

Agenda Report

DATE: AUGUST 17, 1998
TO: CITY COUNCIL
FROM: CYNTHIA J. KURTZ, ACTING CITY MANAGER
SUBJECT: COMMUNITY EMPOWERMENT ZONE APPLICATION

RECOMMENDATION:

It is recommended that the Pasadena City Council authorize the City Manager to submit to the U.S. Department of Housing and Urban Development a Notice of Intent to Participate in the Second Round competition for the Community Empowerment Zone Program and commence, in coordination with the Northwest City Councilmembers, preparation of the appropriate application documents for subsequent City Council approval.

EXECUTIVE SUMMARY:

The Congress and Administration are now in the process of considering funding for the Second Round of Community Empowerment Zones in accordance with the Empowerment Zone Enhancement Act of 1998 (S1927 and HR3622). Passage of the grant funding would provide for the selection and federal financial assistance to twenty (20) new Empowerment Zones. Based on the recent White House Community Empowerment Conference held on July 14 -16, 1998, staff recommends that the City Council approve preparation of a Community Empowerment Zone application (primarily for the northwest Pasadena community) for submittal to the U.S. Department of Housing and Urban Development (HUD) by October 9, 1998. The first step in this process would be the City Council's approval of a Notice of Intent to Participate which should be submitted to HUD as soon as possible. Staff has provided herewith a brief overview of the Community Empowerment Zone Initiative.

BACKGROUND:

The Clinton-Gore Administration, through its community empowerment agenda, is committed to providing residents of distressed communities with the tools they need to revitalize their neighborhoods. This community empowerment agenda, which includes a range of initiatives across the Federal government, is designed to increase economic opportunity and to promote sustainable community development. At the same time, the community empowerment agenda focuses on providing residents with the opportunity to lead and participate in the revitalization of their communities. The Community Empowerment Zone/Enterprise Community (EZ/EC) Initiative is at the heart of the Administration's community empowerment agenda.

The EZ/EC Initiative focuses attention on certain designated urban and rural areas through an innovative, holistic approach to community revitalization. It recognizes that the problems distressed areas face are often interrelated, and that communities know best how to tackle those problems. So the program asks communities to work together through the application process by bringing businesses, nonprofits, churches, local governments, and other (inside and outside the designated area) to create their own comprehensive Strategic Plan for the future. The Strategic Plan each community develops provides a roadmap for transforming troubled neighborhoods into viable, sustainable places to live, work and raise a family.

One hundred and five (105) EZ/ECs were designated in December 1994 and 20 additional EZs will be designated in the Round II competition. EZ/ECs receive tax incentives for businesses to spur private investment and create jobs, and performance-oriented, flexible Federal grant funding to help communities implement their Strategic Plans and empower residents to participate in the process.

The Community Empowerment Board (CEB), chaired by Vice President Al Gore, oversees the EZ/EC Initiative. The CEB is made up of the heads of more than 20 Cabinet Agencies and Executive Offices, and is designed to bring together the Federal Government's efforts to revitalize communities.

This Federal Programs included in EZ/EC initiative are designed to:

- create jobs and economic opportunities
- promote small business creation and development
- provide increased access to credit and capital
- provide tax incentives to business to employ former welfare recipients
- provide tax incentives to business to clean up and redevelop former industrial property
- provide opportunities for out-of-school youth
- provide support for children and families
- increase access to affordable housing and homeownership opportunities
- improve access to the Internet and educational opportunities
- enhance crime prevention strategies

More specifically, many Federal agencies have dedicated resources specifically to Round II EZs. Together, the benefits of these programs represent just a portion of the assistance the Federal Government hopes to target to communities designated under Round II of the EZ/EC Initiative. The following programs support the EZ Initiative for the revitalization of local neighborhoods:

PROGRAMS	FEDERAL ASSISTANCE
HUD technical assistance and resources	Planning grants of \$100,000 each. Preference points when applying for other HUD grants. Technical assistance from both HUD Washington Headquarters and the Los Angeles Area Office.
One Stop Capital Shop	The U.S. Small Business Administration (SBA) has developed One-Stop Capital Shops to provide a full range of entrepreneurial development, financial and assistance services to businesses interested in hiring welfare recipients. SBA will provide onsite staff for coordination of SBA programs and other Federal agency contacts for entrepreneurial development and financial assistance.
Community Development Financial Institutions (CDFI) Fund	U.S. Department of the Treasury's CDFI Fund offers several programs that invest in and build the capacity of CDFIs. CDFIs that serve EZ/ECs automatically meet the geographic eligibility requirements for the program. The CDFI Fund will make grant funds available to CDFIs for training services and will contract with CDFI service providers to bolster the capacity of CDFIs. Additionally, the Fund will assist in developing partnerships with Government-Sponsored Enterprises including Federal Mortgage Corporation, Federal Home Loan Mortgage Corporation and the Federal Home Loan Bank and local private financial institutions to make more capital available for housing and community development activities.
Brownfields Cleanup and Redevelopment Initiative	Planning grants for environmental cleanup from the U.S. Environmental Protection Agency (EPA). Technical assistance from EPA for brownfields cleanup and redevelopment through comprehensive revitalization efforts.
Social Service Block Grant (SSBG)	U.S. Department of Health and Human Services (HHS) will provide each urban EZ \$10 million annually for ten years, a total of \$100 million, for implementation of comprehensive strategic community revitalization program.

E-Rate	School & libraries from distressed communities may apply to receive discounts on telecommunications services. The discounts range from 20 to 90 percent of the cost of telephone services, Internet services, and a range of related services and equipment.	
Education Zone Bond	State or local governments can issue qualified zone academy bonds that permit public schools to raise funds for curriculum development or physical expansion based resource commitments from business partners.	
Weed and Seed	U.S. Department of Justice will provide technical assistance to develop and/or augment a neighborhood based crime-prevention strategy.	
Out-of-School	The Office of Employment and Training's Out-of-School Youth Initiative concentrates large amounts of resources in targeted high-poverty communities, including designated EZ/ECs to sustain public-private efforts to train and employ youth in private-sector jobs and bring about fundamental changes in the neighborhoods served.	
Welfare-to-Work	Welfare-to-work tax credit per employee of \$3,500 the first year and \$5,000 second year to businesses which hire welfare recipients.	
Regulatory Flexibility	The Community Empowerment Board will work with Federal agencies and all communities that have submitted a Strategic Plan, even if they do not receive EZ designation to overcome programmatic and regulatory impediments to effective implementation of economic, human, physical, environmental, and community development activities.	
Government National Association (Ginnie Mae)	Mortgage	Ginnie Mae's Targeted Lending Initiative will provide financial incentives for lenders to increase loan volumes in traditionally underserved areas in order to provide families and households with additional opportunities to achieve homeownership.

Tax-Exempt Bond Financing and Increased 179 Deduction	Zones with populations under 100,000 will be able to issue up to \$130 million in bonds which are not subject to State cap on private-activity bonds or special limits on issue size. Section 179 deduction up to a maximum \$37,500 of the cost of certain qualifying property in the year it is placed in service.
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The Community Empowerment Initiative essentially mirrors the efforts which have been undertaken by the citizens of the city of Pasadena, especially northwest residents, commencing in June, 1985, with the Pasadena City Council's adoption and on-going implementation of the Northwest Community Plan "A New Beginning." Moreover, the residents of the northwest community have been and remain concerned about the urban decay (overcrowding, substandard housing, building code violations, crime rate, etc.) and economic distress (business relocation, functionally obsolete buildings, homelessness, public assistance, poverty rate, etc.), as highlighted in the 1990 Census (see attached), which continues to exist within the northwest community. The Northwest Plan, as amended, itself represents a "Strategic Plan" to effectively upgrade and restore the northwest community as "a viable community within the City of Pasadena....A community where residents can live, work and grow in a manner consistent with the opportunities afforded them in other areas of the City."

Based on the similar goals and objectives proposed by both the EZ/EC Initiative and the Northwest Community Plan ("NW Plan"), the existing unmet needs in the northwest community that remain unattended, and the limited financial resources currently available to the City for the level of targeted neighborhood revitalization proposed by the NW Plan, staff is herewith recommending that the City Council approve the preparation and submission of an application to the U.S. Department of Housing and Urban Development for selection of eligible census tracts within Northwest Pasadena as a Community Empowerment Zone.

FISCAL IMPACT:

While it is somewhat difficult at this time to approximate the actual fiscal impact to Northwest Pasadena and/or the City of Pasadena as a whole, it is safe to state that selection as a Community Empowerment Zone would generate a significant influx of capital from local, state and federal sources as outlined above to address the existing socio-economic problems affecting the northwest community. The proposed EZ Application budget and related specific fiscal impacts shall be clearly defined during the preparation of the EZ application.

If the City is not successful in being selected for an EZ, several federal funding sources will remain available to Pasadena and may be approached on an independent basis to assist the continued northwest community revitalization efforts.

Respectfully submitted,



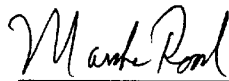
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