

Subcommittee on Housing and Community Opportunity

**Hearing Review of the Current Status of
Empowerment Zones and Renewal Communities**

April 10, 2002

**Presented by Cathy Burns, Executive Director
Huntington, WV – Ironton, OH Empowerment Zone**

Hello, my name is Cathy Burns and I administer a Round II Urban Empowerment Zone in Ironton, Ohio and Huntington, West Virginia. I'd like to thank the committee chair and committee members for allowing me the opportunity to briefly share our economic plans, economic accomplishments and the importance of the Empowerment Zone initiative.

My community, probably like the communities you represent, has seen significant economic changes over the years: changes like less manufacturing jobs, more service related jobs, less job security, more skill training, decrease in population in our cities resulting in less revenue, requiring the redevelopment of land. A community made up of people with strong values, a dedicated work ethic, but also a people recognizing the need to raise our education levels and lower our poverty numbers. A land blessed with beautiful natural resources, but limited in its economic opportunities due to a terrain very expensive to develop.

A community that, through the Empowerment Zone process, clearly identified its weaknesses and the needed solutions, including resources, risks and sacrifices necessary to overcome our limitations. In 1999, Huntington and Ironton, along with 14 other cities, were designated Urban Round II Empowerment Zones. The federal government became our partner. We had new economic tools, cash grants and tax incentives, to use and we made a 10-year commitment to improve the economic opportunity for our zone residents.

Now, that partnership is at risk. As you know, the Administration has stated the Empowerment Zone and Enterprise Community programs should be eliminated primarily for two reasons. They claim tax credits alone are sufficient to create new jobs and the expenditure rate of the current Empowerment Zones is slow.

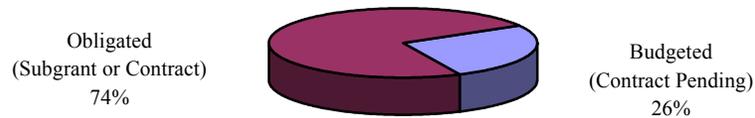
I want to tell you from a practical viewpoint how the Empowerment Zone designation has made a tangible difference in my community and how in the past 2 ½ years we have utilized the cash grants and tax incentives to improve our region.

Effective economic development requires many economic tools, but access to cash consistently continues to be the most important tool. Cities receiving zone designation traditionally have suffered a number of economic hardships (a requirement of receiving zone status). Historically, that translates into having less funds for economic development purposes. That is why Empowerment Zone/Enterprise Community funds are so necessary.

The Huntington-Ironton Empowerment Zone has committed 100% of our zone funding.

Obligated & Otherwise Committed Grant \$\$

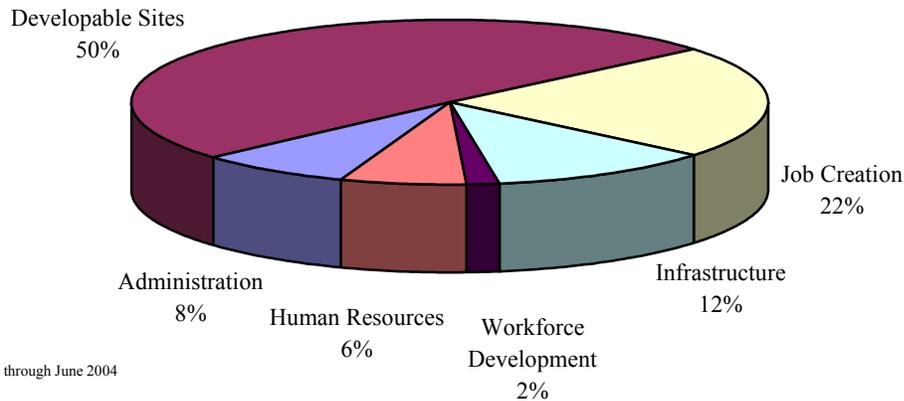
Empowerment Zone Grant Totaling \$18,972,866



The most recent data, with 12 Round II zones reporting, shows a commitment rate of 82% of all federal funds allocated. My zone has one of the highest expenditure rates, 47%. Of the total funds committed, 84% has been allocated to create new sites for development, new jobs and improved infrastructure. An additional 8% has been allocated on training our work force.

Percent by Project Category

Empowerment Zone Grant Totaling \$18,972,866



* Admin. Budget through June 2004

But good economic policy is more than how quick you spend your money. Empowerment Zones should be evaluated and rewarded for investing in projects that drive their economy; for leveraging other funds; and for measurable jobs created that are above the average local wage. Allow me to tell you about two signature projects that meet this definition.

Kinetic Park, a 95-acre business and technology park in Huntington located along Interstate 64. Designed to accommodate high-tech office buildings, laboratories and other advanced facilities. Kinetic Park is a gateway into the state traveling east, as well as the gateway to enter Huntington's downtown, Marshall University and medical school. The location of the park is ideal but site development was expensive. Earth moving and installation of infrastructure will cost 10 million dollars. Without the Empowerment Zones dollars, advancing to the construction phase of this project would not have happened.

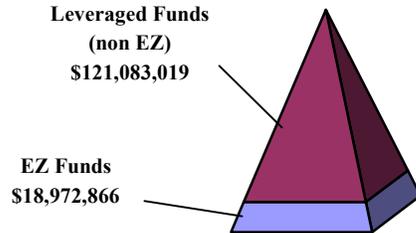
And the investment of federal dollars has been well spent since we can already celebrate the announcement of **Amazon.com East Coast Customer Service Center** and the **American Foundation for the Blind** product-testing laboratory to the site. We project at least 2000 new jobs to be created from this one project.

A second signature project is **The Point**, an industrial and commercial development in South Point, Ohio. This 400-acre site is located along the Ohio River, has direct access to a major Norfolk Southern railroad line and provides customized sites for development. Even though the phase 1 infrastructure contract has not yet begun, this site is generating excitement. Already, two local businesses have committed to expand their operations into this site and create an additional 50 jobs. We project as site development proceeds another 1000 new jobs will be created at The Point.

Empowerment Zone dollars enabled The Point property to be controlled and marketed by the local development authority. The local businesses committing early to locate to this site felt a trusting and amicable business deal could now be afforded to them.

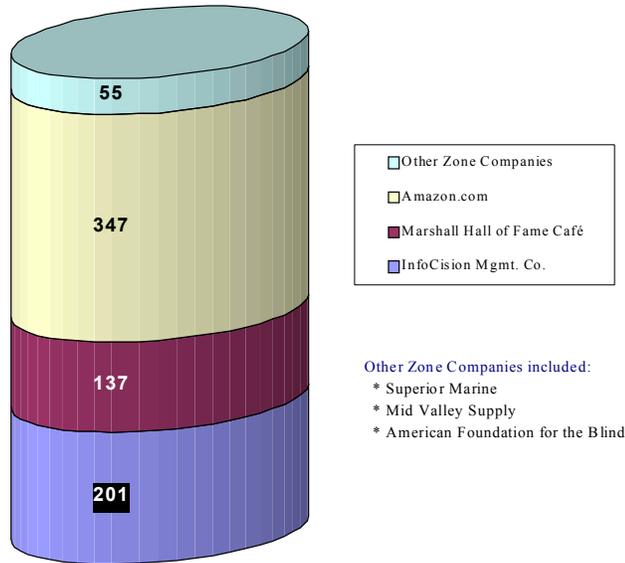
Crucial to both Kinetic Park and The Point was an early commitment by the Empowerment Zone Board of Directors to the economic opportunity these projects offered. The financial pledge by the EZ enabled these projects to move from the planning shelf to reality. Additionally, EZ funds provided the foundation to garner additional financial commitments from the states of Ohio and West Virginia, other

federal agencies, local entities and, as mentioned, private businesses. To date the Huntington-Ironton Zone has leveraged a total of \$121,083,019.



In addition to creating new sites, my zone has created new jobs. In the 2 ½ years we've been an EZ, we have created over 690 new jobs in our zone. From 94-99, my community created over 6000 new jobs.

690+ Zone Jobs Created



In my past position as Economic Development Director and now as Empowerment Zone Director, I have marketed the tax credits since 1994, and never once did a company decide to locate or expand in my empowerment zone because of the tax credits. Businesses consider the tax credits as a little bonus at the end of the transaction. When evaluating the site selector factors, businesses want availability and affordability of land, including the infrastructure in place (roads, utilities, buildings) and an available, skilled workforce. Tax credits don't make any of those factors a reality; cash does.

Amazon.com is a perfect example. Their lease improvements and equipment purchases (\$1.5 million) were not enough to warrant a tax-exempt bond. They didn't qualify for 179 expensing because they were not separately incorporated and couldn't meet the 35% zone resident test. At the time they located to our zone, we didn't qualify for EZ wage credit. So, we used our grant funds to provide an incentive to the company.

Furthermore, the existing tax credits are very limited in benefiting empowerment zone areas (areas statistically proven to be in need of private investment because of higher unemployment). The majority of the wage credits and tax deductions can be used by businesses located outside of the zone boundary. Plus, a recent (November 2001) study conducted by *Abt Associates* concludes, "*Federal tax incentives have only been a marginal tool for promoting revitalization.*"

Grant funds have been essential to implementing our economic strategy. The tax credits can add value to our community, but the grant funds are what drive our economic development efforts.

The Huntington-Ironton Empowerment Zone has 30 projects in which we are partnering with other agencies to improve the economic opportunity of our zone residents. We have assisted in renovating buildings for expanded health care; improving the quality of housing for our zone residents; building shell buildings for manufacturing companies; designing a technology business incubator; constructing a commercial food processing facility for the production of value-added food products and more.

Projects, which are identified in our locally written economic strategy, are being implemented to raise the economic bar for our community. Continued funding is crucial to our effort. Why is the Empowerment Strategy good economic policy?

1. Local Participation and Buy-in
2. Financial Partners
3. Flexible
4. Results Oriented

My community does not want the federal government to solve our problems. We have the skills and knowledge to solve our economic problems. However, there are critical economic tools needed to accomplish our goals. Adoption of H.R. 2637 and reauthorization of the Empowerment Zone/Enterprise Community initiative will provide us the necessary tools for our economic success.