COMMUNITY REUSE OF FORMER MILITARY BASES
April 21, 1999

Between 1988 and 1995, the federal government selected 97 major military bases for closure, and 62 of the 74 closures that involve a significant community impact have alredy occurred, most since 1993. Because of extraordinary community leadership, combined with a strong economy and President Clinton's commitment to help affected communities, closing military bases are becoming engines of local economic renewal all across the country:

* 50,000 civilian jobs have been created at bases closed since 1988; that's 48% of all the civilian jobs lost due to closure.
* More than 1,300 private and public sector employers now operate at closed bases.
* 15 communities have created more jobs at former bases than were lost due to closure.
* In December 1998 the General Accounting Office reported that two-thirds of the communities affected by closure had an unemployment rate at or below the national rate.

In a sharp departure from past policy, President Clinton in July 1993 announced a five-part program to give priority to rapid redevelopment of closing bases and job creation by host communities. This program has produced significant achievements:

* Most important, the Department of Defense (DoD) has completed 35 ***Economic Development Conveyances*** (EDCs) of property totaling 30,500 acres. EDCs allow communities to acquire base property at a discount if it will be used to create jobs.

* The federal government has provided ***more than $1 billion in transition assistance to workers and communities*** affected by base closures.

* By providing ***larger economic planning grants***, DoD has helped communities reduce the time it takes them to develop a base reuse plan from 57 months to only 21 months.

* ***Environmental cleanup of closing bases is occurring faster and with better coordination*** between federal, state and local officials.

Despite these improvements, the federal process of making bases available for reuse -- especially the system for transfering property -- is still too cumbersome and slow. To promote more rapid property transfer, President Clinton announced the following today:

* the ***Defense Department will ask Congress for the authority to transfer former base property to local communities at no cost if they use it for job-generating economic development***. This policy of no-cost Economic Development Conveyances will eliminate the need for time-consuming property appraisals and negotiations, thereby speeding property transfer and reuse and reducing DoD's cost to maintain and operate the property.

* DoD is organizing a ***Base Reuse "Red Team"*** composed of senior military and DoD

civilian officials to implement the new EDC policy and tackle remaining problems.

ECONOMIC RENEWAL:
COMMUNITY REUSE OF FORMER MILITARY BASES
April 21, 1999

We have survived, and most of our citizens agree that we are better off today than prior to closure.

Katy Podagrosi, former mayor of Rantoul, Illinois,
where Chanute Air Force Base was closed in 1993

Summary

Between 1988 and 1995, the federal government selected 97 major military bases for closure, and 62 of the 74 closures that involved a significant community impact have already occurred, most since 1993. Although many communities feared that the closing of a nearby military base would be their economic death knell, in practice it has been the starting bell for charting a new economic future. Because of extraordinary local leadership, combined with a strong economy and President Clinton's commitment to help affected communities, closing military bases are becoming engines of local economic renewal all across the country.

While the task of remaking the economic foundation of a community is never easy, a closed base can be a community's single greatest asset in charting a different future. Experience indicates that communities that lost a base in the 1960s and 1970s have used the facilities to create, on balance, more new jobs than were lost. And among post-1988 closures, nearly half of civilian jobs lost have been replaced. A recent ***Forbes*** article entitled, "Close a base, create a job," reflects the growing recognition that closing bases can help communities build stronger, more diverse local economies.

Strong local leadership is critical for rapid reemployment of facilities and workers no longer needed by the military. Plans for economic renewal must come from the community organizations, firms and workers with a stake in an affected region's future. Together they can create and help realize an economic vision appropriate for the region.

The federal government's role is to foster local reuse efforts by making it easier for communities to utilize newly available assets. Despite some outstanding reuse successes, prior to 1993, the federal government had not done a very good job of closing military bases. In a sharp departure from the past, President Clinton in 1993 announced a five-part program to give top priority to early reuse of closing bases' valuable assets by the host communities. The Administration has focused on rapid redevelopment and creation of new jobs in base closure communities by: catalyzing the local planning process, transferring property at an affordable price, investing in infrastructure improvements to make property more attractive, helping to pay for training that gives workers skills needed in the local economy, and cleaning up environmental contaminants left by the military. These federal contributions have helped to attract and complement private

sector investment in new business activity on closing bases.
As a result:

* More than 50,000 civilian jobs have been created at bases closed since 1988; this represents 48 percent of the civilian jobs lost due to closure.

* More than 1,300 private and public sector employers now operate at closed bases.

* And 15 communities have already created more civilian jobs at their former bases than were lost due to the closure.

In December 1998, the General Accounting Office (GAO) reported that "the majority of the communities surrounding closed bases are faring well economically in relation to the national average and show some improvement since the time closures were beginning." According to GAO:

* As of 1997, about two-thirds of the communities affected by post-1988 closures (42 of 62) had an unemployment rate at or below the national rate of 5.1 percent. By comparison, in 1988, only 60 percent of the communities (37 of 62) had unemployment rates at or below the U.S. average (then 5.5 percent).

* Rural communities seemed to be doing about as well as cities.

Behind these statistics are the many compelling stories of individual communities that have turned a closing military facility into an engine for generating job-creating private investment:

* In Alameda, California, where aircraft were once overhauled at the Alameda Naval Air Station, Hollywood movie studios are now shooting films and incubator start-up companies are working to bring improved electric cars and other new technologies to market. To date, 63 tenants have created 1,364 jobs.

* In Ayer, Massachusetts, at the former Fort Devens, a Gillette manufacturing and distribution complex has taken the place of Army operations; rail cars at a Boston & Maine Railroad intermodal facility have replaced jeeps; and 1,500 civilian jobs now exist where there was once a military payroll.

* And in Austin, Texas, the former Bergstrom Air Force Base will shortly become the new Austin-Bergstrom International Airport, and what once was division headquarters for the 12th Air Force will soon be a Hilton Hotel. With 25 gates and 260 flights a day, the airport is expected to accommodate six million passengers in its first year alone.

These and other base reuse success stories are described in more detail below.

These success stories notwithstanding, the process of making bases available for reuse is still too slow and cumbersome, and unnecessary federal requirements still hinder communities' ability to create jobs and promote revitalization. The biggest remaining problem, as the GAO report underscored and as many communities can attest, is the slow pace of federal property disposal.

To promote more rapid property disposal and assist base closure communities, the Department of Defense will ask Congress for the authority to transfer property to local redevelopment authorities (LRAs) at no cost if it is to be used for job-generating economic development. At President Clinton's request, in 1994 Congress gave DoD the authority to transfer such property at below fair market value. DoD has completed 35 of these special property transfers -- called Economic Development Conveyances (EDCs) -- and 16 more are pending. Although the military services have provided many of these EDCs at considerable discounts, the need for an appraisal and lengthy negotiations between the community and DoD has significantly delayed transfer and redevelopment of the property. A policy of no-cost EDCs will eliminate these time-consuming steps, thereby speeding property transfer and reuse and reducing DoD's cost to maintain and operate the property. This policy also will reduce somewhat the daunting costs of reusing former military bases, allowing communities to invest more quickly in infrastructure modernization and redevelopment.

In addition, the Defense Department is organizing a Base Reuse "Red Team" composed of senior military and DoD civilian officials to implement the new EDC policy and tackle remaining problems with base reuse. This Red Team will try to resolve problems at specific bases and propose structural changes to improve the process for all closing bases.

Pre-1993 System was "Broke"

The federal government's system for making closed military bases available for reuse prior to 1993 was "broke." When the federal government closed a base -- which was often the largest employer in the region -- it provided little transition assistance. Thus communities were forced to cope with a jarring economic upheaval without adequate tools or resources. Moreover, many bases were heavily polluted, and it took years to complete environmental reviews, before cleanup efforts could even begin.

The most serious obstacle to economic redevelopment was the military's property disposal process, as the President's 1993 plan acknowledged:

> Disposal of the land, buildings and movable property on military bases has been slow, bureaucratic and penny-pinching. Many businesses wanting to locate on a newly closed base have been unable to get an interim lease because of Pentagon red tape. And disputes over "fair market value" of military property have resulted in the worst of both worlds: land and buildings that could support commercial activity and create jobs sit idle, while DoD continues to pay to maintain property it doesn't need.

President's Five-Part Plan

Admitting that "the federal government has not done a very good job of closing bases in the past," the President announced his new policy at a July 1993 press conference with a number of his Cabinet members present. In a "sharp departure from the past," the President said the top goal was rapid redevelopment and creation of new jobs, through:

* Jobs-centered property disposal that puts economic redevelopment first
* Fast-track environmental cleanup
* Easy access to transition help for workers and communities
* Larger economic planning grants
* "Transition coordinators" assigned to every major base

Jobs-centered property disposal was the core of the President's plan. To correct past problems, the plan called for the military departments to:

* transfer property at low or no cost if used for job-creating economic development
* encourage interim leases
* emphasize the needs of the community with respect to personal property

Congress subsequently endorsed the President's new approach by enacting the Base Closure Communities Assistance Act of 1994 (also known as the "Pryor amendment" for its Senate sponsor). Most important, the act authorized conveyances of base property at below fair market value to local redevelopment authorities if the property were used to generate jobs.[1]

Significant Progress

Based on the President's plan, DoD established a community-based process for making closed bases available for reuse, spearheaded by its Office of Economic Adjustment:

> ***Community-based organization:*** To received federal assistance, communities must form a Local Redevelopment Authority (LRA) that represents all major groups and communities affected by the closure and that is responsible for developing and implementing a base reuse plan. Among other things, the LRA is the only eligible recipient for an Economic Development Conveyance.

> ***Community-based planning and implementation:*** The LRA's reuse plan, reflecting the community's consensus as to how a closed base should be redeveloped, serves as the

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[1]Existing federal law allowed DoD to transfer base property for free for a variety of "public" uses, including recreation, aviation, education and health. Yet it required DoD to charge full price when base property was to be used for job-generating economic development.

blueprint for all federal property disposal and reuse decisions. For example, the military departments must consider the reuse plan in deciding which personal property should stay at the base, and the reuse plan is the preferred alternative in DoD's environmental impact review. It also provides the basis for DoD's valuation of property under an EDC.

This community-based approach has led to significant progress in every component of the President's 1993 plan:

Jobs-centered property disposal:

* As noted above, DoD has completed 35 ***Economic Development Conveyances***, with 16 more pending. The completed EDCs total 30,500 acres and account for a large share of the 50,000 civilian jobs created to date. Despite the need for additional improvement, EDCs represent a significant reform of the base reuse process, because they allow communities to acquire property at reduced prices if it will be used to create local jobs.

* Although ***interim leases***, like other forms of property disposal, still take longer than they should, DoD's interim leasing policies have been revamped and streamlined. To date, more than 1,000 job-generating tenants have located at major closure sites under interim leases.

* The requirement that military departments consider the reuse plan in deciding what ***personal property*** can remain at the base has resulted in community-friendly property transfer agreements that foster immediate reuse. The days when the departing military department stripped out the sprinkler systems and blackboards are gone.

In addition to these improvements, the federal government has continued to approve "public benefit conveyances" of former base property to support community needs for airports, parks, ports, and health and education facilities. Nearly 27,000 acres have been transferred for these public uses.

Fast-track cleanup: Compared to pre-1993, environmental cleanup of closing bases occurs faster and with better coordination between federal, state and local officials. Moreover, in terms of key milestones, base closure cleanup teams (BCTs) -- partnerships among DoD and federal and state environmental regulators -- have been established at all closing bases, and at most sites a Restoration Advisory Board provides community input to the cleanup process. Although much remains to be done, and the cleanup process at many bases will take years to complete, DoD has made considerable progress in moving property through the cleanup process: For 80 percent of the property slated for transfer, the investigation and remediation of contamination are either complete or underway, and the property is suitable for immediate transfer.

Easy access to transition help: As of late 1997, four key federal agencies had provided more than $1 billion in assistance to post-1988 base closure communities.[2]

Agency	Assistance	Communities Helped
Office of Economic Adjustment	$239M	>100
Department of Labor	$205M	56
Economic Development Admin.	$334M	44
Federal Aviation Administration	$270M	27

To make it easier for communities and workers to access these funds, beginning in 1993, the agencies formed "SWAT teams" and conducted site visits to some of the larger bases soon after closure was announced. The agencies also streamlined their application procedures so that they could award funds more quickly.

Larger economic planning grants: The Clinton Administration has given DoD's Office of Economic Adjustment the resources and support to do its job even better. OEA now begins helping communities sooner and provides larger grants -- about $1 million over five years for most communities and up to $5 million for the hardest-hit communities. OEA's support has helped communities reduce the time it takes them to develop a reuse plan from 57 months (for 1988 closures) to only 21 months (for 1995 closures).

Transition coordinators: Less than a week after the President announced his 1993 plan, DoD had named senior military officials to serve as transition coordinators to every major closing base. More than 100 individuals have served as transition coordinators to date, working as ombudsmen to help communities get information and solve problems, and many serve for five or more years. Currently, 55 transition coordinators are in place at closed or closing bases.

Need for Additional Reforms: No-Cost EDCs and Base Reuse "Red Team"

Although the President's 1993 plan has led to major improvements in the base reuse process, and communities' record of job creation is impressive, problems remain. GAO's report as well as a recent report by the National Association of Installation Developers both point to the continuing slow pace of property disposal as the major remaining federal obstacle to reuse efforts.

To promote more rapid disposal of property for job-creating economic development, the Department of Defense will ask Congress for the authority to transfer EDC property to local redevelopment authorities at no cost. Congress has already provided for the no-cost transfer of EDCs at rural bases. The requested authority would extend that policy to all EDCs. Currently,

[2]Other federal assistance includes benefits from the military departments to civilian employees of closing bases and Department of Labor funds, awarded to states on a formula basis, that in turn go to affected workers.

the military departments provide many EDCs on terms that represent a considerable discount, in keeping with the spirit of the President's 1993 plan.[3] However, EDCs require communities to go through a time-consuming application and review process, and the military departments must conduct detailed appraisals of property proposed for an EDC -- a difficult task given the lack of " comparable" properties. Subsequent negotiations between DoD and the LRAs (which generally conduct their own appraisal) often become adversarial. This process significantly delays property transfer, raising costs for DoD, which must continue to maintain and operate the property, as well as for communities.

By adopting a policy of no-cost EDCs, the federal government can speed job-creating economic redevelopment even as it reduces its own costs. Specific details of this proposed policy include:

* Consistent with existing policy, local redevelopment authorities would be the only eligible recipients for no-cost EDCs, and any economic benefit from the property must be invested in redevelopment of the base or surrounding community.

* DoD will seek to make the legislation authorizing this new policy retroactive to April 1999, so as to minimize disruption to pending EDC applications.

To implement this new EDC policy and to tackle remaining problems with the base reuse process, the Defense Department is organizing a base reuse "Red Team" composed of senior military and DoD civilian officials. The Red Team, which Defense Secretary Cohen first announced last month, will identify the most serious problems at specific bases that are frustrating community reuse efforts and work to quickly find solutions to these problems. It also will propose structural changes to streamline the reuse process more broadly.

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[3]DoD calculates the fair market value of the EDC as the cumulative net cash flow projected to result from the LRA's approved reuse plan over 15 years (i.e., expected income minus planned investments). Although the military departments require communities to pay the fair market value for most (non-rural) EDCs, they often defer payment for a number of years. As a result of these favorable terms, the present value of what DoD charges for EDCs often represents a significant discount below fair market value.

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PRESIDENT CLINTON: DEDICATED TO COMMUNITY REVITALIZATION

April 21, 1999

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President Bill Clinton

April 21, 1999

Today, in Austin, Texas, President Clinton attended a dedication ceremony at Austin-Bergstrom International Airport. The President spoke on the recent successes in community reuse of former military bases, and announced two initiatives which will accelerate the process.

Fulfilling a Commitment to our Communities. In July 1993, in a sharp departure from past policy, President Clinton announced a five-part program to give priority to rapid redevelopment of closing bases and job creation by host communities. This program has produced significant achievements:

* The Department of Defense (DoD) has completed 35 ***Economic Development Conveyances*** (EDCs) of property totaling 30,500 acres. EDCs allow communities to acquire base property at a discount if it will be used to create jobs;

* The federal government has provided ***more than $1 billion in transition assistance to workers and communities*** affected by base closures;

* By providing ***larger economic planning grants***, DoD has helped communities reduce the time it takes them to develop a base reuse plan from 57 months to only 21 months; and

* ***Environmental cleanup of closing bases is occurring faster and with better coordination*** between federal, state and local officials.

Achieving Success Through Strong Leadership and a Strong Economy. Because of extraordinary community leadership, combined with a strong economy and President Clinton's commitment to help affected communities, closing military bases are becoming engines of local economic renewal all across the country:

* 50,000 civilian jobs have been created at bases closed since 1988; that's 48% of all the civilian jobs lost due to closure;

* More than 1,300 private- and public-sector employers now operate at closed bases;

* 15 communities have created more jobs at former bases than were lost due to closure; and

* In December 1998, the General Accounting Office reported that two-thirds of the communities affected by closure had an unemployment rate at or below the national rate.

Proposing Additional Incentives to Create Jobs and Promote Revitalization. Despite these improvements, the federal process of making bases available for reuse -- especially the system for transferring property -- is still too cumbersome and slow. To promote more rapid property transfer, President Clinton today announced the following:

* The ***Defense Department will ask Congress for the authority to transfer former base property to local communities at no cost if they use it for job-generating economic development***. This policy of no-cost EDCs will eliminate the need for time-consuming property appraisals and negotiations, thereby speeding property transfer and reuse and reducing DoD's cost to maintain and operate the property; and

* DoD is organizing a ***Base Reuse "Red Team"*** comprised of senior military and DoD civilian officials to implement the new EDC policy and tackle remaining problems.

BACKGROUND ON THE CLINTON-GORE ADMINISTRATION'S COMMUNITY DEVELOPMENT AGENDA

May 11, 1999

TODAY'S ANNOUNCEMENT BUILDS ON PRESIDENT CLINTON AND VICE PRESIDENT GORE'S SIX-YEAR RECORD OF PROMOTING GROWTH AND OPPORTUNITY IN AMERICA'S COMMUNITIES

Since 1993, President Clinton and Vice President Gore have been committed to tapping the potential of America's urban and rural communities. They have a demonstrated record of creating new initiatives and expanding existing initiatives to promote community and economic development. The Clinton-Gore Administration has worked with the private sector, states, and localities to help revitalize America's communities by bringing capital, jobs, and opportunity to distressed areas and cleaning up the urban environment. President Clinton and Vice President Gore have created or expanded the following initiatives over the last six years:

Helping to Bring Private Enterprise and Capital to Distressed Areas. The Clinton-Gore Administration has renewed the commitment of the Federal government to help bring private enterprise into underserved communities and improve access to capital for low-income households, minorities, and traditionally underserved borrowers.

- *125 Empowerment Zones and Enterprise Communities.* The Clinton Administration has announced 105 EZs and ECs across the country. This effort was proposed by President Clinton and passed by Congress in 1993. The EZ/EC effort has generated more than $2 billion of new private sector investment in community development activities. The President also has signed into law a second round of EZs -- 15 new urban and 5 new rural zones -- which will qualify for tax incentives, small business expensing, and private activity bonds. In FY 1999, President Clinton and Congress provided first-year funding of $55 million for the new EZs, and $5 million in first-year funding for 20 new rural Enterprise Communities announced in January.

- *Strengthened and Simplified the Community Reinvestment Act (CRA).* In April 1995, the Clinton Administration reformed the CRA regulations to emphasize performance. According to the National Community Reinvestment Coalition (NCRC), the private sector has pledged more than $1 trillion going forward in loans to distressed communities -- and more than 95 percent of these financial commitments have been made since 1992. Banks made $18.6 billion in community development loans in 1997 alone. Lending to minority and low-income borrowers is also on the rise.

- *Created the Community Development Financial Institutions Fund (CDFI).* Proposed and signed into law by the President in 1994, the CDFI fund, through grants, loans, and equity investments, is helping to create a network of community development financial institutions in distressed areas across the United States. The CDFI fund was established in 1994. In FY99, funding was increased 19 percent to $95 million from $80 million.

- *The Economic Development Initiative (EDI) and Section 108 Loan Guarantee.* EDI grants are used to infuse capital into community development projects, enhancing the debt financing provided by the Section 108 loan guarantee program. Together, the programs support critical economic development in distressed communities. Estimated jobs supported by EDI and the Section 108 loan guarantee have grown by 300,000 from 1994 to 1998. During this time period EDI and the Section 108 loan guarantee program have funded $3.5 billion for more than 650 separate project commitments.

Helping to Bring Jobs and Opportunity to Distressed Areas. A cornerstone of the Administration's community empowerment agenda is helping to bring jobs and opportunity back to distressed areas:

- *$3 Billion Welfare-to-Work Jobs Initiative.* The Clinton Administration fought for a $3 billion welfare-to-work jobs initiative as part of the 1997 Balanced Budget Agreement. The Administration is implementing these welfare-to-work grants directly to both cities and states for allocating additional resources to help long-term, hard-to-serve welfare recipients find and keep jobs.

- *Welfare-to-Work Tax Credit and Work Opportunity Tax Credit.* The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Agreement, provides a credit equal to 35 percent of the first $10,000 in wages in the first year of employment, and 50 percent of the first $10,000 in wages in the second year, to encourage the hiring and retention of long-term welfare recipients. This credit complements the Work Opportunity Tax Credit, which expands eligible businesses to include those who hire young adults living in Empowerment Zones and Enterprise Communities. In FY 1999, the President requested and Congress accepted extending the credit through June 30, 1999.

- *Community Development Block Grant (CDBG) Expansion.* President Clinton's FY 2000 budget included an expansion of CDBG. The final budget increases funding for CDBG from $4.750 billion in FY 1999 to $4.775 billion in FY 2000, a $25 million expansion this year.

Cleaning Up the Urban Environment. The Clinton Administration has launched a landmark effort, including the Brownfields Tax Incentive, to clean up and redevelop Brownfields sites. In total, the Brownfields action agenda has marshaled funds to clean up and redevelop up to 5,000 properties, leveraging between $5 billion and $28 billion in private investment and creating and supporting 196,000 jobs.

PRESIDENT CLINTON AND VICE PRESIDENT GORE ARE BUILDING ON THEIR PAST ACHEIVEMENTS THROUGH A NUMBER OF NEW INITIATIVES THIS YEAR.
While Americans are enjoying the fruits of our strong economy, we still need to do more to improve conditions in underserved urban and rural communities. To address this need, President Clinton and Vice President Gore are working on several fronts.

The New Markets Initiative. President Clinton's FY 2000 balanced budget provides a new initiative designed to create the conditions for economic success by prompting approximately $15 billion in new investment in urban and rural areas through:

- *The New Markets Tax Credit.* To help spur $6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds, and the new investment company programs created by this initiative (see below). A wide-range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

- *America's Private Investment Companies (APICs).* Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APICs will encourage private investment in this country's untapped markets, by leveraging up to $1.5 bilion in investment in new development projects and larger businesses that are expanding or relocating in inner city and rural areas.

- *SBIC's Targeted to New Markets.* For over 40 years, SBA's Small Business Investment Company (SBIC) program has provided roughly $20 billion in equity and debt financing to more than 85,000 different companies, helping them to grow from small businesses to household names, like AOL and Staples. However, too little of the capital invested has benefited our cities and rural distressed communities. SBA now will offer more flexibility and new financing terms for SBICs that invest in underserved areas.

- *New Markets Venture Capital (NMVC) Firms.* NMVC firms will make both capital and expert guidance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. SBA will match the equity and technical assistance of private investors.

- *New Markets Lending Companies (NMLC).* For the first time in many years, SBA will approve approximately 10 new non-bank lenders --- firms authorized to originate loans under SBA's largest loan program – the 7(a) General Business Loan Guaranty program. Under the 7(a) program, SBA guarantees up to 80 percent of a loan made by a lender to a creditworthy small businesses that cannot otherwise secure financing on reasonable terms. Firms must have a strategy to target lending to underserved areas.

- *Microenterprise Lending and Technical Assistance.* Microenterprise initiatives in the FY 2000 budget include the proposed PRIME Act, under which the CDFI Fund will provide microenterprise technical assistance through competitive grants to microenterprise development organizations that focus on low-income entrepreneurs. President Clinton's and Vice President Gore's proposal also includes a doubling of support for technical assistance in SBA's Microloan Program and a doubling of support for SBA lending to leverage over $75 million in new microlending. The microenterprise strategy will also involve new funding for Individual Development Accounts (IDAs) and for SBA's One-Stop Capital Shops.

- *Regional Connections.* Regional Connections will provide competitive funding to States and partnerships of local governments to develop and implement new, locally driven "smarter growth" strategies that create more livable communities by addressing economic and community development needs across jurisdictional lines. Regional Connections, as part of the Administrations' Livability Agenda, will complement existing federal programs that respond to growth and investment patterns. The budget proposes funding at $50 million in FY 2000.

- *The Economic Development Initiative and Section 108 Loan Guarantee Program.* This program supports critical economic development in distressed communities in conjunction with the Section 108 loan guarantee program to help bring economic development to residents. In FY 2000 many projects will be eligible to participate in the Community Empowerment Fund Trust, a pilot program, which will enable the pooling of loans and the creation of a private sector secondary market for economic development loans. The CEF specifically targets Welfare-to-Work and City-Suburb Business Connections, building upon the success of HUD's EDI and Section 108 loan guarantee program.

- *Empowerment Zones and Enterprise Communities.* The 2000 Budget proposes mandatory funding for ten years: $150 million a year for urban EZs and Strategic Planning Communities; $10 million a year for rural EZs; and $5 million a year for rural ECs.

- *Community Development Financial Institutions (CDFI) Fund.* The budget proposes to expand funding for the CDFI Fund to $125 million--a $30 million increase from 1999. The Fund increases the availability of credit, investment capital, financial services, and other development services in distressed communities.

- *BusinessLINC.* The President's FY 2000 budget includes seed money to expand Business LINC --- an innovative public-private partnership launched by Vice President Gore --- for new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs.

- *Low-Income Housing Tax Credit.* Since its creation in 1986, the Low-Income Housing Tax Credit (LIHTC) has given states tax credits of $1.25 per capita to allocate to developers of affordable housing. While building costs have increased 40 percent in the last decade, the amount of the credit has not been adjusted for inflation. Therefore, President Clinton and Vice President Gore propose to increase the cap on the LIHTC from $1.25 per capita to $1.75 per capita -- restoring the value of the credit to its 1986 level and helping to an create additional 150,000-180,000 new low-income rental housing units over the next five years.

- *Play-by-the-Rules.* This program will allow renters with solid payment track records to own a home. The 2000 Budget proposes a second round of $15 million for this initiative.

- *Helping America's Communities Redevelop Abandoned Buildings.* Redevelopment of Abandoned Buildings, as part of the Administrations' "Livability Agenda," would attack one of the primary causes of blight in urban neighborhoods: abandoned apartment buildings, single-family homes, warehouses, office buildings, and commercial centers. Under the proposal, HUD will provide $50 million in competitive grant funds in FY2000 to local governments to support the demolition or deconstruction of blighted, abandoned buildings.

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- 15 communities have created more jobs at former bases than were lost due to closure.
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Bergstrom Air Force Base, Austin, TX (BRAC 91; closed Sep 93) "Fly Austin - The Sky's the Limit" is the theme for this month's grand opening of the new Austin-Bergstrom International Airport, located at the former Bergstrom Air Force Base. In 1993, when Bergstrom closed, the economic loss to Austin from the closure was estimated to be more than $400 million a year. Today, Austin expects to have 16,000 new jobs associated with the airport by 2012 and more than 725,000 square feet of new development drawn to the surrounding area. In fact, two office buildings have already gone up near the base in anticipation of the airport. In the coming weeks, a series of celebrations will kick off the opening of the last major U.S. airport likely to be built this century and the first former military base to become a major commercial airport. Cargo operations actually began in mid-1997. On May 2, the first scheduled passenger flight will land at the new airport, ushering in a new era of air service for Austin and central Texas. With 25 gates and 260 flights a day, the airport will accommodate six million passengers in its first year alone. By transforming Bergstrom into a $690 million international airport, the City of Austin estimates it saved $200 million in land acquisition and runway construction costs. The Federal Aviation Administration contributed more than $65 million for airport redevelopment and construction. One of the most distinguishable of Bergstrom's old buildings, the 12th Air Force Division headquarters, called "The Donut" due to its unique design, will reopen as a Hilton Hotel in Spring 2000.

BACKGROUND ON THE CLINTON-GORE ADMINISTRATION'S COMMUNITY DEVELOPMENT AGENDA

May 11, 1999

TODAY'S ANNOUNCEMENT BUILDS ON PRESIDENT CLINTON AND VICE PRESIDENT GORE'S SIX-YEAR RECORD OF PROMOTING GROWTH AND OPPORTUNITY IN AMERICA'S COMMUNITIES

Since 1993, President Clinton and Vice President Gore have been committed to tapping the potential of America's urban and rural communities. They have a demonstrated record of creating new initiatives and expanding existing initiatives to promote community and economic development. The Clinton-Gore Administration has worked with the private sector, states, and localities to help revitalize America's communities by bringing capital, jobs, and opportunity to distressed areas and cleaning up the urban environment. President Clinton and Vice President Gore have created or expanded the following initiatives over the last six years:

Helping to Bring Private Enterprise and Capital to Distressed Areas. The Clinton-Gore Administration has re-newed the commitment of the Federal government to help bring private enterprise into underserved communities and improve access to capital for low-income households, minorities, and traditionally underserved borrowers.

125 Empowerment Zones and Enterprise Communities. The Clinton Administration has announced 105 EZs and ECs across the country. This effort was proposed by President Clinton and passed by Congress in 1993. The EZ/EC effort has generated more than $2 billion of new private sector investment in community development activities. The President also has signed into law a second round of EZs -- 15 new urban and 5 new rural zones -- which will qualify for tax incentives, small business expensing, and private activity bonds. In FY 1999, President Clinton and Congress provided first-year funding of $55 million for the new EZs, and $5 million in first-year funding for 20 new rural Enterprise Communities announced in January.

Strengthened and Simplified the Community Reinvestment Act (CRA). In April 1995, the Clinton Administration reformed the CRA regulations to emphasize performance. According to the National Community Reinvestment Coalition (NCRC), the private sector has pledged more than $1 trillion going forward in loans to distressed communities – and more than 95 percent of these financial commitments have been made since 1992. Banks made $18.6 billion in community development loans in 1997 alone. Lending to minority and low-income borrowers is also on the rise.

Created the Community Development Financial Institutions Fund (CDFI). Proposed and signed into law by the President in 1994, the CDFI fund, through grants, loans, and equity investments, is helping to create a network of com-munity development financial institutions in distressed areas across the United States. The CDFI fund was established in 1994. In FY99, funding was increased 19 percent to $95 million from $80 million.

The Economic Development Initiative (EDI) and Section 108 Loan Guarantee. EDI grants are used to infuse capital into community development projects, enhancing the debt financing provided by the Section 108 loan guarantee program. Together, the programs support critical economic development in distressed communities. Estimated jobs supported by EDI and the Section 108 loan guarantee have grown by 300,000 from 1994 to 1998. During this time period EDI and the Section 108 loan guarantee program have funded $3.5 billion for more than 650 separate project commitments.

Helping to Bring Jobs and Opportunity to Distressed Areas. A cornerstone of the Administration's community empowerment agenda is helping to bring jobs and opportunity back to distressed areas:
$3 Billion Welfare-to-Work Jobs Initiative. The Clinton Administration fought for a $3 billion welfare-to-work jobs initiative as part of the 1997 Balanced Budget Agreement. The Administration is implementing these welfare-to-work grants directly to both cities and states for allocating additional resources to help long-term, hard-to-serve welfare recipients find and keep jobs.

Welfare-to-Work Tax Credit and Work Opportunity Tax Credit. The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Agreement, provides a credit equal to 35 percent of the first $10,000 in wages in the first year of employment, and 50 percent of the first $10,000 in wages in the second year, to encourage the hiring and retention of long-term welfare recipients. This credit complements the Work Opportunity Tax Credit, which expands eligible businesses to include those who hire young adults living in Empowerment Zones and Enterprise Communities. In FY 1999, the President requested and Congress accepted extending the credit through June 30, 1999.

Community Development Block Grant (CDBG) Expansion. President Clinton's FY 2000 budget included an expansion of CDBG. The final budget increases funding for CDBG from $4.750 billion in FY 1999 to $4.775 billion in FY 2000, a $25 million expansion this year.

Cleaning Up the Urban Environment. The Clinton Administration has launched a landmark effort, including the Brownfields Tax Incentive, to clean up and redevelop Brownfields sites. In total, the Brownfields action agenda has marshaled funds to clean up and redevelop up to 5,000 properties, leveraging between $5 billion and $28 billion in private investment and creating and supporting 196,000 jobs.

PRESIDENT CLINTON AND VICE PRESIDENT GORE ARE BUILDING ON THEIR PAST ACHEIVEMENTS THROUGH A NUMBER OF NEW INITIATIVES THIS YEAR.
While Americans are enjoying the fruits of our strong economy, we still need to do more to improve conditions in underserved urban and rural communities. To address this need, President Clinton and Vice President Gore are working on several fronts.

The New Markets Initiative. President Clinton's FY 2000 balanced budget provides a new initiative designed to create the conditions for economic success by prompting approximately $15 billion in new investment in urban and rural areas through:

The New Markets Tax Credit. To help spur $6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds, and the new investment company programs created by this initiative (see below). A wide-range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

America's Private Investment Companies (APICs). Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APICs will encourage private investment in this country's untapped markets, by leveraging up to $1.5 bilion in investment in new development projects and larger businesses that are expanding or relocating in inner city and rural areas.

SBIC's Targeted to New Markets. For over 40 years, SBA's Small Business Investment Company (SBIC) program has provided roughly $20 billion in equity and debt financing to more than 85,000 different companies, helping them to grow from small businesses to household names, like AOL and Staples. However, too little of the capital invested has benefited our cities and rural distressed communities. SBA now will offer more flexibility and new financing terms for SBICs that invest in underserved areas.

New Markets Venture Capital (NMVC) Firms. NMVC firms will make both capital and expert guidance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. SBA will match the equity and technical assistance of private investors.

New Markets Lending Companies (NMLC). For the first time in many years, SBA will approve approximately 10 new non-bank lenders --- firms authorized to originate loans under SBA's largest loan program – the 7(a) General Business Loan Guaranty program. Under the 7(a) program, SBA guarantees up to 80 percent of a loan made by a lender to a creditworthy small businesses that cannot otherwise secure financing on reasonable terms. Firms must have a strategy to target lending to underserved areas.

Microenterprise Lending and Technical Assistance. Microenterprise initiatives in the FY 2000 budget include the proposed PRIME Act, under which the CDFI Fund will provide microenterprise technical assistance through competitive grants to microenterprise development organizations that focus on low-income entrepreneurs. President Clinton's and Vice President Gore's proposal also includes a doubling of support for technical assistance in SBA's Microloan Program and a doubling of support for SBA lending to leverage over $75 million in new microlending. The microenterprise strategy will also involve new funding for Individual Development Accounts (IDAs) and for SBA's One-Stop Capital Shops.

Regional Connections. Regional Connections will provide competitive funding to States and partnerships of local governments to develop and implement new, locally driven "smarter growth" strategies that create more livable communities by addressing economic and community development needs across jurisdictional lines. Regional Connections, as part of the Administrations' Livability Agenda, will complement existing federal programs that respond to growth and investment patterns. The budget proposes funding at $50 million in FY 2000.

The Economic Development Initiative and Section 108 Loan Guarantee Program. This program supports critical economic development in distressed communities in conjunction with the Section 108 loan guarantee program to help bring economic development to residents. In FY 2000 many projects will be eligible to participate in the Community Empowerment Fund Trust, a pilot program, which will enable the pooling of loans and the creation of a private sector secondary market for economic development loans. The CEF specifically targets Welfare-to-Work and City-Suburb Business Connections, building upon the success of HUD's EDI and Section 108 loan guarantee program.

Empowerment Zones and Enterprise Communities. The 2000 Budget proposes mandatory funding for ten years: $150 million a year for urban EZs and Strategic Planning Communities; $10 million a year for rural EZs; and $5 million a year for rural ECs.

Community Development Financial Institutions (CDFI) Fund. The budget proposes to expand funding for the CDFI Fund to $125 million--a $30 million increase from 1999. The Fund increases the availability of credit, investment capital, financial services, and other development services in distressed communities.

BusinessLINC. The President's FY 2000 budget includes seed money to expand Business LINC --- an innovative public-private partnership launched by Vice President Gore --- for new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs.

Low-Income Housing Tax Credit. Since its creation in 1986, the Low-Income Housing Tax Credit (LIHTC) has given states tax credits of $1.25 per capita to allocate to developers of affordable housing. While building costs have increased 40 percent in the last decade, the amount of the credit has not been adjusted for inflation. Therefore, President Clinton and Vice President Gore propose to increase the cap on the LIHTC from $1.25 per capita to $1.75 per capita -- restoring the value of the credit to its 1986 level and helping to an create additional 150,000-180,000 new low-income rental housing units over the next five years.

Play-by-the-Rules. This program will allow renters with solid payment track records to own a home. The 2000 Budget proposes a second round of $15 million for this initiative.

Helping America's Communities Redevelop Abandoned Buildings. Redevelopment of Abandoned Buildings, as part of the Administrations' "Livability Agenda," would attack one of the primary causes of blight in urban neighborhoods: abandoned apartment buildings, single-family homes, warehouses, office buildings, and commercial centers. Under the proposal, HUD will provide $50 million in competitive grant funds in FY2000 to local governments to support the demolition or deconstruction of blighted, abandoned buildings.

COMMUNITY REUSE OF FORMER MILITARY BASES

April 21, 1999

Despite significant improvements since 1993, the federal process for making closing military bases available for community reuse is still too cumbersome and slow. To promote more rapid reuse, President Clinton today announced:

- The ***Department of Defense (DoD) will ask Congress for the authority to transfer former base property to local communities at no cost if they use it for job-generating economic development.*** This policy of no-cost Economic Development Conveyances (EDC) will eliminate the need for time-consuming property appraisals and negotiations, thereby speeding property transfer and reuse and reducing DoD's cost to maintain and operate the property.

- DoD is organizing a ***Base Reuse "Red Team"*** composed of senior military and DoD civilian officials to implement the EDC policy and tackle remaining problems.

Between 1988 and 1995, the federal government selected 97 military bases for closure, and 62 of the 74 closures that involve a significant community impact have already occurred, most since 1993. In July 1993, President Clinton announced a five-part program to give priority to rapid redevelopment of closing bases and job creation by host communities. This program, which represented a sharp departure from past federal policy, has produced significant achievements:

- Most important, DoD has completed 35 EDCs of property totaling 30,500 acres. EDCs allow communities to acquire base property at a discount if it will be used to create jobs.

- The federal government has provided ***more than $1 billion in transition assistance to workers and communities*** affected by base closures.

- By providing ***larger economic planning grants***, DoD has helped communities reduce the time it takes them to develop a base reuse plan from 57 months to only 21 months.

- ***Environmental cleanup of closing bases is occurring faster and with better coordination*** between federal, state and local officials.

Because of extraordinary community leadership, combined with a strong economy and President Clinton's commitment to help affected communities, closing military bases are becoming engines of local economic renewal all across the country:

- 50,000 civilian jobs have been created at bases closed since 1988; that's 48 percent of all the civilian jobs lost due to closure.
- More than 1,300 private and public sector employers now operate at closed bases.
- 15 communities have created more jobs at former bases than were lost due to closure.

- In December 1998, the General Accounting Office reported that two-thirds of the communities affected by closure had an unemployment rate at or below the national rate.

Bergstrom Air Force Base, Austin, TX (BRAC 91; closed Sep 93) "Fly Austin - The Sky's the Limit" is the theme for this month's grand opening of the new Austin-Bergstrom International Airport, located at the former Bergstrom Air Force Base. In 1993, when Bergstrom closed, the economic loss to Austin from the closure was estimated to be more than $400 million a year. Today, Austin expects to have 16,000 new jobs associated with the airport by 2012 and more than 725,000 square feet of new development drawn to the surrounding area. In fact, two office buildings have already gone up near the base in anticipation of the airport. In the coming weeks, a series of celebrations will kick off the opening of the last major U.S. airport likely to be built this century and the first former military base to become a major commercial airport. Cargo operations actually began in mid-1997. On May 2, the first scheduled passenger flight will land at the new airport, ushering in a new era of air service for Austin and central Texas. With 25 gates and 260 flights a day, the airport will accommodate six million passengers in its first year alone. By transforming Bergstrom into a $690 million international airport, the City of Austin estimates it saved $200 million in land acquisition and runway construction costs. The Federal Aviation Administration contributed more than $65 million for airport redevelopment and construction. One of the most distinguishable of Bergstrom's old buildings, the 12th Air Force Division headquarters, called "The Donut" due to its unique design, will reopen as a Hilton Hotel in Spring 2000.

Most Americans are enjoying the fruits of our strong economy. But while many urban areas are doing better, we still need to do more to raise up those communities that remain disconnected from our values of opportunity, responsibility, and community. Working with the private sector and State and local governments, the President is determined to help bring distressed areas back to life. To address this need, the budget proposes a New Markets Initiative, expands the President's national service program, proposes to create more Empowerment Zones and Enterprise Communities, and increases the opportunities for home ownership. The budget includes the following:

- **The New Markets Initiative:** The budget provides tax credit and loan guarantee incentives to stimulate $15 billion of new private capital investments in targeted areas; build a network of private investment institutions to funnel credit, equity and technical assistance into businesses in America's new markets; and provide the expertise to targeted small businesses that will allow them to use investment to grow.

    - *The New Markets Tax Credit:* To help spur $6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds and corporations, and the new investment company programs created by this initiative (see below). A wide-range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

    - *America's Private Investment Companies (APICs):* Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APIC will encourage private investment in this country's untapped markets. For each $100 million of private equity, HUD and SBA will guarantee loans up to $200 million, creating a $300 million investment fund to target larger businesses that are expanding or relocating in inner city and rural areas.

    - *SBIC's Targeted to New Market:* Last summer, the Vice President challenged the SBA to find ways to better meet the needs of minority firms and underserved markets. The SBA is responding by offering more flexibility and new financing terms for Small Business Investment Companies (SBICs) that invest in low and moderate income areas.

- *New Markets Venture Capital (NMVC) Firms:* NMVC firms will make both capital and expert guidance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. SBA will match the equity and technical assistance of private investors.

- **Empowerment Zones and Enterprise Communities:** The Empowerment Zones and Enterprise Communities encourage investment in distressed communities through tax benefits for businesses, and flexible block grants for job training, day care and other purposes. The original EZs from 1994 have already used funding to leverage private dollars to create or save 1,500 jobs, train 900 persons, and serve 3,200 youth in developmental programs. In 1999, Congress provided first-year funding of $55 million for the new EZs, and $5 million in first-year funding for 20 new rural Enterprise Communities announced in January. The 2000 Budget proposes mandatory funding for ten years: $150 million a year for urban EZs and Strategic Planning Communities; $10 million a year for rural EZs; and $5 million a year for rural ECs.

- **National Service:** This program encourages Americans of all ages and backgrounds to help solve community problems and provides opportunities to engage in community-based service. The budget proposes $848 million for the Corporation, a 19 percent increase over 1999.

- **Low-Income Housing Tax Credit:** Since its creation in 1986, the Low-Income Housing Tax Credit (LIHTC) has given states tax credits of $1.25 per capita to allocate to developers of affordable housing. Even though building costs have increased 40 percent in the last decade, the amount of the credit has not been adjusted for inflation. Therefore, President Clinton and Vice President Gore propose to increase the cap on the LIHTC from $1.25 per capita to $1.75 per capita -- restoring the value of the credit to its 1986 level. Estimates suggest that the LIHTC currently helps build 75,000-90,000 affordable housing units each year. The President and Vice President's proposal to increase the cap by 40 percent will create an additional 150,000-180,000 new rental housing units for low-income American families over the next five years. Last year, over two-thirds of the House and Senate were co-sponsors on bills to raise the cap on the LIHTC -- more support than any other tax legislation. This proposal will cost $1.7 billion over five years.

- **Play-by-the-Rules:** In 1999, the Administration proposed and Congress enacted a $25 million Neighborhood Reinvestment Corporation "Play-by-the-Rules" pilot program. This program will allow renters with solid payment track records to own their own homes. The 2000 Budget proposes a second round of $15 million for this initiative.

- **Elderly Housing:** The budget provides $747 million for the Department of Housing Urban Development's (HUD's) elderly housing program to address the changing needs of the elderly population and reconfigure an aging housing stock to better serve the frail elderly. In addition to providing grants to non-profits for construction of 5,970 units, funds would be provided to convert some projects to assisted living using a combination of capital grants and service coordinators to bring services from the community to residents. The budget permanently authorizes 15,000 new housing vouchers linked to Low-Income Housing Tax Credit properties to make these units affordable to extremely low-income elderly.

- **Community Development Financial Institutions (CDFI) Fund:** The budget proposes to expand funding for the CDFI Fund to $125 million--a $30 million increase from 1999. The Fund increases the availability of credit, investment capital, financial services, and other development services in distressed communities.

- **Transportation and Housing for Families Moving From Welfare to Work:** The President's budget will provide $430 million for 75,000 welfare-to-work housing vouchers, including $144 million in new funds for 25,000 additional vouchers. This is a 50 percent increase over the 50,000 vouchers the President secured last year. The vouchers will help families move closer to a new job, reduce a long commute, or secure more stable housing so they can perform better on the job.

- **Helping America's Communities Redevelop Abandoned Buildings:** This new Federal initiative would attack one of the primary causes of blight in urban neighborhoods: abandoned apartment buildings, single family homes, warehouses, office buildings, and commercial centers. Under the proposal, HUD will provide $50 million in competitive grant funds in FY2000 to local governments to support the demolition or deconstruction of blighted, abandoned buildings, as long as there is a plan -- with significant private-sector participation -- to redevelop the property for commercial use or multi-family and single family housing. To ensure no incentive is created to abandon buildings, the program would be sunsetted after three years and no building abandoned after October 1, 1999 would be eligible for redevelopment. Preferences will be given to communities that link existing youth training programs with the property's redevelopment.