

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**Office of the Assistant Secretary for Community Planning and Development****24 CFR Part 597**

[Docket No. R-95-1702; FR-3580-F-03]

RIN 2506-AB65

Designation of Empowerment Zones and Enterprise Communities

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Final rule.

SUMMARY: This rule makes final an interim rule published on January 18, 1994 that implemented that portion of Subchapter C, Part I (Empowerment Zones, Enterprise Communities and Rural Development Investment Areas) of Title XIII of the Omnibus Budget Reconciliation Act of 1993 dealing with the designation of urban Empowerment Zones and Enterprise Communities. The interim rule, consistent with the statute, authorized the Secretary of HUD to designate not more than six urban Empowerment Zones and not more than 65 urban Enterprise Communities based upon the effectiveness of the strategic plan submitted by a State or States and local government(s) nominating an area for designation.

EFFECTIVE DATE: February 13, 1995.

FOR FURTHER INFORMATION CONTACT: Michael T. Savage, Deputy Director, Office of Economic Development, Room 7136, Department of Housing and Urban Development, 451 Seventh Street SW, Washington, DC 20410, telephone (202) 708-2290; TDD (202) 708-2565. (These are not toll-free numbers.)

SUPPLEMENTARY INFORMATION:**Paperwork Reduction Act**

The information collection requirements contained in this rule were approved by the Office of Management and Budget (OMB) for review under the Paperwork Reduction Act of 1980 (44 U.S.C. 3501-3520), and assigned OMB Control Number 2506-0148.

I. Background—the January 18, 1994 Interim Rule

On January 18, 1994 (59 FR 2700), HUD published an interim rule that implemented that portion of Subchapter C, Part I (Empowerment Zones, Enterprise Communities and Rural Development Investment Areas) of Title XIII of the Omnibus Budget

Reconciliation Act of 1993 which addresses the designation of urban Empowerment Zones and Enterprise Communities. Title XIII also provides for the designation of rural Empowerment Zones and Enterprise Communities. As noted in the January 18, 1994 interim rule, the urban part of the program is administered by HUD as a Federal-State-local partnership. The rural part of the program is administered by the Department of Agriculture. The Department of Agriculture also published an interim rule on January 18, 1994 (59 FR 2686). (The program is hereafter referred to as the EZ/EC program.)

The EZ/EC program is a key step in rebuilding communities in America's poverty-stricken inner cities and rural heartland. It is designed to empower people and communities across the nation in developing and implementing strategic plans to create job opportunities and sustainable community development. The program combines tax benefits with substantial investment of Federal resources and enhanced coordination among Federal agencies.

Designated Enterprise Communities are eligible for new Tax-Exempt Facilities Bonds for certain private business activities. States with designated Enterprise Communities will receive approximately \$3 million in Empowerment Zone/Enterprise Community Social Service Block Grant (EZ/EC SSBG) funds to pass through to each designated area for approved activities identified in their strategic plans. Enterprise Communities will receive special consideration in competition for funding under numerous Federal programs, including the new National Service and proposed Community Policing initiatives. The Federal Government will focus special attention on working cooperatively with designated Enterprise Communities to overcome regulatory impediments, to permit flexible use of existing Federal funds, and to assist these Communities in meeting essential mandates.

Designated Empowerment Zones will receive all the benefits provided to Enterprise Communities and other communities with innovative visions for change. Empowerment Zones are awarded substantial Empowerment Zone/Enterprise Community Social Service Block Grant funds, in the amount of \$100 million for each urban Zone. An Employer Wage Credit for Zone residents is extended to qualified employers engaged in trade or business, in designated Empowerment Zones. Businesses are afforded an increased deduction under section 179 of the

Internal Revenue Code for qualified properties.

The preamble to the January 18, 1994 interim rule described in detail the eligibility requirements for Empowerment Zones and Enterprise Communities and the nomination process. This information is not repeated in this final rule.

The Department also published on January 18, 1994, a notice inviting applications on nominations for areas as Empowerment Zones and Enterprise Communities (59 FR 2711). Title XIII of the Omnibus Budget Reconciliation Act of 1993 authorized the Secretary of HUD to designate up to six urban Empowerment Zones and up to 65 urban Enterprise Communities. The purpose of this document is to make final the interim regulations published on January 18, 1994. The designated Empowerment Zones and Enterprise Communities will be announced by separate notice published in the **Federal Register**.

II. Differences Between Final Rule and Interim Rule

This final rule makes only editorial and technical correction changes to the January 18, 1994 interim rule. As will be discussed in the following section of this preamble, HUD received several good suggestions and recommendations of matters that the rule should address or expand upon, or terms that should be defined. These changes are largely directed to the nomination process, to the eligibility process, to the contents of the strategic plan or to the evaluation of the plan. Because of the need to have applications submitted by June 30, 1994 so that HUD and the Department of Agriculture could make designations within the time period set by statute, any significant or substantial revisions to the interim rule would have delayed the application process, and therefore delayed the designation process. Any significant or substantial revisions made at this time to the nomination process, evaluation process, etc., would have no effect since the designation process is complete.

HUD anticipates that if another round of designations is authorized by the Congress, there will be accompanying legislation that may make changes to the existing EZ/EC program, and thus require amendments to the regulations in 24 CFR part 597. At the time of this rulemaking, HUD will again consider the comments received on the January 18, 1994, and if they remain applicable to the new round of designations (the issue of applicability depends upon the type of legislative changes, if any, made to the EZ/EC program by the Congress),