

1 **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

2 **[Docket No. 5774-N-02]**

3 **Promise Zones Initiative: Second Round Application Process**
4

5 **AGENCY:** Office of Community Planning and Development, HUD.

6 **ACTION:** Notice.

7 **SUMMARY:** Through this notice, HUD provides notice on the selection process, criteria, and
8 application submission for the second round of the Promise Zone initiative.

9 **DATES:** Application due date is 5:00 p.m. on November 21, 2014.

10 **ADDRESSES:** Interested eligible organizations are invited to submit applications for a
11 Promise Zone designation. Questions or comments regarding the application process should be
12 directed by email to Promisezones@hud.gov. Questions or comments may also be directed by
13 postal mail to the Office of the Deputy Assistant Secretary for Economic Development, U.S.
14 Department of Housing and Urban Development, 451 Seventh Street, SW, Room 7244,
15 Washington, DC 20410 ATTN: Second Round Promise Zone selections.

16 **FOR FURTHER INFORMATION CONTACT:** Brooke Bohnet, U.S. Department of Housing
17 and Urban Development, 451 7th Street, SW, Washington, DC, 20410; telephone number 202-
18 402-6693. This is not a toll-free number. Persons with hearing or speech impairments may access
19 this number through TTY by calling the toll-free Federal Relay Service at (800) 877-8339.

20 **SUPPLEMENTARY INFORMATION:**

21 **Background**

22 In his 2013 State of the Union address, President Obama announced the establishment of the
23 Promise Zones initiative to partner with high-poverty communities across the country to create
24 jobs, increase economic security, expand educational opportunities, increase access to quality,

1 affordable housing, and improve public safety.¹ On January 8, 2014, the President announced
2 the first five Promise Zones, which are located in: San Antonio, TX; Philadelphia, PA; Los
3 Angeles, CA; Southeastern Kentucky, KY; and the Choctaw Nation of Oklahoma, OK. Each of
4 these communities (three urban, one rural, and one tribal) submitted a plan on how it will partner
5 with local business and community leaders to make investments that reward hard work and
6 expand opportunity. In exchange, the Federal government is helping these Promise Zone
7 designees secure the resources and flexibility they need to achieve their goals.² The urban
8 designations were conferred by HUD, while the rural and tribal designations were conferred by
9 USDA.

10 **Promise Zones Benefits**

11 The Promise Zone designation partners the Federal government with local leaders who
12 are addressing multiple community revitalization challenges in a collaborative way and have
13 demonstrated a commitment to results. Further, Promise Zones will be assigned Federal staff to
14 help navigate the array of Federal assistance and programs already available to them. In
15 addition, eligible applicants in Promise Zones will receive any available (a) preference for
16 certain competitive Federal programs and (b) technical assistance. Subject to enactment by
17 Congress, businesses investing in Promise Zones or hiring residents of Promise Zones will be
18 eligible to receive tax incentives. Altogether, this package of assistance will help local leaders
19 accelerate efforts to revitalize their communities.

¹ See <http://www.whitehouse.gov/the-press-office/2013/02/15/fact-sheet-president-s-plan-ensure-hard-work-leads-decent-living>.

² See <http://www.whitehouse.gov/the-press-office/2014/01/08/fact-sheet-president-obama-s-promise-zones-initiative>.

1 The Promise Zone designation will be for a term of 10 years and may be extended as
2 necessary to capture the full term of availability of the Promise Zone tax incentives, if the tax
3 incentives are enacted. During this term, the specific benefits made available to Promise Zones
4 may vary from year to year, and sometimes more often than annually, due to changes in Federal
5 agency policies and changes in appropriations and authorizations for relevant programs. All
6 assistance provided to Promise Zones is subject to applicable regulations, statutes, and changes
7 in federal agency policies, appropriations, and authorizations for relevant programs. Subject to
8 these limitations, the Promise Zone designation commits the Federal government to partner with
9 local leaders who are addressing multiple community revitalization challenges in a collaborative
10 way and have demonstrated a commitment to results.

11 **Response to Public Comment**

12 On April 17, 2014, HUD published a notice in the Federal Register 79 FR 21785 to
13 solicit comments from first round applicants, interested parties, and the general public on the first
14 round of the Promise Zones initiative and the proposed selection process for the second round of
15 the Promise Zone initiative. The public comment period closed on June 16, 2014. HUD received
16 95 public comments. Comments were submitted by members of Congress, mayors, city council
17 members, local government officials, public housing agencies, think tanks, nonprofit
18 organizations and the general public. HUD and USDA, in consultation with federal interagency
19 partners of the Promise Zone initiative, provided responses to public comments and can be found
20 at www.hud.gov/promisezones.

21 **Second Round Promise Zones Selection Process**

22 This notice announces the opening of the application period for a second round of
23 Promise Zone designations. HUD and USDA have reorganized and revised the Application

1 Guide to make it more readable and user-friendly for applicants. Applications are due by 5:00
2 p.m. EST on November 21, 2014 with announcements expected in 2015. As a result of this
3 competition, HUD intends to designate six urban communities and USDA intends to designate at
4 least one rural and at least one tribal community. A total of 20 Promise Zone designations will be
5 made by the end of calendar year 2016. Three urban, one rural and one tribal community were
6 designated in January of 2014. Competitions for the remaining round of designations will
7 commence in calendar year 2015. To provide a positive user experience and accommodate an
8 anticipated increase in submissions, applications will be submitted via www.Max.gov.

9 Due to the cross-disciplinary nature of the initiative, the list of eligible Lead Applicants
10 has been updated to reflect that Promise Zone activities are likely to be carried out by a variety of
11 organizations and organization types, including organizations that have specific roles in the
12 delivery of programs funded by different Federal agencies. Most such organizations are eligible
13 under the categories of governmental and nonprofit organizations that were previously listed as
14 eligible Lead Applicants. HUD and USDA included examples might encourage communities to
15 engage organizations that are the most appropriate to respond to their needs and lead
16 revitalization efforts. Eligible Lead Applicants for Urban Promise Zone designations are: Units
17 of General Local Government³ (UGLG or local government) including an office or department
18 within local government and a county government in partnership with the local municipality, if
19 applicable; or nonprofit organizations applying in partnership with local government; or Public
20 Housing Agency or Local Education Agencies (LEAs), or Metropolitan Planning Organizations
21 or community colleges applying in partnership with local government. Eligible Lead Applicants

³ Unit of general local government as defined in section 102(a)(1) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(1)). [See definition \(a\) \(1\) Unit of General Local Government.](#)

1 for Rural and Tribal Promise Zone designations are: Local governments (which includes county,
2 city, town, township, parish, village, governmental authority or other general-purpose political
3 subdivision of a state or combination thereof) and Federally-recognized tribes⁴; Nonprofit
4 organizations applying in partnership with local government or tribal government; Housing
5 authorities applying in partnership with local government, or Tribally Designated Housing
6 Entities (TDHEs) applying in partnership with tribal government; or Local Education Agencies
7 (LEAs) applying in partnership with local or tribal government; or community colleges applying
8 in partnership with local or tribal government.

9 Any Lead Applicant whose proposed Promise Zone boundaries meet the qualifying criteria
10 set forth in the Second Round Application Guide is eligible to apply for a Promise Zone
11 designation. All of the following must be present in an application for a proposed Urban Promise
12 Zone to be eligible for a designation: (1) The Promise Zone must encompass one or more census
13 tract(s) or portions of census tracts across a contiguous geography; (2) The rate of overall
14 poverty or Extremely Low Income rate (whichever is greater) of residents within the Promise
15 Zone must be at or above 33 percent; (3) Promise Zone boundaries must encompass a population
16 of at least 10,000 but no more than 200,000 residents; and (4) Local leadership, including the
17 mayors or chief executives of all UGLGs represented in the Promise Zone, must demonstrate

⁴ “Tribal applicants” are: Federally-recognized tribes as well as duly established political subdivisions of a Federally-recognized tribe. A “Federally-recognized tribe” is any Indian tribe, band, nation, or other organized group or community of Indians, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act [43 USCS §§ 1601 et seq.], that is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians pursuant to the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450 et seq.) A Nonprofit organization applying in partnership with a Federally-recognized tribal government may apply as a tribal applicant.

1 commitment to the Promise Zone effort. Proposed Promise Zone boundaries may cross UGLG
2 lines, but one Lead Applicant must be identified, and for cross-jurisdictional applications,
3 commitment must be demonstrated by the leadership of all the UGLGs involved.

4 All the following must be present to be eligible for a Rural or Tribal Promise Zone
5 designation: (1) Rural and Tribal Promise Zones must encompass one or more census tract(s)
6 across a contiguous geography.⁵ Rural applicants can define their boundaries by either census
7 tracts or by county, where multiple counties are included. Tribal applicants can define
8 boundaries which may encompass: one or more census tracts and nearby tribally-controlled
9 areas; or reservations; or consortia of tribal and non-tribal jurisdictions; (2) Promise Zone
10 boundaries must encompass a population of no more than 200,000 residents.⁶ The population
11 limit of 200,000 may not include any incorporated municipalities or unincorporated areas with
12 individual populations greater than 50,000. Rural and tribal Promise Zones may fall in non-metro
13 and metro counties; (3) The rate of overall poverty or Extremely Low Income rate (whichever is
14 greater)⁷ of residents within the Promise Zone must be at or above 20 percent and the Promise
15 Zone must contain at least one census tract with a poverty rate at or above 30 percent⁸; and (4)

⁵ For rural and tribal applications, Promise Zone boundaries that cross state lines and water borders can be considered contiguous.

⁶ The population limit of 200,000 is intended to allow for regional collaboration among multiple communities of varying sizes and capacities. The rural eligibility criteria ensure, by definition, that rural Promise Zone applications cannot include communities over 50,000.

⁷ The estimated concentration of Extremely Low Income (ELI) households represents an approximation of the percent of households within the specified area whose household combined income is below 30% of the HUD defined Area Median Income (AMI). This ELI indicator is calculated with data from the block group level from Comprehensive Housing Affordability Strategy (CHAS) 2010. The final number included in this report for "poverty rate" is the greater of these two indicators.

⁸ Applicants are required to use the Promise Zones mapping tool to determine the overall poverty rate. The mapping tool determines the overall poverty rate in two ways and uses the higher percentage.

1 Local leadership must demonstrate commitment to the Promise Zone effort. Tribal applications
2 must include commitment of tribal jurisdiction(s) represented. Proposed Promise Zone
3 boundaries may cross UGLG or tribal area lines, but one Lead Applicant must be identified, and
4 for cross-jurisdictional applications, commitment must be demonstrated by the leadership of all
5 UGLGs or tribal areas involved.

6 Under the second round process, only one Promise Zone application may be submitted in
7 association with an UGLG or tribal area per application cycle. If more than one application is
8 submitted for a Promise Zone meeting the qualifying criteria, the one submitted with local
9 government support will be accepted. If more than one application is submitted with local
10 government support in association with a UGLG or tribal area, including applications that cross
11 jurisdictional lines, all of the applications from that UGLG or tribal area will be disqualified for
12 the current application cycle.

13 If a Promise Zone designated in Round 1 is located within a UGLG in which a new
14 application is being made, the applicant is directed to include an explanation of how, if a second
15 Promise Zone designation is made, the UGLG plans to work with all of the Promise Zone
16 designees at the same time and sustain the level of effort, resources, and support committed to
17 each Promise Zone under its respective Promise Zone plan for the full term of each designation.
18 This explanation should be evidenced by commitments from the UGLG in materials submitted
19 by the mayor or local official in support of the application.

20 **Application Review**

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22 Applications for Promise Zone designations will be reviewed by representatives from the
23 Department of Agriculture, the Department of Housing and Urban Development, the Department
24 of Education, the Department of Justice, the Department of Health and Human Services, the

1 Department of Labor, and the Department of Transportation. Additional Federal agencies and
2 outside entities may contribute reviewers, depending upon the anticipated volume of
3 applications.

4 Reviewers will first verify that the application is submitted by an applicant eligible for
5 selection, by verifying that the proposed Promise Zone meets the qualifying criteria and that the
6 Lead Applicant meets the eligibility criteria for the second round selection process. For urban
7 applications, reviewers will confirm the subcategory in which each application should be
8 considered (large Metropolitan Core Based Statistical Area (Metro CBSA) or small/medium
9 Metro CBSA).⁹

10 Rural applications will be ranked against other rural applications, tribal applications will
11 be ranked against other tribal applications, and urban applications will be ranked against other
12 urban applications. An application must score a total of 75 points or more out of 100 points, to be
13 considered for a designation (scoring 75 points or more means that applications fall within the
14 “competitive range”). Once scored, applications will be ranked competitively within each of the
15 three Promise Zones categories and within the urban subcategories, as applicable.

16 HUD intends to designate at least one small/medium Metro CBSA. If the number of
17 eligible applications determined to belong to the small/medium Metro CBSA subcategory is
18 fewer than the greater of (1) five total applications, or (2) ten percent of the total number of

⁹ Urban application subcategories are defined as: **Large Metro CBSA:** The proposed Promise Zone community is located in a Metropolitan Core Based Statistical Area (Metro CBSA) with a total population of 500,000 or more. **Small/medium Metro CBSA:** The proposed Promise Zone community is located within the geographic boundaries of a Metro CBSA with a population of 499,999 or less. Additional information regarding Metropolitan Core Based Statistical Areas and Principal City can be found at <http://www.whitehouse.gov/sites/default/files/omb/bulletins/2013/b13-01.pdf>.

1 urban applications received, then the applications in the small/medium Metro CBSA subcategory
 2 will be included in the large Metro CBSA subcategory and ranked against those applications.
 3 In addition to the application materials, reviewers may consider public information available
 4 from participating agency records, the name check review, public sources such as newspapers,
 5 Inspector General or Government Accountability Office reports or findings. Any evidence cited
 6 in the Goals and Activities Template may also be reviewed.

7 **Application Submission**

8 Applications must provide a clear description of how the Promise Zone designation
 9 would accelerate and strengthen the community's efforts at comprehensive community
 10 revitalization. No substantive or technical corrections will be accepted or reviewed after the
 11 application deadline. The *Second Round Application Guide* can be found at
 12 www.hud.gov/promisezones. Applications are due via the Promise Zone application portal at
 13 www.Max.gov by 5:00 p.m. EST on November 21, 2014. Directions on how to access and use
 14 the application portal are available at www.hud.gov/promisezones.

15 To prepare for the number of applications, an optional Letter of Intent is available in the
 16 Promise Zone application portal at www.Max.gov and is requested by October 17, 2014. If the
 17 Lead Applicant requests to use alternative data sources to meet the eligibility criteria or for the
 18 Need application section, a one-page explanation noting the alternative data source must be
 19 submitted to pzapplications@hud.gov with the subject line "Alternative data source request" by
 20 October 17, 2014 to be approved by the relevant designating agency (HUD or USDA).

21 **Date:** _____

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Carole Galante, Assistant Secretary for Housing/FHA
 Commissioner

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