HOW THE CONDITIONS IN RENEWAL COMMUNITIES AND EMPOWERMENT ZONES CAN ASSIST NEIGHBORHOOD STABILIZATION PROGRAM (NSP) GRANTEES MEET THE TITLE III 25 PERCENT REQUIREMENT

Section 2301(f)(3)(A)(ii) of Title III of the Housing and Economic Recovery Act (HERA) requires that "not less than 25 percent of the funds . . . made available under this section shall be used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income."

For those NSP grantees having a designated Empowerment Zone (EZ) or Renewal Community (RC), it is a worthwhile effort to focus on these EZ/RC areas as places where conditions are favorable for meeting the 25 percent requirement. There is a two-fold rationale for this recommended focus – the demographics and foreclosure risks and the tax incentives and commitments to improve the economic conditions in the EZ/RC areas.

EZRC Demographics, Foreclosure Risk, and Available Homes

Applicants for RC designation, in particular, were ranked by area poverty rate and area unemployment rate with an additional ranking for urban applicants based on the percentage of families below 80 percent of area median income. The poverty rate requirements for EZ areas also assure high numbers of individuals and families who would qualify for the 25 percent set-aside.

An Excel spreadsheet on the NSP Training CD lists the EZ/RC Census tracts and highlights those where the majority of residents are at or below the 50 percent area median income. It is important to note that each individual or family receiving the assistance must be qualified in order for the assistance to count toward meeting the 25 percent requirement.

Ongoing analysis by CPD's Office of Community Renewal (OCR), which administers the urban EZs and urban and rural RCs, shows that high-cost loans in 2004-2006 tended to be concentrated in and near the EZs and RCs. This factor, as well as vacant addresses as of June 2008, current unemployment rates, and current home values that declined from the post-2000 peak may point to areas with the greatest problems. Accordingly, **the Excel spreadsheet on the CD also shows the foreclosure-abandonment risk score for the EZ/RC Census tracts**. In the case of many EZ/RCs, Census tracts with the highest foreclosure risk based on these four factors described by PDR in this training are concentrated in and near the EZs and RCs.

A large share of EZs and RCs are in areas where NSP grantees are local governments that are direct recipients of NSP allocations. For those remaining EZs and RCs having Census tracts where residents are at or below the 50% area median income targeting of NSP funds may be available for these particular EZs and RCs through their State NSP allocations.

OCR's analysis includes mapping the EZ/RC areas to illustrate the relationships of the available data indicating areas of "greatest need," as defined under Section 2301 (b)(3)(A)(B)(C) of Title III of HERA. ***Illustrative maps are also included on the CD***. For example, the **Detroit/Wayne County HMDA Analysis map** shows that the EZ and RC in Detroit contain a concentration of Census tracts where the majority of loans originated in 2004-2006 are high cost loans. The **Foreclosure Risk – Detroit EZ/RC map** shows that the EZ and RC are blanketed by Census tracts with the highest estimated risk of foreclosed and abandoned homes. Finally, the **FHA Foreclosure Claim Locations map** for the Detroit EZ/RC area shows numerous available homes for potential buyers or renters, just from FHA's inventory or foreclosure pipeline.

OCR is making these and similar maps available on the OCR website at **www.hud.gov/cr** for grantees to utilize in determining their targeting of NSP funds and in preparing their "substantial amendment to the Annual Action Plan" as required for the Neighborhood Stabilization Program.

Tax Incentives and Commitments

Additional reasons to focus on EZ/RC areas include a c**ontinuing commitment to revitalizing these areas of economic need** and an $11 billion tax incentive package for businesses in these areas. Consider the following:

- HUD's 30 urban EZs each has in place a comprehensive strategic plan involving committed stake holders contributing 8- to 15-year programs based on four EZ key principles of Strategic Vision for Change, Community-Based Partnerships, Economic Opportunity, and Sustainable Community Development.
- In each of HUD's 40 urban and rural RCs, the state and local governments and community-based organizations are committed to improve business conditions and stimulate job creation and investment for eight calendar years from 2002-2009.
- EZ/RC areas are supported by an $11 **billion package of federal tax incentives** for businesses to stimulate job creation and retention and business investments. Some highlights –
    Hiring or retaining a resident of the EZRC to work within the EZRC qualifies the employer for up to **$3,000 or $1,500 per year in EZRC employment credits** through 2009. This incentive influenced at least 240,000 jobs nationally in 2006.

Additional Information

For additional information please –
- Visit the Community Renewal web page at **www.hud.gov/cr**.
- Call the Office of Community Renewal, Pamela Glekas Spring, Director, at 202-708-6339.

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