issues raised by the public commenters, and HUD's response to these issues.

General Comments on the Rule

Comment. One commenter stated that the interim rule as a whole did not adequately address the needs of extremely low-income persons.

Response. HUD disagrees with the commenter. The eligibility for designation as an Empowerment Zone or Enterprise Community requires a significant level of poverty, and the strategic plan required various descriptions of how the nominated area would address the need of low-income persons, for example, through the creation of economic opportunities, home ownership, education or other route to economic independence for low-income families, youth and other individuals. (See § 597.200.)

Comment. Two commenters stated that the rule should explicitly address the need of areas in which military base closures have occurred or will occur.

Response. Military base closure was explicitly referenced in the rule. Note that § 597.102(b)(1) of the rule provides in relevant part that "Unemployment shall be demonstrated by * * * (2) Evidence of especially severe economic conditions, such as military base or plant closings, or other conditions which have brought about significant job dislocation within the nominated area."

Comment. One commenter stated that the rule should have taken into consideration areas which have both rural and urban characteristics.

Response. HUD strived to the extent possible, given the statutory framework and requirements, to be as flexible as possible in describing eligibility for nominated areas, and to recognize that some urban areas will have rural characteristics. To a significant degree, however, this flexibility was limited by the statutory requirements for eligible urban areas.

Comment. One commenter stated that the rule and program structure perpetuate the inner city as a place for only low-income persons to live. The commenter stated that while EZ/EC SSBG eligible expenditures give latitude for communities to address social problems, they leave little room for needed neighborhood economic development programs that could make urban neighborhoods better places to live, to raise families, to shop, to work and to grow businesses.

Response. The entire EZ/EC program is directed to uplifting the economic and social environment of the designated urban area. HUD believes that the four key principles of the program, set forth in § 597.200, and the specific elements embodied in each principle, clearly make this point.

Comments on Terms Used

Comment. One commenter stated that the rule should have defined the terms "community" and "low-income." Another commenter stated that the interim rule should have defined the term "long-term unemployed."

Response. HUD acknowledges the merit of these suggestions, and definitions for these terms will be considered for any future rulemaking that may be necessary for a new round of designations.

Comment. Two commenters stated that the term "disadvantaged" should be defined in the regulation. The commenter stated that this term should be defined to mean household or individual income below 30 percent or 50 percent of the area-wide income.

Response. This term appears in § 507.200(d)(12) which addresses the use of EZ/EC SSBG funds. EZ/EC SSBG funds are administered by the Department of Health and Human Services. Accordingly, HHS has responsibility for defining this term. Although this term is not defined in the HHS regulations governing Social Service Block Grant Funds (see 45 CFR part 96, subpart G), HHS should be able to provide guidance to grantees on the meaning of this term.

Comment. One commenter stated that the definition of "State-chartered economic development corporation" was not very clear.

Response. The statute defined this term, and the rule simply incorporated the statutory definition.

Comments on Census Tracts and Census Tract Data

Comment. Twenty-four (24) commenters objected to the failure to use census block data instead of census tract data. The commenters pointed out that many city boundaries do not coincide with census boundaries, and these cities would be disqualified. In addition to requesting use of census block data in lieu of census tract data, other suggestions submitted by commenters included: Excluding significantly-sized public facilities from calculation of a city's total mileage; and allowing an entity to request EC designation to be extended on a case-bycase basis to coterminous properties adjacent to an eligible poverty census tract.

Response. HUD is unable to adopt the suggestions of the commenters. The statute requires the use of census tract data, and does not permit the exclusions

or case-by-case exceptions as suggested by the commenters.

Comment. One commenter requested that the rule exclude portions of census tracts incapable of development, such as those that may be covered by water.

Response. In determining what constitutes census tracts, and what areas are not included or excluded in census tracts, HUD follows existing regulations applicable to census tracts issued by the U.S. Census Bureau.

Comment. Another commenter stated that census retail trade data does not accurately characterize central business districts. The commenter stated that the rule excludes central business districts (CBDs) as defined by the 1987 Census Retail Trade unless poverty rate for each tract in the CBD is not less than 35 percent for an EZ and 30 percent for an EC.

Response. Central business districts are addressed in § 597.100(f). HUD's rule provides some flexibility since the last Census of Retail Trade was in 1982. The issue of characterization of CBDs is not a question of whether an area was listed in the Census of Retail Trade, but whether the area fits characteristics of CBDs. HUD's rule allows applicants to demonstrate that the character of an area has changed, and does not meet the definition of CBD as used in the most recent Census of Retail Trade.

Comments on Population Levels

Comment. Twelve commenters stated that the 50,000 population limitation excludes many cities in need of EZ/EC assistance, and requested that the population limit be increased to 200,000 for all urban nominated areas.

Response. The population limitation of 50,000 found in § 597.100(a)(2) is directly from the statute.

Comment. Another commenter said that the rule should have excluded prison and hospital populations from the populations caps.

Response. This concern was accommodated by HUD at the time of issuance of the January 18, 1994 interim rule. The application process allowed cities to deduct institutional populations or populations in group quarters.

Comments on Pervasive Poverty and Unemployment

Comment. One commenter stated that the test for pervasive poverty should meet all three criteria, not simply one, and that a higher test should be utilized to determine unemployment.

Response. HUD believes that each of the three factors presented in § 597.102(a), in and of itself, adequately exemplifies an area that has pervasive