Community Development Block Grants

By Carol Wayman, NCCED

Background

The Community Development Block Grant (CDBG) funds are the largest and most flexible Federal funds available to cities, states, and community-based organizations. The purpose of CDBG is to improve communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons with low and moderate incomes. Cities with more than 50,000 people and urban counties with more than 200,000 people automatically receive CDBG. These are called "entitlement jurisdictions."

States also automatically get CDBG money to distribute to small towns and rural counties. The amount of CDBG funds a local or state government gets is determined by a formula, which takes into account poverty, population, and housing conditions. Seventy percent of a jurisdiction's total CDBG allocation has to benefit low- and moderate-income people.

CDBG funds can be used for a wide array of activities, such as:

- Housing activities:
  - Rehabilitation (loans and grants to homeowners, landlords, nonprofits, and developers);
  - New construction completed by community-based development organizations (CBDOs) within entitlement cities. (Through HUD's *States and Small Cities* program, any neighborhood-based nonprofit organization that serves the development needs of a non-entitlement area is eligible to construct new housing.)[1]
  - Down payment assistance and other first-time homebuyer activities;
  - Lead-based paint detection and removal;
- Purchasing land and buildings;
- Constructing or rehabilitating public facilities such as shelters for the homeless and domestic violence victims;
- Increasing accessibility to persons who are elderly and disabled;
- Providing public services such as employment training, transportation, health care, and child care (public services are capped at 15 percent of a jurisdiction's CDBG funds);
- Capacity building for nonprofits;
- Rehabilitating commercial or industrial buildings; or
- Extending loans or grants to businesses, including microenterprises.

To be eligible for CDBG funding, an activity must also meet one of the following three national objectives:

1. Benefit people with low- and moderate-incomes (at least 70 percent of the jurisdiction's funds must be spent this way);
2. Aid in the prevention or elimination of slums and blight; or

1 It is important to note that CDBG funds may be used for several activities *related* to new housing, even when other resources support the actual construction costs.

3. Meet an urgent need (such as earthquake, flood, or hurricane relief).

Within the national objective of providing benefit to low- and moderate-income persons, there are four categories under which an activity may qualify, including:

1. *Housing.* Housing-related CDBG activities meet HUD's national objective only if low- and moderate-income people occupy the housing units. In multi-family buildings, at least 51 percent of the units must be occupied by people with low- or moderate-incomes. In addition, the housing must be affordable, by HUD standards, at 30 percent or less of a family's total monthly household income.
2. *Job Creation or Retention.* Job creation or retention activities meet HUD's national objective when at least 51 percent of the resulting jobs are filled by or "available to"[2] lower-income individuals. In addition, the business and city must ensure that lower-income individuals receive first consideration for filling jobs created with CDBG funds. HUD has required its participating jurisdictions to keep fairly detailed records since 1988. Jobs are to be counted on a full-time equivalent basis.
3. *Limited Clientele.* Activities qualify when they meet the needs of a particular class of user. A service or facility assisted with CDBG funds must be designed so that at least 51 percent of the users have low- and moderate incomes. There are five ways to meet the objective of "Limited Clientele." The most frequently used are: 1) the activity limits participation to low- and moderate income persons; 2) at least 51 percent of the beneficiaries can show that they have low- to moderate incomes; and 3) HUD "presumes" that some types of people have low- and moderate incomes, such as abused children, domestic violence victims, people with disabilities, illiterate individuals, migrant farm workers, and senior citizens. (Presumed benefit claims can be challenged.)
4. *Area Benefit*. Some CDBG-eligible projects, such as roads and parks, can be used by anyone. To judge whether such projects primarily benefit low- and moderate-income people, HUD looks at the activities "service area." If 51 percent of the residents in the activity's service area have low- to moderate incomes, then HUD assumes "area benefit." Such projects can be challenged, e.g., if a road is constructed is in a low-income neighborhood, the low-income residents are not necessarily the main beneficiaries.

CDBG funds may *not* be used for the following activities:

- Buildings where general governmental activities take place (such as city halls);
- New housing construction (unless built by a CBDO);
- Ongoing income payments to people with low incomes; or
- Equipment purchase, operating, and maintenance expenses (unless part of a public service).

<u>Status</u>
CDBG was first authorized in 1974. The agency that administers it, the U.S. Department of Housing and Urban Development (HUD) has seen its budget decline precipitously over the years. President Bush has proposed to eliminate CDBG and other programs within HUD's

2 "Available to" means either: (1) the job does not require special skills or a particular level of schooling; or, (2) the business has agreed to hire low-income persons and train them for the jobs.

Community Planning and Development Office (CPD) to create a $3.1 billion flexible block grant operating out of the Economic Development Administration. CDBG received a score of "ineffective" from the Office of Management and Budget's Performance Assessment Rating Tool.

Community developers rely on CDBG oppose its elimination. More than $100 billion has been appropriated since the program began. Community developers can point to numerous developments supported by CDBG that have rejuvenated communities. CDBG funding has declined slightly since FY 2001, when it was funded at $5.1 billion, to 2002 at $5 billion, and 2003 and 2004 at $4.9 billion. The CDBG allocation for 2005 is only $4.1 billion.

What You Can Do

Invite your legislators to visit your community to see how CDBG funds are used in your community. Urge that they support the continuation of CDBG with at least $4.7 billion in funding for FY06. To ensure CDBG resources reach your community, participate in the Consolidated and Action Planning processes.

FOR MORE INFORMATION

Web Resources

http://www.hud.gov/offices/cpd/communitydevelopment/programs/contacts/index.cfm State CDBG offices

HUD's *Guide to National Objectives and Eligible Activities for State CDBG Programs* July 2002

http://www.hud.gov/offices/cpd/communitydevelopment/library/stateguide/index.cfm

U.S. Department of Housing and Urban Development
Office of Community Planning and Development
451 7th Street, SW
Room 7136
Washington, DC 20410
Ph: (202) 708-1871 or (202) 708-2290
http://www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm

Community Connections Information Center
P.O. Box 7189
Gaithersburg, MD 29898-7189
1-800-998-9999
Fax: 301-519-5027
Internet: http://www.comcon.org
E-mail: comcon@aspensys.com

Office of Management and Budget
http://www.whitehouse.gov/omb/budget/fy2006/pma/hud.pdf

U.S. Department of Commerce: Economic Development Administration

By Carol Wayman, NCCED

Background

The Economic Development Administration (EDA) seeks to stimulate business and job development activities by providing grants to rural, suburban, and urban communities. These grants support a variety of projects designed to improve conditions in local areas that typically lead to persistent unemployment. EDA programs target a wide audience of recipients. Those of particular interest to community-based nonprofits are as follows:

- The *Public Works and Economic Development Program* empowers distressed communities to revitalize, expand, and upgrade their physical infrastructure to attract new industry, encourage business expansion, and create or retain long-term, private sector jobs and investment. Examples of infrastructure investments include skill-training facilities, technology infrastructure, industrial access roads, etc.
- The *Economic Adjustment Program* assists communities with recovery from specific industry and/or natural disasters that threaten the community's economic base. The program supports three types of activities: strategic planning, project implementation, and revolving loan funds.
- The *Research and National Technical Assistance (TA) Program* is designed to develop a comprehensive base of critical economic development (ED) information that can be shared with local, state, and national practitioners. The program also develops performance measures for ED programs. Two types of grants are administered under this program: (1) research grants, which fund in-depth studies of current issues impacting ED, and (2) evaluation grants, which are used to assess the economic impact and effectiveness of ED programs.
- The *Local TA Program* helps build the knowledge base of local, public and private nonprofit sector leaders. Grant funds support a variety of activities, such as feasibility studies on potential ED projects, ED conferences and seminars, local planning and development purposes, etc.

The Agency has built a network of 320 economic development districts, 69 Indian tribes, and 69 university-based technical assistance centers, through which it has successfully shifted the design and operation of projects it funds to local control. Recipients of funding must match EDA's award. This has resulted in strong public-private partnerships that continue to spur economic growth.

Since 1965, the Agency has invested over $16 billion in grants across all programs and generated more than $36 billion in private investment. EDA Public Works Investments have created more than 1.5 million jobs, and each $1 million of EDA dollars invested has generated $10.08 million in private dollars and created $10.13 million in local tax base dollars.

CDC Success Story

EDA funds are predominantly invested in areas where the unemployment rate is 40 percent higher than the national average and per capita incomes are 40 percent below average. For example, the Center for Employment Training in Santa Clara County, California received EDA grants totaling $4 million dollars over the past few years. The grants were used to convert an abandoned high school in a highly distressed Latino neighborhood into one of the most successful vocational training facilities in California. The Center has now expanded its programs to include a culinary school and medical assistant training – and every student graduates into a job.

The East Bay Asian Local Development Corporation (EBALDC) received EDA support for two community projects - Asian Resource Center and Swan's Market. EBALDC's named its first project, Hugh Taylor House, after the EDA administrator in recognition of his contribution for nonprofits and local governments.

Status

In President Bush's 2006 budget, he proposes the elimination of EDA along with 18 community development programs with funding of nearly $6 billion. In its place, he requests the creation of a $3.1 billion formula grant program operated by the Department of Commerce entitled Strengthening America's Communities. Congress has not shown a willingness to make this major change to community development funding.

The 2004 reauthorization of EDA included several programmatic goals CDCs wanted. These include supporting a reauthorization level of $400 million for the agency to start rising to $500 million in the bill's final year, FY 2008. The bill provides EDA with tools to improve and streamline management of the Revolving Loan Fund (RLF) program. These changes should enable the consolidation of loan funds. The reauthorization also permits the transfer of assets to other RLFs and selling or securitizing loans. These changes allow CDCs operating RLFs to better use market financing. The new audit and reporting requirements reduce redundant reporting requirements.

Unfortunately, despite excellent Performance Assessment Rating Tool scores by the Office of Management and Budget, EDA still faces significant funding challenges including declining appropriations. Congresss appropriated$257 million for FY 2005. $320 was appropriated for FY 2004 and $321 for FY 2003. This is down from FY 2001 appropriations of $412 million.

In addition to funding, EDA has had significant reorganization of staff and priorities. EDA gives priority to economic development grant applications that 1) enhance regional competitiveness and support long-term development of regional economies; 2) support technology-led economic development and link universities and industry in the transfer and commercialization of technology; and 3) promote regional industrial clusters. EDA is also considering "defederalizing" its loan fund program.

As with other federal programs, such as the Community Development Financial Institutions Fund, EDA prioritizes certain communities and sectors including:

- Border communities, specifically along the US-Mexican border
- Areas dependent on tourism which has declined in the aftermath of 9/11
- Timber industries impacted by additional forest closures
- Fishing industries facing potential closures
- Technology industries struggling with high unemployment caused by layoffs in the communications and computer hardware technology sector
- Trade related economic dislocation caused by textile industry plant closures

What You Can Do

To access EDA funds, invite your EDA regional officer to visit a project. EDA is understaffed and officers are stretched thin. EDA can only fund one project in a community at a time so it helps to have your project very far along before accessing EDA funds. EDA holds frequent teleconferences nationwide which are a good opportunity to build relationships with your local EDA staff. These teleconferences are announced in NCCED's funding alerts.

Call or write your Legislator and encourage them to increase EDA funding to at least $400 million. Tell him/her how EDA dollars are leveraged in your community and how they help foster lasting public-private partnerships.

FOR MORE INFORMATION

Web Resources
http://www.doc.gov/eda/pdf/GPO26198.PDF EDA's program guide

U.S. Department of Commerce
Economic Development Administration
14th Street & Constitution Avenue, NW
Room 7800B
Washington, DC 20230
Ph: (202) 482-5081
Fax: (202) 273-4781
http://www.doc.gov/eda/

National Association of Regional Councils
Suite 300
1666 Connecticut Avenue, NW
Washington, D.C. 20009
Ph: (202) 986-1032
Fax: (202) 986-1038
http://www.narc.org

Center for Employment Training
693 South Second Street
San Jose, CA 95112
Ph: (408) 534-5313.

EBALDC
310 8th St Ste 200
Oakland, CA 94607-4253
Ph: (510) 287-5353 F: (510) 763-4143.

Economic Development Initiative and Section 108 Loan Guarantees

By Carol Wayman, NCCED

Background

The U.S. Department of Housing and Urban Development (HUD)'s Office of Community Planning and Development provides two programs to spur economic development activities: the Section 108 Loan Guarantee program (a provision of the Community Development Block Grant (CDBG) program) and the Economic Development Initiative (EDI). EDI provides grants to local governments to enhance both the security of loans guaranteed through the Section 108 Loan Program and the feasibility of the economic development and revitalization projects they finance. Together, EDI and Section 108 loans have funded activities such as housing construction or rehabilitation, retail and mixed-use development, financing gaps for projects already underway, construction or rehabilitation of public areas and infrastructures, loan funds, business projects, and job creation.

Section 108 Loan Guarantees

Section 108 loan guarantees permit communities to use federally-guaranteed loans, rather than CDBG funds, to leverage private monies for the purposes of economic development and community revitalization. Such public investment is often needed to inspire private economic activity, providing the initial resources or simply the confidence that private firms and individuals may need to invest in distressed areas. Section 108 loans are not risk-free, however; local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocations to cover the loan amount as security for the loan. In the last decade, more than 800 loan commitments have been made under Section 108, totaling more than $4 billion. There has never been a default on a Section 108 loan guarantee.

EDI Grants

EDI has been the catalyst in the expanded use of loans through the Section 108 Program. It is one of the most potent public investment tools that HUD offers to local governments. Because Section 108 loans represent a potential risk to local governments' CDBG allocations which governments pledge against potential repayment shortfalls, the EDI program offers communities a way to decrease the level of risk to their CDBG funds. Without EDI, communities are much less likely to use Section 108. HUD's EDI helps local governments manage and reduce this risk in at least two different ways:

- as a loan-loss reserve or debt-service,
- to pay predevelopment costs of Section 108-funded projects, or
- to write-down interest rates or establish a debt service reserve.

- Competitive EDI grant funds can only be used in projects also assisted by the Section 108 Loan Program. Program regulations are identical to those governing CDBG and the Section 108 Loan program. Such projects may involve activities such as property acquisition; rehabilitation of publicly owned property; housing rehabilitation; economic development activities; acquisition, construction, reconstruction, or installation of public facilities; and for colonias, public works and other site improvements.

Status
In the past few years, no competitive funding has been provided for EDI. Instead, Congress earmarks the total allocation for special projects in members' Congressional districts. In 2005, $262 million was appropriated for earmarks within EDI. The Section 108 loans guarantee program was funded at $275 million for 2004 and 2005. It was funded $609 million in both 2002 and 2003. President Bush proposes eliminating this program.

What You Can Do
Contact your Legislator and encourage him/her to continue to continue to support Section 108 Loan Guarantees and to include an allocation for competitive grants through EDI. Emphasize that, together, these funds provide critical job creation and economic development dollars, without encumbering precious CDBG dollars as loan guarantees.

FOR MORE INFORMATION

Web Resources
http://www.hud.gov/offices/cpd/economicdevelopment/programs/edi/index.cfm (EDI homepage)
http://www.hud.gov/offices/cpd/communitydevelopment/programs/108/index.cfm (Section 108 homepage)

U.S. Department of Housing and Urban Development
Office of Community Planning and Development
451 7th Street, SW
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Washington, DC 20410
Bill Seedyke (202) 708-3484 extension 4445 fax: (202) 708-
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http://www.hud.gov/offices/cpd/

Empowerment Zones and Enterprise Communities

By Carol Wayman, NCCED

Background

The Empowerment Zone and Enterprise Community (EZ/EC) Program was launched in 1994. The program was designed to afford communities real opportunities for growth and revitalization. Its mission is to:

- create self-sustaining, long-term economic development in areas of pervasive poverty, unemployment, and general distress, and
- demonstrate how distressed communities can achieve self-sufficiency through innovative and comprehensive strategic plans developed and implemented by alliances among private, public, and nonprofit entities.

To date, more than 180 distressed urban and rural communities across the nation have been designated as EZs, ECs, and Renewal Communities. Renewal Communities, The U.S. Department of Housing and Urban Development (HUD) administers the programs in urban areas and the U.S. D. Department of Agriculture (USDA) administers the programs in rural areas.

The framework of the EZ/EC program is embodied in four key principles:

1. *Economic Opportunity,* including job creation within the community and throughout the region, entrepreneurial initiatives, small business expansion, and training for jobs that offer upward mobility;
2. *Sustainable Community Development,* to advance the creation of livable and vibrant communities through comprehensive approaches that coordinate economic, physical, environmental, community, and human development;
3. *Community-Based Partnerships,* involving participation of all segments of the community, including the political and governmental leadership, community groups, health and social service groups, environmental groups, religious organizations, the private and nonprofit sectors, centers of learning, other community institutions, and individual citizens; and
4. *Strategic Vision for Change,* which identifies what the community will become and a strategic map for revitalization.

In 2002, HUD’s Urban RC/EZ/EC office created an electronic performance measurement system (PERMS) for Empowerment Zones and Enterprise Communities to document development activity and funding associated with the projects and programs they are undertaking. Each project and program is represented by an implementation plan in PERMS. RC/EZ/ECs submit annual progress reports.

CDC Success Story
In 1994, the Kentucky Highlands Investment Corporation (KHIC) and the counties of Jackson, Clinton and Wayne in Kentucky won a Rural Empowerment Zone designation and a grant award of $40 million. Ten years later, the effort led by the nonprofit CDC and community increased population growth by 11.7 percent in their service area, compared to 9 percent for the state; reduced poverty by 9.1 percent compared to a 4.4 percent decrease for the state; and resulted in a 38.7 percent employment growth compared to 9.9 percent for the state.

Status
The awards for EZ/EC have been made in three funding rounds:

- Round I: In 1994, the first round awarded $40 million to each of three rural EZ communities. Eight urban areas received $100 million each. In addition, other communities were designated ECs and received smaller awards of $3 million. Additional communities were designated as "Champion Communities" and received technical assistance from the federal agencies.

- Round II: The second round established 15 new urban and 5 new rural Empowerment Zones. Congress only appropriates $2 million to each of the new rural Empowerment Zone communities and $22 million to urban communities. Each EC received a $250,000 grant. While the funding was considerably less, the package of tax benefits was the same as the Round I package. Congress authorized an additional 20 rural ECs. USDA provided 19 of those communities with $250,000 in their first year of funding. Subsequent annual appropriations to the communities have been similar.

- Round III. Congress appropriated funds for two new rural and eight new urban Ezs Empowerment Zone in 2001. The act did not appropriate grant funds as had been available to the previous EZs and ECs, but did make available a package of $22 billion in tax benefits similar to Rounds I and II.

In 2005, HUD only received $10 million in 2005 while USDA received $12.5 million. In 2001, the HUD program received $185 million and USDA received $28 million. The EZ/EC program is one of 40 community economic development programs slated for elimination. In its place, the President proposes $3.1 billion in formula grants under the Strengthening America's Community Initiative to be operated out of the Department of Commerce. To date, Congress has not shown a willingness to make these major changes.

What You Can Do
Support the continuation of the existing EZs and ECs, along with a Round IV to include new Zones and Communities. Encourage grant funding in addition to tax incentives. Additional funding and support from collaborating Federal agencies (HUD, USDA, HHS, the Department of Commerce, and the Department of Labor) would further enhance successful community development strategies.

For More Information

Web Resources
www.ezec.gov/ Rural EZ/EC homepage
http://www.hud.gov/cr Urban EZ/EC homepage
http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/perms.cfm HUD PERMS
Tax Incentive Guide 1-800-998-9999 *Tax Incentive Guide for Businesses in the Renewal Communities, Empowerments Zones, and Enterprise Communities*.

U.S. Department of Agriculture
Rural Development, Office of Community Development
Office of Community Development
Stop 3203
1400 Independence Ave., SW
Washington, D.C. 20250-3203
Ph: (800) 998-9999.
202-619-7980 or 1-800-645-4712
ocdfeedback1@ocdx.usda.govhttp://www.ezec.gov/

Internal Revenue Service
http://www.irs.gov
IRS Publication 954
Tax Incentives for Distressed Communities

U.S. Department of Housing and Urban Development
EZ/EC Initiative
451 7th Street SW
Room 7130
Washington, DC 20410
Ph: (800) 998-9999.
(202) 708-6339
www.hud.gov/offices/cpd/economicdevelopment/programs/rc/index.cfm
http://www.hud.gov/cr

Kentucky Highlands Investment Corporation
P.O. Box 1738
362 Old Whitley Road
London, KY 40743-1738
Ph:606.864.5175
Fax:606.864.5194
http://www.khic.org

Office of Community Services: Community Economic Development Grants

By Kevin Kelly, NCCED

Background

The U.S. Department of Health and Human Services' (HHS) Discretionary Grant Program provides a major source of equity to the community-based development industry. Administered under the Administration for Children and Families' Office of Community Services (OCS), these grants – commonly known as Community Economic Development (CED) grants – permit HHS to fund urban and rural community development corporations for projects intended to generate jobs for low-income people. Grants under the CED program average $500,000.

The OCS CED discretionary grant program supports projects intended to create jobs and provide employment and business ownership opportunities for low-income people through business creation or commercial development. Low income persons include, but are not limited to: Temporary Assistance to Needy Families (TANF) recipients, displaced workers, at-risk teenagers, custodial and non-custodial parents, particularly those of children receiving TANF assistance, individuals residing in public housing, individuals who are homeless, and individuals with developmental disabilities.

OCS data has shown that grantees were able to use their CED funds to leverage or raise, from non-governmental sources, totaling more than twice the amount of the average grant received from OCS.

The demand for program funding normally exceeds available funds, and less than 40 percent of applicants generally receive funding. For example, for FY 2004, 314 applications were submitted but only 60 awards were made.

Status

The Office of Community Services received an appropriation of $25 million for FY 2004. The expected amount to be awarded in grants in FY 2005 is $24.7 million. The President proposes the elimination of the program in favor of a formula grant program to distressed communities operated out of the Department of Commerce.

What You Can Do

Contact Congress and encourage them to adequately fund OCS. Share with them statistics about the demand for the program in your community, discuss the program's job creation successes, and describe the program's role as a catalyst for attracting vital private and public sector investment.

Remind your legislators that the CED Grant program is unique among federal economic development programs. No other federal program provides large grants directly to CDCs for job creation projects. In many poor urban and rural communities, there is a constant shortage of investment capital. Private financial institutions are often unwilling to provide the most important element in a community development project – equity capital. CED Grant funds help to fill this critical gap.

For More Information

U.S. Department of Health and Human Services
Administration for Children and Families
Office of Community Services
370 L'Enfant Promenade, SW
Washington, DC 20447
Ph: (202) 401-9333
Fax: (202) 401-4687
http://www.acf.dhhs.gov/programs/ocs

Regional Commissions

By Carol Wayman, NCCED

Background

Appalachian Regional Commission. Since 1965, the Appalachian Regional Commission (ARC) has funded transportation, business, education, health, and community projects to address the Appalachian Region's problems. Over its 35 years, the ARC has developed an impressive track record helping small, distressed communities transition to the economic mainstream. Since the development of the ARC, poverty rates in the region have been cut almost in half.

A key element of the ARC model is the network of 72 multi-county development districts, which are responsible for helping local officials and communities assess, plan, and facilitate. The ARC structure is unique because it is an intergovernmental partnership that preserves a direct federal role in investment decisions; maintains a strong emphasis on state priorities and decision-making; and encourages the active participation of local governments, economic development organizations, and community groups.

In 2000, East Carolina University researchers compared economic progress in ARC counties to nearby counties that were not part of the ARC. Although the socioeconomic indicators of all counties studied were similar when the commission launched in 1965, those counties included in the ARC continually improved over the years while the others languished. The successes of the ARC have led to the proposal and/or creation of several other regional development authorities.

The ARC operates a Revolving Loan Fund (RLF) Program. Eligible applicants include nonprofit multi-county organizations within the Appalachian Region that ARC determines are representative of the area. States and local development districts are also eligible.

Priority consideration is given to governmental applicants who can administer the RLF on a long-term basis. Financial assistance to intermediaries ranges from $36,000 to $1,600,000. Loan activities emphasize direct job creation/retention by providing capital for the start-up, expansion, or retention of business.

A formula is applied to allocate ARC program funds among the 13 states. The states originate all grant requests; no project may be funded unless it is first approved by a state's governor. ARC program funds may only be used for projects located in the 410 counties, designated by Congress, in the 13 Appalachian Region states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia.

Status

Like other federal programs targeted to low-income people, ARC funding levels have not kept pace with inflation or demand. Appropriations have fallen to $66 million in 2005 from $77.4 million in 2001. Still, advocates have successfully protected the programs from deeper cuts including the $33 million the President requested for FY 2004 and 2005.

Background

Delta Regional Authority. Modeled after the Appalachian Regional Commission, the Delta Regional Authority (DRA) is comprised of 240 parishes and counties in eight states and represents more than nine million people. . This region, including portions of Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee, is one of the most severely economically and socially-distressed areas of the country. Under federal law, 75 percent of DRA funds must be targeted to distressed counties and pockets of poverty.

The DRA was authorized in December 2000 (H.R. 4577) as a federal-state-local partnership designed to remedy severe and chronic economic distress by stimulating private sector job growth. The DRA is tasked with developing regional strategies for transportation and infrastructure projects that facilitate economic growth and providing assistance for business development and job skills training

The DRA's Board is made up of federal and state co-chairs, along with governors of each participating state. At the local level, the DRA will coordinate efforts among local development districts, counties, and parishes to improve basic infrastructure and stimulate growth. The DRA will also partner with USDA's Rural Development Administration to assist with evaluation criteria for proposed projects and project administration. The DRA will work with each member state's Department of Economic Development. It is the primary goal of the Federal Co-Chairman to work with the region's eight governors to make DRA the unified voice for the area.

Status

As part of the fiscal 2005 omnibus appropriations bill, the eight-state regional development commission received $6.04 million for traditional program activities, $1 million from USDA rural development and $1.5 million for a USDA Intermediary Relending Program fund.
In 2004, the DRA made $3.5 million in awards to 48 groups in eight states. Reversing a recent trend of decreased funding requests for the Delta Regional Authority (DRA), the administration has recommended $6 million in 2006 funding. This is $4 million above the amount requested last year by the president

Background

Denali Commission. The Denali Commission was established by Congress in 1998 to provide critical utilities, infrastructure, and economic support throughout Alaska, particularly in distressed communities. The Commission is focused on five major categories of improvements: energy, health care facilities, job training, intergovernmental coordination, and infrastructure (including community development and telecommunications).

The Denali Commission allocates 10 percent of its basic funds to economic development. Examples of projects funded by the Commission include: hydroelectric generation for remote coastal communities; regional electricity serving economically-distressed communities not on the national grid; water supply provided to a community-owned and operated fish processing facility; and statewide planning and construction of health care infrastructure. The Denali Commission's Airport Assistance Program provides matching funds for Federal Aviation Administration (FAA) airport construction or improvement projects. Alaska Growth Capital

(AGC) is a commercial lending and venture capital institution that makes loans and equity investments in viable businesses unable to obtain conventional bank loans.

The proposed Delta Black Belt Regional Authority covers more than 500 poor counties across the South. Legislation to establish the Authority was introduced in the 108th House of Representatives by Alabama Congressman Artur Davis (D-AL-7th). He plans to reintroduce it in the 109th.

The SouthEast Crescent Authority is proposed to spur economic development seven states: Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, and Florida. Legislation to establish the Authority is expected to be re-introduced in the House of Representatives in January 2005.

FOR MORE INFORMATION

Web Resources
http://www.arc.gov/programs/progmain.htm Description of ARC's programs
http://www.arc.gov/partners/ldds/ldds.htm List of local development districts
http://www.arc.gov/index.do?nodeId=45 Grant funding
http://www.dra.gov/dra_coverage_map.html DRA eligible areas

Appalachian Regional Commission
1666 Connecticut Avenue, NW
Suite 700
Washington, DC 20009-1068
Ph: (202) 884-7799
Email: crea@arc.gov
http://www.arc.gov/

Delta Regional Commission
http://www.dra.gov

Denali Commission
http://www.denali.gov

Technology Opportunities Program

By Carol Wayman, NCCED

Background

Under the Technology Opportunities Program (TOP) – formerly known as the Telecommunications and Information Infrastructure Assistance Program (TIIAP) – the U.S. Department of Commerce's National Telecommunications and Information Administration (NTIA) awarded matching grants to nonprofits as well as state, local, and tribal governments. Through TOP, NTIA helps support innovative and exemplary projects that can serve as models for using information infrastructure in the public and nonprofit sectors. TOP had been in existence since 1994. It is a competitive national grant.

Status

Congress appropriated $42.5 million for 2001 TOP grants however the funding levels have fallen since then. President Bush's budget eliminated TOP every year since 2002 but Congress always found some money to keep the program operational. In FY 2002 and 2003, TOP received $12.5 and $15.4 million but in the 2005 budget, TOP funding was zeroed out. This program is no longer in existence and the staff is completing its work on past grants.

What You Can Do

Visit the TOP website's search engine: http://www.ntia.doc.gov/otiahome/top/grants/search.htm. Under keywords type in: "community based organizations" to view a few of TOP's community-based projects. This is a high quality database that can provide you specific examples of projects that represent the cutting edge of technology activities.

Also, review the publication, *Community Connections: Preserving Local Values in the Information Age*, September 2000. This publication explores the use of technology in underserved populations to help connect communities, enhance work skills and opportunities, and increase the capacity of community-based organizations. Visit http://www.ntia.doc.gov/otiahome/top/publicationmedia/comm_conn/community_connections_illus.html to read TOP's latest publication.

FOR MORE INFORMATION

Web Resources

http://www.ntia.doc.gov/otiahome/top/index.html (TOP homepage)
http://www.ntia.doc.gov/otiahome/top/whatsnew/whatsnew.htm#TOP2001 (TOP funding opportunities)

U.S. Department of Commerce

National Telecommunications and Information Administration
1401 Constitution Avenue, NW
Room 4092
Washington, DC 20230
Ph: (202) 482-2048
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Transportation and Community Economic Development

By Carol Wayman, NCCED

Background

Transportation affects the quality of life of residents and the economic vitality of communities. Transportation choices determine seniors', childrens' and adults' access to jobs, schools, and retail services. Expansive development, frequently called sprawl, and reduced resources for public transportation, have increase traffic congestion and air pollution r

Increasingly CDCs realize that transportation not only affects their communities, it can be an added component of their development projects or job creation plans. A few examples include:

- **System Operation**. Arrowhead CDC in rural Minnesota operates one of the ten largest rural transportation systems in the country.
- **Transit Oriented Development**. Detroit Shoreway CDC in Cleveland, Ohio created an "eco-village" with housing, schools, and shops within a five-minute walk of a revitalized subway station. The Spanish Speaking Unity Council in Oakland, CA used Department of Transportation (DOT) funds to create a business center in an abandoned train station. Greater Linwood CDC in Columbus, Ohio leveraged a HOPE VI project by adding a transportation hub building that featured a jitney service with access to major bus lines. The building included a laundromat, police substation, and child care facilities. City Heights CDC in San Diego advocated that a new highway slated to cut through its community was placed underground. Above the highway, at street level, the state transportation division built a new soccer field that provided much needed green space for diverse community of immigrant residents.
- **Workforce Development**. The New Jersey Community Development Corporation used transportation funds to purchase and develop its 36,000 square foot Transportation Opportunity Center in Patterson that houses a job shuttle service, job counseling center, child care center, and a transportation academy that trains high school students for careers in the transportation industry.

Status

CDCs' access to transportation funds is made possible by changes Congress made to federal transportation laws. In 1991, Congress passed the Intermodal Surface Transportation Efficiency Act (ISTEA) that established the process states must follow to obtain Federal transportation dollars. ISTEA's goals were to expand the uses of its funding to include projects that reduce sprawl, increase air quality, and provide for a more flexible program with an enhanced role for local government officials and community groups.

When ISTEA expired in 1998, Congress passed the Transportation Equity Act for the 21st Century (TEA-21).It authorized the Federal government to spend $217 billion on transportation projects over the next six years. Eighty percent of the funds were for highways and twenty percent for transit. TEA-21 includes a number of small programs accessible to CDCs such as the Job Access and Reverse Commute Program and the Transportation and Community System Preservation Pilot Program (TCSP). The Job Access and Reverse Commute (JARC) program provides funds to improve transit services or to provide van pools for low-income persons and former welfare recipients to get to places of employment or job training.

When TEA-21 was set to expire in 2003, the 108th Congress provided five extensions but was unable to complete work on new legislation. The leadership of the 109th Congress has stated its plans to introduce a proposal early in the year to preserve, modernize, and expand the U.S. surface transportation system. The leadership hope to enact new legislation before the May 31, 2005 deadline set forth in the last extension law.

<u>What You Can Do</u>
CDCs could receive transportation funds in two ways:

1) Direct application to one of the competitive federal programs like JARC or TCSP.
2) Access transportation funds by participating in the transportation planning process with state transportation agencies.

NCCED recommends that instead of competing for the programs with a tiny budget, CDCs coordinate with the appropriate state agency. Most transportation funding is distributed via formula funding to state governments. For CDCs in rural areas or serving tribal communities, the states are critical partners. In communities with populations of 200,000 or more, the state still plays a key role but transportation planning is coordinated by the Metropolitan Planning Organizations (MPOs). Implement this four step plan to receive transportation funding.

1) **Research the agency's ten year transportation plans**. These plans are usually available on their website. Relate their goals to your current planned projects. Then, meet with your local MPO or state agency to discuss the plan and your proposed contribution to it. If it seems that your communities are neglected in the plan, raise that issue. By considering the transportation component of any planned developments and then establishing a relationship of mutual self-interest with your State and MPO, CDCs can leverage resources and increase the viability of its community.

2) **Focus on "Enhancements" and "Congestion Mitigation**." In addition to the general TEA-21 funding that supports transit systems, highways, marinas, and ports, states and MPOs can use their funds for "congestion mitigation" and "enhancement" projects such as job-creating programs close to where people live. Programs that enhance transit investments, such as development near transit stops or bike/pedestrian walkways are also encouraged.

3) **Highlight CDCs as a resource for community participation**. States and MPOs are required to have community participation. CDCs can enhance the impact of good transportation development because they know and collaborate with community residents. Your constituency should be a critical resource in their efforts to slow sprawl and invest in existing infrastructure. CDCs also bring the ability to leverage non-transportation resources and access to legislators and agency officials. Explain that your CDC wants to be a long-term partner and can provide efficient access to community residents.

4) **Use your Congressional Connections**. Many members of Congress designate earmarks, funding for specific projects, in the transportation budget. Advocates and other members of Congress are urging that those earmarks meet a goal of "transportation equity." For example, in 2004, the leadership of the Congressional Asian Pacific American Caucus, the Congressional Black Caucus and the Congressional Hispanic Caucus sent a joint letter to the leadership of the House Transportation & Infrastructure Committee calling for transportation equity. The letter demanded:

   - Increased funding for public transportation and job access programs;
   - Increased funding for air quality programs, and stronger clean air and public health protections;
   - Increased funding for pedestrian and vehicular safety;
   - Promotion of equitable community development (transit oriented development and hiring in construction); and
   - Strengthening of application and enforcement of civil rights laws.

Groups that wish to apply to the Department of Transportation directly should be aware that JARC and TCSP have been difficult for community groups to access due to excessive regulation and competition. In FY 2004, JARC was funded at $125 million and $109 in 2005. TCSP has had some great success in bringing together transportation agency officials with community groups, but TCSP still remains oversubscribed due to a small budget that is almost entirely earmarked by Congress.

Finally, support NCCED's efforts to influence the TEA-21 reauthorization process. Let legislators know that you support transportation equity. Let them know that the changes initiated on the federal level have not been uniformly implemented and accountability measures must be strengthened.

For More Information

Web Resources
http://www.dot.gov/Government_Services.htm Specific DOT programs
http://tmip.fhwa.dot.gov/contacts/mpos.stm Directory of MPOs
http://www.fhwa.dot.gov/tcsp/ Transportation Community System Preservation Pilot Program website
http://www.enhancements.org/contacts.asp Contacts for enhancements

U.S. Department of Transportation
Public Affairs Office
400 7th Street, SW
Washington, DC 20590
Ph: (202) 366-5580
http://www.dot.gov

American Association of State Highway and Transportation Officials
444 North Capitol Street, NW
Suite 249
Washington, DC 20001
Ph: (202) 624-5800
Telefax: (202) 624-5806
http://www.aashto.org

Brookings Institution
Center on Urban and Metropolitan Policy
1775 Massachusetts Ave NW
Washington DC 20036
(202) 797-6139 · Fax (202) 797-2965
http://www.brookings.edu (search transportation for research papers)

Surface Transportation Policy Project
1100 17th Street, NW
Tenth Floor
Washington, DC 20036
Ph: (202) 466-2636
Fax: (202) 466-2247
Email: stpp@transact.org
http://www.transact.org or http://www.istea.org

Transportation Equity Network
c/o the Center for Community Change
Washington, DC Office
1000 Wisconsin Avenue NW
Washington, DC 20007
Ph: (202) 342-0567
Fax: (202) 333-5462
Email: info@communitychange.org
http://www.transportationequity.org

USDA Rural Development: Business and Industry Guaranteed Loans

By Carol Wayman, NCCED

Background

The U.S. Department of Agriculture (USDA)'s Rural Business Cooperative Service (RBS) reaches out to businesses and cooperatives in rural communities to help create or retain jobs. The Business and Industry B&I Guaranteed Loan Programs were developed to support rural businesses.

The program helps create jobs and stimulate rural economies by providing financial backing for rural businesses in the form of guarantees of up to 90 percent of a loan made by a commercial lender. Loan proceeds may be used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing. Assistance under the B&I Guaranteed Loan Program is available to virtually any legally organized entity, including cooperatives, corporations, partnerships, trusts, other for-profit or nonprofit entities, Indian tribes, or Federally recognized tribal groups, municipalities, counties, or other political subdivision of a state. The maximum aggregate B&I Guaranteed Loan amount that can be offered to any one borrower is $25 million.

Status

In FY 2002, USDA received $1.15 billion for B&I Guaranteed Loans. Congress increased its FY 2003 allocation for B&I Guaranteed Loans to $1.18 billion. The USDA B&I Direct Loan program, which received $50 million in 2000, has not been funded since that year.
President Bush requested that these programs be eliminated in the 2006 budget and replaced by a formula grant program at the Department of Commerce.

What You Can Do

Contact Congress and ask them to reinstate the B&I Direct Loan program and to support adequate funding of all USDA Rural Development programs. Ask your legislators to write program request letters supporting B&I loans to the Agriculture Appropriations Subcommittee Chairs. Community organizations should work with local USDA offices to access the various loan, guarantee loan, and grant programs offered by USDA Rural Development.

For More Information

Web Resources
http://www.rurdev.usda.gov/rbs/busp/b&i_dir.htm B&I Direct Loan program description
http://www.rurdev.usda.gov/rbs/busp/b&i_gar.htm B&I Guaranteed Loan program description
http://www.rurdev.usda.gov/rbs/index.html RBS homepage

U.S. Department of Agriculture
Rural Business-Cooperative Service
1400 Independence Avenue, SW
Room 5050, South Building
Washington DC 20250
Ph: (202) 720-1400
http://www.usda.gov/

Visit http://www.rurdev.usda.gov/recd_map.html to find your local USDA Rural Development Office.

USDA Rural Development: Intermediary Relending Program

By Carol Wayman, NCCED

Background

Administered by the U.S. Department of Agriculture (USDA)'s Rural Business Cooperative Service (RBS), the Intermediary Relending Program (IRP) is the successor to the 1964 Rural Development Loan Fund. Like the Rural Development Loan Fund, IRP seeks to provide loans to job-creating rural businesses that have been unable to obtain adequate financing and equity from conventional sources.

IRP lends to intermediaries, which capitalize and operate local revolving loan funds. The interest rate to the intermediaries is one percent, with repayment terms of up to 30 years. Intermediaries may be private nonprofit corporations, public agencies, Indian tribes, or cooperatives. Through the revolving loan fund, intermediaries lend to private or public organizations or individuals to help them finance new businesses, expand existing businesses, create or retain jobs, or engage in community development projects. IRP's success relies largely on the expertise of locally-based intermediaries to market and administer individual loans. To maximize their IRP dollars, intermediary institutions also leverage additional credit and investment capital from both public and private sources.

IRP has proven to be a successful Federal loan program, moving much needed capital to rural areas for development activities. Rural community development corporations have played a huge role in the program's success.

CDC Success Story

The Neighborhood Housing Service (NHS) of Dimmit County is and example of how the IRP works in rural Texas. This non-profit organization has successfully administered $1.75 million in IRP funds as loans to businesses in an economically distressed region.

Dimmit is a poor County with a large portion of its population at or below the poverty level and unemployment in the double digits. The community benefits from the IRP program through the creation of new businesses and employment opportunities. NHS has made loans to fifteen businesses and crated more than 100 jobs. NHS has become critical part of the livelihood in Dimmit and surrounding counties.

Status

In the 1990s, IRP was one of the strongest federal resources for promoting rural business development. However, in FY 1996, Congress reduced the program funding level from more than $85 million to only $38 million. IRP has never recovered its pre-1996 levels of funding. In FY 2005, IRP was allocated $40 million. President Bush has recommended its elimination for FY 2006. Its activities would be eligible under a formula block grant administered by the Department of Commerce.

What You Can Do

CDCs should encourage Congress to expand IRP. The demand for IRP funds continues to outweigh availability. Revolving loan funds are effective, low cost tools for fostering business development in targeted areas. Moreover, CDCs are uniquely qualified to help identify strong local partners, secure additional funds at the local level, and direct IRP financing to appropriate investment activities in rural areas. NCCED urges Congress and the Administration to increase the IRP budget to the $85 million provided in 1995.

Support adequate funding of all USDA Rural Development programs. Community organizations should work with local USDA offices to access the various loan, guarantee loan, and grant programs that USDA Rural Development offers.

FOR MORE INFORMATION

Web Resources
http://www.rurdev.usda.gov/rbs/busp/irp.htm IRP program description
http://www.rurdev.usda.gov/rbs/index.html RBS homepage

U.S. Department of Agriculture
Rural Business-Cooperative Service
1400 Independence Avenue, SW
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Washington DC 20250
Ph: (202) 720-1400
http://www.usda.gov/

Visit http://www.rurdev.usda.gov/recd_map.html to find your local USDA Rural Development Office.

USDA Rural Development: Rural Business Enterprise and Opportunity Grants

By Carol Wayman, NCCED

Background

The U.S. Department of Agriculture's (USDA) Rural Business-Cooperative Service (RBS) reaches out to local businesses and cooperatives in rural communities to help preserve or develop new job opportunities. The Rural Business Enterprise Grants (RBEG) and the Rural Business Opportunity Grants (RBOG) support new rural businesses.

RBEG. Under this program, RBS awards grants to help eligible organizations finance and facilitate development of small and emerging private business enterprises located in rural areas. Eligibility includes private nonprofit corporations, federally-recognized Indian tribal groups, and public entities (e.g., incorporated towns and villages, boroughs, townships, counties, states, authorities, or districts in rural areas). Grants must finance or develop small and emerging businesses with less than 50 new employees and less than $1 million in gross annual revenue. Funds can be used for:

- Acquisition and development of land;
- Construction of buildings, manufacturing plants, equipment, access streets and roads, parking areas, and utility and service extensions;
- Refinancing;
- Fees for professional services;
- Technical assistance and associated adult training;
- Startup operating costs and working capital;
- Financial assistance to a third party;
- Production of television programs to provide information to rural residents; and
- Creation, expansion, and/or operation of rural distance learning networks.

RBOG. RBOG is designed to promote sustainable economic development in rural communities with exceptional needs by providing funds for technical assistance, training, and planning activities that improve economic conditions in rural areas. Nonprofit corporations, public entities located in rural areas, cooperatives, and Native American tribes are eligible to apply.

Status

The FY 2005 budget allocated $ 41 million to RBEG and $3 million for RBOG. President Bush has proposed the elimination of both programs. The activities that they fund would be eligible under a formula block grant to be administered by the Department of Commerce.

What You Can Do

Support adequate funding of all USDA Rural Development programs. Ask your legislators to write program request letters supporting these programs to the Agriculture Appropriations Subcommittee Chairs. Share your success stories with Congress. Evidence of how your organization leveraged USDA funds to improve your community will help your Congresspersons justify adequate program funding.

Community organizations should work with local USDA offices to access the various loan, guarantee loan, and grant programs offered by USDA Rural Development.

For More Information

Web Resources
http://www.rurdev.usda.gov/rbs/busp/rbeg.htm RBEG program description
http://www.rurdev.usda.gov/rbs/busp/rbog.htm RBOG program description

U.S. Department of Agriculture
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1400 Independence Avenue, SW
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Washington DC 20250
Ph: (202) 720-1400
http://www.rurdev.usda.gov/rbs/index.html

Visit http://www.rurdev.usda.gov/recd_map.html to find your local USDA Rural Development Office.

USDA Rural Development: Rural Community Development Initiative

By Carol Wayman, NCCED

Background

Administered by the U.S. Department of Agriculture (USDA)'s Rural Housing Service (RHS), the Rural Community Development Initiative (RCDI) provides funding to help private, nonprofit, community-based development organizations and low-income communities build their financial, administrative, and managerial capacity to improve economic growth and develop rural housing and facilities. Grants are awarded to intermediary organizations, which are required to obtain one-to-one matching funds. Grant recipients administer technical assistance programs that develop the capacity and ability of community-based development organizations and low-income rural communities to undertake community and economic development projects in rural areas. Technical assistance activities may include homeownership education programs, cooperative and sustainable development assistance, strategic planning consultation, board management assistance, and staff hiring consultation.

Status

Congress appropriated $6 million for RCDI in FY 2005, this is the same as 2004. In 2003, RCDI received 117 of applications and made 28 awards. President Bush has recommended the elimination of RCDI and replace it with a block grant from the Department of Commerce.

What Can You Do

Support adequate funding of all USDA Rural Development programs. Ask your legislators to write program request letters supporting $7 million for RCDI to the Agriculture Appropriations Subcommittee Chairs. Community organizations should work with local USDA offices to access the various loan, guarantee loan, and grant programs that USDA Rural Development offers. In particular, keep up to date on the current status of the availability of RCDI funds by visiting the RCDI, NCCED, or Housing Assistance Council websites.

FOR MORE INFORMATION

Web Resources
http://www.rurdev.usda.gov/rhs/index.html RHS homepage
http://www.rurdev.usda.gov/rhs/rcdi/index.htm RCDI homepage

U.S. Department of Agriculture
Rural Housing Service National Office
Room 5037, South Building
14th Street and Independence Avenue, SW
Washington, DC 20250
Ph: (202) 720-4323
http://www.usda.gov/

Visit http://www.rurdev.usda.gov/recd_map.html to find your local USDA Rural Development Office.
Track program funding at www.ncced.org/policy or www.ruralhome.org.