Focus changed to economic development when city received SEZ designation due to the type of funding awarded.	Participants argued that improved access to CDF was needed to hold existing businesses (and jobs) in place, facilitate expansion of existing firms and help attract new businesses and jobs to the EZ.	No committee, task force or other subgroup was created to specifically focus on CDF. Strategic planning for CDF was done by a variety of agencies and institutions that helped with the overall preparation of the strategic plan (e.g., city agencies, CDCs, Shorebank, Cleveland Tomorrow, and Cuyahoga County representatives).
Los Angeles	Issues pertaining to CDF were raised by all participating groups including residents, social service providers, community development organizations, and businesses.	Documentation of the need for CDF came from other planning efforts that were underway at the same time the strategic plan was being prepared.	No specific task force or committee was formed to address CDF issues though a number of stakeholders with interest in CDF were participants in the overall planning process.

City	*Who raised issue*	*Evidence of need*	*CDF Committee*
Enhanced Enterprise Communities			
Boston	CDF issues were raised by individual merchants, business trade associations, and city and state officials.	No formal surveying or analysis was conducted to assess the need for CDF. City relied on experiences conveyed by businesses in the zone and opinions of banks and quasi-public lending institutions who saw the need for expanded capital availability.	A subcommittee of the Economic Development Task Force focused on business financing issues. This group met with local businesses, banks, and city and state agencies to assess business credit and related needs. The group also met with a task force of state economic development agencies that was created to assist cities in preparing their EZ/EC applications to discuss financing needs and leveraging of commitments from state programs.
Oakland	Need for capital access and investment in EEC neighborhoods was universally recognized by strategic planning participants.	Most of the evidence supporting need for CDF was assembled with assistance of the regional SBA office in support of Oakland's application for a One-Stop Capital Shop. Additional local reports and studies were also cited including needs assessments and plans from city agencies, community organizations, business associations, and other groups serving zone neighborhoods.	The EZ Coordinating Council formed an Economic Development Subcommittee whose focus included CDF. The committee was primarily city and county economic development staff assisted by the consultant hired to help coordinate and write the strategic plan, the SBA, and the Oakland Commerce Association.
Enterprise Communities			
Charlotte	CDF component of strategic plan developed in response to issues raised by EC residents.	Strategic plan did not provide specific evidence. Some participants did see the need for innovative loan products such as a microlending program.	Each of the three cluster areas had their own subcommittees to help draft Charlotte's strategic plan. There was no separate subcommittee to develop CDF proposals.
Dallas	Residents and community organizations that attended nine public meetings held by city council during preparation of strategic plan. City officials and CDC representatives also raised CDF issues	Plan did not specifically address status of CDF in EC or provide quantitative evidence of need. Existing programs and initiatives, however, were a principal source of information, expertise, and design recommendations.	CDF issues were discussed in one of three subcommittees of the Strategic Planning Steering Committee (Physical and Economic Development), though that was not the committee's main focus. Membership included city, county, and state officials, CDCs, nonprofits, and three banks.
East St. Louis	Neighborhood groups interested in housing development; residents emphasized job creation and economic development through increased business stimulation; local officials expressed interest in support for infrastructure and large-scale commercial development	Need for improved access to financing and better management of existing funds well documented	Three of the eight focus groups specifically focused on topics relating to community development finance; other five groups stressed need to explore funding sources and issues of leverage re the use of EC funds
Louisville	CDF was not a distinct issue raised in the strategic planning process. The idea of a community development bank was viewed by all participants in the planning process as a central feature to be included in the strategic plan and imbued in the consciousness of the strategic planning group from the beginning.	A concept paper prepared by Shorebank Advisory Services in June 1993 outlined the need for a development banking enterprise in the city's West-End neighborhoods. A similar conclusion was reached by a 1994 Federal Reserve Study and a Department of Commerce survey highlighted the need for small business assistance.	No specific committee or task force was set up during the strategic planning process to consider CDF in general or the Community Development Bank in particular. The community board created to oversee strategic planning process functioned as a committee of the whole and focused solely on setting priorities.

City	*Who raised issue*	*Evidence of need*	*CDF Committee*
Minneapolis	CDF issues raised in Neighborhood Revitalization Program planning process which predated EC by about two years. Participants included residents, small business owners, bankers, community organizations, and city staff.	EC neighborhoods were cited as having "significant problems in terms of poverty, unemployment, crime, environmental hazards, lack of affordable housing, racism, drug abuse, families in crisis and general resident frustration."	No committee, task force, or other subgroup involved in strategic planning process whose focus included CDF.
Phoenix	Raised mainly by city officials.	City officials compiled and presented a great deal of data, much of it focused on housing.	Two of the Steering Committee task forces were involved with aspects of CDF (Housing and Community Development and Economic Development and Transportation). Steering committee participants included representatives from the city, the community, nonprofits, and businesses.
San Francisco	Raised mainly by neighborhood planning and economic development organizations.	Most important source was personal testimony given by neighborhood merchants, small business owners, and economic development specialists. Other sources included a compilation of earlier planning studies, research reports, and census data.	One of the interagency subcommittees formed by city during preparation of plan was Economic and Business Development.
Tacoma	Business focus groups within EC played an important role in raising issues relating to barriers to business development and expansion.	A variety of needs relating to business development and expansion were listed as well as many assets and opportunities. Focus groups were an important source for much of this information.	Two task forces (Business Development/Retention and Financing Tools) focused on CDF. Participants included representatives from business organizations, community groups, neighborhood councils, labor, and public agencies.

IV. Community Development Financing Strategies Planned or Underway

As described in Section III of this report, framers of EZ strategies in cities across the nation identified improved access to community development financing as among the most important elements in their plans to build more solid futures for their communities. The view underlying many of these strategies was that, because of a combination of accessibility and affordability, the need among members of EZ/EC communities for residential and commercial capital was not being met adequately by traditional financial markets.

New sources of commercial capital and better linkages to existing commercial lenders were sought by EZ/EC sites as the wherewithal that would enable new businesses to form and enable resident businesses – particularly small ones – to grow and flourish, providing a source of present and future employment, goods and services for community members. Providing a source of capital for rehabilitation, construction and acquisition of housing would give residents stronger roots in a more desirable community and fuel sustainability, it was thought. Other uses of community development capital involved public works, such as roads, sidewalks, lighting and other infrastructure relating to public safety and economic development, as well as large-scale, mixed use projects.[70]

The discussion which follows presents the most prevalent strategies and activities concerning community development financing proposed or underway in our study sites, grouped into the three major areas of economic development, housing, and community projects/public works. A more extensive presentation of these strategies, grouped site-by-site, is attached as Appendix C.

[70] EZ/EC sites also included a number of "public safety" strategies involving support for community policing and other activities to help prevent and respond to crime, which are beyond the topics included in this report.

ECONOMIC DEVELOPMENT

Strategies and activities proposed in the area of economic development generally took one of three forms, which were oftentimes interrelated: the creation of *new institutions* or mechanisms to provide commercial capital; the creation of new or demonstrably *tailored lending programs* provided through existing lenders, private and public; and the establishment of "*one-stop capital shops*" or other, related means by which capital and technical assistance were to be pulled together and made more accessible. Other initiatives included mixed-use or *flagship projects* and the creation of *incubators or industrial parks*, where certain aspects of overhead cost are centralized (and technical and peer assistance is provided) as a way of making it easier for new business ventures to get off the ground.

Community Development Financial Institutions

The discussion provided in Section I illustrates something of the range that "community development financial institutions" can take; from chartered retail banks, to credit unions, to nonprofit development and investment corporations. Setting up and capitalizing CDFIs as new financial institutions focused on targeted inner-city areas – found among plans and proposals in the majority of sites in this study including all six Empowerment Zone cities – rank among the most elaborate undertakings in the EZ/EC Initiative as a whole.

Detroit, for example, planned to create a community development bank modeled after South Shore Bank in Chicago, comprising a regulated bank holding company offering residential mortgages, rehabilitation loans and business loans; a for-profit real estate company focusing on housing development; and a nonprofit organization providing support, credit assistance and labor market networking between employers and community residents. As noted, the City of Louisville had been under contract with Shorebank Advisory Services to develop a community bank since 1992, and this same model formed the fulcrum for community development financing initiatives included in Louisville's EZ plan and EC activities.

Baltimore's plan proposed to create a community development bank making loans for housing rehabilitation, commercial revitalization, and local entrepreneurship. The bank was described as part real estate developer, bringing improvement to distressed areas; part business stimulant, making loans to small businesses in the Zone; and part civic institution, to improve the neighborhood's psychological presence. The strategic plan called for a minimum of $15 million to launch a replica of Chicago's South Shore Bank within the East Side of the Baltimore Empowerment Zone.

The strategic plan put together in Tacoma for designation as an EZ proposed to create several entities related to community financing. A Community Development Financial Institution was proposed, expected to raise significant investment funds – early projections were in excess of $35 million – from major financial and other private sector institutions in the region. The CDFI's primary functions were to promote community development, provide lending and investment programs, provide development services, conduct labor force development services and programs, and maintain community accountability for an investment area and for a targeted population.

Tacoma's plans also included a Small Business Investment Company expected to provide $40 million in equity and venture capital to serve the needs of businesses through the various stages of growth and development, including research and development funds, seed capital, first stage financing and venture capital. Lastly, a Certified Development Company was proposed to operate an SBA 504 loan program (long-term, fixed rate financing to businesses coupled with bank financing and owner equity) for the EZ/EC.

Plans for the New York City EZ included a proposal for a privately capitalized andoperated community capital bank and a multi-bank community development corporation. Community-level financial institutions were proposed for each of the four areas comprising the Philadelphia/Camden EZ, capitalized through a combination of EZ and matching local sources. While intended to be organizationally separate, evidence of some degree of central City influence and authority over these CDFI's can be seen in common lending guidelines and the presence of mayoral appointees to their respective boards.

Atlanta's strategic plan identified the need for more community-controlled credit and financial institutions, but did not specify the form for such an institution nor prioritize it as an early pursuit. As described elsewhere in this report, subsequent implementation of Atlanta's community development financing efforts have involved both work on a "Community and Individual Investment Corporation" and a community-based credit union. A community-based credit union was also proposed in East St. Louis, and San Francisco proposed to explore the need for, and feasibility of, newly-created community development financing credit unions.

Lending Programs

The EZ/EC sites in this study also designed and proposed a host of targeted lending programs, delivered either through existing public and private sector entities or through a newly developed mechanism along the lines described above. One notable dimension of the lending programs proposed among EZ/EC sites is size: the most common theory appears to be that pre-existing lending programs were unable to offer loans small enough to enable new, microenterprise activities to form. Consequently, the most prevalent type of new loan program proposed among the EZ/EC sites in our study is the *microloan.*

For example, plans and Benchmarks for the New York City EZ include microloan programs in both Upper Manhattan, through the Business Resource Investment Service Center (discussed blow), and the Bronx. A separate business development fund was proposed for "green industries." Microloans were explicit parts of the lending programs in three of the four community-level financial institutions to be created under the Philadelphia/Camden EZ plan, and a related revolving loan fund was included among the responsibilities of the new Louisville community development bank's nonprofit arm.

Minneapolis' Business Microloan Program is designed as a community-based effort providing low-interest loans not available through traditional financial institutions to small and medium sized businesses for (1) startups; (2) expansion; and (3) encouraging targeted fields (high tech, construction, environmental, youth oriented). The Program was identified as a major priority in the plan for the Near North Neighborhood Revitalization Program, is expected to leverage $560,000 in NRP funds, and is administered by the Northside Economic Development Council.

The proposed EZ in Phoenix was to expand microenterprise program services by implementing a microenterprise technical and financial assistance program, and seeking funding for a new self-employment and enterprise development (SEED) program.

In Tacoma, the Tacoma Empowerment Consortium's Microloan Program was to provide debt capital to eligible borrowers otherwise unable to obtain traditional bank financing. Financing would range from under $100 up to $25,000 and would be accompanied by technical assistance focused on business planning, management, bookkeeping/ accounting, operations, marketing/sales, and other business specific services. TEC was to partner with existing providers (including the Tacoma Community College, Bates Technical College, Tacoma Housing Authority and the Metropolitan Development Council) and link program participants with private sector professionals in offering technical assistance to 115 businesses which were to receive TEC/SBA microloans, under an SBA grant program for which Tacoma had applied.

The Atlanta EZ's strategic plan included proposals for a combined loan/grant program and efforts to increase the type and scope of funds available; $9.2 million was benchmarked for loans and technical assistance, mostly for a new revolving loan fund. Though not reported as being specified in the strategic plan or subsequent program reports, the field associate reports that evolution in Atlanta's loan programs, as described later in this report, is producing separate subprograms that can handle microlending. Chicago's EZ strategic plan included microlending programs and other loan pools in the "tool box," though activities since have essentially been undertaken on a project-by-project basis.

A second dimension among lending programs proposed by the EZ/EC sites in this study is the combination of targeting and matching: the idea that a special loan pool could attract matching capital from other public sources, such as the SBA, and private lenders interested in such loan activity, in part because of CRA requirements, in part because such public participation was thought to minimize risk.

Baltimore's plans included a "HighRisk Capital Loan Fund" (later renamed the 80/20 Fund) to provide seed capital for Zone residents with little business experience or capital deemed too risky for commercial credit. Three area banks agreed to match EZ funds by a 4 to 1 ratio as part of a plan to leverage $20 million to match funds provided by the Small Business Administration.

Detroit's strategic plan included a "Financial Institutions Consortium" comprising a host of private lenders to develop alternative lending programs for the EZ as described in Section III. Boston's seven largest local lenders agreed to a program to promote capital access for business within the Zone. Under the program, the banks were to set aside $35 million in flexible capital and had committed to make available a total of $2.43 million in equity and $.65 million in technical assistance. Participation by private lenders was critical in capitalizing Louisville's community development bank, which is designed to originate SBA-guaranteed instruments as well as attract traditional, private capital at or below market rates. And in East St. Louis several private lending institutions formed a consortium to address the housing, economic development, educational and social needs of low- and moderate-income residents.

Expanded or new targeted funds for start-up business and other community development purposes were included in Los Angeles' strategic plan for EZ designation. In Oakland, the original strategic plan proposed to create a new venture capital fund to support start-ups. By the time Benchmarking and Performance Review reports were filed with HUD, however, the Oakland EEC's plans had evolved into support for a revolving loan fund (to be provided roughly $5 million in Section 108 and $4 million in EDI) expected to leverage private bank support, and a "community and individual investment corporation" (to be initially capitalized by $5 million in Section 108 and $5 million in EDI) which was later dropped due to a lack of local support. Phoenix planned to encourage expansion and retention of small businesses by strengthening existing private, public and nonprofit financing programs, developing a small business outreach program, and developing a small business loan program.

The sole mention of a community development financial component within the Charlotte Enterprise

Community's strategic plan is contained within the description of the Raise Up Neighborhoods (RUN) program, which would provide support for business development activities in EC areas. A small loan pool for start-up businesses is one component of the RUN program which includes other activities, such as setting up referral linkages to local banks, providing technical assistance for loan applicants, business mentoring, targeted business recruitment and business development. The loan pool is intended to provide loans in smaller amounts and on more flexible terms than traditional lines of credit.

The Dallas EC's strategic plan included financial incentives for establishment of core neighborhood businesses determined to be deficient (e.g., grocery stores, hardware stores, pharmacies, health care facilities) through the marketing of existing tax incentives and public/private partnership programs (this evolved into a targeted grant program to complement city-funded lending for these purposes). Dallas' plans also proposed "greenlining" strategies for banks and insurance companies whereby specific groups would be targeted for priority selection of loans and related services, with steps taken to enforce fair lending and underwriting guidelines. Dallas was to establish a "partnership" with mortgage lending and underwriting entities to eliminate discrimination and commit to providing financial services in the EC.

As noted earlier, Los Angeles used its $125 million in SEZ funds to capitalize a community development bank that would offer a wide variety of lending opportunities to meet business development needs in zone neighborhoods. These included a microloan program that would provide loans from $1,000 to $25,000 for business startup, facility acquisition (including land), equipment acquisition, and business expansion and growth; a business loan program providing loans from $25,000 to $500,000 to finance expansion of existing facilities and the acquisition of new plant facilities, business acquisition, franchise acquisition and expansion, cooperative startup and expansions, employee ownership programs, equipment purchases, and permanent working capital; a commercial real estate program providing loans from $500,000 to $1 million to finance projects that not only create or retain jobs but also provide goods and services not otherwise available or eliminate slums and blight in zone neighborhoods; a commercial loan guarantee program ($25,000 to $500,000) for use as a loan guarantee consistent with the lending programs of the community development bank, a loan loss reserve and interest rate/points buy down program that would provide financing of $25,000 to $1 million for small business credit enhancement designed to encourage existing financial institutions to provide financing for commercial and real estate loans; and a venture capital program that would make direct equity investments of $100,000 to $4 million in small and medium sized business located in zone neighborhoods. In addition, Los Angeles would use some of its SEZ funds to fund community-based intermediary organizations to provide pre- and post-lending technical assistance.

"One-Stop" Capital Shops

"One-stop" approaches – together with the lending and technical assistance programming with which they are often associated – were among the most commonly-found community development financing activities in those EZ/EC communities in our study, featured prominently among both planned activities and among those efforts underway. Prevalent when treated as a group, these one-stop shops weave together a number of different interests and concerns and take a variety of forms.

As described by field associates in nearly every sample city, EZ planners were interested in such things as improving networking among small businesses, creating more easily-used and accessible lending instruments, centralizing information on economic development programming to increase the ease of its' use, and pulling together the participation of private sector lenders. One-stop capital shops were seen as part of the solution for these disparate and overlapping interests.

In Atlanta, a planned one-stop shop was to be co-located with a "U.S. Government General Store," providing technical and loan assistance to businesses and "easily accessible to the Atlanta EZ community" which was located nearby. Baltimore's EZ plan included both a proposed "Business Empowerment Center" (BEC) that would provide financing, technical assistance and training and a "One-Stop Capital Shop" (OSCS) to provide business capital and assistance, with support and leadership from banks, the U.S. Small Business Administration (SBA) and members of the community (the OSCS was later combined with, and is operating out of, the BEC). In

New York City, plans for a comprehensive small business assistance program evolved into a one-stop called the Business Resource Investment Service Center, or "BRISC." A similar one-stop linked to SBA loans and services was planned in Detroit, and one was included as one of the few regional initiatives in the Philadelphia/Camden EZ, where most of the elements in the strategic plan were developed and targeted at the neighborhood level.

One-stop shops were not only prevalent among EZ cities. Cleveland's SEZ activities include a Small Business Development Center and the Los Angeles SEZ had a one-stop shop in their EZ proposal. Business services and lending were to be provided by a one-stop shop proposed by the Boston EEC – again, characteristically, combining access to SBA and private lending, technical assistance, access to technology and training – and a similar combination was proposed in Oakland's strategic plan as well. Of the eight EC cities included in this study, all but three – Charlotte, Minneapolis and San Francisco – included one-stop capital shops in their planned activities. Charlotte and San Francisco have preexisting efforts that operate on a different model: networking among a consortia of private lenders that are assisted by the city, through the City Within a City effort in Charlotte and by the Mayor's Office of Community Development in San Francisco.

In Tacoma, the idea of developing a One-Stop Capital Shop was one of four strategies forming the foundation of the city' strategic plan and was one of only two strategies (the other being a training and employment initiative) that were included in the city's revised strategic plan when the city was asked to submit its request for Enterprise Community designation rather than Empowerment Zone designation. According to the Tacoma associate, the planning group, which was largely a grassroots effort that included economic development organizations, ministries, businesses, CDCs, community organizations, and nonprofits, as well as city officials, considered these two strategies to be the initiatives that would have the greatest potential impact in Tacoma.

One of the more notable proposed approaches was found in Chicago, where a special, 38-member committee – representing banks, city and state agencies, nonprofit organizations and community groups, and with staff service provided by the South Shore Bank (regarded by many as the fount of community development banking in the U.S.) – formulated a proposal for a one-stop capital shop as a separate section of Chicago's EZ strategic plan. Interestingly, Chicago's "one-stop" wasn't to be a single location, but rather a network of "packagers" that were to be placed in the offices of existing providers of technical assistance and financing so that a visit to any one of these locations would be the equivalent of one-stop access to the system as a whole. Over the course of implementation, however, this approach evolved and reverted to form: a single-location "main one-stop capital shop" called the Business Assistance Center, with proposed satellite locations.

Industrial Parks/Incubators

Industrial parks and incubators have long been used by state and local economic development actors as a way of encouraging business formation by assuming some of the costs of initial overhead. An added benefit is the ability of the strategy to be targeted, both to given types of firms and industries as well as to certain locations. These features made industrial parks and incubators rather attractive to EZ/EC planners.

For example, Baltimore's strategic plan proposed to establish the Fairfield Ecological Industrial Park as a special, "ecologically sound" version of an industrial park focused on businesses that 'demonstrate to the maximum degree possible closed loop production intended to reduce waste and environmental degradation.' A similar "environmental industries park" was put forward in East St. Louis, where plans also included development of a business incubator, and in Minneapolis, where plans included an environmentally-based business incubator, a material reuse center to encourage both recycling and rehabilitation, two industrial parks and a second incubator offering one-on-one business counseling and loan packaging services.

New York City's plan likewise included a proposal for an incubator, in its' case to support locally-based entrepreneurs in crafts, catering and design businesses, among others. The strategic plan submitted by Los Angeles proposed financing for property acquisition and construction costs as well as incubator space for new start-ups. The incubator proposed in Boston's strategic plan was called the Boston Emerging Industry Center, and it included shared conference and reception facilities, a relationship with venture capital funding, a technology transfer office that helps locate technologies with commercial potential, and a comprehensive education and training program. Louisville's proposed Enterprise Development Center was intended to offer market and management services to both firms in the Center/incubator and to emerging firms in the EC area, while Phoenix proposed to offer technical and financial assistance to those businesses within its' incubator facility.

Flagship Projects

The Oakland strategic plan proposes to use EZ/EC resources to support important "anchor projects" like Fruitvale Transit Village, Seventh Street Revitalization and Electric Car Conversion Facility, with a combination of grants and short-term financing. Following designation, the Oakland EEC planned to devote roughly half of its resources to large, mixed-use "flagship" projects defined as "large scale business development or real estate based projects that will have a significant impact on the EEC neighborhood where it is located." In this regard, \$11 million in Section 108 and \$11 million in EDI resources were allocated for this purpose, distributed across the EEC neighborhoods in proportion to their relative population size.

In Boston, designation as an EEC gave rise to a new activity not previously included in the strategic plan: support for "anchor" projects, described as 'major business development projects in the EEC.' Generally, such projects were to receive a combination of loans and loan guarantees through EDI and Section 108 programs, and provide job creation or retention either through a large-scale business development or through mixed-use projects combining housing and commercial activities.

Other EZ/EC sites provided sizable financial support to given projects of relatively large scale and high-profile, but did so under the broader rubric of a revolving loan program or as isolated community development projects absent the "flagship" or "anchor" moniker. Atlanta's Fulton Bag and Cotton Mill project is an example of the former, while a series of loans in Chicago, for such things as contribution toward the construction of health care facilities, are illustrative of the latter.

Other Economic Development Strategies

The EZ/EC sites in this study provided a variety of notable economic development strategies in addition to those categorized above. These include: targeted neighborhood commercial revitalization, with technical assistance and organizing of retail and business associations (in Baltimore, Detroit, Los Angeles, Boston, San Francisco); financing for land assembly costs related to commercial development and revitalization (in Boston, Los Angeles, Louisville); development of supermarkets, food stores and small commercial strips as employers and a training ground for community residents (Charlotte, New York City, San Francisco); seed money to help local areas establish business improvement districts (in Los Angeles, New York City); the development of concentrated social/commercial nodes (as *town squares* in Louisville; more generally in San Francisco); and targeted seed money for small business start-ups at or near transit stations (Los Angeles).

Technical and regulatory assistance was proposed by EZ/EC sites as well. For example, streamlining regulatory processes (regarding zoning and historic preservation, for example) was proposed to facilitate business expansion in Louisville and Phoenix. Small business resource centers were planned as a way of providing access to technical assistance and technology (in Phoenix; linked to financial assistance through one-stop capital shops in a number of other sites). Lastly, the remediation of contaminated industrial property and the return of these brownfields to productive use was planned in Baltimore, Chicago, Louisville and Minneapolis. The Baltimore Industrial and Commercial Redevelopment Trust may take the idea one step further as an entity that actually takes title to, remediates and remains responsible for the cleanliness of such parcels.

HOUSING

The EZ/EC strategic plans and subsequent program reports among the majority of cities included in this study reflect the devotion of considerable attention and resources to housing. Common topics of interest include encouraging home ownership; improving the housing stock through rehabilitation and new construction of owner-occupied and rental housing, code enforcement and other techniques; strengthening producers of housing such as intermediary organizations; and improving public housing.

Encouraging Home Ownership

Home Finance Initiatives: To increase home ownership in designated areas, a number of EZ/EC sites are creating financing programs to meet the credit and affordability requirements of Zone residents. The Atlanta EZ, for example, benchmarked $7.2 million for a mortgage assistance program, half for the purchase of new and half for the purchase of rehabilitated homes. The program is expected to generate 450 newly constructed homes and another 450 rehabilitated homes. In Baltimore, the Baltimore Community Development Financing Corporation will create a pool of funds in partnership with local banks to provide housing financing for Zone residents who by traditional banking standards are not credit worthy. Baltimore's major employers are to be enlisted in offering a package of incentives to their employees for home ownership in the Zone.

Chicago's strategic plan stated that six banks, plus Neighborhood Housing Services and the Community Investment Corporation, "pledged" $1 billion for affordable housing loans. Among the city's major banks, First Chicago/NBD and Bank of America announced not long after EZ designation that they would target commercial lending efforts to the EZ (no special deals, however, such as below market interest rates). First Chicago said it would commit $240 million in EZ business lending over 10 years (part of a total of $2 billion in lending to low- and moderate-income neighborhoods in the 6-county region. First Chicago also set up a small grant program ($1,500 per deal) to assist first-time home buyers in the EZ with closing costs.

New York City, meanwhile, proposed increasing the pool of mortgage loan guarantees available to low- and moderate-income EZ residents and establishing a first time home buyers fund. Mortgages for first time homebuyers were also the focus of the proposed community development financing institution to be created in the Camden portion of the Philadelphia/Camden EZ.

With respect to housing, the Oakland strategic plan proposes to: use the Community Building Teams (CBT) as outreach workers to increase awareness and utilization of existing federal and city home purchase and rehabilitation financing programs by EEC residents; have the City coordinate various existing services into a *Comprehensive Homebuyer Assistance Program* that would include a locally funded First Time Homebuyer educational workshop and a program for downpayment financing assistance; and have the City of Oakland be an "authorized lender" for Fannie Mae, so the City could negotiate more flexible underwriting standards for potential homebuyers in EEC areas. The Homes for Dallas Initiative would, among other things, increase the availability of financing for home buyers in the City of Dallas. The City's Neighborhood Renaissance Partnership Program (NRP) revitalization plans fund these efforts, supported by a $25 million HUD Section 108 loan and $2.4 million of City funding to directly assist in financing home repairs.

As described in Louisville's original plan for EZ designation, the Kentucky Housing Corporation will provide unlimited single family home loans for qualified residents of the Empowerment Zone; local lenders will provide special mortgage loan products in Zone neighborhoods, at rates below market, to make home ownership possible to the greatest number of Zone residents; The Kentucky Housing Corporation, in partnership with local lending institutions, will provide a $2 million fund for down payment assistance to Empowerment Zone residents; a local partnership with Fannie Mae will be established to provide access to Fannie Mae's affordable housing financing initiative targeted to the Empowerment Zone; the Housing Partnership, Inc. will establish a privately capitalized, $6 million equity pool for affordable housing development projects; reserve the 15 percent annual HOME set-aside for CHDOs for exclusive use of nonprofits working within the Empowerment Zone; establish a Housing Development Fund to provide favorable construction financing and deferred second mortgage loans for nonprofit sponsored housing developments; and utilize the $1 million tax credit designation by the Secretary of HUD for the New Directions Housing Corporation to leverage additional private resources which will assist and expand its capability in the provision of housing support services.

Secondary Market: Baltimore's EZ plan included a proposal to package mortgage loans for secondary market financing. This is expected to provide greater access to mortgage funds than is presently available for Zone residents. Louisville proposed to establish a Housing Development Fund to provide favorable construction financing and deferred second mortgage loans for nonprofit-sponsored housing development within the Zone.

Housing Counseling Programs: Atlanta proposed to create a "self-sufficiency center for home ownership" to provide technical assistance to prospective home-buyers. Baltimore's Village Centers will counsel residents to increase their access to information and opportunities to buy homes. Two housing consortia will be created, one in the East Side and one in the West Side parts of the Zone. The housing consortia will coordinate housing counseling services and facilitate planning and implementation of housing projects within the Zone by linking the Village Centers to qualified housing agencies. Dallas proposed to increase the number of qualified home buyers through credit counseling and home buyer training. Kentucky Housing Corporation will sponsor special classes monthly for Empowerment Zone residents on every aspect of the home buying process.

Improving the Housing Stock

Rehab Assistance for Home Owners/Rental Housing: The Atlanta EZ proposed a $2.5 million rehabilitation program, $2.0 million of which was committed to owner-occupied units. New York City proposed to redevelop several mixed use areas (in the Bronx) using the "sweat equity" model. Loans for home rehabilitation was one of the leading purposes for the community development financial institution to be created in the West Philadelphia portion of the Philadelphia/Camden EZ. Louisville, based upon need, planned to work with local lenders to target and market existing home rehabilitation loans more aggressively within the EC and establish home rehabilitation loan programs with lenders where programs do not yet exist. The strategic plan put together for EZ designation in Phoenix proposed a number of programs to encourage housing rehabilitation by home owners, including a home improvement loan program, a deferred payment program for housing rehab and reconstruction, as well as rehab programs for multi-family rental housing. San Francisco planned to retain and rehabilitate existing housing stock, in part by providing low-interest loans to low-income Mission District home owners for basic rehabilitation.

New Construction: New York City proposed to construct 1,200 units of housing in Manhattan, and 350 units of infill housing in the South Bronx. Dallas proposed to increase the available stock of decent, safe, and affordable housing through repair, rehabilitation of existing homes or construction of new homes. Phoenix proposed multi-family housing development and home owner infill development programs in its EZ strategic plan.

Code Enforcement: To resolve housing code violations in the Zone's neighborhoods, Baltimore proposed to create a Community Inspection Review Board comprising city housing inspectors and community residents nominated, respectively, by the Mayor and the Village Centers. The Board will investigate and attempt to resolve housing code violations and mediate between parties involved in disputes over code violations or landlord tenant problems In particular, the Baltimore Drug Nuisance Abatement Law will be vigorously applied to remove drug-trafficking from Zone neighborhoods. Phoenix proposed a new city housing code and property maintenance ordinance enforcement

Vacant Housing/Abandoned Property Programs: In Baltimore, Village Center Master Land Use Plans will be used to identify vacant and abandoned housing. Efforts will be made to gain control of vacant properties and place them under the authority of community-based housing organizations, in order to convert them into usable and affordable housing for Zone residents. The owners of abandoned properties will be contacted and asked to make improvements. If the owners are unwilling to improve their properties, the Village Centers will initiate legal action. A selective demolition plan will be developed for each Village Center whereby the City will expedite demolition of blighted properties and pay the costs.

Boston's plans included assistance for rehabilitation of abandoned housing and the construction of housing on vacant, City-owned lots. East St. Louis planned to utilize a variety of existing state, federal and private sources to upgrade the present housing stock, expand home ownership opportunities, expand the supply of quality, low-income rental housing, improve environmental conditions in residential areas and expand supportive services for the homeless and special needs populations.

Strengthening Housing Producers/ Intermediaries

Partnership among housing providers and intermediary organizations is crucial. The Atlanta EZ's plans include $1.3 million in operating grants for community development corporations. Baltimore proposed a housing consortium that will consist of Village Center representatives, nonprofit housing development groups, commercial lenders, real estate professionals, government officials, and the Baltimore Community Development Finance Corporation. The consortium will expedite housing development by performing loan packaging, planning, training, neighborhood marketing, and rehabilitation. In Chicago, the Local Initiatives Support Corporation (LISC) has set up a $50,000 fund to assist CDC's with pre-development expenses. Dallas planned to implement Community Development Corporation Master Plans tied to neighborhoods, with the goal to develop partnerships from which to identify resources for plan implementation. Two CDC's developing such plans in the EC are South Fair and Short North Dallas. East St. Louis was to provide technical and financial support to neighborhood groups with HUD Community Outreach Partnership, Neighborhood Development Demonstration and LIFT funds. Louisville planned to compensate participating nonprofits through a per unit development fee, providing both a production incentive and revenue building internal capacity to increase production.

Public Housing

Baltimore plans to involve residents more directly in the management of public housing projects located in the Zone. A community-based management model for public housing will be created that uses nonprofit or for profit management, with resident participation. The Chicago Housing Authority is well into a high-rise demolition program with low-rise replacement housing. Recent CHA activity has been concentrated in or near the Chicago EZ's West Cluster. New York City's plans included support for the New York City Housing Authority's home ownership programs, which provide one-for-one replacement of units. In Boston, modernization – including demolition and rehab construction – was benchmarked for the Orchard Park and Mansion Hill projects. Oakland's initial plan for EZ designation proposed to create a model program with the Oakland Housing Authority that would allow qualifying Section 8 recipients to use vouchers to finance a mortgage instead of rent.

COMMUNITY PROJECTS/PUBLIC WORKS

Baltimore's strategy included the Carroll Park Industrial Area Business Development Initiative, a plan for infrastructure improvements and an aggressive business retention and expansion program. The purpose of the initiative is to improve the infrastructure of Carroll Park in order to expand employment opportunities there by making the industrial area a more attractive and profitable place to do business, with a goal to increase employment in the industrial area by 10 percent within the first two years.

In the Chicago EZ's West Cluster, a major reconstruction of the "Green Line" by the Chicago Transit Authority was recently completed and pending construction of a "super station" is expected to generate development spin-offs.

Atlanta's strategic plan points to the poorly maintained and often-dangerous conditions of street lighting, public streets, sidewalks, parks, drainage and solid waste systems throughout the Zone. The plan commits to improve a broad range of infrastructure as well as repair and improve storm and sewer systems and survey hazardous inventory. However, as with a number of items in the section on community projects/ public works, no SSBG dollars were allocated to meet these objectives.

Boston's approach incorporated sizable capital investments in the proposed EZ area via the City's capital program, for economic development projects; reconstruction of streets, sidewalks, bridges and parks; construction of public buildings to house police, fire fighters and schools; housing infrastructure; port improvements and a seaport access study. Boston's EZ plan also included transportation strategies designed to increase the access of EZ residents to jobs and services within their own neighborhoods, the downtown, the merging growth centers in the circumferential corridor, and the region as a whole; and to provide the access needed for new businesses to grow in the EZ without adverse community and environmental impacts.

Oakland's strategic plan proposed to use EZ resources for a no-interest "loan" to pay for major public works, such as expanding the number of gates at the Oakland international Airport, and a $20 million, 5-year loan to the Port of Oakland to construct an expanded airport aircraft maintenance facility. Also included were plans for "community building teams" to develop, construct and operate at least one cultural facility (unspecified) in each designated neighborhood.

V. Implementation of Community Development Financing Activities in EZ/EC Study Areas

Sections III and IV provide an overview first, of the themes animating the strategic planning process among those EZ/EC communities in this study and second, the content of the plans submitted by those communities for designation and for initial operation as an EZ/EC. As in our previous reports, we sought in this round not only to describe the intent of participating communities but also to offer some measure of the extent to which that intent has been implemented.

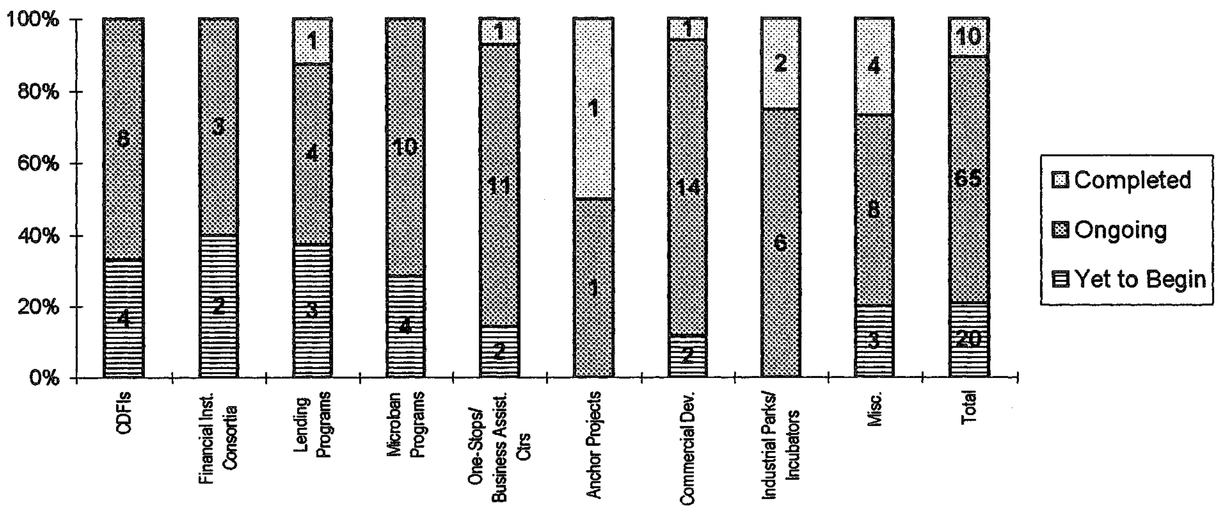
To that end, we asked the field associates to provide a narrative description of each EZ/EC activity, tracking each backward to the strategic plan, noting modifications reported subsequently through Benchmarking and Performance Review documents, recording the current status according to their observation and input from key local informants on the ground, and gauging how far the activity is in implementation. The latter was to be measured against baseline and milestone data identified by the EZ/EC sites themselves.

Additionally, we asked the associates to provide a summary assessment on whether activities/programs: have yet to begin; are ongoing; or were completed.

As in the previous sections, we group community development financing activities below first into three broad categories: economic development, housing and community projects/public works. Next, we group these activities into common subcategories so that similar pursuits can be compared across EZ/EC sites. A more extensive presentation of implementation narratives on community development financing activities is attached as Appendix D, organized by EZ/EC site.

ECONOMIC DEVELOPMENT. Community development financing activities in this category include: (1) *Community Development Financial Institutions*; (2) *Financial Institutions Consortia* [initiatives involving existing rather than newly created institutions]; (3) *Loan Funds*; (4) *Microloan Programs*; (5) *One-Stop Capital Shops*; (6) *Anchor Projects*; (7) *Commercial Development*; (8) *Incubators and Industrial Parks.* and (9) *Miscellaneous.* Their aggregate status is shown in Chart 16.

Chart 16: Completion Status of Economic Development Activities



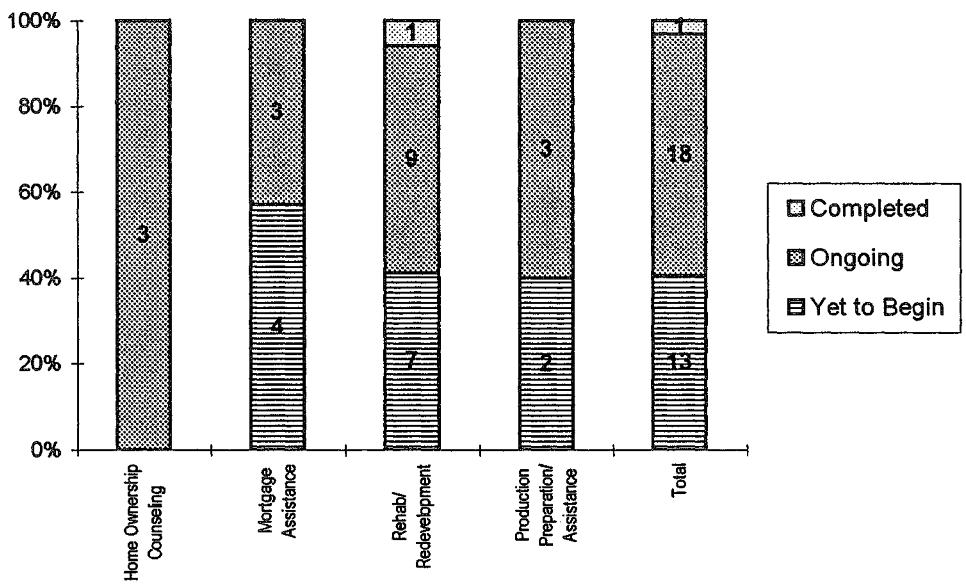
On average, nearly seven in ten economic development-related community development financing activities are ongoing, about one in ten are completed, while a little more than two in ten have yet to begin. Implementation appears to be furthest along on Anchor Projects (an approach that is most pronounced in Boston and Oakland, the two Enhanced Enterprise Community sites included in the study); Industrial Parks/Incubators (in the Boston EEC as well as in the Baltimore and Chicago EZs and ECs in East St. Louis, Louisville and Minneapolis); One-Stop Shops (especially those in Atlanta, Baltimore, Detroit, Boston and Tacoma); and Commercial Development activities (particularly those in Cleveland and Boston).

Twelve CDFIs are at various stages of implementation among the EZ/EC study sites, including four within the Philadelphia/Camden EZ. Of the 12, two-thirds are ongoing with the remaining third under discussion/development as of the end of July, 1997. Apart from the development of a number of credit unions, the predominate CDFI model among EZ/EC sites is based upon replication of Chicago's South Shore Bank (in Detroit and Louisville, for example, with Cleveland's efforts largely preceding the EZ initiative). As in the case of it's financial institutions consortia, an approach also pursued effectively in Boston, Detroit's Community Development Bank has shown notable, albeit early, signs of success.

Loan programs, particularly those targeted to microloans, were nearly ubiquitous among the EZ/EC sites in this study. Many had yet to begin and a large proportion were running behind the schedule anticipated by the respective local site. Successful exceptions to his pattern appear in Baltimore, Cleveland and Phoenix.

HOUSING. Community development financing activities in this category include: (1) *Home Ownership Counseling;* (2) *Mortgage Assistance Programs*; (3) *Rehabilitation/Redevelopment Programs*; and (4) *Production Preparation/ Assistance*. Their status is illustrated in Chart 17.

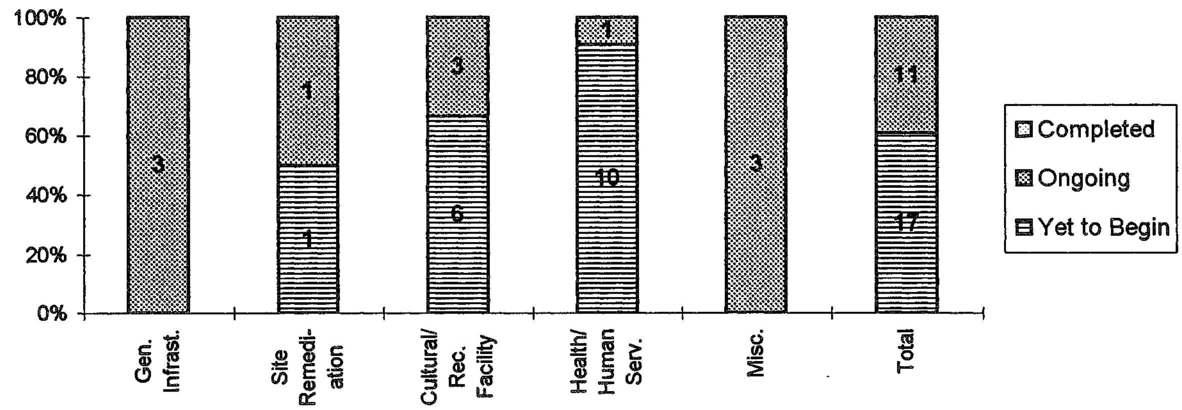
Chart 17: Completion Status of Housing Activities



Fifty-six percent of these housing activities were ongoing as of July, 1997 with another three percent complete and more than four in ten yet to begin. As a subcategory, home ownership counseling activities were furthest along in implementation. All such activities were ongoing, with progress in Baltimore and East St. Louis reportedly running closest to local expectation. Roughly three-fifths of all housing rehabilitation/ redevelopment activities and housing production preparation/assistance activities were ongoing, with the other two-fifths of such activities yet to begin as of July, 1997. Conversely, the majority of mortgage assistance programming among the study EZ/EC sites had yet to begin. Atlanta's Mortgage Assistance Program was characteristic of, and Baltimore's Housing Venture Fund an exception to, this pattern.

COMMUNITY PROJECTS/PUBLIC WORKS. Community development financing activities categorized as Community Projects/Public Works include: (1) *General Infrastructure;* (2) *Site Remediation;* (3) *Cultural/Recreational Facilities;* (4) *Health/Human Services;* and (5) *Miscellaneous.* Activities grouped together as general infrastructure and miscellaneous are further along in implementation than other community development financing Community Projects/Public Works activities. On the opposite end of the spectrum, the strong majority of community development financing health/human service facilities had yet to begin as of July, 1997. Their status is illustrated in Chart 18.

Chart 18: Completion Status of Community Projects/Public Works Activities



Narrative descriptions for these community development financing activities follow. Descriptions of the degree of implementation of *Community Development Financial Institutions* are included for Los Angeles, Louisville, Detroit, Baltimore, Philadelphia/Camden, New York, San Francisco and Atlanta. *Financial Institutions Consortia* are described in Detroit, Chicago, Boston and Oakland. Descriptions of *Loan Funds* are provided for Atlanta, Baltimore, New York, Boston, Oakland, Phoenix, Minneapolis and Tacoma. Descriptions of *One-Stop Capital Shops* are included for Atlanta, Boston, New York, Tacoma and Chicago. Implementation descriptions are to be found for *Anchor Projects* in Boston and Oakland. Implementation of *Commercial Development* projects is described for New York and Boston and assessments of *Incubators and Industrial Parks* in Baltimore, Louisville and Minneapolis are provided.

With respect to Housing: *Mortgage Assistance Programs* in Atlanta, Baltimore, Chicago and Oakland are described. Implementation descriptions of *Housing Rehabilitation Programs* in Louisville, Chicago and Atlanta are included. *Counseling Programs* in Atlanta, Baltimore and East St. Louis are included. Implementation of *Aid to Community Development Corporations* is described for Atlanta and Detroit.

Finally, descriptions of the implementation of *Community Projects/Public Works* activities are provided for Atlanta and Baltimore.

ECONOMIC DEVELOPMENT

Field associates in all 18 cities reported economic development activities in varying stages of implementation that relate to community development financing (see Table 4).

Community Development Financial Institutions

Los Angeles used its $125 million in SEZ funds to capitalize a community development bank offering a wide variety of lending opportunities to meet business development needs in zone neighborhoods. These include a microloan program with loans between $1,000 to $25,000 for business startup, facility acquisition (including land), equipment acquisition, and business expansion and growth; a business loan program providing loans from $25,000 to $500,000 to finance expansion of existing facilities and the acquisition of new plant facilities, business acquisition, franchise acquisition and expansion, cooperative startup and expansions, employee ownership programs, equipment purchases, and permanent working capital; a commercial real estate program providing loans from $500,000 to $1 million to finance projects that not only create or retain jobs but also provide goods and services not otherwise available or eliminate slums and blight in zone neighborhoods; a commercial loan guarantee program ($25,000 to $500,000) for use as a loan guarantee consistent with the lending programs of the community development bank; a loan loss reserve and interest rate/points buy down program that provides financing of $25,000 to $1 million for small business credit enhancement designed to encourage existing financial institutions to provide financing for commercial and real estate loans; and a venture capital program that makes direct equity investments of $100,000 to $4 million in small and medium sized business located in Zone neighborhoods.

In addition, Los Angeles would use some of its SEZ funds to fund community-based intermediary organizations to provide pre- and post-lending technical assistance. These intermediaries have been engaged as "re-lenders" on SEZ microloan and business loan programs, and are expected to do more of that in the future.

The Los Angeles Community Development Bank (as of June 30, 1997) has approved $40 million in loans and has funded $10,036,712.99 to 17 borrowers, who collectively have received a total of 50 loans. Of the 17 borrowers, 10 were located in the target area and 7 were not. To date LACDB loans have created an estimated 286 jobs.

With the exception of loan targets, all other goals of the LACDB have been met:

- LACDB Direct Lending was initiated and significant progress was achieved in Intermediary Lending Program (LACDB is somewhat behind in this area);
- LACDB achieved approximately 50 percent of its $33 million Loan Production Goal;
- LACDB concluded 1996 underbudget;
- LACDB was essentially fully staffed at year-end; and
- In the market research and needs assessment area, the LACDB's efforts continue (not completed).

In **Louisville**, the prime vehicle for community development financing is the Louisville Community Development Bancorp, hereafter referred to as the Holding Company. The Holding Company and its subsidiaries are designated to initiate business interventions and investments that improve local market forces and encourage or sponsor redevelopment. All other strategies and activities found within the Louisville Empowerment Zone Strategic Plan complement functions of the Holding Company and its subsidiaries. The concept and support for the Holding Company originated from the city's 1992 contract with Shorebank Advisory Services to assess the financing needs of Louisville's West End. The resulting proposal served as a key component of the financing strategies underlying the city's application for designation as an Empowerment Zone. The designation as an Enterprise Community with the award of less money made the community development bank even more central to the revitalization than its planners anticipated.

Following the Shorebank model, the Holding Company functions as an umbrella for three affiliates: a retail bank – the Louisville Community Development Bank (LCDB), a for-profit Real Estate Development Company (not yet operational), and a not for-profit Louisville Enterprise Group (LEG). The

Holding Company and its subsidiaries are designed to create synergy with existing community organizations by leveraging existing assets. According to the strategic plan, the Holding Company and its subsidiaries are expected to work closely with the African-American Venture Capital Fund, Business Plus Microloan Program, Minority Contractor Bond Assurance Fund of Kentucky, Inc., Equal Opportunity Finance, Inc., Kentucky Economic Development Finance Administration Small Business Loan Program, Pre-Qualified Women Loan Pilot Program, Kentucky Investment Capital Network, and Business Consortium Fund, Inc. A coordinating role is envisioned for the Holding Company to help direct these programs' funds to the Zone and to maximize their impact.

According to the associates, about $14.88 million has been raised for the Holding Company and its affiliates. Approximately $9.8 million of this was raised in the initial stock offering and another $2 million was committed from CDFI (this has not yet been made available). The EC accounts for $1.3 million (directed towards the nonprofit Louisville Enterprise Group).

The retail bank (LCDB) has been capitalized at about $8 million. About $21 million was committed in deposits before the bank doors opened. Rather than providing a comprehensive mix of services, as would a traditional bank, the LCDB is a specialized development lender for home owners and property investors in the service areas. It is intended to originate SBA 7(a) guaranteed commercial loans, acquisition loans, rehabilitation loans, and home improvement loans, and will take full advantage of federal guarantee programs.

The creation of the community development bank was also intended to attract the attention and resources of traditional financial institutions and redirect some of their investment into West Louisville. It was anticipated that local banks would form partnerships to invest in development projects on an at-or-below market basis. Local bank participation was critical to the initial capitalization of the community development bank. This led to heavy representation by local banks on the Holding Company and LCDB boards.

The Nonprofit Enterprise Group, now known as the Louisville Enterprise Group (LEG), was to be an affiliate of the Holding Company. It was to include several subcomponents including: (a) Revolving Loan Fund, (b) nonprofit Community Development Corporation, (c) Enterprise Development Center (business incubator), and (d) small business administration One-Stop Capital Shop. The associates report that several adjustments were necessary after the award was made for a $3 million EC grant. In particular, the Community Development Corporation and the One-Stop Capital Shop are no longer components of LEG.[71] A partnership with the City of Louisville and Fannie Mae has been established to provide a lease-purchase program that will produce 20 units in an initial demonstration program.

$1 million in EC money was allocated to the Louisville Enterprise Group for start up and operational costs, including staffing, marketing, and administrative expenses. An additional $300,000 of EC money was provided for a Revolving Loan Fund to offer a series of non-bank financial services to include: seed loans, equipment leasing, lines of credit, working capital term loans, subordinated debt term loans, and account receivable financing. The Revolving Loan Fund is also awaiting a $2 million state grant from the Kentucky Economic Development Finance Authority (awarded but not finalized at the time of this writing).

LEG was set up as a 501(c) corporation to ensure that contributions would be exempt from taxes and meet IRS codes. Although this independence is required for tax purposes, LEG is intended to be closely linked to the Holding Company and LCDB. To ensure that LEG does not lose its ties, the boards of LEG and the Holding Company include several

[71] The strategic plan called for the creation of the Community Development Corporation (CDC) under the Enterprise Development Center operated by the Louisville Enterprise Group. The CDC's operations were to complement the efforts for the Holding Company's Real Estate Developer subsidiary. The CDC was to pursue critical retail "anchor" commercial development projects within commercial centers using a variety of financing mechanisms (see also the short description of Town Squares in this section below). The CDC was anticipated to be in a position to broker available commercial support services, provide market analyses, and provide additional non-bank financial products. Although the CDC has apparently not been included in the revised EC plans, LEG did maintain its real estate development objectives and is involved in some housing partnerships with the City of Louisville and Fannie Mae.

In addition, the One-Stop Capital Shop was no longer a possibility. Discussed separately below is the Business Information Center (BIC) and related activities to enhance capital flows in the community provided at the Economic Opportunity Campus (Nia Center) which was an effort to continue this function, although not directly under the Enterprise Group auspices.

overlaps. The community board and executive committee have no direct control of LEG or members on its board of director. However, the president of LEG regularly updates the executive committee on its activities.

A third part of the Holding Company is the for-profit Real Estate Development Corporation which was to acquire and market property in the West End or to develop viable residential and commercial projects. The operating principles of the Real Estate Development Corporation were to create critical masses of development that would result in sustainable markets and neighborhoods. Projects undertaken by the Real Estate Development Corporation would anchor projects that spur further private investment. The Real Estate Development Corporation is to be the last component of the Holding Company activated. According to the associates, designation as an EC has delayed its operationalization, although it is still planned for in the near future.

A partnership between the City of **Detroit**, Wayne County, and Detroit Renaissance, with the assistance of Shorebank Advisory Services of Chicago (SAS), will establish a community development bank holding company (CDB) regulated by the Federal Reserve Board of Governors. Based upon a model developed by South Shore Bank of Chicago, the CDB company will be a for-profit development financial institution which will deliver a combination of products and services. Like Louisville, Detroit's CDB will consist of:

- A regulated bank holding company which will offer residential mortgages, rehabilitation loans and business loans;
- A for-profit real estate development company which will initially focus on housing development; and
- A nonprofit organization which will 1) provide specialized business support services and non-bank business credit for small firms, and 2) work with local organizations to develop market-based labor forces to strengthen the connections between employers and Eastside residents.

The CDB is to eventually receive a total of $2.0 million in Title XX funds and is to raise an additional $59,815,000 to support its operations and lending/investing activities over the ten year life of the EZ program.

With the exception of acquiring or establishing a deposit-taking mechanism, steps necessary to implement the CDB have been completed. In consequence, CDB has completed its first year goals and is into its second and third year goals. It is important to note that the CDB does not yet have a contract and so is not really "on the clock." Even so, this program has made significant progress, has commitments for a substantial portion of its total capitalization and has already taken both debt and equity positions in a few projects in the eastern end of the Zone where it focuses its efforts. It has not, however, yet been able to draw down its Title XX funds. [Having a larger territory than just the Zone and having had a life of its own prior to the Zone, the associates report that it is not clear how much these results to date have to do with the EZ.]

Baltimore's plan proposed to create a community development bank to provide capital resources for economic development in the Zone by the end of the third quarter of 1996. It was to be part real estate developer, bringing improvement to distressed areas; part business stimulant, making loans to small businesses in the Zone; and part civic institution, to improve the neighborhood's psychological presence. A minimum of $15 million was to be used to launch a replica of Chicago's South Shore Bank within the East Side of the Zone. The bank will assist in loans for housing rehabilitation, commercial revitalization, and local entrepreneurship.

The bank has not been created, though it is in the planning stage. No financing for business or real estate has taken place using this mechanism.

With support through an additional "HUD Economic Development Initiative Grant," Baltimore is also implementing a Community and Individual Investment Corporation with initial capitalization through the $1.5 million HUD grant and $1.5 million in loan guarantees. This initiative is in the very early stages of development. EBMC is seeking a consultant who has experience organizing CIIC's to help get the initiative off the ground. To date, only the search for the consultant has been undertaken.

Community-level financial institutions were proposed for each of the four areas comprising the **Philadelphia/Camden** EZ. They were to be capitalized through a combination of EZ and matching local sources. While intended to be organizationally separate, evidence of some degree of central City influence and authority over these CDFIs can be seen in common lending guidelines and the presence of mayoral appointees on their respective boards.

Both North Central Philadelphia and American Street have incorporated new not-for-profit organizations to fulfill the community financing aspects of their Strategic Plans. In American Street, the administrator is an on-loan executive from Core States (a large regional commercial banking corporation). In North Central Philadelphia, the Chair of the Governing Board is an experienced banker in the Philadelphia area. The West Philadelphia Economic Development Committee has yet to formally incorporate a lending institution but has been taking in applications in anticipation of incorporation. Early application has allowed for some technical assistance that would be required in any event.

New York City's EZ plans included an equity investment in a credit union. The Neighborhood Trust Federal Credit Union (NTFCU) is a nonprofit established and administered by Credit Where Credit is Due, Inc. in New York's Washington Heights/ Inwood area. The credit union conducts bi-monthly workshops on basic personal finances and other topics such as setting up a budget, how interest is calculated, and how the banking industry works. NTFCU also offers savings accounts for individuals and organizations in the community and provides personal loans for up to $5,000. These loans are an alternative to area loan sharks or "prestamistas" who charge exorbitant interest rates. Currently, they have 280 members (even though 1,100 people pledged to become members) and $360,000 in assets. They conduct approximately 20 transactions daily.

As the result of a competitively awarded RFP, the EZ provided $175,000 in equity, a $75,000 loan and a $46,250 grant to Credit Where Credit is Due. Other funders include New York City through a CDBG contract, New York State through the Neighborhood Based Alliance program, private foundations (Altman, Tides, New York Community Trust), and corporations (De Witter, Citibank, Chase, JP Morgan, Republic, Fuji). Credit Where Credit is Due is ongoing but behind schedule.

The **San Francisco** EC has provided support for a Youth Entrepreneurship Training Program/Youth Credit Union. This initiative focuses on providing job training and financial management experience to youth in San Francisco's Mission and South of Market neighborhoods. It is run by the Mission Area Federal Credit Union, which is a community development credit union, in collaboration with Mission Economic Development Association, South of Market Foundation and Arribas Juntos. Although capital access is not the main focus of this program, it does provide savings accounts with very low account limits for children and youth, and does provide small loans to children and youth. Twenty-five youth from South of Market and Mission District were to be trained. The program has met 280 percent of that target.

The project is ongoing, but somewhat behind schedule in that the business plan was to be completed in December of '96, but was still in progress as of April 1997. Round One funding was $40,000 from the Mission and SoMa Enterprise Community neighborhood funding pools. Round Two funding included an initial $31,038 from the Mission and $12,000 from the SoMa. Concerned about the viability of the program after the SoMa agreed to fund less than one-half of the amount originally agreed upon, the Mission NPB allocated an additional $17,000 of its funding set aside for new projects to this project. The total second round funding was approximately $60,000.

Atlanta's EZ Strategic Plan noted the need for community-controlled sources of capital, such as a community-based credit union. The Community Empowerment Advisory Board (CEAB) has been most active in this project to date and is currently in the preliminary stages of the recruiting process for the 2,000 signatures needed to begin this project. Community leaders are facilitating this process, while the CEAB is holding Town Hall meetings to provide residents of the Zone with more information about the project and plans to collaborate with the Federation of Southern Cooperatives in setting up the credit union. The CEAB is attempting to leverage additional dollars for this project from community organizations such as the Black Clergy and other church-based groups. The proposed site for the credit union is the present CEAB office which already has a bank-like set up because a Visa office previously occupied the space. This community credit union is still in the very early stages of implementation.

Financial Institutions Consortia

In **Detroit**, representatives from Comerica Inc., First of America Bank, First Federal of Michigan, Liberty Business and Industrial Development Corporation (BIDCO), Greater Detroit BIDCO, Michigan National Bank, NBD Bank Corp., Detroit LISC, First Independence, Standard Federal and First Nationwide have established an Empowerment Zone Financial Institutions Consortium (EZFIC) as a private partnership to develop alternative lending programs for the Zone.

This program neither sought nor received Title XX funds. Beyond the lending commitments of member institutions, Detroit Renaissance will raise another $1.5 million over the next years from EZFIC members to support the Consortium's activities.

At the time of the strategic plan, the EZFIC was expected to generate $50 million in capital and credit in year one and $61 million in capital and credit in year two. Having reached $606 million - 60percent of its ten-year lending goal – in less than three years, the EZFIC is dramatically ahead of schedule and would appear to be the Empowerment Zone program of any type which has made the most progress.

Chicago's EZ Strategic Plan stated that six banks, plus Neighborhood Housing Services and the Community Investment Corporation, "pledged" $1 billion for affordable housing loans. Among the City's major banks, First Chicago/NBD and Bank of America announced not long after EZ designation that they would target commercial lending efforts to the EZ (no special deals, however, such as below market interest rates). First Chicago said it would commit $240 million in EZ business lending over 10 years (part of a total of $2 billion in lending to low- and moderate-income neighborhoods in the 6-county region). First Chicago also set up a small grant program ($1,500 per deal) to assist first-time home buyers in the EZ with closing costs.

The First Chicago bank programs – the Downpayment Assistance Program and the commercial lending commitment – are both moving along according to schedule. As of June 30, 1997, they have worked 36 downpayment deals, at $1,500 each. This comes to $54,000 out of a total of $100,000 set aside. First Chicago has also made $35.2 million worth of commercial loans, out of a committed $240 million.

In **Boston**, five banks (BankBoston, Fleet Bank, State Street Bank and Trust Company, US Trust Company, and Citizens Bank) agreed to set aside $35 million for EEC lending activities over a 5 year period. All these banks, except State Street, send a lending representative to the Boston Empowerment Center three hours each week to meet with potential borrowers. Among these banks, only US Trust Company has defined specific lending programs targeted for EEC businesses.

US Trust provides working capital lines of credit or term loans to purchase equipment or to finance capital improvement to qualified businesses located in the EEC. The loans are made at a below market interest rate for the first $250,000 and can be further discounted by 1/2 percent if payments are made by a direct monthly charge to a US Trust deposit account. US Trust also provides loans for up to $250,000 to acquire or rehabilitate commercial real estate located in the EEC for a business' own use (rather than as a real estate venture). Loans to nonprofit organizations are available at a below market interest rate for loans up to $250,000 to finance the acquisition or rehabilitation of a non-residential property in the EEC. For projects that qualify for federal EEC funds, US Trust will provide a below market interest rate loan for up to $750,000. US Trust has also initiated a "Second look" mechanism whereby loans over $100,00 that are denied will be given a second look, all within a 48 hour decision time framework. This bank also initiated a marketing campaign with two promotional mailings to small businesses in the EEC whose names were purchased from a private data base. US Trust has made approximately 51 loans in the EEC this past year, with 22 loans of $100,000 or less, and the remaining over $100,000. These loans have ranged from a low of $1,000 to a high of $6.72 million.

The banks, in general, view the $35 million EEC commitment not as a new lending program but rather as part of their Community Reinvestment Act obligation or general lending activities. No regular meetings are held among the banks and there is no reporting mechanism to inform the city of loan volume, total loans and average loan amounts made within the EEC.

As described in **Oakland's** 1996 Benchmarks report, the EEC One-Stop Capital Shop partners (City, SBA, CDCs, Bank partners) would negotiate with representatives from local banks to pledge approximately $10 million, using Section 108 and EDI funds as leverage, toward a new commercial lending program for EEC and other low-income area businesses. All funds would be contributed from local lending institutions and Community Building Teams and local nonprofits in the 'Partnership Provider Network' would provide outreach on availability of loans to EEC residents, and gather feedback to evaluate lending efforts by surveying EEC loan clients. This effort has yet to begin. According to the associates, local sources inside and outside city government generally concur that the EEC effort has not yet not effectively leveraged private capital or encouraged the traditional lending community to contribute to development in the EEC areas. Although new attention is being redirected to efforts to renew EEC commitments from private lenders and three local banks have set up offices in the OSCS, they continue to administer only traditional and government guaranteed programs.

Loan Funds

The **Atlanta** EZ's revolving loan funds represent the program's most direct efforts to provide capital to Zone residents at the community level. Over the past two years, the AEZC has administered a $3.3 million loan fund available to existing Zone businesses and corporations interested in relocating to the Zone, and from which it made several sizable loans for these purposes. However, the Georgia Department of Community Affairs became concerned that the city was approving economic development loans out of the revolving loan fund benchmark, even while there was no formally established revolving loan fund and no specific criteria governing its operation in place. In addition, CEAB members were concerned that the board was funding projects (several that involved relocation of businesses from outside the zone) out of "its benchmark" which was depleting the amount of resources that would be available for investment in creating new businesses that would be owned and operated by zone residents. Consequently, part of this initial fund has since been delegated to the CEAB while the AEZC works to establish a second, larger fund.

The "CEAB revolving loan fund," with a $2.1 million budget drawn from the remaining funds from benchmark 14.3 and funds under benchmark 14.1, will now focus primarily on smaller "mom and pop shops" or neighborhood-based entrepreneurs already operating in the Zone. The fund will be managed by a review committee made up of CEAB members and other individuals with banking expertise to approve loans in the $500 and $50,000 range, while the entire CEAB will be required to approve loans for amounts over $50,000. The associates were advised by local sources that the EZ board will not have to approve loans granted from the CEAB revolving loan fund. The second revolving loan, approved at the May 12, 1997 EZ Board Meeting will create a $6 million pool of money for large-scale projects involving larger corporations wishing to move into the Zone, with loans expected to range from $100,000 to $1,000,000.

The Empower **Baltimore** Management Corporation (EBMC) has designated a total of $5.5 million to create four tracks of business financing. The four tracks include microbusiness loans up to $50,000; small business loans from $51,000 to $500,000, funds for equity investments in businesses; and grants and loan funds for brownfields revitalization. $3,000,000 has been budgeted for this last item.

In keeping with its usual operating procedures, EBMC has developed RFPs to recruit managers for these four tracks. Three of the four tracks have selected potential managers. The other (microbusiness loans) will re-issue its RFP. The Board has authorized EBMC to enter into contract negotiations with the three selected managers.

This initiative is still in the organizing stage. None of the funds has yet solicited applications. None of the loans or grants have been provided for business financing.

Baltimore's EZ plan also includes a High Risk Capital Loan Fund to finance businesses that are deemed too risky for commercial credit. The fund will target Zone residents with little business experience or capital. Three area banks have agreed to match Empowerment Zone funds by a 4 to 1 ratio to provide seed capital for high risk, small businesses in the Zone. The plan is to leverage $20 million to match funds provided by the Small Business Administration. The loan program was allocated $1 million in EZ (SSBG) funds for 5 years.

Originally called the High Risk Loan Fund, the "80/20" loan program provides loans for fixed asset purchases and working capital to businesses located in the Zone. The purposes of these loans are to stimulate employment and business investment within the Zone. The 80/20 program targets small growing businesses, with special emphasis placed upon minority and women-owned businesses currently in the Zone or ready to re-locate to the Zone.

Applicants must obtain at least 80 percent of their total business financing from other sources, such as banks or investors. The 80/20 loan program will finance the remaining 20 percent of the total loan from a minimum of $10,000 to a maximum of $100,000. Applicants should be a for-profit enterprise which meets the "small business" requirements established by the U.S. Small Business Administration. Start-up businesses will be considered if the business is willing to commit to hiring at least 40 percent of its projected workforce from Zone residents. Although specific terms and conditions of the loans vary, the following general guidelines apply: working capital, up to 5 years; equipment loans, up to 10 years; and real estate loans, up to 20 years. Interest rates vary depending upon the individual features of deals. A 1 percent origination fee will be applied. Baltimore Development Corporation is the manager of the loan fund.

Performance Review information for the "high risk" loan fund indicates that 10 business will be financed using this mechanism. There has been one business financed using the 80/20 program so far, and two more are pending.

New York City's EZ strategy includes BO$$ (Business Opportunity Success System). BO$$ is a microloan program established by and located in the Washington Heights Inwood Development Corporation (WHIDC) in Upper Manhattan. It provides capital and technical assistance and is targeted to legal street vendors and in-home businesses with less than ten employees and annual sales of under $500,000. The loans granted range in amount from $400-$20,000 with the average loan being between $12,000-$15,000. The current interest rate is 11.5 percent per year. Since many applicants do not have credit histories, loan criteria are based on personal references and consistent payment of rent, utilities, and phone bills.

The EZ provided a $25,000 grant and a $200,000 loan to bolster the BO$$ program, which is ongoing but behind schedule. The total project cost is $450,000. Other funders include private foundations, corporate grants, the Empire State Development Corporation, and the Treasury Department through CDFI funds. The BO$$ program is administered by the WHIDC and was selected through a competitively awarded RFP. The program is linked to other programs through referrals to PACE, BRISC, UBAC, and commercial lenders. They also host the Trickle Up Program.

Rather than capitalize a single community ban or loan fund, the **Cleveland** SEZ has deployed it's resources through a team of business organizers in the five community development corporations in designated Zone neighborhoods. These organizers provide outreach and technical assistance relating to a package of five loan programs available through the SEZ. Loans may be made for up to 90 percent of the total project cost and require a minimum 10 percent cash investment by the borrower. Financing available to SEZ businesses include:

- *Real Estate Loans* ranging from $25,000 to $5,000,000 for commercial development of real estate at a 6 percent fixed rate for up to 15 years.
- *Machinery & Equipment Loans* ranging from $25,000 to $1,000,000 for machinery and equipment associated with commercial activities at a 6 percent fixed rate for up to 7 years.
- *Acquisition & Development Loans* ranging from $250,000 to $2,000,000 to acquire, assemble and remediate land for commercial development at a 6 percent fixed rate for up to 5 years.
- *EZ Business Opportunity Program I (EZ BOP I)* small business loans with rebate for business improvements including interior and/or exterior renovation at a 6 percent fixed rate for up to 10 years, with 40 percent rebate at completion of project. Maximum loan amounts are up to $50,000 for interior or exterior; up to $125,000 for combined interior/exterior; up to $30,000 for parking lot improvement/landscaping and up to $155,000 in total.
- *EZ Business Opportunity Program II (EZ BOP II)* microloans ranging from $1,000 to $30,000 for existing businesses at a 4 percent fixed rate for

up to 10 years. Borrowers will also receive technical assistance.

In order to qualify, businesses must be willing to hire residents from the SEZ; the project must be located within the Zone and must create new jobs, retain existing jobs or provide services to low-income residents; and businesses must meet job creation and other federal, state and local regulations.

On July 16, 1997, the City Council approved six EZ-BOP loans and the funds have already been disbursed to the grantees, described by the associates as "record turnaround time."

The City of **Boston** has targeted its two business loan funds to the EEC. The Boston Local Development Corporation (BLDC) is a private nonprofit corporation administered by the Boston Redevelopment Authority/EDIC of the city of Boston. In the EEC, BLDC provides loans for $25,000-$150,000. The Public Facilities Department (PFD) of the city of Boston provides loans of $150,000-$250,000. HUD 108/EDI is used for loans $250,000 and up. The primary reason for targeting HUD 108/EDI money for large loans is the transaction costs involved in processing each loan, thus making small size loans infeasible. Through June 30, 1997, BLDC had approved or closed on nearly $600,000 in loans for 10 businesses in the EEC since July, 1995. PFD has thus far committed to four loans totaling $808,000 to businesses in the EEC for Fiscal Year 1997.

Also in Boston, the Jewish Vocational Services (JVS) operates a SBA funded microlending program, with program staff operating primarily out of the BEC/One-Stop Capital Shop. Loans are made up to $25,000, but seldom exceed $10,000. The JVS microenterprise program provides business training in entrepreneurial skills, business planning, marketing, management and loan packaging for both start-ups and existing small businesses. In addition, focused workshops and one-on-one counseling focus on specific operational and business development issues facing small businesses. While the program serves a broader area than the EEC, its was established as a direct outgrowth of Boston's EEC effort. The JVS has thus far made approximately 17 loans in the EEC for $87,500 according to a recent EEC summary report, entitled "State of the Zone."

Oakland's plans to establish a Revolving Loan Fund (RLF) with some portion of the Section 108/EDI resources shifted a number of times over the first two years of the EEC program. According to the Performance Review, EDI/Section 108 funds not used for "flagship" projects or for a planned Community & Individual Investment Corporation would be made available for a revolving loan fund "to spur entrepreneurship and job creation in EEC areas." Plans for the CIIC were later dropped, and the remaining EEC Section 108 and EDI funds were allocated to capitalize the Revolving Loan Fund. In March 1997, City Council approved a staff recommendation for a permanent structure for the RLF. The EEC RLF will be administered by CEDA staff through the OSCS. CEDA staff will market the availability of funds through mailing lists of EEC residents and businesses and the local media, conduct financial analysis of applicants, and determine who gets loans under $100,000.

$11M Section 108 loan guarantees were allocated to the EEC RLF, dispersed across five programs:

- $ 500,000 to a Microloan Fund
- $ 3,000,000 to a Targeted Industry Automation and Retooling Program
- $ 4,375,000 to an Identified Community Commercial Area Needs Program to revitalize commercial strips in EEC areas
- $ 2,000,000 to a Small Business Lending Program
- $ 1,125,000 to a Franchise Opportunity Program for loans set aside to capitalize franchise businesses started by EEC residents.

According to the associates, local sources anticipate that CEDA will contract out management of at least one RLF program (the Microloan fund) to the CDC that administers the city's CDBG Microloan program (Oakland Business Development Center). This CDC is a primary partner in the OSCS and has a good reputation for low loss rates with the City of Oakland on its other city guaranteed loan programs. CEDA staff will attempt to administer the other RLF programs. When the CBT program begins again, the CBT members will be used to do outreach about the availability of EEC RLF capital under all programs. The plan is to have CBT members and the city's interagency Area Teams be especially active in helping CEDA direct funds to businesses in the Identified Community Commercial Area Needs Program. OSCS technical assistance resources (intake and referral desk, BIC, programs offered by technical assistance and training partners) will assist EEC businesses and resident entrepreneurs prepare for and gain access to the RLF capital. This program was approved by City Council and has been assigned to CEDA staff at the OSCS who are preparing to advertise the availability of the program, but it not expected to be ready to begin making loans until at least September 1997. One goal for this program as stated in the Revised Benchmarks approved on June 24, 1997 was to provide at least 24 loans totaling $5 million to EEC residents to start new businesses.

One thrust of the **Phoenix** EC's approach was designed to provide two mechanisms (financial and technical assistance) to help establish new businesses and help already existing businesses in the EC area to grow, thereby creating additional new and permanent jobs in the private sector. Called EXPAND, this program partners government with private lending institutions (on as estimated 1:2 funding ratio) to facilitate loans (through collateral enhancement) of $50,000 to $300,000 to small businesses. Baseline measure of unemployment in the EC area is 14.8 percent, while overall city-wide unemployment is less than 4 percent. The performance measure for this benchmark is one new job created for every $10,000 invested in small businesses (overall goal of 70 new jobs). Funding for this benchmark is $392,000 from EC monies. The EXPAND loan program is administered by the Economic Development Administrator of the City's Community and Economic Development Department. Business technical assistance is rendered via subcontract with consultants or via two business development/resource centers funded under another, related strategy.

The second strategy is designed to provide two mechanisms (financial and technical assistance) to help small businesses in the EC area to expand, thereby creating additional new and permanent jobs in the private sector. Called the EXPAND Microenterprise project, this program partners several government sources with private lending institutions to create a revolving loan pool for direct loans of $25,000 to $50,000 to small businesses in the EC area. Baseline measure of unemployment in the EC area is 14.8 percent, while the overall city-wide unemployment is less than 4 percent. The performance measure for this benchmark is one new job created for every $15,000 invested in small businesses (overall goal of 50 new jobs). Funding for this benchmark is $450,000 from EC monies; $200,000 from CDBG monies; and an estimated $1,950,000 to be contributed by private lenders. The EXPAND Microenterprise loan program is administered by the Economic Development Administrator of the City's Community and Economic Development Department. Technical assistance is rendered through sub-contracts with individual consultants or through the small business resource centers located in the EC area developed in partnership with Chicanos Por La Causa and the Greater Phoenix Urban League and supported with $75,000 from CDBG funds.

Since program start-up, 49 businesses have obtained EXPAND loans. Of the 49, 43 still have loan amounts outstanding (totaling $8,763,250). These 49 businesses have created or are in the process of creating 360 jobs within two years from the loan initiation. The City estimates this program is producing one new job for every $5,510 of EXPAND collateral. Twenty-five of these projects are located within the EC, eight are minority-owned, and five are owned by women. The funding now available is $975.000. The program administrator expects to finance 16 additional projects during fiscal 1997-98.

Minneapolis' Northside Microloan Program is administered by the Northside Economic Development Council, a nonprofit organization created specifically for this purpose. Selection was awarded through contract. The activity is designed to target the Near North neighborhood in Minneapolis. EZ/EC funding for this project equals $373,169. Other funds include $560,000 in Neighborhood Revitalization Program funds and the program operates in collaboration with NRP and the Minneapolis Community Development Agency. Northside Microloan Program baseline: twenty North Minneapolis businesses have applied or expressed an interest in applying for loans through the program. The performance measure is identified as making 20 loans in two years to north Minneapolis EC businesses. This program has received applications and approved loans. It is ongoing but behind schedule.

The **Tacoma** Empowerment Consortia's (TEC) microlending program provides debt capital to eligible EC businesses and residents who are otherwise unable to obtain traditional bank financing. Loans are available for businesses established within the EC (although individuals receiving the loan do not have to be residents of the EC).

The total budget for the TEC Microloan Fund in 1997 and 1998 is $447,674. Of this, $47,674 is devoted to staff salaries and operations expenses. $400,000 is available for the TEC Microloan Revolving Fund. The EC grant provides the sole source of funding for this activity. The program is administered by the TEC (The loans were to be managed by a loan service, but this proved to be too costly. The TEC Board decided that an internal staff structure would be better.). Microloan Fund activities take place in the Tacoma Business Assistance Center – a storefront office in downtown Tacoma which Key Bank provides to the TEC for $1 per year in rent.

The Microloan program links with the Employment Initiative, Tacoma's job development program. Recipients of EC Microloans are required to sign a "First Source Agreement" in which they agree to consider EC residents first when making hiring decisions for their small businesses, though they are not be required to hire an EC resident. The Microloan Fund is also linked to the One-Stop Capital Shop and to Technical Assistance activities of the TEC. They all operate from the Tacoma Business Assistance Center. Business counselors are versed in all of the services housed there and refer people to appropriate business options.

One-Stop Capital Shops

In **Atlanta**, "one-stop shopping" for government services was at the core of the economic development section of the Strategic Plan. Located outside the EZ boundaries in City Hall East (a recently refurbished Sears distribution warehouse where a variety of government and quasi-public agencies, such as the Atlanta Project, are based), Atlanta's newly established One-Stop Capital Shop opened on February 12, 1997 and provides small business owners and potential entrepreneurs with technical assistance and greater access to capital. This effort is a partnership between the Atlanta Empowerment Zone Corporation (AEZC), which is providing $1,016,110 in SSBG funds, the Small Business Administration, and the City of Atlanta. The OSCS is staffed by five AEZC-funded employees including the Executive Director and two full-time people from the SBA.

Zone residents interested in starting their own businesses can utilize the services of the OSCS to access a wide range of local agencies, as well as approximately 19 different financial institutions. These agencies include: Atlanta Economic Development Corporation, Atlanta Minority Business Development Center, Economic Development Corporation of Fulton County, Entrepreneurial Development Loan Fund, Georgia State University, Georgia Certified Development Corporation, GRASP, SCORE, UGA Small Business Development Center, US General Store, and the Women's Economic Development Agency. The Atlanta OSCS is reportedly the only center in the nation to house a US General Store and OSCS in the same location. This collaboration allows potential clients to access representatives from 10 different federal agencies and obtain information from 18 other government agencies, in addition to the information and technical assistance made available by local organizations. The OSCS also plans to incorporate State agencies in the future – the Georgia Secretary of State's Small Business Office and the Georgia Office of Minority Women Businesses both have plans to house agency representatives at the shop.

The Atlanta associates report that the OSCS has been quite successful in providing business information and technical assistance, but the substantial provisions of capital have not yet occurred. Moreover, although there is an acknowledged need for microloans (of approximately $500 - $25,000) for new and struggling small businesses, most of the banks and agencies involved currently in OSCS provide large loans. Potential sources of smaller loans include the State of Georgia, which recently passed a $150 million microloan initiative, and the Community Empowerment Advisory Board's revolving loan fund, which is directed toward borrowers who may also need and benefit from the technical assistance available through the OSCS.

The OSCS is, in the view of the associates: "One of Atlanta's best examples of collaboration within the EZ initiative. The shop has brought together multiple local, state, and federal agencies in order to make starting and/or maintaining small businesses a much more efficient process for both Zone and non-Zone Atlanta residents alike. While providing access to microloans and greater capital is an important future imperative of the OSCS, this program has made significant progress in supporting entrepreneurship through its one-stop provision of business information and counseling services."

In **Boston**, the One-Stop Capital Shop/Boston Empowerment Center has been established in part of a renovated former Digital Equipment plant in Roxbury. This initiative has co-located information, technical assistance services, and staff from multiple business finance programs at one site that is accessible to EEC residents and to historically underserved communities. According to the field associate, the Center has created a stronger focus on serving the EEC community among federal and city agencies, and has increased coordination and fostered collaboration among these players. The Center is staffed by the SBA, the Public Facilities Department, Boston Redevelopment Authority/EDIC, the Internal Revenue Service, General Services Administration, the Defense Department (for procurement opportunities), and SCORE (Service Corps of Retired Executives). The SBA-Microloan Demonstration Program, administered by Jewish Vocational Services, and the Boston Local Development Corporation loan fund is operated out of the One-Stop Capital Shop. Bank representatives are on site daily to consult with individuals, business owners and program staff. Since the Center opened, 1,458 clients have received technical or management assistance. Of these, 1458 clients, 233 or 16 percent are located in the EEC. These 233 EEC residents include 176 blacks (76 percent), 13 Hispanics (6 percent), 105 starting up businesses, and 76 women-owned/operated businesses.

The SBA staffs multiple loan programs at the center, including the JVS microloan program, the 7(a) Low Doc program, programs for working capital and lines of credit, a DELTA program for Department of Defense contractors, and the 504 program. The SBA has thus far provided businesses 86 loan guarantees for $13.1 million, with 40 loans totaling approximately $5.5 million for FY 1996 and 46 loans totaling $7.6 million for FY 1997 through June 30, 1997.[72]

In **New York City**, a Business Resource and Investment Service Center (BRISC) was created to provide capital and technical assistance to entrepreneurs and small businesses in Central, East, and West Harlem, Washington Heights and Inwood, encompassing the Upper Manhattan portion of the New York City Empowerment Zone. BRISC provides small business loans from $25,000-$200,000 for purchasing equipment, leasehold improvements, and working capital. It also provides technical assistance through individuals and the Business Investment Center (BIC). BIC is a reference center and work area where clients can research how to start and run small businesses, learn how to write business plans, locate industry specific information from the SBA, and access computers, a fax machine, and a photocopy machine.

The BRISC was capitalized with a $1,250,000 SSBG grant in FY 1997: $750,000 for administrative expenses; and $500,000 for the investment fund. BRISC was created by the Upper Manhattan Empowerment Zone Development Corporation (UMEZDC) and is linked to other programs and has relationships with other organizations to which it refers clients. A partial list of these organizations includes: commercial lenders; niche lenders such as the Harlem Loan Fund (which provides loans under $25,000); Pace Small Business Development Center (financial packages); Service Corps of Retired Executives (SCORE – which provides business assistance); and Budget, Credit and Counseling Services (BUCCS – which provides counseling in these areas and works with clients to improve credit).

BRISC is also an intermediary under the SBA's Minority Pre-Qualification Loan Program and the SBA's Women Pre-Qualification Loan Program which provide an 80 percent SBA loan guarantee that can be presented to a commercial banker. BRISC also hosts the Trickle-Up Program which is a program that provides $700 grants to micro entrepreneurs to develop business plans and better management techniques. BRISC is ongoing and on schedule.

To foster business development in **Detroit**, the Small Business Administration (SBA) will establish a One-Stop Capital Shop (Business 2004) to centralize programs offered by the SBA and local service providers. Business 2004 is designed to help business owners, entrepreneurs and community-based organizations determine their specific needs; identify courses of action, provide technical and managerial assistance; and obtain access to capital and creditUS SBA and EZFIC member institutions will base

[72] These figures reflect loan guarantees to any business in a zip code falling inside the zone, and thus the figures may include loans for businesses on street addresses that fall outside the boundaries of the zone. SBA computers have not been set up to narrow the data down to Zone level.

personnel at the One-Stop and give applicants referred from the Capital Shop who have successfully completed viable business plans special status in the loan application process.

The program received an allocation of $1,361,000 of Title XX funds and has already drawn down $254,000. The One-Stop project is receiving an additional $3.3 million of in-kind support, an additional $766,000 in non Title XX public sector support and $1 million in private funds over the coming years.

A new 501(c)(3) organization was established specifically to implement the One-Stop Shop. The program is physically based at 2051 Rosa Parks (south of Michigan Avenue) at the south end of the Zone's central sector but serves the entire Zone.

As specified in the strategic plan, a main One-Stop Capital Shop and two outreach centes were to be opened in the first year. By year two, the OSCS was to: establish 10 new business (5 started to date) secure an additional $10 million in loans for small businesses ($6.0 million secured); provide 10 small businesses with Manufacturing Assessment Methodology analyses of their companies; and have 20 companies to participate in the bidding process (5 have secured contracts).

The project is well into second year goals during this first year of Title XX funded operations If one were to focus on when the City of Detroit actually authorized the One-Stop Capital Shop to proceed to implementation rather than the timing specified in the original EZ Strategic Plan, this program would be one year ahead.

Tacoma's One-Stop Capital Center is to provide existing and prospective small businesses with a variety of capital and technical assistance products and services. The Center is located in the downtown Tacoma business district. The TEC Board established a steering committee that worked through the concept, oversaw the site selection, and put the basic pieces in place. Now that this initial groundwork has been laid, the staff shapes the flow and process of the program.

The Business Assistance Center administers the Microloan Fund program, the One-Stop Capital Shop, and technical assistance activities. The Business Assistance Center serves as a hub for Employment Initiative activities and is linked to this program through a "First Source Hiring Agreement" between the Microloan Fund program and the Employment Initiative. The BAC is co-located with the U.S. SBA One-Stop Capital Shop.

Total budget for the TEC Business Assistance Center in 1997-98 is $360,724. This amount provides salary for a receptionist, part of a business development specialist, and operating expenses, including computers, Internet access, a business library and program marketing.

TEC realized early on that the goal of providing TA to 115 businesses was much too low and now expects to have served 5,000 individuals between November 1996 and the end of 1997. Tacoma had provided technical assistance to more than 2,000 individuals as of late July 1997.

In early 1996, **Chicago's** seven major banks, the Clearing House banks, contracted with ShoreBank Advisory Services (the consulting arm of South Shore Bank) to develop a more detailed proposal that could be submitted to the EZ Coordinating Council for review and funding. The resulting proposal was for a two-part entity, the Business Assistance Center, and the Investment Partnership, each with its own governance structure. The Business Assistance Center, with a main office in the South Cluster and two satellite offices in the West and Pilsen/Little Village Clusters, would provide a range of technical assistance services to small businesses, including referrals to existing sources of capital. Whenever possible, the Business Assistance Center would refer clients to the existing network of state-sponsored Small Business Development Centers. The Investment Partnership's mission would be to provide a source of venture capital and specialized advice, particularly to "emerging firms" with high-growth potential, but that are a little too risky to be bankable conventionally.

A revised One-Stop Capital Shop proposal was presented to the Planning and Policy Committee of the EZ Coordinating Council in December 1996, with a funding request of $754,000 to operate the Business Assistance Center for three years, and $2.5 million to be matched by an equal amount from the banks to provide the initial capitalization for the Investment Partnership. The committee endorsed the first request and rejected the second one, and in January 1997, the full EZ Coordinating Council approved that recommendation. In the process, the banks were faulted by some community representatives, who asserted that the banks were not putting up enough of their own money and that EZ funds should not be used to generate profits for the banks. Since then, the Investment Partnership piece of the proposal has not proceeded. The city would like to find a way to revive the Investment Partnership idea with the banks.

The question of whether the Business Assistance Center component should go forward on its own has also met with complications. This component calls for important contributions from the SBA (staff support, computers, furniture, business assistance library materials) and from the state Department of Commerce and Community Affairs, which would provide the initial director of the Center and other staff resources. The participation of these two other players requires the city's lawyers to develop memoranda of understanding with their counterpart lawyers to spell out who is responsible for what. The package of agreements must then be ratified by the City Council. This has not happened yet. Another unresolved problem is the location of the main One-Stop office in the South Cluster. The city wants to locate the One-Stop Capital Shop at the Martin Luther King Center, a city building operated by the Department of Human Services. Both SBA and the state DCCA, however, say that the space is much too small and the setting is inappropriate for a business-oriented center.

Anchor Projects

There are three main 108/EDI "anchor" projects in the **Boston** EEC that are now active in different stages of planning and development and three others on the drawing board:

- The Harry Miller Project is the first project to be financed by the EEC initiative, and was completed in February, 1997. The project had $1.4 million in EDI funding and $1.5 million HUD 108 funding. This project involved the relocation and construction of a new expanded facility for an existing business in the EEC. The company, a manufacturer of industrial textiles, has retained 23 jobs, and added 5 new jobs since moving to their new facility. It projects an additional 59 jobs will be added as the business grows.
- A second project, the Boston Seafood Distribution Center, is a physical expansion and relocation. Originally $1 million of HUD 108 and $1 million of EDI was proposed. This project was delayed when OMB ruled, after the HUD regional office had approved the HUD 108 financing, that Boston could not use HUD 108 financing for the project because the project would also receive tax exempt bond financing (which OMB says violates an IRS ruling). A new financing structure is being proposed that would use $1.5 million in EDI money and no HUD 108 funds. Notwithstanding the unresolved financing issues, construction is progressing on this project which is projected to create 36 new jobs.
- A third project, the South End Neighborhood Health Center, has been approved, which will use $3.3 million in HUD 108 financing and $2.9 million in EDI funds for a project which will contain a Health Center, a CVS, and another tenant not yet determined, and will create an estimated 110 jobs. There will also be 39 condominium units, the sale proceeds of which will help to repay the 108 loan and subsidize the lease for the remaining tenant, who is anticipated to be a local entrepreneur. A groundbreaking ceremony was recently held for the project.
- Three other projects are on the drawing board: (1) the Washington Park Mall, which will involve an expansion of retail space and redesign of the mall entranceway, will include a supermarket, a McDonalds, Fleet Bank, a medical facility and small retail stores. The project is anticipated to create 75-100 new jobs. The financing package from the city is still being determined; (2) a new shopping center in Grove Hall (the Grove Hall Mall) which is in the planning stage, and financing has not yet been determined; and (3) an Automobile Mall, which will house 5-6 automobile service establishments is still being planned but is expected to have a total development cost of $1.5 million.

In the **Oakland** EEC, plans were made to improve economic vitality, increase community ownership of resources and enhance the visible environment by making Section 108/EDI resources available for large scale "flagship" projects that would make a significant impact in EEC neighborhoods. $11 million of Section 108 loan guarantees and $11 million EDI grants were allocated to this program divided among EEC areas in approximate proportion to population: $8.8 million for West Oakland, $6.6 million to Fruitvale/San Antonio, $4.4 million to East Oakland, and the remaining $2.2 million undesignated.

Flagship loans, like all EEC Section 108 and EDI loan programs, are administered by the City's Community and Economic Development Agency (CEDA) staff. CEDA staff released an RFP for flagship loan applications based on a set of principles devised by the EEC Policy Board. [Flagship projects had to create at least 1 job per $35,000 in loans, with at least 51 percent of new hires from EEC areas, for example.] The Policy Board reviewed applicants with assistance from staff. Appealing proposals underwent financial analysis by the Policy Board's Loan Review Committee (made up of one CEDA staff, one Policy Board member, one representative from a community lending institution). Proposals approved by the LRC were then recommended to the Policy Board for a vote. The Policy Board then voted on which viable projects to recommend for funding by the City Council. The City Council made final funding decisions. CEDA staff will monitor loan payments.

Eight flagship projects were ultimately approved for funding: four projects in West Oakland, two in East Oakland, one in Fruitvale/San Antonio, and one Undesignated project that is located outside the EEC area, but will provide services and hire employees from EEC areas. On the basis of the EEC's benchmarks, the Flagship project met 100 percent of its goal. However, participants recognize that it took far longer than anticipated. According to the associates, the public participation and review process was protracted, battles over authority broke out between the EEC Policy Board and the City Council when disagreement over funding recommendations arose, administrative processes between city staff and HUD regarding underwriting criteria, eligibility of EEC "approved" projects and release of HUD funding was contentious and fraught with misunderstanding and miscommunication. Flagship project sponsors languished for up to a year after initially being approved, waiting for the Section 108/EDI capital to be released. In the end, approved flagship project sponsors did not begin receiving loan funds until as recently as June 1997.

Commercial Development

The goal of the Upper Manhattan portion of the **New York City** EZ's Commercial Revitalization Program is "to stimulate commerce and build the capacity of a currently fragmented and under-organized business community to better function along commonly practiced economic principles of stabilization, growth and future expansion." The initiative – costing $4,750,000, including a $2,375,000 EZ SSBG grant – is designed to implement physical improvements (interior and exterior) in 150 businesses, capitalize and administer merchant revolving loan funds, provide outreach and technical assistance to local merchants to improve economic performance, and build the administrative capacity of the local partners (which include: Local Development Corporation Del Barrio in East Harlem, which administers the NYS Economic Development Zone in East Harlem, the 125th Street Business Improvement District in Central Harlem and the Audubon Partnership, a collaborative of several community development groups and private entities in Washington Heights and Inwood).

The Commercial Revitalization Program has yet to begin. The EZ grant was approved in mid-June, 1997. The goal is to renovate 50 stores in each area over two years at an estimated $12,500 per store. The UMEZDC grant is intended to cover 40 percent or $5000 of the renovation costs. The merchant will be required to pay for 10 percent. The remaining 50 percent will be raised from private lenders. This initiative is expected to create 25 jobs related to service provision for local businesses.

The **Boston** EEC's plans include two initiatives that are focused on commercial strip development: Blue Hill Avenue and Main Streets. The Blue Hill Avenue Initiative is an action plan to revitalize Roxbury's Blue Hill Avenue corridor, through a comprehensive program of infrastructure investment, housing, and commercial development. Among a host of other investment, the city has targeted CDBG funds money for facade improvements in the Dudley Square and Grove Hall business districts with $467,440 in 1996, and $275,300 in 1997 in grants, thus far to some 20 businesses in the EEC.

Boston's Main Street program (modeled on a national program sponsored by the National Trust for

Historic Preservation) helps neighborhood Main Street organizations capitalize on their historical, cultural, and architectural assets in addressing economic development needs around small business retention and recruitment. There are four main street programs operating in the EEC at the present time: Dudley Square, Egleston Square, South Boston, and Chinatown. Each District receives $245,000 over four years, most of which is CDBG funds. Of the $245,000, $100,000 will be spent over four years for physical improvements, including facade improvements and storefront renovation. Each Main Street district is set up as a new nonprofit organization that is locally run and controlled. There is a Main Street manager for each district.

Incubators And Industrial Parks

The **Baltimore** Empowerment Zone includes an industrial area (Fairfield) that is underutilized, offering opportunities for development. The Baltimore EZ is undertaking an effort to create an ecologically sound industrial park for businesses that demonstrate to the maximum degree possible closed loop production to reduce waste and environmental degradation.

The idea is to link several businesses so that the waste or byproducts of one firm serve as inputs to the production of another. This is thought to increase economic efficiency, create sustainable development, and minimize environmental impact. The Ecological Industrial Park is a project to demonstrate the feasibility of combining economic and environmental performance. The park is based on two principles: drive down pollution and waste while increasing business success. The park is to be managed by the Baltimore Development Corporation (BDC).

This action item has been expanded somewhat from the time of the application. However, the basic idea of creating an ecologically friendly industrial park is being pursued. The application envisioned a small park within the Fairfield area (perhaps 25 acres). The current plan is to re-develop all 1300 acres of Fairfield with an ecological emphasis.

The Baltimore Development Corporation has been hired as the Project Manager for Fairfield and it has contracted with a business recruitment firm, a marketing firm, and several environmental consultants to develop the project. A Master Plan for the Fairfield area has been completed. A dilapidated public housing project has been cleared from a 20 acre site (with a $2.5 million HUD grant). Now, BDC is recruiting businesses that are "eco-friendly."

The Performance Review called for 10 new businesses to be attracted to the Fairfield Ecological-Industrial Park. Business recruitment efforts are ongoing, but it is too early in the process to report any relocations as yet.

Louisville's Enterprise Development Center (a component of LEG) is a business incubator intended to do more than simply house small businesses. It is intended to provide customized market and management services to housed businesses and provide these same services to emerging firms in the area. Since emerging firms are pre-bankable, the risk involved is greater than regulated banks are often able or willing to undertake. This provides the rationale for a related Revolving Loan Fund. It was also anticipated that over time more than one Enterprise Development Center would be created. An advantage to this approach is that centers can be customized to a suit a particular neighborhood or set of tenants.

The enterprise center concept was developed under the guidance of SPEDD.[73] It was anticipated that the Transit Authority of River City (TARC) bus barns, used for maintenance and upkeep of the transit systems buses, would be converted to a business incubator facility for light industrial manufacturing. The bus barns are located adjacent to the Holding Company and LCDB offices and across the street

[73] The strategic plan suggests incorporating several elements from the Southeastern Pennsylvania Development District (SPEDD) Model of business incubation Among these are: the "Taster" program based upon SPEDD's experience that 6 start-ups result from every 100 entrepreneurs that can be attracted; membership fees which entitle members to receive free services; clustering of new, related businesses that fill a niche in the local economy (LEZSP 4-26 to 4-27). Marketing is the primary service provided to members (LCDB Business Plan B-2). The 4 main elements of the SPEDD model to be incorporated into the Enterprise Development Center are: service and marketing orientation, entrepreneur outreach, minority business development, and a setup-up program (LCDB Business Plan B-2). The Step-Up program is specifically geared towards addressing the needs of low to moderate income minority and women entrepreneurs (LCDB Business Plan B-5).

from the Economic Opportunity Campus (the Nia Center) including LEG's offices. However, the $475,000 obtained from an HHS grant for physical renovations to create an incubator was insufficient for that purpose at this site. At present, the plans have been scaled back to provide light incubation (office and very light manufacturing) in space in the Nia Center and to service companies at their existing locations.

In **Minneapolis** the incubator for new businesses is administered by the Whittier Emerging Business Center, a nonprofit also created specifically for this purpose. Selection was awarded through contract. The activity is designed to target emerging businesses in the Whittier neighborhood. EZ/EC funding for the project equals $136,791. Baseline is identified as an unemployment rate of 9 percent in 1990. Performance measure is defined as creating one small business incubator in Whittier neighborhood. The business center is in operation.

Table 4

ECONOMIC DEVELOPMENT

Community Development Financial Institutions		
Atlanta Community Credit Union	Development a community-based credit union; still in the early stages of development. $0	Yet to begin. Trying to leverage additional dollars for the project.
Detroit Community Development Bank	Establish a community development bank holding company as a for-profit financial institution which will deliver a combination of products and services. $2,000,000	Ongoing, ahead of schedule (without drawing down any EZ funds). A substantial portion of its capital has been committed.
New York City Credit Where Credit is Due	Conducts workshops on basic personal finances and setting up a budget, offers savings accounts and provides personal loans. $296,250	Ongoing, behind schedule. Due to money scams in area, residents are hesitant to open savings/checking accounts.
West Philadelphia Community Capital Initiative	Make capital available to lower income and small business borrowers. $10,600,000	Yet to begin.
North Central Philadelphia Financial Partnership	Provide microloans, small business loans, equity investments and a reserve fund for small business loans to entrepreneurs and residents of the North Central area of the Zone. $7,000,000	Ongoing, behind schedule. A loan has been made to an environmental services company.
Philadelphia (American Street) Community Financing Entity	Provide capital for businesses located, starting or moving to the American Street area of the Zone. $14,250,000	Ongoing, behind schedule. A loan has been made to a local food retailer.
Camden Community Financing Entity	Designed to house a revolving loan fund and includes a "gap financing" authorization.	Yet to begin.
Los Angeles Community Development Bank	Provides directing lending, indirect lending and technical assistance programs. $125,000,000	Ongoing, behind schedule.
East St. Louis Community Development Credit Union	Create a community based credit institution to allow residents to borrow money to support development projects; facilitate housing and community development. $0	Yet to begin.
East St. Louis Small Business Investment Corp.	Provide increased access to capital for large scale business development. $0	Ongoing, on schedule.
Louisville Community Development Bank	A specialized lender providing guaranteed commercial loans, acquisition loans, rehab and home improvement loans.	Ongoing. Still negotiating with other local banks regarding the loans that were to be sold.
San Francisco Youth Enterprise Training Program/Youth Credit Union	Provide job training and financial management experience to Mission and South of Market neighborhood youth; provide small loans to youth. $100,000	Ongoing, behind schedule. Business Plan not yet completed.
Financial Institutions Consortia		
Detroit Financial Institutions Consortium	A private partnership established to develop alternative lending programs. $0	Ongoing, ahead of schedule. In less than 3 years, it has appeared to have reached 60% of its 10-year lending goal.
Chicago Investment Partnership		Yet to begin.
Boston Private Commercial Lending Program	Private banks to provide low-interest loans, commercial real estate loans, working capital lines of credit or term loans, finance capital improvements to qualified EEC businesses. $0	Ongoing, on schedule. 'Hands on' approach by participating banks (4 out of 5 banks send reps weekly to meet with potential borrowers).
Oakland Commercial Loan Fund/Lenders Consortia	Provide an economically viable commercial lending program to increase capital available to entrepreneurs in the EEC and other low-income areas from private lenders. $0	Yet to begin. New attention is being redirected to efforts to renew EEC commitments from private lenders.
East St. Louis Funders Coalition/Metro East Lenders Groups		Ongoing.

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Lending Programs		
Atlanta Revolving Loan Fund	An effort to give Zone residents and businesses greater access to microloans and capital. $3,300,000	Ongoing, behind schedule. Loan recipient selection has been a contentious issue of the program.
Baltimore 80/20 Loan Program	Provide loans for fixed asset purchases and working capital to businesses located in the Zone. $1,000,000	Ongoing, on schedule. Start-up businesses must hire at 40% Zone residents.
Camden Small Business Development Fund	Provide financial assistance for new or existing businesses.	Yet to begin.
Cleveland EZ BOP I Loan Program	Provide small business loans for real estate, machinery and equipment, acquisition, and development to eligible small businesses in the SEZ.	Ongoing.
Oakland Revolving Loan Fund	Provide loans up to $100,000; increase capital available for entrepreneurship or business expansion to spur job creation in the EEC. $11,000,000	Yet to begin. Program marketing/ advertising is being planned.
East St. Louis Revolving Loan Fund	Provide increased access to moderate-sized loans for business creation or expansion. $0	Yet to begin. Still in the discussion stage.
Louisville Enterprise Group (LEG) Loan Fund	The center offers loan programs and services, provides customized market and management services to businesses. Houses the Revolving Loan Fund ($300,000) and business incubator which (Enterprise Center) provides technical assistance, reduces costs and provides co-op space for business development. $1,000,000	Ongoing, behind schedule. Delays in staffing and building acquisition has slowed progress, now leasing space at Nia Center.
Phoenix Expansion Assistance and Development (EXPAND)	Provide financial and technical assistance by helping to establish new and existing businesses in the EC to grow; job creation. $350,000	Completed, ongoing. To date, 49 business have received loans (25 within the EC).
Microloan Programs		
New York City BO$$ (Business Opportunity Success System)	A microloan program which provides capital and technical assistance and is targeted to legal street vendors and in-home businesses. $225,000	Ongoing, behind schedule. EZ funds recently received.
New York City - East Harlem Chamber of Commerce Microloan Program	Serve business who do not qualify under traditional lending criteria or have access to small loans through BRISC or other lenders. $250,000	Yet to begin.
Camden Peer Group Lending Program		Yet to begin.
Cleveland EZ BOP II Loan Program	Provide micro loans for real estate, machinery and equipment, acquisition, and development to eligible small businesses in the SEZ.	Ongoing.
Boston SBA/JVS Microenterprise Loan Program	Provide increased access to capital to fuel business start-ups and expansion. $0	Ongoing. 17 loans have been made in the EEC.
Boston EDI/Section 108 Lending Program	Provide financial assistance for new and existing businesses. $22,000,000	Ongoing, behind schedule. To date, $11.2 million has been allocated to 4 projects.
Boston Local Development Corporation Loan Fund	Provide loans for $25,000-$150,000; foster increased employment opportunities and business/industry expansion. $0	Ongoing, on schedule. A pre-existing City program targeted to the EEC.
Boston Public Facilities Department CDBG Lending Program	Provide loans for $150,000-$250,000 to local businesses. $0	Ongoing, on schedule. A pre-existing City program targeted to the EEC.
Boston Land Bank Lending Program	Implement Massachusetts Land Bank Boston lending program. $9,000,000	Yet to begin.
Charlotte Microlending Program	Provide capital for entrepreneurs interested in starting a business, technical assistance and formal business training. $0	Yet to begin. Establishment of an administrative structure to address financing, underwriting, originating and servicing of loans has slowed program progress.
East St. Louis Micro-Lending Program	Provide small business loans for EC residents (loan pool run by small business owners). $0	Ongoing, on schedule. Start-up funding committed.
Minneapolis Business Microloan Program	Provide low-interest loans and technical assistance business for start-ups and expansions in the Northside area of the EC. $373,169	Ongoing, behind schedule. Program is actively approving loans.

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Phoenix EXPAND Microenterprise Program	Create a revolving loan pool through direct loans and provide technical assistance to small businesses in the EC area. $450,000	Ongoing. Program modified to be city-administered; difficulties with small businesses meeting criteria – requiring two years experience.
Tacoma TEC Microloan Fund Expansion	Provide debt capital to eligible EC businesses and residents who are otherwise unable to obtain traditional bank financing. $447,674	Ongoing, behind schedule. Initial difficulties in finding loan-ready candidates. 11 loans made to date.
One-Stop Capital Shops/Business Assistance Centers		
Atlanta One-Stop Capital Shop	Provides small business owners and potential entrepreneurs with technical assistance and greater access to capital. $1,016,010	Ongoing, on schedule. High volume of clients during evening hours. There is a great need to find a program partner that would allow access to small grants.
Baltimore Business Empowerment Center	Provide business assistance and capital to build/stabilize Zone businesses and create employment opportunities; includes One-Stop Capital Shop. $3,700,000	Ongoing. Extensive outreach with Zone businesses is ongoing.
Chicago One-Stop Capital Shop	Provide a source of technical assistance and venture capital for business start-ups or expansions. $754,000 (funds allocated but not yet approved)	Yet to begin. Trying to leverage additional funding. Location of OSCS undecided.
Detroit One-Stop Capital Shop	Designed to help business owners, entrepreneurs and community-based organizations determine their specific needs; identify courses of action; provide technical and managerial assistance; and obtain access to capital and credit. $1,361,000	Ongoing, ahead of schedule. The project is well into its second year goals during its first year of EZ-funded operation. Projects additional leveraging of over $5 million in the coming years.
New York City BRISC (Business Resource and Investment Service Center)	Provide capital and technical assistance to entrepreneurs and small businesses in Central, East and West Harlem, Washington Heights and Inwood. $1,250,000	Ongoing, on schedule. Strict lending criteria of financial institutions has slowed response to credit needs of the community.
New York City - Harlem Business Outreach Center	Provide technical assistance to street vendors and those interested in starting a small business; among services provided: promotion, business information, business plans, computer services training, capital planning and finance, and tax assistance. $300,000	Ongoing, behind schedule.
New York City Small Business Assistance Initiative	Provide bookkeeping and accounting assistance for business owners; connect targeted business with "cutting edge" technology. $1,750,000	Yet to begin. BRISC will conduct program and serve 300 EZ businesses.
Philadelphia/Camden One-Stop Capital Shop	Provide technical assistance and capital resources for Zone businesses. $0	Ongoing, on schedule. Negotiated agreements are in the process of being established between SBA and the three Philadelphia areas of the EZ.
Cleveland Small Business Development Center	Operated by the Council of Small Enterprises, a volunteer-driven arm of the Greater Cleveland Growth Association with some 16,000 members, including approximately 300 volunteer counselors, providing advice and assistance to business owners and prospective business owners in the SEZ. $0	Ongoing.
Boston Empowerment Center/One-Stop Capital Shop	Create a one-stop capital shop to serve existing and new businesses; provide technical assistance. $0	Ongoing. Houses the SBA/ JVS Loan Program and the Boston LDC Loan Fund; 86 loans made to date.
Oakland One-Stop Capital Shop	Provide technical assistance and business support resources to EEC entrepreneurs and small businesses. $1,000,000	Ongoing, behind schedule. High volume of inquiries; EEC lending activity data collection is underway.

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East St. Louis Small Business Development Center		Ongoing.
Louisville Business Information Center	Acts as a one-stop shop for economic development initiatives in the West End of Louisville.	Ongoing, behind schedule. Not yet operational.
Tacoma One-Stop Capital Shop (Business Assistance Center)	Business Assistance Center to provide existing and prospective small businesses with a variety of capital and technical assistance products and services. $360,724	Completed, ongoing. High volume of inquiries; have provided technical assistance to more than 2,000 individuals.
Anchor Projects		
Boston Anchor Projects Development	Create anchor projects in the EEC: The Harry Miller project - textile industry relocated & expanded $2,900,000; Boston Seafood Distribution Center - a physical expansion and relocation project $1,500,000; Neighborhood Health Center - house health center, pharmacy store and a vacant space $6,200,000; and 3 other projects not yet underway: Washington Park Mall, Grove Hall Mall, and Automobile Mall.	Ongoing, behind schedule. Financing packaging for the three planned projects are still being determined.
Oakland Flagship Loan Program	Provide capital resources for large scale business development or real estate based projects that will have a significant impact on the EEC neighborhood where it is located. $22,000,000	Completed. 8 projects approved. However, underwriting criteria, program eligibility and release of funds slowed the process.
Commercial Development		
Baltimore Neighborhood Commercial Revitalization Program	Market area to increase commercial development within the Zone; provide management and technical assistance to businesses. $750,000	Ongoing, behind schedule. Selection of designated areas have been completed.
Chicago Pilsen Model Commercial/ Industrial Corridors	Plan, design and construct improvement to public spaces in local commercial districts, support security and facade improvements to individual properties, and support area marketing. $521,000	Yet to begin. Scope of project has changed; negotiating contract.
Chicago Lawndale Commercial Corridor	Predevelopment and land acquisition for a new shopping complex in Lawdale. $100,000	Ongoing, behind schedule. Contract has been executed.
Chicago GAPPIE Development Corporation Retail Center	Provide operating support for a new retail center. $300,000	Ongoing, behind schedule. Contract has been executed.
Chicago Westside Commercial Corridors Collaborative	A planning grant to expand four major commercial corridors, by producing predevelopment plans, creating marketing strategies, and producing business plans and loan packaging services. $75,000	Ongoing, behind schedule. Contract has been executed.
Chicago 47th and Lake Park Shopping Center	Provide predevelopment costs for a shopping center. $473,909	Ongoing, behind schedule. Contract undergoing Law Department review.
Chicago Lake-Pulaski TOD Commercial Area	Provide soft costs for implementing a transit-oriented development plan focused around the CTA superstation stop; mixed-use development, including commercial and housing. $233,400	Ongoing, behind schedule. Contract executed and awaiting first payment.
Cleveland - Glenville Town Center	Construction of a 75,000 square foot shopping center; create 75-100 jobs; opening of 4-5 new buisiness.	Ongoing, behind schedule. A new developer is being sought for the larger area (26,00 sq.ft center originally intended).
Cleveland Faith Building	Renovation of commercial office building as part of multi-phase redevelopment effort; will house four businesses. $476,010	Ongoing.
Cleveland Mindsavers, Inc.	Provide partial financing for the acquisition and renovation of a commercial building to allow relocation from the suburbs to the SEZ. $208,487	Completed.
Cleveland Pernel Jones	Provide partial financing for construction of a funeral home. $399,540	Ongoing.
Cleveland Seay's Barbecue	Renovation of a gas station into a restaurant. $119,569	Ongoing.
Cleveland J.T. Bailey and Company, Inc.	Construction of a retail commercial building and warehouse and provide 12 new jobs and a cosmetology training school. $343,080	Ongoing.

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Boston Blue Hill Avenue Initiative	Conduct commercial development on city-owned sites on Blue Hill Avenue, and rehabilitation of privately-owned commercial properties. $0	Ongoing, behind schedule. Financing completed on 2 projects; 4 others in various stages of development; awaiting financing.
Boston Main Street Programs	Provide assistance/organizing for neighborhood business districts; provide assistance to individual businesses. $0	Ongoing, on schedule. Each district is run & controlled locally; 4 districts are currently operating.
New York City Commercial Revitalization Program	Conduct physical improvements in 150 businesses, capitalize and administer merchant revolving loan funds, provide outreach and technical assistance to local merchants. $2,375,000	Yet to begin.
San Francisco - South of Market Business Attraction and Marketing Project	Promote South of Market area businesses through loan packaging, outreach, technical assistance, research services, and capital access assistance. $71,506	Ongoing, behind schedule. Business Attraction Brochure is being distributed to growth industries.
Industrial Parks/Incubators		
Baltimore - Fairfield Master Plan/ Ecological Industrial Park	Link several businesses so that the waste or by-projects of one firm serve as inputs to the production of another. $863,600	Ongoing, behind schedule. Currently recruiting 'eco-friendly' businesses.
Chicago Arts Business Incubator	Purchase and renovate two buildings to expand Arts Center and add retail and arts business incubator. $693,000	Ongoing, behind schedule. Contract has been executed.
Chicago Overton Hygenic Business Incubator	Contribute to soft costs of rehabilitation on a historic building to use as a business incubator. $110,000	Ongoing, behind schedule. Contract has been executed.
Boston's Emerging Industries Center	Provide technical assistance to EEC businesses; establish: business incubator, relationship with venture capital funds, technology transfer office. $0	Completed, ongoing. Ongoing technical assistance is provided to EEC businesses.
East St. Louis Environmental Park	Implement industrial development plan; create environmental industries park for the collection and process of recyclable materials. $0	Ongoing, behind schedule. In process of incorporating.
Louisville Enterprise Development Center		Ongoing.
Minneapolis Green Institute Business Incubator	Develop a multi-faceted approach to environmentally-sound business development. $291,346	Ongoing, behind schedule.
Minneapolis Whittier Emerging Business Center	Provide planning, financial management, marketing and financing to EC businesses. $136,791	Completed, ongoing. Center is operating.
Miscellaneous		
Atlanta Grow House Program	Develop community-owned green house for the production of food for sale to restaurants and local buyers. $150,000	Yet to begin. Project recently approved by CEAB and AEZC Economic Development Committee.
Baltimore Neighborhood Food Market Privatization	Privatize municipal food markets; improve quality of goods and services offered. $0	Completed. Four markets have been privatized; growth/development plans are underway.
Chicago Black Metropolis Convention and Tourism	Provide a planning grant for acquisition and rehab of a building as part of an effort to use cultural tourism as a vehicle for development of the community's economic base. $100,000	Ongoing, behind schedule. Contract has been executed.
Chicago Chetwyn Rodgers Drive Entrepreneurship Training Center	Create a entrepreneurship training center. $800,000	Yet to begin. Negotiating contract; construction has not begun.
Chicago Lou Rawls Theater	Construct facility including theater, cultural center, and education complex; will include profit-making programs, including a family entertainment cluster, education and training center, food gallery, African American culture Repository, and a retail/incubator. $1,000,000	Yet to begin. Negotiating contract.
Cleveland Bearings, Inc.	Office building construction consolidating corporate staff from five other buildings; retain 300 jobs.	Completed.

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Cleveland - Glenville Town Center	Construction of a 75,000 square foot shopping center; create 75-100 jobs; opening of 4-5 new buisiness.	Ongoing, behind schedule. A new developer is being sought for the larger area (26,00 sq.ft center originally intended).
Cleveland Sunny Properties	Financing for the acquisition and renovation of building, creation of seven new jobs, relocation of five suburban businesses. $183,000	Completed.
Cleveland Acme Express	Financing of land and building acquisition and renovation of a software development business; job creation and retention. $210,600	Ongoing.
Cleveland Scoven	Expansion of a 40,000 square foot contract machining company. $3,800,000	Ongoing.
Cleveland Calicchia	Acquisition of two vacant commercial properties for rehabilitation. $368,100	Ongoing.
Cleveland Kraber Industries	Acquisition of equipment and of an industrial/manufacturing building to allow expansion and consolidation of a business from several locations. $450,000	Completed.
Boston Community Challenge	Provide grants up to $2,000 to nonprofits for infrastructure and capital improvements. $0	Ongoing, on schedule. A pre-existing city program; $550,000 has been committed to EEC nonprofits.
East St. Louis Cultural Redevelopment District	Creation of a cultural redevelopment district and a Metro Center intended to spur education, economic and housing development in historic district. $0	Ongoing, behind schedule.
Minneapolis Green Institute Material Re-Use Center	Establishment of a re-use center that will make materials available to Phillips residents. $291,346	Ongoing, behind schedule.

HOUSING

Field associates in ten cities reported housing activities in varying stages of implementation that relate to community development financing (see Table 5).

Counseling Programs

Consistent with the **Atlanta** EZ's call for increased home ownership opportunities, a "Family Self-Sufficiency Center" was benchmarked to make home ownership a viable option for Zone residents. This project, renamed the Atlanta Center for Home Ownership, is a joint venture of the AEZC and the Atlanta Housing Authority. The AEZC has allocated $4 million in SSBG dollars and the AHA has kicked in another $2 million to fund this home ownership training facility. To date, $3.2 of the $4 million SSBG dollars have been expended on this line item.

The ACH opened its doors in February of 1997 in a renovated space in the Atlanta Center for Employment and Training building on 818 Washington Street in the Zone. The Center is staffed by eight employees, two of whom do Zone outreach exclusively. At the urging of the CEAB, an eleven person Community Advisory Board was established to ensure community input, with members selected by the AHA (4 members), the CEAB (4 members), and the Mayor's Office (3 members).

AHC estimates that staff has engaged in some form of outreach to 5,200 people. More specifically, the Home Ownership Center has provided individual housing counseling to 400 people and approximately 600 people have attended one of the Center's training courses.

The most significant challenge has been the lack of affordable housing opportunities for Zone residents. Very few of the Center's clients are ready to purchase a home, and those that are have not been able to find homes in Zone neighborhoods that fall in an appropriate price range. In an effort to seek out Zone homes affordable for the ACH's clients, staff members canvassed all the neighborhoods in the EZ and developed their own property listing notebook. They also plan to implement a "rolling open house" using a van to drive potential home-buyers to available Zone houses. The Center had planned to have their first house closing administered entirely by the ACH and EZ by the end of July.

In the **Baltimore** EZ, the Village Centers were to counsel residents to increase their access to information and opportunities to buy homes. Two housing consortia were to be created, one in the East Side and one in the West Side of the Zone to coordinate housing counseling services and facilitate planning and implementation of housing projects within the Zone by linking the Village Centers to qualified housing agencies.

EBMC has established cooperative relationships with several established services that offer housing counseling. The primary activity on the part of EBMC is referral of prospects to these services. There are more than 40 such services throughout the city and 12 in the Zone. Each service concentrates on a specific neighborhood and guides potential purchasers through all phases of the process. The efforts of the counseling services are paid by fees from lenders, city and state funds, and donations from foundations. No Title XX funds have been allocated for this effort.

The goal was to create the counseling service and to facilitate 60 to 70 home purchases. The EBMC Board decided instead to establish cooperative relationships with existing housing counseling organizations. There have been 55 home sales closed under the Housing Venture Fund. These purchases typically took advantage of the referral to housing counseling services from EBMC.

The **East St. Louis** EC is providing a Home Ownership Counseling Program which provides counseling services for 150 potential home buyers. $35,000 has been allocated. This program is ongoing and on schedule.

Mortgage Assistance Programs

The **Atlanta** EZ's plans for greater access to home ownership opportunities include the Mortgage Assistance Program (MAP), which will provide assistance to Zone residents through deferred second mortgages. $7.2 million has been allocated for this program with low interest deferred loans of $8,000 for each qualified Zone home-buyer. The mortgage assistance will be divided equally between new and rehabilitated housing with $3.6 million for the purchase of newly constructed homes and $3.6 million for the purchase of rehabilitated homes. An additional requirement is that for the first year of this program applicants must live in the Zone. After the MAP's first year of operation, individuals wishing to relocate into the Zone will also be eligible for assistance. Although implementation is being coordinated with neighborhood CDCs and the City of Atlanta's Department of Planning, Development, and Neighborhood Conservation, the program is presently funded exclusively by SSBG dollars. The Mortgage Assistance Program was approved by the EZ Board at its August 1995 meeting, but has been stalled by a number of administrative issues.

Baltimore's EZ plan proposed to create a pool of mortgage funds for Zone residents Called Home Finance Initiatives (later renamed Housing Venture Fund). To increase home ownership in the Zone, financing programs were to be created to meet the credit and affordability requirements of Zone residents. The Baltimore Community Development Financing Corporation would lead the process to create a pool of funds in partnership with local banks to provide housing financing for Zone residents who by traditional banking standards are not credit worthy.

To encourage home ownership in the Zone, a fund has been created to provide assistance with down payments and closing costs to those who purchase existing housing within the Zone. Home purchasers may receive as much as $5,000. There have been 55 home sales assisted by the fund as of June 30, 1997.

To be eligible for assistance, home purchasers must have a "moderate" income (no more than 80 percent and no less than 30 percent of the median income for Baltimore City, between $11,350 and $30,000 annually for a single person or $16,250 and $43,300 for a family of four); purchase an existing house in the Zone; and live in the house for five years. The city Department of Housing and Community Development administers the program, which is financed by Title XX funds from EBMC. Local lenders and nonprofit housing counseling services cooperate with the program. $1 million of Title XX funds have been allocated to date.

The benchmark target was to create 50 home ownership opportunities for Zone residents. However, the funding provided ($1,000,000 with a maximum grant of $5,000 per purchase) indicates that EBMC has revised its goal. According to the associate, the current funding profile implies at least 200 housing venture fund grants.

EBMC classifies the housing venture fund as a "renaming" of the original action item relating to home financing. However, this change seems to represent a more fundamental shift than a mere name change implies. The original action item was to provide home financing. The current action item pays other related costs aside from home financing.

To encourage home ownership within the Zone, an Employer Assisted Housing program has been established in Baltimore to encourage major employers to provide incentives for their employees to purchase homes in the Zone. There is no specific mechanism that EBMC uses to generate interest on the part of employers and no financial incentives are offered (except through other programs available in the Zone). What EBMC officials and staff have done is to facilitate voluntary efforts on the part of employers by exhorting employers to participate, connecting employers with non-profits that focus on housing, and helping with information related to housing issues. There are two prospective businesses who may soon offer Employer Assisted Housing. However, as of June 30, 1997, there were no active Employer Assisted Housing programs in the Zone.

In **Chicago**, an Employer Assisted Housing Initiative is designed to bring together resources of employers an mortgage lenders with community-based nonprofit housing developers and the private sector to help working, low-income families to purchase homes. $145,000 has been allocated. The initiative is ongoing, but behind schedule. The contract has been executed.

As described in **Oakland's** 1996 Benchmarks, the OSCS was going to work with the City's Office of Housing, HUD and local banks to negotiate a new mortgage program for EEC and other low-income areas. This Mortgage Loan Fund program was designed to leverage a 1993, $1 billion Fannie Mae lending and investment commitment for a "House Oakland" program that would provide credit for low- and moderate-income housing citywide. Community Building Teams were going to help with the community participation portion of Fannie Mae's application process, and to disseminate information on the availability of mortgage programs to the community.

This program has yet to begin. The goal no longer appears as part of the EEC program – it was not mentioned I the June 1996 Performance review, nor in the June 1997 Revised Benchmarks. The Revised Benchmarks only contain a modest proposal for CBTs to do outreach for the City's existing home ownership financing programs in EEC neighborhoods, and monitor the number of residents who use those programs.

Housing Rehabilitation Programs

Under the EC Strategic Plan, the City of **Louisville** is to target loan funds for housing development or rehabilitation to the EC site. In some cases, these loans to individuals are forgiven and operate more as grants. The benchmark goal was to rehabilitate 465 vacant housing structures per year. From July 1, 1996 to June 30, 1997, 509 rehabilitations have been done, or 109 percent of the goal.

The **Chicago** EZ has generated six sizable rehab projects which have been approved by the City Council and are a various stages of implementation. The Affordable/Accessible Housing program is designed to purchase and rehabilitate homes in seven targeted EZ areas. The properties will then be made available to low-income buyers in the Zone. The Housing and Commercial Rehab program will rehabilitate a grocery store unit and six multi-family buildings to provide new residential units for low-income residents. The Westside Residential Rehabilitation program will rehabilitate one- to four-unit residential buildings. The Lawndale Condo Rehab program will allow for acquisition and rehabilitation of three units and construction of seven new homes. Interest rate buy-down and soft costs availability for rehabilitation of mixed-income housing will be provided through the Kenwood/Oakland Apartment Rehab program. The Renaissance Apartments project will renovate the former YMCA, developing single room occupancy units to serve the homeless, elderly, veterans, mobility-impaired, and the chronically mentally ill. This program will also provide on-site services for the residents.

The **Atlanta** EZ will provide housing rehabilitation services for senior citizens living in the Zone. The aim of the program is to allow low-income senior home owners to remain living safely in their own homes by repairing housing code violations and those conditions that will become housing code violations within two years. The AEZC has allocated $2.5 million in SSBG funding and plans to work with local CDCs and the City of Atlanta Department of Planning, Development, and Neighborhood Conservation in carrying out the home inspections and repairs.

Although CDCs were slated to help administer this rehab program originally, the associates report that a CEAB representative on the EZ Board volunteered to run the intake process and presently works out of an office located in the Atlanta Center for Employment and Training building, where the ACH is also housed. The AEZC plans to rehab a total of 80 units under this program at a cost of approximately $25,000 per unit.

Nearly identical to Atlanta's Senior Citizen Rehab project, the Owner-Occupied Rehabilitation Program will offer housing renovation services to qualified Zone residents in order to bring a minimum of 100 homes up to code over a two year period. This program will also be coordinated with the City's Department of Planning and CDCs with $2 million allocated from the SSBG budget. The AEZC's proposed RFP for a construction management company would apply to this housing program as well as the Senior Rehab. The administrative entity responsible for the intake and ranking of applications is yet to be determined, although CDCs were intended to carry out this function for all of the rehab projects originally. Neither application intake or construction has begun on this project to date.

Aid To Community Development Corporations

In **Atlanta**, the EZ program will grant $1.3 million in operating capital and technical assistance to qualified CDCs over a two year period. Interested Zone-based CDCs must meet the following requirements: certification as a 501(c) 3 organization, operation in the neighborhood for at least two years and have both an executive director and board president in place. This last requirement has led to an exploration of conflict of interest policies in that many of the eligible CDCs, especially those connected with an area church, tend to have executive directors and board presidents who are family members. Another requirement added by the CEAB is that the CDC boards must be comprised of 51 percent community representatives. The AEZC plans to work with a consulting firm to monitor compliance on these specifications.

Letters were sent out to all eligible CDCs and the AEZC staff conducted follow-up visits with interested groups. At present, 12 CDCs are slated to receive $100,000 each, payable over a two year period to assist in the implementation of AEZC housing programs. Six more CDCs will eventually receive funding as well, to stimulate new construction, rehabilitation, and maintenance activities all as employment generators for EZ residents. The CDCs will help provide new or rehabilitated housing consisting of 13 multi-family residential development projects totaling 703 units and 15 single-family residential development projects and/or subdivision totaling 432 units.

Although the operating grants for these 12 CDCs were approved unanimously on May 12, 1997, the funds have not yet been drawn down. In addition, Old Fourth Ward Redevelopment has received funding under the Atlanta EZ's Benchmark 11.2, which proposes to "development vacant buildings and parcels through Community Development Corporations." This project has been awarded $300,000 in SSBG dollars for the acquisition and renovation of a 10,000 square foot commercial building in the EZ that presently houses a bindery, which occupies half of the building. Future tenants will include the CDC's office and various community service organizations.

In **Detroit**, the Neighborhood Commercial Development Management Corporation (MCDMC) was to build the organizational capacity of community-based organizations, business owners and business/merchants associations to facilitate commercial district management, community initiated and private for-profit development. Southwest Detroit Business Association (SDBA) developed the proposal and served as its champion throughout the planning process.

Ironically, as the one program established specifically to address commercial development at the neighborhood level, NCDMC received no Title XX funds and initially floundered as a result. Southwest Detroit Business Association initially attempted to raise funds from other sources but was rebuffed by many funders specifically because the initiative had received no Title XX funds and so appeared to be unimportant to the Zone program.

SDBA now operates the program in other areas of the Zone without external funding via networking, one-on-one technical assistance, occasional meetings and a small newsletter. Now called the "Neighborhood Commercial Development Network" this program has no EZ funding, does no EZ reporting and its Director states flatly that it is no longer an Empowerment Zone program.

Table 5

HOUSING

Home Ownership Counseling		
Atlanta Center for Homeownership	A center for home ownership training and counseling services for Zone residents. $4,000,000	Ongoing, behind schedule. High number of clients, but program has had difficulty linking to other EZ-funding programs.
Baltimore Housing Counseling Programs	Provide counseling service to residents; increase opportunities for home ownership for Zone residents. $0	Ongoing, on schedule.
East St. Louis Home Ownership Counseling Program	Provides counseling services for 150 potential home buyers. $35,000	Ongoing, on schedule.
Mortgage Assistance		
Atlanta Mortgage Assistance Program	Down payment assistance program designed to increase home ownership through grants to qualified residents. $7,200,000	Yet to begin. Lump sum drawdown issue currently has project stalled.
Baltimore Housing Venture Fund	Provide assistance with down payments and closing costs to those who purchase existing housing within the Zone. $1,000,000	Ongoing, on schedule. Income eligibility and poor housing stock have limited the # of home buyers assisted.
Baltimore Employer-Assisted Housing	Encourage home ownership in the Zone by creating employer-assisted housing programs; encourage private sector employers to provide financial incentives to Zone employees. $0	Ongoing, behind schedule. Two prospective businesses may soon offer program.
Chicago Employer Assisted Housing Initiative	Bring together resources of employers and mortgage lenders with community-based nonprofit housing developers and the private sector to help working, low-income families to purchase homes. $145,000	Ongoing, behind schedule. Contract has been executed.
Camden Home Ownership Initiative	Provide financial assistance for first-time home buyers.	Yet to begin.
Oakland Mortgage Loan Fund	Increase private lending for mortgage loans in the EEC and other low-income areas. $0	Yet to begin. Project scope changed to have CBTs conduct outreach for the City's existing home ownership programs.
East St. Louis Real Estate Investment Group	Provides access to capital for prospective home buyers in the EC. $0	Yet to begin. Still in discussion stage.
Rehabilitation/Redevelopment		
Atlanta Senior Citizen Owner-Occupied Rehabilitation Program	Provide housing rehabilitation services for senior citizens living in the Zone. $2,500,000	Ongoing, behind schedule. There is some confusion regarding the process seniors should follow to solicit the rehab services.
Atlanta Owner-Occupied Rehabilitation Program	Provide housing renovation services to qualified Zone resident in order to bring homes up to building code standards. $2,000,000	Yet to begin.
Atlanta Old Fourth Ward Redevelopment, Inc.	Develop vacant buildings and parcels through Community Development Corporations. $300,000	Ongoing, on schedule. Exec. Board has concerns re: change in project's financing and proposed limited liability partnership.
Baltimore Vacant Housing Program	Convert vacant housing into usable and affordable housing for Zone residents. $0	Yet to begin. Units to be identified using Village Centers' Master Plans.
Baltimore Abandoned Properties Program	Create a program to identify and improve abandoned properties in the Zone; return these properties to the community for development of affordable housing. $0	Yet to begin.
Chicago Affordable/Accessible Housing Program	Purchase and rehabilitate homes in seven targeted EZ areas. Properties will be made available to low-income buyers in the Zone. $1,500,000	Yet to begin. Contract undergoing Law Department review.
Chicago Housing and Commercial Rehab Program	Rehabilitate six multi-family buildings to provide new residential units for low-income residents; rehabilitate a grocery store unit. $1,500,000	Yet to begin. Contract undergoing Law Department review.

HOUSING

Chicago Westside Residential Rehabilitation	Rehabilitate one- to four-unit residential buildings. $473,909	Ongoing, behind schedule. Contract has been executed.
Chicago Lawndale Condo Rehab Program	Acquire and rehab three units and construct seven new homes. $170,000	Yet to begin. Scope of project changed from acquire/rehab 10 units to 3 units; contract undergoing Law Department review.
Chicago Kenwood/Oakland Apartment Rehab	Provide interest rate buy-down and soft costs for rehab of mixed-income housing. $1,272,990	Ongoing, behind schedule. Contract has been executed.
Chicago Renaissance Apartments (Wabash Y)	Renovate the former YMCA, develop SRO units to serve the homeless, elderly, veterans, mobility-impaired, and the chronically mentally ill; provide on-site services. $1,500,000	Yet to begin. Contract undergoing Law Department review.
Cleveland Infill Housing Projects	Rehabilitation of vacant homes for very low- to low-income families. 16 homes completed and leased. $916,338	Completed, ongoing.
Cleveland Grace Pointe Homes	Construction of eight market-rate single family homes.	Ongoing. 5 homes completed as of 7/97.
Cleveland Bicentennial Village	Construction of 33 market rate homes and 16 Habitat for Humanity homes; job creation for Zone residents. $3,700,000	Ongoing, behind schedule. 15 Zone residents hired, but project on hold pending replacement of executive director of development corporation.
Boston Housing Rehabilitation	Rehabilitate abandoned housing, provide current EEC homeowners with renovation loans and single-family rehabilitation grants, and develop housing on city-owned vacant lots. $0	Ongoing, behind schedule. 704 units & 44 projects in various stages of completion.
Boston Mission Hill and Orchard Park Public Housing Modernization	Creation and rehabilitation of public housing units without displacing current EEC residents. $0	Ongoing, behind schedule. Demolition being completed in Orchard Park.
Louisville Housing Rehabilitation Programs	Rehabilitate vacant housing structures through the home repair, homestead, investor, weatherization, and rehab incentive programs. $0	Ongoing, ahead of schedule. Homestead Program dropped form this activity.
Production Preparation/Assistance		
Atlanta CDC Operating Grants	Provide local Community Development Corporations with operating capital and technical assistance. $1,300,000	Ongoing, behind schedule. Activity will help increase capacity of CDCs to implement other EZ programs.
Atlanta Neighborhood Master Plans	Devise redevelopment/master plans for 15 Zone neighborhoods. $600,000	Yet to begin. RFP selection process underway.
Baltimore Selective Demolition	Selective demolition of vacant or abandoned properties within the Zone. $0	Ongoing, behind schedule. Village Centers' Master Plans to identify properties.
Baltimore Public Housing Scatter Site Management	Create a community-based management model for public housing; involve public housing residents in the management of their community. $0	Yet to begin.
Minneapolis Housing Property Management Program	Established a neighborhood-managed property maintenance firm to service 200 properties in the Phillips neighborhood; link job creation with property repair and management. $223,789	Ongoing but under review.

COMMUNITY PROJECTS/PUBLIC WORKS

Field associates in five cities reported community projects/public works activities in varying stages of implementation that relate to community development financing (see Table 6).

Improving the infrastructure of **Atlanta's** Zone neighborhoods received a great deal of emphasis in both the Strategic Plan and the benchmarks. In fact, 15 specific benchmarks propose public works improvements. Despite this focus on infrastructure throughout the initial EZ implementation, the bulk of these proposed improvements have been delegated, both administratively and financially, to the City of Atlanta; no SSBG dollars have been allocated for these projects. These public works projects include bridge repair, street light repair, sidewalk improvement, recreational pool, tennis, and basketball court renovation at area parks, and other general infrastructure improvements. Work has begun on nearly all of these projects and the AEZC staff has agreed to follow-up on their progress, but the AEZC is not responsible for their administration.

Baltimore's EZ strategy includes plans to improve the infrastructure of the Carroll Park Industrial Area. The Carroll Park Industrial Area Business Development Initiative includes infrastructure improvements and an aggressive business retention and expansion program. The purpose of the initiative is to improve the infrastructure of Carroll Park in order to expand employment opportunities there by making the park a more attractive and profitable place to do business. The goal is to increase employment in the park by 10 percent within the first two years. The business community will be actively involved in the planning and implementation of the program which will be managed by the Baltimore Development Corporation. The Carroll Park initiative has been allocated $250,000 in EZ funds (SSBG) and $60,000 from the City Development Corporation.

The only Performance Review measure mentioned for Carroll Park is the creation of a master plan. However, the ultimate purpose of the initiative is to attract and retain business by improving the infrastructure. The implementation of this initiative was delayed and as a consequence, there have been no infrastructure improvements or businesses retained or attracted because of infrastructure improvements.

Table 6

COMMUNITY PROJECTS/PUBLIC WORKS

General Infrastructure		
Atlanta Public Works Repairs	Conduct bridge repair, lighting upgrades, park renovation, general infrastructure improvements. $0	Ongoing, on schedule. City of Atlanta has administrative/financial responsibility.
Baltimore Infrastructure Capital Program	Enhance the physical environment of the Zone (new roads, signs, storm water management), including redevelopment of the Central Avenue area and revitalization of the Upton commercial district. $0	Ongoing, on schedule.
Baltimore Carroll Industrial Park	Improve the area infrastructure including street and traffic patterns; create a business retention and attraction plan. $250,000	Ongoing, behind schedule.
Site Remediation		
Atlanta Brownfield Strategy	Industrial clean-up program designed to identify and remediate contaminants. $0	Yet to begin. Awaiting necessary implementation funding.
Baltimore Community Clean-Up and Recycling	Involve Zone residents in sanitation programs to improve sanitation and recycling, create Solid Waste Action Teams in each Village Center. $0	Ongoing, on schedule. Several clean-ups have occurred. In-kind services being performed by City Dept. of Public Works.
Cultural/Recreational Facility		
Chicago Garfield Park Expansion	Build additional facilities at Garfield Park Conservatory to house a multi-purpose room, classrooms, resource center/library, lab, and office space. $1,458,700	Yet to begin. Negotiating contract.
Chicago Model Zone Youth Center	Purchase a building for use as a youth center to house educational and recreational programs. $430,000	Yet to begin. Negotiating contract.
Chicago Youth Center Enhancement	Environmental clean-up and land acquisition for expansion of youth center; convert vacant lot to recreation field and open space; development of a performance and training space. $90,000	Yet to begin. Negotiating contract.
Chicago Sutherland Ballroom Rehabilitation	Rehab project to be used as a community center, update rental hall facilities for arts and education programs. $262,645	Yet to begin. Negotiating contract.
Chicago Mexican Fine Arts Center Museum	Expand facility to increase cultural opportunities, promote tourism, and stimulate economic development; create a teen museum. $2,800,000	Yet to begin. Negotiating contract for construction. Contract executed for non-construction costs of project.
Chicago Cultural and Arts Performing Center	Renovate a facility to house a cultural and performing arts center. $100,000	Ongoing, behind schedule. Contract has been executed.
Chicago Duncan YMCA Children's Arts and Education Center	Provide funds for renovation and expansion of the Duncan YMCA facility to expand arts programs. $274,500	Ongoing, behind schedule. Contract has been executed.
Chicago Eighth Regiment Armory Building	Restore landmark to be used as a cultural facility. $100,000	Yet to begin. Negotiating contract.
East St. Louis Arts Incubator	Establish arts commission; provide technical assistance to cultural groups. $0	Ongoing, behind schedule.
Health/Human Services		
Chicago Pilsen/Little Village Primary Health Care Expansion	Develop a second community health center. $1,700,000	Yet to begin. Negotiating contract.
Chicago Sinai Family Health Centers	Relocate existing primary health care facility and renovate and expand another. $1,135,000	Yet to begin. Negotiating contract.
Chicago Effie Ellis Community Child and Family Center	Rehabilitate existing facility to house a community center to house child care, HeadStart, training for home care providers, family services, job development, and counseling. $1,000,000	Yet to begin. Negotiating contract. Construction expected to begin Fall 1997.
Chicago Family Resource Center Partnership	Construct two centers that will house child care and family services. $1,000,000	Yet to begin. Negotiating contract.
Chicago Child and Family Center Expansion	Build a child and family service center next to current facility to expand toddler, preschool, and HeadStart programs. $500,000	Yet to begin. Negotiating contract. Construction expected to begin soon.

COMMUNITY PROJECTS/PUBLIC WORKS

Chicago Family Investment Center	Renovate and expand existing facility to create a Family Investment Center. $1,200,000	Yet to begin. Negotiating contract.
Chicago Westside Planning and Development	Acquire and rehabilitate a building to house day care and a HeadStart program. $500,000	Yet to begin. Negotiating contract. Construction expected to begin Fall 1997.
Chicago St. Anthony Hospital Family Health Center	Rent space for a family health center to expand primary health care capacity in Little Village. $977,049	Yet to begin. Contract undergoing Law Department review.
Chicago YMCA Child and Family Service Center	Build a comprehensive family service center. $500,000	Yet to begin. Negotiating contract.
Chicago New Komed Medical Center	Construct a building to expand primary health care capacity of south side community health centers. $750,000	Yet to begin. Negotiating contract. Site of building construction has changed.
San Francisco Health Care Facility/San Francisco Medical Center Outpatient Improvement Programs, Inc.	A Capital fund-raising campaign to support the building of a new health facility in the South of Market area. $68,760	Ongoing, on schedule. Brochures: patient-targeting completed, fundraising underway; three funding requests being considered by local funds.
Miscellaneous		
Atlanta Smoke Detector Installation Program	Provide smoke detectors for 3,000 EZ homes. $50,000	Ongoing, behind schedule.
Atlanta Breakaway Burglar Bars Program	Install breakaway burglar bars on 166 EZ homes. $150,000	Ongoing, behind schedule. AEZC/City trying to work out an appropriate service agreement.
Baltimore Safe Neighborhood Design	The Village Center's Land Use Master Plans will include recommendations for physical improvements relating to roads, housing, and street lighting. $240,000	Ongoing, behind schedule. Village Centers' Master Plans to include recommendations for improvements.

COMMON BARRIERS FACED DURING IMPLEMENTATION:

Section I of this report summarized some of the major implementation issues experienced by other community development financing initiatives in the past or underway. These include common management and administrative challenges, such as interpreting legislative and regulatory authority; striving for focus during the intensity of program start-up; establishing new procedures; balancing process needs with attention toward outcomes; dealing with resource constraints on time and funding; and securing commitments from necessary stakeholders, financing institutions and the like.

Prior rounds of this assessment incorporated a similar inquiry with respect to barriers to implementation, with issues typical to new start-up – staffing and leadership changes, unforeseen design flaws, ambiguous authority, policy conflict, project review delays and the like – commonly found.

We asked each field associate in this round, based on their observation and analysis and input from key local informants, to identify and describe those barriers that arose to implementation of community development financing strategies and activities in their EZ/EC. A wide-ranging list of implementation issues resulted.

The two barriers to implementation cited most commonly among the associates were the *capacity of community organizations and businesses* (cited in Baltimore with respect to the review of projects and cited in Boston, Chicago, Cleveland, East St. Louis, San Francisco and Tacoma in connection with delivery capacity) and *design issues*, where the design of an initiative did not fit well with actual circumstance or was itself restrictive (cited in Baltimore with respect to housing and in Boston, Phoenix and Tacoma with respect to business lending).

A second set of implementation issues concern the *city review process for contracts and projects.* Delays and confusion in review processes were cited in Boston, Chicago, Detroit and Oakland. As noted in Chicago (and discussed below), such delays became self-feeding as long lapses in time brought about changes in project scope, which required new reviews and re-clearance by legal departments, necessitating re-approvals and fueling further delay. A related challenge was cited in New York, where long lapses occurred *after* project approvals before money actually started flowing to contractors.

Neighborhood conditions were cited as a significant barrier to implementation of community development financing in Cleveland and New York. And, the nature of the neighborhoods and city life in San Francisco was cited as effectively prohibiting certain forms of community development financing (such as community development banks and one-stop capital shops) from being pursued.

A series of implementation issues were cited by field associates in one or two EZ/EC sites. These include *leadership trouble/turnover* (Atlanta and East St. Louis); *administrative costs and budgeting* (Atlanta); *novelty of approaches and sponsoring organizations* (Chicago); and a *lack of a linked bank-developer-city government-culture* (Oakland).

A final set of implementation issues involved *trust* and *multi-layered project review*, which appeared to be interrelated. Several associates cited a lack of trust between the community and city government generated by past experiences (Atlanta, Baltimore, New York and East St. Louis). In Atlanta, Baltimore and Oakland, to varying degrees, this has evolved into community-level project review/approval and even some operational responsibility for EZ/EC programming (as fully described in the first round report and summarized in Section VI of this study).

Capacity of Community Organizations/Businesses. In some cases, new entities have been formed in EZ/EC sites to manage the overall process and to implement given strategies/activities. Start-up for such organizations takes time. Where given entities are both responsible for specific areas of programming and are delayed, issues relating to organizational formation translate directly into program delay.

The primary barrier to many Zone programs in Baltimore, for example, has been the slow development of some Village Centers. The Empowerment Baltimore Management Corporation (EBMC) has spent a good deal of time in developing community capacity through implementation of the Village Centers. This has delayed progress in program areas in many parts of the Zone. Related difficulties include getting members of the community to participate in planning processes and the need to avoid community conflict by carefully balancing the distribution of resources between the Village Centers and areas of the city (particularly the East side versus the West side), which has shaped the distribution of resources, the design of Zone programs, and the progress made in implementing Zone programs.

Many organizations approved for EZ grants in Chicago have funding problems that affect their ability to meet contracting requirements. Lack of predevelopment money means they have not been able to hire professional consultants to prepare the required documents, which they are not qualified to do in-house. Further, these organizations are relying on their EZ grant money to leverage the rest of their project funding. These organizations have requested "front" money. They also need to be reimbursed for soft costs incurred during predevelopment, for items such as project design, budgeting, scheduling, and documentation. The various actors involved for the City – a consultant, the Department of Planning and Development (DPD), and the City Comptroller – are trying now to establish a process for these early payments.

Similar issues were observed in East St. Louis and San Francisco. In East St. Louis, the associate reports that there is limited capacity among neighborhood organizations remaining in the EC for obtaining and managing financial resources. The community's lack of development expertise is reflected in the inadequacy of many proposal responses to RFP's. The deletion of several benchmarks has already been scheduled or discussed when suitable proposals failed to materialize.

Likewise in San Francisco, according to the associate, the local capacity for community development financing and economic development initiatives in general was not well-developed. The expertise and interest of community organizations participating in the strategic planning process lay in the field of human services, not economic development.

In Boston, Cleveland and Tacoma, the capacity issue was more directed toward business. In the Boston EEC, business owners often lack awareness of the business financing process and available resources, are not sophisticated or knowledgeable about how to apply for financing, and are suspicious of the government and banks (" the system "). Consequently, according to the associate, they require considerable information, technical assistance and coaching to get to the point where they are interested in and ready to apply for financing. In Cleveland, the associate reports that the lack of training and a shortage of equity capital have been barriers for small businessmen who might otherwise be eligible for loan funds under the EZ BOP program. And in Tacoma, many new or small businesses are simply not prepared to assume and repay debt and require intensive technical assistance, according to the associate.

Program Design: Several problems were noted regarding programs designed to increase home ownership in the Baltimore Zone. First, eligibility criteria desired by the Advisory Council limited the number of home buyers assisted by the Housing Venture Fund. Members of the Advisory Council wanted assistance to be targeted at low income people (the current standard for eligibility is between 30 and 80 percent of the Baltimore City median income). Some potential purchases were lost because of that. Second, only existing homes are eligible for the Housing Venture Funds, even though demand is much stronger for new construction. Finally, the lack of decent housing at affordable prices is also a problem.

In Boston, the regulations and process for Section108 were mentioned most frequently as barriers by key informants. Section 108 financing was viewed as lacking flexibility, having conservative underwriting criteria, requiring high transaction costs, and entailing a long, drawn out approval process. The high transaction costs and underwriting criteria prevent its use for smaller projects and riskier lending while the long approval process discourages firms from pursuing this financing source.

The major barrier to implementation cited by the associate in Phoenix concerned implementation of the microenterprise loan program. Conceptually, the intent of this program was to facilitate *bank* loans of $25,000 to $50,000 to encourage and support small business start-ups, particularly in cases where the new entrepreneurs had a limited or no credit history – where most of the need occurs. In practice, however, the City learned that banks find it cost-prohibitive to make loans of $50,000 or less, and the program was subsequently modified to a *City-administered* direct loan program. It also proved difficult to get the targeted small businesses to meet the original program criteria (for example, requiring two years' experience to qualify for a loan).

In the process of implementing its strategy, the Tacoma Empowerment Consortium (TEC) found that most community needs are for basic training and technical assistance for small business entrepreneurs rather than R & D and venture capital. TEC experienced difficulty in finding loan-ready candidates, as many new or small businesses were simply not prepared to assume and repay debt. TEC decided to focus more energy on up front preparation, including everything from creating business plans, to careful business location selection, and other consulting. This one-on-one counseling has paid off in the past year but is extremely labor intensive (volunteers are used effectively but observers believe that additional staff will be necessary for the program to grow).

City Review Process for Contracts/Projects. In other cases, the city governmental process is itself responsible for carrying through on the EZ/EC plan. And here, too there have been issues of capacity.

The Chicago associate reported that the city's small EZ staff found itself overwhelmed with the technical and financial details of implementing construction activities that had been approved for EZ funding. So in mid-February 1997 the Chicago EZ Office contracted with a private consulting group, R. M. Chin and Associates (RMC), to oversee and coordinate the execution of delayed contracts.

The associate also noted that many project delays in the Chicago EZ are related to the sheer passage of time. With nearly two years passing since proposals were first submitted for funding consideration, much has changed. Staff turnover, changes in agency fortunes, re-thinking of proposals, changes in property availability, faulty cost estimates, and breakdowns of cooperation among collaborating applicants are but a few of the changes that have occurred. In 11 cases, changes from the original grant proposal were made on plans for property acquisition, requiring re-approval by the City Council before contracts could be executed. Also, some projects made changes in their organizational structures, requiring re-approval by the City before contracts could be executed.

Chicago's EZ also prided itself in incorporating non-traditional projects and programs, and some of this played out with the Coordinating Council, and later City Council, approving proposals that were "good ideas" but not always fully fleshed out projects. Some of these organizations lack experience and expertise in construction projects, having had limited or no prior exposure to design and construction processes. Most have not been able to complete documentation entirely and on time. It may be several years before many of these projects are implemented and can be assessed for their impact on the EZ.

Boston's economic development finance system has likewise presented an implementation obstacle, according to the associate The large number of agencies and financing programs requires considerable coordination and adds complexity and confusion to the financing process for borrowers, who have to make sense of, or at least not be intimidated by, the alphabet soup of agencies and lenders who have to structure and negotiate financing with varied co-lenders. Finally, the system provides few sources of equity capital to help meet the minimum equity and loan to value requirement of many lenders.

In Detroit, the associate reports significant difficulty with contracts and disbursements; with ambiguity in responsibility between the City and the Development Corporation with respect to contract reviews and approvals; and, in the case of the One-Stop, difficulty with the volume of general, economic-development-related requests it is fielding rather than the City due to its greater visibility and the lack of progress among other, economic-development-related EZ activities.

In New York, according to the associate, there has been a significant lag between the time that funding is awarded and the time when such funds actually arrive at grantees. Many groups awarded funds in the October round of funding only received the money in May. EZ staff attribute these delays to their own start up – they had to negotiate with city and state bureaucracies for the release of funds for the first time. In one case, funds were delayed for programmatic reasons – EZ staff requested clarification of aspects of program design from one grantee before finally distributing funds.

Neighborhood Conditions. In New York, according to the associate, one of the most serious obstacles to implementation has been overcoming the perception business investors and lenders have of the neighborhoods in Upper Manhattan and the South Bronx.

The largest barriers to implementation in Cleveland are the physical and social conditions which created the need for the EZ, according to the associates. These include the fact that the physical structures in the EZ neighborhoods are suffering from disinvestment and obsolescence, especially as compared to newer competitive structures in the suburbs. Socially, the EZ neighborhoods have a relatively high crime rate that discourages investment. They also have a high proportion of residents whose educational and work achievements have been modest. The location of most new entry-level jobs in the Cleveland region is also a barrier, as is their relatively small number as compared with need.

In San Francisco, according to the associate, the diversity of the city itself may block the implementation of a single overall community development financing scheme. If a community development bank or a one-stop-capital shop were to be developed, it would be difficult to site. The city has a number of very distinct neighborhoods with strong, fairly autonomous community organizations and according to the associate and key informants, siting such an institution in any one them would cause ill-will among the others. An example was seen in the siting of the Youth Credit Union project, which caused much tension between the Mission and SoMa Neighborhood Planning Boards, which were the two Enterprise Community neighborhood entities jointly funding the initiative. The end result was that the South of Market withdrew much of its funding for the project, which is located in the Mission.

Novelty: The pace of implementation of EZ initiatives in Chicago seems to vary not so much according to the kind of activity as it does to the novelty of a given activity. To begin at the most general level, the entire EZ program has moved quite slowly because of the new arrangements it has spawned such as a new city administrative agency; a new pot of flexible money largely controlled by a rather unwieldy Coordinating Council; unusual combinations of federal, state, local and nonprofit agencies; new contractual arrangements to be worked out; new community-based coalitions with competing claims for influence and resources.

At the program-specific level, implementation proceeds relatively more quickly if the activity being funded is an expansion of a well-established program. This would apply to Neighborhood Housing Services, for example, which sponsors hundreds of single-family rehabs every year. Doing another hundred over three years with EZ funds is not a major implementation challenge (although at this writing NHS still doesn't have a contract). At the other extreme are projects that call for the construction of facilities where <u>both</u> the program agency and the administering agency on the city side lack the background and technical competence to translate a program concept into reality on the ground. Such projects will take years to implement, whether they involve economic development, social services, or some kind of housing.

Leadership and Administrative Budget. The Atlanta Empowerment Zone Corporation has been plagued by turnover. In addition, although the original strategic plan budget included no EZ funding for administration, since the City intended to pay for EZ-related administrative costs with other public funds and with funds raised from the private sector, Atlanta's first change to the strategic plan budget was an amendment to allocate EZ funds for administration. Ironically, for a time, the Atlanta EZ had spent more money on administration than on programs.

Barriers to implementation of community development financing in East St. Louis include uneven quality of leadership and cooperation in the EC, according to the associate. This is epitomized by the EC Steering Committee, whose membership has changed several times, with a succession of new members struggling to understand the intricacies of private, state, EC and other federal funding.

The Oakland associates reported a number of related barriers to implementation, including: fragmentation of staff activities and the absence of a "single-point-of-contact" for decision making within the city; and lack of a political culture in Oakland which seeks to leverage economic development program moneys with private sector participation by banks and corporations within the city.

Lack of Trust. The EZ/EC Initiative doesn't start from a clean slate, but rather with a history of prior federal and local efforts intended to do something in and with a number of these same targeted communities. In some cases, that history has produced a level of suspicion and lack of trust among some community members that has been brought into the EZ/EC initiative. Such is the case in Atlanta, where a prevailing sentiment of being cut out of prior efforts, a perception most recently attached to The Atlanta Project, has left community activists with little trust for interventions like EZ/EC, and actively suspicious of the AEZC. Prior dealings between community groups and city government in Chicago have likewise affected the community's role in EZ/EC.

Multi-Layered Review: The general thrust of change in economic development-related organizations and programming in the public sector in recent years has been toward "streamlining:" consolidating agencies, reducing lines of reporting and supervision, creating community development corporations as creatures of local governments to permit more flexibility and responsiveness by avoiding regulations applying to agencies; figuring out ways to expedite the process of land use review, investment clearance, and the like. The thrust of the EZ/EC program in many of the study cities is largely in the opposite direction.

Having a participatory process has been a double-edged sword in a number of EZ/EC sites. Engagement and ownership by the community in strategic planning and visioning was one thing, and, as noted, the first round report issued under this assessment reported a nearly unanimous observation among the associates that the level of community participation in the EZ/EC planning process was quite high, especially when compared to prior federal community development efforts. But RFPs, project reviews, contract writing, negotiations and the like may be a rather different matter. Technical ability and timeliness are crucial on economic deals, real estate ventures and other projects. As is responsiveness. The EZ/EC process, in some cases, is striking a different balance in valuing input from the community versus speed.

In Atlanta, an entity formed to connect the community with the strategic planning process for EZ designation has since been formally incorporated as the Community Empowerment Board. The CEAB has responsibility for reviewing loan actions and other proposals from the Atlanta Empowerment Zone Corporation (entity formed to operate the EZ program, subject to policy control by city officials) and operational responsibility for a small business loan program. While this body has provided a select group of community activists with significant opportunities for empowerment and participation, concerns have been raised regarding the accountability and effectiveness of these community leaders. Numerous respondents cited the need to educate the community participants as to their role as Board members and in assisting with some project implementation. An additional impediment has been what one participant called the "bunker mentality" of the CEAB members which manifests itself in the antagonistic exchanges between community and AEZC staff members at board and committee meetings.

Another example can be found in the Oakland Enhanced Enterprise Community, where a Policy Board has been formed as an outgrowth of community participation in the strategic planning process that grants the community a direct role in the review of projects. A loan committee with local representation participates in selecting "appealing" applications, which are then subject to additional review. Eventual approval and release of funding takes quite some time. Generally, there has been a need to rectify confusion between the vision of a community based "bottoms up" EEC program with a top down, staff driven economic development EEC plan.

The nature of community participation in planning, governance and operations among the EZ/EC cities in this study was the topic of our first round report. How the Initiative's general emphasis on community participation has played out so far in these places when connected to the topic of community development financing is the topic to which we turn below.

VI. Community Input and Governance in EZ/EC-Funded Community Development Activities

In our first report we noted that the development of the formal governance structures cities established to oversee the implementation of their strategic plans was "an involved and painstaking process; a process not without some conflict," and pointed out that the strategic planning process in many cities resulted in "considerable, and in some cases unprecedented community-level participation."[74] Our findings from the first round of research demonstrated that the nature and composition of formal governance structures (and the relative influence of citizen participants) varies widely across the 18 study communities and that in all of the study cities "a balance was struck reflecting some level of partnership between the community and local government."

> Where control appears to rest with bodies outside of the government, those entities typically contain representatives of the government. Where control appears to rest with the pre-existing governmental structure, new governing or advisory bodies which include community members have responsibility for and power over the initiation of action and the approval of benchmarks, and, consequently, the flow of contracts and resources.[75]

For this round of research we asked the field associates to examine what provisions for community input and governance, if any, were included in the newly created institutions and mechanisms cities established to implement EZ/EC-funded community development activities. In analyzing the extent of citizen involvement, it is important to distinguish between three general levels of participation in the EZ/EC Initiative.

First, Zone representatives (e.g., residents, business owners, community organizations, among others) may participate in an advisory capacity by providing input, feedback, and recommendations to the formal EZ governance organization and/or to a specific entity established to carry out various EZ/EC-funded activities such as a One-Stop Capital Shop, a community development bank, or a micro lending program. As will be detailed below, citizens in all 18 study cities played this role, though in some cities the advisory function was more formally structured than in others.

Second, Zone representatives may serve on the board of directors of the EZ/EC governance organization and/or any additional entities established to carry out EZ/EC-funded projects and programs. In this capacity, community members play a formal role in the governance of the EZ/EC Initiative in that they are at the decisionmaking table regarding the creation of policy, establishment of priorities, and the awarding of funding to various agencies, groups, businesses and organizations. Of particular interest in this round of research is the extent to which the new governing entities that were created to oversee various community development activities provided some role for community input and participation (e.g., number and proportion of board sets held by Zone stakeholders).

A third level of community influence involves actual decision making control regarding the use of EZ/EC funds, such as the selection of individual projects for funding and/or the award of contracts to specific vendors. Our first report noted that seven of the study cities (Baltimore, Charlotte, Cleveland, Minneapolis, New York City, Philadelphia-Camden, and San Francisco) established some type of two-tiered governance structure in which various levels of autonomy and discretion regarding the implementation of their strategic plans were passed on to zone-level governing entities (e.g., planning boards, nonprofit corporations, CDCs, etc.). It is important to emphasize, however, that authority for specific funding decisions did not always accompany this decentralization, though in some instances Zone stakeholders were able to gain control over programmatic resources (e.g., awarding of funds to individual businesses under EZ/EC-funded loan programs).

Table 7 summarizes the role provided for community input and governance pertaining to community development activities in the 18 study

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[74] Building A Community Plan for Strategic Change: Findings from the First Round Assessment (Albany, NY: Nelson A. Rockefeller Institute of Government, State University of New York, March 1997), p. 41.

[75] Ibid.

cities along with a brief description of the main provisions for community input and governance in each city. As shown below, citizens in all 18 cities played some advisory role in EZ/EC-funded community development activities, though provisions for community involvement in governance and project selection decisions were much less frequent.

Table 7: Community Input and Governance Role

Advisory	Governance	Project Selection
Atlanta	***Atlanta***	***Atlanta***
Baltimore	***Baltimore***	
Boston	*Boston*	
Charlotte	Charlotte	
Chicago	***Chicago***	
Cleveland	***Detroit***	
Dallas	East St. Louis	
Detroit	**Los Angeles**	
East St. Louis	***New York City***	
Los Angeles	***Philadelphia***	
Louisville	San Francisco	
Minneapolis		
New York City		
Oakland		
Philadelphia/Camden		
Phoenix		
San Francisco		
Tacoma		
Key: Cities in ***Bold Italic*** text are Empowerment Zone cities; cities in **Bold** text are Supplemental Empowerment Zone cities; cities in *Italic* text are Enhanced Enterprise Communities; Enterprise Communities are in regular text.		

Citizens as Advisors

Field associates in all 18 study cities reported that citizens played some advisory role in discussions regarding EZ/EC-funded community development activities. The formality of this role varied widely across the study cities; some had relatively ad hoc community input while others established advisory bodies to provide a direct channel for citizen participation in various community development initiatives such as business service centers and loan funds.

Several cities relied on existing citizen participation mechanisms as the primary means for generating citizen input on community development activities. In **Chicago**, there was no special provision for any additional institutionalized citizen input for community development finance activities. For those activities where community development corporations were involved it was assumed that community input was part of their operating philosophy. The 39-member EZ Coordinating Council, whose members include 12 EZ residents and representatives from 6 EZ businesses, is the formal advisory body for Chicago's EZ initiative and is considered the primary channel through which community input should occur. **Dallas**, **East St. Louis**, **Louisville**, **Phoenix**, and **Tacoma** all largely relied on existing EZ/EC advisory bodies to provide a means for citizen involvement in community development activities. In **Minneapolis**, where there were no new institutions or mechanisms created to provide input on EC-funded community development finance activities, community input largely occurred through the governing boards of various nonprofit organizations active in EC neighborhoods and through the pre-existing Neighborhood Revitalization Program.

By contrast, a few cities established new advisory groups to serve as a formalized means for community input in newly established community development entities. In **Atlanta**, for example, the 36-member Community Empowerment Advisory Board (which provides an opportunity for citizen input on the overall EZ Initiative), a separate eleven-member citizens advisory board was created for the Atlanta Center for Homeownership, a joint venture of the Atlanta Empowerment Zone and the Atlanta Housing Authority that will provide new and better-coordinated services in an effort to make home ownership a viable option for Zone residents.

In **Cleveland**, the city opted to work through five existing community development corporations in the SEZ areas to identify, plan, and implement an economic development strategy for utilizing the $87 million in HUD Section 108 and Economic Development Initiative (EDI) funds the city received as a Supplemental Empowerment Zone city. To help carry out these activities the city is using its SEZ funds to support the establishment of a network of business organizers at the five CDCs. These individuals will serve as entrepreneurial coaches, marketers, financial problem solvers, network facilitators, and business planners for existing and start-up businesses throughout the zone. While Cleveland intends to work primarily through existing organizations to implement its strategic plan, it did create two new entities to facilitate community input and involvement in the design and implementation of its SEZ economic development strategies. Neighborhood Advisory Councils were formed in each of the five Zone neighborhoods and a Central Advisory Committee was formed for the SEZ initiative as a whole. Projects and loans are reviewed at the NAC and CAC levels prior to action by the City Council and the Mayor.[76]

Citizen Participation in EZ/EC Governance Structures

Eleven of the study cities, including all six Empowerment Zone cities, provided for some means of citizen participation and involvement in the governance of various community development initiatives. The types of arrangements in place in these cities allowed for both direct and indirect citizen participation in the design and implementation of community development activities. Examples of direct participation occurred when cities established new governing boards that included one or more seats for Zone representatives to preside over specific community development entities such as a community development bank, a business assistance center, or a loan program. Examples of indirect participation occurred when cities relied on their existing EZ/EC governance entity, which included some community representatives, to monitor and oversee newly created community development finance entities.

Baltimore, Boston, Detroit, New York City, and Philadelphia all created new community development finance institutions that included community representation on their boards of directors. In **Baltimore**, five of the eleven seats on the board of directors of the One-Stop Capital Shop are held by Zone-area residents. Several other new institutions have been proposed in Baltimore that would allow for varying levels of community input and governance.[77]

In **Boston**, two of the city's EEC initiatives involve newly created entities governed by a board of directors that includes local residents, business owners and neighborhood organizations. The Blue Hill Task Force will oversee commercial development on city-owned sites and storefront rehabilitation of private businesses on Blue Hill Avenue. A similar collaboration is being created in the four neighborhoods participating in the Main Street program which aims to facilitate commercial revitalization in the four neighborhood business districts.

[76] According to the Cleveland associate, some residents are not in agreement that the loans brought before them reflect their preferences. Some members of the Neighborhood Advisory Committees felt that the real estate loans for commercial development excluded the individual entrepreneurs and small businesses they originally intended to be the target of such assistance. Nonetheless, after NAC approval, the CAC and City Council act on the loan applications.

[77] Other proposed institutions with community input in Baltimore include a community development bank, housing consortium, community inspection review board, community-based justice coordinating council, though the associate reported that most of these were still in the development stage and a few have actually been abandoned.

In **Detroit**, the One-Stop Capital Shop and the Community Development Bank both have boards of directors which include representatives from the Zone areas drawn from the EZ board, former members of the EZ planning process, and EZ-area businesses and community groups. The Financial Institutions Consortium, comprised of representatives from about a dozen lending institutions who pledged to channel $1 billion in capital and credit to the Zone over a ten-year period, is governed by its member institutions without direct community representation.[78]

In **New York City**, Zone-area representatives serve on the boards of directors of a business resource center and a microloan program in the Upper Manhattan portion of the Empowerment Zone. In the South Bronx portion of the EZ, five of the seven members serving on the RFP Steering Committee are Zone residents.

In **Philadelphia**, community representatives attained a major victory when the city agreed to create three separate "community banks" instead of one citywide institution to be the driving force behind fostering small business development in Zone areas. While the governance structure of each bank provides for substantial community input, there has been reported disagreement over the relative influence professionals, city officials, and community representatives would have on the governing boards and especially their lending committees. The associate reports that while community interests prevailed in the establishment of three separate community banks, City Hall has maintained substantial influence by insisting that one-third of the board members come from the banking and lending profession and one-third from City Hall appointments, thus ensuring that a majority of each board would not be community activists. Nonetheless, according to the associate, the lending criteria of the new community banks are more community oriented that would be expected from commercial lending institutions.

In other cities where citizens were involved in the governance of EZ/EC community development initiatives, community involvement was more indirect, typically occurring through existing EZ/EC governing entities. For example, the **Charlotte** associate reported that each of the three EC cluster area directors were taking steps to establish a micro lending program. The executive directors have been attending meetings of the neighborhood associations in each of their areas to report on their progress and to seek feedback from area residents. In addition, a majority of the persons who serve on the empowerment center boards in each cluster are neighborhood residents. Thus, all EC activities contain an element of community involvement, both through periodic neighborhood meetings or through monthly board meetings. The associate pointed out, however, that it is too early to tell if residents will play a more direct role in community development finance programs such as sitting on loan review committees.

In **Oakland**, the major advisory body is the Policy Board comprised of 21 members, nine appointed by the City Council and twelve selected from the three neighborhoods in the Zone area. The Policy Board oversees and sets policy for the Community Building Team Program, which was to be the heart of Oakland's Empowerment Zone strategic plan, and provides recommendations to the City Council on HUD EDI/Section 108 projects.

Since the EDI/Section 108 funds were secured by Oakland's CDBG grant, City Council retained final decisionmaking authority over these projects. A compromise struck between the City and community advocates divided the $22 million awarded in EDI funds in half, with $11 million allocated to flagship projects which the City Council and City Manager's office had favored and $11 million earmarked to smaller community and neighborhood level projects. Further, within the flagship category, agreement was reached to divide the $11 million among the three target areas.

The Policy Board was empowered to pre-screen flagship proposals through its own loan review committee and its own public hearing process. The Policy Board would make recommendations on all flagship proposals to the City Council. If the City Council disagreed with Policy Board recommendation, the policy was for City Council to give the EEC Policy Board an opportunity to address its issues during a Council Meeting prior to the Council's final vote. Community residents and flagship applicants would

[78] The Detroit associates indicate that community concerns are communicated to the Federal Institutions Consortium through bank personnel charged with Community Reinvestment Act compliance and by local advocacy groups such as the Detroit Alliance for Fair Banking, and further note that community groups have enjoyed success in pressing their banking concerns on local institutions via other paths.

have an opportunity to comment on the proposals at EEC Policy Board meetings and Council Meetings.

According to the associates, the flagship project evaluation process was characterized by extensive community input.[79] EEC staff released the request for flagship proposals to a broad list of community residents and businesses. Applications were reviewed by staff of the City's Economic Development department, then forwarded to the EEC Policy Board for preliminary review. Appealing proposals were then forwarded to the Policy Board's loan review committee for further study. The loan review committee consisted of a Policy Board member, city staff, and a volunteer from a local lending institution. The loan review committee did a financial analysis of the proposal and made a recommendation back to the EEC Policy Board. The Policy Board then voted on whether to recommend proposed flagship projects to the City Council for funding. The vote was conducted at one of the bi-monthly Policy Board meetings. Project sponsors were given an opportunity to advocate for their project and address the Policy Board's questions and concerns prior to their vote. Community members, sponsors or critics were also invited to add their comments during an open forum at the end of every meeting.

Other activities in Oakland were intended to have direct community involvement, though details evolved over the course of implementation. For example, the One-Stop Capital Shop proposal called for an eleven member Board of Directors that included at least five residents or business representatives from Zone neighborhoods. The OSCS that actually emerged, however, is administered as a unit of the city's Community and Economic Development Agency without a board of directors or separate citizen's advisory board. Instead, community residents who participate in the Community Building Team program to interact with OSCS staff and serve as a liaison for OSCS services and programs with community residents and businesses while OSCS staff make regular reports to the EEC Policy Board.

[79] An exception was the first (and largest) flagship project approved for EEC funding. City Council attempted to fund this project before the community governance body was seated. Community pressure prevailed upon the City Council to follow the established community participation procedure, and wait until the community advisory body was seated and up to speed before allocating EEC funds by City Council fiat. Despite the conflict, this project was ultimately approved by the Policy Board, although some lingering feelings of it being a "done deal" remain to this day.

The original plan for Oakland's "community and individual investment corporation," which the associates report was not well received and has not proceeded, stated that only EEC area residents, businesses and property owners could buy voting shares in this cooperative venture. Non-residents could apply for loans and invest funds in the CIIC and hold non-voting shares. Voting shareholders would be entitled to elect a board of directors, approve the management team and set lending policy. The planned board of directors would include representatives of EEC area residents, EEC area businesses, banking and lending professionals, other financial professionals and non-voting city representatives.

Oakland finalized its plan for the EEC Revolving Loan Fund in June 1997. The RLF is made up of five programs, which were a staff recommendation that was approved by City Council without input from the EEC Policy Board. The associates noted that provisions for EEC Policy Board input in the various programs are still being worked out, but reported that OSCS staff did recently go before the Policy Board to formally request that the Board provide policy advice to help staff target one of the five programs, "Identified Community Commercial Area Needs" according to certain geographic areas in need of commercial revitalization, type of businesses/services desired, or type of business owners (e.g. all residents, women owned businesses). The associates added, however, that many local observers believed EEC Policy Board and general community input in the other loan programs would be limited because it was either too cumbersome or inappropriate.

In **San Francisco**, which also relied almost exclusively on its general EC governing entities to channel public involvement on EC-funded community development activities, the nature and extent of citizen participation was complicated by a couple of factors. First, as noted earlier, the types of projects requiring community development finance were deemed infeasible and downgraded in priority due largely to the relatively small amount of funding the city received and the fact that that funding was further "morselized" via distribution to each of the four neighborhoods in the designated Zone area. Second, to the extent community development finance projects were included in the city's EC initiative, they tended to rely on existing agencies and organizations for implementation as opposed to the establishment of new ones. And third, while the EC initiative did lead to the creation of new governing institutions (e.g., the Enterprise Community Board and six Neighborhood Planning Bodies in the EC area), those institutions have struggled against older and more established community-based organizations in their efforts to define the community development agenda in their respective neighborhoods.[80]

The EC Board and the EC neighborhood planning bodies have added new voices and perspectives to the debates about community financing needs in San Francisco, and they have made inroads in connecting with other community groups (such as the CDBG citizen advisory board). Outside the relatively small arena of EC funding decisions, however, these new EC governance structures have not supplanted the older, more established citizen advisory panels and community-based organizations as the definitive voice of the people.

The associates add that both the new Brownfields Initiative and the Redevelopment Project Areas have citizens advisory boards that have attracted members of the EC Board and Neighborhood Planning Bodies. These new citizens committees may supplant the NPB's in some EC neighborhoods because of the greater clout they wield due to the scope and potential for ongoing funding of the initiatives to which they are attached. The San Francisco associates conclude that the EC Board and the NPBs are likely to be regarded by many as "morning glories" of reform unless and until refunding of the EZ/EC Initiative gives them a longer lease on life.

In **Louisville**, the associates reported there is little opportunity for direct community input or governance in the new community development institutions (a community development bank and three affiliates – a retail bank, a for-profit real estate development company, and a nonprofit enterprise group) established to implement Louisville's strategic plan. The executive committee of the community board directing the Enterprise Community initiative is the primary mechanism for community input to the new community development finance institutions. The EC provided $1.3 million to the nonprofit Louisville Enterprise Group and was involved in the effort to establish the new community development institutions, participated in the recruitment and selection of staff, and is provided the opportunity to advise the institutions on matters of policy during give and take sessions with staff at periodic executive committee meetings. The new community development institutions also make reports to the EC Community Board executive committee on benchmarks and performance measures.

Despite their working relationship with the EC executive committee, the community development bank and its affiliates have their own independent boards of directors, and as the associates reported, a deliberate decision was made to *not* provide board seats to particular groups in the community (e.g., the EC community board). According to the associates, the view held by the organizers of the bank and its subsidiaries was that people should serve because of their experience in business, technical expertise or by virtue of their status as business or civic leaders. It was felt that the board needed "appropriate qualifications" to gain approval from the Federal Reserve Board. The associates pointed out that this view was not inconsistent with the EC community board position during the strategic planning process. [The community board sought to create permanent institutions that could increase capital in the EC community and that should not be hampered with well-meaning but inexperienced community members that might undermine the institutions' credibility or operations, particularly given certain bad experiences the community had previously with failed efforts to establish these kinds of institutions.]

[80] Implementation of the EC program and specifically the creation of the neighborhood planning bodies initially sparked some conflicts between neighborhood residents and CBO leaders over issues of leadership, representation, and claims to speak for the community. As the San Francisco associates point out, the community development financing system depends heavily on a vast array of nonprofit agencies and organizations that provide community outreach, entrepreneurial training, technical assistance, loan packaging, and a wide range of other services to low- and moderate-income individuals living in the EC neighborhoods and elsewhere throughout the city. All of these organizations have boards of directors and advisory groups that are to some extent representative of the communities served. Many of them, particularly those with long-term contracts with the Mayor's Office of Community Development, have been very responsive to MOCD's shifting policies and priorities. (For example, the neighborhood economic development organizations have responded to MOCD's encouragement of greater investment in micro-enterprise loans.) The associates note, however, that there is a widely-shared belief among EC neighborhood residents and merchants that some of these nonprofit organizations have become comfortably entrenched, beholden to city hall, and estranged from the neighborhood communities they serve. According to the associates, these conflicts have been resolved to some extent, but the underlying tensions remain. The associates note that neighborhood input into MOCD's community development financing process is still dominated by leaders of the established community-based organizations with whom MOCD has long-standing contractual relationships.

Despite the lack of specified board seats, the Louisville associates noted that the EC Community Board remains highly influential over the bank hold company. One EC Community Board member does serve on the board of directors of the bank Holding Company. Moreover, the good will and support of the EC executive committee and community board is required for the success of these new CDFI institutions. If the EC executive committee were to lose faith in these institutions or withdraw their visible support, these institutions would quickly lose credibility in the Zone neighborhoods and fail. So the EC executive committee is still in a strong position to influence or advise these new community development finance institutions.

In **Los Angeles** a similar pattern was followed where a new community development finance institution was created but the SEZ governing entity and existing neighborhood-based organizations would be the primary means through which community input would take place. The Empowerment Zone Oversight Committee is the principle vehicle for community input for Los Angeles' Supplemental Empowerment Zone initiative. The EZOC is comprised of twelve members, half of whom must be residents of the Zone area and all 12 members are required to be zone stakeholders (i.e., live, work, own property, do business in, or provide services to residents in the zone). While the EZOC does not have any responsibility or authority over the community development bank, there is a linkage between the two entities in that the chairperson of the EZOC is a member of the community bank's board of directors. In addition, the community bank is mandated to conduct an annual community public meeting and is required to meet quarterly with the EZOC.

An additional means for community participation and involvement in the LA community development bank is through existing nonprofit organizations in Zone neighborhoods as the community bank relies on nonprofit and for-profit organizations to perform credit analysis, operate revolving loan funds, provide business technical assistance, and other services for prospective LACDB borrowers. Eleven community-based organizations are serving as intermediaries for the LACDB under its microloan and business loan programs.

These intermediaries are able to originate loans, submit the loans for approval through their own credit committees, and package the loans and submit them to the Los Angeles Community Development Bank for approval and funding. The LA associate reported that it is anticipated that once the intermediaries are able to demonstrate an ability to screen and approve loans consistent with LACDB procedures and criteria, they may participate in a "Loan to Lenders" program in which selected intermediaries will be able to package and fund loans directly.

Another example of indirect citizen participation in community development activities through local EZ/EC governance entities is **Phoenix**. The associate noted that the EC Steering Committee represents a broader and more fully developed network of institutions and people concerned with the EC and adjacent areas of South Phoenix and Downtown. Through this committee process, representatives of important EC based and/or interested entities such as the Downtown Phoenix Partnership, the Community Alliance, Phoenix Occupation and Industries Council, Urban League, Chicanos Por La Causa, city staff, university economic development and job training experts, bank and financial sector representatives and residents are meeting regularly, trying to wrestle with the vexing problems of community development in this area. The associate points out that while it would be erroneous to say that these mechanisms have resulted in wide-spread increases in citizen participation – meetings are attended mainly by members of the committee and city staff – taken together and in context with other on-going community development activities in South Phoenix, the EC effort has expanded the range of stakeholders and has connected more interests in the governance of South Phoenix than existed before.

Citizens as Decision Makers: EZ/EC Project Selection

As the above discussion illustrates, citizens were afforded a number of opportunities to engage in discussions regarding EZ/EC-funded community development activities. The mechanisms for community involvement most typically were either advisory committees or EZ/EC governing entities that included representation of Zone residents and stakeholders. In a few cities, zone residents were included on the boards of directors of newly established community development financing entities such as revolving loan funds, community development banks, and one-stop capital shops. There were few illustrations reported by the field associates, however, of instances in which zone residents and stakeholders actually controlled the allocation of EZ/EC resources.

The **East St. Louis** associate reported that while a Steering Committee was established to provide community governance (or at least, oversight) of all EC-related initiatives, the level of direct community input and governance varied among initiatives. For example, one pending program, microlending, is intended to be run solely by small business owners who will approve loans from a pool of money provided by the state. In contrast, a revolving loan fund under discussion will be run by traditional banking institutions.

In **Atlanta**, the associates noted that the EZ initiative has provided an unprecedented opportunity for community input and governance. Though the Atlanta Empowerment Zone Corporation board is the ultimate decisionmaking body for the EZ initiative, six of the seventeen board members are zone residents, and the six members of the Community Empowerment Advisory Board who sit on the AEZC board have succeeded in having all projects brought before the AEZC for consideration first work their way to the board through a community review process that includes a presentation before the Neighborhood Planning Unit(s) in which the activity is to be located, the appropriate Community Empowerment Advisory Board committee, and the full CEAB. The CEAB holds one meeting each month specifically for groups and organizations to make presentations on proposed EZ-funded projects and activities. In addition to input on the overall process used to award EZ funds, some of the EZ-funded community development financing activities (e.g., the Atlanta Center for Home ownership) have citizen advisory boards as well.

In each of the categories of community development finance activities discussed in this report, the Atlanta associates pointed out that citizens have played (and continue to play) a major role in program design and implementation. In economic development, the AEZC board recently approved the creation of a separate revolving loan fund under the direct control of the Community Empowerment Advisory Board. A separate "staff" revolving loan fund was also established. In housing, the CEAB was the major force in the creation of the EZ's major housing initiatives and CEAB members and citizens have both advisory and administrative responsibilities in several of these programs.

The CEAB-controlled revolving loan fund is perhaps the best example of citizen-controlled EZ/EC resource allocation culled from this round of field research. The establishment of the revolving loan fund was a long process and evolved out of increasing conflict between the CEAB and AEZC staff over the focus of Atlanta's economic development activities. CEAB board members felt that staff was paying too much attention to attracting large and medium sized businesses to the zone and not enough on fostering the creation of new businesses and the expansion of existing community-owned businesses. These were the types of business citizen participants in the strategic planning and benchmarking processes intended to be the primary recipients of EZ-funded economic development assistance. At its April 1997 meeting, the AEZC board voted to approve the creation of the CEAB revolving loan fund, authorizing $2.1 million in EZ funds. The primary objective of the CEAB revolving loan fund will be financing home-based, cottage-type businesses, entrepreneurial start-ups, and existing small businesses that need loans ranging in size from $500 to $50,000.

Currently, the CEAB is discussing the management and operation of the fund. The initial proposal called for an investment review committee appointed by the CEAB board of directors that would be comprised of at least five members, four members of the CEAB or their designated representatives from the Empowerment Zone, and one member from a linkage neighborhood (i.e., neighborhoods adjacent or near the EZ with poverty rates of 35 percent or higher). The investment review committee – which would include two experienced commercial lenders – would have the authority to approve all loans. The Atlanta associates report, however, that there is some disagreement among CEAB members as to how much authority should be vested in the loan review committee and how much should be retained by the CEAB itself. One proposal under discussion is to allow the review committee to approve smaller loans and require approval of the full CEAB for larger loans.

The associates added that despite the extent of community involvement in Atlanta's EZ initiative, there is concern among many about the quality and effectiveness of this involvement. Some have expressed concerns that the opinions and actions of the CEAB do not necessarily reflect those of the zone neighborhoods they represent, and that the CEAB has done a poor job of reaching out to residents. Other respondents have added that each CEAB member has a different vision of what specific EZ initiatives are, and as a result, program administrators often get pressured by CEAB members to perform services that were not included in the final program model.

Summary

The extent of community influence and control in the design and implementation of federal urban programs has been an especially challenging issue for communities to grapple with for decades. Under programs such as urban renewal, community action, model cities, community development block grants, and urban development action grants, to name but a few, citizens and local officials have struggled to define the right balance between neighborhoods and city hall in shaping urban revitalization efforts. Federal efforts to influence that outcome have varied over the years, ranging from the philosophy of "maximum feasible participation" under the community action program to the relatively modest requirement of a single public hearing prior to application submission under the UDAG program. Though many cities established citizens advisory committees under their CDBG programs, citizen participation has become highly routinized with the same groups and interests appearing each year before city officials seeking a continuation of funding for their various programs and activities.

The Empowerment Zones and Enterprise Communities initiative was an effort to re-engage discussion at all levels about the appropriateness of community involvement in revitalizing distressed neighborhoods. In numerous places throughout the EZ/EC application guide, reference is made to the importance of citizen involvement and community-based partnerships are identified as one of the four fundamental principles on which the initiative rests. According to the guide, "the road to economic opportunity and community development starts with broad participation by all segments of the community…The residents themselves, however, are the most important element of revitalization." [81]

As noted at the beginning of this section, our first report noted that "the field associates for this study were nearly unanimous in their assessment that the citizen participation that occurred during the development of their city's strategic plan was *significantly and substantively greater* than that which has taken place under previous federal urban initiatives." We also pointed out that "citizens in most communities were able to obtain what the field researchers classified as a moderate to substantial role in the governance of their community's EZ/EC Initiative, either through direct participation on the governing board or through a separately established advisory board along with subsidiary task forces or subgroups."

This round of field research has demonstrated that as the EZ/EC Initiative has continued to evolve and as benchmarks are translated into specific programmatic activities and organizations to carry them out, citizens have continued to play an important role in the implementation of their strategic plans. All 18 study cities provided some opportunity for citizens to advise local EZ/EC governing bodies and many of the newly created community development finance entities (see Table 8). In more than half of the sample jurisdictions Zone stakeholders held seats on the boards of directors of EZ/EC governing entities and/or the boards of newly created community development finance institutions such as community development banks, one-stop capital shops, revolving loan funds, and business service centers, thus pushing their level of participation to a higher level than has typically been seen in many previous federal initiatives. While we found many examples of instances where Zone stakeholders held a place at the decisionmaking table, we found only one city (Atlanta) where citizen participants had exclusive control over the allocation of EZ/EC resources, though the amount under citizen control was relatively modest ($2.1 million of $100 million in EZ funds).

Our view, in conclusion, is that the initiative is still relatively young and that the jury is still out regarding the extent of community influence that will

[81] The President's Community Enterprise Board, Building Communities Together: Empowerment Zones and Enterprise Communities Application Guide, (Washington, D.C.: U.S. Department of Housing and Urban Development, January 1994), 9.

be exercised under the EZ/EC Initiative. Many cities are only beginning the process of issuing RFPs and awarding funds to specific vendors. Programs and decisionmaking processes that have emerged in many instances look very different from what was originally intended. Nonetheless, in terms of fostering "broad participation by all segments of the community," the EZ/EC Initiative in most cities appears to be living up to the spirit of this principle. Whether Zone stakeholders emerge as the "most important element of revitalization" remains to be seen.

Table 8: Summary of Community Input and Governance in EZ/EC-Funded Community Development Institutions

City	*Community Role*	*Provisions for Community Input and Governance*
Empowerment Zones		
Atlanta	Advisory/ Governance/ Project Selection	The primary mechanism for community input is the Community Empowerment Advisory Board, a 69-member body including one representative from each of the 30 neighborhoods located in the EZ and 39 representatives from "linkage" neighborhoods that are adjacent or near the EZ and share similar levels of poverty and distress. Six of the 17 seats on the Atlanta Empowerment Zone Corporation Board, the formal decision making body, are held by CEAB members. Recently, the AEZC approved a separate revolving loan fund that would be under the direct control of the CEAB, which would be used primarily to aid the creation and expansion of small businesses owned and operated by Zone residents. In addition to the CEAB, 11 Zone residents serve on an advisory boards for the EZ-funded Atlanta Center for Home ownership.
Baltimore	Advisory/ Governance	The Empower Baltimore Management Corporation is the key institution charged with responsibility for implementing the strategic plan. EBMC is a nonprofit corporation governed by a board appointed by the Mayor and the Governor. Nine of the 30 seats on the board are reserved for representatives of Zone neighborhoods. EBMC has created two key institutions to allow for community input and governance – the six Village Centers and the Advisory Council. The Village Centers are nonprofit corporations created in response to guidelines developed by EBMC. Each Village Center has its own board composed of community representatives, business people, and representatives of key local institutions. Village Centers assist the EBMC in developing plans and participate in the implementation of some action plans, though their role here is greater in social services, training, and outreach, than it is in economic development, which tends to be managed by professionals. The Advisory Committee, which advises the EMBC on policy matters relating to the EZ initiative, is composed of 50 members who represent Zone communities, key local institutions, and public agencies. Members are appointed by the EBMC board. Five of the eleven seats on the board of directors of Baltimore's One-Stop Capital Shop are held by Zone residents. Several other new institutions have been proposed that would allow for varying levels of community input and governance (e.g., community development bank, housing consortium, community inspection review board, community-based justice coordinating council), though most of these are still in the development stage and a few have actually been abandoned.
Chicago	Advisory/ Governance	There was no special provision for additional institutionalized community input for community development finance activities. Where CDCs are involved it is presumed that community input is part of their operating philosophy. In addition, the 39-member EZ Coordinating Council, whose members include 12 EZ residents and representatives from 6 EZ businesses, controls the allocation of EZ grants (in most cases) and is considered as a channel for community input and governance. The proposed One-Stop Capital Shop would have separate boards of directors for the Business Assistance Center and the Investment Partnership. The BAC board would include 13 members and could conceivably have a community majority—4 CDC representatives and 3 representatives from zone businesses. Community influence would be more muted on the seven-member IP board, which would include representatives from government, banks, small businesses, and business consultants.
Detroit	Advisory/ Governance	The One-Stop Capital Shop and Community Development Bank have boards which include representatives from the Zone areas drawn from the EZ board (a majority of whom are community representatives of the EZ area), former members of the EZ planning process, EZ-area businesses and community groups. The Financial Institutions Consortium is governed by its member institutions without direct community representation. Broader community concerns are brought to the Consortium by individual member institutions—especially the commercial banks—and bank personnel charged with CRA compliance who serve as reporters of community concerns and, selectively, as advocates for community needs. In addition, local advocacy groups such as the Detroit Alliance for Fair Banking, have pressed community concerns on the member institutions of the FIC with significant success.
New York City	Advisory/ Governance	The two local development corporations responsible for coordinating activities in New York City's two EZ areas each has its own board of directors, executive director, and staff. The Upper Manhattan Zone has a 25-member board that includes 4 representatives from community boards and 10 representatives elected by zone residents. Most of the organizations and initiatives funded were in existence prior to the EZ initiative and each has its own board of directors that includes some representation of community residents. A similar approach has been taken for the newly funded initiatives such as the business resources and services center and the microloan program. In the South Bronx Zone a seven-member RFP steering committee that includes five community representatives advises the Bronx LDC on EZ programs and activities.
Philadelphia/Camden	Advisory/ Governance	Community representatives attained a major victory when Philadelphia agreed to create three separate "community banks" instead of one citywide institution to be the driving force behind fostering small business development in Zone areas. While the governance structure of each of these banks provides for substantial community input, there has been disagreement over the relative influence professionals, city officials, and community representatives would have on the governing boards and especially their lending committees. While community interests prevailed in the establishment of three separate community banks, City Hall has maintained substantial influence by insisting that one-third of the board members come from the banking lending profession and one-third from City Hall appointments, thus ensuring that a majority of each board would not be community activists.
Supplemental Empowerment Zones		
Cleveland	Advisory	The Neighborhood Advisory Councils (one in each of five zone neighborhoods) and the Central Advisory Committee are the institutions that were established to provide community input and governance for SEZ-funded community development projects. Projects and loans are reviewed at the NAC and CAC levels prior to action by the City Council and the Mayor.

City	*Community Role*	*Provisions for Community Input and Governance*
Los Angeles	Advisory	The LA Community Development Bank is required to hold at least one community public meeting each year. At this meeting residents are asked to give input as to how the LACDB could better serve the needs of businesses and residents. In addition, the LACDB relies on a number of nonprofit and for-profit intermediary organizations that perform credit analysis, operate revolving loan funds, provide business technical assistance, and other services for prospective LACDB borrowers. While initially some of these intermediary organizations have been permitted to originate loans for LACDB approval it is anticipated that once these organizations demonstrate their ability to screen and approve loans consistent with LACDB procedures they will be permitted to package and fund loans directly.
Enhanced Enterprise Communities		
Boston	Advisory/ Governance	The Community Advisory Board, which includes 39 members who represent different community organizations, residents, and leaders throughout the zone is the primary mechanism for community input. The CAB also includes 22 city officials and elected officials who serve as ex officio members. The CAB's role is to review and recommend projects for EEC funding to the Boston Empowerment Center Board which is the formal decision making body. The CAB also appoints 10 of the 19 BEC board members. For loan programs, informal community meetings are held to solicit community input on specific projects, especially when they entail development related to the disposition of city-owned lands. Two of Boston's EEC initiatives that involve neighborhood commercial development are governed by a board that includes local residents, business owners and neighborhood organizations.
Oakland	Advisory	<u>Flagship projects</u>. The City Council retained final decision making authority over the city's EEC-funded "flagship" projects. However, the EEC governing body, the EEC Policy Board, was empowered to pre-screen flagship proposals through its own loan review committee and its own public hearing process. The EEC Policy Board would make recommendations on all flagship proposals to the city Council. <u>One-Stop Capital Shop</u>. Community involvement in OSCS programs has been more limited. The OSCS is administered as a unit of a city agency. There is no board of directors or separate citizen's advisory board. <u>Community and Individual Investment Corporation</u>. Oakland's CIIC proposal was created and marketed by a group of economic development and financial professionals. The proposed CIIC was not well received by community residents or members of the EEC Policy Board who rejected the concept. <u>Revolving Loan Fund</u>. Oakland's EEC-funded RLF resources were divided into five separate programs. The five programs were a staff recommendation that was approved by the City Council without input from the EEC Policy Board. Provisions for community input in the various programs are still being worked out, with community input most likely being confined to one program, Identified Community Commercial Area Needs. The plan is to hold community meetings and have the EEC Policy Board assist staff develop priorities to which loan funds should be directed in each neighborhood.
Enterprise Communities		
Charlotte	Advisory/ Governance	Each of the three EC cluster area directors are taking steps to establish a micro lending program. The executive directors have been attending meetings of the neighborhood associations in each of their areas to report on their progress and to seek feedback from area residents. In addition, a majority of the persons who serve on the empowerment center boards are neighborhood residents. These boards meet monthly. Therefore, all EC activities contain an element of community involvement, both through periodic neighborhood meetings or through monthly board meetings. It is, however, too early to tell if residents will play a more direct role in community development finance programs such as sitting on loan review committees.
Dallas	Advisory	The EC Citizen's Advisory Committee, a seven member committee composed of EC residents appointed by City Council members whose districts include areas in the EC, is the principal mechanism for community input related to activities associated with community development finance. Proposed activities are presented by the EC Coordinator to the advisory committee for its review and suggestions. The committee, however, has little if any governance role. At quarterly meetings the advisory committee is afforded the opportunity to provide comments and make recommendations for future activities and investment opportunities.
East St. Louis	Advisory	Specific community development finance programs vary in the amount of direct community input and governance involved. One pending program, Microlending, is intended to be run solely by small business owners who will approve loans from a pool of funds made available by the state. In contrast, a revolving loan fund under discussion will be run by traditional banking institutions.
Louisville	Advisory	There is little opportunity for direct community input or governance in the new community development finance institutions that were created (e.g., community development bank and its affiliates/subsidiaries, business information center). Each of these institutions has its own independent board of directors. No specific seats are set aside for EC participants or residents, though some do serve on the boards of these entities. The 12-member executive committee of the EC Community Board is the primary mechanism for community input to these institutions, as each must report periodically to the executive committee on benchmarks and performance. A deliberate decision was made to not provide board seats to particular groups in the community as the view held by organizers of the bank and its subsidiaries was that people should serve because of their experience in business, technical expertise, or by virtue of their status as business or civic leaders. Emphasis was placed on building institutional capacity and expertise to prevent well-meaning but inexperienced community members from undermining the institutions' credibility or performance as had occurred previously with failed efforts to establish these kinds of institutions.
Minneapolis	Advisory	There were no new institutions or mechanisms created to provide input on EC-funded community development finance activities. Community input largely occurs through the governing boards of various nonprofit organizations active in zone neighborhoods.
Phoenix	Advisory	Size of Steering Committee subcommittees has been increased to include more community members. Residents are also encouraged to participate in EC-assisted programs through two indirect, or "self-help" mechanisms—a free resource handbook designed to familiarize business owners with basic financial terminology and requirements for obtaining capital and also provide an overview of assistance programs and a list of non-traditional lending sources. A second mechanism is the Small Business Exposition sponsored annually by the City.

City	*Community Role*	*Provisions for Community Input and Governance*
San Francisco	Advisory/ Governance	EC initiative governed by the 25-member SF Enterprise Community Board which includes 18 members elected from six Neighborhood Planning Boards in the zone. Representatives from each neighborhood must include a merchant, a community-based organization representative, and a resident. The NPBs have been given considerable autonomy in prioritizing and selecting EC-funded projects in their areas. The EC Board and the EC neighborhood planning bodies have added new voices and perspectives to the debates about community financing needs, and they have made inroads in connecting with other community groups (such as the CDBG citizen advisory board). Outside the relatively small arena of EC funding decisions, however, these new EC governance structures have not supplanted the older, more established citizen advisory panels and community-based organizations as the definitive voice of the people.
Tacoma	Advisory	There are a set of committees that provide input to the Tacoma Empowerment Consortium (TEC) Board and staff regarding EC activities including committees directly associated with the microloan program, the Business Assistance Center, and development of the International Services Development Zone. These committees are made up of one or two TEC board members, and anywhere from three to thirty interested community and business members. TEC management and staff provide support for the committees.

VII. DIFFERENCES FROM OTHER SOURCES OF COMMUNITY DEVELOPMENT CAPITAL

In assessing the new community development finance tools that were created (or proposed) with EZ/EC resources, associates consistently emphasized four themes regarding how these new programs differed from other sources of community development capital.

First, several associates noted that many EZ/EC-funded programs tended to focus on non-traditional borrowers – i.e., those with poor or no credit history – and placed an emphasis on making housing and economic development financing affordable for Zone residents and entrepreneurs. In addition, as noted above, many cities used their EZ/EC funds to establish microlending programs, some providing loans as low as $500, to fill a niche that most banks and commercial lending institutions fail to serve.

Perhaps the best example of this approach was Louisville, where a community development bank and several affiliate institutions were created to fill specific gaps in the availability of community development capital or to make capital more affordable or accessible. For example, while there were existing loan programs for minority business development available prior to the EZ/EC Initiative, the new institutions created were intended to offer new services, expand existing services, and provide greater accessibility in the existing levels of service to the minority community, especially within the EC boundaries. As the associates pointed out, the existing banks in Louisville were providing mortgage money for housing and commercial services (e.g., checking and savings accounts) but not investing in business development that would lead to new wealth, jobs, and marketplaces to serve the Zone area. To foster the level of entrepreneurialism thought necessary to revitalize these neighborhoods, a bank and affiliates that would be willing to provide extensive services to budding entrepreneurs was needed. This was a niche not being served by existing banks and one they would probably not be willing to undertake on their own.

Associates in several other cities, including Atlanta, Baltimore, Boston, Charlotte, Cleveland, Dallas, East St. Louis, New York City, Philadelphia, and Tacoma, all noted that EZ/EC funds were being used to establish programs to provide loans to individuals and businesses who would not ordinarily qualify for loans from traditional sources of community development capital (see Table 9).

Second, many associates pointed out that EZ/EC funds were the only major source of capital investment exclusively targeted to Zone neighborhoods in their cities. For example, the Oakland associates reported that EEC funds are targeted to specific Zone neighborhoods which makes them one of the only sources of funds where living or locating a business in the Zone area gives applicants a competitive advantage. The Tacoma associate pointed out that because funds are targeted to EC neighborhoods, many more businesses are receiving loans than if they were applying to larger, more regional sources of community development capital. The Dallas associates noted that the EC-funded business development program ($1 million) is the only program focused on business development targeted exclusively to EC neighborhoods.

Third, a number of associates reported that the creation of One-Stop Capital Shops and business service centers made it easier for EZ/EC residents and business entrepreneurs to access technical assistance resources and learn about available sources of financing. The Atlanta associates reported that the One-Stop Capital Shop has introduced potential entrepreneurs to sources of capital and technical assistance they might not have known about otherwise. They added that while many of the services available through the OSCS were available from other small business technical assistance providers throughout the city, the volume of traffic the OSCS was serving was considerably larger than that seen at more traditional providers, due largely to the fact that so many departments, agencies, and programs were located in the OSCS facility. Atlanta's One-Stop Capital Shop is reportedly unique in that it is co-located with the U.S. General Store, a one-stop information and service center that houses more than two dozen federal agencies, as well as several additional city and state agencies. Similar benefits of one-stop business service centers were reported in several other cities including Baltimore, Boston, Detroit, New York City, and Oakland. The Cleveland associates added that in addition to emphasizing comprehensive business service centers, the city also established a simplified contracting process to facilitate loan processing and disbursement of funds.

Finally, a few associates provided examples of how EZ/EC funding was more flexible than other available sources of capital, enabling projects to take place that might not have occurred in their absence. The East St. Louis associate reported that EC funds are used primarily to fill gaps left by the restrictions that often accompany and limit the usage of other sources of capital. The Boston associates pointed out that HUD Section 108 and EDI funds differ from other sources of capital in terms of their ability to write down development costs, subsidize the cost of financing, and serve as a source of equity or equity-like capital. They also added that Boston's microloan program, supported with SBA funds, provides access to very small amounts of capital that are not typically available from conventional lenders and public agencies and also provides more intensive technical assistance than is usually available from other sources.

The Oakland associates, on the other hand, reported a different perspective on HUD EDI and Section 108 funds. They pointed out that these funds are more limited than other sources because HUD guidelines for their use are more stringent than other sources of capital such as CDBG. For example, project sponsors who receive EEC Section 108 loans had to create at least one job per $35,000 loaned, nonprofits that were not Community-Based Development Organizations could not apply, and capital could not be dispersed in lump sum amounts. The associates also noted that city officials reported that HUD regulations regarding Section 108 funds may prove burdensome to the city's efforts to implement its EEC-funded microloan program. Compared to the microloan fund capitalized by Oakland's CDBG funds or by local CDCs, the EEC microloan funds have more stringent qualification criteria, such as job creation requirements, and limitation on the type of assets that can be used for collateral. On the other hand, the Oakland associates pointed out that unlike regular HUD Section 108 loans, the EEC Section 108 loans could be used for working capital, which was an area of significant credit need not well served by traditional lenders or other government guaranteed loan programs.

Table 9: Summary of Differences Between EZ/EC-Funded and Other Sources of Capital for Community Development Finance

City	*Differences from other sources of community development capital*
Empowerment Zones	
Atlanta	Primary emphasis of community development financing activities has been on increasing access to capital, particularly for community-level economic development and home ownership. One-Stop Capital Shop has introduced potential entrepreneurs to sources of capital and technical assistance they might not have known about otherwise. EZ loans executed to date have been considerably more affordable than traditional loans and newly established revolving loan funds have the potential to provide new funding sources for business development targeted to Zone neighborhoods. Mortgage assistance program will provide cash down payment assistance of $8,000 to Zone residents who are also eligible for another $7,000 in down payment assistance from city CDBG/HOME funds.
Baltimore	New EZ-funded activities differ from other sources of community development capital in flexibility, accessibility and affordability. Village Centers and Business Empowerment Center/One-Stop Capital Shop offer accessible business services such as business training and technical assistance targeted to Zone businesses and residents who may have limited business experience, capital, and credit. New lending programs such as the 80/20 Loan Program and the Housing Venture Fund provide more flexible and affordable sources of capital than traditional programs or lenders.
Chicago	EZ grant itself is being used as a new source of community development financing. It is proving to be quite flexible in that it can be used in a wide variety of projects. It contributes to affordability in the sense that it is "free money" that does not need to be paid back. On the other hand, the use of EZ fund primarily for grants means that there is no way to replenish the pot for future projects. Accessibility has been limited in the sense that only a relatively few number of projects have been assisted compared to the universe of need.
Detroit	Both the idea of a One-Stop Capital Shop and a Community Development Bank were being discussed at the time the EZ strategic planning process began. The core members of the Financial Institutions Consortium also had already been meeting (and making commitments via their participation in Detroit Renaissance) prior to the EZ. The EZ initiative, however, provided a focusing event around which to build the last elements of consensus and close deals that accelerated the creation of new community development finance mechanisms that increased the flexibility, affordability, and accessibility of capital to Zone residents and businesses.
New York City	New EZ-funded activities differ from other sources of community development capital in flexibility, accessibility and affordability. All three of the new programs were designed to provide capital to individuals with little or no credit history. Two programs have been established to provide microloans to smaller businesses, one of which provides loans as small as $400. A community credit union has been established to offer savings accounts for individuals and organizations in the community and to provide personal loans for up to $5,000. These loans are an affordable alternative to area loan sharks or prestamistas who charge exorbitant interest rates, some as high as 15% per week.
Philadelphia/Camden	The primary objective of newly funded community development finance activities in Philadelphia is to increase access to capital to Zone residents and businesses, particularly to non-traditional customers who had poor credit or no credit history. Lending practices have not yet been established in all Zone neighborhoods. The lending committee in the American Street Zone requires substantially less equity invested by the borrower (as low as 10%) and can be demonstrated in various ways that would not normally be accepted by traditional models of credit worthiness. In addition, collateralization can be as low as 50%. The lending committee in the North Central Philadelphia Zone requires that borrowers be rejected by a bank before applying for an EZ loan.
Supplemental Empowerment Zones	
Cleveland	The new community development financing activities funded with SEZ resources are designed primarily to expand the availability of capital by making the capital more affordable, accessible, and attractive. SEZ funding available to businesses in the Zone ranges from microloans of $1,000 to real estate commercial development loans of $5 million. The SEZ offers a variety of financial incentives that ostensibly serve smaller and larger business needs including interest rates ranging from 0% to 6%. Potential borrowers also receive technical assistance that may advance their business objectives and strengthen their loan applications. Also, the city has established a simplified contracting process to facilitate loan processing and disbursement of funds.
Los Angeles	The LA Community Development Bank was designed to operate differently from traditional banks, which are primarily concerned about the return on their invested dollars. The LACDB's mission is to focus on promoting a positive investment environment and sustainable jobs for Zone residents, primarily through providing non-traditional loans, venture capital, and technical assistance. Some respondents expressed concern, however, that if the loan default rate exceeds an acceptable level, then the LACDB may become indistinguishable from commercial banks in its lending policies.
Enhanced Enterprise Communities	
Boston	Boston's EEC community development financing activities have relied heavily on existing lending programs and institutions. Three new financing programs, institutions, or mechanisms have been established as a result of the EEC. 1. HUD 108/EDI funds differ from other sources of capital in their ability to write down development costs, subsidize the cost of financing, and serve as a source of equity or equity-like capital. 2. The microloan program, capitalized with SBA funds, provides access to very small amounts of capital that are not typically available from conventional lenders and public agencies and also provides more intensive technical assistance than is usually available from other sources. 3. A third program is unique in that it offers below market financing through a conventional banking institution, provides very prompt lending decisions, and allows for a second-look review of loans that have been declined.

City	*Differences from other sources of community development capital*
Oakland	1. Flexibility of programs funded with EDI and Section 108 funds is limited because HUD guidelines for the use of these funds are more stringent than other sources of capital, such as CDBG. 2. Unlike conventional HUD 108 loans, EEC Section 108 loans could be used for working capital, which was an area of significant credit need not well served by traditional lenders or other government guaranteed loan programs. 3. EEC funds are targeted to specific neighborhoods which makes them one of the only sources of funds where living or locating a business in the EEC area gives applicants a competitive advantage. 4. Though One-Stop Capital Shop provides many of the same types of community development capital available from other CDCs and commercial lenders, funds are more accessible since multiple lenders and loan programs are available at the same location.
Enterprise Communities	
Charlotte	The micro lending program will provide credit in smaller amounts and on more flexible terms than existing sources of credit available to EC area residents. Thus, many EC residents who may not have been able to secure loans from conventional sources will be able to start-up or expand businesses.
Dallas	EC-funded business development program ($1 million) is the only program focused on business development targeted exclusively to the EC. Since it is a grant program, funds do not require repayment, and therefore can be used as capital by grantees reducing the size of their own investment or conventional loan requirements, thus increasing the ability of first time business borrowers to secure loans. On the other hand, while the program reduces the collateral requirement, it imposes obligations (e.g., job creation, seven-year lease) that could impair success among smaller businesses.
East St. Louis	EC funds are used primarily to fill gaps left by the restrictions that often accompany and limit the usage of other sources of capital. In addition, EC funds differ from traditional sources of capital by endeavoring to make housing and economic development financing accessible and affordable for EC residents.
Louisville	New institutions were created to fill specific gaps in availability of community development capital and to make capital more affordable and accessible. Primary focus of EC activities was to tackle the problem of disinvestment in the EC area through the creation of a community development bank which would foster business expansion and new business creation, a niche not being served by existing banks and one they would probably not be willing to undertake on their own.
Minneapolis	EC efforts do not vary from other community-based loan programs or business development activities. They do, however, target activities to specific high needs neighborhoods.
Phoenix	One major difference is an explicit attempt to reach minority businesses through partnerships with Hispanic and African American organizations. This is an effort that banks, traditionally, have not made.
San Francisco	EC program ended up with very little emphasis upon community development financing. Most of the programs that include community development financing activities have this as only a very peripheral focus, so it is difficult to compare EC funds with those from other sources.
Tacoma	The microloan program provides loans to individuals who would ordinarily not qualify from traditional sources of community development capital. In addition, individuals also receive a great deal of attention and technical assistance from microloan staff that would not be available in other organizations. Also, because funds are targeted to EC neighborhoods many more businesses are receiving loans than if they were applying to larger, more regional sources of community development capital.

VIII. Some Concluding Thoughts on Common Challenges and Best Practices

CHALLENGES

The challenges relating to EZ/EC-funded community development finance activities most frequently raised by the associates tended to focus on program implementation. Associates in several cities noted issues pertaining to difficulties in forging linkages among various EZ/EC-funded activities, problems in relating EZ/EC organizational structures with existing state and local administrative systems, and low levels of administrative capacity among nonprofit neighborhood-based groups and many small businesses were particular issues that posed a significant challenge to community development finance activities in their cities.

Associates in Atlanta, Baltimore, and Oakland all noted that respondents in their cities raised concerns about the city's ability to link together various discrete activities to focus on the themes and strategies articulated in the strategic plans. In Atlanta, for example, the fit between Atlanta's efforts to promote access to capital and affordability issues has been difficult to forge. Both the One-Stop Capital Shop and the Atlanta Center for Homeownership are succeeding in providing the counseling, training, and referral services potential home owners and business owners need, but the weak link in the chain to home ownership and business development appears to be access to capital as both the EZ-funded economic development revolving loan fund and housing development funds have experienced a great deal of difficulty in getting underway.

There is an important distinction between the availability of capital, access to it among EZ residents and businesses, and the respective capacity of these actors. And, this distinction is potentially critical to the sequencing and staging of community development finance activities. For example, the Atlanta associates noted that while the Atlanta Center for Home ownership and the city's One-Stop Capital Shop were up and running and providing a variety of training, technical assistance and counseling services to potential home owners and businesses, the actual capital pools that would be needed to finance business creation/expansion and home mortgages were not yet operational, and there was some concern among several respondents about whether the capital would be there when potential new home owners and business entrepreneurs were ready to access it.

Further, while Atlanta has had difficulty in connecting activities within the same substantive themes (e.g., economic development, housing, human services, public safety), it has had an even more difficult time in linking activities across sectors in a way that focuses revitalization efforts on specific neighborhoods. The associates noted that the idea of creating an *urban village* that was so prominent throughout the strategic plan seems all but forgotten thus far during program implementation.

In Baltimore, the associate reported that it has been a consistent challenge to develop a mechanism which can serve to integrate the planning and implementation of Zone initiatives to prevent fragmentary service. The associate added that the creation of the Village Centers, which were identified in the strategic plan as the coordinative mechanisms that would tie activities together at the neighborhood level, have been both a solution and a problem. Development of the center is key to the integrated strategy Baltimore envisioned in its strategic plan, yet developing the centers has been a slow and difficult process. According to the associate, one local observer commented that programs are being held-up because the EZ leadership thinks the Village Centers are not ready.

The associates in Oakland pointed out hat the city's fragmented political and administrative process has been a central factor in the failure of previous economic development efforts, particularly the city's attempts to carry out several activities funded by the Economic Development Administration in the late 1960s. The associates noted that one of the major lessons of those efforts reported by Pressman and Wildavsky in their book *Implementation* was that implementation should not be divorced from policy. The associates add that in many ways the same can be said about Oakland's current community development financing process. The benchmarking process developed in the original strategic plan did not specify clearly enough how Oakland would move from policy to implementation. Plans for developing a One-Stop Capital Shop, for instance, were a relative afterthought not well integrated into an overall economic development strategy. Policy designs for the Flagship projects, the Community and Individual Investment Corporation and the revolving loan fund contained little if any detail on how the programs would be implemented. Given this set of circumstances it should perhaps be of little surprise that Oakland took longer than expected to put its EEC program into operation.

Associates in other cities sounded similar themes related to implementation in that they reported their cities were struggling with a complex and cumbersome administrative process complicated by the fact that responsibility for EZ/EC activities were vested in entities separate from the city's existing community development agencies. In Detroit, the associates noted that a number of difficulties that had slowed down program implementation were related to the Empowerment Zone Development Corporation and the contracting process and may be specific to Detroit EZ's structure and its lack of meaningful separation from the day-to-day practices of city government.

In New York, the associates reported that Zone staff found it quite difficult to get funds through the city and state bureaucracies and out to grantees. This was not due to any ill-will on the part of city or state – staff consistently described city and state officials as very cooperative. Rather, part of the problem stems from the fact that EZ funds were not sufficient to mount a Zone-led community development finance initiative; Bronx staff, for example are trying to piggyback on state and city finance programs to the extent possible.

Associates in Boston, Cleveland, and East St. Louis pointed out that issues relating to organizational capacity had also emerged as important challenges to community development finance in their cities, but the organizational weaknesses were more typically found in the neighborhood nonprofit and small business sectors. The associates for Boston, for example, noted that a common challenge is the lack of knowledge and sophistication among many businesses in the EEC and their need for considerable technical assistance to be ready to apply for and productively use the type of community development financing available under the EEC programs. A related challenge expressed by several key informants in Boston was the need to conduct sufficient outreach so that potential borrowers are aware of the financial and technical assistance resources available through the EEC.

A similar theme was sounded in the Cleveland SEZ where the associates reported that staff turnover within community-based nonprofits had somewhat impeded implementation and that several respondents expressed doubts about the ability of small business owners to meet the requirements for traditional financial credit. And in East St. Louis, the associate added that building the community capacity needed to create, finance, administer, and be accountable for new development programs which will implement the approved strategic plan is a concern among many. The associate further noted that the East St. Louis EC's federal and state funds remain largely unspent while community leaders struggle to build the capacity needed to successfully implement these new initiatives.

Finally, issues relating to the amount and type of funding received were noted as challenges in some cities. In Dallas the associates reported that limited funding available for business development had made meeting the general challenge of interesting investors in sectors of the city that have traditionally been the locus of disinvestment difficult. In New York, the associates reported that despite the city's designation as an Empowerment Zone, the amount of funds available in the South Bronx zone were too small to support a Zone-led effort to create a new community development financing tool.

Associates in the two Supplemental Empowerment Zones both noted that limitations on the use of funds they received were posing major challenges to their abilities to implement their economic development strategies. In Cleveland, the associates reported that uncertainties about allowable uses of SEZ funds had led to continuing questions about project eligibility. In Los Angeles, the associate pointed out that all of the city's SEZ funding was allocated to the creation of a community development bank. No funding was allocated for linkage and coordination with other City and County community development and job training and placement activities. As a result, staff from the City of Los Angeles Department of Community Development and the Los Angeles County Community Development Commission are assigned some coordination responsibility along with other job responsibilities.

No staff are assigned linkage, coordination and tracking of SEZ-related activities as a primary responsibility.

BEST PRACTICES

While issues pertaining to program implementation, administrative structures and process, and funding categorized the types of common challenges reported by the field associates, they also represented the types of best practices most frequently noted by the associates.

Associates in several cities, including Atlanta, Boston, Phoenix, and Tacoma, all identified the creation of one-stop business resource centers as a best practice. In Atlanta, the associates reported that both the city's One-Stop Capital Shop and the Atlanta Center for Homeownership operate on a "one-stop" philosophy that bring a variety of programs and services under a single roof and provide extensive outreach and referral services to clients. Each center operates extended evening and week-end hours, each has a dynamic director and small staff committed to its mission, and each has undertaken innovative community outreach activities that go beyond the norm in Atlanta. As a result, each center has achieved traffic levels (visits, consultations, course enrollments) that exceed the typical levels reached by more traditional counseling and referral programs, though neither the OSCS or the ACH is presently operating at capacity.

In Boston, the associates noted that the One-Stop Capital Shop has contributed best practices to the expansion of capital availability in two ways. First, the location of technical assistance resources and multiple lending programs at one central location within the target community has improved the accessibility and use of these services by Zone residents and businesses. Second, the co-location of these programs has increased communication and cooperation among city and federal agencies participating in the One-Stop Capital Shop, partly facilitated by weekly meetings of participating agencies. This communication and collaboration has helped lenders structure deals and better understand how to use the wide range of available financing sources.

In Phoenix the establishment of two business resource centers in the EC area was reported as a best practice by the associates. The centers were developed with partners from community-based organizations to provide a wide range of services that might not otherwise be available to new or very small businesses (e.g., FAX machines, copy machines, and computers), in addition to more traditional business assistance (e.g., counseling, development of marketing plans, set-up of accounting systems, and the like).

Similarly, in Tacoma the associate reported that locating all business service activities under one roof and locating that facility in a downtown storefront office has increased the visibility and accessibility of small business assistance in Tacoma. The associate added that the "one-stop" microloan program is both more convenient and less confusing for customers, and also allows staff and volunteers to learn more about what services the other organizations located in the business assistance center provide.

Other newly created community development finance institutions were also noted as best practices by the field associates. Both the Los Angeles and Louisville associates reported that the community development banks established in their cities should be considered a best practice. The Los Angeles associate noted the establishment of the Los Angeles Community Development Bank itself is considered by many respondents to be a "best practice" since, at the time it was established, it was the largest community development bank in the country. The associate added that the use of community-based intermediaries to assist with marketing, credit analysis, and underwriting serves to make the bank more accessible to the community residents.

The Louisville associates reported that the creation of the community development bank has been held up by several interviewees as a "best practice." The associates pointed out that there are three aspects of the bank that are most often noted: (1) local banks are investors and partners in the community development bank Holding Company, which was key to the bank's ability to sell stock and raise capital; (2) $21 million in commitments for deposits were obtained ahead of the opening of the bank, which provided an immediate source for development lending; and (3) other community investor banks committed to selling loans to the community development bank up front to shorten the time for the bank to break even.

While associates in several cities pointed out concerns were expressed locally about issues pertaining to organizational capacity and program implementation, associates in East St. Louis and San Francisco both noted that capacity building efforts as strengths in the EC initiatives underway in their communities. In East St. Louis two benchmarked activities involve university-community partnerships through collaboration with state universities – one operates a neighborhood technical assistance center and another assists faith-based community development organizations. Both efforts attempt to provide community organizations with the tools and capacity needed to obtain necessary funding.

In Tacoma, the associate noted that in response to the lackluster performance of the microloan program when it first opened for business, the Tacoma Empowerment Consortium created a program of intensive, up-front technical assistance. The staff realized early on that it was not enough to simply provide a pool of money that was easier to access than a bank loan, and help applicants fill out the forms. Interested businesses were so far from being able to take on these loans that for a while it looked a bit hopeless. The program did not seem to be at a level that met people's real needs. It was also beginning to tarnish the image of the TEC board and staff as just another program that put more money in the hands of the program management rather than in the hands of those they were created to serve. A failure would threaten TEC's credibility. TEC decided to re-focus the program to serve the community's newer entrepreneurs, who were learning their business as they went along. These new and growing small business entrepreneurs needed the support and criticism of long time business owners to help make good decisions, keep their loans afloat and provide them with advice on reaching business success. These successes are expected to lead to job creation, and good business practices, which will lead to conventional financing. New microloan borrowers will then be able to access the revolving funds. Realizing the importance of getting this program off the ground, TEC invested a great deal of time and energy to find a new way to make it work.

And in San Francisco, the associates pointed out that the emphasis we see being placed on preparatory training in business skills and entrepreneurship seems to be an important factor accounting for the relatively high success rates in accessing capital and the relatively high survival rate of new businesses and entrepreneurial initiatives. The associates added that one reason San Francisco is widely regarded as a "Mecca" for small businesses and entrepreneurs is that a lot of *social capital* has built up there in the form of business support networks, dozens of non-profit training and economic development organizations, a small-business-oriented city administration, and a socially enlightened business community.

Those relationships and supports don't just happen. Nor do they happen overnight. Effort and time is required, beginning first with the crucial recognition that community development requires both financial capital and social capital; both money and the strong bonds needed among lenders, business people and workers, between investors, entrepreneurs, consumers in the community at large, to ensure it is put to most productive use.

The design of the Empowerment Zone/Enterprise Community Initiative begins from this very point. While it is still early, much of the activity we have observed reflects genuine effort to live up to the principle. And the ultimate success of the undertaking will very much depend on the abilities of its "implementers" to take this comprehensive, sustainable vision and make it a reality. That remains to be seen.

List of

Appendices

APPENDIX A

Assessment Overview

The Assessment Study

The U.S. Department of Housing and Urban Development has contracted with Price Waterhouse LLP and the Nelson A. Rockefeller Institute of Government, State University of New York, to assess the first two years of the Empowerment Zone and Enterprise Community (EZ/EC) Initiative. The Rockefeller Institute and a team of local field associates, working in concert with Price Waterhouse, are collecting and analyzing information to determine the following:

- How effectively 18 of the 72 communities are carrying out their strategic plans.
- To what extent they are meeting their performance measures.
- How they can improve their performance.
- How their successful techniques and process can be used by other communities.

The 18 communities selected for inclusion under this project include the following:

Empowerment Zones (EZs)	*Supplemental Empowerment Zones (SEZs)*	*Enhanced Enterprise Communities (EECs)*	*Enterprise Communities (ECs)*
Atlanta, GA *Baltimore, MD* *Chicago, IL* *Detroit, MI* *Philadelphia, PA/ Camden, NJ* *New York, NY*	*Cleveland, OH* *Los Angeles, CA*	*Boston, MA* *Oakland, CA*	*Charlotte, NC* *Dallas, TX* *East St. Louis, IL* *Louisville, KY* *Minneapolis, MN* *Phoenix, AZ* *San Francisco, CA* *Tacoma, WA*

Together, these 18 cities are designated to receive over 80 percent of the total EZ/EC grant and loan guarantee of funds distributed under this Initiative.

Local field associates in each of the 18 communities use interviews, focus groups, individual case studies, and local data sources to collect information on the wide range of programs and activities being implemented in each community. This data will be gathered and reported in four primary rounds of research.

In the first round of the EZ/EC assessment, field associates were asked to provide a narrative profile of the social, economic, and demographic characteristics and trends affecting their respective EZ/ECs and the surrounding metropolitan area. To help establish a local context for the EZ/EC

Initiative, the associates were also asked to provide a profile of their city's governmental structure and previous experience and involvement with major state and federal urban initiatives and with comprehensive, collaborative, community-based initiatives in the past or underway.

One of the central areas of inquiry in that round of the assessment revolved around the planning process used by the cities in the study sample in developing the strategic plans submitted in application for designation as an Empowerment Zone or Enterprise Community. Specifically, the field associates were asked to describe who initiated, led and provided support for the strategic planning process; what the key components of the strategic planning process were; what process was used and what factors were considered for selecting the areas that would be nominated for designation as an Empowerment Zone or Enterprise Community. Special attention was paid to the character and extent of community participation in the development of the strategic plans, particularly to the techniques used to generate community input and involvement in the strategic planning process and the nature of the role played by community residents and community-based organizations in selecting the areas nominated for EZ or EC designation and structuring the strategic planning process and its day-to-day administration.

A second, central component of the inquiry for the first round focused on the content of the strategic plans submitted by the cities in the sample for designation as an Empowerment Zone or Enterprise Community. The field associates were each asked to describe the revitalization strategies and the planned activities outlined by their respective cities in the strategic plans submitted to HUD for designation as an EZ or EC, and to do so in a way that indicated how the community proposed that these strategies and activities fit with the four "key principles" set out in the framework for the EZ/EC Initiative -- economic opportunity, sustainable community development, community-based partnerships, and strategic vision for change.

The first round field research also provided an assessment of events taking place following the submission of the strategic plans for designation as an EZ/EC. Of particular interest were changes in both the process and content of the plan that occurred following the designation of sites as an EZ/EC community: those changes, if any, made to strategic plans following designation and how strategies and their corresponding programs and activities were revised, replaced or complemented.

How the benchmarking process was pursued in the designated areas was of related interest: when it began, what it looked like, who was involved and in what way. The field associates focused on the extent of Zone/Community resident influence on the development of the EZ/SEZ/EEC/EC's benchmarks.

A final area of major interest in the first round concerned how the nature and extent of community participation changed, if at all, as the Zone/Community moved through the various phases of the EZ/EC Initiative (planning and submission of the strategic plan, post-submission/pre-designation, post-designation, start-up and implementation). Particular attention was paid to learning what role community residents are playing in the local governance structures being created to guide the EZ/EC Initiative in each community; the extent to which there is continuity in community participation across the various phases of the initiative; and what types of governance structures are being created in the study cities.

The second round of our field research focused on implementation issues. The second round report, building off the first, placed special emphasis on how each EZ/SEZ/EEC/EC went about translating its strategic plan into specific programs, projects, and activities, and on the level of progress that had then been achieved in carrying out those activities.

The predicate for the analysis was that the EZ/EC Initiative places particular emphasis on local design, control and accountability. The goals for the Initiative emanate from each individual site, in accord with each community's selection and identification of goals in their respective strategic plans. Likewise, the measures of progress in implementing those community-customized goals must be appropriately sensitive to this issue of local design and variation. Such measures for the research were to be found in each community's "Benchmarks" and "Performance Review" material, and the second round report provided such data for the sample of 18 cities described above and the rest of the universe of 72 urban EZ/EC sites.

In addition to gauging the progress being made within each site, the second round report described common elements in what was being undertaken and learned about process in a comparative context, across the sites.

The second round report described the governance structure that was established post-designation to guide the implementation of the EZ/EC Initiative in each designated site and community participation in those structures. It also provided information on the types of partnerships and collaboratives that have been established; incorporating observations by field associates on how they are working, and on how, if at all, new institutional arrangements and organizations are emerging that are redesigning the manner in which key stakeholders in EZ/EC communities engage in revitalization activities.

The second round report also described available evidence in the 18-city sample that the EZ/EC Initiative has produced stronger and broader relationships among individuals, groups, organizations, agencies, and other segments of the community that are needed for effective community revitalization. It examined whether the nature and extent of collaboration among government agencies, between the public, private, and nonprofit sectors, and between the above and zone residents and community-based organizations has changed as a result of the EZ/EC Initiative among the 18-city sample, and incorporated descriptions of exemplary partnerships created in the 18-city sample to help carry out the EZ/EC plans.

The report also identified and described selected changes that have been made in state and local governments, processes, and procedures to facilitate the implementation of the EZ/EC plans in the 18-city sample, offering available examples of how different agencies in state and local government are working together; how decisionmaking processes, funding patterns, service delivery systems and interagency coordination have changed. It described key requests made by EZ/SEZ/EEC/ECs for federal flexibility and how, if at all, the federal government had responded to those requests.

The main topic of the second round report was an assessment of the extent of progress made in implementing the strategies, programs and activities identified in the EZ/EC benchmark and performance review reports noted above for the 18-city sample and the remainder of the urban EZ/EC sites.

The report summarized and described actual accomplishments that have been achieved and significant milestones that have been reached toward accomplishments. It described the relative proportions of activities that had not yet begun; were ongoing, but behind schedule; ongoing and on schedule; ahead of schedule; or completed. And it assessed the degree of progress then being made in implementing EZ/EC-funded programs, projects, and activities for each major "Category of Need," each area of benchmark emphasis and by designation status as an EZ/SEZ/EEC/EC.

The third round report presented new findings on job training and placement activities planned and undertaken by the 18-city sample of EZ/EC sites across the nation. The report placed these new activities in the context of past efforts to provide job training and placement; described the genesis and evolution of the specific strategies and activities pursued by the EZ/EC sites; examined the targeting of those strategies and activities to certain population groups and industries; and provided a taxonomy of job training and placement strategies and activities.

The report also analyzed how EZ/EC job training and placement activities were linked to other EZ/EC activities and the existing service delivery system; examined and reported the extent of progress made in implementation, providing an analysis of barriers that have been met; highlighted linkages to, and the extent of use among, tax credits and other financial incentives under the EZ/EC intended to encourage the hiring of employees in those areas; and incorporated a special focus on the nexus of EZ/EC job training/placement efforts and welfare reform.

The third report described how each of the 18 EZ/EC sites incorporated within their strategic plans some effort to train and place Zone/Community residents in jobs. As the framers of the EZ/EC intended, there was considerable variation and tailoring of job training and placement activity evidenced among sites in the study. Yet, a number of common types and features emerged.

For instance, as shown in the report, general employability training and industry-specific training were the most common types of activities in each site's strategic plan, identified in nearly all of the study sites. However, some notable differences were seen in the same categorization among those job training and placement activities reported by field associates as being implemented. Industry-specific training was most prevalent, followed by general employability.

The third report also reported the variety of linkages between job training/placement efforts and other EZ/EC-funded activities. Many initiatives were cross-listed and fulfilled multiple purposes: a program which trained youth in landscaping or environmental clean-up work would and often did appear as both training and sustainable development. Conversely, one third of the field associates reported that links between job training/placement efforts and other EZ/EC activities were either weak or difficult to find.

The report summarized how the 18 sample sites pursued, developed and implemented the job training and workforce development initiatives during the first three years of the EZ/EC Initiative and indicated the status of each site's job training/placement activities.

A variety of barriers to implementation of EZ/EC-supported job training and placement activities were cited by field associates, based upon their observation and analysis and input from key local informants. Two barriers to implementation were most commonly cited by field associates: a lack of coordination structure among providers and the limited initial capacity of new EZ/EC-related entities. The next most commonly cited barrier was the skill-level of the local workforce that was to be trained/placed. Other barriers to implementation included staffing/leadership changes, delays in construction, the geography of designated EZ/EC areas, the lack of EZ/EC support for administrative costs, set routines of agencies, lack of leverage over companies, a strong economy dissuading interest in training, and design delays.

Awareness of the tax credits and other financial incentives was generally reported to be limited. Use of these incentives was either unknown or low in each of the EZ/EC sites studied. No site reported a single case of tax-exempt bonding being used.

A number of factors were cited as barriers to greater use of financial incentives available through the EZ/EC Initiative. The factor cited most commonly may be summarized as "burdensome red tape," followed by "limited marketing and awareness" and reports that the incentives were seen as simply too weak to overcome disadvantages of location.

While welfare reform and the EZ/EC Initiative certainly can be seen as complementary strategies for human development and community revitalization, the initiatives were not developed simultaneously. For most communities, their EZ/EC strategic plans were developed and advanced to benchmarks long before the outcomes of national debate on welfare reform were settled. Thus, while some states were already pursuing their own welfare reform efforts, opportunities for integration of welfare reform and job training and placement programs and strategies assisted through the EZ/EC Initiative have been limited to date.

It is too early to tell how successful communities will be at linking their EZ/EC initiatives with welfare reform, though there is some evidence that indicates collaborative efforts are underway in several cities. One theme that has emerged in several cities is that the education and skill levels of zone residents are significantly below what most employers are requiring for entry level positions. This, along with the disincentive for long-term training structured into welfare reform provisions, raises a number of serious issues communities will have to contend with if welfare reform is to succeed in moving recipients from welfare to work.

APPENDIX B

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APPENDIX C

Community Development Financing Planned or Underway: Site-by-Site

Community Development Financing Planned or Underway: Site-by-Site

ATLANTA

Atlanta's Strategic Plan, "Creating an Urban Village" is organized into four sections: expanding employment and investment opportunities (economic development), providing adequate housing for all (housing), creating safe and livable communities (public works/safety), and lifting youth and families out of poverty (human services). Of the $100 million Atlanta hoped to receive, the Strategic Plan allocated $21.2 million for adequate housing, $32.48 million for economic development, $10 million for public works/safety, and $36.32 million for human services.

Community development financing (CDF) was a major focus of Atlanta's Strategic Plan. In fact, the plan designated $61.68 million to CDF activities, and within each of these three categories (housing, economic development, and public works/safety) a majority of SSBG dollars were allocated for CDF projects. Of the $21.2 million budgeted for housing, nearly 90 percent was for projects relating to CDF. Within economic development 61 percent of the SSBG dollars budgeted was for CDF, and within public works/safety 100 percent of SSBG money budgeted was for CDF. The strategies and activities within each section also demonstrate the plan's emphasis on CDF. For example, all but one of the housing strategies and activities were CDF, while 9 of 15 economic development activities were CDF, and 10 of 14 public works/safety components were CDF.

Out of the total $46.083 million benchmarked through July 1997, $31.399 million or 68 percent can be classified as community development financing. There are no benchmarks in Lifting Youth and Families Out of Poverty or Governance that are for community development financing. A large percentage of the SSBG funds benchmarked for Safe and Livable Communities and Providing Adequate Housing for All can be classified as community development financing (97 percent and 97.5 percent respectively). The percentage of SSBG funds benchmarked for Expanding Employment and Investment Opportunities that are for community development financing is a little lower at 73.6 percent. Many of the SSBG dollars in the Expanding Employment and Investment Opportunities benchmarks that are not for community development financing are aimed at job training and placement activities. The individual benchmarks and the associated SSBG amounts appear below:

Benchmark Priorities	*SSBG for Community Development Financing*	*CDF as % of all SSBG in Benchmark Priority*
Expanding Employment and Investment Opportunities	$11,822,000	73.6
Creating Safe and Livable Communities	4,077,000	97.0
Lifting Youth and Families out of Poverty	0	0
Providing Adequate Housing for All	15,500,000	97.5
Governance	0	0
Total as of July 1997	$31,399,000	68.1

Economic Development

The economic development component of Atlanta's Strategic Plan is dominated by community development financing activities. A majority of the CDF economic development strategies and activities outlined in the Strategic Plan are efforts to increase financial resources. The authors of the plan wanted to provide greater access to loan funds, create a combined loan/grant program, increase private and community linkages, and increase the type and scope of funds. A considerable amount of SSBG money was tied to the latter two activities ($5.28 million and $2.64 million) respectively. Also, as in the case of the housing section, there was SSBG money allocated to establish and mentor 10 to 20 CDCs.

The remaining CDF components of the economic development section present strategies to generate economic activity. First, the plan allocates $480,000 in SSBG dollars to aid in the development of entrepreneurial start-ups. Second, the plan provides for $8.8 million to expand and grow businesses. Finally, the plan calls upon the EZ to recruit selective businesses, although no SSBG dollars were allocated for this activity.

Economic development loans and technical assistance were allocated $9.2 million. Benchmarks creating revolving loan funds and other sources of community-based capital make up the largest component. Many of the remaining benchmarks create programs to provide technical expertise to increase information available about small business development.

The next largest classification under economic development is building construction and property acquisition. The benchmarks addressed the high number of vacant buildings and parcels throughout the Zone by providing $2.0 million for redevelopment. Much smaller amounts of SSBG funds were committed to facade improvement ($00,000) and marketing ($210,000).

Housing

The authors of Atlanta's EZ Strategic Plan state that a "lack of adequate capital for acquisition and rehabilitation is the primary barrier to successfully utilizing Zone properties," which had a vacancy rate reported at 25.9 percent.

An emphasis on building construction/property acquisition and housing rehabilitation is clearly reflected in the strategies-activities listed in the Strategic Plan, which focus on the demolition of vacant single-family and multi-family units and the construction of new single-family and multi-family units. The only such strategy to be allocated any SSBG dollars was an activity to provide $2 million for operating grants to civic associations and CDCs. The plan noted that without additional resources, neighborhood-based organizations would be unable to complete development.

Housing rehabilitation also received considerable attention in the plan. Strategies included the rehabilitation of vacant units as well as providing owner occupied code assistance, owner occupied elderly rehab, and owner occupied sweat equity.

The Strategic Plan also identified a need to provide technical assistance to both CDCs and new home owners, with $2 million allocated to provide technical assistance to civic association and CDCs, and another $2 million allocated to expand housing counseling services for new home owners.

Nearly two-thirds of the housing allocation ($13.2 of 21.2 million) was earmarked to assist the Atlanta Housing Authority in its efforts to modernize the city's public housing stock. However, there is little information included in the Strategic Plan pertaining to the AHA and the specifics of its modernization efforts.

The greatest commitment of SSBG funds has been in the area of home ownership loans. A total of $7.2 million was benchmarked for a mortgage assistance program that would provide down payment loans of $8,000. Half of the total was to be used for purchasing new homes and half for purchasing rehabilitated homes. The $7.2 million dollars represent 46 percent of the SSBG funds benchmarked for housing.

The next highest level of funding in the housing category of community development financing reflects a commitment to technical assistance, especially for prospective home buyers. The majority of these funds ($40 million) are in a self-sufficiency center for home ownership.

The benchmarks direct $2.5 million of SSBG funds toward housing rehabilitation; $2.0 million was committed for owner-occupied rehabilitation and $500,000 went toward rehabilitating senior citizen owned and occupied houses.

Neighborhood planning activities received $600,000 in SSBG funds to develop master plans for 15 Empowerment Zone neighborhoods.

The final category of housing benchmarks that qualifies as community development financing is for building construction and property acquisition. The benchmark provided $400,000 to Community Development Corporations for operating grants which has since been increased to $1.3 million by the Atlanta Empowerment Zone Corporation Board.

Community Projects/Public Works

Two other strategies outlined in the plan had to do with public safety but were not related to community policing. The plan called upon the EZ to distribute smoke detectors and provide burglar bars to Zone residents. Although these items would eventually receive SSBG funding, at the time of the Strategic Plan, no SSBG dollars were allocated for either activity.

Finally, the Strategic Plan points to the poorly maintained and often-dangerous conditions of street lighting, public streets, sidewalks, parks, drainage and solid waste systems throughout the Zone. The plan commits to improving a broad range of infrastructure as well as repairing and improving storm and sewer systems and surveying hazardous inventory. However, as with a number of items in the section on public works/safety, no SSBG dollars were allocated to meet these objectives. It is important to note that the Corporation for Olympic Development of Atlanta (CODA) funded a wide range of infrastructure improvements prior to the Centennial Olympic Games.

The greatest emphasis in SSBG funds for public safety and public works goes toward community policing. The largest component of community policing is the benchmark that provides $3.248 million in SSBG funds to provide additional police officers for the Empowerment Zone. Several of the other community policing benchmarks provide community information and linkages to support these officers. The only other public safety or public works benchmarks that call for SSBG funds provide breakaway burglar bars and smoke detectors for Zone residences. The remaining benchmarks draw on city of Atlanta resources to improve lighting, recreation facilities, roads, or other public works projects.

BALTIMORE

The vision expressed in Baltimore's application was to improve Zone neighborhoods so that they will become communities of choice, not neighborhoods of last resort. To accomplish this economic opportunities, community mobilization, community development, commercial revitalization, housing, and public safety action items are proposed.

Economic Development

The Business Empowerment Center (BEC) is a comprehensive business service center that provides financing, technical assistance, and training for Zone businesses and residents. The BEC is intended to stabilize the Zone's business base and provide opportunities for business creation and expansion.

Baltimore's Strategic Plan proposes to establish a "*One-Stop Capital Shop*" (OSCS) to finance new businesses and expand existing ones. The OSCS will provide business assistance and capital to expand the business base and employment opportunities throughout Baltimore. In addition, the shop will act as a clearinghouse for requests for business assistance in the Zone.

The plan asserts that the One-Stop Capital Shop will be located within Baltimore's business and financial district in space donated by NationsBank, and will to contribute start-up costs and staff to run the OCSC. The OSCS will be governed by an eleven member Board of Directors to include representatives of the Baltimore Development Corporation, the Small Business Development Center, NationsBank, Anthem Capital, U.S. Small Business Administration, the Maryland Small Business Development Financing Authority Management Group, Inc., and five representatives of the community.

Other goals of the plan included:

High Risk Capital Loan Fund: Create a High Risk Capital Loan Fund to finance businesses that are deemed too risky for commercial credit. The fund will target Zone residents with little business experience or capital. Three area banks have agreed to match Empowerment Zone funds by a 4 to 1 ratio to provide seed capital for high risk, small businesses in the Zone. The plan is to leverage $20 million to match funds provided by the Small Business Administration.

Tax Exempt Bond Loan Fund: This fund will be operated by the Baltimore Development Corporation, which will use the city's authority to issue bonds for business development. The city will subsidize the fund, perhaps by absorbing issuance costs and administrative expenses or by guaranteeing repayment.

Fairfield Ecological Industrial Park: Included in the Empowerment Zone is an industrial area (Fairfield) that is underutilized, offering opportunities for development. The plan is to create an ecologically sound industrial park for businesses that demonstrate to the maximum degree possible closed loop production to reduce waste and environmental degradation.

State Enterprise Zone Designation: In partnership with the State of Maryland and the city of Baltimore, the federal Empowerment Zone has been designated as a state Enterprise Zone. This designation allows Zone businesses to take advantage of local property tax and state income tax incentives, providing an additional tool for job and business development in the Zone.

Carroll Park Industrial Area: The Carroll Park Industrial Area Business Development Initiative includes infrastructure improvements and an aggressive business retention and expansion program. The purpose of the initiative is to improve the infrastructure of Carroll Park in order to expand employment opportunities there by making the park a more attractive and profitable place to do business. The goal is to increase employment in the park by 10 percent within the first two years. The business community will be actively involved in the planning and implementation of the program. The program will be managed by the Baltimore Development Corporation.

Baltimore Industrial and Commercial Redevelopment Trust: The goal of the Baltimore Industrial and Commercial Redevelopment Trust is to re-use real property that has been environmentally contaminated or is otherwise environmentally undesirable. The trust takes title to and remediates property to the satisfaction of the Environmental Protection Agency. When sold to a new owner, the intervention of the trust would relieve the owner of liability under state lawsuits relating to environmental contamination.

Neighborhood Commercial Revitalization Program: To increase commercial development within the Zone, a Neighborhood Development Revitalization Program will be developed. Working with the Business Empowerment Center, the program will study the area and recommend reuse to create employment, provide management and technical assistance to business, organize retail and business associations, and market areas within the Zone targeted for commercial development.

Community Development Bank: To provide capital resources for economic development in the Zone, a community development bank will be created by the end of the third quarter of 1996. A community development bank is part real estate developer, bringing improvement to distressed areas; part business stimulant, making loans to small businesses in the Zone; and part civic institution, to improve the neighborhood's psychological presence. A minimum of $15 million will be used to launch a replica of Chicago's South Shore Bank within the East Side of the Zone. The bank will assist in loans for housing rehabilitation, commercial revitalization, and local entrepreneurship.

The City of Baltimore has operated four neighborhood *municipal markets* within the Zone. The city has initiated the creation of a nonprofit corporation to manage the markets. Related to this development is the transformation of the Lafayette Market into "The Avenue Market" as part of the ongoing Sandtown-Winchester initiative.

Housing

Housing Consortia and Counseling: The Village Centers will counsel residents to increase their access to information and opportunities to buy homes. Two housing consortia will be created, one in the East Side and one in the West Side parts of the Zone to coordinate housing counseling services and facilitate planning and implementation of housing projects within the Zone by linking the Village Centers to qualified housing agencies.

Employer-Assisted Housing: Baltimore's major employers are to be enlisted in offering a package of incentives for home ownership in the Zone. The purpose of these incentives will be to encourage employees of major businesses to live in the Zone.

Secondary Market: The purchase of homes requires mortgage loans. To make such loans available to Zone residents, a package of such loans will be created for secondary market financing expected to provide greater access to mortgage funds than is otherwise available for Zone residents.

Home Finance Initiatives (later renamed Housing Venture Fund): Baltimore's EZ plan proposes to create a pool of mortgage funds for Zone residents. To increase home ownership in the Zone, financing programs must to be created to meet the credit and affordability requirements of Zone residents. The Baltimore Community Development Financing Corporation will lead the process to create a pool of funds in partnership with local banks to provide housing financing for Zone residents who by traditional banking standards are not credit worthy.

Public Housing Management: Residents of the Zone will become more directly involved in the management of public housing projects located in the Zone. A community-based management model for public housing will be created that uses nonprofit or for profit management. The Housing Authority of Baltimore will identify existing public housing in the Zone so that plans for management of these facilities can be included in the Village Centers' Land Use Master Plans. Management of public housing near and within the Zone are to be turned over to community-based management.

Selective Demolition: Demolish blighted properties in the Zone. As part of the Master Land Use Plan developed by the Village Centers, it may be necessary to demolish some blighted properties. A selective demolition plan will be developed for each Village Center. The City will expedite demolition and pay the costs.

Community Inspection Review Board: To resolve housing code violations in the Zone's neighborhoods, a Community Inspection Review Board will be created. The Mayor and the Department of Housing and Community Development will appoint city housing inspectors and the Village Centers will nominate community residents to serve on the board. The Board will investigate and attempt to resolve housing code violations and mediate between parties involved in disputes over code violations or landlord tenant problems. Community Housing Inspection Review Board will be created to enforce existing housing codes. The Board will investigate complaints and mediate disputes. In particular, the Baltimore Drug Nuisance Abatement Law will be vigorously applied to remove drug-trafficking from Zone neighborhoods.

Vacant Housing Program: Reclaim vacant housing. The goal of this program is to convert vacant housing into usable and affordable housing for Zone residents. Using the Village Center Master Plans, abandoned housing will be identified and efforts will be made to gain control of vacant properties and place them under the authority of community-based housing organizations.

Abandoned Properties Program: Baltimore's plan proposes to create a program to identify and improve abandoned properties in the Zone. The Village Centers will identify abandoned properties within the Zone. The owners of these properties will be contacted and asked to make improvements. If the owners are unwilling to improve their properties, the Village Centers will initiate legal action.

Housing Consortium: The consortium will consist of Village Center representatives, nonprofit housing development groups, commercial lenders, real estate professionals, government officials, and the Baltimore Community Development Finance Corporation. The consortium will expedite housing development by performing loan packaging, planning, training, neighborhood marketing, and rehabilitation.

Although there is clear correspondence between the action items contained in Baltimore's Strategic Plan, the benchmarks, and the Performance Review, this does not mean that EBMC has literally implemented the Strategic Plan. In large part, this correspondence indicates that EBMC has investigated and reported to HUD about many of the action items presented in the Strategic Plan. However, the actual status of these items varies a good deal, reflecting changes in emphasis that have occurred from the initial plan through the implementation process.

CHICAGO

Two of Chicago's strategic initiative areas, namely Economic Empowerment and Affordable and Accessible Housing, relate most closely to community development financing. An exploration through the tool box in these areas yields about 15 program ideas, including Business Space Loan Pool, One-Stop Capital Shops, Insurance Cooperatives, Microloan Pools, two different but indistinguishable Affordable Housing Cooperatives, an Interagency One-Stop Shop for housing services, and several programs pre-dating the EZ, including New Homes for Chicago and Neighborhood Housing Services.

Economic Development

One-Stop Capital Shop: Initially, Chicago's One-Stop Capital Shop proposal was called the Neighborhood Business Assistance Service and did not call for a central location, but instead would create a network of "Business Development" staff called "Investment Officers" and "Enterprise Agents" to be placed in the offices of existing technical assistance providers. The thinking was that skilled "packagers" of existing capital sources, including banks, SBA, and state programs, was more needed than new sources of capital. Still, it was also assumed that the proposal was a first cut and would need to be refined and fleshed out if Chicago won EZ designation.

However, Chicago's approached evolved somewhat following designation. The Performance Review submitted to HUD in August 1996 included 17 projects that had been approved by the City Council. A second group of 54 projects had been approved by the EZ Coordinating Council, but not by the City Council, which approved them all about a month later. Another nine projects were approved by the City Council in February 1997. Out of the total number of projects, 36 would be classified as falling roughly in the "community development financing" category. These include projects that involve housing construction or rehabilitation, facilities expansions for social service or cultural organizations, and economic development-related projects such as commercial/retail projects and industrial corridor investments. The One-Stop Capital Shop was not mentioned in the Performance Report.

In addition to the Performance Report's discussion of projects, it also mentions that the Local Initiatives Support Corporation (LISC) had committed $50,000 in technical assistance funds for five EZ physical development projects, to be awarded in cases where the project is significantly more likely to be funded if it receives technical support.

DETROIT

Detroit's Empowerment Zone Strategic Plan was entitled "Jump Starting the Motor City." It contained four community development finance initiatives: a one-stop capital shop, a community development bank, the Financial Institutions Consortium, and Neighborhood Commercial Management Corporation.

Economic Development

One-Stop Capital Shop: To foster business development, the Small Business Administration (SBA) will establish a One-Stop Capital Shop (Business 2004) to centralize programs offered by the SBA and local service providers. Business 2004 is designed to help business owners, entrepreneurs and community-based organizations determine their specific needs; identify courses of action; provide technical and managerial assistance; and obtain access to capital and credit.

Business Information Center: To provide further assistance, a Business Information Center (BIC) will be housed in Business 2004. BICs use of state-of-the-art personal computers, graphics workstations, CD-ROM technology and interactive videos will give small business owners access to market research databases, planning and financial spreadsheet software.

A new 501(c)(3) organization was formed specifically to implement this initiative. "Business 2004" never caught on as a name and the One-Stop Capital Shop is now generally know by its full name, "OSCS" or simply "the One-Stop" as staff is casting around for a new moniker for their program.

Community Development Bank: A partnership between the City of Detroit, Wayne County, and Detroit Renaissance, with the assistance of Shorebank Advisory Services of Chicago (SAS), will establish a community development bank holding company (CDB) regulated by the Federal Reserve Board of Governors. Based upon a model developed by South Shore Bank of Chicago, the CDB company will be a for-profit development financial institution which will deliver a combination of products and services. The CDB will consist of:

- A regulated bank holding company which will offer residential mortgages, rehabilitation loans and business loans;
- A for-profit real estate development company which will initially focus on housing development; and
- A nonprofit organization which will 1) provide specialized business support services and non-bank business credit for small firms, and 2) work with local organizations to develop market-based labor forces to strengthen the connections between employers and Eastside residents.

Financial Institutions Consortium: An Empowerment Zone Financial Institutions Consortium (EZFIC) comprised of representatives from Comerica Inc., First of America Bank, First Federal of Michigan, Liberty Business and Industrial Development Corporation (BIDCO), Greater Detroit BIDCO, Michigan National Bank, NBD Bank Corp., Detroit LISC, First Independence, Standard Federal and

First Nationwide have established a private partnership to develop alternative lending programs for the Zone.

The Consortium reviewed the impact of existing financial programs and suggested new programs for the Zone. These programs were designed to: assure growth in lending; improve capital and credit delivery systems; create greater access to credit; reduce fees for individual consumers and small business owners; create an appraisal data pool and list of approved appraisers; support reasonable environmental standards; offer small business lines of credit; establish consumer education programs; and partner with community development organizations.

Neighborhood Commercial Management Corporation: The Neighborhood Commercial Development Management Corporation (NCDMC) will build the organizational capacity of community-based organizations, business owners and business/merchants associations to facilitate commercial district management, community initiated and private for-profit development.

These four programs continue to be the Zone's community development financing initiatives. Three out of the four initiatives in this area were lagging at the time the last performance reports were filed, yet it remained the community's intention to implement all four community development finance programs.

NEW YORK CITY

The New York City Empowerment Zone's Strategic Plan focuses on economic development and housing. The plan calls for capital improvement projects, the formation of an industrial development fund to promote private sector growth, comprehensive area revitalization programs, the development of a comprehensive small business assistance program, a green business development fund, the creation of a community capital bank and of a multi-bank community development corporation, increasing the pool of mortgage loan guarantees available to low- and moderate-income EZ residents, and establishing a first time home buyers fund.

Benchmarks for the Upper Manhattan portion of the New York City EZ are described in several documents. Initially, the UMEZDC prepared a draft document submitted in October of 1995 detailing numerous activities in the area of job training. This document appears to be derived from the strategies laid out in the Strategic Plan. A second, shorter document, submitted on July 29, 1996 as part of the Annual Report covering the period January 1, 1995 through April 30, 1996, grouped strategies into a completely different set of categories. Between the writing of the draft and final benchmarks, the Upper Manhattan Empowerment Zone Development Corporation was formed and a board and staff appointed. Fewer activities are described in the 1996 benchmarks document – the creation of the Business Resource Investment Service Center is the only benchmark focused on community development finance.

No benchmarks have yet been approved for the South Bronx portion of the New York City Empowerment Zone. However, a set of draft benchmarks was prepared in October of 1995 which correspond fairly well to the RFPs that have since been issued. While finance is not a central feature of any of the benchmarks included in this document, in a few cases, activities described include assisting participating businesses obtain financing (from non-EZ sources). For example, in the benchmark aimed at developing entrepreneurial training, one of the tasks is to link participants who have developed business plans to available sources of funding. Similarly, in benchmarks aimed at providing procurement assistance to EZ businesses, one of the tasks listed is to help contractors get a bid bond and financing.

In addition to benchmarked activities, the summary of the benchmark document also mentions some parallel activities taking place in the Bronx which will affect the EZ. For example, BOEDC is cited as "in the process of developing a borough-wide micro loan fund of approximately $500,000 which would be available to small businesses in the Bronx EZ." An SBA 504 Certified Development Company is also being developed which could provide fixed asset financing to EZ businesses.

Economic Development

Increase and diversify the retail capacity of the major commercial strips and secondary arterials of the EZ in order to improve the quality of life for residents, create jobs, and reduce the money flowing out of the EZ. Activities include: 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; create a vendors mall at Yankee Stadium; rehabilitate Joyce Kilmer Park; expand the Kilmer Park Green Market; initiate capital improvement projects; and form an industrial development fund to promote private sector growth.

Revitalize retail, consumer, and other neighborhood services. Activities include: comprehensive area revitalization programs; and targeted commercial, banking, recreational and cultural facilities developments in need of upgrading or modernization.

Increase self employment, access to capital for business formation and expansion, and attract job generating private investment to the EZ. Activities include: develop a comprehensive small business assistance program to support the 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 at a single location for ease of access and efficiency of service delivery; create a privately capitalized and operated community capital bank to finance community development in low-income areas; and create a multi-bank community development corporation.

Housing

Expand the available housing stock including mixed-use redevelopments. Activities include: 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; permit community preference in housing occupancy; increase the pool of mortgage loan guarantees available to low- and moderate-income EZ residents; establish a first time home buyers fund available to low-income EZ residents; support NYCHA home ownership programs that provide one-for-one replacement units; and redevelop several mixed use areas (in the Bronx) using the "sweat equity" model.

Community Development Financial Institutions

Business Resource Investment Service Center (BRISC): The goal of BRISC is to "be a centralized location for the delivery of comprehensive business development services to the Upper Manhattan Empowerment Zone." It will support small and medium-sized businesses, provide entrepreneurs with advisory and counseling services, and stimulate the creation of small businesses. The BRISC involved the creation of a multi-component, one-stop business assistance center to serve 10,000 businesses and individuals. Specific activities included: securing the capital needed, developing a project work plan and milestones, and to setting up the office itself.

Benchmarked plans also specified the development of activities to market BRISC services to 10,000 businesses, entrepreneurs and individuals. Specific, related activities included: the establishment of an advisory council of LDCs, business organizations and others to assist with marketing; implementation of outreach and marketing; development of technology linkages to BIDs, LDCs and other Zone projects and business organizations; conducting monthly business workshops and mini-conferences; and monitoring on-going activities.

The benchmark also specified the provision of business and loan technical assistance aimed at: (1) counseling 4000 small businesses, women owned firms and individuals; (2) supporting 180 BRISC clients to obtain $5 million in SBA 7(a) loan guarantees; (3) networking access to private and public investment capital to generate $1.5 in loans; and (4) providing up to $270,000 in microloans (up to $25,000 each loan). Specific activities included: the implementation of technical assistance services at the BRISC; the establishment of milestones for technical assistance; bringing BRISC staff together with private lenders, the Harlem Business Outreach Center, and other economic development and training programs to negotiate cooperative agreements and refine services; retention of a SBA counselor and trained BRISC staff to help prepare 7(a) loan guarantee applications and obtain other loans and tax incentives; establishment of a network of local banks offering 7(a) loans out of BRISC; the production and distribution of a resource guide for technical and financing services available to EZ businesses and those expanding to the EZ; and creation of an assessment system and referral system able to track results.

PHILADELPHIA/CAMDEN

Economic Development

The major capital access initiative in North Philadelphia was a revolving fund directed at community economic development. Called the *North Philadelphia Financial Partnership*, it was to be a community-based, community-centered, and community-controlled fund capitalized at $20.6 million, with $14 million coming from various public and private sources (including PCDC, PIDC, banks and other sources) and $7 million coming from EZ funds. The primary focus of fund investments were to be "entrepreneurs and residents who do business and/or reside in the North Central Empowerment Zone." Microloans ($1,000 to $7,500), small business loans ($5,000 to $25,000) equity investments ($10,000 to $250,000) and a reserve fund for small business loans were the principle focus. North Philadelphia did have a unique criterion in its lending program: potential borrowers had to have been turned down by a bank.

Camden's September, 1996, agreement with HUD indicates a four pronged strategy toward community financing. The first program is a *Community Development Fund* designed as a revolving loan fund and including a 'gap financing' authorization. The second program was a *Small Business Development Fund* directed at new or existing businesses within the EZ. Loan amounts of $20,000 to $100,000 were expected (the SBDF would also provide technical assistance to potential borrowers to meet loan criteria). The third program was a *Peer Group Lending Program* with first time loans of $500 and others up a maximum of $10,000. The fourth program was an EZ Home Ownership Initiative that focused on ownership finances.

Community Development Financial Institutions

The Benchmark Report for American Street indicated that its *community lending entity* would be capitalized at $14 million – $3.5 million through EZ funds and $10.5 million from local banks. A $250,000 grant from the EZ would also be made to support administrative costs in the first years of operation. The mission of the lending entity was to provide capital for businesses located, starting or moving to the American Street Zone. The programmatic content for the Community Bank was to partner with at least three commercial banks, a federal credit union and three other lending organizations as well as several not-for-profits.

Community Bank: The Community Bank was incorporated in late 1996 and approved its first loan in June, 1997. The lending criteria included accessibility, diversity and 'community' involvement in developing future lending criteria.

The West Philadelphia benchmark called for a *"Community Capital Initiative"* that would "assure that capital made available in our community does not flow immediately out." A *community lending entity* capitalized at $33 million for the first two years of operation was to be financed by $10.6 million in EZ funds, $11.5 million from private resources and another $11.5 million from the public sector. West Philadelphia's initial plan was particularly focused on making capital available to lower income and small business borrowers:

> "It is the mission of this initiative to place high priority on projects that provide long-term affordability and ownership opportunities for low-income households and on economic development projects that provide stable jobs for low-income people and possibly, opportunities for worker ownership."

Direct loans as low as $500 and as high as $200,000 were to be made by the financial entity. The initiative also included a technical assistance component for residents who had poor credit or no credit history.

At the benchmarking stage, the *North Central CTB* had achieved the most substantial institutional outline for its community lending plans of any of the four EZ sites in Philadelphia/Camden. Two nonprofit entities under an umbrella holding company was the institutional outline. One lending institution was to be a *Community Development Credit Union*, designed as a credit corporation for lower income residents that would also offer technical assistance to potential borrowers. The other was the *Community Enterprise Center*. Its strategies included direct loans (especially a Peer-Lending Microloan Program) and indirect financial assistance through partnered or out-sourced services.

The Philadelphia Performance Review reported that as of December, 1996, two of the four EZ areas had established financial entities as legal corporations. Both North Central Philadelphia and American Street had created 501(c)(3) corporations in the Spring of 1996, while neither West Philadelphia nor the Camden Empowerment Zone Corporation had formally incorporated community financial entities. West Philadelphia's was then about one and a half years behind its benchmark goals for the implementation of a community financial entity and North Central Philadelphia approximately one year late. Both North Central and American Street CTBs had adopted Lending Criteria for their financial entities.

CLEVELAND

Economic Development

Cleveland Enterprise Group: In Cleveland's original strategic SEZ plan, economic development was to enhance support for existing employers within the zone and increase access to capital and credit. Another goal was to accelerate the formation of new business enterprises, with the implementation of the Cleveland Enterprise Group's enterprise development program.

Cleveland's benchmarks closely followed this plan. They specified: a network of business organizers at the five SEZ organizations; a training program for business organizers; and a plan to increase the availability of capital and financial resources to assist Zone industries, retailers and other businesses. The Performance Review added information on the status of a number of given projects, such as building expansions and housing development.

Economic Development Initiative: The Economic Development Initiative (EDI) submitted by the City of Cleveland to HUD was much more specific. The team of business organizers to be placed with five organizations within the SEZ were to assist employers with access to capital. Public sector financing was to be coordinated through the City's Economic Development Department from a host of federal, state and city program sources, such as Section 108, SBA, City small business revolving and micro loans, and from other local sources such as Neighborhood Progress, Inc. (NPI) working capital loans and grants to CDCs and Cleveland Tomorrow's Cleveland Development Partnership ($50 million equity and debt capital investment fund).

Housing

The Strategic Plan included Section 108 loans and EDI grants, plus other investments by the City (e.g., *City Housing Trust Fund, CDBG float loans, and low income housing tax credits plus tax abatements and land write-downs*) and private lenders for new housing development.

LOS ANGELES

Economic Development

Strategies for increasing business access to capital include:

- Apply for waivers to HUD programs that impede the use of CDBG and other program funds from being fully utilized for business development purposes and similar waivers to maximize utility of EDA and SBA funds;
- Complete restructuring of the City's delivery system for business financing programs to centralize various loan programs and use to link to development projects;
- Expand direct loan programs to increase funding in areas that are currently underserved by existing programs; increase or create loan funds to provide start-up business financing;
- Utilize the local Industrial Development Authority as necessary and appropriate to facilitate credit enhancement for EZ/EC bonds in order to allow small businesses to access this financing;
- Provide financing to reduce property acquisition and construction costs; support the development of business incubator projects to subsidize facilities costs for fledgling businesses through public-private financing for improvement and operations; support commercial development and revitalization efforts through land assembly project financing and coordinate with management assistance as necessary;
- Apply for federal funds to support organization and matching seed funds for local business associations and CDC's to develop Clean and Safe programs or Business Improvement Programs;
- Increase funding for CBO economic development capacity building; increase funds for community-based economic development project implementation, including pre-development grants, equity grants, and low interest, long term financing;
- Expand funding available for entrepreneurial training using CDBG funds with priority given to community-based organizations that service EZ/EC areas in selecting new contractors or renewing contracts to provide entrepreneurial training programs;
- Provide economic incentives to encourage joint development and small business activity at transit stations in EZ/EC areas, including "seed" loans and grants to small business ventures;
- One-Stop Capital Shop is designed to provide a source of capital to small businesses which are unable to get capital through traditional means.

With Los Angeles' designation as an SEZ, the original Strategic Plan was reformed and all SEZ-related resources were instead devoted to the capitalization and creation of the Los Angeles Community Development Bank. The LACDB business plan outlined its planned activities as follows:

Commercial Lending Activities of the CDB (either directly or through the CDB Intermediaries)

- *Microloan programs* ($2,500 to $25,000) – for business startup, facility acquisition (including land), expansion and growth, and equipment acquisition. In December, 1996 the minimum amount for this loan was reduced to $1,000.

- *Business loan program* ($25,000 to $500,000) - to finance acquisition of new plant facilities, business acquisition, franchise acquisition and expansion, cooperative startup and expansions, employee ownership programs, equipment purchases, and permanent working capital. (In the first year of operation, the CDB's objective was to place a minimum of 20 percent of its funds available for business loans with qualified intermediaries.)
- *Commercial Real Estate Loan Program* ($500,000 to $1,000,000) – to finance projects that not only create or retain jobs, but also provide goods and services not otherwise available and eliminate slums and blight in the CDB eligible areas; to finance projects that target vacant lot revitalization, underutilized property development, rebuilding and rehabilitating projects and mixed use projects; or to finance the acquisition of property and plant facilities for development into incubator space and industrial parks; to finance land acquisition, demolitions, site development and cleanup and pre-development expenses. (In the first year of operation, the CDB's objective was to place a minimum of 20 percent of its funds available for commercial real estate loans with qualified intermediaries.)
- *Commercial loan guarantee program* ($25,000 to $500,000) – for use as a loan guarantee consistent with the lending programs of the CDB; in addition, guarantees will be provided through lines of credits, commercial term loans and real estate loans. (In the first year of operation, the CDB's objective was to place a minimum of 20 percent of its funds available for commercial loan guarantees with qualified intermediaries.)
- *Loan loss reserve and interest rate/points buy down programs* ($25,000 to $1,000,000) – The CDB will offer funding for two indirect small business loan credit enhancements to financial institutions as an incentive to these institutions to provide financing of commercial and real estate loans. Two programs are designed under this category: loan loss reserve and interest rate or points buy down programs.

Venture Capital Program: ($100,000 to $4,000,000) The CDB will make direct equity investments in small and medium sized businesses located in loan eligible areas. It will also provide funding for this purpose to intermediaries that have experience in managing venture capital funds. The CDB shall primarily invest as an active investor, but will not seek a controlling interest in its portfolio of companies. Potential investment must create or retain jobs within the eligible areas of the City and should target companies that are owned or controlled by socially/economically disadvantaged individuals. The venture capital fund's general goal is to create a diversified portfolio, while specifically seeking opportunities in transportation related companies, service oriented businesses, light manufacturing, food processing and distribution companies, primary health care businesses, apparel companies and environmental related businesses. (In the first year of operation, the CDB's objective was to place a minimum of 20 percent of its funds available for venture capital with qualified intermediaries.)

CDB Grant Programs: ($2,500 to $1,000,000) This funding is designed for pre-and-post lending technical assistance. The CDB will fund community-based intermediaries with either a proven record in this area or a demonstrated ability to develop such programs.

The following community development financing projects were referenced in the Los Angeles SEZ's Performance Review:

- Operationalization of a newly created *Private Industrial Development Authority* to issue tax exempt financing to expanding businesses; project began January 1, 1995; the first bond was issued December 12, 1995. By September, 1996, two Industrial Development Bonds had been issued to companies expanding in the EZ. Participating entities included: the City of Los Angeles, Community Development Department, Mayor's Business Team, L.A. Local Development Company, Bond Counsel, Financial Underwriters and Commercial Banks.

- *Small Business Expansion Loan* to Choe's Mobil for $22,000 to purchase equipment and working capital. The loan was approved by the Community Financial Resource Center; funded with Community Development Block Grant (CDBG) funds, disbursed in March, 1996. Cathay Bank lent an additional $98,000.
- *Small Business Expansion Loan* for Dave's Corner Market, for equipment and business expansion; $240,000 from CDBG and $1,205,200 from Landmark Bank; disbursed in December, 1995.
- *Small Business Fund Loan* to L.A. Zipper, for land acquisition and payoff of interim loan, which resulted in creation of 16 jobs and retention of 9 jobs; $250,000 from CDBG and $1,200,000 from General Bank; disbursed in December, 1995.

Housing

Los Angeles' original EZ application included a number of strategies for improving access to affordable housing:

- Increase funding for affordable housing production in the form of predevelopment loans, land and building acquisition, and permanent "gap" financing;
- Seek private funding commitments through tax credits to leverage funds;
- Support community-based developers in the EZ/EC with funding for new construction and technical assistance;
- Develop a model program for mixed-use housing projects especially next to transit corridors;
- Seek and provide over $200 million in new funds and tax credit investment to leverage existing federal housing money for new construction and rehabilitation programs;
- Establish the Affordable Housing Incentives Ordinance to encourage the construction of mixed-income housing;
- Establish the development of a model mixed-income development in the EZ/EC areas for employment beneficiaries in the Zone and Enterprise communities;
- Create an investment pool for tax credits;
- Continue to target Los Angeles Housing Department Prepayment Program outreach and technical assistance to the Empowerment Zone/Enterprise Community;
- Seek additional project-based Section 8 for developments in the EZ/ECs;
- Expand the first-time home buyers and down payment loan program in the targeted neighborhoods; continue to provide mortgage loans to qualifying low- and moderate-income households; provide Mortgage Credit Certificates (MCC) to areas of the EZ/EC; apply for new funds from the HUD Single Family Program Outreach Assistance and the HUD Single Family Housing Outreach Counseling Grant; continue to negotiate with Fannie Mae and local banks on a rent-to-own program; seek other private and public funds as available;

- Provide low-interest loans to police officers for the purchase and rehabilitation of inner-city houses and monitor success;
- Finance construction of new housing on vacant lots;
- Expand rental to home ownership opportunities; provide financing to renters to purchase the homes where they are currently living;
- Provide information to homeowners; secure federal funds prioritized for the EZ/EC areas, such as Single Family Housing Counseling Grants; Single Family Program Outreach; HOPE 3; Multifamily Insurance Processing; Freddie Mac and Fannie Mae; expand counseling services to provide education and training for prospective first-time homeowners; provide materials in a variety of languages, reflective of the community;
- Develop alternative home ownership options such as cooperatives and secure funding;
- Develop housing-related job training programs; the Housing Authority will seek $1 million in funding under HUD's Family Investment Center Program to augment and improve the program services currently being offered by community service centers; the Housing Authority will develop and implement a family investment center program;
- Target Neighborhood Preservation Programs, such as low-interest, home improvement loans available from the Los Angeles Housing Department and Community Redevelopment Agency to homeowners, community-based developers and small apartment building owners in low- and moderate-income areas and redevelopment areas of the City to complete needed health and safety code related renovations that they may not otherwise be able to afford; continue low-interest deferred loans for housing repairs in County areas;
- Continue to aggressively encourage reinvestment by private lending institutions in EZ/EC areas and change perceptions; continue to encourage private organizations and corporations to invest in housing in the EZ/EC areas.

With respect to "benchmarks," the LACDB 1996 annual report refers to the revised Business Plan "for the six months remaining in 1996." According to this plan the goals were as follows:

- Initiate Direct and Indirect Lending in addition to Co-Lending;
- Achieve 1996 Loan Production of $33.0 million (in reality the Bank achieved approximately 50 percent of this goal and approved $15.5 million, of this $13.1 million were not funded in 1996. An additional $116 million were backlogged;
- Operate LACDB within revised operating budget goals;
- Fully staff LACDB;
- Design and conduct market research, including needs assessment for the SEZ; and
- Continue to develop and manage initiatives begun by the LACDB Board.

BOSTON

The primary strategy for development financing in Boston's Strategic plan was entitled "Investing In Economic Opportunity and Jobs." Five categories were discussed: (1) Leveraging the Economic Engines of the Region to Create New Business Development; (2) Increasing Access to Capital: Fueling

Business Creation and Expansion; (3) Leveraging City Land Use Policies, Capital Investments and Employment Goals; (4) Building Entrepreneurial Capacity and Strengthening Locally-Owned Business; and (5) Improving The Transport of People: Linking Residents and Employment Centers.

Multiple programs and activities were incorporated in these five categories. A number of these activities either are direct community development financing programs or include a financing component.

Economic Development

Leveraging the Economic Engines of the Region to Create New Business Development:

Boston Emerging Industries Center: The Center was to have four major components: an incubator with shared conference and reception facilities; a relationship with *venture capital funding*; a technology transfer office that helps locate technologies with commercial potential; and a comprehensive education and training program. The Center was to be located within the former DEC factory on a prominent site in the Empowerment Zone – the Crosstown Industrial Park.

Increasing Access to Capital - Fueling Business Creation and Expansion:

Bank's Empowerment Zone Proposal: Boston's seven largest local lenders agreed to a program to promote capital access for business within the Zone. Under the program, the banks were to set aside $35 million in flexible capital and had committed to make available a total of $2.43 million in equity and $.65 million in technical assistance.

Private Resources: Existing efforts by local banks were to continue, such as a 1990 program to help meet the need for affordable housing, adequate banking services and economic development in the city's poor and minority neighborhoods, to be implemented through the financial institutions themselves and through the development of nonprofit corporations.

City of Boston Resources: Boston offers technical assistance as well as business development lending through the Public Facilities Department, which provides business loans using federal CDBG appropriations, and the Boston Economic Development and Industrial Corporation, which provides loans with the proceeds from the sale of revenue bonds, and EDA and CDBG revolving loans funds. Boston worked to structure its lending programs to accommodate the exceptions to the traditional underwriting standards of the conventional and quasi-public lenders.

Massachusetts Quasi-Public Resources: (EZ Budget: $1 million match) Several of Massachusetts quasi-public agencies have agreed to participate in the EZ inner-city lending advisory panel and the Boston Center for Business Development and Education, and to designate funds to be set aside for EZ business financing, including the Massachusetts Government Land Bank, Massachusetts Industrial Finance Agency, Massachusetts Small Business Assistance Center, Community Development Finance Corporation, and the Industrial Services Program.

Leveraging City Land Use Policies, Capital Investments and Employment Goals:

Capital Planning and Investment: Public investment is a critical component of Boston's strategy to aid its distressed urban areas. Boston and the Commonwealth were to continue carrying out a coordinated program of investment that directs capital projects to distressed areas. Boston's 1994 Capital Plan directs over $283.3 million to EZ locations, with another $63.8 million in state, federal and private funds, for a total investment of $302.1 million. The projects being pursued include economic development projects; reconstruction of streets, sidewalks, bridges and parks; construction of public buildings to house police, fire fighters and schools; housing infrastructure; port improvements and a seaport access study.

Building Entrepreneurial Capacity and Strengthening Locally-Owned Business:

Boston Center for Business Development and Education: (EZ Budget: $13 million) This Center will contain a "One-Stop Capital Shop" which would centralize capital and technical assistance resources of the public and private sector. Constituents of the EZ would be able to access an array of services without having to travel far from their businesses. Services to be provided at the Center were to include three departments: Business Development, Business Lending and Investment, and Education and Training.

Assistance to Neighborhood Business Districts/Organizing: (EZ Budget: $560,000) The Plan was to build upon the City's existing retail district program to develop neighborhood business associations and assist them in becoming self-sustaining.

Community Projects/Public Works

Improving the Transport of People: Linking Residents and Employment Centers:

Public Transportation Strategies: Boston's transportation strategies are designed to increase the access of EZ residents to jobs and services within their own neighborhoods, the downtown, the merging growth centers in the circumferential corridor, and the region as a whole; and to provide the access needed for new businesses to grow in the EZ without adverse community and environmental impacts. This strategy was to include: (1) Circumferential Transit, making connections between the radial lines of the present public transit system; (2) South Boston Piers Transit Way, connecting South Station, the region's major intermodal transportation facility, with the South Boston industrial area; (3) Washington Street Replacement Service, to account for the relocation of the Orange Line transit service from Washington Street to the Southwest Corridor.

Roadway Strategies: Boston has a goal of an improved crosstown arterial roadway system to contribute to the ease of movement of residents. The following are in stages of planning, design, or construction: 1) New Dudley Street, creation of a two-way New Dudley Street from Dudley Square to Tremont Street creating a key crosstown roadway linking Roxbury to Southwest Corridor, Mission Hill and the Longwood Medical and Academic Area; 2) Ruggles Street, widening of Ruggles Street to a full four-lane cross-section and reservation of a transit easement between Tremont St. and Huntington Avenue to facilitate traffic movement; 3) Southwest Corridor Arterials, including a study to ensure that new development does not negatively affect adjacent neighborhoods with added cars on local streets.

Boston's designation as an EEC required a change in emphasis to better match planned strategies and activities with the more targeted nature of EDI/108 monies to economic development and housing. The Benchmark and Performance Review reports, in the meantime, continued to focus on such aspects of the Strategic Plan as the Emerging Industries Center, One-Stop Capital Shop, bank commitments and the like. Also included were a number of activities related to "anchor projects," microlending, commercial "main street" initiatives and public housing moderation projects.

OAKLAND

Oakland's Empowerment Zone Strategic Plan contains capital development financing strategies for housing, economic development, transportation, and infrastructure plans.

Economic Development

The plan also incorporated a number of strategies/activities relating to economic development including: a comprehensive business retention and expansion program that would include assisting businesses obtain capital (through the One-Stop Capital Shop) and through EZ tax incentives; financing anchor projects such as Fruitvale Transit Village, Seventh Street Revitalization and Electric Vehicle Conversion Facility, and using unexpended funds for short term financing, like the $20M in Title XX funds that would be used to provide an interest free, five year loan for the Port of Oakland to construct an expanded Airport Aircraft Maintenance Facility, and the "similar financing" that would be provided to fund the Port's Airport Gate Expansion project.

One-Stop Capital Shop: Economic development activities would also support entrepreneurship through a new One-Stop Capital Shop that would consolidate providers of government guaranteed loans, microlenders, private lenders, and technical assistance for small business entrepreneurs in one location. The OSCS would provide training and technical assistance to help target area businesses improve their credit worthiness, and increase government guaranteed and private lending to small businesses in the designated areas and other minority, low-income and small businesses throughout the region. EZ Title XX funds would be used for partial staffing and program support of OSCS activities.

Housing

With respect to housing, the plan proposes to: use the Community Building Teams (CBT) as outreach workers to increase awareness and utilization of existing federal and city home purchase and rehabilitation financing programs by EEC residents; have the City coordinate various existing services into a *Comprehensive Homebuyer Assistance Program* that would include a locally funded First Time Home buyer educational workshop and a program for downpayment financing assistance; create a model program with the Oakland Housing Authority that would allow qualifying Section 8 recipients to use vouchers to finance a mortgage instead of rent; finance Mixed Use Anchor Projects that included affordable housing units, such as the Fruitvale Transit Village; and have the City of Oakland be an "authorized lender" for Fannie Mae, so the City could negotiate more flexible underwriting standards for potential home buyers in EEC areas.

Community Projects/Public Works

The Oakland Empowerment Zone Strategic Plan proposed using unexpended Title XX funds for the short term financing of a number of transportation projects planned or needed in Oakland for which it was seeking federal, state or local capital separate from the EZ application (e.g. a rail connection from the rapid transit system (BART) to the Oakland Airport; a proposed light rail line that would run through designated neighborhoods; street and sidewalk repair, improvement of medians exposed by removal of Cypress Freeway). MOUs were signed with the project sponsors that the EZ would "support" the projects, by using EZ staff and CBTs to mobilize community input, and assist with feasibility studies and capital development. Oakland's Strategic Plan also states that the CBTs would develop, construct and operate at least one neighborhood cultural center in each designated neighborhood, but plans for financing these centers through the EZ were not described.

By the time Oakland submitted its Benchmarks Report in July 1995, Oakland had little more than six months to revise its planned activities to fit the EEC's $3M SSBG, and create a new strategy for using the expected $22M in Section 108 loan guarantees (backed by a $22M EDI grant). Oakland was awarded SBA resources to set up its proposed OSCS.

Given the reduced resources, plans to use the Title XX SSBG funds for short term financing capital for infrastructure and economic development projects were scrapped. As the most significant financial resource attached to its EEC designation, Oakland City Council, staff and community attention was drawn to the Section 108/EDI funds. In July 1995, the City Council approved a plan to allocate half of the Section 108/EDI resources ($11M Sect 108/$11M EDI) to finance large scale economic development projects in each of the neighborhoods, and the remainder to some kind of revolving loan fund for smaller loans to residents and small business entrepreneurs in the designated neighborhoods. The City also had plans to try to leverage the Section 108/EDI funds with increased lending commitments from private sector banks and other government guaranteed loan programs. Four of the five community development financing activities in Oakland's Benchmark Report are primarily for business or economic development financing. The other relates to mortgage financing for individual homeowners. However, since the flagship projects were to be "large scale business development or real estate based projects", they could potentially be used for housing, community facilities or other non-business related uses. For example, the one flagship project that had been identified at the time the Benchmark Report was prepared, the Fruitvale Transit Village, was a mixed use project that contained affordable housing, community facilities, space for commercial activity, and public spaces.

By the time Oakland submitted its Performance Review (PR) Report in June 1996, it had refined and changed its community development financing strategies somewhat. The plans to allocate $11M Section 108 and $11M EDI resources for flagship projects remained unchanged, and a process had been created for community businesses and organizations to apply for flagship funding. Plans for the remaining half of the Section 108 and EDI funds had changed. Instead of putting all the resources toward a revolving loan fund, the strategy as of June 1996 called for using $1M of the EDI grant "for training programs for EEC residents" provided through the OSCS, $5M Section 108 and $5M EDI to capitalize a Community and Individual Investment Corporation (CIIC), with the remainder to go into a revolving loan program that could provide business loans for start-ups, expansion or other economic development. The CIIC concept was a relatively new proposal in June 1996, and was still being marketed for approval to the City Council and EEC Policy Board when the PR was prepared.

The proposed CIIC would be set up as a cooperative, for-profit corporation owned by shareholders. Voting shareholders would include EEC residents, businesses and property owners. Non-voting shareholders could include businesses and institutions outside the EEC area. The CIIC would make or guarantee microloans, start-up, and expansion loans for businesses and mortgage loans for commercial or multifamily residential property, take deposits and provide other commercial banking services. A $50 minimum would be required to invest in the bank. Unlike a bank, however, neither the shareholder investments nor a fixed return on their assets would be guaranteed. Proposed capitalization of CIIC would use $5M Section 108 and $5M EDI funds, and at least $2.5M additional capital contributed from individual shareholders.

CHARLOTTE

Economic Development

The sole mention of a community development financial component to the Charlotte Enterprise Community Strategic Plan is contained within the description of the *Raise Up Neighborhoods (RUN)* program, which would provide support for business development activities in EC areas. A small loan pool for start-up businesses is one component of the RUN program which includes other activities, such as setting up referral linkages to local banks, providing technical assistance for loan applicants, business mentoring, targeted business recruitment and business development. Thus the loan pool is one of several strategies to be pursued under the RUN program.

None of Charlotte's benchmarks relate directly to community development financing. Two cluster areas (West and Northeast) do contain benchmarks relating to business start-ups and providing technical assistance to EC area businesses. The provision of loans may be one way to achieve these goals, but there are no specific financing benchmarks that, for example, target a sum of money for community development financing or a number of loans to be made.

Charlotte's 1996 Performance Review briefly mentions the development of a loan pool relating to job creation and economic development:

> "Some strategies such as the loan pools have a structure, but need to be more defined. We are seeking assistance from the SBA, area banks, and have developed a partnership with the Self Help Credit Union Greensboro office. Self Help with the EC support has made application for the CDFI grant to leverage additional funds that drive small business start ups."

There was no mention of this loan pool in the more recent performance reports.

DALLAS

Economic Development

The Dallas EC's Strategic Plan included three components related to community development financing.

Financial incentives for establishment of core neighborhood businesses determined to be deficient (e.g., grocery stores, hardware stores, pharmacies, health care facilities) through the marketing of existing tax incentives (e.g., State Enterprise Zone designation) and public/private partnership programs. Residents would be informed of financial opportunities and incentives available to them through Smart Job Training, Crime Prevention Through Environmental Design (CPTED), Texas Manufacturing Assistance Center Program (TMACP), the One-Stop Capital Shop, Business Assistance Centers, and private financial institutions.

Greenlining: "Greenlining" strategies for banks and insurance companies whereby specific groups would be targeted for priority selection of loans and related services, with steps taken to enforce fair lending and underwriting guidelines. Dallas was to establish a "partnership" with mortgage lending and underwriting entities to eliminate discrimination and commit to providing financial services in the Enterprise Community.

One-Stop Capital Shop: Implementation of a One-Stop Capital Shop known as the "The Business Center" to facilitate lending and community development to small and minority businesses in distressed communities. Partners in the OSCS are the City of Dallas, Dallas County Community College District, and the Southern Dallas Development Corporation. The OSCS is up and running and located at the Bill J. Priest Institute for Economic Development. With this partnership, a number of programs exist to expand the lending capabilities of financial institutions, particularly in the utilization of SBA products. Over the course of a year, BJPI will host nearly around 60 seminars attracting bankers as well as having a working relationship with non-bank lending institutions.

The OSCS has established relationships with two Specialized Small Business Investment Companies and other Small Business Investment Companies, and will work with SDDC's Community Development Business loan program and the Economic Development demonstration program. This program gives the partnership the ability to lend public and private dollars to minority clients, private business lending, and nonprofit corporation lending. These programs are currently available in the EC and are to be expanded.

Financing Strategies for Physical Initiatives:

Tax Increment Financing Districts: Implement master plans for Tax Increment Financing districts (TIFs) and publicize the benefits of the tax increment financing districts. Two TIF districts are within the EC – the Cedars and Oak Cliff Gateway districts. These districts will be targeted for new public infrastructure through the TIF mechanism.

Community Development Corporation Master Plans: Implement Community Development Corporation Master Plans tied to neighborhoods. The goal is to develop partnerships from which to identify resources for plan implementation. Two CDC's developing such plans in the EC are South Fair and Short North Dallas.

Housing

Homes for Dallas Initiative: Develop and implement home ownership and home repair strategies through the Homes for Dallas Initiative. The City's plan is based on three strategies: increase the number of qualified home buyers through credit counseling and home buyer training; increase the availability of financing for home buyers in the City of Dallas; and increase the available stock of decent, safe, and affordable housing through repair, rehabilitation of existing homes or construction of new homes.

Neighborhood Renaissance Partnership Program (NRP): The City's Neighborhood Renaissance Partnership Program (NRP) revitalization plans support these efforts. NRP is supported by a $25 million HUD Section 108 loan and $2.4 million of City funding to directly assist in financing home repairs. The NRP areas include portions of two Enterprise Community areas.

In-Town Housing: Complete proposed In-Town Housing projects to renovate the urban core. A second $25 million HUD Section 108 fund is available to encourage development in this area, which includes portions of two EC areas. The In-Town Housing Program is incorporated into the Public/Private Partnership initiative which encourages development through a combination of tax abatement, infrastructure cost participation, and development fee rebate incentives.

Public Housing Redevelopment: Redevelop areas surrounding public housing by continuing to seek grants such as HUD's Urban Revitalization Demonstration grants.

Repair infrastructure and make mobility improvements with bond programs.

Dallas' July 1996 Performance Review describes the investment of $1 million for the development of new businesses projects and the leveraging of an additional $4 million in private investment. The EC's economic development task force began program discussions and developed the program criteria recommendations for the Public/Private Partnership Program in March 1995. This activity included developing the distribution formulas for funding allocations.

Activities described in the Performance Report (by date) include the following:

- 6/95- completed formula of one job for every $15,000 EC funds expended or minimum of 67 jobs for total EC investment. Ten firms to be established, maximum $50,000 and minimum of $15,000 EC grants.
- 3/96- CDCs, Texas Commerce Bank, Bank One, Bank of America, and Nations Bank to adopt and fund neighborhood areas.
- 3/96- Grant and contract format completed and approved.
- 4/96- Three new business applications where submitted to city council for approval.

As of April 8, 1996 the program distributed a total of 125 new business applications to prospective businesses. Nations Bank adopted EC neighborhoods and committed $41 million for loans while Texas Commerce Bank dedicated $50 million to assist low-income individuals with housing and business development. Actual investments were unknown at that time. The Southern Dallas Development Corporation (SDDC) had upward of $4 million to invest in the EC for new business loans, in addition to the $1 million EC funds expected to leverage an additional $4 million. Texas instruments made a $2 million grant to the SDDC for low interest loans to new businesses in return for a $1 million tax credit.

EAST ST. LOUIS

Economic Development

The East St. Louis EC's Strategic Plan included several items that concern community development financing:

- An intent to use *Social Services Block Grants* (SSBG) for employment and business development, among other purposes;
- A priority of establishing "a *One-Stop shop* for business development at State Community College, including a revolving business loan fund to assist with gap financing needs";
- An *environmental park* geared to recycling industries, financed by Southwest Illinois Development Authority (SWIDA) bonds, TIF revenues and other state and county sources; and
- An *advanced technologies manufacturing center* financed by State Capital Development Funds and other state and county sources.

Housing

- Utilize a variety of existing state, federal and private sources to *upgrade the present housing stock, expand home ownership opportunities, expand the supply of quality, low-income rental housing,* improve environmental conditions in residential areas and expand *supportive services for the homeless and special needs populations*; and
- Provide technical and financial support to neighborhood groups with *HUD Community Outreach Partnership, Neighborhood Development Demonstration and LIFT* funds.

The East St. Louis EC's Performance Review essentially reiterated these items. The Performance Review incorporated a report on status: the Small Business Development Center's initial achievements: four businesses opened, two workshops held, 11 loan applications by trainees pending.

LOUISVILLE

Louisville's original Strategic Plan, predicated on designation as an EZ, contained a wide variety of initiatives intended to increase access to community development financing. One group contains initiatives to increase such access directly, as through the following means: found a privately capitalized bank holding company and its subsidiaries; create synergy via partnerships between the development bank and existing community development organizations; form partnerships with other existing capital sources to facilitate their more effective use by minority and community entrepreneurs; expand the role of traditional financial institutions in the creation of business in the Empowerment Zone; create and utilize a Community Development Corporation under the nonprofit enterprise group that also complements the real estate development subsidiary of the bank holding company;[1] develop a package of public, private, and nonprofit tools to focus on the revitalization of town squares within the Empowerment Zone;[2] and provide additional mechanisms for residents and neighborhood based nonprofit organizations to encourage and support opportunities for home ownership within the Empowerment Zone.[3]

A second group of initiatives under the Strategic Plan are somewhat more oblique. They either affect the total level of capital available for community development indirectly or are strategies which are not directly community development finance but which relate to community financing for development. Most of the strategies and activities presented are in the form of regulatory relief or incentives to spur development.

- Finalize the Smoketown Neighborhood Development Partnership and Strategy.[4]
- Establish a zoning district that facilities and encourages inner-city redevelopment. It was intended that the Louisville Board of Aldermen establish a new Residential Redevelopment District in target areas throughout the Empowerment Zone.
- Streamline the Section 106 Process to encourage, rather than discourage, investment in historic neighborhoods.[5]

[1] The strategic plan also indicates that the newly created Community Development Corporation will be a major player in the development of the remaining Town Squares (see next footnote). The model for revitalization of the Town Squares is a $20 million financing consortium that evolved from the planning stages of the Parkland Commercial Center. Financing mechanisms were to include: Enterprise Zone facility bonds; tax-exempt bonds by the CDC using the credit enhancement strength of the Community Development Bank and other large local lenders; low interest loans; an expansion of the METCO Parkland Commercial Revitalization Loan Program model; and an expansion of the Office of Economic Development's Neighborhood Commercial Development's low-interest facade program. In cases where programs were properly the jurisdiction of another agency or institution, the CDC was to aid in the marketing of these programs. Similarly, public infrastructure improvements, such as streets, curbs, and sidewalks were to be targeted to the six designated commercial centers within the Zone.

[2] The strategic plan introduces a new conceptual tool for urban development--the Town Square. A Town Square is descriptively a node of concentrated economic and social activity. A new series of public, private, and nonprofit tools will be packaged to specifically revitalize six commercial nodes within the Empowerment Zone. Conceptually, the package of development tools will be used to assist the creating of a critical mass at which point the intervention will be removed and new, additional investments of capital and activity will proceed in a free-market fashion.

[3] The Strategic Plan suggests the following activities be taken to provide additional mechanisms for residents and neighborhood based nonprofit organizations to encourage and support opportunities for home ownership within the Empowerment Zone: The Kentucky Housing Corporation will provide unlimited single family home loans for qualified residents of the Empowerment Zone; local lenders will provide special mortgage loan products in Zone neighborhoods, at rates below market, to make home ownership possible to the greatest number of Zone residents; The Kentucky Housing Corporation, in partnership with local lending institutions, will a provide $2 million fund for down payment assistance to Empowerment Zone residents; a local partnership with Fannie Mae will be established to provide access to Fannie Mae's affordable housing financing initiative targeted to the Empowerment Zone; the Housing Partnership, Inc. will establish a privately capitalized, $6 million equity pool for affordable housing development projects; reserve the 15 percent annual HOME set-aside for CHDOs for exclusive use of nonprofits working within the Empowerment Zone; Kentucky Housing Corporation will sponsor special classes monthly for Empowerment Zone residents on every aspect of the home buying process; establish a Housing Development Fund to provide favorable construction financing and deferred second mortgage loans for nonprofit sponsored housing developments; utilize the $1 million tax credit designation by the Secretary of HUD for the New Directions Housing Corporation to leverage additional private resources which will assist and expand its capability in the provision of housing support services; establish a Housing Development Fund to provide favorable construction financing and deferred second mortgage loans for nonprofit-sponsored housing development within the Zone; compensate participating nonprofits through a per unit development fee, providing both a production incentive and revenue building internal capacity to increase productions; based upon need, work with local lenders to target and market existing home rehabilitation loans more aggressively within the Zone and establish home rehabilitation loan programs with lenders where programs do not yet exist. (LEZSP 12-14 to 12-17, 12-19)

[4] The Smoketown Neighborhood Development Partnership and Strategy is a resident-based strategic planning process that supports the development of neighborhood leaders, strong community-based organizations, and full participation by neighborhood residents to craft their own development agenda. The resulting strategy is intended to serve as a guide to public and private reinvestment (LEZSP 7-14). The EZ/EC strategic plan suggests the continuation of activities which took place under planning process for the Smoketown Neighborhood Development Partnership and Strategy. The following are interpreted as serving to increase access to community development financing: continued support of the Smoketown Renaissance Newsletter distributed to residents and businesses; build the capacity of new neighborhood-based associations that expected to build; and the establishment of a City Resource Team that will assist neighborhood residents to improve access and communication skills and to also facilitate the City's response to neighborhood issues.

[5] This refers to a section of Kentucky Historic Preservation legislation. Changes called for included: develop neighborhood-based urban design guidelines that serve as the criteria for Section 106 reviews within the Empowerment Zone; execute a programmatic agreement with the State Historic Preservation Office that empowers the neighborhoods within the Empowerment Zone to develop their own set of guidelines and principles for development and rehabilitation. New guidelines will set standards for developers, architects, and builders to follow from the outset, thus reducing time lost due to inappropriate design. In addition, the guidelines will ensure that development will be designed according to standards agreed to by the neighborhood and the State Historic Preservation Offices. (LEZSP 7-29 to 7-30)

- In order to reduce the blighting impacts of vacant land and abandoned structures, use existing or create new vehicles to encourage the rehabilitation or sale of vacant and problem property to productive use.[6]

- Use existing or develop new mechanisms whereby land can be assembled efficiently and made available for redevelopment in appropriate packages and within a timely manner.[7]

- Use Empowerment Zone funds to leverage private investment and to establish a pool of funds for environmental mitigation.[8]

- Increase the conversion of vacant land to productive use through more aggressive public acquisitions and marketing to home builders and housing developers.[9]

- Provide additional levels of technical and capacity building support to increase efficiency and productivity of nonprofit housing organization within the Empowerment Zone by utilizing both local and national expertise.[10]

Economic Development

Although Louisville was designated as an EC, with only $3 million federal aid, the community has sought to carry out the original Strategic Plan. However, not all items for community development found within the Strategic Plan remain feasible. Greater detail on the items that actually were continued under the $3 million EC grant or through other additional funding sources follows.[11] In transitioning from an Empowerment Zone to an Enterprise Community, community development financing is being pursued mainly through the activities outlined below:

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[6] Expand the civil administrative process, which issues financial penalties for failure to comply with housing and nuisance; aggressively market existing regulations that allow property owners to make substantial improvements without being penalized by property tax increases; encourage the reuse of vacant commercial and industrial facilities through the use of temporary municipal tax exemptions for manufacturing establishments; aggressively use the Abandoned Urban Property classification to increase property taxes and fines for owners of abandoned properties. (LEZSP 7-30 to 7-31)

[7] Acquire blighted and/or deteriorated vacant structures and property that is tax delinquent through the Mass Foreclosure division of the City's Department of Housing and Urban Development; acquire blighted or deteriorated vacant property for residential development through the Vacant Property Review Commission; increase the use of the Land Bank Authority to assemble land within the Empowerment Zone; use the Urban Renewal Commission to facilitate assembly of commercial and industrial land acquisition. (LEZSP 7-32)

[8] Establish a fund of $1 million in the first year; and another $1 million for the second year, to conduct environmental cleanups under the guidance of the Land Delivery Board; pay for environmental testing and remediation by using these funds; propose legislation to the City's Board of Alderman to set up a Tax Increment Financing Zone within the Empowerment Zone; provide $500,000 in Empowerment Zone grants and other funds from Land Escrow Account for site assessment and other characterization; establish an escrow fund managed by the Land Delivery Board. (LEZSP 8-5 to 8-6)

[9] Accelerate efforts of the Louisville Bank Authority to target the acquisition of tax-delinquent vacant land and structures within Empowerment Zone neighborhoods through mass foreclosures, to assemble property for redevelopment; increase the supply of buildable vacant lots within the Zone by sponsoring the City's acquisition of privately owned, non-tax-delinquent vacant residential sites within the Zone; organize the City's several land acquisition programs, including the Land Bank Authority, Vacant Property Review Commission, and Urban Renewal, within a subcommittee of the Mayor's Cabinet to coordinate land acquisition for projects recommended by the Empowerment Zone strategy; increase the acquisition of vacant single-family home sites and make available to developers at a nominal cost if their housing development plans are consistent with neighborhood housing strategies through improved coordination of the City's land acquisition programs and through an appropriation of $10 million from the Empowerment Zone grant. (LEZSP 12-14)

[10] Provide additional levels of technical assistance to existing nonprofit housing organizations through the expertise of Louisville Community Design Center, Shorebank Advisory Services, and Neighborhood Redevelopment Corporation; utilize the Housing Partnership, Inc. to serve as a consortium of the local nonprofit housing organizations to optimize efficiency and avoid duplication of services; utilize the $1 million tax credit designation by the Secretary of the Department of Housing and Urban development for New Directions Housing Corporation to leverage additional private resources which will assist and expand its capability in the provision of housing support services.

[11] The redevelopment of Village West in the Russell neighborhood will cost $43.5 million. Of this, $9.8 million is financed by local banks. However, this is not discussed here because this more readily falls under a leveraged arrangement initiated by the city based upon a $10.5 million HUD loan to the city for this project.

Louisville Community Development Bancorp (the Holding Company): The prime vehicle for community development financing in Louisville is a community development bank holding company--the Louisville Community Development Bancorp hereafter referred to as the Holding Company. The Holding Company and its subsidiaries are elements viewed as necessary for implementing a comprehensive, long-term strategy for neighborhood renewal. The aim is to initiate business interventions and investments that improve local market forces and encourage or sponsor redevelopment. All other strategies and activities found within the Louisville Empowerment Zone Strategic Plan complement functions of the Holding Company and its subsidiaries. The concept and support for the Holding Company originated from the city's 1992 contract with Shorebank Advisory Services to assess the financing needs of Louisville's West End. The resulting proposal served as a key component of the financing strategies underlying the city's application for designation as an Empowerment Zone. The designation as an Enterprise Community with the award of less money made the community development bank even more central to the revitalization than its planners anticipated.

Following the Shorebank model, the Holding Company functions as an umbrella for three affiliates: a retail bank – the Louisville Community Development Bank (LCDB), a for-profit Real Estate Development Company (not yet operational), and a not for-profit Louisville Enterprise Group (LEG). The Holding Company and its subsidiaries are designed to create synergy with existing community organizations by leveraging existing assets. The Holding Company is expected to be proactive in determining and meeting neighborhood needs and guiding community investment and development. According to the Strategic Plan, the Holding Company and its subsidiaries are expected to work closely with the African-American Venture Capital Fund, Business Plus Microloan Program, Minority Contractor Bond Assurance Fund of Kentucky, Inc., Equal Opportunity Finance, Inc., Kentucky Economic Development Finance Administration Small Business Loan Program, Pre-Qualified Women Loan Pilot Program, Kentucky Investment Capital Network, and Business Consortium Fund, Inc. A coordinating role is envisioned for the Holding Company to help direct these program's funds to the Empowerment Zone and to maximize their impact.

In total, about $14.88 million was raised for the Holding Company and its affiliates. Approximately $9.8 million of this was raised in the initial stock offering and another $2 million was committed from CDFI (this has not yet been made available). The EC accounts for $1.3 million (directed towards the nonprofit Louisville Enterprise Group).

Louisville Community Development Bank (LCDB): The retail bank (LCDB) has been capitalized at about $8 million. About $21 million was committed in deposits before the bank doors opened. The retail community development bank is a specialized lender rather than providing a comprehensive mix of services, as would a traditional bank. The LCDB is a development lender for homeowners and property investors in the service areas. It is intended to originate SBA 7(a) guaranteed commercial loans, acquisition loans, rehabilitation loans, and home improvement loans. The LCDB will take full advantage of federal guarantee programs. Individuals may purchase CDs (minimum $200) but no home mortgages or consumer loans such as automobile loans will be offered. Neither will regular checking or savings accounts be available.

Aside from creating a new flow of capital into the West End, the creation of the community development bank was also intended to expand the traditional role of financial institutions and redirect some of their investment into West Louisville. At the time of the strategic plan, three major banks had committed to assisting the development bank in the start-up phase by helping with the development of operating policies, hiring, training, and systems development. It was anticipated that local banks would form partnerships to invest in development projects on an at-or-below market basis. Local bank participation was critical to the initial capitalization of the community development bank. This also led to heavy representation by local banks on the Holding Company and LCDB boards.

Nonprofit Enterprise Group: The Nonprofit Enterprise Group, now known as the Louisville Enterprise Group (LEG), was to be an affiliate of the Holding Company. It was to include several subcomponents including: a) Revolving Loan Fund, b) nonprofit Community Development Corporation, c) Enterprise Development Center (business incubator), and d) small business administration One-Stop Capital Shop. Several adjustments had to be made after the award was made for only a $3 million EC grant. In particular, the Community Development Corporation and the One-Stop Capital Shop are no longer components of LEG.[12] A partnership with the City of Louisville and Fannie Mae has been established to provide a lease-purchase program that will produce 20 units in an initial demonstration program.

$1 million in EC money was allocated for operational costs involved to start up and run the Louisville Enterprise Group including staffing, marketing, and administrative expenses. An additional $300,000 of EC money was provided for the Revolving Loan Fund to offer a series of non-bank financial services to include: seed loans, equipment leasing, lines of credit, working capital term loans, subordinated debt term loans, and account receivable financing. The Revolving Loan Fund is also awaiting a $2 million state grant from the Kentucky Economic Development Finance Authority (Cabinet for Economic Development). As of this writing, this money had been awarded but not finalized.

Enterprise Development Center: The Enterprise Development Center (a component of LEG) is a business incubator but is intended to do more than simply house small businesses.[13] It is intended to provide customized market and management services to housed businesses and provide these same services to emerging firms in the area. Since emerging firms are pre-bankable, the risk involved is greater than regulated banks are often able or willing to undertake. This provides the rationale for the Revolving Loan Fund. It was also anticipated that over time more than one Enterprise Development Center would be created. An advantage to this approach is that centers can be customized to a suit a particular neighborhood or set of tenants.

The enterprise center concept was developed under the guidance of SPEDD.[14] It was anticipated that the Transit Authority of River City (TARC) bus barns, used for maintenance and upkeep of the

[12] The strategic plan called for the creation of the Community Development Corporation (CDC) under the Enterprise Development Center operated by the Louisville Enterprise Group. The CDC's operations were to complement the efforts for the Holding Company's Real Estate Developer subsidiary. The CDC was to pursue critical retail "anchor" commercial development projects within commercial centers using a variety of financing mechanisms (see also the short description of Town Squares in this section above). The CDC was anticipated to be in a position to broker available commercial support services, provide market analyses, and provide additional non-bank financial products. Although the CDC has apparently not been included in the revised EC plans, LEG did maintain its real estate development objectives and is involved in some housing partnerships with the City of Louisville and Fannie Mae.

In addition, the One-Stop Capital Shop was no longer a possibility. Discussed separately below is the Business Information Center (BIC) and related activities to enhance capital flows in the community provided at the Economic Opportunity Campus (Nia Center) which was an effort to continue this function, although not directly under the Enterprise Group auspices.

[13] We were told that "business incubator" is a bad term to use locally and is avoided because of a failed incubator effort in Louisville's past. This leads to some confusion as a "business incubator" is more clearly understood by most people than Enterprise Group or Center.

[14] The strategic plan suggests incorporating several elements from the Southeastern Pennsylvania Development District (SPEDD) Model of business incubation Among these are: the "Taster" program based upon SPEDD's experience that 6 start-ups result from every 100 entrepreneurs that can be attracted; membership fees which entitle members to receive free services; clustering of new, related businesses that fill a niche in the local economy (LEZSP 4-26 to 4-27). Marketing is

transit systems buses, would be converted to a business incubator facility for light industrial manufacturing. The bus barns are located adjacent to the Holding Company and LCDB offices and across the street from the Economic Opportunity Campus (the Nia Center) including LEG's offices. However, the $475,000 obtained from an HHS grant for physical renovations to create an incubator was insufficient for that purpose at this site. At present, the plans have been scaled back to provide light incubation (office and very light manufacturing) in space in the Nia Center and to service companies at their existing locations.

LEG was set up as a 501(c) corporation to ensure that contributions would be exempt from taxes and meet IRS codes. Although this independence is required for tax purposes, LEG is intended to be closely linked to the Holding Company and LCDB. To ensure that LEG does not lose its ties, the boards of LEG and the Holding Company include several overlaps. LEG also does not intend to publicize its 501(c) status as this is viewed as an impediment to gaining the trust of the small business clientele that it is intended to serve. The community board and executive committee have no direct control of LEG or members on its board of director. However, the president of LEG regularly updates the executive committee on its activities.

For-profit Real Estate Development Corporation: A third part of the Holding Company is the for-profit Real Estate Development Corporation which was to acquire and market property in the West End or to develop viable residential and commercial projects. The operating principles of the Real Estate Development Corporation were to create critical masses of development that would result in sustainable markets and neighborhoods. Projects undertaken by the Real Estate Development Corporation would anchor projects that spur further private investment. The Real Estate Development Corporation is to be the last component of the Holding Company activated. Designation as an EC has delayed its operationalization, although it is still planned for in the near future.

Economic Opportunity Campus and Business Information Center: Although the One-Stop Capital Shop has not been possible, the community has sought to set up an equivalent operation in the form of the Business Information Center (BIC) to be housed at the Economic Opportunity Campus (the Nia Center). The Louisville and Jefferson County Office of Economic Development (OED) provides and maintains physical space at the Nia Center to house BIC. The BIC is intended to provide a one-stop shop for economic development initiatives in the West End of Louisville (which includes the EC zone). OED and the regional Small Business Administration (SBA) entered into a memorandum of understanding to provide the BIC. In addition, OED maintains an office presence and thus links to all other existing loan and business development programs available in the community. A synergy is expected because the Nia Center also houses the LEG and the Workforce Development Partnership and is across the street from the LCDB. Thus, business development and capital finance programs are better linked and extended into the EC site. No direct EC money is provided to underwrite this activity.

MINNEAPOLIS

The Minneapolis proposal originally included application for EZ designation for a total of $100 million over a ten year period. The application included $10 million for two job parks; $10 million for

the primary service provided to members (LCDB Business Plan B-2). The 4 main elements of the SPEDD model to be incorporated into the Enterprise Development Center are: service and marketing orientation, entrepreneur outreach, minority business development, and a setup-up program (LCDB Business Plan B-2). The Step-Up program is specifically geared towards addressing the needs of low to moderate income minority and women entrepreneurs (LCDB Business Plan B-5).

pollution clean-up of an old industrial site; $15 million for a workforce and business development program; $20 million for a housing and relocation program; $3 million for the Green Institute; $17 million for child care programs in connection with job parks; and $15 million for family education. More specifically, Minneapolis' Strategic Plan included three initiatives related to community development financing: a microloan program, an incubator project and a housing property management project.

Economic Development

Business Microloan Program: The Business Microloan Program is designed to create a community-based low interest loan program that will provide capital and technical assistance to the Northside businesses in (1) startups; (2) businesses needing capital for expansion; and (3) targeted businesses (high tech, construction, environmental, youth oriented). It is intended to provide low interest loans to small and medium sized businesses not available through normal financing institutions. The Business Loan Program was identified as a major priority in the economic development section of the Near North NRP plan. The Fund is administered by the Northside Economic Development Council. The Enterprise Community funds will be held in a separate microloan account and will be used for businesses already existent within the EC. The EC dollars will leverage $560,000 in NRP funds. Targeted clients will be located on the Northside; however, loans to businesses in the entire EC are projected.

Green Institute - Business Incubator, Green Institute - Material ReUse Center: A second project proposed to create a multi-faceted environmentally-based business incubator (Green Institute - Business Incubator, $291,346) and material reuse center (Green Institute - Material ReUse Center, $291,346). The project intends to develop a multi-faceted approach to environmentally-sound business development. Activities included in this project are: a business incubator for environmentally oriented businesses; a materials re-use center that will also make materials available to Phillips residents; an environmental education center and jobs training center; and energy efficiency improvements to a public housing project.

Whittier Emerging Business Center: The inclusion of the Whittier Emerging Business Center – another business-related community development financing initiative – was actually a "swap" with another project which had originally been included in the Strategic Plan. However, that project was located in a neighborhood (Logan Park) which did not have adjacent boundaries and therefore did not meet HUD criteria for inclusion in the EC zone. Whittier neighborhood did meet such criteria. Thus the project swapped Minneapolis Community Development Agency money they would have used for the business incubator with the Logan Park project's EC money. Developed by the Whittier Community Development Corporation, this business incubator is designed to include business planning, financial management, marketing and financing. It will offer one-on-one business counseling and loan packaging services through the incubator.

Housing

Housing Property Management Program: The Housing Property Management Program is intended to establish a property management subsidiary that will work with neighborhood landlords to maintain and manage rental property in the Phillips neighborhood. The project is designed to link job creation with property repair and management thereby simultaneously providing both housing improvements and job creation.

PHOENIX

The Phoenix Strategic Plan that was developed in application for EZ designation was wide-ranging, predicated on $300 million in funding. It included an array of initiatives relating to community development financing, such as: enhancing the business incubator program to provide technical and financial assistance; expanding microenterprise program services by implementing microenterprise technical and financial assistance program, and seeking funding for self-employment and enterprise development (SEED) program; expansion and retention of small businesses through strengthening existing private, public and nonprofit financing programs, developing a small business outreach program, streamlining regulatory processes to facilitate business expansion, and developing a small business loan program utilizing HUD Section 108 Loans; provide expanded technical assistance to economically empower low-income residents; and pursue a number of strategies to develop housing through preservation/rehabilitation, and increased ownership.

Per the Phoenix Benchmark Report, once the city was designated an Enterprise Community, the strategies and activities relating to community development financing were narrowed accordingly.

Economic Development

Expansion Assistance and Development (EXPAND): The EXPAND program will create partnerships with local banks on loans that range from $50,000 to $300,000 to make credit available to growing businesses that will create permanent, private sector jobs in the EC. The City will help companies work with their lenders to obtain financing that might not otherwise be available to them. The program will also assist new and existing businesses with technical assistance, such as business plan development, information and referral and market research.

The goal of this activity is to create 70 additional jobs with small businesses in the EC area (one job for every $10,000 invested) through the EXPAND financing and technical assistance program. The project includes development of partnership agreements with private lenders, marketing the Revolving Loan program, facilitating awards of loans to businesses, and servicing and monitoring the loans. (Cost of the EXPAND program is $700,000; $350,0000 from EC funds to be matched by $350,000 from private lenders).

Microenterprise Development and Assistance: The Microenterprise Development and Assistant program will fill the gap for financing start-up businesses with small credit needs. This program will assist eligible microenterprises (those with fewer than five employees) through provisions of direct loans ranging from $25,000 to $50,0000 and technical assistant in areas such as business plan and loan package development.

Under this strategy, the EC would develop a revolving loan program. The goal of this activity is to create 50 additional jobs (one job for every $15,000 invested) through retention and expansion of small businesses located within the EC area. The project includes development of agreements with private lenders and technical assistance providers, facilitating awards of loans to businesses and contracts to providers, and servicing and monitoring loans and contracts. (Cost of the Microenterprise program is

$2,600,000 – $450,000 from EC funds, $200,000 from CDBG funds, and $1,950,000 from private lenders.)

Small Business Resource Centers. The City will work in partnership with community development agencies to provide technical assistance including marketing, procurement assistance, and accounting to businesses located in the EC. These centers will also be used by businesses as technology centers and will offer access to faxes, computers, business planning software, copiers and phones, as well as classes and resource materials. Although small business resource centers are specifically itemized in the descriptive program summary portion of the Phoenix Benchmark Report, the centers are not listed as a separate item on the Benchmarks & Activities forms appended to the report. This is because creation of the centers is an integral part of the microenterprise assistance program described above.

The strategies and activities related to community development financing, as listed in the Performance Review, remained consistent.

SAN FRANCISCO

According to the San Francisco associate, nine out of the total of 118 strategies proposed appeared to have at least an implicit community development financing goal. Several of these strategies aimed to improve capital access for small local businesses through business technical assistance programs. Two of these strategies called for the creation of some kind of community development financing institution to provide capital primarily to local businesses. One of these mentioned a community-based credit union, while the other sought to establish a community development loan fund. Two of the strategies targeted existing, traditional financial institutions through the Community Reinvestment Act. One of these called for allowing greater flexibility applying the underwriting criteria for existing loan programs; the other urged exploiting provisions of the Community Reinvestment Act in pressing financial institutions to open branch offices in the community. Finally, two of the strategies included activities focusing on the provision of low interest loans for housing rehabilitation.[15]

By the end of San Francisco's benchmarking/RFP phase, only four out of a total of 22 benchmark categories ("Priority Outcomes") addressed at least some aspect of community development financing. Three of these mentioned startup or retention of community businesses as a need and recommended linking businesses to existing technical assistance and loan programs. The fourth mentioned raising capital for the institution of a community health center.[16]

[15] San Francisco's Strategic Plan proposed to: improve the physical and social character of Third Street to attract residents and tourists to shop along the corridor, in part by developing a financing strategy to make the street more attractive and secure private development such as through the establishment of a community development loan fund; preserve the existing employment base in South Bayshore by designating a team to serve as a bridge between at-risk businesses and city departments to help solutions to businesses' problems such as low-interest business loans; encourage development of new entrepreneurial ventures and strengthen entrepreneurial training to create new businesses and to allow existing business to expand; retain and rehabilitate existing housing stock, in part by providing low-interest loans to low-income Mission District homeowners for basic rehabilitation; develop a comprehensive business assistance program for SoMa businesses to facilitate small business access to capital; address the credit and finance needs of small businesses by determining credit needs, publicizing existing programs and exploring alternative community-based financial institutions; target small-business assistance for entrepreneurial commercial arts and establish business assistance programs for nonprofit arts organizations; develop and implement comprehensive loan programs that meet specific needs of artists and art organizations; provide start-up loans for artists; develop a revolving loan fund for improvements of living/work space; ensure existing CDC's extend outreach materials to Visitacion Valley; focus business assistance including credit financing; and utilize the Community Reinvestment Act to negotiate with financial institutions concerning opening bank branches in Visitacion Valley.

[16] San Francisco's Benchmarks called for four strategies relating to CDF: re-establish the Visitacion Valley Merchant's Association, access economic development and business assistance for neighborhood merchants, and encourage a street patrol for local merchants' safety; increase and enhance coordination, planning and service provision to Bayview/Hunters Point merchants by existing neighborhood-based and citywide technical assistance organizations such that as least ten new businesses receive assistance; implement a comprehensive business retention and attraction project for South of Market including assisting businesses

Meanwhile, only four of San Francisco's 28 funded first-round projects included in the Performance Review address any sort of capital access linked to community development financing. In none of the four is community development financing the central concern or objective, according to the field associate.[17]

TACOMA

Tacoma originally applied for the EZ designation and its Strategic Plan reflected the hope of being awarded the $100 million grant. When they found out they were getting the smaller award, they scaled back their initial activities to meet this funding amount (although their EC plans also involves several leveraging strategies). The original EZ plan had goals relating to community development financing which included: increase sales, competitiveness and profits of businesses within the Zone by: providing business access to Tacoma's Information Network; providing business technical assistance to Zone businesses, including assistance with management, business expansion, diversification, marketing, sales, import/export, technology, human resource, regulatory compliance, product development, and capital acquisition; providing access to research and development through State research and technology centers and universities; expanding and creating opportunities for cross-cultural marketing for businesses within the Zone; and, expanding and creating worker incentive programs to increase productivity and competitiveness of Zone businesses, all leading to an increase in the domestic and foreign market share for Zone businesses.

Tacoma made plans to increase access to capital for businesses within the Zone by providing access to: venture and other risk capital for businesses and entrepreneurs within the Zone for start-ups as well as business expansion; gap financing for businesses and entrepreneurs within the Zone; long term financing for business expansion, capital improvements, land, buildings, and other facilities for businesses and entrepreneurs within the Zone; financing for housing and commercial space development for businesses within the Zone; and, financing tools available through Tacoma's Zone to the region and throughout the state.

In the revised Strategic Plan for an EC designation, Tacoma's community development financing strategy focused on a subset of these goals. EC strategies to reach the goal of increased sales, competitiveness and profits of businesses within the Zone included access to comprehensive business technical assistance, and access to research and development. EC strategies to reach the goal of increased access to capital for businesses in the area included access to venture and risk capital for businesses and entrepreneurs, access to gap financing, and access to long term financing for business

with attraction or expansion plans, creating new jobs for low-income residents, and assist in the retention of businesses and jobs; hire an individual to develop and implement a capital fundraising campaign for the development of a new South of Market-based health center facility.

[17] Youth Credit Union (Mission Area Federal Credit Union): Mainly aimed at providing job training and financial management experience to Mission and South of Market neighborhood youth, YCU is run by the Mission Area Federal Credit Union, which is a community development credit union. Although capital access is not the main focus of this program, it does provide savings accounts with very low account limits for children and youth, and provides small loans to children and youth. South of Market Foundation: The main focus of this program is to promote SoMa area businesses but it might contain some elements of capital access assistance to businesses because the organizations involved in implementing the program have such activities as their focus. San Francisco Medical Center Outpatient Improvement Programs, Inc: This program focuses on raising capital for the eventual construction of a new health facility in the South of Market area. Visitacion Valley Community Center/Merchants Association: The objectives of this program are to help re-establish the neighborhood merchants association and to improve access of local businesses to economic development expertise and technical assistance.

expansion, capital improvements, land, buildings, and other facilities for EC area businesses and entrepreneurs.

Tacoma's original Benchmarks provided to HUD included several strategies and activities related to community development financing.

Economic Development

TEC Microloan Program: Create TEC Microloan program to provide debt capital to eligible borrowers otherwise unable to obtain traditional bank financing. Financing would range from under $100 up to $25,000 and would be accompanied by technical assistance focused on business planning, management, bookkeeping/accounting, operations, marketing/sales, and other business specific services.

Capital Center: Create a Capital Center as a One-Stop Capital Shop (now called the Tacoma Business Assistance Center) to deliver financial, business, technology and technical assistance to small, minority and women-owned businesses within Tacoma's EC and throughout the broader region. The capital center was to integrate service delivery from a variety of providers including the SBA, State of Washington, City of Tacoma, Port of Tacoma, Tacoma-Pierce County Chamber of Commerce, Tacoma-Pierce County Economic Development Board, Community and Technical Colleges and Higher Education.

Microloan Technical Assistance: Provide technical assistance to 115 businesses receiving microloans (described below) in the form of a continuum of business support to business owners and entrepreneurs, focusing on planning, management, operations, finance, sales and marketing, trade and investment, and business/sector specific assistance. TEC was to partner with existing providers, including the Tacoma Community College, Bates Technical College, Tacoma Housing Authority and the Metropolitan Development Council, as well as link program participants with private sector professionals.

Microloan: Provide Microloans to 115 businesses (through TEC and SBA microloan program). Tacoma applied for, but did not receive a grant for this program for the SBA microloan program. The number of loans to be granted through the TEC program was scaled down to forty.

Small Business Investment Company: Create a Small Business Investment Company expected to provide equity and venture capital in the amount of $40 million to support economic expansion with Tacoma's EZ/EC. Equity funds were to provide a range of capital products to serve the needs of businesses through the various stages of growth and development, including research and development funds, seed capital, first stage financing and venture capital.

Community Development Financial Institution: Create a Community Development Financial Institution expected to raise significant investment funds from major financial institutions and the private sector in the Puget Sound region. Early projections were in excess of $35 million. The CDFI's primary functions were to promote community development, provide lending and investment programs, provide development services, conduct labor force development services and programs, and maintain community accountability for an investment area and for a targeted population.

Certified Development Company: Create a Certified Development Company to operate an SBA 504 loan program for the EZ/EC. The 504 loan program provides long-term, fixed rate financing to businesses. Loans under this program must be coupled with bank financing and owner equity. This program was not listed in Tacoma's Strategic Plan, but appears in HUD Benchmark and Performance Review Reports.

Some of the strategies and activities outlined in Tacoma's Benchmark form have not developed as originally planned. Tacoma has abandoned plans to establish a $500,000 research and development fund, as well as the SBIC/CDFI entity and venture capital fund and will eliminate these two activities from the next round of benchmarks they provide to HUD. In addition, Tacoma applied for but did not receive a U.S. Small Business Administration (SBA) grant for that agency's microloan program. Tacoma is in the process of applying for the current round of SBA microloan grants.

Tacoma has established a revolving loan fund, created a Capital Center, which includes the Tacoma Empowerment Consortium (TEC) Business Assistance Center (originally named the Tacoma One-Stop Capital Shop) and SBA One-Stop Capital Shop, and through the Capital Center, provides technical assistance to visitors and microloan recipients.

Tacoma's plan for development of an International Services Development Zone (ISDZ) is not included in earlier plans or reports, but has recently become a strong focus of opportunity for economic development within the EC area. Several groups in Tacoma are involved in development of the ISDZ, including TEC and EC committee members, the Pierce County Educational Consortium, Tacoma Private Industry Council, the Port of Tacoma, Tacoma Public Utilities, and an economic development group for the Puyallup Indian Nation. Citicorp, the Frank Russell Company and other major financial services institutions are also participating in this effort.

The ISDZ is being modeled on a successful strategy underway in Dublin, Ireland. The idea is to create an area in downtown Tacoma that provides for a favorable business environment; tax credits, high tech infrastructure and high-skill jobs. Tacoma hopes to attract international professional firms specializing in the areas of finance, legal and consulting services. Tacoma will work particularly closely with the Dublin ISDZ and another ISDZ in Sydney, Australia to create an "international services triangle."

Qualifying businesses located within the ISDZ would receive substantial reductions in state and local business taxes in return for development of training programs for EC residents, hiring of EC residents, and creation of internships through local universities and colleges and community and technical colleges. The benefits to the city of Tacoma would be an estimated 3,000 to 5,000 new jobs in the first five years (not including an estimated 5,000 construction jobs). The city is now working toward legislative approval of the ISDZ; revision of tax and regulatory requirements so they are more "friendly" to international services; and, targeting of coursework to the types of jobs these companies would offer (in cooperation with the educational consortium of four year, two year and technical colleges). The TEC Board, ISDZ committee and TEC staff are at work on this project and expect to add appropriate ISDZ-related strategies to their benchmarks and performance review in the next few months.

APPENDIX D

Implementation of Community Development Financing Activities in EZ/EC Study Areas: Site-by-Site

ECONOMIC DEVELOPMENT

Program	Description - EZ/EC Funding*	Comments
ATLANTA		
One-Stop Capital Shop	Provides small business owners and potential entrepreneurs with technical assistance and greater access to capital. $1,016,010	Ongoing, on schedule. High volume of clients during evening hours. There is a great need to find a program partner that would allow access to small grants.
Revolving Loan Fund	An effort to give Zone residents and businesses greater access to microloans and capital. $3,300,000	Ongoing, behind schedule. Loan recipient selection has been a contentious issue of the program.
Tax Credits	Market EZ tax incentives to local businesses. $200,000	Ongoing, behind schedule.
Grow House Program	Develop community-owned green house for the production of food for sale to restaurants and local buyers. $150,000	Yet to begin. Project recently approved by CEAB and AEZC Economic Development Committee.
Community Credit Union	Development a community-based credit union; still in the early stages of development. $0	Yet to begin. Trying to leverage additional dollars for the project.
BALTIMORE		
Business Empowerment Center	Provide business assistance and capital to build/stabilize Zone businesses and create employment opportunities; includes One-Stop Capital Shop. $3,700,000	Completed, ongoing. Extensive outreach with Zone businesses is ongoing.
Fairfield Master Plan/Ecological Industrial Park	Link several businesses so that the waste or by-projects of one firm serve as inputs to the production of another. $863,600	Ongoing, behind schedule. Currently recruiting 'eco-friendly' businesses.
80/20 Loan Program	Provide loans for fixed asset purchases and working capital to businesses located in the Zone. $1,000,000	Ongoing, on schedule. Start-up businesses must hire at 40% Zone residents.
State Enterprise Zone	Provide property tax credits and state income tax credits for Zone businesses for a ten year period. $0	Completed, ongoing.
Neighborhood Food Market Privatization	Privatize municipal food markets; improve quality of goods and services offered. $0	Completed on schedule. Four markets have been privatized; growth/development plans are underway.
Community Development Bank	Provide capital resources for economic development in the Zone; still in the planning stage.	Yet to begin.
Tax Exempt Bond Fund	Create a fund to encourage Zone business expansion by financing business loans. $0	Ongoing, behind schedule. Financing authority in place; business utilization is low due to strict statutory eligibility requirements.
Neighborhood Commercial Revitalization Program	Market area to increase commercial development within the Zone; provide management and technical assistance to businesses. $750,000	Ongoing, behind schedule. Selection of designated areas have been completed.
Baltimore Industrial & Commercial Redevelopment Trust	Acquire and remediate property to meet EPA standards; resell property. This program was transformed into a grant and loan program that would leverage private investment in brownfield properties. $3,000,000	Program dropped; new grant/loan program ongoing, behind schedule.
CHICAGO		
One-Stop Capital Shop	Provide a source of technical assistance and venture capital for business start-ups or expansions. $754,000 (funds allocated but not yet approved)	Yet to begin. Trying to leverage additional funding. Location of OSCS undecided.
Overton Hygenic	Contribute to soft costs of rehabilitation on a historic building to use as a business incubator. $110,000	Ongoing, behind schedule. Contract has been executed.

* Dollars are EZ/EC funding, not total project costs.

ECONOMIC DEVELOPMENT

Program	Description-EZ/EC Funding*	Comments
Pilsen Model Commercial Corridor	Plan, design and construct improvement to public spaces in local commercial districts, support security and facade improvements to individual properties, and support area marketing. $521,000	Yet to begin. Scope of project has changed; negotiating contract.
GAPPIE Development Corporation	Provide operating support for a new retail center. $300,000	Ongoing, behind schedule. Contract has been executed.
Chetwyn Rodgers Drive Entrepreneurship Training Center	Create a entrepreneurship training center. $800,000	Yet to begin. Negotiating contract; construction has not begun.
Westside Commercial Corridors Collaborative	A planning grant to expand four major commercial corridors, by producing predevelopment plans, creating marketing strategies, and producing business plans and loan packaging services. $75,000	Ongoing, behind schedule. Contract has been executed.
47th and Lake Park Shopping Center	Provide predevelopment costs for a shopping center. $473,909	Ongoing, behind schedule. Contract undergoing Law Department review.
Lawndale Commercial Corridor	Predevelopment and land acquisition for a new shopping complex in Lawdale. $100,000	Ongoing, behind schedule. Contract has been executed.
Black Metropolis Convention and Tourism	Provide a planning grant for acquisition and rehab of a building as part of an effort to use cultural tourism as a vehicle for development of the community's economic base. $100,000	Ongoing, behind schedule. Contract has been executed.
Lake-Pulaski TOD Commercial Area	Provide soft costs for implementing a transit-oriented development plan focused around the CTA superstation stop; mixed-use development, including commercial and housing. $233,400	Ongoing, behind schedule. Contract executed and awaiting first payment.
Arts Business Incubator	Purchase and renovate two buildings to expand Arts Center and add retail and arts business incubator. $693,000	Ongoing, behind schedule. Contract has been executed.
Lou Rawls Theater	Construct facility including theater, cultural center, and education complex; will include profit-making programs, including a family entertainment cluster, education and training center, food gallery, African American culture Repository, and a retail/incubator. $1,000,000	Yet to begin. Negotiating contract.
DETROIT		
One-Stop Capital Shop	Designed to help business owners, entrepreneurs and community-based organizations determine their specific needs; identify courses of action; provide technical and managerial assistance; and obtain access to capital and credit. $1,361,000	Ongoing, ahead of schedule. The project is well into its second year goals during its first year of EZ-funded operation. Projects additional leveraging of over $5 million in the coming years.
Community Development Bank	Establish a community development bank holding company as a for-profit financial institution which will deliver a combination of products and services. $2,000,000	Ongoing, ahead of schedule (without drawing down any EZ funds). A substantial portion of its capital has been committed.
Financial Institutions Consortium	A private partnership established to develop alternative lending programs. $0	Ongoing, ahead of schedule. In less than 3 years, it has appeared to have reached 60% of its 10-year lending goal.
NEW YORK CITY		
Harlem Business Outreach Center	Provide technical assistance to street vendors and those interested in starting a small business; among services provided: promotion, business information, business plans, computer services training, capital planning and finance, and tax assistance. $300,000	Ongoing, behind schedule.
BRISC (Business Resource and Investment Service Center)	Provide capital and technical assistance to entrepreneurs and small businesses in Central, East and West Harlem, Washington Heights and Inwood. $1,250,000	Ongoing, on schedule. Strict lending criteria of financial institutions has slowed response to credit needs of the community.
Credit Where Credit is Due	Conducts workshops on basic personal finances and setting up a budget, offers savings accounts and provides personal loans. $296,250	Ongoing, behind schedule. Due to money scams in area, residents are hesitant to open savings/checking accounts.

* Dollars are EZ/EC funding, not total project costs.

ECONOMIC DEVELOPMENT

Program	Description-EZ/EC Funding*	Comments
BO$$ (Business Opportunity Success System)	A microloan program which provides capital and technical assistance and is targeted to legal street vendors and in-home businesses. $225,000	Ongoing, behind schedule. EZ funds recently received.
Small Business Assistance Initiative	Provide bookkeeping and accounting assistance for business owners; connect targeted business with "cutting edge" technology. $1,750,000	Yet to begin. BRISC will conduct program and serve 300 EZ businesses.
East Harlem Chamber of Commerce Microloan Program	Serve business who do not qualify under traditional lending criteria or have access to small loans through BRISC or other lenders. $250,000	Yet to begin.
Commercial Revitalization Program	Conduct physical improvements in 150 businesses, capitalize and administer merchant revolving loan funds, provide outreach and technical assistance to local merchants. $2,375,000	Yet to begin.
PHILADELPHIA/CAMDEN		
One-Stop Capital Shop	Provide technical assistance and capital resources for Zone businesses. $0	Ongoing, on schedule. Negotiated agreements are in the process of being established between SBA and the three Philadelphia areas of the EZ.
Community Capital Initiative (West Phil.)	Make capital available to lower income and small business borrowers. $10,600,000	Yet to begin.
North Philadelphia Financial Partnership (North Central Philadelphia)	Provide microloans, small business loans, equity investments and a reserve fund for small business loans to entrepreneurs and residents of the North Central area of the Zone. $7,000,000	Ongoing, behind schedule. A loan has been made to an environmental services company.
Community Financing Entity (American St.)	Provide capital for businesses located, starting or moving to the American Street area of the Zone. $14,250,000	Ongoing, behind schedule. A loan has been made to a local food retailer.
Community Financing Entity (Camden)	Designed to house a revolving loan fund and includes a "gap financing" authorization.	Yet to begin.
Peer Group Lending Program (Camden)		Yet to begin.
Small Business Development Fund (Camden)	Provide financial assistance for new or existing businesses.	Yet to begin.
CLEVELAND		
EZ BOP I and II Loan Programs	Provide small business and micro loans for real estate, machinery and equipment, acquisition, and development to eligible small businesses in the SEZ.	Completed, ongoing. Six loans have been recently approved and dispersed to grantees.
Small Business Development Center	Operated by the Council of Small Enterprises, a volunteer-driven arm of the Greater Cleveland Growth Association with some 16,000 members, including approximately 300 volunteer counselors, providing advice and assistance to business owners and prospective business owners in the SEZ. $0	Ongoing.
Bearings, Inc.	Office building construction consolidating corporate staff from five other buildings; retain 300 jobs.	Completed.
Glenville Town Center	Construction of a 75,000 square foot shopping center; create 75-100 jobs; opening of 4-5 new buisiness.	Ongoing, behind schedule. A new developer is being sought for the larger area (26,00 sq.ft center originally intended).
Sunny Properties	Financing for the acquisition and renovation of building, creation of seven new jobs, relocation of five suburban businesses. $183,000	Completed.
Faith Building	Renovation of commercial office building as part of multi-phase redevelopment effort; will house four businesses. $476,010	Ongoing.
Acme Express	Financing of land and building acquisition and renovation of a software development business; job creation and retention. $210,600	Ongoing.
Scoven	Expansion of a 40,000 square foot contract machining company. $3,800,000	Ongoing.
Pernel Jones	Provide partial financing for construction of a funeral home. $399,540	Ongoing.
Kraber Industries	Acquisition of equipment and of an industrial/manufacturing building to allow expansion and consolidation of a business from several locations. $450,000	Completed.

* Dollars are EZ/EC funding, not total project costs.

ECONOMIC DEVELOPMENT

Program	Description-EZ/EC Funding*	Comments
Calicchia	Acquisition of two vacant commercial properties for rehabilitation. $368,100	Ongoing.
Mindsavers, Inc.	Provide partial financing for the acquisition and renovation of a commercial building to allow relocation from the suburbs to the SEZ. $208,487	Completed.
Seay's Barbecue	Renovation of a gas station into a restaurant. $119,569	Ongoing.
J.T. Bailey and Company, Inc.	Construction of a retail commercial building and warehouse and provide 12 new jobs and a cosmetology training school. $343,080	Ongoing.
LOS ANGELES Community Development Bank		
Direct Lending Programs	Loans made directly to eligible borrowers by the Los Angeles Community Development Bank for commercial and real estate loans.	Ongoing, behind schedule. Fifty loans (to 17 borrowers) have been made to date.
Indirect Lending Programs	Small business, commercial and real estate loans made to eligible borrowers by micro-lending and financial intermediaries.	Ongoing, behind schedule. Contracts have been executed for the Microloan and Business Loan programs.
Technical Assistance Programs	Provide pre-loan technical assistance by matching potential borrowers with existing business assistance providers that operate in or adjacent to the SEZ, and post-loan assistance by way of a referral system.	Ongoing, behind schedule.
BOSTON		
Boston Empowerment Center/One-Stop Capital Shop	Create a one-stop capital shop to serve existing and new businesses; provide technical assistance. $0	Completed, ongoing. Houses the SBA/ JVS Loan Program and the Boston LDC Loan Fund; 86 loans made to date.
Anchor Projects Development	Create anchor projects in the EEC: The Harry Miller project - textile industry relocated & expanded $2,900,000; Boston Seafood Distribution Center - a physical expansion and relocation project $1,500,000; Neighborhood Health Center - house health center, pharmacy store and a vacant space $6,200,000; and 3 other projects not yet underway: Washington Park Mall, Grove Hall Mall, and Automobile Mall.	Ongoing, behind schedule. Financing packaging for the three planned projects are still being determined.
Boston's Emerging Industries Center	Provide technical assistance to EEC businesses; establish: business incubator, relationship with venture capital funds, technology transfer office. $0	Completed, ongoing. Ongoing technical assistance is provided to EEC businesses.
SBA/JVS Microenterprise Loan Program	Provide increased access to capital to fuel business start-ups and expansion. $0	Completed, ongoing. 17 loans have been made in the EEC.
EDI/Section 108 Lending Program	Provide financial assistance for new and existing businesses. $22,000,000	Ongoing, behind schedule. To date, $11.2 million has been allocated to 4 projects.
Boston Local Development Corporation Loan Fund	Provide loans for $25,000-$150,000; foster increased employment opportunities and business/industry expansion. $0	Ongoing, on schedule. A pre-existing City program targeted to the EEC.
Public Facilities Department CDBG Lending Program	Provide loans for $150,000-$250,000 to local businesses. $0	Ongoing, on schedule. A pre-existing City program targeted to the EEC.
Land Bank Lending Program	Implement Massachusetts Land Bank Boston lending program. $9,000,000	Yet to begin.
Community Challenge	Provide grants up to $2,000 to nonprofits for infrastructure and capital improvements. $0	Ongoing, on schedule. A pre-existing city program; $550,000 has been committed to EEC nonprofits.
Blue Hill Avenue Initiative	Conduct commercial development on city-owned sites on Blue Hill Avenue, and rehabilitation of privately-owned commercial properties. $0	Ongoing, behind schedule. Financing completed on 2 projects; 4 others in various stages of development; awaiting financing.
Main Street Programs	Provide assistance/organizing for neighborhood business districts; provide assistance to individual businesses. $0	Ongoing, on schedule. Each district is run & controlled locally; 4 districts are currently operating.

* Dollars are EZ/EC funding, not total project costs.

ECONOMIC DEVELOPMENT

Program	Description-EZ/EC Funding*	Comments
Private Commercial Lending Program	Private banks to provide low-interest loans, commercial real estate loans, working capital lines of credit or term loans, finance capital improvements to qualified EEC businesses. $0	Ongoing, on schedule. 'Hands on' approach by participating banks (4 out of 5 banks send reps weekly to meet with potential borrowers).
OAKLAND		
Commercial Loan Fund	Provide an economically viable commercial lending program to increase capital available to entrepreneurs in the EEC and other low-income areas from private lenders. $0	Yet to begin. New attention is being redirected to efforts to renew EEC commitments from private lenders.
Flagship Loan Program	Provide capital resources for large scale business development or real estate based projects that will have a significant impact on the EEC neighborhood where it is located. $22,000,000	Completed, behind schedule. 8 projects approved. However, underwriting criteria, program eligibility and release of funds slowed the process.
Revolving Loan Fund	Provide loans up to $100,000; increase capital available for entrepreneurship or business expansion to spur job creation in the EEC. $11,000,000	Yet to begin. Program marketing/ advertising is being planned.
One-Stop Capital Shop	Provide technical assistance and business support resources to EEC entrepreneurs and small businesses. $1,000,000	Ongoing, behind schedule. High volume of inquiries; EEC lending activity data collection is underway.
Community & Individual Investment Corporation (CIIC)	Make or guarantee microloans, start-up, and expansion loans for businesses and mortgage loans for commercial or multifamily residential property. This project won initial support but had very little community level support and was rejected by the EEC Policy Board. The program was dropped. $10,000,000	Program dropped due to little community support.
CHARLOTTE		
Microlending Program	Provide capital for entrepreneurs interested in starting a business, technical assistance and formal business training. $0	Yet to begin. Establishment of an administrative structure to address financing, underwriting, originating and servicing of loans has slowed program progress.
DALLAS		
Public/Private Partnership Program	A business development financial incentives program providing new business loans and technical assistance; job creation for EC residents. $1,000,000	Ongoing, on schedule. 6 new businesses have been approved and are either in operation or construction; 38 jobs created.
EAST ST. LOUIS		
Small Business Investment Corp.	Provide increased access to capital for large scale business development. $0	Ongoing, on schedule.
Community Development Credit Union	Create a community based credit institution to allow residents to borrow money to support development projects; facilitate housing and community development. $0	Yet to begin.
Micro-Lending Program	Provide small business loans for EC residents (loan pool run by small business owners). $0	Ongoing, on schedule. Start-up funding committed.
Cultural Redevelopment District	Creation of a cultural redevelopment district and a Metro Center intended to spur education, economic and housing development in historic district. $0	Ongoing, behind schedule.
Revolving Loan Fund	Provide increased access to moderate-sized loans for business creation or expansion. $0	Yet to begin. Still in the discussion stage.
LOUISVILLE Community Development Bancorp, Inc. (The Holding Company) $1,300,000		
Community Development Bank	A specialized lender providing guaranteed commercial loans, acquisition loans, rehab and home improvement loans.	Completed, ongoing. Still negotiating with other local banks regarding the loans that were to be sold.

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ECONOMIC DEVELOPMENT

Program	Description-EZ/EC Funding*	Comments
Louisville Enterprise Group (LEG)	The center offers loan programs and services, provides customized market and management services to businesses. Houses the Revolving Loan Fund ($300,000) and business incubator which (Enterprise Center) provides technical assistance, reduces costs and provides co-op space for business development. $1,000,000	Ongoing, behind schedule. Delays in staffing and building acquisition has slowed progress, now leasing space at Nia Center.
Business Information Center	Acts as a one-stop shop for economic development initiatives in the West End of Louisville.	Ongoing, behind schedule. Not yet operational.
Economic Opportunity Campus (Nia Center)	Houses the Business Information Center, LEG and the Workforce Development Program; connects to other programs which may serve the EC.	Ongoing, behind schedule. Renovations of Center underway.
Real Estate Development Company	Develop viable resident and commercial projects by acquiring and market property in the West End resulting in sustainable markets and neighborhoods.	Yet to begin. Company is incorporated, but not yet operational.
MINNEAPOLIS		
Business Microloan Program	Provide low-interest loans and technical assistance business for start-ups and expansions in the Northside area of the EC. $373,169	Ongoing, behind schedule. Program is actively approving loans.
Whittier Emerging Business Center	Provide planning, financial management, marketing and financing to EC businesses. $136,791	Completed, ongoing. Center is operating.
Green Institute Business Incubator	Develop a multi-faceted approach to environmentally-sound business development. $291,346	Ongoing, behind schedule.
Green Institute Material Re-Use Center	Establishment of a re-use center that will make materials available to Phillips residents. $291,346	Ongoing, behind schedule.
PHOENIX		
Expansion Assistance and Development (EXPAND)	Provide financial and technical assistance by helping to establish new and existing businesses in the EC to grow; job creation. $350,000	Completed, ongoing. To date, 49 business have received loans (25 within the EC).
EXPAND Microenterprise Program	Create a revolving loan pool through direct loans and provide technical assistance to small businesses in the EC area. $450,000	Ongoing, on schedule. Program modified to be city-administered; difficulties with small businesses meeting criteria – requiring two years experience.
SAN FRANCISCO		
Youth Enterprise Training Program/Youth Credit Union	Provide job training and financial management experience to Mission and South of Market neighborhood youth; provide small loans to youth. $100,000	Ongoing, behind schedule. Business Plan not yet completed.
South of Market Business Attraction and Marketing Project	Promote South of Market area businesses through loan packaging, outreach, technical assistance, research services, and capital access assistance. $71,506	Ongoing, behind schedule. Business Attraction Brochure is being distributed to growth industries.
Visitacion Valley Merchants Association/ Visitacion Valley Community Center	Re-establish the neighborhood merchants association to help mobilize local businesses in seeking assess to capital, street improvements and technical assistance. $46,000	Program was behind schedule, then discontinued due to lack of support.
TACOMA		
TEC Microloan Fund Expansion	Provide debt capital to eligible EC businesses and residents who are otherwise unable to obtain traditional bank financing. $447,674	Ongoing, behind schedule. Initial difficulties in finding loan-ready candidates. 11 loans made to date.
Microloan Fund Technical Assistance Program	Provide support to business owners and entrepreneurs for general planning, management, finance, marketing, trade, investment, and business-specific assistance. $0	Completed, ongoing. Technical assistance scope changed from 115 to 40 businesses. TA ongoing to 11 loan recipients.
One-Stop Capital Shop (Business Assistance Center)	Business Assistance Center to provide existing and prospective small businesses with a variety of capital and technical assistance products and services. $360,724	Completed, ongoing. High volume of inquiries; have provided technical assistance to more than 2,000 individuals.

* Dollars are EZ/EC funding, not total project costs.

HOUSING

Program	Description-EZ/EC Funding*	Comments
ATLANTA		
Atlanta Center for Homeownership	A center for home ownership training and counseling services for Zone residents. $4,000,000	Ongoing, behind schedule. High number of clients, but program has had difficulty linking to other EZ-funding programs.
Mortgage Assistance Program	Down payment assistance program designed to increase home ownership through grants to qualified residents. $7,200,000	Yet to begin. Lump sum drawdown issue currently has project stalled.
Senior Citizen Owner-Occupied Rehabilitation Program	Provide housing rehabilitation services for senior citizens living in the Zone. $2,500,000	Ongoing, behind schedule. There is some confusion regarding the process seniors should follow to solicit the rehab services.
Owner-Occupied Rehabilitation Program	Provide housing renovation services to qualified Zone resident in order to bring homes up to building code standards. $2,000,000	Yet to begin.
Neighborhood Master Plans	Devise redevelopment/master plans for 15 Zone neighborhoods. $600,000	Yet to begin. RFP selection process underway.
CDC Operating Grants	Provide local Community Development Corporations with operating capital and technical assistance. $1,300,000	Ongoing, behind schedule. Activity will help increase capacity of CDCs to implement other EZ programs.
Old Fourth Ward Redevelopment, Inc.	Develop vacant buildings and parcels through Community Development Corporations. $300,000	Ongoing, on schedule. Exec. Board has concerns re: change in project's financing and proposed limited liability partnership.
BALTIMORE		
Housing Venture Fund	Provide assistance with down payments and closing costs to those who purchase existing housing within the Zone. $1,000,000	Ongoing, on schedule. Income eligibility and poor housing stock have limited the # of home buyers assisted.
Housing Counseling Programs	Provide counseling service to residents; increase opportunities for home ownership for Zone residents. $0	Ongoing, on schedule.
Employer-Assisted Housing	Encourage home ownership in the Zone by creating employer-assisted housing programs; encourage private sector employers to provide financial incentives to Zone employees. $0	Ongoing, behind schedule. Two prospective businesses may soon offer program.
Vacant Housing Program	Convert vacant housing into usable and affordable housing for Zone residents. $0	Yet to begin. Units to be identified using Village Centers' Master Plans.
Secondary Markets	Provide greater access to mortgage funds for Zone residents; create a secondary market for home financing. $0	Activity deferred to pre-existing secondary market program.
Public Housing Scatter Site Management	Create a community-based management model for public housing; involve public housing residents in the management of their community. $0	Yet to begin.
Selective Demolition	Selective demolition of vacant or abandoned properties within the Zone. $0	Ongoing, behind schedule. Village Centers' Master Plans to identify properties.
Abandoned Properties Program	Create a program to identify and improve abandoned properties in the Zone; return these properties to the community for development of affordable housing. $0	Yet to begin.
Housing Consortium	Provide loan packaging, coordinate housing development with master land use plan, expedite housing construction, facilitate training and technical assistance, provide rehab counseling services. This program has been dropped.	Program dropped. EMBC will work with existing housing organizations.
Community Inspection Review Board	Establish a board to resolving housing code violations, mediate landlord/tenant disputes, enforce housing codes. This original program was dropped and the funds transferred into a rehab loan/ grant program that has not yet been reviewed or approved by the EBMC Board. $500,000	Program dropped; new rehab loan/grant program not yet Board approved.

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HOUSING

Program	Description-EZ/EC Funding*	Comments
CHICAGO		
Affordable/Accessible Housing Program	Purchase and rehabilitate homes in seven targeted EZ areas. Properties will be made available to low-income buyers in the Zone. $1,500,000	Yet to begin. Contract undergoing Law Department review.
Housing and Commercial Rehab Program	Rehabilitate six multi-family buildings to provide new residential units for low-income residents; rehabilitate a grocery store unit. $1,500,000	Yet to begin. Contract undergoing Law Department review.
Westside Residential Rehabilitation	Rehabilitate one- to four-unit residential buildings. $473,909	Ongoing, behind schedule. Contract has been executed.
Employer Assisted Housing Initiative	Bring together resources of employers and mortgage lenders with community-based nonprofit housing developers and the private sector to help working, low-income families to purchase homes. $145,000	Ongoing, behind schedule. Contract has been executed.
Lawndale Condo Rehab Program	Acquire and rehab three units and construct seven new homes. $170,000	Yet to begin. Scope of project changed from acquire/rehab 10 units to 3 units; contract undergoing Law Department review.
Kenwood/Oakland Apartment Rehab	Provide interest rate buy-down and soft costs for rehab of mixed-income housing. $1,272,990	Ongoing, behind schedule. Contract has been executed.
Renaissance Apartments (Wabash Y)	Renovate the former YMCA, develop SRO units to serve the homeless, elderly, veterans, mobility-impaired, and the chronically mentally ill; provide on-site services. $1,500,000	Yet to begin. Contract undergoing Law Department review.
DETROIT		
Neighborhood Commercial Development Management Corporation	Program to build organizational capacity of community-based organizations, business owners and business/merchants associations to facilitate commercial district management and development. Now called the Neighborhood Commercial Development Network, this program has no EZ funding, does no EZ reporting and its director states that it is no longer an Empowerment Zone program. $0	No longer recognizes itself as an EZ program.
PHILADELPHIA/CAMDEN		
Home Ownership Initiative (Camden)	Provide financial assistance for first-time home buyers.	Yet to begin.
CLEVELAND		
Infill Housing Projects	Rehabilitation of vacant homes for very low- to low-income families. 16 homes completed and leased. $916,338	Completed, ongoing.
Grace Pointe Homes	Construction of eight market-rate single family homes.	Ongoing. 5 homes completed as of 7/97.
Bicentennial Village	Construction of 33 market rate homes and 16 Habitat for Humanity homes; job creation for Zone residents. $3,700,000	Ongoing, behind schedule. 15 Zone residents hired, but project on hold pending replacement of executive director of development corporation.
BOSTON		
Housing Rehabilitation	Rehabilitate abandoned housing, provide current EEC homeowners with renovation loans and single-family rehabilitation grants, and develop housing on city-owned vacant lots. $0	Ongoing, behind schedule. 704 units & 44 projects in various stages of completion.
Mission Hill and Orchard Park Public Housing Modernization	Creation and rehabilitation of public housing units without displacing current EEC residents. $0	Ongoing, behind schedule. Demolition being completed in Orchard Park.
OAKLAND		
Mortgage Loan Fund	Increase private lending for mortgage loans in the EEC and other low-income areas. $0	Yet to begin. Project scope changed to have CBTs conduct outreach for the City's existing home ownership programs.

* Dollars are EZ/EC funding, not total project costs.

HOUSING

Program	Description-EZ/EC Funding*	Comments
EAST ST. LOUIS		
Home Ownership Counseling Program	Provides counseling services for 150 potential home buyers. $35,000	Ongoing, on schedule.
Real Estate Investment Group	Provides access to capital for prospective home buyers in the EC. $0	Yet to begin. Still in discussion stage.
LOUISVILLE		
Housing Rehabilitation Programs	Rehabilitate vacant housing structures through the home repair, homestead, investor, weatherization, and rehab incentive programs. $0	Ongoing, ahead of schedule. Homestead Program dropped form this activity.
MINNEAPOLIS		
Housing Property Management Program	Established a neighborhood-managed property maintenance firm to service 200 properties in the Phillips neighborhood; link job creation with property repair and management. $223,789	Ongoing but under review.

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COMMUNITY PROJECTS/PUBLIC WORKS

Program	Description - EZ/EC Funding*	Comments
ATLANTA		
Smoke Detector Installation Program	Provide smoke detectors for 3,000 EZ homes. $50,000	Ongoing, behind schedule.
Breakaway Burglar Bars Program	Install breakaway burglar bars on 166 EZ homes. $150,000	Ongoing, behind schedule. AEZC/City trying to work out an appropriate service agreement.
Brownfield Strategy	Industrial clean-up program designed to identify and remediate contaminants. $0	Yet to begin. Awaiting necessary implementation funding.
Public Works Repairs	Conduct bridge repair, lighting upgrades, park renovation, general infrastructure improvements. $0	Ongoing, on schedule. City of Atlanta has administrative/financial responsibility.
BALTIMORE		
Safe Neighborhood Design	The Village Center's Land Use Master Plans will include recommendations for physical improvements relating to roads, housing, and street lighting. $240,000	Ongoing, behind schedule. Village Centers' Master Plans to include recommendations for improvements.
Community Clean-Up and Recycling	Involve Zone residents in sanitation programs to improve sanitation and recycling, create Solid Waste Action Teams in each Village Center. $0	Ongoing, on schedule. Several clean-ups have occurred. In-kind services being performed by City Dept. of Public Works.
Infrastructure Capital Program	Enhance the physical environment of the Zone (new roads, signs, storm water management), including redevelopment of the Central Avenue area and revitalization of the Upton commercial district. $0	Ongoing, on schedule.
Carroll Industrial Park	Improve the area infrastructure including street and traffic patterns; create a business retention and attraction plan. $250,000	Ongoing, behind schedule.
CHICAGO		
Pilsen Industrial Corridor	Conduct infrastructure and landscaping improvements in the Pilsen Industrial Corridor for business retention and expansion. $300,000	Yet to begin. Negotiating contract.
Garfield Park Expansion	Build additional facilities at Garfield Park Conservatory to house a multi-purpose room, classrooms, resource center/library, lab, and office space. $1,458,700	Yet to begin. Negotiating contract.
Pilsen/Little Village Primary Health Care Expansion	Develop a second community health center. $1,700,000	Yet to begin. Negotiating contract.
Sinai Family Health Centers	Relocate existing primary health care facility and renovate and expand another. $1,135,000	Yet to begin. Negotiating contract.
Model Zone Youth Center	Purchase a building for use as a youth center to house educational and recreational programs. $430,000	Yet to begin. Negotiating contract.
Effie Ellis Community Child and Family Center	Rehabilitate existing facility to house a community center to house child care, HeadStart, training for home care providers, family services, job development, and counseling. $1,000,000	Yet to begin. Negotiating contract. Construction expected to begin Fall 1997.
Family Resource Center Partnership	Construct two centers that will house child care and family services. $1,000,000	Yet to begin. Negotiating contract.
Child and Family Center Expansion	Build a child and family service center next to current facility to expand toddler, preschool, and HeadStart programs. $500,000	Yet to begin. Negotiating contract. Construction expected to begin soon.
Family Investment Center	Renovate and expand existing facility to create a Family Investment Center. $1,200,000	Yet to begin. Negotiating contract.
Westside Planning and Development	Acquire and rehabilitate a building to house day care and a HeadStart program. $500,000	Yet to begin. Negotiating contract. Construction expected to begin Fall 1997.
St. Anthony Hospital Family Health Center	Rent space for a family health center to expand primary health care capacity in Little Village. $977,049	Yet to begin. Contract undergoing Law Department review.
YMCA Child and Family Service Center	Build a comprehensive family service center. $500,000	Yet to begin. Negotiating contract.
New Komed Medical Center	Construct a building to expand primary health care capacity of south side community health centers. $750,000	Yet to begin. Negotiating contract. Site of building construction has changed.

* Dollars are EZ/EC funding, not total project costs.

COMMUNITY PROJECTS/PUBLIC WORKS

Program	Description - EZ/EC Funding*	Comments
Youth Center Enhancement	Environmental clean-up and land acquisition for expansion of youth center; convert vacant lot to recreation field and open space; development of a performance and training space. $90,000	Yet to begin. Negotiating contract.
Sutherland Ballroom Rehabilitation	Rehab project to be used as a community center, update rental hall facilities for arts and education programs. $262,645	Yet to begin. Negotiating contract.
Mexican Fine Arts Center Museum	Expand facility to increase cultural opportunities, promote tourism, and stimulate economic development; create a teen museum. $2,800,000	Yet to begin. Negotiating contract for construction. Contract executed for non-construction costs of project.
Cultural and Arts Performing Center	Renovate a facility to house a cultural and performing arts center. $100,000	Ongoing, behind schedule. Contract has been executed.
Duncan YMCA Children's Arts and Education Center	Provide funds for renovation and expansion of the Duncan YMCA facility to expand arts programs. $274,500	Ongoing, behind schedule. Contract has been executed.
Eighth Regiment Armory Building	Restore landmark to be used as a cultural facility. $100,000	Yet to begin. Negotiating contract.
EAST ST. LOUIS		
Arts Incubator	Establish arts commission; provide technical assistance to cultural groups. $0	Ongoing, behind schedule.
Environmental Park	Implement industrial development plan; create environmental industries park for the collection and process of recyclable materials. $0	Ongoing, behind schedule. In process of incorporating.
SAN FRANCISCO		
Health Care Facility/San Francisco Medical Center Outpatient Improvement Programs, Inc.	A Capital fund-raising campaign to support the building of a new health facility in the South of Market area. $68,760	Ongoing, on schedule. Brochures: patient-targeting completed, fundraising underway; three funding requests being considered by local funds.

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Implementation of Community Development Financing Activities in EZ/EC Study Areas: Site-by-Site

ATLANTA

Economic Development

Community Credit Union: Atlanta's EZ Strategic Plan noted the need for community-controlled sources of capital, such as a community-based credit union. The Community Empowerment Advisory Board (CEAB) has been most active in this project to date and is currently in the preliminary stages of the recruiting process for the 2,000 signatures needed to begin this project. Community leaders are facilitating this process, while the CEAB is holding Town Hall meetings to provide residents of the Zone with more information about the project and plans to collaborate with the Federation of Southern Cooperatives in setting up the credit union. The CEAB is attempting to leverage additional dollars for this project from community organizations such as the Black Clergy and other church-based groups. The proposed site for the credit union is the present CEAB office which already has a bank-like set up because a Visa office previously occupied the space. This community credit union is still in the very early stages of implementation.

One-Stop Capital Shop: "One-stop shopping" for government services was at the core of the economic development section of the Strategic Plan. Atlanta's newly established One-Stop Capital Shop (OSCS) has brought this initial vision to life. Located outside the boundaries of EZ in City Hall East (a recent refurbished Sears distribution warehouse where a variety of government and quasi-public agencies, such as the Atlanta Project, are based), the Center opened on February 12, 1997 and provides small business owners and potential entrepreneurs with technical assistance and greater access to capital. This effort is a partnership between the Atlanta Empowerment Zone Corporation (AEZC), which is providing $1,016,110 in SSBG funds, the Small Business Administration, and the City of Atlanta. The OSCS is staffed by five AEZC-funded employees including the Executive Director and two full-time people from the SBA.

Zone residents interested in starting their own businesses can utilize the services of the OSCS to access a wide range of local agencies, as well as approximately 19 different financial institutions. These agencies include: Atlanta Economic Development Corporation, Atlanta Minority Business Development Center, Economic Development Corporation of Fulton County, Entrepreneurial Development Loan Fund, Georgia State University, Georgia Certified Development Corporation, GRASP, SCORE, UGA Small Business Development Center, US General Store, and the Women's Economic Development Agency. The Atlanta OSCS is reportedly the only center in the nation to house a US General Store and OSCS in the same location. This collaboration allows potential clients to access representatives from 10 different federal agencies and obtain information from 18 other government agencies, in addition to the information and technical assistance made available by local organizations. The OSCS also plans to incorporate State agencies in the future – the Georgia Secretary of State's Small Business Office and the Georgia Office of Minority Women Businesses both have plans to house agency representatives at the shop.

The Atlanta associates report that the OSCS has been quite successful in providing business information and technical assistance, but the substantial provisions of capital have not yet occurred. Moreover, although there is an acknowledged need for microloans (of approximately $500 - $25,000) for new and struggling small businesses, most of the banks and agencies involved currently in OSCS provide large loans. Potential sources of smaller loans include the State of Georgia, which recently passed a $150 million microloan initiative, and the Community Empowerment Advisory Board's revolving loan fund, which is directed toward borrowers who may also need and benefit from the technical assistance available through the OSCS.

The OSCS is, in the view of the associates: "One of Atlanta's best examples of collaboration within the EZ initiative. The shop has brought together multiple local, state, and federal agencies in order to make starting and/or maintaining small businesses a much more efficient process for both Zone and non-Zone Atlanta residents alike. While providing access to microloans and greater capital is an important future imperative of the OSCS, this program has made significant progress in supporting entrepreneurship through its one-stop provision of business information and counseling services."

Revolving Loan Funds: The Atlanta EZ's revolving loan funds represent the program's most direct efforts to provide capital to Zone residents at the community level. Over the past two years, the AEZC has administered a $3.3 million loan fund available to existing Zone businesses and corporations interested in relocating to the Zone, and from which it made several sizable loans for these purposes. However, the Georgia Department of Community Affairs became concerned that the city was approving economic development loans out of the revolving loan fund benchmark, even while there was no formally established revolving loan fund and no specific criteria governing its operation in place. In addition, CEAB members were concerned that the board was funding projects (several that involved relocation of businesses from outside the zone) out of "its benchmark" which was depleting the amount of resources that would be available for investment in creating new businesses that would be owned and operated by zone residents. Consequently, part of this initial fund has since been delegated to the CEAB while the AEZC works to establish a second, larger fund.

The "CEAB revolving loan fund," with a $2.1 million budget drawn from the remaining funds from benchmark 14.3 and funds under benchmark 14.1, will now focus primarily on smaller "mom and pop shops" or neighborhood-based entrepreneurs already operating in the Zone. The fund will be managed by a review committee made up of CEAB members and other individuals with banking expertise to approve loans in the $500 and $50,000 range, while the entire CEAB will be required to approve loans for amounts over $50,000. The associates were advised by local sources that the EZ board will not have to approve loans granted from the CEAB revolving loan fund. The second revolving loan, approved at the May 12, 1997 EZ Board Meeting will create a $6 million pool of money for large-scale projects involving larger corporations wishing to move into the Zone, with loans expected to range from $100,000 to $1,000,000.

Operating Grants for Community Development Corporations: In Atlanta, the EZ program will grant $1.3 million in operating capital and technical assistance to qualified CDCs over a two year period. Interested Zone-based CDCs must meet the following requirements: certification as a 501(c) 3 organization, operation in the neighborhood for at least two years and have both an executive director and board president in place. This last requirement has led to an exploration of conflict of interest policies in that many of the eligible CDCs, especially those connected with an area church, tend to have executive directors and board presidents who are family members. Another requirement added by the

CEAB is that the CDC boards must be comprised of 51 percent community representatives. The AEZC plans to work with a consulting firm to monitor compliance on these specifications.

Letters were sent out to all eligible CDCs and the AEZC staff conducted follow-up visits with interested groups. At present, 12 CDCs are slated to receive $100,000 each, payable over a two year period to assist in the implementation of AEZC housing programs. Six more CDCs will eventually receive funding as well, to stimulate new construction, rehabilitation, and maintenance activities all as employment generators for EZ residents. The CDCs will help provide new or rehabilitated housing consisting of 13 multi-family residential development projects totaling 703 units and 15 single-family residential development projects and/or subdivision totaling 432 units.

Although the operating grants for these 12 CDCs were approved unanimously on May 12, 1997, the funds have not yet been drawn down.

To date, approximately $3.0 million has been awarded as part of the revolving loan fund initiative. The following businesses have received loans under this program:

- *Fulton Bag and Cotton Mill.* The mill is located in Atlanta's Cabbagetown neighborhood and, as the first EZ business to be approved, has received $1 million in SSBG funding. An additional $16 million has been leveraged with $9.9 million from HUD and $5.7 million in tax credits/developer equity. The AEZC and HUD are also collaborating with Aderhold Properties (the developer), the City of Atlanta, and Suntrust Bank on this project. Given the size of both the loan and the project itself, the mill renovation would most likely be shifted to the second proposed AEZC revolving loan fund designed for these types of large scale projects
- *Creative Fine Arts, Inc.* The revolving loan fund provided this corporation with $1.157 million to assist in facility expansion and relocation from a suburb north of Atlanta to the northwestern edge of the Empowerment Zone. The AEZC has provided $497,000 in interim SSBG funding, with permanent financing of $830,000 provided by the Georgia Certified Development Corporation, Atlanta Economic Development Corporation (AEDC), Nationsbank ($150,000 line of credit), and a private lending institution. The AEZC has since converted the interim funding to a permanent loan of $429,241.
- *Georgia Manufacturing Innovation Center.* Although this company is slated to receive $500,000 in SSBG funding to establish a employment training program on Decatur St. in the EZ, the project appears to be stalled indefinitely. When a CEAB representative recently inquired as to the progress of this loan at a Board meeting, the executive director reported that they are waiting for Georgia Manufacturing to submit necessary paperwork. An AEZC staff member reported that a letter of commitment has been issued and they have set a September 1997 deadline for the company to demonstrate the capital and administrative capacity necessary to receive an EZ loan.
- *Sweet Auburn Curb Market.* The renovation of the Sweet Auburn Curb Market, a historic food market, is being assisted with $450,000 in SSBG funds. This project also provides entrepreneurial opportunities to Zone residents by designating market stalls specifically for EZ residents. To date, ten new leases have been signed with six stalls operated by Zone entrepreneurs. This project is ongoing and the CEAB reported at a recent meeting that the market will hold a second Grand Opening in August of 1997 and has extended the hours of operation to better serve its clientele.
- *Miss Piggy's Restaurant.* This barbecue restaurant owned by a Zone resident has been awarded $50,000 in financial assistance to maintain and improve the business.

- *Corporate Courier*. This $2 million courier and photocopy company plans to consolidate their facilities at Wheeler St. in the EZ. The AEZC has approved SSBG funding in the amount of $400,000 for this business. At this writing, the parties have not yet closed on the financing for the project. Corporate Courier also proposes to leverage additional financing of $700,000 from Mutual Federal Savings & Loan and the Atlanta Economic Development Corporation.

- *Renewal Atlanta*. Although this project did not initially involve any SSBG funds, the AEZC now plans to provide $85,000 to assist Renewal Atlanta in developing a model for the recruitment, employment, and training of EZ residents. The recycling business plans to take advantage of EZ tax credits and employment opportunities with the company have been announced at numerous Board meetings. The AEZC hopes to make Renewal Atlanta a model for encouraging other future private sector companies to operate within the Zone. Renewal Atlanta is working on this training model as it attempts to accrue the capital necessary for expansion.

Develop Vacant Building and Parcels through Community Development Corporations: Old Fourth Ward Redevelopment Inc., a community development corporation, has been awarded $300,000 in SSBG dollars for the acquisition and renovation of a commercial building in the EZ. The 10,000 square foot building on Ralph McGill Blvd. presently houses one commercial tenant, BECO Bindery, which occupies half of the building. Future tenants will include the Old Fourth Ward Redevelopment Inc. (OFWRI) office and various community service organizations.

Tax Credits: This effort to market EZ tax incentives to local businesses will be administered by two Zone-based businesses, Harris & Associates and Ledger In Town. These firms were recently selected through a competitive RFP process to develop brochures and videos, run training courses, and track tax credit use. The AEZC has approved a $144,000 SSBG contract for one-year; the total budget for this line item is $200,000 and remaining funds will be used for future marketing efforts.

GrowHouse Program: This recent economic development project proposes to develop community owned greenhouses for the production of food for sale to restaurants and other local buyers. The GrowHouse "flexiplants" would be stationed throughout the Zone in partnership with the Tri-Communities and Earth Management Technologies group, a local organization which plans to incorporate as a CDC. This project would provide for 65 percent community ownership and the business plan forecasts that $800,000 would be generated annually with a net of $500,000. The community would be involved with the project from the beginning and could move into full ownership within two to three years of operation. The original proposal is that approximately 50 percent of start-up funds would be borrowed from existing financial institutions with the remaining funding from the AEZC and Tri-Communities.

This project was recently approved by the CEAB at their June meeting as well as the AEZC Economic Development Committee. A feasibility study was proposed at the July Executive Board meeting to provide information of the viability of this project, but was tabled due to the pending reorganization of the AEZC administrative structure. The proposed study would use $150,000 in SSBG dollars with $50,000 in private leveraging.

Housing

Mortgage Assistance Program: The Atlanta EZ's plans for greater access to home ownership opportunities include the Mortgage Assistance Program (MAP), which will provide assistance to Zone residents through deferred second mortgages. $7.2 million has been allocated for this program with low interest deferred loans of $8,000 for each qualified Zone home-buyer. The mortgage assistance will be divided equally between new and rehabilitated housing with $3.6 million for the purchase of newly constructed homes and $3.6 million for the purchase of rehabilitated homes. An additional requirement is that for the first year of this program applicants must live in the Zone. After the MAP's first year of operation, individuals wishing to relocate into the Zone will also be eligible for assistance. Although implementation is being coordinated with neighborhood CDCs and the City of Atlanta's Department of Planning, Development, and Neighborhood Conservation, the program is presently funded exclusively by SSBG dollars.

The Mortgage Assistance Program was approved by the EZ Board at its August 1995 meeting, but has been stalled by a number of administrative issues. A current issue involves the State's concerns regarding the AEZC's proposed lump sum draw down agreement. The AEZC proposed to draw down funding for MAP and two other housing initiatives, the Senior Rehab and the Owner-Occupied Rehab, in one large sum to be placed in Zone banks. This would enable the AEZC to generate revenue for future projects using the interest earned from the housing funds. According to DCA officials, federal regulations pertaining to lump sum drawdown agreements require the financial institution(s) to provide the city with some public benefit in exchange for the deposit of funds, but Atlanta's proposal does not provide enough detail as to what the AEZC will receive in exchange for its lump sum deposits. The AEZC's Director of Housing did note, however, that the lump sum draw down issue will not hold up any of the programs, as they can always draw down smaller amounts of SSBG dollars on an as needed basis.

Atlanta Center for Home Ownership: Consistent with the Strategic Plan's call for increased home ownership opportunities, a "Family Self-Sufficiency Center" was benchmarked to make home ownership a viable option for Zone residents. This project, renamed the Atlanta Center for Home Ownership, is a joint venture of the AEZC and the Atlanta Housing Authority. The AEZC has allocated $4 million in SSBG dollars and the AHA has kicked in another $2 million to fund this home ownership training facility. To date, $3.2 of the $4 million SSBG dollars have been expended on this line item.

The ACH opened its doors in February of 1997 in a renovated space in the Atlanta Center for Employment and Training building on 818 Washington Street in the Zone. The Center is staffed by eight employees, two of whom do Zone outreach exclusively. At the urging of the CEAB, an eleven person Community Advisory Board was established to ensure community input, with members selected by the AHA (4 members), the CEAB (4 members), and the Mayor's Office (3 members).

AHC estimates that staff has engaged in some form of outreach to 5,200 people. More specifically, the Home Ownership Center has provided individual housing counseling to 400 people and approximately 600 people have attended one of the Center's training courses.

The most significant challenge has been the lack of affordable housing opportunities for Zone residents. Very few of the Center's clients are ready to purchase a home, and those that are have not been able to find homes in Zone neighborhoods that fall in an appropriate price range. In an effort to seek out Zone homes affordable for the ACH's clients, staff members canvassed all the neighborhoods in the EZ and developed their own property listing notebook. They also plan to implement a "rolling open house" using a van to drive potential home-buyers to available Zone houses. The Center had planned to have their first house closing administered entirely by the ACH and EZ by the end of July.

Senior Citizen Owner-Occupied Rehabilitation Program: The Atlanta EZ will provide housing rehabilitation services for senior citizens living in the Zone. The aim of the program is to allow low-income senior homeowners to remain living safely in their own homes by repairing housing code violations and those conditions that will become housing code violations within two years. The AEZC has allocated $2.5 million in SSBG funding and plans to work with local CDCs and the City of Atlanta Department of Planning, Development, and Neighborhood Conservation in carrying out the home inspections and repairs.

Although CDCs were slated to help administer this rehab program originally, the associates report that a CEAB representative on the EZ Board volunteered to run the intake process and presently works out of an office located in the Atlanta Center for Employment and Training building, where the ACH is also housed. The AEZC plans to rehab a total of 80 units under this program at a cost of approximately $25,000 per unit.

Owner-Occupied Rehabilitation Program: Nearly identical to Atlanta's Senior Citizen Rehab project, this EZ initiative will offer housing renovation services to qualified Zone residents in order to bring a minimum of 100 homes up to code over a two year period. This program will also be coordinated with the City's Department of Planning and CDCs with $2 million allocated from the SSBG budget. The AEZC's proposed RFP for a construction management company would apply to this housing program as well as the Senior Rehab. The administrative entity responsible for the intake and ranking of applications is yet to be determined, although CDCs were intended to carry out this function for all of the rehab projects originally. Neither application intake or construction has begun on this project to date.

Comprehensive Neighborhood Master Plans/Redevelopment Plans: $600,000 has been budgeted to design and prepare comprehensive neighborhood master plans and/or redevelopment plans for 15 EZ neighborhoods. Each of the 15 selected areas will receive approximately $35,000 to conduct the neighborhood-specific redevelopment plan. The AEZC considered each of the 30 Zone neighborhoods that do not presently have master plans or plans that are underway and ultimately selected 15 that seemed best suited for this project. The plans will be produced by an established community-based organization in partnership with a qualified planning firm or consultant. The City Department of Planning , the Atlanta Development Authority, and the Atlanta Housing Authority will also help coordinate the implementation of this program.

On June 4, 1997, the staff issued an RFP for design firms and consulting groups and they have received 55 responses to date. After reviewing these applicants, the AEZC plans to hold an informational meeting with interested community groups to discuss the available firms and consultants that they can collaborate with on the neighborhood plans. Ideally, the AEZC staff would like to provide the CDCs and other community groups with a list of appropriate design/consulting firms so that each community based organization can select the firm they would be most comfortable working with on this project.

Community Projects/Public Works

Increase Police Capacity: Community policing comprised the majority of the Strategic Plan's Safe and Livable Communities section and received corresponding emphasis in the benchmarks. The EZ Board has approved $3,248,146 in SSBG dollars to fund the community police officers over a two year period, although only $2,372,000 of the initial amount has been approved by the State Department of Community Affairs. DCA officials were concerned that the police officers hired by the AEZC would merely supplement existing Atlanta Police Department services rather than create a new type of community-based police force. After clarifying the intent of the program and the administrative structure within the Atlanta Police Department, this revised budget amount was approved and the hiring process began.

A committee was formed consisting of senior police officers and two CEAB representatives to select the first nine officers for this EZ effort. Nine police officers, with a minimum of three years experience, were hired and introduced to the community in a ceremony at the Georgia Hill Center in May 1997. At present, NPU and CEAB leaders are working to establish a community advisory board to work with the new officers.

Smoke Detector Installation: To increase the fire safety of Zone residents, $50,000 in SSBG funding has been allocated for the installation of smoke detectors for approximately 3,000 Zone residents. Recipients will have two detectors installed per home and elderly residents will be given priority status in obtaining these fire prevention devices. The installation is a joint project between the AEZC and the Atlanta Fire Department, which provides installation services as well as usage training for recipients.

Breakaway Burglar Bars: Another program designed to improve fire safety in the EZ is the effort to install breakaway burglar bars on approximately 166 homes. This $150,000 SSBG project will be implemented in two phases--the AEZC will provide $75,000 to the Atlanta Fire Department for installation in phase one and the remaining $75,000 will target a Zone-based business that is owned and staffed by EZ residents for phase two. This second wave of installations will simultaneously improve home fire safety while creating additional employment and economic development opportunities for members of the EZ community. Given the unique implementation process proposed for this program, the AEZC and the City Attorney's office are working to iron out an appropriate service agreement.

Public Works Repairs: Improving the infrastructure of Atlanta's Zone neighborhoods received a great deal of emphasis in both the Strategic Plan and the benchmarks. In fact, 15 specific benchmarks propose public works improvements. Despite this focus on infrastructure throughout the initial EZ implementation, the bulk of these proposed improvements have been delegated, both administratively and financially, to the City of Atlanta; no SSBG dollars have been allocated for these projects. These public works projects include bridge repair, street light repair, sidewalk improvement, recreational pool, tennis, and basketball court renovation at area parks, and other general infrastructure improvements. Work has begun on nearly all of these projects and the AEZC staff has agreed to follow-up on their progress, but the AEZC is not responsible for their administration.

BALTIMORE

The vision expressed in Baltimore's application was to improve Zone neighborhoods so that they will become communities of choice, not neighborhoods of last resort. To accomplish this economic opportunities, community mobilization, community development, commercial revitalization, housing, and public safety action items are proposed.

Economic Development

The Business Empowerment Center (BEC): The Business Empowerment Center is a comprehensive business service center that provides financing, technical assistance, and training for Zone businesses and residents. The BEC is intended to stabilize the Zone's business base and provide opportunities for business creation and expansion.

Baltimore's Strategic Plan proposed to establish a *"One-Stop Capital Shop"* (OSCS) to finance new businesses and expand existing ones. The OSCS was to provide business assistance and capital to expand the business base and employment opportunities throughout Baltimore. In addition, the shop would act as a clearinghouse for requests for business assistance in the Zone.

The plan indicated that the One-Stop Capital Shop would be located within Baltimore's business and financial district in space donated by NationsBank, which was to contribute start-up costs and staff to run the OCSC. The OSCS was to be governed by an eleven member Board of Directors to include representatives of the Baltimore Development Corporation, the Small Business Development Center, NationsBank, Anthem Capital, U.S. Small Business Administration, the Maryland Small Business Development Financing Authority Management Group, Inc., and five representatives of the community.

The BEC has been allocated $3,700,000 in Title XX funds for five years; $830,000 Federal non-Title XX; $250,000 CDBG; $200,000 foundations; $1,050,000 banks.

As implemented, the One-Stop Shop has been incorporated within the BEC. Two Performance Measures were proposed for the BEC. One was that 240 businesses would receive service and access to capital. The BEC is an ongoing means to access these services for all present and potential Zone businesses. In addition, the BEC has undertaken extensive business outreach services, bringing them into contact with virtually all Zone businesses. The other measure was that 60 Zone residents would receive entrepreneurial training in the BEC. Fifteen Zone resident microenterprises are currently in the "business incubator" in the BEC.

High Risk Capital Loan Fund: Create a High Risk Capital Loan Fund to finance businesses that are deemed too risky for commercial credit. The fund will target Zone residents with little business experience or capital. Three area banks have agreed to match Empowerment Zone funds by a 4 to 1 ratio to provide seed capital for high risk, small businesses in the Zone. The plan is to leverage $20 million to match funds provided by the Small Business Administration. The loan program was allocated $1 million in EZ (SSBG) funds for 5 years.

Originally called the High Risk Loan Fund, the "80/20" loan program provides loans for fixed asset purchases and working capital to businesses located in the Zone. The purposes of these loans are to stimulate employment and business investment within the Zone. The 80/20 program targets small growing businesses, with special emphasis placed upon minority and women-owned businesses currently in the Zone or ready to re-locate to the Zone.

Applicants must obtain at least 80 percent of their total business financing from other sources, such as banks or investors. The 80/20 loan program will finance the remaining 20 percent of the total loan from a minimum of $10,000 to a maximum of $100,000.

Applicants should be a for-profit enterprise which meets the "small business" requirements established by the U.S. Small Business Administration. Start-up businesses will be considered if the business is willing to commit to hiring at least 40 percent of its projected workforce from Zone residents.

Although specific terms and conditions of the loans vary, the following general guidelines apply: working capital, up to five years; equipment loans, up to 10 years; and real estate loans, up to 20 years. Interest rates vary depending upon the individual features of deals. A 1 percent origination fee will be applied. Baltimore Development Corporation is the manager of the loan fund.

Performance Review information for the "high risk" loan fund indicates that 10 business will be financed using this mechanism. There has been one business financed using the 80/20 program so far, and two more are pending.

Tax Exempt Bond Loan Fund: A Tax Exempt Bond Loan Fund was to be created. This fund would be operated by the Baltimore Development Corporation, which would use the city's authority to issue bonds for business development. The city was to subsidize the fund, perhaps by absorbing issuance costs and administrative expenses or by guaranteeing repayment.

The state of Maryland, through the Department of Business and Economic Development (DBED), has authority to provide tax exempt financing in Maryland. There is no special program ongoing in Maryland exclusively for the Empowerment Zone.

Fairfield Ecological Industrial Park: Included in the Empowerment Zone is an industrial area (Fairfield) that is underutilized, offering opportunities for development. The Baltimore EZ is undertaking an effort to create an ecologically sound industrial park for businesses that demonstrate to the maximum degree possible closed loop production to reduce waste and environmental degradation.

The idea is to link several businesses so that the waste or byproducts of one firm serve as inputs to the production of another. This is thought to increase economic efficiency, create sustainable development, and minimize environmental impact. The Ecological Industrial Park is a project to demonstrate the feasibility of combining economic and environmental performance. The park is based on two principles: drive down pollution and waste while increasing business success. The park is to be managed by the Baltimore Development Corporation (BDC).

This action item has been expanded somewhat from the time of the application. However, the basic idea of creating an ecologically friendly industrial park is being pursued. The application envisioned a small park within the Fairfield area (perhaps 25 acres). The current plan is to re-develop all 1300 acres of Fairfield with an ecological emphasis.

The Baltimore Development Corporation has been hired as the Project Manager for Fairfield and it has contracted with a business recruitment firm, a marketing firm, and several environmental consultants to develop the project. A Master Plan for the Fairfield area has been completed. A dilapidated public housing project has been cleared from a 20 acre site (with a $2.5 million HUD grant). Now, BDC is recruiting businesses that are "eco-friendly."

The Performance Review called for 10 new businesses to be attracted to the Fairfield Ecological-Industrial Park. Business recruitment efforts are ongoing, but it is too early in the process to report any relocations as yet.

State Enterprise Zone: Designate the Empowerment Zone as a State Enterprise Zone. In partnership with the State of Maryland and the city of Baltimore, the federal Empowerment Zone has been designated as a state Enterprise Zone. This designation allows Zone businesses to take advantage of local property tax and state income tax incentives, providing an additional tool for job and business development in the Zone.

Designation of the Zone as a "State Enterprise Zone" has created state and local tax breaks. Businesses within the Zone are eligible for property tax credits for a period of ten years. For five years, the credit is 80 percent of the difference between the base year assessment of the property's value and its value after the investment is made. During the last five years, the tax credits decline by 10 percent annually. In addition, businesses that hire new employees are eligible for an income tax credit. If the employee is economically disadvantaged, the credit is $1,500 for the first year, $1,000 for the second, and $500 thereafter for eight years. If the employee is not economically disadvantaged, the credit is $500 annually for ten years.

Carroll Park Industrial Area: The Carroll Park Industrial Area Business Development Initiative includes infrastructure improvements and an aggressive business retention and expansion program. The purpose of the initiative is to improve the infrastructure of Carroll Park in order to expand employment opportunities there by making the park a more attractive and profitable place to do business. The goal is to increase employment in the park by 10 percent within the first two years. The business community will be actively involved in the planning and implementation of the program which will be managed by the Baltimore Development Corporation. The Carroll Park initiative has been allocated $250,000 in EZ funds (SSBG) and $60,000 from the City Development Corporation.

The only Performance Review measure mentioned for Carroll Park is the creation of a master plan. However, the ultimate purpose of the initiative is to attract and retain business by improving the infrastructure. The implementation of this initiative was delayed and as a consequence, there have been no infrastructure improvements or businesses retained or attracted because of infrastructure improvements.

Baltimore Industrial and Commercial Redevelopment Trust: Baltimore Industrial and Commercial Redevelopment Trust was proposed as a vehicle to re-use real property that has been environmentally contaminated or is otherwise environmentally undesirable. The trust would take title to and remediate property to the satisfaction of the Environmental Protection Agency. When sold to a new owner, the intervention of the trust would relieve the owner of liability under state lawsuits relating to environmental contamination.

The Empower Baltimore Management Corporation (EBMC) has designated a total of $5.5 million to create four tracks of business financing. The four tracks include microbusiness loans up to $50,000; small business loans from $51,000 to $500,000, funds for equity investments in businesses; and grants and loan funds for brownfields revitalization. $3,000,000 has been budgeted for this last item.

In keeping with its usual operating procedures, EBMC has developed RFPs to recruit managers for these four tracks. Three of the four tracks have selected potential managers. The other (microbusiness loans) will re-issue its RFP. The Board has authorized EBMC to enter into contract negotiations with the three selected managers.

This initiative is still in the organizing stage. None of the funds has yet solicited applications. None of the loans or grants have been provided for business financing.

Neighborhood Commercial Revitalization Program: To increase commercial development within the Zone, a Neighborhood Development Revitalization Program will be developed. Working with the Business Empowerment Center, the program will study the area and recommend reuse to create employment, provide management and technical assistance to business, organize retail and business associations, and market areas within the Zone targeted for commercial development. NCRP was allocated $750,000 in SSBG funding.

This action item is advancing. EBMC released guidelines to Village Centers and asked them to designate one area within their village as the target for commercial revitalization as part of their Land Use Master Plan. The Village Centers have completed selection of the designated areas. EBMC has budgeted $750,000 in Title XX funds for this initiative. An initial step is to conduct a market analysis. EBMC will then plan appropriate investments, probably facade improvements. However, to date, no commercial revitalization has occurred.

Community Development Bank: To provide capital resources for economic development in the Zone, a community development bank was to be created by the end of the third quarter of 1996. A community development bank is part real estate developer, bringing improvement to distressed areas; part business stimulant, making loans to small businesses in the Zone; and part civic institution, to improve the neighborhood's psychological presence. A minimum of $15 million was to be used to launch a replica of Chicago's South Shore Bank within the East Side of the Zone. The bank would assist in loans for housing rehabilitation, commercial revitalization, and local entrepreneurship.

The bank has not been created, though it is in the planning stage. No financing for business or real estate has taken place using this mechanism.

With support through an additional "HUD Economic Development Initiative Grant," Baltimore is also implementing a Community and Individual Investment Corporation with initial capitalization through the $1.5 million HUD grant and $1.5 million in loan guarantees. This initiative is in the very early stages of development. EBMC is seeking a consultant who has experience organizing CIIC's to help get the initiative off the ground. To date, only the search for the consultant has been undertaken.

The city of Baltimore has operated four neighborhood *municipal markets* within the Zone. The city has initiated the creation of a non-profit corporation to manage the markets. Related to this development is the transformation of the Lafayette Market into "The Avenue Market" as part of the ongoing Sandtown-Winchester initiative.

The markets have been privatized. EBMC is now considering the development of new action items to support the growth and development of these markets.

Housing

The status of action items relating to housing implies that significant changes have occurred from the time of the application to the present. Many of the items presented in the application, benchmarks, and Performance Review are not being actively pursued by EBMC. Some may eventually be incorporated into Village Center Land Use Master Plans, but others have been dropped or are being left in an inactive state. This does not mean that nothing is happening in these areas. Other agencies, in particular the Baltimore Department of Housing and Community Development, are pursuing the goals that were articulated in the application.

Housing Consortia and Counseling: The Village Centers were to counsel residents to increase their access to information and opportunities to buy homes. Two housing consortia were to be created, one in the East Side and one in the West Side of the Zone to coordinate housing counseling services and facilitate planning and implementation of housing projects within the Zone by linking the Village Centers to qualified housing agencies.

EBMC has established cooperative relationships with several established services that offer housing counseling. The primary activity on the part of EBMC is referral of prospects to these services. There are more than 40 such services throughout the city and 12 in the Zone. Each service concentrates on a specific neighborhood and guides potential purchasers through all phases of the process. The efforts of the counseling services are paid by fees from lenders, city and state funds, and donations from foundations. No Title XX funds have been allocated for this effort.

The goal was to create the counseling service and to facilitate 60 to 70 home purchases. The EBMC Board decided instead to establish cooperative relationships with existing housing counseling organizations. There have been 55 home sales closed under the Housing Venture Fund. These purchases typically took advantage of the referral to housing counseling services from EBMC.

Employer-Assisted Housing: Baltimore's major employers were to be enlisted in offering a package of incentives for home ownership in the Zone. The purpose of these incentives was to encourage employees of major businesses to live in the Zone.

To encourage home ownership within the Zone, a program has been established to encourage employers to provide incentives for their employees to purchase homes in the Zone. There is no specific mechanism that EBMC uses to generate interest on the part of employers and no financial incentives are offered (except through other programs available in the Zone). What EBMC officials and staff have done is to facilitate voluntary efforts on the part of employers by exhorting employers to participate, connecting employers with non-profits that focus on housing, and helping with information related to housing issues. There are two prospective businesses who may soon offer Employer-Assisted Housing. However, as of June 30, 1997, there were no active Employer Assisted Housing programs in the Zone.

Benchmark target was to assist 150 residents to purchase homes in the Zone within two years using this program. To date, no one has received such assistance. 0 (zero) percent of the goal has been achieved. The Performance Review was more ambiguous, stating that the program sought to increase home ownership.

Secondary Market: The purchase of homes requires mortgage loans. To make such loans available to Zone residents, a package of such loans was to be created for secondary market financing expected to provide greater access to mortgage funds than is otherwise available for Zone residents.

There is a secondary market for Zone mortgages, but EBMC has not created it. The mortgages that have been placed on Zone properties have come from lenders approved by Fannie Mae. Many of them are FHA mortgages. These mortgages are routinely sold in the secondary market by the primary lenders. EBMC is not directly involved in these transactions. The sole significance of Zone programs may be to increase the volume of such loans by helping with downpayments or closing costs through the Housing Venture Fund.

Home Finance Initiatives (later renamed Housing Venture Fund): Baltimore's EZ plan proposed to create a pool of mortgage funds for Zone residents. To increase home ownership in the Zone, financing programs were to be created to meet the credit and affordability requirements of Zone residents. The Baltimore Community Development Financing Corporation would lead the process to create a pool of funds in partnership with local banks to provide housing financing for Zone residents who by traditional banking standards are not credit worthy.

To encourage home ownership in the Zone, a fund has been created to provide assistance with down payments and closing costs to those who purchase existing housing within the Zone. Home purchasers may receive as much as $5,000. There have been 55 home sales assisted by the fund as of June 30, 1997.

To be eligible for assistance, home purchasers must have a "moderate" income (no more than 80 percent and no less than 30 percent of the median income for Baltimore City, between $11,350 and $30,000 annually for a single person or $16,250 and $43,300 for a family of four); purchase an existing house in the Zone; and live in the house for five years. The city Department of Housing and Community Development administers the program, which is financed by Title XX funds from EBMC. Local lenders and non-profit housing counseling services cooperate with the program. $1 million of Title XX funds have been allocated to date.

The benchmark target was to create 50 home ownership opportunities for Zone residents. Using this measure, 110 percent of the goal has been achieved. However, the funding provided ($1,000,000 with a maximum grant of $5,000 per purchase) indicates that EBMC has revised its goal. It is apparent that the current funding profile implies at least 200 housing venture fund grants. Using that measure, 27.5 percent of the goal has been achieved.

EBMC classifies the housing venture fund as a "renaming" of the original action item relating to home financing. However, this change seems to represent a more fundamental shift than a mere name change implies. The original action item was to provide home financing. The current action item pays other related costs aside from home financing.

Management of Public Housing: Residents of the Zone were to become more directly involved in the management of public housing projects located in the Zone. A community based management model for public housing was proposed that uses nonprofit or for profit management. The Housing Authority of Baltimore was to identify existing public housing in the Zone so that plans for management of these facilities could be included in the Village Centers' Land Use Master Plans. Management of public housing near and within the Zone was to be turned over to community-based management.

Local sources advised the associate that no funds are devoted to this effort and went on to suggest that "housing management is a professional function and that community management is not appropriate."

The Performance Review called for 650 public housing sites to be placed under the Public Housing Scattered Site Management system. No housing sites have yet been placed. The Performance Review also stated that the appearance of an unspecified number of units would be improved. No unit's appearance has yet been improved.

Selective Demolition: Demolish blighted properties in the Zone. As part of the Master Land Use Plan developed by the Village Centers, it may be necessary to demolish some blighted properties. A selective demolition plan was to be developed for each Village Center. The City would expedite demolition and pay the costs.

The City of Baltimore does have an ongoing demolition program. There is no apparent relationship between EBMC and this program according to the associate. It remains to be seen whether or not the City's efforts are coordinated with Village Center Master Plans.

There were no specific Performance Measures regarding the number of units to be demolished, as this matter was to be decided by Village Center Land Use Master Plans. One Village Center has completed its Land Use Plan and another is in the final stages of development. Zero houses have been demolished in conjunction with these plans.

Community Inspection Review Board: To resolve housing code violations in the Zone's neighborhoods, a Community Inspection Review Board was to be created. The Mayor and the Department of Housing and Community Development would appoint city housing inspectors and the Village Centers would nominate community residents to serve on the board. The Board would investigate and attempt to resolve housing code violations and mediate between parties involved in disputes over code violations or landlord tenant problems. Community Housing Inspection Review Board were to be created to enforce existing housing codes. The Board would investigate complaints and mediate disputes. In particular, the Baltimore Drug Nuisance Abatement Law would be vigorously applied to remove drug-trafficking from Zone neighborhoods.

Following the recommendation of EBMC staff, $500,000 budgeted for this action item was transferred into a rehabilitation loan/grant program. The original action item was dropped.

Vacant Housing Program: Reclaim vacant housing. The goal of this program is to convert vacant housing into usable and affordable housing for Zone residents. Using the Village Center Master Plans, abandoned housing was to be identified and efforts made to gain control of vacant properties and place them under the authority of community based housing organizations.

There are no clear benchmarks or performance measures proposed. However, there have been zero vacant houses converted to use by the community under this program. Local sources described this project as part of the "wish list" contained in the application, with "no major strategy" behind it to deal with vacant housing.

Abandoned Properties Program: Baltimore's plan proposed to create a program to identify and improve abandoned properties in the Zone. The Village Centers would identify abandoned properties within the Zone. The owners of these properties would be contacted and asked to make improvements. If the owners were unwilling to improve their properties, the Village Centers would initiate legal action.

The Performance Review made reference to the Village Centers gaining control of abandoned properties through their Land Use Master Plans. Only one such plan has been completed. No abandoned properties have been placed under the control of the Village Center as a consequence.

Housing Consortium: The consortium was to consist of Village Center representatives, non-profit housing development groups, commercial lenders, real estate professionals, government officials, and the Baltimore Community Development Finance Corporation. The consortium would expedite housing development by performing loan packaging, planning, training, neighborhood marketing, and rehabilitation. Local sources advised the associate that this program has been dropped.

Although there is clear correspondence between the action items contained in Baltimore's Strategic Plan, the benchmarks, and the performance review, this does not mean that EBMC has literally implemented the strategic plan. In large part, this correspondence indicates that EBMC has investigated and reported to HUD about many of the action items presented in the strategic plan. However, the actual status of these items varies a good deal, reflecting changes in emphasis that have occurred from the initial plan through the implementation process.

CHICAGO

Economic Development

One-Stop: Chicago's seven major banks, called the Clearing House Banks, have long considered the One-Stop as a vehicle for them to play a positive role in the EZ program by providing a source of technical assistance and venture capital for business start-ups or expansions that are "near bankable." It appears now, however, that the One-Stop will not be implemented until late 1997 at the earliest, and even then, will probably be started without a venture capital fund in place.

In early 1996, the Clearing House banks contracted with Shore Bank Advisory Services (the consulting arm of South Shore Bank) to develop a more detailed proposal that could be submitted to the EZ Coordinating Council for review and funding. The resulting proposal was for a two-part entity, the Business Assistance Center, and the Investment Partnership, each with its own governance structure. The Business Assistance Center, with a main office in the South Cluster and two satellite offices in the West and Pilsen/Little Village Clusters, would provide a range of technical assistance services to small businesses, including referrals to existing sources of capital. Whenever possible, the Business Assistance Center would refer clients to the existing network of state-sponsored Small Business Development Centers. The Investment Partnership's mission would be to provide a source of venture capital and specialized advice, particularly to "emerging firms" with high-growth potential, but that are a little too risky to be bankable conventionally.

The revised One-Stop proposal was presented to the Planning and Policy Committee of the EZ Coordinating Council in December 1996, with a funding request of $754,000 to operate the Business Assistance Center for three years, and $2.5 million to be matched by an equal amount from the banks to provide the initial capitalization for the Investment Partnership. According to the associate's report: "The committee endorsed the first request and rejected the second one, and in January 1997, the full EZ Coordinating Council approved that recommendation. In the process, the banks took heavy rhetorical fire from community representatives, who asserted that the banks were not putting up enough of their own money and that EZ funds should not be used to generate profits for the banks. Since then, the Investment Partnership piece of the proposal has been in limbo."

The question of whether the Business Assistance Center component should go forward on its own has also been beset with complications. This component calls for important contributions from the SBA (staff support, computers, furniture, business assistance library materials) and from the state Department of Commerce and Community Affairs, which would provide the initial director of the Center and other staff resources. The participation of these two other players requires the city's lawyers to develop memoranda of understanding with their counterpart lawyers to spell out who is responsible for what. The package of agreements must then be ratified by the City Council. This has not happened yet. Another unresolved problem is the location of the main One-Stop office in the South Cluster. The city wants to locate the One-Stop at the Martin Luther King Center, a city building operated by the Department of Human Services. Both SBA and the state DCCA, however, say that the space is much too small and the setting is inappropriate for a business-oriented center.

The city would like to find a way to revive the Investment Partnership idea with the banks, who now feel that their good faith efforts to get the One-Stop off the ground have been spurned by ill-informed community representatives.

Financing: The most significant new mechanism for community development financing in Chicago's EZ is simply the new pool of funding that came with designation: $100 million in HHS funds, $2 million in city contributions, and $37.5 million from the State. Almost $44 million of this funding pool has been allocated to a wide variety of projects, through a system set up exclusively for the EZ program. Applicants responded to a Request for Proposals (RFP) developed by a Coordinating Council of community, business, and government representatives (this structure is the zone's governing entity).

The First Chicago bank programs – the Downpayment Assistance Program and the commercial lending commitment – are both moving along according to schedule. As of June 30, 1997, they have worked 36 downpayment deals, at $1,500 each. This comes to $54,000 out of a total of $100,000 set aside. First Chicago has also made $35.2 million worth of commercial loans, out of a committed $240 million.

The Coordinating Council itself, along with technical support from city departments, decided which proposals to fund (although subject to final City Council approval). There was not a strict process for approving funds, but projects were supposed to be compatible with a wide variety of principles, from general goals named in the Strategic Plan, to organizational collaboration, creating living-wage jobs for zone residents, and including zone residents on the Boards of funded organizations.

Because there were no rigorous criteria for judging proposals, according to the Chicago associate, many were approved for funding that were not complete, or were for projects that were not fully developed. Although this created many problems, it also allowed for many more zone-based community organizations to receive funds and develop "bottom-up" projects.

Funded project categories include both capital development and social services relating to housing, economic development, public safety, recreation, cultural development, and other areas. The next Request for Proposal(s) is expected to be more specifically targeted to business development and bringing jobs to the zone, although discussions are preliminary and the plan could change.

According to the field associate, Chicago's group of community development-related projects have been moving very slowly through the contracting process because of complex funding arrangements and the multiplicity of players involved. These details must be worked out before the developments can go forward. With respect to "housing" and "economic development" projects, most involve contracts with established nonprofits or public agencies which are using EZ money for program expansion. Contract negotiations are slow, but appear to be moving ahead. However, another group of about 18 projects, mainly involving health, social service, and cultural facilities, have encountered a set of multiple problems and appear to be on an even slower track.

Housing

Employer Assisted Housing Initiative: The goal of this program is to bring together resources of employers and mortgage lenders with community-based nonprofit housing developers and the private sector to help working, low-income families purchase homes.

Housing Rehabilitation Projects: The Chicago EZ has generated six sizable rehab projects which have been approved by the City Council and are a various stages of implementation.

- The *Affordable/Accessible Housing* program is designed to purchase and rehabilitate homes in seven targeted EZ areas. The properties will then be made available to low-income buyers in the Zone.
- The *Housing and Commercial Rehab* program will rehabilitate a grocery store unit and six multi-family buildings to provide new residential units for low-income residents.
- The *Westside Residential Rehabilitation* program will rehabilitate one- to four-unit residential buildings.
- The *Lawndale Condo Rehab* program will allow for acquisition and rehabilitation of three units and construction of seven new homes.
- Interest rate buy-down and soft costs availability for rehabilitation of mixed-income housing will be provided through the *Kenwood/Oakland Apartment Rehab* program.
- The *Renaissance Apartments* project will renovate the former YMCA, developing single room occupancy units to serve the homeless, elderly, veterans, mobility-impaired, and the chronically mentally ill. This program will also provide on-site services for the residents.

DETROIT

Economic Development

One-Stop Capital Shop: To foster business development, the Small Business Administration (SBA) will establish a One-Stop Capital Shop (Business 2004) to centralize programs offered by the SBA and local service providers. Business 2004 is designed to help business owners, entrepreneurs and community-based organizations determine their specific needs; identify courses of action, provide technical and managerial assistance; and obtain access to capital and credit. US SBA and EZFIC member institutions will base personnel at the One-Stop and give applicants referred from the Capital Shop who have successfully completed viable business plans special status in the loan application process.

The program received an allocation of $1,361,000 of Title XX funds and has already drawn down $254,000. The One-Stop project is receiving an additional $3.3 million of in-kind support, an additional $766,000 in non Title XX public sector support and $1 million in private funds over the coming years.

A new 501(c)(3) organization was established specifically to implement the One-Stop Shop. The program is physically based at 2051 Rosa Parks (south of Michigan Avenue) at the south end of the Zone's central sector but serves the entire Zone.

As specified in the strategic plan, a main One-Stop Capital Shop and two outreach centers were to be opened in the first year. By year two, the OSCS was to: establish 10 new business (5 started to date); secure an additional $10 million in loans for small businesses ($6.0 million secured); provide 10 small businesses with Manufacturing Assessment Methodology analyses of their companies; and have 20 companies to participate in the bidding process (5 have secured contracts). The ten year goals were for 100 new business start-ups in the Zone, and an additional $100 million in capital available for loans to small businesses.

The project is well into second year goals during this first year of Title XX funded operations. If one were to focus on when the City of Detroit actually authorized the One-Stop Capital Shop to proceed to implementation rather than the timing specified in the original EZ Strategic Plan, this program would be one year ahead.

This program has been operational for close to a year, has provided preliminary services to numerous potential entrepreneurs and some deals which first entered the financing process through the One-Stop have already been perfected and financed. (The One-Stop also inherited some business which was already in stream at that time the Capital Shop was created). Notwithstanding some frustrations, the One-Stop has gotten itself operational and should attain its second year goals by the end of its (delayed) first year of Title XX-funded operations.

Community Development Bank: A partnership between the City of Detroit, Wayne County, and Detroit Renaissance, with the assistance of Shorebank Advisory Services of Chicago (SAS), will establish a community development bank holding company (CDB) regulated by the Federal Reserve Board of Governor. Based upon a model developed by South Shore Bank of Chicago, the CDB company will be a for-profit development financial institution which will deliver a combination of products and services. The CDB will consist of:

- A regulated bank holding company which will offer residential mortgages, rehabilitation loans and business loans;
- A for-profit real estate development company which will initially focus on housing development; and
- A non-profit organization which will 1) provide specialized business support services and non-bank business credit for small firms, and 2) work with local organizations to develop market-based labor forces to strengthen the connections between employers and Eastside residents.

The CDB is to eventually receive a total of $2.0 million in Title XX funds and is to raise an additional $59,815,000 to support its operations and lending/investing activities over the ten year life of the EZ program.

As called for in the EZ Strategic Plan, the CDB's business plan has been completed and contains specific performance measures, including:

- Increase the total number of owner occupied units in Zone to 14,126 over 10 years with 40 percent owner occupied.
- Develop 600 new housing units in 39 block area within EZ in initial 5 years.
- Develop business support services and disburse $1.8 million in loans for business start-up through nonprofit enterprise group.

With the exception of acquiring or establishing a deposit-taking mechanism, steps necessary to implement the CDB have been completed. In consequence, CDB has completed its first year goals and is into its second and third year goals. It is important to note that the CDB does not yet have a contract and so is not really "on the clock." Even so, this program has made significant progress, has commitments for a substantial portion of its total capitalization and has already taken both debt and equity positions in a few projects in the eastern end of the Zone where it focuses its efforts. It has not, however, yet been able to draw down its Title XX funds. [Having a larger territory than just the Zone and having had a life of its own prior to the Zone, it is not clear how much these results to date have to do with the EZ.]

EZ Financial Institutions Consortium: In Detroit, representatives from Comerica Inc., First of America Bank, First Federal of Michigan, Liberty Business and Industrial Development Corporation (BIDCO), Greater Detroit BIDCO, Michigan National Bank, NBD Bank Corp., Detroit LISC, First Independence, Standard Federal and First Nationwide have established an Empowerment Zone Financial Institutions Consortium (EZFIC) as a private partnership to develop alternative lending programs for the Zone.

This program neither sought nor received Title XX funds. Beyond the lending commitments of member institutions, Detroit Renaissance will raise another $1.5 million over the next years from EZFIC members to support the Consortium's activities.

At the time of the strategic plan, the EZFIC was expected to generate $50 million in capital and credit in year one and $61 million in capital and credit in year two.

Having reached $606 million - 60 percent of its ten-year lending goal - in less than three years, the EZFIC is dramatically ahead of schedule and would appear to be the Empowerment Zone program of <u>any type</u> which has made the most progress.

Neighborhood Commercial Development Management Corporation: The Neighborhood Commercial Development Management Corporation (NCDMC) was to build the organizational capacity of community-based organizations, business owners and business/merchants associations to facilitate commercial district management, community initiated and private for-profit development. Southwest Detroit Business Association (SDBA) developed the proposal and served as its champion throughout the planning process.

Ironically, as the one program established specifically to address commercial development at the neighborhood level, NCDMC received no Title XX funds and initially floundered as a result. Southwest Detroit Business Association initially attempted to raise funds from other sources but was rebuffed by many funders specifically because the initiative had received no Title XX funds and so appeared to be unimportant to the Zone program.

SDBA now operates the program in other areas of the Zone without external funding via networking, one-on-one technical assistance, occasional meetings and a small newsletter. Now called the "Neighborhood Commercial Development Network" this program has no EZ funding, does no EZ reporting and its Director states flatly that it is no longer an Empowerment Zone program.

NEW YORK CITY

Economic Development

Harlem Business Outreach Center: The Harlem Business Outreach Center (Harlem BOC) provides technical assistance to street vendors at the 116th Street market as well as other individuals interested in developing a small business. The BOC provides a variety of services including: advertising/promotion, business information, business plans, computer services, entrepreneurial training, export/import, capital planning and finance, government procurement, legal assistance, market research and strategy, relocation, start-up assistance, tax assistance, and technology assistance. With respect to community development finance, the center also has a peer lending program, funded by the Enterprise Foundation, where vendors who complete their business plan can borrow up to $5000. The center also connects vendors to the city's Department of Business Services, and together with HUD, helps place vendors in city owned storefronts.

The total EZ grant was $300,000 and the total project cost is $850,700. Other funders of the Harlem BOC include the Department of Business Services and client or user fees. The program is administered through Masjid Malcolm Shabazz, a non-profit contractor. The provider was selected through a competitively awarded RFP. The program will be administered by the Harlem Business Outreach Center.

BRISC (Business Resource and Investment Service Center): The purpose of the BRISC is to provide capital and technical assistance to entrepreneurs and small businesses in Central, East, and West Harlem, Washington Heights and Inwood, encompassing the Upper Manhattan portion of the New York City Empowerment Zone. BRISC provides small business loans from $25,000-$200,000 for purchasing equipment, leasehold improvements, and working capital. It also provides technical assistance through individuals and the Business Investment Center (BIC). BIC is a reference center and work area where clients can research how to start and run small businesses, learn how to write business plans, locate industry specific information from the SBA, and access computers, a fax machine, and a photocopy machine.

The BRISC was capitalized with a $1,250,000 SSBG grant in FY 1997: $750,000 for administrative expenses; and $500,000 for the investment fund. BRISC was created by the Upper Manhattan Empowerment Zone Development Corporation (UMEZDC) and is linked to other programs and has relationships with other organizations to which it refers clients. A partial list of these organizations includes: commercial lenders; niche lenders such as the Harlem Loan Fund (which provides loans under $25,000); Pace Small Business Development Center (financial packages); Service Corps of Retired Executives (SCORE – which provides business assistance); and Budget, Credit and Counseling Services (BUCCS – which provides counseling in these areas and works with clients to improve credit).

BRISC is also an intermediary under the SBA's Minority Pre-Qualification Loan Program and the SBA's Women Pre-Qualification Loan Program which provide an 80 percent SBA loan guarantee that can be presented to a commercial banker. BRISC also hosts the Trickle-Up Program which is a program that provides $700 grants to micro entrepreneurs to develop business plans and better management techniques. BRISC is ongoing and on schedule.

Credit Where Credit is Due: The Neighborhood Trust Federal Credit Union (NTFCU) is a non-profit established and administered by Credit Where Credit is Due, Inc. in New York's Washington Heights/Inwood area. The credit union conducts bi-monthly workshops on basic personal finances and other topics, such as setting up a budget, how interest is calculated, and how the banking industry works. NTFCU also offers savings accounts for individuals and organizations in the community and provides personal loans for up to $5,000. These loans are an alternative to area loan sharks or "prestamistas" who charge exorbitant interest rates. Currently, they have 280 members (even though 1,100 people pledged to become members) and $360,000 in assets. They conduct approximately 20 transactions daily.

As the result of a competitively awarded RFP, the EZ provided $175,000 in equity, a $75,000 loan and a $46,250 grant to Credit Where Credit is Due. Other funders include New York City through a CDBG contract, New York State through the Neighborhood Based Alliance program, private foundations (Altman, Tides, New York Community Trust), and corporations (De Witter, Citibank, Chase, JP Morgan, Republic, Fuji). Credit Where Credit is Due is ongoing but behind schedule.

BO$$ (Business Opportunity Success System): BO$$ is a micro loan program established by and located in the Washington Heights Inwood Development Corporation (WHIDC) in Upper Manhattan. It provides capital and technical assistance and is targeted to legal street vendors and in-home businesses with less than ten employees and annual sales of under $500,000. The loans granted range in amount from $400-$20,000, with the average loan being between $12,000-$15,000. The current interest rate is 11.5 percent per year. Since many applicants do not have credit histories, loan criteria are based on personal references and consistent payment of rent, utilities, and phone bills.

The EZ provided a $25,000 grant and a $200,000 loan to bolster the BO$$ program, which is ongoing but behind schedule. The total project cost is $450,000. Other funders include private foundations, corporate grants, the Empire State Development Corporation, and the Treasury Department through CDFI funds. The BO$$ program is administered by the WHIDC and was selected through a competitively awarded RFP. The program is linked to other programs through referrals to PACE, BRISC, UBAC, and commercial lenders. They also host the Trickle Up Program.

Commercial Revitalization Program: The goal of the Upper Manhattan's EZ Commercial Revitalization Program is "to stimulate commerce and build the capacity of a currently fragmented and under-organized business community to better function along commonly practiced economic principles of stabilization, growth and future expansion." The initiative – costing $4,750,000, including a $2,375,000 EZ SSBG grant – is designed to implement physical improvements (interior and exterior) in 150 businesses, capitalize and administer merchant revolving loan funds, provide outreach and technical assistance to local merchants to improve economic performance, and build the administrative capacity of the local partners (which include: Local Development Corporation Del Barrio in East Harlem, which administers the NYS Economic Development Zone in East Harlem, the 125th Street Business Improvement District in Central Harlem and the Audubon Partnership, a collaborative of several community development groups and private entities in Washington Heights and Inwood).

The Commercial Revitalization Program has yet to begin. The EZ grant was approved in mid-June, 1997. The goal is to renovate 50 stores in each area over two years at an estimated $12,500 per store. The UMEZDC grant is intended to cover 40 percent or $5000 of the renovation costs. The merchant will be required to pay for 10 percent. The remaining 50 percent will be raised from private lenders. This initiative will create 25 jobs related to service provision to local businesses.

Small Business Assistance Initiative: Conducted by BRISC, the small business assistance program is composed of two parts: Financial Advisory Services Program (FASP) and the Information Technology Initiative (ITI). The FASP is designed to help business owners construct and maintain proper financial records for their businesses through bookkeeping and accounting assistance. The Information Technology Initiative will connect targeted businesses with "cutting edge" technology.

Total cost for the initiative is $3,500,000, including an EZ SSBG grant of $1,750,000. The estimated cost (per business) for FASP is $2,500 and ITI's maximum cost will be $9,100. The total package is $11,600. UMEZ will fund about half or $5,800. The owner is expected to pay for the other half; loans will be available when necessary. The program, approved by the EZ Board in mid-June, has yet to begin and is expected to serve 300 EZ businesses.

East Harlem Chamber of Commerce Microloan Program: The fund is modeled after the Washington Heights/Inwood BO$$ Program and will serve businesses who do not qualify under traditional lending criteria or have access to small loans ($400-$20,000) through BRISC or other lenders. The costs: $325,000, including an EZ Investment of $250,000 ($200,000 loan and $50,000 grant)

PHILADELPHIA/CAMDEN

Economic Development

One-Stop Capital Shop: As of July, 1997 two of the three community financial entities had been established in Philadelphia and an entity to manage the One-Stop Capital Shop had been established.

Both North Central Philadelphia and American Street have incorporated new not-for-profit organizations to fulfill the community financing aspects of their Strategic Plans. In American Street, the administrator is an on-loan executive from Core States (a large regional commercial banking corporation). In North Central Philadelphia, the Chair of the Governing Board is an experienced banker in the Philadelphia area. The West Philadelphia Economic Development Committee has yet to formally incorporate a lending institution but has been taking in applications in anticipation of incorporation. Early application has allowed for some technical assistance that would be required in any event.

The One-Stop Capital Shop in Philadelphia has progressed. Negotiated agreements are in the process of being established between the organization that had run a capital shop for the federal Small

Business Administration and the three Philadelphia EZ areas. Camden is welcome but has not been actively engaged in this process. The preparatory work for a One-Stop Capital Shop has been led by an executive on loan from the Philadelphia Community Development Corporation since December, 1995.

All told, only two loans have been approved so far through community financial initiatives in the four EZ sites in Philadelphia and Camden. The first was a loan by the North Philadelphia Loan Fund to Seachange Environmental Services corporation for a new initiative to create capacity in lead abatement. Seachange also has an environmental training program for North Philadelphia high school students managed through the EZ Board.

The second loan was approved by the American Street lending committee in very late July, 1997. The loan provides bridge financing for Cousins Markets, a local food retailer. 'Cousins' is to construct a new supermarket in the context of a larger local shopping mall in the American Street area, which has no large supermarket. Many community activists held that Cousins provides poor quality meats and fresh produce and charged high prices. Opposition from the community allowed the Lending Committee to extract some concessions (better quality food) from Cousin's in exchange for approval of the gap financing package.

Community financing institutions were part of the EZ program in Philadelphia/Camden from the beginning, so there was little contention over the topic during the planning process. During implementation the major problems have been: 1) the general delay in the Benchmarking process that was experienced in Philadelphia between the Fall of 1995 and Spring of 1996; 2) the controversy over the number of community financing institutions and their governance; 3) Camden's delays associated with the EZ governance question and, in fact, the role of the EZ program in the overall governance crisis confronting the City of Camden.

CLEVELAND

Economic Development

As of July, 1997, the city had $126 million available for SEZ loans. Of this, $87 million is HUD's Section 108 guaranteed loans program, $38 million is from EDI funds, and $1 million is a state of Ohio grant. A total of $16.647 million has been committed to date for 17 projects/programs; 15 of them commercial/economic development and two of them housing. Of the total, $13.462 million constitutes loans and the remainder is reserved for debt service. This public funding has leveraged $49.989 million, for total project costs of $62.432 million.

Rather than capitalize a single community bank or loan fund, the Cleveland SEZ has deployed it's resources through a team of business organizers in the five community development corporations in designated Zone neighborhoods. These organizers provide outreach and technical assistance relating to a package of five loan programs available through the SEZ. Loans may be made for up to 90 percent of the total project cost and require a minimum 10 percent cash investment by the borrower. Financing available to SEZ businesses include:

- *Real Estate Loans* ranging from $25,000 to $5,000,000 for commercial development of real estate at a 6 percent fixed rate for up to 15 years.

- *Machinery & Equipment Loans* ranging from $25,000 to $1,000,000 for machinery and equipment associated with commercial activities at a 6 percent fixed rate for up to 7 years.
- *Acquisition & Development Loans* ranging from $250,000 to $2,000,000 to acquire, assemble and remediate land for commercial development at a 6 percent fixed rate for up to 5 years.
- *EZ Business Opportunity Program I (EZ BOP I)* small business loans with rebate for business improvements including interior and/or exterior renovation at a 6 percent fixed rate for up to 10 years, with 40 percent rebate at completion of project. Maximum loan amounts are up to $50,000 for interior or exterior; up to $125,000 for combined interior/exterior; up to $30,000 for parking lot improvement/landscaping and up to $155,000 in total.
- *EZ Business Opportunity Program II (EZ BOP II)* microloans ranging from $1,000 to $30,000 for existing businesses at a 4 percent fixed rate for up to 10 years. Borrowers will also receive technical assistance.

In order to qualify, businesses must be willing to hire residents from the SEZ; the project must be located within the Zone and must create new jobs, retain existing jobs or provide services to low-income residents; and businesses must meet job creation and other federal, state and local regulations.

On July 16, 1997, the city council approved six EZ-BOP loans and the funds have already been disbursed to the grantees, described by the associates as "record turnaround time." In addition, workshops have been held (and others are scheduled) for business development. Small and large businesses are encouraged to attend. The range of assistance offered ranges from preparation of business plans to obtaining bank loans. Other topics have included marketing, financing, and insurance. There is a Small Business Development Center. An unexpected benefit of the Small Business Development Center has been additional jobs offered to residents.

Five types of loans are available through the SEZ: EZ-BOP I and II, real estate loans, machinery and equipment loans, acquisition and development loans.

Small Business Development Center: Cleveland's SEZ effort includes a Small Business Development Center (SBDC) operating in nearby Glenville. The SBDC is operated by the Council of Small Enterprises (COSE), a volunteer-driven arm of the Greater Cleveland Growth Association with some 16,000 members, including approximately 300 volunteer counselors. COSE, through the SBDC and others, provides advice and assistance to business owners and prospective business owners in the SEZ. The SBDC is funded jointly by the Ohio Department of Development and the U.S. Small Business Administration.

Bearings, Inc.: Construction of 150,000 square foot office building completed June 1997. The project is to consolidate corporate staff into one building from five other buildings and to retain 300 jobs. Fincancing included $4 million in City of Cleveland loans. Ribbon cutting was August 1, 1997.

Glenville Town Center: The scope of the project has expanded from 26, 000 square foot shopping center with 35-45 new jobs to be created and two new businesses to be built to a 75,000 square foot shopping center with 75-100 new jobs created and 4 to 5 new businesses with key anchor tenants. Since the project has changed substantially since its inception, a new developer is being sought for the larger area invloved. Estimated cost is $8 million.

Sunny Properties: Project involved the partial financing for the acquisition and renovation of a building, creation of seven new jobs, and relocation of five suburban businesses to Cleveland. The project was completed in 1996 and financing included $183,000 EZ HUD Section 108 loan.

Faith Building: Project involves the renovation of a 15,200 square foot commercial office building that is an integral part of a multi-phase redevelopment effort in Glenville. The project is expected to retain 24 jobs for minorities and house four new businesses that include a job placement office, insurance company, Project Safe Harbor, and a satellite medical facility with 10 physicians. The project started in December 1995 and a $476,010 HUD Section 108 loan has been approved by the City Council.

Acme Express: Project involves the partial financing of land and building acquisition and building renovation of a software development business. The outcomes included the retention of five full-time jobs and the creation of two new jobs (five new jobs are expected within three years). Funding included $210,600 EZ HUD Section 108 loan. The borrower has applied for a second loan to renovate the interior and exterior of the property.

Scoven: The projects is expansion of a 40,000 square foot contract machining company. The project began in November 1995 and is slated for completion in November 1997. Funding included $2.6 million EZ HUD Section 108 loan and a $1.2 million EZ EDI grant. The remaining work is primarily landscaping and the company is planning how to respond to cost overruns.

Calicchia: Project involves the acquisition of two vacant properties for rehabilitation in Midtown: a sculpture studio business to be joined with a day care center and a gift basket business. July 1997 was the project completion date. Financing included a $368,100 EZ HUD Section 108 loan.

Kraber Industrieis: The project entailed the acquisition of equipment and of an industrial/ manufacturing building to allow consolidation of business (office, warehouse and storage) from several locations an allow for expansion. The purchase and relocation of business operations was accomplished in August 1996. EZ financial participation was a $450,000 HUD Section 108 loan.

Mindsavers, Inc.: This a home health care business with a project that received partial financing for the acquisition and renovation of a commercial building to allow relocation from the suburbs to the Zone. EZ funding was a $208,487 EZ HUD Section 108 loan. The completed project brought 14 office jobs and 150 home health care jobs.

Pernel Jones: Project is partial financing of construction of a funeral home. EZ funds of $199,770 EZ HUD Section 108 loan and $199,770 EDI grant are ready to disburse as of July 1997.

Seay's Barbecue: The project is the renovation of a gas station into a restaurant. The projects expected to break ground in September 1997. EZ funding is $60,480 Section 108 Real Estate loan; $4,089 Section 108 Machinery loan; and $55,000 EDI grant.

J.T. Bailey and Company, Inc.: Project is the construction of a retail commercial building and warehouse which will provide 12 new jobs and provide a home for a cosmetology training school. EZ funding provides $168,010 Section 108 Real Estate loan; $7,060 Section 108 Machinery loan; and $161,010 EDI grant. City Council approval of the loan package was expected in August.

Housing

Loans are also available for affordable housing projects including new construction, rehabilitation and home ownership. The focus has been on large-scale projects of 15 or more units; but there is now a consensus among CDCs to focus on economic development and labor force development.

In some respects, according to the associates, implementation of Cleveland's SEZ initiative represents great progress and promising outcomes. Cleveland has successfully developed a network of cooperative public and private agencies that prepared the original SEZ application and has been cooperating effectively on many issues since the SEZ award was made in December, 1995. Other clear examples of success have been in the fields of housing and commercial development. The city and its cooperating agencies have also been successful in preparing what appears to be a promising labor force initiative whose components include: the Job Match program, One-Stop Career Centers and the Center for Employment Training.[1]

In other areas, progress has been slow and achievements have been difficult to identify. There are over 11,000 unemployed people in the SEZ and about half of them have not worked in four years. Fifty-seven percent of all zone residents lack a high school diploma or an equivalency degree. Their numbers have not changed much. The number of unemployed neighborhood residents who have been trained and placed on jobs through the SEZ program has not been high (200 was the recent estimate given by a city official), and the number of small loans for SEZ business enterprises outside of the Mid Town Corridor has not been high. Family incomes in the SEZ continue to lag behind citywide incomes and unemployment rates continue to exceed citywide rates. These figures may change, however, as the labor force initiatives come into wider use.

Infill Housing Projects: Several housing projects were designed to rehabilitate vacant homes for very low- to low-income families, operated by the Cleveland Housing Network Partnership XII and involving the Glenville Development Corporation and the Fairfax Renaissance Development Corporation. Although the original projection was for 20 housings, 16 have actually been completed and leased. The SEZ provided a $916,338 construction loan. The project is completed. The houses funded under SEZ are part of a total of 143 housing units developed for low-income families with support from other sources, including low-income housing tax credits.

Grace Pointe Homes: The construction of eight market-rate single-family homes is planned for this project. Five homes were completed as of July 1997. The City of Cleveland is providing $96,000 toward this $960,000 venture.

Bicentennial Village: EZ activities in the Fairfax area included the construction of 33 market rate homes and 16 Habitat for Humanity homes using a $3.7 million HUD Section 108 loan with other funding. Fifteen residents have been hired from the Zone, but the project is on hold pending the decisions by new leadership. Efforts are currently underway to replace the Executive Director of the Fairfax

[1] See New Paths to Opportunity: Special Report on Job Training and Placement Activities in Selected Empowerment Zones/Enterprise Community Sites (Albany, NY: Nelson A. Rockefeller Institute of Government, State University of New York, July 1997).

Renaissance Development Corporation . In total, private funds and grants are expected to assist in the rehabilitation of 200 units of vacant and occupied housing.

LOS ANGELES

Economic Development

Community Development Bank: Los Angeles used its $125 million in SEZ funds to capitalize a community development bank offering a wide variety of lending opportunities to meet business development needs in zone neighborhoods. These include a microloan program with loans between $1,000 to $25,000 for business startup, facility acquisition (including land), equipment acquisition, and business expansion and growth; a business loan program providing loans from $25,000 to $500,000 to finance expansion of existing facilities and the acquisition of new plant facilities, business acquisition, franchise acquisition and expansion, cooperative startup and expansions, employee ownership programs, equipment purchases, and permanent working capital; a commercial real estate program providing loans from $500,000 to $1 million to finance projects that not only create or retain jobs but also provide goods and services not otherwise available or eliminate slums and blight in zone neighborhoods; a commercial loan guarantee program ($25,000 to $500,000) for use as a loan guarantee consistent with the lending programs of the community development bank; a loan loss reserve and interest rate/points buy down program that provides financing of $25,000 to $1 million for small business credit enhancement designed to encourage existing financial institutions to provide financing for commercial and real estate loans; and a venture capital program that makes direct equity investments of $100,000 to $4 million in small and medium sized business located in Zone neighborhoods.

In addition, Los Angeles would use some of its SEZ funds to fund community-based intermediary organizations to provide pre- and post-lending technical assistance. These intermediaries have been engaged as "re-lenders" on SEZ microloan and business loan programs, and are expected to do more of that in the future.

The Los Angeles Community Development Bank (as of June 30, 1997) has approved $40 million in loans and has funded $10,036,713 to 17 borrowers, who collectively, have received a total of 50 loans. Of the 17 borrowers, 10 were located in the target area and 7 were not. To date, LACDB loans have created an estimated 286 jobs.

Loans Funded to Businesses within the Empowerment Zone

Industry	Description of Business	Amount Funded
Apparel	Full-service garment manufacturer	$ 919,344.00
Restaurant chain	L.A. based fried chicken restaurant chain	200,000.00
Manufacturer of hand trucks	Manufacturer and distributor of materials-handling equipment	375,000.00
Medical office	Primary health care provider	1,750,000.00
Cosmetics distribution	Cosmetics distribution	550,000.00
Protective coatings	Protective coatings	115,990.00
Home accessories	Home accessories	16,950.00
Metal coatings	Metal coating factory	521,700.00
Graphics and publishing	Graphic design, layout and desktop publishing for small businesses	14,100.00
Apparel	Textile and garment manufacturer	360,514.01
Total		**$4,823,598.01**

Loans Funded to Businesses Outside of the Empowerment Zone

Industry	Description of Business	Amount Funded
Apparel	Manufacturer of western style clothing	$ 650,000.00
Security	Security firm providing off-duty police officers	35,000.00
Grocery	Family-owned grocery store	100,000.00
Auto dealership	Automobile dealership	772,500.00
Protective services	Protective services	381,423.10
Printing/graphics	Printing and production facility	600,000.00
Beverage	Dairy and beverage company	2,674,191.88
Total		**$5,213,114.98**

In terms of the Los Angeles Community Development Bank performance, with the exception of loan targets, all other goals were met:

- LACDB Direct Lending was initiated and significant progress was achieved in Intermediary Lending Program (LACDB is somewhat behind in this area);
- LACDB achieved approximately 50 percent of its $33 million Loan Production Goal;
- LACDB concluded 1996 underbudget;
- LACDB was essentially fully staffed at year-end; and
- In the market research and needs assessment area, the LACDB's efforts continue (not completed).

One of the major goals of the LACDB was to identify intermediaries and initiate the Indirect Lending program. This was accomplished and selected intermediaries received contracts to provide services. Intermediaries are administered by nonprofit and for-profit organizations and were selected through a competitive Request for Proposal process. Contracts are renewable annually. Each intermediary is assigned to serve a specific geographic area within the EZ/EC. Intermediaries also reflect the cultural and ethnic diversity of EZ/EC constituent groups. The following organizations have been selected to serve as intermediaries:

Microloan Program: Community Financial Resource Center (CFRC); FAME Renaissance; LA Business Development Corporation Consortium; East LA Community Corporation; Korean Youth and Community Center; New Economics for Women; and Huntington Park Business Assistance Center.

Business Loan Program: Asian Pacific Revolving Loan Fund of Los Angeles; FAME Renaissance; and Summit Group.

BOSTON

There are essentially three types of activities occurring in the Boston EEC zone related to community development finance. First, there are new programs and new initiatives created specifically for the EEC. Second, there are previously existing programs or institutions that have now targeted their activities to the EEC. Third, there are programs that have essentially relabeled ongoing activities that would have occurred independent of the EEC as part of the EEC initiative because they are located in the EEC.

The first group, or new initiatives, include:

- the HUD 108/EDI Program;
- the One-Stop Capital Shop/Boston Empowerment Center;
- the JVS Microenterprise Loan Program; and
- the US Trust Lending Initiative.

The second group, or existing programs that have targeted activities to the EEC, include:

- the Boston Local Development Corporation (BLDC) Loan Fund;
- Public Facilities Department CDBG Lending Program;
- Massachusetts Government Land Bank Lending Program; and
- Main Streets Program.

The third group, or programs that have essentially relabeled ongoing activities as part of the EEC initiative are:

- lending activities by Boston's private lenders other than US Trust;
- the housing rehabilitation activities including the Public Facilities Department housing finance programs;
- Mission Main and Orchard Park public housing modernization; and
- the Blue Hill Avenue Initiative.

Economic Development

108/EDI "Anchor Projects" in the EEC: There are three main "anchor" projects in the Boston EEC that are now active in different stages of planning and development and three others on the drawing board:

- The Harry Miller Project is the first project to be financed by the EEC initiative, and was completed in February, 1997. The project had $1.4 million in EDI funding and $1.5 million HUD 108 funding. This project involved the relocation and construction of a new expanded facility for an existing business in the EEC. The company, a manufacturer of industrial textiles, has retained 23 jobs, and added 5 new jobs since moving to their new facility. It projects an additional 59 jobs will be added as the business grows.
- A second project, the Boston Seafood Distribution Center, is a physical expansion and relocation. Originally $1 million of HUD 108 and $1 million of EDI was proposed. This project was delayed when OMB ruled, after the HUD regional office had approved the HUD 108 financing, that Boston could not use HUD 108 financing for the project because the project would also receive tax exempt bond financing (which OMB says violates an IRS ruling). A new financing structure is being proposed that would use $1.5 million in EDI money and no HUD 108 funds. Notwithstanding the unresolved financing issues, construction is progressing on this project which is projected to create 36 new jobs.
- A third project, the South End Neighborhood Health Center, has been approved, which will use $3.3 million in HUD 108 financing and $2.9 million in EDI funds for a project which will contain a Health Center, a CVS, and another tenant not yet determined, and will create an estimated 110 jobs. There will also be 39 condominium units, the sale proceeds of which will help to repay the 108 loan and subsidize the lease for the remaining tenant, who is anticipated to be a local entrepreneur. A groundbreaking ceremony was recently held for the project.
- Three other projects are on the drawing board: (1) the Washington Park Mall, which will involve an expansion of retail space and redesign of the mall entranceway, will include a supermarket, a McDonalds, Fleet Bank, a medical facility and small retail stores. The project is anticipated to create 75-100 new jobs. The financing package from the city is still being determined; (2) a new shopping center in Grove Hall (the Grove Hall Mall) which is in the planning stage, and financing has not yet been determined; and (3) an Automobile Mall, which will house 5-6 automobile service establishments is still being planned but is expected to have a total development cost of $1.5 million.

SBA/JVS Microloan Program: The Jewish Vocational Services (JVS) operates a SBA funded microlending program, with program staff operating primarily out of the BEC/One-Stop Capital Shop. Loans are made up to $25,000, but seldom exceed $10,000. The JVS microenterprise program provides business training in entrepreneurial skills, business planning, marketing, management and loan packaging for both start-ups and existing small businesses. In addition, focused workshops and one-on-one counseling focus on specific operational and business development issues facing small businesses. While the program serves a broader area than the EEC, its was established as a direct outgrowth of Boston's EEC effort. The JVS has thus far made approximately 17 loans in the EEC for $87,500 according to a recent EEC summary report, entitled "State of the Zone."

$35 Million EEC Private Commercial Lending Program: Five Boston banks (BankBoston, Fleet Bank, State Street Bank and Trust Company, US Trust Company, and Citizens Bank) agreed to set aside

$35 million for EEC lending activities over a 5 year period. All these banks, except State Street, send a lending representative to the Boston Empowerment Center three hours each week to meet with potential borrowers. Among these banks, only US Trust Company has defined specific lending programs targeted for EEC businesses.

US Trust provides working capital lines of credit or term loans to purchase equipment or to finance capital improvement to qualified businesses located in the EEC. The loans are made at a below market interest rate for the first $250,000 and can be further discounted by 1/2 percent if payments are made by a direct monthly charge to a US Trust deposit account. US Trust also provides loans for up to $250,000 to acquire or rehabilitate commercial real estate located in the EEC for a business' own use (rather than as a real estate venture). Loans to non-profit organizations are available at a below market interest rate for loans up to $250,000 to finance the acquisition or rehabilitation of a non-residential property in the EEC. For projects that qualify for federal EEC funds, US Trust will provide a below market interest rate loan for up to $750,000. US Trust has also initiated a "Second look" mechanism whereby loans over $100,00 that are denied will be given a second look, all within a 48 hour decision time framework. This bank also initiated a marketing campaign with two promotional mailings to small businesses in the EEC whose names were purchased from a private data base.

The banks, in general, view the $35 million EEC commitment not as a new lending program but rather as part of their Community Reinvestment Act obligation or general lending activities. No regular meetings are held among the banks and there is no reporting mechanism to inform the city of loan volume, total loans and average loan amounts made within the EEC.

Several banks provided limited data for this report. US Trust has made approximately 51 loans in the EEC this past year, with 22 loans of $100,000 or less, and the remaining over $100,000. These loans have ranged from a low of $1,000 to a high of $6.72 million. US Trust would not release the total dollar amount of loans or the name of the borrower for the $6.72 million loan, for proprietary reasons. BankBoston's First Community Bank (its inner city banking unit that serves an area encompassing the EEC) does not break out their loans by the EEC. However, during 1996, First Community Bank closed 106 new loans in the areas of Roxbury, Dorchester, Mattapan, Chinatown. In the first quarter of 1997, it closed 15 new loans totaling $700,000. Since the EEC designation was announced in 1994, State Street Bank has made approximately 20 loans totaling $1.3 million in the EEC with the average loan between $50,000-$100,000. Fleet Bank visits the BEC on a weekly basis but has not originated any loans from the BEC. However, it still views the visits as a valuable service to the community. Fleet Bank does not have any special programs targeted to the EEC. Fleet did not have data available on loan volume, but stated that most loans have been in the $150,000 range. While not targeted to the EEC, Fleet has a small business loan center for loans under $1,000,000 where lower documentation is required, and pursuant to an agreement reached with the Attorney General's office, Fleet will pay SBA loan guarantee fees on behalf of borrowers.

City of Boston Business Loans: The City of Boston also has targeted its two business loan funds to the EEC. The Boston Local Development Corporation (BLDC) is a private non-profit corporation administered by the Boston Redevelopment Authority/EDIC of the city of Boston. In the EEC, BLDC provides loans for $25,000-$150,000. The Public Facilities Department (PFD) of the city of Boston provides loans of $150,000-$250,000. HUD 108/EDI is used for loans $250,000 and up. The primary reason for targeting HUD 108/EDI money for large loans is the transaction costs involved in processing each loan, thus making small size loans infeasible. Through June 30, 1997, BLDC had approved or closed on nearly $600,000 in loans for 10 businesses in the EEC since July, 1995. PFD has thus far committed to four loans totaling $808,000 to businesses in the EEC for Fiscal Year 1997.

The city is also providing grants for technical assistance to businesses through CDBG funds. For Fiscal Year 1995, the city awarded $17,900 to 9 businesses in the EEC; for Fiscal Year 1996, $22,000 for 10 businesses in the EEC; for Fiscal Year 1997, thus far $46,700 for 24 businesses in the EEC. The city is also funding a program called Community Challenge which provides grants of up to $2,000 to nonprofits for infrastructure and capital improvements, for example compliance with the ADA. Approximately $550,000 has been committed to be awarded to nonprofits that are located in the EEC.

$9 Million Massachusetts Land Bank Boston Lending Program: No progress has taken place on this initiative.

Blue Hill Avenue Initiative: This initiative is an action plan to revitalize Roxbury's Blue Hill Avenue corridor, through a comprehensive program of infrastructure investment, housing, and commercial development. The city is improving street lighting and roads with money from a $17 million Massachusetts Highway Department appropriation. Another $1.2 million in state funds and $500,00 in city funds will be spent for the Dudley Town Commons, at one end of Blue Hill Avenue where it intersects Dudley Street. Street improvements on Washington Street are also planned, to be paid for with Boston capital funds used for street resurfacing. Another $300,000 will be spent for sidewalk improvements on Center Street. A municipal parking lot is being planned as well. The city has targeted CDBG funds money for facade improvements in the area. This initiative, entitled Boston Restore, will make facade improvement grants in the Dudley Square and Grove Hall business districts. The Public Facilities Department provided $467,440 in grants for fiscal year 1996, and $275,300 in grants for fiscal year 1997, to businesses in the EEC. The grants have thus far gone to some 20 businesses in the EEC. The city has also completed financing on two real estate projects in the area, including a restaurant (Keith's Restaurant, with $700,000 in financial assistance), and a laundry facility (Big Load Laundromat, with funding for the project at $900,000). There are four other real estate projects in different stages of planning and pre-development, including an office building rehabilitation, which will have professional offices, including an architect, lawyer, and contractor; a mixed-use site with retail and two apartments; a retail store, and one other location where no business has yet been decided upon. Financing on these four projects has not yet been finalized.

Develop Other City-Owned Commercial Sites in the EEC: The city has identified three sites on city-owned land which will be targeted for commercial development. No development has taken place as yet. The EEC will issue an RFP in August for one site, located in Ruggles Center in Boston's Southwest Corridor, near the new Boston Police Headquarters, and Roxbury Community College. The plan is to establish a supermarket on the site. The second site, located near the Harry Miller Company, will most likely be an office building, but it is still not decided as yet. The third site, located in Grove Hall has been identified, but no significant planning work has been done yet on this site, as the city's strategy is to first complete the development of Grove Hall Mall and all tenant lease-ups, so that no potential tenants are drawn away by the competing site.

Establish Main Streets Program in EEC Business Districts: Boston's Main Street program (modeled on a national program sponsored by the National Trust for Historic Preservation) helps neighborhood Main Street organizations capitalize on their historical, cultural, and architectural assets in addressing economic development needs around small business retention and recruitment. There are four main streets programs operating in the EEC at the present time: Dudley Square, Egleston Square, South Boston, and Chinatown. Each District receives $245,000 over four years, most of which is CDBG funds. Of the $245,000, $100,000 will be spent over four years for physical improvements, including facade improvements and storefront renovation. Each Main Street district is set up as a new nonprofit organization that is locally run and controlled. There is a Main Street manager for each district. While PFD staff reviews grants application and provides design assistance through two staff architects, the local Main Streets board decides how to spend its funds. For Fiscal Year 1997 to date, PFD has made funding commitments of $100,001 for Dudley Square, $36,001 for Egleston Square, $102,000 for South Boston, and $112,000 for Chinatown.

Boston Empowerment Center: The One-Stop Capital Shop/Boston Empowerment Center has been established in part of a renovated former Digital Equipment plant in Roxbury. This initiative has co-located information, technical assistance services, and staff from multiple business finance programs at one site that is accessible to EEC residents and to historically underserved communities. According to the field associate, the Center has created a stronger focus on serving the EEC community among federal and city agencies, and has increased coordination and fostered collaboration among these players. The Center is staffed by the SBA, the Public Facilities Department, Boston Redevelopment Authority/EDIC, the Internal Revenue Service, General Services Administration, the Defense Department (for procurement opportunities), and SCORE (Service Corps of Retired Executives). The SBA-Microloan Demonstration Program, administered by Jewish Vocational Services, and the Boston Local Development Corporation loan fund is operated out of the One-Stop Capital Shop. Bank representatives are on site daily to consult with individuals, business owners and program staff. Since the Center opened, 1,458 clients have received technical or management assistance. Of these, 1458 clients, 233 or 16 percent are located in the EEC. These 233 EEC residents include 176 blacks (76 percent), 13 Hispanics (6 percent), 105 starting up businesses, and 76 women-owned/operated businesses.

The SBA staffs multiple loan programs at the center, including the JVS microloan program, the 7(a) Low Doc program, programs for working capital and lines of credit, a DELTA program for Department of Defense contractors, and the 504 program. The SBA has thus far provided businesses 86 loan guarantees for $13.1 million, with 40 loans totaling approximately $5.5 million for FY 1996 and 46 loans totaling $7.6 million for FY 1997 through June 30, 1997.[2]

Operationally, visitors are greeted by an intake officer, who is a PFD employee. This intake officer determines what the person's needs are, and generally directs the person to a SCORE representative, who provides general business information. From there, depending on need, the visitor may meet with an SBA representative for direct loan assistance, or JVS representative for technical assistance relating to loan requirements. Representatives from Boston banks are also available daily for meetings with clients. There is also an SBA Business Information Center Manager who oversees computers, videos, business plans, and a business resources library where clients can turn for assistance. A system is still being developed for tracking a person who has visited the center, in terms of follow-up visits, loan applications, and programmatic success.

Finally, in terms of marketing, the Boston Empowerment Center held a Small Business Finance Exposition in early June, to educate and inform the business community about different financing

[2] These figures reflect loan guarantees to any business in a zip code falling inside the zone, and thus the figures may include loans for businesses on street addresses that fall outside the boundaries of the zone. SBA computers have not been set up to narrow the data down to Zone level.

programs available for business expansion, working capital, and refinancing. The event included participants from banks, insurance companies, public and private lending agencies, and city departments.

Housing

Complete Modernization of Orchard Park and Mission Hill Public Housing Projects: $89 million in HOPE VI funding has been awarded from HUD for more than 1,400 units of public housing reconstruction in Orchard Park and Mission Main. Demolition is being completed on Orchard Park, with Mission Main still awaiting demolition.

Housing Rehabilitation: The City's Public Facilities Department has not developed any special housing programs or initiatives for the EEC but rather is serving the EEC through its regular citywide programs in housing services and development. There are a number of programs in home owners services targeted to new and existing home owners. These include 1) a grant program for nonseniors which will provide grants of $3,000-$4,000 with the individual providing a 1/3 match of $2,000 for a total of $6,000 for the rehabilitation of single family homes; 2) a program that provides direct loans to seniors, 62 years and older, and very-low income, for $10,000 per unit for renovation. The loans are repaid only upon sale or transfer of the unit; and 3) a lead paint abatement program which will provide 1/2 grant and 1/2 loan, providing up to $10,000 per unit for abatement.

According to the EEC summary report, "The State of the Zone," home owners services have been provided to 199 units in the Zone, with $726,000 in funds targeted to these programs out of CDBG and HOME. In terms of development, there are programs targeted to build 104 family properties for home ownership opportunities for low- and moderate-income families, and rental properties for low-income residents. Many of these developments have taken place on city-owned vacant properties. Housing development in the zone that has been identified as completed, in construction, or committed include 704 units and 44 projects in construction, with $19.4 million in funds targeted to these initiatives out of CDBG and HOME.

OAKLAND

Economic Development

Flagship Loan: Flagship projects were designed to improve economic vitality, increase community ownership of resources and enhance the visible environment in EEC areas by making Section 108/EDI resources available for large scale economic development projects that would make a significant impact in EEC neighborhoods. $11 million of Section 108 loan guarantees and $11 million EDI grants were allocated to this program divided among EEC areas in approximate proportion to population: $8.8 million for West Oakland, $6.6 million to Fruitvale/San Antonio, $4.4 million to East Oakland, and the remaining $2.2 million undesignated.

Flagship loans, like all EEC Section 108 and EDI loan programs, are administered by the City's Community and Economic Development Agency (CEDA) staff. CEDA staff released an RFP for flagship loan applications based on a set of principles devised by the EEC Policy Board. [Flagship projects had to create at least 1 job per $35,000 in loans, with at least 51 percent of new hires from EEC areas, for example.] The Policy Board reviewed applicants with assistance from staff. Appealing proposals underwent financial analysis by the Policy Board's Loan Review Committee (made up of one CEDA staff, one Policy Board member, one representative from a community lending institution). Proposals approved by the LRC were then recommended to the Policy Board for a vote. The Policy Board then voted on which viable projects to recommend for funding by the City Council. The City Council made final funding decisions. CEDA staff will monitor loan payments.

Eight flagship projects were ultimately approved for funding: four projects in West Oakland, two in East Oakland, one in Fruitvale/San Antonio, and one Undesignated project that is located outside the EEC area, but will provide services and hire employees from EEC areas. On the basis of the EEC's benchmarks, the Flagship project met 100 percent of its goal. However, participants recognize that it took far longer than anticipated. According to the associates, the public participation and review process was protracted, battles over authority broke out between the EEC Policy Board and the City Council when disagreement over funding recommendations arose, administrative processes between city staff and HUD regarding underwriting criteria, eligibility of EEC "approved" projects and release of HUD funding was contentious and fraught with misunderstanding and miscommunication. Flagship project sponsors languished for up to a year after initially being approved, waiting for the Section 108/EDI capital to be released. In the end, approved flagship project sponsors did not begin receiving loan funds until as recently as June 1997.

One-Stop Capital Shop: The OSCS was intended to bring lenders, technical assistance and business support resources together in a single location to provide entrepreneurs from EEC and other low-income areas easier access to small business capital. The SBA was the major supporter of this project, setting up a local SBA office and a Business Information Center (BIC) on site, and encouraging its local SBDC, SCORE chapter, and lenders who do loan packaging and lending under SBA's 7(a), 8(a) 504, and other SBA loans to open offices in the OSCS. City staff provide information and initial intake and referral for OSCS clients and would be entrepreneurs. SCORE and WISE counselors are available for start-up consulting. The East Bay Small Business Development Center offers assistance with business planning and loan documents preparation for existing businesses. OBDC provides loan packaging and Minority and Women's Prequalification for SBA loans. Workshops and seminars are offered on site by OSCS partners, consultants and local Chambers of Commerce. UC Berkeley's Haas Business School offers a low cost entrepreneurial training program.

The facility is centrally located in Downtown Oakland, within walking distance of public transit, city hall and at least 16 banking institutions. CEDA – the city agency that administers the flagship projects, the EEC RLF and all other city guaranteed community development, housing, redevelopment and business loans – has offices in the OSCS and serves as the OSCS's programs coordinator.

The City was authorized to use $1 million of its EEC EDI grant for initial start up and operating costs to run the OSCS. The City provides 7 CEDA staff to coordinate the OSCS, including 2 intake clerks, 2 clerical staff, 2 loan officers and one programs manager. Since opening in December 1996, staff estimate that they field about 150 inquiries per day, and are preparing for an onslaught of loan applications for the EEC RLF programs that will become available in September 1997.

The OSCS program is ongoing, but is behind schedule. The opening of the OSCS was long delayed. Informants attributed the delay to the city's lack of familiarity with the OSCS concept, constantly changing leadership, reluctance to allocate adequate staff or operating support and generally low priority placed on this project. SBA was instrumental in pursuing and guiding the concept to its eventual grand opening in December 1996. Revised benchmarks approved on June 24, 1997 call for OSCS to make at least 24 non-traditional loans totaling $5 million to EEC area businesses, hold at least 3 entrepreneurial training courses with 20 residents attending each, and match at least 9 EEC businesses with mentors through a new SBA Business Mentorship program. These new goals may be relatively modest, given that there is $11 million in Section 108 loan guarantees available in the OSCS's EEC RLF programs, millions more available through SBA and other government guaranteed loans or available in the private lending market.

It is difficult to gauge progress of the OSCS at this point since it is still a relatively new mechanism and all of its pieces are not yet in place. OSCS staff in CEDA have started to collect data on lending activity to EEC residents and businesses from OSCS partner CDCs and banks. According to the associates the physical relocation of business lending and support services has occurred, but plans to provide extensive entrepreneurship training through the OSCS have not been implemented. To date, none of the EEC Title XX grant nor Section 108/EDI funds were allocated toward funding such a training program, and no other funding sources have been identified. The associates report that local sources were unanimous in expressing the need for such as program as an integral component of the OSCS, but none were optimistic that the City would provide or be able to broker sufficient funding through other sources for the desired entrepreneurship training programs.

EEC Revolving Loan Fund: Oakland's plans to establish a Revolving Loan Fund (RLF) with some portion of the Section 108/EDI resources shifted a number of times over the first two years of the EEC program. According to the Performance Review, EDI/Section 108 funds not used for flagship projects or for a planned Community & Individual Investment Corporation would be made available for a revolving loan fund "to spur entrepreneurship and job creation in EEC areas." Plans for the CIIC were later dropped, and the remaining EEC Section 108 and EDI funds were allocated to capitalize the Revolving Loan Fund. In March 1997, City Council approved a staff recommendation for a permanent structure for the RLF. The EEC RLF will be administered by CEDA staff through the OSCS. CEDA staff will market the availability of funds through mailing lists of EEC residents and businesses and the local media, conduct financial analysis of applicants, and determine who gets loans under $100,000.

$11M Section 108 loan guarantees were allocated to the EEC RLF, dispersed across five programs:

- $ 500,000 to a Microloan Fund
- $ 3,000,000 to a Targeted Industry Automation and Retooling Program
- $ 4,375,000 to an Identified Community Commercial Area Needs Program to revitalize commercial strips in EEC areas
- $ 2,000,000 to a Small Business Lending Program
- $ 1,125,000 to a Franchise Opportunity Program for loans set aside to capitalize franchise businesses started by EEC residents.

According to the associates, local sources anticipate that CEDA will contract out management of at least one RLF program (the Microloan fund) to the CDC that administers the city's CDBG Microloan program (Oakland Business Development Center). This CDC is a primary partner in the OSCS and has a good reputation for low loss rates with the City of Oakland on its other city guaranteed loan programs. CEDA staff will attempt to administer the other RLF programs. When the CBT program begins again, the CBT members will be used to do outreach about the availability of EEC RLF capital under all programs. The plan is to have CBT members and the city's interagency Area Teams be especially active in helping CEDA direct funds to businesses in the Identified Community Commercial Area Needs Program. OSCS technical assistance resources (intake and referral desk, BIC, programs offered by technical assistance and training partners) will assist EEC businesses and resident entrepreneurs prepare for and gain access to the RLF capital. This program was approved by City Council and has been assigned to CEDA staff at the OSCS who are preparing to advertise the availability of the program, but it not expected to be ready to begin making loans until at least September 1997. One goal for this program as stated in the Revised Benchmarks approved on June 24, 1997 was to provide at least 24 loans totaling $5 million to EEC residents to start new businesses.

New EEC Commercial Loan Fund Capitalized by Local Lenders: As described in Oakland's 1996 Benchmarks report, the OSCS partners (City, SBA, CDCs, Bank partners) would negotiate with representatives from local banks to pledge approximately $10 million, using Section 108 and EDI funds as leverage, toward a new commercial lending program for EEC and other low-income area businesses. All funds would be contributed from local lending institutions and Community Building Teams and local nonprofits in the 'Partnership Provider Network' would provide outreach on availability of loans to EEC residents, and gather feedback to evaluate lending efforts by surveying EEC loan clients. This effort has yet to begin. According to the associates, local sources inside and outside city government generally concur that the EEC effort has not yet effectively leveraged private capital or encouraged the traditional lending community to contribute to development in the EEC areas. Although new attention is being redirected to efforts to renew EEC commitments from private lenders and three local banks have set up offices in the OSCS, they continue to administer only traditional and government guaranteed programs.

Community & Individual Investment Corporation (CIIC): This proposed CDFI concept was promoted by an outside consultant and endorsed by some members of the City Council. The proposed CIIC would have been capitalized with $5 million in EEC Section 108 and $5 million in EEC EDI funds, plus additional capital raised from individual and corporate shareholders. CIIC was proposed as a for-profit, cooperative investment venture governed by a shareholder approved Board of Directors. This project won initial support from the City Council's Economic Development Subcommittee, but was rejected by the EEC Policy Board. The project had very little community level support, and only moderate support from staff, so it eventually died.

Housing

New EEC Mortgage Loan Fund: As described in Oakland's 1996 Benchmarks, the OSCS was going to work with the City's Office of Housing, HUD and local banks to negotiate a new mortgage program for EEC and other low-income areas. This program was designed to leverage a 1993, $1 Billion Fannie Mae lending and investment commitment for a "House Oakland" program that would provide credit for low- and moderate-income housing citywide. CBTs were going to help with community participation portion of Fannie Mae's application process, and to disseminate information on availability of mortgage programs to community.

This program has yet to begin. The goal no longer appears as part of the EEC program – it was not mentioned in the June 1996 Performance Review, nor in the June 1997 Revised Benchmarks. The Revised Benchmarks only contain a modest proposal for CBTs to do outreach for the City's existing home ownership financing programs in EEC neighborhoods, and monitor the numbers of residents who use those programs.

CHARLOTTE

Economic Development

Microlending Program: As envisioned, the Charlotte EC's new microlending program will provide capital for entrepreneurs interested in starting a new business. Technical assistance and/or formal business training will also be made available to borrowers. A total of $750,000 over five years was budgeted in the strategic plan for business assistance efforts, but the amount dedicated to capitalizing microlending programs has not been determined.

Each of the three cluster areas may administer their own loan pool, but discussions among the three executive directors are underway to consider a combined loan program that would serve all three cluster areas. This combined loan program may be administered by one cluster area, or be administered by a third-party, such as the Self-Help Credit Union. It is important to note, however, that all of these discussions are in preliminary stages, and no concrete decisions have been made.

There is no specific mention of a baseline measure or a benchmark relating to community development financing initiatives in Charlotte, although the Strategic Plan did mention a loan pool as part of the larger RUN initiative. Preliminary discussions have begun about underwriting guidelines, administration and funding, but the actual provision of capital to entrepreneurs has yet to begin.

DALLAS

Economic Development

Dallas Public/Private Partnership: The Dallas Public/Private Partnership business development financial incentives program is the only community development financing activity which was developed specifically as an EC program. Guidelines were developed in early March 1995 for the distribution of $1 million of EC grant dollars. A minimum match of $4 million in leveraged private investment dollars is required. Partnership activities related to business creation are as follows:

- creation of 10 new EC businesses and an average of one (1) new job for every $15,000 expended;
- requirement of four (4) dollars of private investment for every one (1) dollar of EC funding;
- usage of funds for non-residential projects;
- maximum of $50,000 grant for $200,000 private investment;
- minimum of $15,000 grant for a $60,000 private investment;
- businesses must hire EC residents through year 2004;
- required distribution of funds by area; and
- only new businesses and community development projects creating jobs.

The program is administered by the EC Coordinator, who is appointed by the City Manager and supervised by the Assistant City Manager for Intergovernmental Services. The EC Coordinator has offices at City Hall. Additional program oversight and liaison is provided by the Economic Development Department (EDD). The EC Coordinator provides a packet of material to interested persons that describes eligibility and performance requirements, funding guidelines, and primary service providers that can assist in the business creation process. Technical assistance and information related to funding or service opportunities are provided through EDD, local Business Assistance Centers (BACs), and the Bill J. Priest Institute for Economic Development (BJPI). EDD and the BACs provide marketing efforts for the program as does the Southern Dallas Development Corporation, the One-Stop Capital Shop located at the Bill J. Priest Institute for Economic Development, local CDCs, and other lending institutions.

The baseline established for this activity was new business loans as determined by certificates of acceptance. Sources for these statistics are City of Dallas, local banks, and the Southern Dallas Development Corporation. The baseline information was not compiled for this report nor is it monitored by those implementing the program. Primarily, the baseline used offers little as a performance measure in light of the scope and size of Dallas' EC business creation program.

Benchmarked activity includes the creation of 10 new businesses through September 1997. As of this report, six new businesses have been approved and are either in operation or construction. The firms receiving economic development grants are as follows: Art on the Boulevard Concepts; Eagle Cab Company; Texas Powder Coating; Longhorn Ballroom; Spring Plaza Incubator; and The Teatro Texas, Inc. These businesses are projected to create 38 jobs, 16 of which are already filled. The number of jobs created is nearly twice that required for the $295,000 EC investments awarded to date. An additional nine applications are in progress with three to be presented to the City Council for final approval on August 13. These additional three firms are projected to create an additional 17 new jobs for an EC grant investment of $142,000.

Total Investments for the Public/Private Partnership Program are as follows:

Category	Projected	Actual
Federal		
EC Grant	$1,000,000	$295,000
CDBG/Econ.Dev.	$1,363,000	$1,200,000
In-Town Housing-Sect. 108	$3,481,000	$1,457,000
State/Local		
Office Community Services	$500,000	$500,000
1995 GO bonds	$22,755,000	$12,775,000
SDDC	unknown	$300,000
Private		
Leveraged Private Funds	$4,000,000	$3,666,000
Texas Instruments (SDDC)	$2,000,000	$2,000,000
NationsBank	$41,000,000	$350,000
TX Commerce Bank	$50,000,000	unknown
Meadows Foundation	--0--	$400,000
Bank One	--0--	$73,500
1st Zion National Bank	--0--	$500,000
West Bank and Trust	--0--	$306,000

As of this report, the Enterprise Community's Public/Private Partnership has achieved 60 percent of its benchmark goals. It is anticipated that by the middle of August, 90 percent of the new business goals will be approved and ready for action, leaving the creation of only one additional business to meet the benchmark requirements. The number of jobs created from approved businesses exceeds the amount required in the benchmark. In consideration of these factors, the degree of progress made on the EC's Partnership program is determined to be on schedule.

Dallas is in the process of amending its benchmarks to provide for the creation of an additional 10 new businesses to be included in its July 1997 Performance Report (for a total of 20). As with the preceding benchmarks, one new job must be created for every $15,000 of EC funds awarded.

EAST ST. LOUIS

Economic Development

East St. Louis sought designation as an empowerment zone and has operated its EC program largely on the presumption that it will be successful in finding other sources of support to make up the difference between its $100 million strategic plan and initial EC budget of $3 million. It has been assisted in this end by a pledge of more than $6 million from the State of Illinois over the 10-year period of designation, provided the EC designation remains in effect. No revised strategic plan or specific budget appears to have been formalized for the $3 million in SSBG that came from achieving EC status.

Community development financing activities include the following:

Small Business Development Center: East St. Louis' Small Business Development Center is intended to house and provide "One-Stop" Capital Shop features, such as information about available loans and access to lenders, workshops and the like. As designed, SBDC was also to generate a revolving loan fund.

SBDC has been successfully established, several workshops held for upwards of 30 attendees, with at least four loans reported to have been generated as a result.

Modification has now been proposed to have the SBDC house a certified Small Business Investment Corporation, providing loans of upwards of $100,000 to approved applicants. SBDC has applied to the U.S. Small Business Administration for designation and to the State of Illinois for assistance toward capitalization. The SBIC, if granted, would replace the revolving loan fund anticipated in the original design of the SBDC.

The East S. Louis EC's Benchmark report essentially reiterated these items. The Performance Review incorporated a report on status: the Small Business Development Center's initial achievements: four businesses opened, two workshops held, 11 loan applications by trainees pending.

Incubator: East St. Louis' plans called for development an incubator for five selected businesses, where each business must create one job, funded by the Casino Queen Foundation. Funding and sites are still under discussion and the incubator is ongoing but behind schedule.

Community Development Credit Union: EC plans propose to establish a community development credit union in East St. Louis, intended to facilitate housing and community development. Plans included $33,800 in state/local funding. Local sources report this activity will be supplanted by the SBIC and microlending from the State of Illinois.

Environmental Industries Park: EC plans proposed to implement an industrial development plan for a new environmental park intended to provide 75 jobs for EC residents on the former Alcoa Aluminum site. Funding included $1,125,000 from State DCCA, St. Clair County. The project is ongoing but behind schedule.

Metro East Lenders Group (MELG): When the Strategic Plan was written, banks operating the East St. Louis metropolitan area had formed a consortium to address the housing, economic development, educational and social needs of low- and moderate-income residents – in particular, by considering applicants referred by EC staff who would have difficulty obtaining loans under conventional guidelines. Presently, the group meets every other month. A recently approved benchmark involves a home ownership counseling program to be funded jointly by the EC and the MELG.

Funders Coalition: Two initial meetings have taken place among the entities which fund community development in the East St. Louis area, including the EC, CDBG Operations Corp., MELG, NationsBank, United Way, the Danforth Foundation and the Casino Queen Foundation. The Coalition's goal is to coordinate funding activities as an alternative to forcing needy community groups to make the rounds of various funders whenever they conceive a worthwhile project.

LOUISVILLE

Economic Development

Louisville Community Development Bancorp (the Holding Company): The prime vehicle for community development financing in Louisville is the Louisville Community Development Bancorp, hereafter referred to as the Holding Company. The Holding Company and its subsidiaries are designated to initiate business interventions and investments that improve local market forces and encourage or sponsor redevelopment. All other strategies and activities found within the Louisville Empowerment Zone Strategic Plan complement functions of the Holding Company and its subsidiaries. The concept and support for the Holding Company originated from the city's 1992 contract with Shorebank Advisory Services to assess the financing needs of Louisville's West End. The resulting proposal served as a key component of the financing strategies underlying the city's application for designation as an Empowerment Zone. The designation as an Enterprise Community with the award of less money made the community development bank even more central to the revitalization than its planners anticipated.

Following the Shorebank model, the Holding Company functions as an umbrella for three affiliates: a retail bank – the Louisville Community Development Bank (LCDB), a for-profit Real Estate Development Company (not yet operational), and a not for-profit Louisville Enterprise Group (LEG). The Holding Company and its subsidiaries are designed to create synergy with existing community organizations by leveraging existing assets. According to the strategic plan, the Holding Company and its subsidiaries are expected to work closely with the African-American Venture Capital Fund, Business Plus Microloan Program, Minority Contractor Bond Assurance Fund of Kentucky, Inc., Equal Opportunity Finance, Inc., Kentucky Economic Development Finance Administration Small Business Loan Program, Pre-Qualified Women Loan Pilot Program, Kentucky Investment Capital Network, and Business Consortium Fund, Inc. A coordinating role is envisioned for the Holding Company to help direct these programs' funds to the Zone and to maximize their impact.

According to the associates, about $14.88 million has been raised for the Holding Company and its affiliates. Approximately $9.8 million of this was raised in the initial stock offering and another $2 million was committed from CDFI (this has not yet been made available). The EC accounts for $1.3 million (directed towards the non-profit Louisville Enterprise Group).

Louisville Community Development Bank (LCDB): The retail bank (LCDB) has been capitalized at about $8 million. About $21 million was committed in deposits before the bank doors opened. Rather than providing a comprehensive mix of services, as would a traditional bank, the LCDB is a specialized development lender for homeowners and property investors in the service areas. It is intended to originate SBA 7(a) guaranteed commercial loans, acquisition loans, rehabilitation loans, and home improvement loans, and will take full advantage of federal guarantee programs.

The creation of the community development bank was also intended to attract the attention and resources of traditional financial institutions and redirect some of their investment into West Louisville. It was anticipated that local banks would form partnerships to invest in development projects on an at-or-below market basis. Local bank participation was critical to the initial capitalization of the community development bank. This led to heavy representation by local banks on the Holding Company and LCDB boards.

Non-profit Enterprise Group: The non-profit Enterprise Group, now known as the Louisville Enterprise Group (LEG), was to be an affiliate of the Holding Company. It was to include several subcomponents including: (a) Revolving Loan Fund, (b) non-profit Community Development Corporation, (c) Enterprise Development Center (business incubator), and (d) small business administration One-Stop Capital Shop. The associates report that several adjustments were necessary after the award was made for a $3 million EC grant. In particular, the Community Development Corporation and the One-Stop Capital Shop are no longer components of LEG.[3] A partnership with the City of Louisville and Fannie Mae has been established to provide a lease-purchase program that will produce 20 units in an initial demonstration program.

$1 million in EC money was allocated to the Louisville Enterprise Group for start up and operational costs, including staffing, marketing, and administrative expenses. An additional $300,000 of EC money was provided for a Revolving Loan Fund to offer a series of non-bank financial services to include: seed loans, equipment leasing, lines of credit, working capital term loans, subordinated debt term loans, and account receivable financing. The Revolving Loan Fund is also awaiting a $2 million state grant from the Kentucky Economic Development Finance Authority (awarded but not finalized at the time of this writing).

Enterprise Development Center: The Enterprise Development Center (a component of LEG) is a business incubator but is intended to do more than simply house small businesses. It is intended to provide customized market and management services to housed businesses and provide these same services to emerging firms in the area. Since emerging firms are pre-bankable, the risk involved is greater than regulated banks are often able or willing to undertake. This provides the rationale for the Revolving Loan Fund. It was also anticipated that over time more than one Enterprise Development Center would be created. An advantage to this approach is that centers can be customized to a suit a particular neighborhood or set of tenants.

The enterprise center concept was developed under the guidance of SPEDD.[4] It was anticipated that the Transit Authority of River City (TARC) bus barns, used for maintenance and upkeep of the transit systems buses, would be converted to a business incubator facility for light industrial manufacturing. The bus barns are located adjacent to the Holding Company and LCDB offices and across the street from the Economic Opportunity Campus (the Nia Center) including LEG's offices. However, the $475,000 obtained from an HHS grant for physical renovations to create an incubator was insufficient for that purpose at this site. At present, the plans have been scaled back to provide light

[3] The strategic plan called for the creation of the Community Development Corporation (CDC) under the Enterprise Development Center operated by the Louisville Enterprise Group. The CDC's operations were to complement the efforts for the Holding Company's Real Estate Developer subsidiary. The CDC was to pursue critical retail "anchor" commercial development projects within commercial centers using a variety of financing mechanisms (see also the short description of Town Squares in this section below). The CDC was anticipated to be in a position to broker available commercial support services, provide market analyses, and provide additional non-bank financial products. Although the CDC has apparently not been included in the revised EC plans, LEG did maintain its real estate development objectives and is involved in some housing partnerships with the City of Louisville and Fannie Mae.

In addition, the One-Stop Capital Shop was no longer a possibility. Discussed separately below is the Business Information Center (BIC) and related activities to enhance capital flows in the community provided at the Economic Opportunity Campus (Nia Center) which was an effort to continue this function, although not directly under the Enterprise Group auspices.

[4] The strategic plan suggests incorporating several elements from the Southeastern Pennsylvania Development District (SPEDD) Model of business incubation Among these are: the "Taster" program based upon SPEDD's experience that 6 start-ups result from every 100 entrepreneurs that can be attracted; membership fees which entitle members to receive free services; clustering of new, related businesses that fill a niche in the local economy (LEZSP 4-26 to 4-27). Marketing is the primary service provided to members (LCDB Business Plan B-2). The 4 main elements of the SPEDD model to be incorporated into the Enterprise Development Center are: service and marketing orientation, entrepreneur outreach, minority business development, and a setup-up program (LCDB Business Plan B-2). The Step-Up program is specifically geared towards addressing the needs of low to moderate income minority and women entrepreneurs (LCDB Business Plan B-5).

incubation (office and very light manufacturing) in space in the Nia Center and to service companies at their existing locations.

LEG was set up as a 501(c) corporation to ensure that contributions would be exempt from taxes and meet IRS codes. Although this independence is required for tax purposes, LEG is intended to be closely linked to the Holding Company and LCDB. To ensure that LEG does not lose its ties, the boards of LEG and the Holding Company include several overlaps. The community board and executive committee have no direct control of LEG or members on its board of director. However, the president of LEG regularly updates the executive committee on its activities.

For-profit Real Estate Development Corporation: A third part of the Holding Company is the for-profit Real Estate Development Corporation which was to acquire and market property in the West End or to develop viable residential and commercial projects. The operating principles of the Real Estate Development Corporation were to create critical masses of development that would result in sustainable markets and neighborhoods. Projects undertaken by the Real Estate Development Corporation would anchor projects that spur further private investment. The Real Estate Development Corporation is to be the last component of the Holding Company activated. According to the associates, designation as an EC has delayed its operationalization, although it is still planned for in the near future.

Economic Opportunity Campus and Business Information Center: Absent a One-Stop Capital Shop, the community has sought to set up an equivalent operation in the form of the Business Information Center (BIC) to be housed at the Economic Opportunity Campus (the Nia Center). The Louisville and Jefferson County Office of Economic Development (OED) provides and maintains physical space at the Nia Center to house BIC. The BIC is intended to provide a one-stop shop for economic development initiatives in the West End of Louisville (which includes the EC zone). OED and the regional Small Business Administration (SBA) entered into a memorandum of understanding to provide the BIC. In addition, OED maintains an office presence and thus links to all other existing loan and business development programs available in the community. A synergy is expected because the Nia Center also houses the LEG and the Workforce Development Partnership and is across the street from the LCDB. Thus, business development and capital finance programs are better linked and extended into the EC site. No direct EC money is provided to underwrite this activity.

MINNEAPOLIS

Economic Development

Northside Microloan Program: Minneapolis' Northside Microloan Program is administered by the Northside Economic Development Council, a non-profit organization created specifically for this purpose. Selection was awarded through contract. The activity is designed to target the Near North neighborhood in Minneapolis. EZ/EC funding for this project equals $373,169. Other funds include $560,000 in Neighborhood Revitalization Program funds and the program operates in collaboration with NRP and the Minneapolis Community Development Agency. Northside Microloan Program baseline: Twenty North Minneapolis businesses have applied or expressed an interest in applying for loans through the program. The performance measure is identified as making 20 loans in 2 years to north Minneapolis EC businesses. This program has received applications and approved loans. It is ongoing but behind schedule.

Whittier Emerging Business Center: This incubator for new businesses is administered by the Whittier Emerging Business Center, a non-profit also created specifically for this purpose. Selection was awarded through contract. The activity is designed to target emerging businesses in the Whittier neighborhood. EZ/EC funding for the project equals $136,791. Baseline is identified as an unemployment rate of 9 percent in 1990. Performance measure is defined as creating one small business incubator in Whittier neighborhood. The business center is in operation.

PHOENIX

Economic Development

Expansion Assistance and Development (EXPAND): One thrust of the Phoenix EC's approach was designed to provide two mechanisms (financial and technical assistance) to help establish new businesses and help already existing businesses in the EC area to grow, thereby creating additional new and permanent jobs in the private sector. Called EXPAND, this program partners government with private lending institutions (on as estimated 1:2 funding ratio) to facilitate loans (through collateral enhancement) of $50,000 to $300,000 to small businesses. The baseline measure of unemployment in the EC is 14.8 percent, while overall city-wide unemployment is less than 4 percent. The performance measure for this benchmark is one new job created for every $10,000 invested in small businesses (overall goal of 70 new jobs). Funding for this benchmark is $392,000 from EC monies. The EXPAND loan program is administered by the Economic Development Administrator of the City's Community and Economic Development Department. Business technical assistance is rendered via subcontract with consultants or via two business development/resource centers funded under another, related strategy.

EXPAND Mircoenterprise Project: This second strategy is designed to provide two mechanisms (financial and technical assistance) to help small businesses in the EC area to expand, thereby creating additional new and permanent jobs in the private sector. Called the EXPAND Microenterprise project, this program partners several government sources with private lending institutions to create a revolving loan pool for direct loans of $25,000 to $50,000 to small businesses in the EC area. The baseline measure of unemployment in the EC is 14.8 percent, while overall city-wide unemployment is less than 4 percent. The performance measure for this benchmark is one new job created for every $15,000 invested in small businesses (overall goal of 50 new jobs). Funding for this benchmark is $450,000 from EC monies; $200,000 from CDBG monies; and an estimated $1,950,000 to be contributed by private lenders. The EXPAND Microenterprise loan program is administered by the Economic Development Administrator of the City's Community and Economic Development Department. Technical assistance is rendered through sub-contracts with individual consultants or through the small business resource centers located in the EC area developed in partnership with Chicanos Por La Causa and the Greater Phoenix Urban League and supported with $75,000 from CDBG funds.

Since program start-up, 49 businesses have obtained EXPAND loans. Of the 49, 43 still have loan amounts outstanding (totaling $8,763,250). These 49 businesses have created or are in the process of creating 360 jobs within two years from the loan initiation. The City estimates this program is producing one new job for every $5,510 of EXPAND collateral. Twenty-five of these projects are located within the EC, eight are minority-owned, and five are owned by women. The funding now available is $975.000. The program administrator expects to finance 16 additional projects during fiscal

1997-98. With a two-year lead time for job creation, the program averages about 120 or more new jobs per year, and about half of these occur in the EC. Since preference is now given to applicants from the EC area, this number is expected to increase in the coming years.

According to the associate, the community outreach and technical assistance portions are going very well. City personnel make frequent presentations to financial institutions, to community-based organizations who serve as technical providers, and to small businesses within the EC. Monthly mailings are made to small businesses, and the City sponsors an annual Small Business Exposition. The two business resource centers (contracted to Chicanos Por La Cause and the Greater Phoenix Urban League) are fully operational and are being monitored by the City. In addition to businesses which use the resource centers, 20 small businesses within the EC have requested and received technical assistance from contracted consultants at a cost of $14,380.

SAN FRANCISCO

Economic Development

Youth Entrepreneurship Training Program/Youth Credit Union: This initiative focuses on providing job training and financial management experience to youth in San Francisco's Mission and South of Market neighborhoods. It is run by the Mission Area Federal Credit Union, which is a community development credit union, in collaboration with Mission Economic Development Association, South of Market Foundation and Arribas Juntos. Although capital access is not the main focus of this program, it does provide savings accounts with very low account limits for children and youth, and does provide small loans to children and youth.

The project is ongoing, but somewhat behind schedule in that the business plan was to be completed in December of '96, but was still in progress as of April 1997.

Round One funding was $40,000 from the Mission and SoMa Enterprise Community neighborhood funding pools. Round Two funding included an initial $31,038 from the Mission and $12,000 from the SoMa. Concerned about the viability of the program after the SoMa agreed to fund less than one-half of the amount originally agreed upon, the Mission NPB allocated an additional $17,000 of its funding set aside for new projects to this project. The total second round funding was approximately $60,000.

Twenty-five youth from South of Market and Mission District were to be trained. The program has met 280 percent of that target.

South of Market Business Attraction and Marketing Project: Focused on promoting SoMa area businesses through loan packaging outreach, technical assistance and research services, this program would appear to contain some elements of capital access assistance to businesses because the organizations involved in implementing the program have such activities as their focus. These organizations are: South of Market Foundation (Lead Agency), South of Market Planning Council, SSMRA, Planning for Elders in the Central City, SoMa Child Care, National Foundation for Entrepreneurship Training, SF Renaissance, and SF Redevelopment Agency.

EC funding in Round One was $31,506, and was $40,000 in Round Two.

Five thousand businesses to receive information about the project. The "Business Attraction Brochure" is complete and is being distributed to growth industries. An on-line SoMa Business News newsletter is also up and running. Six thousand customers were to receive guides to goods and services available in South of Market. The Customer Attraction Brochure is still in progress, scheduled to go to press in August 1997.

Health Center Facility/San Francisco Medical Center Outpatient Improvement Programs, Inc.: This program focuses upon raising capital for the development of a new health facility in the South of Market area. The main activity is a capital fund-raising campaign to support the building of a new health center. South of Market Health Center is the lead agency. A consultant has been hired to develop and implement the campaign. One brochure targeting patients has been completed and a second aimed at fundraising is underway. Three funding requests are under consideration with local funders. A comprehensive community health assessment and report have yet to be started.

EC Funding in Round One was $36,375, and $32,385 in Round Two. Project staff also sent out three funding requests to the California Wellness Foundation, the San Francisco Foundation, and the California Endowment. No financial commitments had been made in response as of the last performance review.

Visitacion Valley Merchants Association/Visitacion Valley Community Center: This program was intended to help re-establish the now-defunct neighborhood merchants association which had once been active in Visitacion Valley ten years ago. The expectation was that a revived and active merchants association would help mobilize local businesses in seeking access to capital, street improvements, and technical assistance. Visitacion Valley Community Center is the lead agency, with El Dorado School Neighborhood Betterment Council; VV Residents Association; Little Hollywood Committee; VV Neighborhood Collaborative; various VV merchants.

There are a number of collaborating agencies, but the program is not really linked with any others, although it was intended to link VV merchants with San Francisco's existing neighborhood economic development organizations and other sources of business technical assistance.

EC Funding was $46,000 in Round One and discontinued in Round Two due to lack of performance.

TACOMA

Economic Development

Tacoma's Benchmark and Performance Review Reports to HUD outline six activities for community development financing: expand TEC Microloan Fund (benchmark set at 20 loans to small businesses, or 40 loans in two years); create Capital Center; provide Microloan Fund Technical Assistance (benchmark set at providing technical assistance to 115 businesses); provide Microloans to 115 Businesses through SBA microloan program grant; create a Research and Development Fund serving Tacoma's Enterprise Community (benchmark set at $500,000 R&D fund); and institute a Small Business

Investment Company/Community Development Financial Institution serving Tacoma's EC and the region (plans were for a $40 million SBIC/CDFI capital fund).

The fourth, fifth and sixth of these activities have been deleted from Tacoma's plan. The SBA microlending program and directly related efforts did not proceed because Tacoma did not receive the SBA grant. Tacoma's focus has shifted from the Research and Development Fund and the SBIC/CDFI because TEC has found that their primary clientele has been comprised of small businesses who need training and technical assistance, which in turn will better prepare them to get traditional financing.

In the next six months to one year, TEC expects to add a strategy for development of the International Services Development Zone. Three strategies/activities are underway:

Expansion of the TEC Microloan Fund: Formalizing and expanding capacity in the Tacoma Empowerment Consortia's (TEC) micro lending program provides debt capital to eligible EC businesses and residents who are otherwise unable to obtain traditional bank financing. Loans are available for businesses established within the EC (although individuals receiving the loan do not have to be residents of the EC).

Total budget for the TEC Microloan Fund in 1997 and 1998 is $447,674. Of this, $47,674 is devoted to staff salaries and operations expenses. $400,000 is available for the TEC Microloan Revolving Fund. The EC grant provides the sole source of funding for this activity. The program is administered by the TEC (The loans were to be managed by a loan service, but this proved to be too costly. The TEC Board decided that an internal staff structure would be better.). Microloan Fund activities take place in the Tacoma Business Assistance Center – a storefront office in downtown Tacoma which Key Bank provides to the TEC for $1 per year in rent.

The Microloan program links with the Employment Initiative, Tacoma's job development program. Recipients of EC Microloans are required to sign a "First Source Agreement" in which they agree to consider EC residents first when making hiring decisions for their small businesses, though they are not be required to hire an EC resident. The Microloan Fund is also linked to the One-Stop Capital Shop and to Technical Assistance activities of the TEC. They all operate from the Tacoma Business Assistance Center. Business counselors are versed in all of the services housed there and refer people to appropriate business options.

Twenty loans were to made per year (40 loans to be made over two years). Program reports indicate that eleven loans were made, one loan was pending Board review as of late July 1997 and four loans were in process to be taken to the Board at a later date.

Technical Assistance: A second TEC activity provides support to business owners and entrepreneurs for general planning, management, finance, marketing, trade and investment as well as business specific assistance. Technical assistance is provided to the visitors of the Business Assistance Center free of charge by volunteer organizations, though paid TEC staff help to establish connections with these organizations and maintain consistent business counseling schedules. Volunteers come from: Service Corps of Retired Executives (SCORE), Bates Technical College, Small Business Development Council of Washington State University, Tacoma Community College, Center for Economic Opportunities, Tacoma Housing Authority, Metropolitan Development Council, and the SBA One-Stop Capital Shop.

Technical assistance is a core activity of the Business Assistance Center. TA is linked to Microloan Fund activities (loan applicants have received intensive TA and training from the Microloan Fund staff member during the loan application process. Loan recipients are provided with ongoing technical assistance). The technical assistance component also links with the Employment Initiative. If small, growing businesses are looking for new staff, counselors refer them to the job candidates of the Employment Initiative.

Technical assistance was to be provided to 50 Microloan participants as part of each TEC loan approval, with TA methodology completed agreements with partners, reporting plans and a monitoring and evaluation process in place by October 31, 1996. Program reports indicated that ongoing technical assistance has been provided to eleven actual loan recipients. Of 40 microloan recipients expected to receive ongoing technical assistance 27.5 percent of this number have been served. Technical assistance is not displayed separately in the EC budget, because TEC views TA as a core activity of the Business Assistance Center. TEC believes that this activity should be considered as part of the Business Assistance Center and not be separated in future HUD benchmark and Performance reports.

The Business Assistance Center: Tacoma's One-Stop Capital Center is to provide existing and prospective small businesses with a variety of capital and technical assistance products and services. The Center is located in the downtown Tacoma business district. The TEC Board established a steering committee that worked through the concept, oversaw the site selection, and put the basic pieces in place. Now that this initial groundwork has been laid, the staff shapes the flow and process of the program.

The Business Assistance Center administers the Microloan Fund program, the One-Stop Capital Shop, and technical assistance activities. The Business Assistance Center serves as a hub for Employment Initiative activities and is linked to this program through a "First Source Hiring Agreement" between the Microloan Fund program and the Employment Initiative. The BAC is co-located with the U.S. SBA One-Stop Capital Shop.

Total budget for the TEC Business Assistance Center in 1997-98 is $360,724. This amount provides salary for a receptionist, part of a business development specialist, and operating expenses, including computers, Internet access, a business library and program marketing.

Two facility staff were to be hired and 1,500 people expected to visit/use Business Assistance Center in the first year. A receptionist and business development specialist have been hired. More than 2,000 individuals have visited the Business Assistance Center.

TEC realized early on that the goal of providing TA to 115 businesses was much too low. They now expect to have served 5,000 individuals between November 1996 and the end of 1997. Tacoma had provided technical assistance to more than 2,000 individuals as of late July 1997.

APPENDIX E

Other Public and Private Community Development Financing Initiatives in EZ/EC Areas

Other Public and Private Community Development Financing Initiatives in EZ/EC Areas

ATLANTA

Economic Development

Atlanta Redevelopment Authority: The Atlanta Redevelopment Authority is a consolidation of several existing agencies which will operate outside the bounds of city government and have the ability to issue bonds and possess condemnation power. The new entity is expected to encompass the Atlanta Economic Development Corporation (AEDC), the Downtown Development Authority (DDA), the Urban Residential Finance Authority (URFA), and the Urban Residential Development Corporation. In 1988, URFA issued bonds to create a trust fund for residential revitalization in the area impacted by Atlanta's new domed stadium. A series of negotiations with community leaders, public representatives and the Stadium Authority produced an agreement to set aside a certain portion of Atlanta sales tax revenue to provide credit enhancements for the trust fund. Additionally, the super agency will include the newly created Atlanta Economic Renaissance Corporation, which will mix public and private sector development for project planning while implementing marketing plans for the city. Government officials believe a more efficient agency operating outside the city bureaucracy will win the trust and financial support of the business community (*Atlanta Journal/Constitution*, January 19, 1997, G5).

One-Stop Small Business Loan Center: In addition to the government agencies operating in Atlanta, the strategic plan highlights several existing private sector initiatives. At the time of the plan, Trust Company Bank had recently opened the One-Stop Small Business Loan Center in the Zone neighborhood of Lakewood Heights. Trust Company Bank is also responsible for the Atlanta Project Banking Initiative for Carver Homes, which encourages public housing residents to boost their checking/savings accounts.

Business Improvement Loan Fund (BILF): The BILF is a Zone-wide program that will link BILF loans with new funds, emphasizing code improvements, and expand the services of the Greater Atlanta Small Business Project (GRASP), which supports small business development through technical assistance, entrepreneurial training, microlending and other capital access programs.

Greater Atlanta Small Business Project (GRASP): GRASP is a local nonprofit that has aided entrepreneurs and new enterprises in the Zone since 1988. The strategic plan says that GRASP "has a remarkable track record in the neighborhood."

Housing

Atlanta Neighborhood Development Partnership (ANDP): ANDP is a public/private partnership formed in 1991 which includes data and technical advisors from national and local corporations such as The Enterprise Foundation, The Woodruff Foundation, Coca-Cola, the City of Atlanta and the State of Georgia. At the time of the plan, ANDP was funding six CDCs with operating grants of up to $100,000 annually from the Ford Foundation, National Community Development Initiative (NCDI), and other local and corporate sources. ANDP has a revolving loan fund sponsored by local foundations and corporations to make short-term loans to CDCs for acquisition and rehabilitation. CDCs can use these funds to acquire lots and houses they have identified through the master plan. The amount of funds pledged to this fund over the next three years is $5.3 million. The strategic plan lists about a dozen community development corporations (CDCs) operating in the Zone. The plan notes that these CDCs focus primarily on housing rather than economic development and provide construction, administration, and property management opportunities in their neighborhoods.

Housing Resource Center: The strategic plan also reported that ANDP, The Atlanta Project, Neighborhood Reinvestment Corp. (NRC), and the Atlanta Housing Association of Neighborhood-based Developers had formed a Housing Resource Center to increase the technical assistance available to neighborhood organizations interested in forming civic and community development corporations or community-based partnerships. The Resource Center was to be funded with state 1992 HOME funds available for technical assistance. Matching grants and in-kind services from the corporation and philanthropic community were to also be obtained.

Fulton County/City of Atlanta Land Bank Authority (LBA): In terms of government resources, this program has the potential to make a substantial difference in the Zone. The LBA has the power to take tax-delinquent real estate, extinguish back taxes and transfer the property to a housing developer, with priority given to neighborhood-based developers. The Atlanta EZ plan reported that the LBA had then received additional funding and staff, with its future performance expected to increase from 68 to 200 lots annually. The city's Department of Housing (DOH) administers programs using CDBG and HOME funds to identify and rehabilitate or demolish vacant and abandoned housing. In 1993, HOME funds were earmarked to renovate 49 houses. According to Atlanta's most recent Consolidated Plan, about half of the $19.5 million awarded to the city through CDBG, HOME, and other HUD-funded community development programs has been awarded for housing activities, with the largest program being a $3.0 million multi-unit housing effort.

Low Income Housing Tax Credits: At the state level, the strategic plan noted that the primary government resource for the creation of affordable housing will be additional low-income housing tax credits awarded to the Zone. At the time of the plan, the Georgia Housing Finance Authority had allocated over $40 million of tax credits to Atlanta. For every dollar of tax credits allocated to a housing development, 60 cents of cash equity can be invested. To leverage those private investment dollars requires a corresponding dollar of public investment, either through HOME funds or other public sources.

Atlanta Housing Equity Fund: At the time of the plan, the private sector had recently raised and invested $6 million in low-income housing tax credit developments through the first Atlanta Housing Equity Fund, which represents over 300 units of newly-renovated affordable housing. The same core investors had agreed to launch a second Equity Fund of $20 million, which could generate as many as 1500 units of renovated affordable housing. In May of 1994, the major financial institutions in Atlanta formed a Multi-Family Lenders Alliance to provide loans to develop multi-family affordable housing. Its initial commitment was $20 million. This is a revolving source of funds. Alliance loans will be purchased by a secondary source, and the original funds will then be available for relending to future developments.

Corporation for Supportive Housing (CSH): CSH is a nonprofit housing provider based in New York, which established an Atlanta office in 1994. CSH specializes in meeting special housing needs and is supported by grants from major foundations around the country, including Atlanta. CSH has relevant expertise in developing housing components for financing and special needs. Finally, the Atlanta Mortgage Consortium (AMC) was formed in 1989 to provide a pool of mortgage capital for permanent financing of the housing units rehabilitated by CDCs or other developers. The AMC had a current pool of $12 million in mortgage money from local financial institutions at the time the strategic plan was submitted.

Community Projects/Public Works

In terms of infrastructure, most of the responsibilities for improvement, maintenance and utility services are focused in four bureaus of the Atlanta Department of Public Works: Traffic and Transportation, Highways and Streets, Pollution Control, and Sanitary Services. Many of the capital improvement activities cited in the plan are to be financed from the proceeds of a major bond issue that Atlanta voters approved in 1994.

BALTIMORE

Economic Development

HUD Economic Development Initiative Grant: HUD has awarded a $1.5 million Economic Development Initiative grant to the Zone that is being used to create a "Community Empowerment Lending Institution." The loan fund will target small and start-up businesses. EBMC will seek other sources of funding including $1.5 million from section 108 loans; $250,000 from community investors; and $1.5 million from local institutions. An RFP has been developed to recruit a consultant on the organization of the initiative. It is expected that this will soon become an action item, though it does not appear in the strategic plan, benchmarks, or performance review for 1996.

Brownfields in Baltimore: The Baltimore City Department of Planning is implementing a $200,000 EPA Demonstration Pilot Grant within Baltimore's Empowerment Zone to reclaim vacant industrial property. In addition, the City is now promoting the redevelopment of more than 20 such sites around the city.

Smart Growth Legislation: Smart Growth legislation was passed during the 1997 General Assembly session. Smart Growth is intended to shift state support for economic development to designated "growth areas" in each political sub-division in Maryland. A major purpose of this initiative is to limit suburban sprawl. The law will direct hundreds of millions of dollars in state spending to annually designated growth areas.

Greater Baltimore Committee Focus on Regionalism: The Greater Baltimore Committee has announced that it primary focus will be to explore the creation of regional solutions to urban problems. Following the ideas of the "regionalism" movement, the GBC plans to explore issues such as finance, housing, education, and crime on a regional basis.

Housing

City Housing Initiative: The city Department of Housing and Community Development has a program which is aimed at achieving a home ownership rate of 50 percent for Baltimore City by the year 2000.

Homeownership Zone: HUD designated Baltimore's Sandtown/Winchester neighborhood as a "Homeownership Zone." There is some overlap between the Sandtown/Winchester neighborhood and the Empowerment Zone, but not all of Sandtown/Winchester is in the Zone. HUD Awarded a $5.2 million grant to Baltimore to finance the construction of 300 homes in Sandtown/Winchester. City officials hope to use the grant to attract $30 million from state and local government, financial institutions and foundations. In addition to the grant, Baltimore was awarded $6 million in loan guarantees.

CHICAGO

Economic Development

Fund for Community Redevelopment and Revitalization: Foundations (especially MacArthur) are major supporters of the Fund, which is building a neighborhood shopping center in the South Cluster, partially financed with an EZ grant of $474,000, and also rehabilitating two multi-family buildings with the help of a $1,273,000 EZ grant. Most CDC's, in fact, receive varying amounts of foundation and corporate support, as well as government grants from CDBG, HOME, and now, EZ. The Local Initiatives Support Corporation (LISC) has set up a $50,000 fund to assist CDC's with pre-development expenses. LISC is also helping to finance the Fund for Community Redevelopment shopping center, and several other projects.

Community Projects/Public Works

CTA Green Line: The major reconstruction of the 'green line' by the Chicago Transit Authority has affected the West Cluster. The pending construction of a super station is expected to generate development spin offs.

DETROIT

Economic Development

Bank Community Development Corporations: At least three major local banks (all members of the EZFIC) have exercised the option of creating bank CDCs with their greater regulatory flexibility to participate more creatively in the financing of development projects than would be practical for their corporate parents. Local bank CDCs include: First of America, Comerica and National Bank of Detroit.

Community Development Bank: Beginning in the early 1990s, Wayne County Department of Jobs and Economic Development staff were engaged with several community based organizations acting as the Detroit Eastside Community Collaborative to bring a community development bank to Detroit's Eastside. This new institution was to be based upon the *Shorebank* model and SAS was, in fact, contracted to provide technical support to the effort. This initiative was, at some level, a "go" prior to the Detroit Empowerment Zone strategic planing process. In consequence, the CDB serves the east sector of the Zone as well as areas outside the Zone but inside the boundaries of the Eastside Community Collaborative member agencies.

State of Michigan: Through a variety of current programs and vestiges of previous lending/capital access programs, the State of Michigan has significantly increased access to capital. These include standard instruments such as IDRBs, as well as nonstandard approaches such as independent capital access funds. The Michigan State Housing Development Agency also uses the sale of bonds to support low cost financing for low/moderate income housing developments.

Detroit Investment Fund: Detroit Renaissance, the CEO-level civic group which took the lead in organizing local corporations in support of the EZ initiative, established a fund able to make debt or equity commitments in the creation, expansion or acquisition of local companies.

Greater Detroit Business and Industrial Development Corporation: GDBIDCO is a residual from a previous state administration which matched private funds raised to create a limited number of private, for-profit investment funds. GDBIDCO is a locally based, minority controlled fund able to take debt or equity positions.

Community Foundation for Southeastern Michigan:- The local Community Foundation has played an interesting role in community development, including administering grant programs to local community development organizations and projects originally received from private donors (Raymond Smith Fund), a local bank (Comerica), a national foundation and a local utility company acting jointly with a national foundation (MichCon/Mott Community Development Fund). The Community Foundation was also the conduit through which another national foundation (Kellogg) made a program related investment in one of the Business and Industrial Development Corporations (Liberty BIDCO - one of the EZFIC institutions).

Hudson-Webber Foundation: HWF, a local foundation funded by the family once associated with Detroit's leading retailer, makes grants to Detroit community and economic development initiatives. "Economic Development" (attracting, creating or retaining base economy jobs) and "Physical Revitalization" (stimulating the redevelopment of the central city with particular interest in the Woodward Corridor - Detroit's main north/south street) are separate foundation missions. In 1995, HWF paid-out $1.5 million in grants from the Physical Revitalization Mission and another $719,000 from its Economic Development Mission. 1995-97 HWF grant making included the following EZ-related grants: $100,000 to the One-Stop Capital Shop, $500,000 to the Community Development Bank and $100,000 to match Title XX funds given to the Empowerment Zone Development Corporation itself.

Kresge Foundation: Working through intermediaries, this national foundation based in metro Detroit has come to play a major role in funding local community development agencies and initiatives. Kresge has taken leading roles in the Community Development Funders Collaborative, Greater Downtown Partnership and has led two more general Community Foundation initiatives which included community and economic development agencies among their beneficiaries (Van Dusen Endowment, New Initiatives).

Corporate Foundations Associated with Local Utility Companies & Major Banks: Detroit Edison, MichCon, National Bank of Detroit and Comerica all provide major support to local community and economic development agencies and initiatives through their corporate foundations and giving programs.

Local Initiatives Support Corporation: Under the leadership of the Hudson-Webber Foundation, a Detroit LISC was established several years ago. Detroit LISC administers the Community Development Funders Collaborative with the support of CDC/CBO efforts to build capacity, support their operations and mount projects.

Neighborhood Opportunities Fund: Detroit makes very interesting use of a portion of its CDBG funds - roughly $10 million in the most recent year. In a program largely administered by the Planning Commission based within the institutional *City Council*, the City of Detroit annually awards a portion of its CDBG funds to local nonprofit organizations to support their operations and efforts in community development broadly defined. Recent grants include "Lights and Locks" programs operated by block clubs, repairs to the roof of a local Food Center and small grants to many projects.

NEW YORK CITY

Economic Development

NY State Economic Development Zones (EDZs): There are eight EDZs in New York City. East Harlem and Hunts Point are areas which fall under the EZ and the EDZ. A state EDZ designation provides incentives to new or expanding firms in these areas. The state benefits include: a 10 percent tax credit on investments; a 3 percent tax credit for an increase of employment within the next three years; Wage Tax Credits for five years ($1,500 for economically disadvantaged employees paid 135 percent of the minimum wage and $750 for all other employees); Direct Equity Investment Tax Credit of 25 percent for up to a $100,000 investment; Community Development Tax Credit of 25 percent for up to a $100,000 donations; and Zone Capital Corporation Tax Credit of 25 percent for up to a $100,000 donation/investment.

City benefits include: the Industrial and Commercial Incentive Program which provides 25 year real property tax exemption on increases in the property's assessed value due to improvements; REAP or Relocation Employment Assistance Program provides a $500 annual tax credit for each relocating employees for up to twelve years for firms moving from outside of the city or from south of 96th street; ECSP or Energy Cost Savings Program provides discounts of 30 percent on electricity and 20 percent on natural gas charges for 12 years to industrial or commercial firms relocating or expanding in the EDZ; free security consulting services; bonding assistance; and increased procurement opportunities for small, women, and minority owned businesses through the Bid Match program which faxes bid information.

Utility benefits include: savings of up to 5 percent for small businesses and 15 percent for greater use, existing customers also qualify if they have increased their use by 25 percent for over three months; Con Edison customers in the zones qualify for 3-12 percent reductions in natural gas costs and Brooklyn Union Gas customers in EDZ zones qualify for 8-15 percent reductions, a company must use 250 therms per month to qualify; and NYNEX provides a 5 percent discount to businesses in the EDZ on the cost of intrastate-intraLATA calls.

The NYC Capital Access: The NYC Capital Access program is a public/private lending program which provides loans to small and medium size businesses that fall below the underwriting (credit) criteria for conventional bank loans. Loans range from $5,000 - $50,000 for working capital, real estate acquisitions, machines or equipment purchases, and physical improvements to real estate. New York City based commercial, industrial, and retail enterprises as well as non-profit corporations are eligible to apply. The borrower makes an up-front contribution of up to 5 percent of the loan amount. The combination of money from the bank and the borrower is matched by the city to create a loan loss reserve pool equal to 10 percent.

The NYC Industrial Development Agency: The NYC Industrial Development Agency provides low cost, double or triple tax exempt bonds which allow eligible commercial, industrial or non profit corporations to finance business expansions. In order to qualify, firms must create or retain permanent jobs in New York City as well as have a demonstrated need for IDA funding. Bonds may be used to acquire land or buildings, for construction, renovations, purchasing machinery or equipment. All bonds must be fully collateralized by real estate, machinery or equipment. The IDA offers other incentives for example: a land tax abatement of $500 per full time employee; and stabilization of building taxes for up to ten years on industrial projects; a sales tax waiver on construction and renovation materials; and a mortgage recording tax waiver.

The IDA has an *Industrial Incentive Program* and a complimentary *Small Industry Incentive Program*. These programs provide benefits like the sales tax waiver on materials, and mortgage recording tax waiver. The main benefit of the program is the Payment In Lieu Of Taxes (PILOT) Program which provides lower real estate taxes. The IDA acquires titles to the property in name only to the property acquired by the firm. The IDA then leases the property back to the firm. Eligible firms include: manufacturers, processors, assemblers, warehousers, and distributors with annual gross revenues greater than $5 million per year and/or have more than 100 employees. The minimum expenditure for a project land or building acquisition, renovation, or new construction is $1 million. The IDA also provides low cost tax exempt financing of equipment for New York City manufacturers. The IDA provides triple tax exempt bonds (75 percent of bank interest rates) to finance new equipment purchases for area manufacturers.

Prospect Street NYC Discovery Fund: The Prospect Street NYC Discovery Fund was started with a $15 million capitalization grant from the New York City Economic Development Corporation. The fund is also certified as a Small Business Investor by the SBA which can match funds up to 200 percent. It provides loans to New York City based businesses engaged in the development, production, and commercial use of advanced technologies. Advanced technology corporations are defined as any company involved in research and development, manufacturing, production of new scientific applications, technical processes, methods and inventions.

The Non-Profit Facilities Fund Loan Program (NFF): This program provides loans of up to $500,000 for leasehold improvements, the purchase of new equipment, and the renovation or acquisition of facilities by cultural or educational organizations and by health and human services and housing organizations that are non-profit.

The Regional Economic Development Assistance Corporation Mini Loan Program (REDAC): This program provides loans to small, start-up NYC based contractors, manufacturers, retail and/or service businesses. The company's annual revenues may not exceed $5 million and loans range from $5,000-$50,000 for a maximum of 2-5 years at 1.5 percent over prime. Personal or business assets are required as collateral. Loans can be used for machinery and equipment, leasehold improvements, real estate acquisitions or working capital.

The New York City Investment Fund: The New York City Investment Fund is an initiative of the New York City Partnership, which is an affiliate of the Chamber of Commerce. The fund was started in September 1996, and it's purpose is to create jobs and promote economic growth in the five boroughs, with a particular emphasis on disadvantaged neighborhoods. The fund is currently capitalized at $59 million. The investment strategy of the fund emphasizes: "projects that encourage and reinforce the city's growth industries, projects that promote economic revitalization and job creation in distressed neighborhoods and public-private initiatives that promise significant long term benefits for the city." The fund has identified six sector groups (retail, manufacturing, health care and sciences, media and entertainment, and finance, insurance and real estate) within which investors and other experts will select potential projects.

The NY Community Investment Corporation Fund: The fund was created in 1996 by eleven member banks of the New York Clearing House Association. The initial funding pool was established with $10 million and gives special consideration to companies in low to moderate income areas, businesses with less than $10 million in sales, and minority or women-owned businesses. Investments to small businesses are between $50,000-$500,000 and are available to companies in all five boroughs. The company also funds commercial revitalization projects and provides loans to nonprofit intermediary lenders.

Empire State Development Corporation (ESDC): The Empire State Development Corporation runs a variety of technical assistance and loan programs, including:

- *Entrepreneurial Assistance Program* -Training is available in the boroughs of Manhattan, Bronx, Brooklyn, and Queens.
- *Small Business Development Centers* - These centers are administered by the State University of New York. Training is available in all five boroughs.
- *Minority Business Development Agency* - Of the seven centers statewide, three centers are located in Manhattan, Brooklyn, and Queens respectively. The center's staff provide marketing, management and technical assistance to minority individuals starting or expanding a business.
- *Commercial District Revolving Loan Fund* - This revolving loan fund is operated by non-profit organizations throughout the state. In New York City eligible areas include the Bronx, Brooklyn and parts of Staten Island. The fund's purpose is to provide loan to retail, professional and commercial service businesses in order to stimulate the central business district and neighborhood commercial strips. The loan fund provides fixed asset loans of up to $20,000 for property acquisition or improvements. The loan fund also provides working capital loans of up to $15,000 for a variety of improvements. Eligible businesses must have fewer than 50 full time employees and a minimum equity interest of 10 percent of the project or business.
- *Micro Enterprise Loan Fund* - The ESDC has three pilot Micro Enterprise Loan Fund programs for small and high risk minority and women owned business enterprises. Eligible businesses must have annual gross revenues which do not exceed $100,000. Start-up businesses must have completed entrepreneurial or other business training. Loans are for working capital and the acquisition of

equipment for a maximum of 2 years. One of the pilot programs is in the Bronx serving Community Districts 1-4.

- *Minority & Women Revolving Loan Trust Funds* - The ESDC has sixteen Minority & Women Revolving Loan Trust Funds in several areas. The funds are administered by local community development corporations and loans range from $75,000-$200,000. Loans up to $35,000 are granted for working capital and loans up to $50,000 are granted for fixed assets. Funds exist in the Bronx, Brooklyn, Upper Manhattan, and lower Manhattan.
- *Linked Deposit Program* - This program allows businesses to borrow funds at reduced interest rates. The program is subsidized by "linked" state deposits. The maximum loan amount is $1,000,000 for two years. Eligible businesses include those employing New York state based employees on a full time basis in the following areas: manufacturing businesses with 500 or fewer employees; independently owned and operated service businesses with less than 100 employees (personal and professional service businesses are ineligible); businesses in an Economic Development Zone or highly distressed area with less than 100 employees; New York State certified women or minority owned businesses; any business with less than 100 employees undertaking an export project; and defense industry manufacturers planning to diversify into non military markets.

Housing

Affordable Housing Program (AHP) and the Community Investment Program (CIP): These programs were established in conjunction with the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the Federal Home Loan Banks (FHLB), both are designed to increase financial support from Federal Home Loan Bank stockholders (thrifts and commercial banks) for housing and economic development in low-income neighborhoods. The AHP requires each of the 12 regional FHLBs to establish a program to provide cash advances at subsidized rates to member institutions for long-term affordable low-and moderate-income housing. Through the CIP, the FHLBs provide financial incentives and technical assistance to their member savings institutions to encourage their involvement in financing both local housing and community development.

Community Preservation Corporation (CPC): CPC was founded in 1974 by a consortium of banks and other institutions to administer loans for the rehabilitation of buildings for affordable housing. To date they have rehabilitated more than 54,000 units of low- and low-moderate housing by providing both construction financing and long-term permanent loans.

The Neighborhood Preservation Program (NPP): The NPP provides housing services in designated neighborhoods. The South Bronx and Upper Manhattan are designated neighborhoods which also fall in the EZ. The purpose of the NPP is to plan for the appropriate disposition of city owned properties, prevent abandonment, promote rehabilitation and private sector investment.

NYC Housing Preservation and Development (HPD): HPD runs a variety of programs including new construction and gut and moderate rehabilitation of vacant buildings both privately and city owned. Some programs rehabilitate vacant or create new buildings, others renovate occupied buildings including moderate-low income homeless, special-needs housing, and homeowner and rental housing. Some programs are exclusively city funded with a combination of city funds and tax credits, city funds and bank loans, and private equity. Some involve partnerships with LISC and the Enterprise Foundation, Neighborhood Housing Services, and other housing organizations. Some of these efforts include:

- *Neighborhood Entrepreneurs Program* - A local business owner or company receives a cluster of city owned buildings which are occupied and/or vacant buildings. The vacant units are rented at market rates to subsidize the low income tenants in other units. The buildings are renovated with funds from the city and tax credits.
- *Neighborhood Redevelopment Program* - This program is similar to the Neighborhood Entrepreneurs Program but in this case non-profit groups receive a cluster of buildings.
- *Tenant Interim Lease (TIL) Program* - The TIL program provides renovation funds for city-owned buildings as limited equity co-ops.
- *Home Works* - This program has no income or rent limits, however, homes must be owner occupied for at least six years. The aim of the program is to rehabilitate single or multi-family homes and put them up for sale. The city provides partial real property tax exemptions.
- *NYC Housing Partnership* - HPD, in conjunction with the New York City Housing Partnership, provides condominiums, cooperatives, single and multi family homes for sale to families earning between $32,000-$70,950. The city and state provide subsidies. The city provides exemptions from real property taxes.
- *City Homes* - Single and multifamily homes and condos in Manhattan, the Bronx, Brooklyn and Queens are rehabilitated and sold to families with incomes under $70,950. The city and state provide subsidies. The city provides exemptions from real property taxes.
- *Hope 3* - This is a federal program which facilitates the sale of one or two family homes in the Bronx, Brooklyn and Queens to families with incomes under $39,200. The city and state provide subsidies and the city provides exemptions from real property taxes.

New York Equity Fund (NYEF) - The NYEF was established through a collaboration of the Local Initiatives Support Corporation (LISC) and The Enterprise Foundation in 1989 with the mission to organize partnerships of leading New York corporations to invest in affordable rental housing developed by non-profit community development corporations (CDC's). It now oversees and monitors a portfolio of more than 206 projects in the Bronx, Brooklyn, and Manhattan and, through a collaboration between government, non-profits and corporations, has raised and invested more than $590 million in equity to create more than 11,550 new homes for low and moderate income New Yorkers.

PHILADELPHIA/CAMDEN

Economic Development

Each of the three Philadelphia EZ financial plans for community development outlined extensive partnership programs. The major 'partners' were State and City public benefit corporations which are specifically authorized to lend for economic development purposes. Most critical among these are the Philadelphia Industrial Development Corporation. The Delaware River Port Authority, Philadelphia Department of Commerce, the Pennsylvania Industrial Development Authority Loan Program and the Pennsylvania Minority Business Development Authority (PMBDA) were also important at the Benchmarking stage. In addition, half of a $30 million grant to PIDC from HUD through its 108 Loan

Fund program was also to be applied to EZ area development projects in Philadelphia. Private agencies that were expected to 'partner' with the three EZ financial entities in Philadelphia include some commercial banks, PCDC - a non profit private financing corporation funded by Philadelphia's business sector, and the Black United Fund (in North Central Philadelphia).

LOS ANGELES

Economic Development

There are some additional groups that can be considered in this mix. These include: FAME Renaissance, LA Business Development Corporation Consortium, East LA Community Corporation, Korean Youth and Community Center, New Economics for Women, Huntington Park Business Assistance Center, and Asian Pacific Revolving Loan Fund for Los Angeles. With the exception of the last group, which was selected as an intermediary for the LACDB Business Loan program, the others were selected as Intermediaries for the LACDB microloan program. The CFRC falls in the latter group.

One-Stop Capital Centers: One-Stop Capital Centers were proposed as a major strategy in the original strategic plan for making capital accessible. The One-Stop Capital Centers were to be funded by the Small Business Administration. However, only one Center has been developed in Los Angeles County and none exist in the Empowerment Zone. Many of the proposed functions have been assumed by the LACDB and the intermediaries.

The Community Financial Resource Center (CFRC): CFRC is a nonprofit organization funded by donations from 33 banks and had been proposed to be a site for a One-Stop Capital Center in the EZ. Instead, CFRC serves as a microloan intermediary, serving a segment of the SEZ area.

The CFRC is dedicated to providing financial services and counseling for residents and businesses in South Central Los Angeles. They currently provide consumer credit counseling, home loan counseling, and a Spanish technical assistance program. Loan Products provided by the CFRC include a SEED loan program providing low-cost commercial loans for start-up businesses, ranging from $500 to $25,000), and an expansion loan program where banks provide 50 percent of a loan, CFRC provides 40 percent and the individual provides 10 percent. Businesses must be in operation for two-years. Expansion loans range from $25,001 to $250,000.

In partnership with the City of Los Angeles, the CFRC has invested about $1,000,000 in businesses located in South Central. It has also leveraged $4.5 million from area banks for co-lending. Since 1993, the CFRC has assisted with creating or expanding 66 community businesses and helped create or retain 186 jobs.

The Summit Group: Referenced in the strategic plan, the Summit Group was supposed to set up a nonprofit subsidiary to manage the One-Stop Capital Shop; however, the Summit Group now serves as an intermediary for the Business Loan Program.

BOSTON

Economic Development

Massachusetts Community Development Finance Corporation: A quasi-public state agency that finances inner city minority owned businesses through its Urban Initiatives Fund, this finance corporation provides equity and subordinate debt financing to high growth and turnaround opportunities for business in conjunction with CDCs.

Massachusetts Development Finance Agency: This agency is a combination of two quasi-public state agencies: the Government Land Bank which finance real estate redevelopment projects and the Massachusetts Industrial Finance Agency which has several business financing programs, including tax exempt small issue industrial development bonds.

Corporation for Business Work and Learning: The Corporation for Business Work and Learning is a state quasi-public agency with a loan fund targeted to retaining manufacturing jobs.

Massachusetts Business Development Corporation: A state chartered corporation funded by banks, the Massachusetts Business Development Corporation provides higher risk subordinate debt financing, administers the state's Capital Access Program and a state funded recycling business loan program. It is also a SBA 504 lender.

Boston Local Development Corporation: The Boston Local Development Corporation is a City of Boston agency that operates several business financing programs that provide subordinate debt in the $25,000 to $150,000 range to expanding businesses in Boston.

Public Facilities Department: This department operates a CDBG funded loan fund that provides subordinate loans to finance businesses and commercial real estate projects in Boston. Loans are in the $150,000 to $250,000 range.

Several new private and non-profit financing initiatives were recently established and targeted to lending in low and moderate income communities. All four of these entities serve areas larger than the EEC.

Community Development Corporations: The Bank of Boston and Fleet Bank recently established Bank Community Development Corporations to undertake higher risk lending and investments in urban low and moderate income communities.

Boston Community Loan Fund: The Boston Community Loan Fund has established a venture capital fund to invest in businesses benefiting low income communities. This loan fund, which received funding from the federal CDFI program, was previously focused on financing affordable housing development by non-profit developers.

A new investment fund: Managed by several CDCs, under the leadership of Urban Edge Development Corporation, this fund was established to invest in commercial real estate projects and business ventures in Boston's low income neighborhoods. It is capitalized with a $2 million tax credit award it received from the CDC tax credits authorized in the original Empowerment Zone legislation.

OAKLAND

Economic Development

Economic Development Administration Revolving Loan Fund, Recycling Market Development Zone Loan Fund, Industrial Development Bond Program: Administered by the City of Oakland, these programs provide funds that can be used for equipment, real estate, and working capital for businesses located in areas that encompass one or more of the designated EEC areas.

Oakland Business Development Corporation (OBDC): A local CDC contracted with the city to administer the following programs:

- *Microloan Fund* - CDBG-funded microloans ($1000 to $20,000) can be used for working capital, inventory, expansion, renovation and contract financing. Targeted to businesses located in one of Oakland's 7 Community Development Districts which include all three EEC areas.
- *Neighborhood Economic Development Fund* - NEDF loans ($25K - $60K) can be short-term loans used for inventory, equipment, supplies or other operating costs, or longer term loans used to acquire major equipment, fixtures or working capital. Targeted to businesses located in one of Oakland's 7 Community Development Districts which include all three EEC areas.

SBA Loan Packaging: OBDC also provides loan packaging for SBA7A and SBA504 loans, and does Women/Minority Business prequalification to assist these business owners obtain smaller SBA loans ($15K -250K) for equipment, inventory, working capital and debt refinancing. OBDC administers three other loan funds that provide capital for facade improvement, leasehold improvement, and the city Redevelopment Agency's Cultural Arts Revolving Loan Fund, which makes loans to non-profit cultural arts organizations to help bridge funding gaps, provide upfront capital to produce and market events, and reduce operating deficits. OBDC is a major partner in the One-Stop Capital Shop.

Loan Guarantee and Specialized Equipment Loan Program: The Bay Area Small Business Corporation is the local administrator for the State of California's loan guarantee and specialized equipment loan program to assist businesses purchase equipment to control pollution, reduce or remove hazardous waste or reduce energy consumption. The BASBC also administers an Alameda County Industrial Development Bond Program that applies to businesses in the EEC areas.

California Economic Development Lending Initiative: A statewide bank loan pool that provides loans to non-profits for real estate projects, or to non-profit economic development corporations for use to capitalize their own microloan funds.

Other local non-profit CDCs that make loans available to the EEC community include:

Women's Initiative for Self Employment (WISE): The WISE program provides microloans and technical support to women entrepreneurs in the East Bay area and is also a partner in the One-Stop Capital Shop.

East Bay Asian Local Development Corporation: The East Asian LDC provides a microloan program and technical assistant for Asian entrepreneurs, including a number of businesses in the San Antonio/Fruitvale EEC neighborhood. East Bay Asian LDC is also a partner in the One-Stop Capital Shop.

Community Development Financial Institutions

The Bank of the Bay: The Bank of Bay is a new community development financing institution opened in Oakland, and is set up as a state chartered FDIC insured commercial bank. It was capitalized with approximately $5M from the federal CDFI program, and a significant investment of $500,000 from the City of Oakland. Other shareholders continue to provide capital, and the bank began lending about six months ago. The bank uses customer deposits to make loans for small businesses, affordable housing developers and other nonprofit groups. One of its first loans was made to Gregory Truck Body, a black-owned truck manufacturing business located in the EEC.

CHARLOTTE

Economic Development

City-Within-a-City (CWAC): CSAC provides loans to new and expanding businesses within the area covered by the program. All Enterprise Community area neighborhoods are within the CWAC boundary. This loan equity pool was capitalized by the City of Charlotte and participating banks for a total of $13.2 million. The loan pool is "primarily a jobs-creation program designed to stimulate economic activity that will produce jobs for low and moderate income people." Companies or individuals that are establishing or expanding a business in the larger CWAC area of Charlotte are eligible to apply for these funds. Banks use standard criteria, with City funds to be used for down payment assistance. Loans for between two and ten years are made at interest rates 100 basis points over prime.

DALLAS

Economic Development

Public/Private Partnership Financial Incentives: This is a cooperative program between the city government and private businesses, and includes real property tax abatement, business personal property tax abatement, development fee rebate, right-of-way abandonment, and development coordination for businesses located in state designated Enterprise Zones (inclusive of the Dallas EC). As so designated, firms creating or retaining at least 10 jobs receive either a 90 percent tax abatement on added real estate or personal property value for 10 years or 50 percent for 5 years. These firms also receive up to 25 percent rebates or credits of fees charged by City for abandonment of rights-of-ways. Businesses with a minimum investment of $1 million receive a bonus of additional 25 percent for achievement of job and investment requirements. Firms designated as high impact (create 500+ jobs or $50 million investment) or within a target industry (medical, high tech, tourist, warehouse/distribution) are eligible for additional tax abatements, infrastructure cost participation, and development fee rebates.

State Incentives (Enterprise Zone Program): Texas passed legislation in 1996 designating all EZ/ECs as a state enterprise zones and providing them with the benefits of state enterprise zone designation. The incentives for businesses committing to hire and maintain at least 25 percent of its new employees from enterprise zone residents include the following:

- *State Sales Tax Refund* - A one-time state sales tax refund of up to $5,000 for taxes paid on machinery and equipment for use in Dallas' three state enterprise zones (or EC) by a qualified business that has operated in such zone for at least three years and has retained at least ten jobs. The refund is based on $500 dollars for each job retained during the calendar year and is limited to three qualified business per year in each designated state zone.
- *Franchise Tax Refund* - A one-time franchise tax refund of up to $5,000 for qualified businesses in Dallas' state designated enterprise zones (or EC). The refund is based on $500 dollars for each new job created during the calendar year. The refund is limited to three qualified business per year in each designated state zone.
- *Public Utility Reductions* - Qualified businesses locating in Dallas' three state designated enterprise zones (or EC) can be classified by the Public Utilities Commission as eligible for up to five percent reduction on electric and utility rates, after negotiating with local electric utility service providers.
- *Priority and Preference* - All businesses locating in Dallas' three state designated enterprise zones (or EC) have priority and preference for all economic development programs provided through the State Department of Commerce and potential priority or preference for other programs administered by the State.
- *Enterprise Zone Projects* - Qualified firms granted a five year state designation must: commit to creating a minimum number of new permanent jobs; make a minimal investment in the zone; be annually certified by the Texas Department of Commerce to be a qualified business; and retain a level of jobs from date of state sales tax refund for at least three years are designated as Enterprise Zone Projects. Benefits from this designation include the following:
  - *State Sales or Use Tax Refund:* The State Sales or Use Tax Refund allows up to $1.25 million in state sales or use tax refunds, for taxes paid on building materials, machinery, and equipment for use in an enterprise zone by a state designated enterprise project at the rate of no more than $250,000 per year. The state sales and use tax refund is based upon 110 percent of the new permanent jobs committed to be created at the rate of $2,000 per new permanent job up to an absolute maximum of $1.25 million over five (5) years. Enterprise project designations are limited to no more than four (4) qualified businesses within an enterprise zone (or EC) per year, each of which must be nominated by the City.
  - *Franchise Tax Reduction:* A franchise tax is charged to businesses who incorporate in the state of Texas. Franchise tax reductions for state designated enterprise projects are based on a 50 percent reduction of increased apportioned taxable capital or 5 percent apportioned earned surplus income as calculated on each franchise tax report during the five year project designation period. The project may choose the calculation that provides the greater benefit.

Freeport Tax Exemption: This exemption applies to items that will be forwarded out of the state within 175 days of the date acquired or brought into the state, and/or are in Texas for assembling, storing, manufacturing, repair, maintenance, processing, or fabricating purposes. The amount of goods in transit exemption for a given year is normally based on a percentage of inventory made up by such goods the previous year.

Smart Jobs Training Program (SJTP): This is a statewide program that is available to Dallas' EC. It offers financial incentives to new and existing businesses to create jobs. It is designed to assist Texas business in training its workforce and providing financial incentives to create and retain new high-skill, high-wage jobs. Funding for the program is provided by a diversion of funds from the Texas Unemployment Insurance Trust Fund. Businesses can customize training to meet their exact needs. Requirements include paying at least the State Average Weekly Wage, an employer match, and a worker retention period of three months after training. All Texas employers are eligible but the legislature established several priorities. Sixty percent of the Smart Job Funds go to existing businesses established for at least one year with the remaining 40 percent to new businesses.

Financial incentives for businesses located in or expanding within the Dallas EC (as a designated State Enterprise Zone) include "justifiable" training costs. In contrast, large firms (100+ employees) are eligible for $2,500 per employee and small firms (less than 100 employees) are provided an average between $3,000 and $4,000 maximum. The program is marketed through CDCs, Chambers of Commerce, Workforce Boards, colleges, and municipal development departments.

South Dallas/Fair Park Trust Fund: This fund is designed to promote business development and retention initiatives, job retention, housing, community development and community service in the Fair Park community in Southern Dallas. The community is made up of 13 census tracts, of which nine are within Dallas' EC. Assistance is provided for the purposes of improving business opportunity, creating and retaining jobs, and encouraging affordable housing projects. The Trust Fund is supported through a percentage of revenues generated by events held at Fair Park, income generated through loan repayments, and general fund revenues from the City of Dallas. Financing programs operated by the Fund include:

- *Commercial Loan Program* - Available to area businesses, 3 percent interest loans up to $20,000.
- *Community Based Nonprofit Grants* - Available to area 501 (c)(3) tax exempt nonprofits up to $35,000 per year ($75,000 maximum total award) requires a 100 percent match (75 percent cash, 25 percent in-kind) and used to support community outreach projects.
- *Challenge Grants to Neighborhood Groups* - Available to area neighborhood associations or any neighborhood group with active membership up to $5,000 (100 percent cash and/or in-kind match), used to promote neighborhood awareness, encourage beautification, and develop resident pride.
- *Emergency and Minor Home Repair Grants* - Administered by the Dallas Housing Department available to low income and elderly homeowners up to $5,000.
- *Youth Employment/Minor Repairs to Homes Program* - May be funded as a joint economic development and housing initiative; $50,000 annually.
- *Micro Grant Awards for Emergency Situations* - Available to area businesses for emergency situations caused by natural or man-made disasters not covered by insurance up to $25,000.

Business Facade Improvement Program: The City has created a facade improvement program for neighborhoods located within the target area of Dallas' Renaissance program. A qualified business may be eligible for a conditional grant of up to $10,000 for facade improvements. Priority is given to eligible commercial and retail businesses creating a physical and visual impact, potential for expanded employment opportunities, neighborhood compatibility, local business association support, and level of private investment.

Tax Increment Financing/Public Improvement Districts: Three TIFs (St. Thomas, City Place, and Cedars) are located within the Dallas EC as a mechanism to finance new public improvements and stimulate new private investment. Any increase in tax revenues from an established fixed assessment value caused by new private investment and higher land values are paid into a special District fund used to finance District projects. Projects eligible for TIF financing are: capital costs – public works, public improvements, new buildings, structures, acquisition and renovation of existing buildings, land and site costs; financing costs; real property assembly costs; relocation costs; professional services, administration, and organization costs; construction interest; and operating costs for the zone and for project facilities.

Housing

Enterprise Foundation-Dallas Program: The Enterprise Foundation is a national, nonprofit charitable organization that helps community groups develop affordable housing for low-income families and individuals. Enterprise's efforts in Dallas were boosted in 1988 when they received a $5.3 million contract to manage the Dallas Revolving Loan Fund, a pool of CDBG funds. Under this contract, Enterprise opened a full-time Dallas Office with the Loan Fund providing financing for both for-profit and nonprofit developers of low-income housing. Investments made by Enterprise include transitional housing, housing renovation and rehabilitation, and rental units.

Dallas Affordable Housing Partnership: The Enterprise Foundation facilitated a working group of Dallas savings and loans, banks, and mortgage companies, Fannie Mae, Federal Home Loan Bank, City, County, Exxon Corporation, and the Redman Foundation to create the DAHP. DAHP is a lenders' consortium that has committed funds for first time mortgage loans for low income, first time home buyers. Targeted areas are CDBG neighborhoods, including the Dallas EC. Eligibility requirements for loans include income limits of 67 percent of the Dallas area median adjusted for family size ($29,413 for a family of four) and single family residences with a maximum sales price of $65,000 in the City. The program includes both conventional First Mortgage Loan Funds and Second Mortgage Subsidy Financing.

Homes For Dallas: This program is a five year $1.5 billion citywide partnership created in 1995 between Fannie Mae, the City of Dallas, and local mortgage lenders to help increase home ownership and rental housing opportunities for individuals and families throughout the City. Homes for Dallas includes a set of mortgage options available only in the City of Dallas for low, moderate, and middle income home buyers that features down payments with as little as 3 percent of the borrower's own funds.

Freddie Mac Expanding Markets Tools: This program is primarily directed to expanding home ownership and rehabilitation opportunities for low-to-moderate income households through underwriting tools for mortgage lenders in the area. Community Development Lending Alliances provide access to all Freddie Mac programs and products in targeted areas to meet the specific need of each community.

Guaranty Federal Mortgage Assistance Program: Guaranty Federal has allocated $600,000 to assist low-to-moderate income families in purchasing homes in the City. The program is designed to provide funding for principal reduction, closing costs, mortgage assistance, and/or down payment assistance to home buyers with a family income at or below 80 percent of the area median income ($41,000).

Dallas Housing Authority: The City has formed a partnership with the Dallas Housing Authority (DHA) to revitalize public housing. Five public housing communities are within the EC: Park Manor, Roseland Homes, Little Mexico Village, Cedar Springs Place, and Frazier Courts. The DHA has established a Comprehensive Grant Program for modernization of DHA's public housing developments. Funds are used for the physical improvement needs of the developments and may include such items as new appliances, landscaping, street and parking lot repairs, new roofs, etc. Both Little Mexico Village and Cedar Springs Place (stucco additions) have undergone comprehensive modernization in the time period.

The Public Housing Drug Elimination Program funds most of DHA's drug elimination activities. Many of these, such as staff positions and camps, are Authority-wide and difficult to pro-rate per development. The security improvements listed under the Drug Elimination Program are the off-duty police officers DHA pays to provide foot patrols of its housing developments.

The partnership submitted an application in February 1995 to HUD for a HOPE VI Urban Revitalization Demonstration (URD) Program Planning Grant for the redevelopment of the Roseland Homes public Housing development. HUD awarded DHA $400,000 for this purpose.

Section 108 Loans: Dallas has received $50 million in Section 108 loans guaranteed by HUD for:

- *In-Town Housing* - ($25 million) The in-town housing program has allocated nearly $1.5 million to the EC for the rehabilitation of existing apartments and new structures at the Eban Village apartment complex. This investment is supported by leveraged private dollars in the amount of $8.5 million dollars.
- *Neighborhood Renaissance Partnership* - ($25 million) Dallas' Neighborhood Renaissance Program is designed to influence neighborhood change and prevent irreversible decline in selected CDBG census tracts by expanding housing and economic opportunities, reducing crime, and improving the livability of inner city neighborhoods. Two EC census tracts are included in these areas and have been allocated an estimated $1.5 million.

HUD Community Development Programs: Dallas' four HUD programs are available to the Enterprise Community. (1) Community Development Block Grants; (2) HOME Investment Partnerships; (3) Emergency Shelter Grant; and (4) Housing Opportunities for Persons with Aids (HOPWA).

Community Development Financial Institutions

Low Interest and Interim Financing (Southern Dallas Development Corporation): The Southern Dallas Development Corporation (SDDC), a certified Community Development Financial Institution (CDFI), provides several distinct programs that are available to the Dallas Enterprise Community. Small businesses as defined by the U.S. Small Business Administration criteria, are eligible for program funding. Economic impact criteria includes the creation of new jobs, the business eliminates slum/blight conditions through real estate development, and business is compatible with and contributes to the economic development of the neighborhood.

- *Investment Zone* - Loans from this program are available to small businesses currently located in or ready to locate in the Dallas EC or its contiguous census tracts. Use of funds include working capital, machinery/equipment, real estate acquisition, and rehab/new construction. Loans up to the amount of $500,000 are available to firms with at least two years successful operating results and generating one new job per $5,000 loaned over a four year period with a goal of 50 percent filled by Southern Dallas residents. Financing structure is a minimum 10 percent for the borrower and maximum of 90 percent for the Investment Zone. Jobs must be advertised and made available first to Investment Zone and Southern Dallas residents.
- *Southern Dallas Development Fund* - Loans from this program are available to small business located in Dallas' Enterprise Zones (inclusive of the Dallas EC) with 18 months successful operating results. Loan amounts are for a minimum of $25,000 and maximum of $100,000. Financing structure is a minimum 10 percent for the borrower and maximum of 90 percent for the Investment Zone. Use of funds include working capital, machinery/equipment, real estate acquisition, and rehab/new construction. Job creation and retention is encouraged but not mandated for this program.
- *SDDC Community Development Block Grant Funds* - These funds area available to small firms located in Southern Dallas or Dallas' Enterprise Zones (inclusive of the Dallas EC) or with a willingness to relocate with 18 months of successful operating results. Loans are available up to $300,000 for use as working capital, on machinery/equipment, real estate acquisition, and rehab/new construction. One job per $15,000 loaned must be created and 51 percent of jobs must be available to low and moderate income individuals.
- *Dallas Business Finance Corporation (DBFC)* - This is a citywide SBA 504 loan program for small firms located anywhere in the City of Dallas with the mandated participation of a financial institution. This program allows for 40 percent of project cost loan amount up to $1 million in Dallas' Enterprise Zones and EC. Use of funds include machinery/equipment, real estate acquisition, and rehab/new construction. Job creation criteria is at least one job per $35,000 loaned.
- *SDDC Small Business Administration Micro Loans* - This is a citywide loan program for small businesses established or expanding business with a minimum of 6 months operating history. Loan amounts include a minimum of $5,000 and maximum of $25,000. Use of funds include working capital and inventory financing, equipment purchase, and cannot be used to refinance existing debt or real estate purchase/improvement.

On June 19, 1997, the SDDC submitted an application for a $2 million grant with the Community Development Financial Institutions Fund. The SDDC plans to match these funds dollar for dollar, leverage at least $5,320,000 in additional investment, and create 400 jobs. The target market for the CDFI funds is the Dallas EC, its contiguous census tracts, and Dallas' Enterprise Zones. Further, SDDC will seek an additional $3 million in three subsequent submissions to the CDFI to be matched by $3 million raised by the SDDC. The CDFI funds will be placed in the investment zone fund which already has $2 million in matching capital available which represents the proceeds of the sale of a $1 million community development tax credit to Texas Instruments.

Loans and investments are to be targeted primarily to minority business owners and/or firms that create substantial employment. One million two hundred thousand dollars has been loaned to date under the CDFI fund. Additionally, SDDC has $1.6 million in commitment letters from four banks and $186,000 pledged by six corporations and foundations.

Community Projects/Public Works

Uptown Public Improvement District: Dallas has one Uptown Public Improvement District encompassing part of its EC. The district was created in response to a property owners' petition to fund certain public improvements or special supplemental services. The source of funding is a special assessment on properties within the district. The PID may fund various public improvements such as mass transportation facilities, off-street parking, parks, water, wastewater, or drainage facilities or improvements, sidewalks, streets, other roadways and rights-of-way. Special supplemental services eligible for funding include recreation, public safety, development, health and sanitation, and business recruitment.

General Obligation Bonds: Certain proceeds from Dallas' 1995 bond issuance are available to the EC for infrastructure and other public improvements. A total of $22,755,000 was allocated to the EC with $12,755,000 having been expended to date. Investments include improvements on the Martin Luther King Bridge, the Dallas Zoo, renovations of the Cotton Bowl and building restorations at Fair Park.

EAST ST. LOUIS

Economic Development

Metro East Lenders Group (MELG): When the Strategic Plan was written, banks operating in the East St. Louis metropolitan area had formed a consortium to address the housing, economic development, educational and social needs of low and moderate income residents – in particular by considering applicants referred by EC staff who would have difficulty obtaining loans under conventional guidelines. Presently, the group meets every other month. Recently approved Benchmark 13.3 involves a home ownership counseling program to be funded jointly by the EC and the MELG.

Microlending: The State of Illinois has agreed to fund the start-up of a loan pool available to small business owners, including those with home-based operations. The loans will be for small amounts and the business owners themselves will make future lending decisions. The concept is similar to a program operating in the St. Louis EC.

Small Business Investment Corporation (SBIC): The EC Coordinator will sit on the board of this corporation, which is designed to provide loans of at least $100,000, for major business development. The SBDC is presently applying for start-up funds from the federal Small Business Administration (SBA) and the State of Illinois.

Funders Coalition: Two initial meetings have taken place among the entities which fund community development in the East St. Louis area, including the EC, CDBG Operations Corp., MELG, NationsBank, United Way, the Danforth Foundation and the Casino Queen Foundation. The coalition's goal is to coordinate funding activities as an alternative to forcing needy community groups to make the rounds of various funders whenever they conceive a worthwhile project.

Housing

NationsBank: NationsBank holds seminars for prospective home owners in the EC area and has also discussed the possibility of a revolving loan fund with EC staff.

East St. Louis Housing Authority (ESLHA): The ESLHA administers federal funds including Section 8, HOME and HOPE. The ESLHA is presently rehabilitating conventional public housing and attempting to develop economically integrated housing (along with the EC Housing Focus Group). The EC is considering funding the purchase of computers for the ESLHA's "Campus of Learners" program.

Community Projects/Public Works

Bi-State Development Authority: This regional transport body is expanding the Metro Link light rail system further into the EC area. East St. Louis, Washington Park and neighborhood groups are seeking to develop the areas around new rail rapid transit stations.

LOUISVILLE

Economic Development

In Louisville, there are a number of existing community development finance programs available to increase access to capital in the community, although not necessarily targeted to the EC site specifically. The Office of Economic Development (OED), a joint City of Louisville and Jefferson County agency, is the administrator of the most significant minority lending programs – Minority Business Development Loan Program and Metropolitan Business Development Corporation.

In addition, the Strategic Plan mentions initiatives and programs by three local banks – National City Bank, PNC Bank, and Liberty Bank – that LEG is expected to partner with. National City Bank has three programs that provide community development financing independent of the Enterprise Community. The Small Business and Minority Owned Business Development Plan is designed to work closely with entrepreneurs to formulate business plans that can then form the basis of loan applications. National City Bank also works closely with the Kentucky Minority Supplier Development Council to extend working capital loans to minority entrepreneurs. And, National City has an established commitment of extending loans to assist minority firms to obtain franchises under the Kentucky Fried Chicken Minority Loan Guarantee Program. PNC Bank has a Community Development Corporation involved in financing real estate construction or the rehabilitation of housing units in the West-End that would not otherwise qualify for financing under traditional banking guidelines. Liberty Bank has, since 1987, sponsored a Reduced-rate West-End Loan Program. Loans are made from a pool of $5 million for businesses located in or relocating to the West End.

Minority Business Development Loan Program (MBDL): This Jefferson County program is administered by the Louisville and Jefferson County Office of Economic Development, and provides loans for $5,000 to 100,000 to qualified start-up and expanding minority-owned businesses, and, in

Jefferson County outside the city limits of Louisville, to businesses owned by women or persons with disabilities. MBDL is a partnership between the county and PNC Bank, National City Bank, Bank One, Bank of Louisville, Fifth Third Bank and Republic Bank. The county guarantees 40 percent of the loan. The program began in 1989 and has provided 88 loans totaling $3 million during that time. Of these, 13 were made to African Americans in the EC zone for $675,000. These loans are oriented towards business development (e.g., individual business) and not community or economic development.

Metropolitan Business Development Corporation (METCO): METCO is a City of Louisville owned community development corporation which provides direct loans operating as a revolving loan fund. It is funded with CDBG money and repayments on a UDAG grant from a department store lease in a downtown mall financed out of these grant programs. Loans can be up to $100,000 and are available to any business in the city corporate boundaries. Some of the money is set-a-side for minority businesses. An advantage of this program is that is it can be used for gap financing.

Neighborhood Commercial Loan Program: (part of METCO) This program is administered by OED provides loans of up to $10,000 for storefronts in targeted areas.

Parkland Commercial Revitalization: (part of METCO) This program provides loans to small businesses to help revitalize Parkland neighborhood in West Louisville.

Louisville Central Community Center, Microloan Program: This program makes loans for $500 to 1,500. It is based on models in the third world, where peer lending groups are organized with 5 to 10 members that are provided with a pool of money to lend to themselves. As a group, they determine who gets the loan, the repayment terms, and collateral.

Minority Bond Assurance Fund: This fund is a statewide network which assists minority-owned businesses in securing contracts requiring bonding.

Investnet: Investnet is a multi-state network of individual investors and professional venture capital firms, ready to provide equity capital, long-term financing and management assistance to businesses.

U.S. SBA 7a and SBA 504 Loan Programs: OED assists businesses in applications.

African American Venture Capital Fund, LLC: This is a venture capital fund targeted specifically to African Americans in the Louisville region, although not exclusively to the EC site. This fund was created in 1993 following a regional economic development strategy process. $8 million was raised from private sources to capitalize the fund. The fund is a for-profit corporation, takes equity positions in businesses it invests in and retains the right to change management. It has closed on 5 loans since its creation which ranged from $250,000 to $1 million. The requirements for investment are that the business is owned by an African American. No real estate ventures are invested in. The aim of the fund is to create wealth in the African American community.

Wired: Wired is a new Jefferson County microenterprise program set up exclusively for women. After completing a 10 week program, applicants can request a $1,500 loan. When the orientations were held for this program, the majority of those interested were African American women from the EC area.

PHOENIX

Economic Development

The Phoenix associate reports that the packaging and blending of some of this activity in the EC has had leveraging and multiplier effects that are harder to quantify but seem to have resulted from public-private interaction over loan programs and related activities in the area. There is now substantial, if partially subsidized, private activity in an area of Phoenix that was once far more rigidly avoided by private financial interests. In this area of Phoenix, red lines are dissolving – if not totally erased – because of several related, complex factors. Some of this progress would have been made anyway, but the EC has helped, not hurt this overarching effort.

Housing

Many additional community development financing activities, public and private, may now be found in the Phoenix EC. These include housing rehabilitation, some new housing and mortgage write-downs, emergency housing repair, expansion of rental housing opportunities, and some new City-funded infrastructure. A rich mix of CDBG, other federal and local funds including bonds, tax credit financing and private funds is used to finance these activities. In addition to activities listed on the City's Performance Report, HUD officials and close observers of the EC offer anecdotal evidence of community development financing assistance external to the EC program funding described above. Examples include a new 202 elderly project located in the EC (24 units made possible because of "extra points for being in the EC") and a new Habitat for Humanity housing project, billed as one of the largest in the country, located just on the edge of the EC area.

SAN FRANCISCO

Economic Development

MOCD Loan Fund: The Mayor's Office of Community Development Loan Fund administers HUD Section 108 and EDI loan funds now totaling $56 million (including $6 million earmarked for SEED micro enterprise loans – see below) to support new and existing businesses, and to attract emerging industries that lead to the creation of jobs for low and moderate income San Franciscans. In general, these funds are intended to provide the "gap" financing needed to make a project work. Eligible loan applicants must be for-profit firms that are located, or locating, in San Francisco; are not able to secure all, or a portion of, the project's financing from established lending institutions; have an average credit history or demonstrated a commitment to repay debt; will create employment for low and moderate income persons; are located in, and provide products or services to, a low-and moderate-income neighborhood. Loans typically range from $1,000 to $250,000, with loans for higher amounts approved on a case by case basis. Loan applications must be sponsored by a City-funded economic development organization, which include Asian, Inc., Center for Southeast Asian Refugee Resettlement, Mission Economic Development Association, San Francisco Renaissance, South of Market Foundation, Urban Economic Development Corporation, and the Women's Initiative for Self Employment.

Only $9,360,000 of the $56 million have been "drawn down" thus far in direct loans and loan guarantees ranging from $50,000 to $3,250,000 to support nine business concerns and the projected creation of 215 new jobs in low and moderate income neighborhoods. All such loans included a job creation requirement and an agreement by the borrower to seek out and identify residents of the EC neighborhoods to provide training and employment opportunities Most of the loans granted were to businesses located in or near an EC neighborhood, particularly Bayview/Hunters Point, Mission, and South of Market.

The biggest Section 108 loan of $3,250,000 (plus $200,000 EDI funds) went to The Waterfront Restaurant on Pier 7 for renovation, leasehold improvements, equipment, and working capital to support a culinary training program for 92 workers specifically recruited from EC neighborhoods. The next biggest loan, for $1,400,000, was granted to the Lilli Ann Garment firm for machinery and equipment, fabrics/materials, leasehold improvements, relocation costs, advertising and working capital. The third largest investment, a loan guarantee of $1,350,000 to Hampshire Properties, Inc., provided working capital supporting the construction of a new hotel at Howard and 3rd Streets which will create 38 new jobs, most to be filled by residents in South of Market and other EC neighborhoods.

MOCD's Self Employment and Enterprise Development (SEED) Program: Described as an "umbrella" program, SEED's purpose is to employ and empower low and moderate income San Franciscans by assisting them with their business development needs. SEED is funded by CDBG and private money. Unlike the more centralized full-service City Hall-run programs found in other cities (e.g., "one-stop capital shops"), SEED is implemented through a consortium of five local non-profit CBOs.

Start-up loans up to $10,000 are available from SEED's Microenterprise Loan Fund to SEED graduates who (a) meet HUD's income eligibility guidelines, (b) have been in business less than 12 months, and (c) are sponsored by a SEED business technical assistance program. Applications are submitted to MOCD's SEED Loan Committee by the sponsoring agency. The loan process usually takes six to eight weeks.

Community Outreach and Pre-Enterprise (COPE): COPE is SEED's lead outreach and intake organization. COPE conducts grass-roots, door-to-door outreach to identify low and moderate income San Franciscans interested in starting businesses. COPE works with would-be business owners and entrepreneurs to assess their business skills and capital requirements. Typically, COPE refers such clients to one of four SEED-funded non-profit programs to receive entrepreneurial training and/or business technical assistance.

Association for Children's Rights & Services (ACRS): ACRS provides technical assistance to individuals interested in starting or expanding family day care operations.

Center for Southeast Asian Refugee Resettlement (CSEARR): CSEARR provides business technical assistance and one-on-one consultation to referred clients, particularly (but not exclusively) Southeast Asian immigrants seeking employment through business ownership. CSEAAR also administers a Small Business Administration (SBA) financed microloan fund.

San Francisco Renaissance: This program offers a 14-week, two nights a week business training three times a year, serving all eligible low and moderate income city residents. San Francisco Renaissance provides post-graduation business management support and technical assistance through one-on-one consultation and the San Francisco Business Network.

Micro-Business Incubator (MBI): Administered by the San Francisco Renaissance, the MBI assists low and moderate income entrepreneurs to stabilize and grow their businesses in a nurturing business environment. MBI's services include on-site business technical assistance, shared administrative support services, and below market-rate office space.

Women's Initiative for Self Employment (WISE): WISE provides a 12-week entrepreneurial training program and business technical assistance mainly to low and moderate income women who aspire to start and operate businesses. Two components of WISE's business program are the Homeless Women's Project and ALAS, a start-up business program targeting low and moderate income Hispanic women. WISE also administers a loan fund to assist low and moderate income women who are unable to receive start-up capital from traditional lending institutions.

Neighborhood Economic Development Organizations (NEDO's): Four NEDO's perform key functions in San Francisco's community development financing system. These are: *Mission Economic Development Association (MEDA),* which serves the predominantly Latino Mission District; *Urban Economic Development Corporation (UEDC),* which mainly serves the African-American community, particularly in Bayview Hunters Point, Western Addition, and Visitacion Valley; *Asian, Inc.*, which mainly serves the Asian-American community, particularly in Chinatown; and *South of Market Foundation,* which mainly serves residents in the South of Market neighborhood.

These organizations provide local businesses with technical assistance, loan packaging, and other business-related services. They receive their funding from a number of different sources, although much of their funding comes from the Mayor's Office of Community Development CDBG allocation. Two of them (South of Market Foundation and UEDC) receive considerable funding from the San Francisco Redevelopment Agency to provide business assistance within redevelopment areas in the South of Market (South of Market Earthquake Recovery Redevelopment Project) and in the Bayview area. Although they do not serve as lenders, they do facilitate access to capital through the services they provide to businesses.

San Francisco Redevelopment Agency (SFRA): SFRA's economic development-related activities in the South of Market Earthquake Recovery Project Area include the Small Business Recovery Fund (SBRF), a Facade Improvement Program, an agency-funded steam cleaning program, and an employment development program. During FY 1995-1996, the SBRF provided $350,000 in loan guarantees for private bank loans to Project Area businesses (San Francisco Redevelopment Program Summary of Project Data and Key Elements, 1995-1996; telephone interviews with key informants, July 1997). Participating banks included Wells Fargo and the Bank of America. In FY 1995-96, the SFRA had also allocated $220,000 in direct loans to businesses for facade improvements, up to $10,000 per storefront. SFRA also administers the city's Enterprise Zone program which provides State and local tax credits an other incentives to promote economic development in these zones. Three of the city's Enterprise Community neighborhoods are in Enterprise Zones: South of Market, the northeast sector of the Mission, and Bayview/Hunters Point.

Housing

Because of the high cost of home ownership in the City of San Francisco, the City has pursued a deliberate policy of targeting resources towards rental housing and the preservation of publicly funded affordable rental housing. The following is a partial list of loan resources available for homeowners.

First-Time Homeownership Assistance Revolving Fund: First time buyers of one of the 373 townhouses or cooperative units developed in several different projects on city-owned land are eligible to receive a silent second mortgage from the City. Deferred payment mortgages of up to $70,000 were available.

Mortgage Credit Certificates (MCC's): The City administers $15 million of MCCs allocated by the California Debt Allocation Committee. The MCC gives the first time homebuyer additional tax savings and allows the homebuyer to qualify for a larger mortgage.

California Housing Finance Agency: CHFA provides income eligible first-time homebuyers first mortgages at below-market interest rates.

Community Housing Rehabilitation Program (CHRP) and Code Enforcement and Rehabilitation Fund (CERF): These are two loan funds sponsored by the city which help low income homeowners make emergency repairs or rehabilitate their housing. CERF allows for a maximum of $7,500 per unit with no interest, while the CHRP allows for up to $40,000 per unit at an annual interest rate of 3 percent. CERF allows low-income owners deferred payment loans to correct conditions the City has determined to be unsafe or in violation of the building code. CHRP allows the owners of single family homes owned and occupied by seniors (citywide) or by low-income families in designated areas of the city, and owner-occupied board and care facilities to rehabilitate their dwellings and make corrections of code violations. Funds may also be used for refinancing existing indebtedness.

Federal Economic Development Initiative and Section 108 Loan Guarantee funds for Housing: In 1996, the Mayor's Office of Housing applied to HUD for $5 million in EDI funds under HUD's "Homeownership Zone" Program. These funds would support programs designed to assist first-time home buyers and existing senior low-income homeowners. It is not known at this date whether this application will be successful.

A number of programs provide limited rental housing assistance to both individuals and non-profit organizations. The following is a partial list.

Homestretch Homelessness Prevention Program: This rental assistance program is funded by HOME ($50,000), CDBG ($30,000), DSS, and private funds. It is administered by MOH and Catholic Charities. This program assists low-income tenants with security deposits or rental debt if the household is threatened with eviction.

Season of Sharing Program: This is a rental assistance program for short-term emergencies and is available to low-income families for the duration of one month. This program is supported by private funds raised by the SF Chronicle ($410,000 for SF in 1997). It is administered by DHS and serves about

750 low income families in San Francisco per year at the cost of about $547/family. It does not serve single persons.

CDBG, HOME and HOPWA: Federal sources for housing development include CDBG, HOME and HOPWA funds. The CDBG program allocated approximately $8,953,300 in 1997 for loans for housing development and pre-development costs. HOME funds included $7,981,200 in 1997 for loans for housing development, rental assistance, and administrative expenses. San Francisco HOPWA funds totaled $6,905,451 for loans for housing development, operating subsidies, rental subsidies and services for persons with AIDS.

Section 8 Moderate Rehabilitation Programs: Other Federal resources for rental assistance include Section 8 moderate rehabilitation programs for signal-room occupancy hotels. This is particularly relevant to the Mission and South of Market Enterprise Community neighborhoods as they contain a large number of the city's single-room occupancy hotels.

HUD's Shelter Plus Care: San Francisco has also received funding for rental assistance programs through HUD's Shelter Plus Care program, which can be used for project, tenant or sponsor-based rental assistance to persons with disabilities.

The Passage of Proposition A: Passed in November 1996, this ballot measure authorized the city to sell $100 million in bonds for the purpose of developing affordable rental housing and for providing down-payment assistance to first time homebuyers. Funds will be made available to for-profit and non-profit affordable housing developers and first-time homeowners.

San Francisco has a large number of non-profit housing developers. A number of different resources exist to assist these organizations in the development of affordable housing. The following is a partial list:

Local Initiatives Support Corporation (LISC): LISC has committed $3 million to projects identified in San Francisco's Enterprise Community Plans. The bulk of these matching funds will be applied to the Chinatown and Tenderloin neighborhoods, which applied for but did not receive Enterprise Community designation. LISC has made available $750,000 in loans and grants, plus an additional $1.5 million in equity investments for economic development and affordable housing ventures in the Tenderloin. To date, no applicants have come forward for the available loan funds.

Low Income Housing Fund (LIHF): LIHF is a nonprofit lender and financial intermediary for the development and maintenance of low-income and supportive service housing. The organization has a number of funds for the predevelopment, acquisition and rehabilitation of affordable housing. LIHF has one branch in San Francisco, another in New York City. The San Francisco branch has made a commitment to work with the Enterprise Community program (see Strategic Plan, Executive Summary, pg. ES-9.) A large number of the projects assisted by the LIHF have been in Enterprise Community neighborhoods. These are generally multi-family units.

Predevelopment Loan Program: This program is funded through CDBG and the local Citywide Tax Increment program. It supports feasibility studies, planning costs and pre-construction expenses associated with the development of housing by non-profit organizations.

Citywide Tax Increment Housing Program: The San Francisco Redevelopment Agency (SFRA) finances affordable housing projects partially through its Citywide Tax Increment Housing Program, which it jointly administers with the Mayor's Office of Housing. Approximately $8.8 million was budgeted in FY96-97 for housing development both within SFRA project areas and citywide. This program is targeted towards low to moderate income households and provides loans and grants to non-profit housing corporations or partnerships for the development of affordable housing, predominantly rental housing.

Unreinforced Masonry Seismic Safety Loan Program: Eligible activities for this fund include seismic strengthening of unreinforced masonry buildings (UMBs), relocation expenses, disability access, toxic remediation, and improvements to protect the life and safety of building occupants. These funds are to be made available for the rehabilitation of low-income housing in UMBs. Many UMBs are located in Enterprise Community neighborhoods, most notably in the South of Market and in the Mission, and are predominantly residency hotels. Unreinforced masonry buildings are a health and safety hazard in San Francisco because of the danger of earthquakes.

Hotel Tax Fund: The Hotel Tax Fund provides loans or grants for the development of housing for seniors and persons with disabilities. Approximately $3.6 million worth of new Hotel Tax funds were available in 1997.

California Housing Finance Agency (CHFA) Multi-Family Program: CHFA provides first mortgages for the acquisition, construction or rehabilitation of multi-family housing developments. One-fifth of units created with this funding must be for persons below 50 percent of median income.

Community Development Financial Institutions

Community-Based Credit Unions: The Mission Area Federal Credit Union (Mission district), the Northeast Community Federal Credit Union (Chinatown), and the Northern California Community Loan Fund all use deposits from members to provide financial services and consumer loans to residents in their respective neighborhoods or regions.

Community Projects/Public Works

San Francisco Redevelopment Agency (SFRA): SFRA's public works-related activities in the South of Market Earthquake Recovery Project Area include improving street lighting improvement projects, the repair of sidewalks, sidewalk bumpouts at main intersections, and the installation of public toilets The latter improvements were estimated at $900,000. SFRA also plans the construction of a new elementary school/park complex in the area.

Public works-related activities in the Yerba Buena Center Project Area (SoMa) include the construction of several museums as part of the San Francisco Museum of Modern Art complex, a number of parks, and a convention center. Public-works related activities in the Rincon - South Beach Project Area (SoMa) include development of two waterfront parks, a boat harbor and recreational pier, reconstruction of main streets and underground utilities. Debt financing for the marina/boat harbor is being provided by an $8 million loan from the California Department of Boating and Waterways, $24 million in revenue bonds issued by SFRA and $1 million in agency equity.

The SFRA is also planning for public transportation improvements in the South of Market around the Transbay Terminal Survey Area, which may include a new transit terminal.

In the Hunters Point Project Area, two childcare centers financed through a HUD Neighborhood Facilities Grant were completed. Four parks and one new elementary school have been completed, as has a community center and plaza.

Community Development Block Grants: MOCD allocated approximately $1.9 million in CDBG funds for public space improvement in 1997. An additional $5 million was available to support renovations for community facilities and neighborhoods.

The San Francisco Redevelopment Agency (SFRA) has established a number of project areas, several of which are located in the Enterprise Community neighborhoods of South of Market and Bayview/Hunters Point. As detailed above, these projects provide funding for affordable housing development, economic development and public improvements programs. Projects in execution include the South of Market Earthquake Recovery Project Area, Rincon Point/South Beach (in the South of Market), Yerba Buena Center (in South of Market), Hunters Point, and the Bayview Industrial Triangle. New survey areas include the Tenth and Market Project Area (South of Market), Hunters Point Naval Shipyard, Transbay Transit Terminal (South of Market), and the South Bayshore Project Area. The South Bayshore Survey Area is now a Redevelopment Project area with an elected Project Area Committee (PAC). The South of Market Earthquake Recovery Project Area has been converted to a regular Redevelopment area (South of Market Project Area) and also has its own PAC (see description below under citizen participation.)

TACOMA

Economic Development

Cascadia Revolving Fund: This fund serves the entire state of Washington. Cascadia receives money from the federal government, institutional and individual investors.

Evergreen Community Development Corporation: Evergreen Community Development Corporation serves the entire state and receives money from the federal government and from interest earned on loans given to some larger recipients.

Metropolitan Development Council: The Metropolitan Development Council provides entrepreneurial training, and gives microloans (maximum of $3500).

Tacoma Community College has a downtown business program and *Bates Technical College* has a Business and Management Center.

Washington State University (WSU): Located in central Washington, WSU has a small business development program in Tacoma. WSU representatives work at the TEC two days a week, and at the Tacoma Chamber of Commerce two days a week.

Tacoma Housing Authority Residential Development: Tacoma Housing Authority provides loans supporting employment and training for residents of public housing.

The William F. Factor Small Business Incubator: The William F. Factor Small Business Incubator provides office space to allow small businesses to share some overhead costs, such as a receptionist.

Housing

Martin Luther King Housing Development Association

Hilltop Home Ownership - TEC's Employment Initiative has helped to market this program among its clientele, although their efforts have not yet yielded a high response rate.

Eastside Tacoma Housing and Industry Council (ETHIC)

Community Projects/Public Works

Tacoma Public Utilities plans to build and operate a state of the art fiber-optic telecommunications network as an economic development strategy important to their work The new network will provide high-level information processing capabilities, intended to attract new business (local newspapers have recently touted the Puget Sound region as the next "Silicon Valley"). Tacoma would be the first city in the country to build this type of network.