

103^D CONGRESS
1ST SESSION

H. R. 1338

To provide assistance to distressed communities.

IN THE HOUSE OF REPRESENTATIVES

MARCH 15, 1993

Mr. UPTON introduced the following bill; which was referred jointly to the Committees on Ways and Means, Banking, Finance and Urban Affairs, Education and Labor, Energy and Commerce, the Judiciary, and Agriculture

A BILL

To provide assistance to distressed communities.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Enterprise Zone and Model Neighborhood Aid Act of
6 1993”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment
10 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—

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1 **TITLE I—URBAN TAX ENTER-**
2 **PRISE ZONES AND RURAL DE-**
3 **VELOPMENT INVESTMENT**
4 **ZONES**

5 **SEC. 101. STATEMENT OF PURPOSE.**

6 It is the purpose of this title to establish a demonstra-
7 tion program of providing incentives for the creation of
8 tax enterprise zones in order—

9 (1) to revitalize economically and physically dis-
10 tressed areas, primarily by encouraging the forma-
11 tion of new businesses and the retention and expan-
12 sion of existing businesses,

13 (2) to promote meaningful employment for tax
14 enterprise zone residents, and

15 (3) to encourage individuals to reside in the tax
16 enterprise zones in which they are employed.

17 **Subtitle A—Designation and Tax**
18 **Incentives**

19 **SEC. 102. DESIGNATION AND TREATMENT OF URBAN TAX**

20 **ENTERPRISE ZONES AND RURAL DEVELOP-**
21 **MENT INVESTMENT ZONES.**

22 (a) IN GENERAL.—Chapter 1 (relating to normal
23 taxes and surtaxes) is amended by inserting after sub-
24 chapter T the following new subchapter:

1 **“Subchapter U—Designation and Treatment**
2 **of Tax Enterprise Zones**

“Part I. Designation of tax enterprise zones.

“Part II. Incentives for tax enterprise zones.

3 **“PART I—DESIGNATION OF TAX ENTERPRISE**
4 **ZONES**

“Sec. 1391. Designation procedure.

“Sec. 1392. Eligibility and selection criteria.

“Sec. 1393. Definitions and special rules.

5 **“SEC. 1391. DESIGNATION PROCEDURE.**

6 “(a) IN GENERAL.—For purposes of this title, the
7 term ‘tax enterprise zone’ means any area which is, under
8 this part—

9 “(1) nominated by 1 or more local governments
10 and the State in which it is located for designation
11 as a tax enterprise zone, and

12 “(2) designated by—

13 “(A) the Secretary of Housing and Urban
14 Development in the case of an urban tax enter-
15 prise zone, or

16 “(B) the Secretary of Agriculture, in con-
17 sultation with the Secretary of Commerce, in
18 the case of a rural development investment
19 zone.

20 “(b) NUMBER OF DESIGNATIONS.—

21 “(1) AGGREGATE LIMIT.—The appropriate Sec-
22 retaries may designate in the aggregate 100 nomi-

1 nated areas as tax enterprise zones under this sec-
 2 tion, subject to the availability of eligible nominated
 3 areas. Not less than 33 large city zones shall be des-
 4 ignated; not less than 33 other urban zones shall be
 5 designated; and not less than 33 rural development
 6 investment zones may be designated. Such designa-
 7 tions may be made only during calendar years after
 8 1992 and before 1997.

9 “(2) ANNUAL LIMITS.—

10 “(A) 1993.—During 1993, the number of
 11 urban tax enterprise zones designated under
 12 paragraph (1) shall not exceed 9, and the num-
 13 ber of rural development investment zones des-
 14 ignated under paragraph (1) shall not exceed 8.

15 “(B) AFTER 1993.—As of the close of each
 16 calendar year after 1993, the number of urban
 17 tax enterprise zones and rural development in-
 18 vestment zones shall not exceed the numbers
 19 determined in accordance with the following
 20 table:

The maximum number is:

| “As of the close of: | Urban tax enter- prise zones | Rural develop- ment investment zones |
|-----------------------------|---|---|
| 1993 | 9 | 8 |
| 1994 | 24 | 15 |
| 1995 | 39 | 22 |
| 1996 | 53 | 28 |
| 1997 | 67 | 33 |

1 “(3) DEFINITIONS.—For purposes of this sub-
2 section—

3 “(A) LARGE CITY ZONE.—The term ‘large
4 city zone’ means any urban tax enterprise zone
5 located in a city having a population (as deter-
6 mined by the most recent census data available)
7 of at least 100,000.

8 “(B) OTHER URBAN ZONE.—The term
9 ‘other urban zone’ means any urban tax enter-
10 prise zone not located in a city described in
11 subparagraph (A).

12 “(4) ADVANCE DESIGNATIONS PERMITTED.—
13 For purposes of this subchapter, a designation dur-
14 ing any calendar year shall be treated as made on
15 January 1 of the following calendar year if the ap-
16 propriate Secretary, in making such designation,
17 specifies that such designation is effective as of such
18 January 1.

19 “(c) LIMITATIONS ON DESIGNATIONS.—The appro-
20 priate Secretary may not make any designation under sub-
21 section (a) unless—

22 “(1) the local governments and the State in
23 which the nominated area is located have the au-
24 thority—

1 “(A) to nominate the area for designation
2 as a tax enterprise zone, and

3 “(B) to provide assurances satisfactory to
4 the appropriate Secretary that the commit-
5 ments under section 1392(c) will be fulfilled,

6 “(2) a nomination of the area is submitted
7 within a reasonable time before the calendar year for
8 which designation as a tax enterprise zone is sought
9 (or, if later, a reasonable time after the date of the
10 enactment of this subchapter),

11 “(3) the appropriate Secretary determines that
12 any information furnished is reasonably accurate,
13 and

14 “(4) the State and local governments certify
15 that no portion of the area nominated is already in-
16 cluded in a tax enterprise zone.

17 “(d) PERIOD FOR WHICH DESIGNATION IS IN
18 EFFECT.—

19 “(1) IN GENERAL.—Any designation of an area
20 as a tax enterprise zone shall remain in effect during
21 the period beginning on the date of the designation
22 and ending on the earliest of—

23 “(A) December 31 of the 15th calendar
24 year following the calendar year in which such
25 date occurs,

1 “(B) the termination date designated by
2 the State and local governments as provided for
3 in their nomination, or

4 “(C) the date the appropriate Secretary re-
5 vokes the designation under paragraph (2).

6 “(2) REVOCATION OF DESIGNATION.—

7 “(A) IN GENERAL.—The appropriate Sec-
8 retary shall revoke the designation of an area
9 as a tax enterprise zone if such Secretary deter-
10 mines that the local government or the State in
11 which it is located—

12 “(i) has modified the boundaries of
13 the area, or

14 “(ii) is not complying substantially
15 with the State and local commitments pur-
16 suant to section 1392(c).

17 “(B) APPLICABLE PROCEDURES.—A des-
18 ignation may be revoked by the appropriate
19 Secretary under subparagraph (A) only after a
20 hearing on the record involving officials of the
21 State or local government involved.

22 **“SEC. 1392. ELIGIBILITY AND SELECTION CRITERIA.**

23 “(a) IN GENERAL.—The appropriate Secretary may
24 make a designation of any nominated area under section

1 1391 only on the basis of the eligibility and selection cri-
2 teria set forth in this section.

3 “(b) ELIGIBILITY CRITERIA.—

4 “(1) URBAN TAX ENTERPRISE ZONES.—A nom-
5 inated area which is not a rural area shall be eligible
6 for designation under section 1391 only if it meets
7 the following criteria:

8 “(A) POPULATION.—The nominated area
9 has a population (as determined by the most re-
10 cent census data available) of not less than
11 4,000.

12 “(B) DISTRESS.—The nominated area is
13 one of pervasive poverty, unemployment, and
14 general distress.

15 “(C) SIZE.—The nominated area—

16 “(i) does not exceed 20 square miles,

17 “(ii) has a boundary which is continu-
18 ous, or consists of not more than 3 non-
19 contiguous parcels within the same metro-
20 politan area,

21 “(iii) is located entirely within 1
22 State, and

23 “(iv) in the case of a large city, does
24 not include any portion of a central busi-
25 ness district (as such term is used for pur-

1 poses of the most recent Census of Retail
2 Trade).

3 “(D) UNEMPLOYMENT RATE.—The unem-
4 ployment rate (as determined by the appro-
5 priate available data) is not less than 1.5 times
6 the national unemployment rate.

7 “(E) POVERTY RATE.—The poverty rate
8 (as determined by the most recent census data
9 available) for not less than 90 percent of the
10 population census tracts (or where not tracted,
11 the equivalent county divisions as defined by
12 the Bureau of the Census for the purposes of
13 defining poverty areas) located entirely within
14 the nominated area is not less than 20 percent.

15 “(F) COURSE OF ACTION.—There has been
16 adopted for the nominated area a course of ac-
17 tion which meets the requirements of subsection
18 (c).

19 “(2) RURAL DEVELOPMENT INVESTMENT
20 ZONES.—A nominated area which is a rural area
21 shall be eligible for designation under section 1391
22 only if it meets the following criteria:

23 “(A) POPULATION.—The nominated area
24 has a population (as determined by the most re-

1 cent census data available) of not less than
2 1,000.

3 “(B) DISTRESS.—The nominated area is
4 one of general distress.

5 “(C) SIZE.—The nominated area—

6 “(i) (I) does not exceed 10,000 square
7 miles, or

8 “(II) consists of areas within not
9 more than 4 contiguous counties,

10 “(ii) has a boundary which is continu-
11 ous, or consists of not more than 3 non-
12 contiguous parcels, and

13 “(iii) is located entirely within 1
14 State.

15 “(D) ADDITIONAL CRITERIA.—Not less
16 than 2 of the following criteria:

17 “(i) UNEMPLOYMENT RATE.—The cri-
18 terion set forth in paragraph (1)(D).

19 “(ii) POVERTY RATE.—The criterion
20 set forth in paragraph (1)(E).

21 “(iii) JOB LOSS.—The amount of
22 wages attributable to employment in the
23 area, and subject to tax under section
24 3301 during the preceding calendar year,

1 is not more than 95 percent of such wages
2 during the 5th preceding calendar year.

3 “(iv) OUT-MIGRATION.—The popu-
4 lation of the area decreased (as determined
5 by the most recent census data available)
6 by 10 percent or more between 1980 and
7 1990.

8 “(E) COURSE OF ACTION.—There has been
9 adopted for the nominated area a course of ac-
10 tion which meets the requirements of subsection
11 (c).

12 “(c) REQUIRED STATE AND LOCAL COURSE OF
13 ACTION.—

14 “(1) IN GENERAL.—No nominated area may be
15 designated as a tax enterprise zone unless the local
16 government and the State in which it is located
17 agree in writing that, during any period during
18 which the area is a tax enterprise zone, the govern-
19 ments will follow a specified course of action de-
20 signed to reduce the various burdens borne by em-
21 ployers or employees in the area.

22 “(2) COURSE OF ACTION.—The course of action
23 under paragraph (1) may be implemented by both
24 governments and private nongovernmental entities,
25 may not be funded from proceeds of any Federal

1 program (other than discretionary proceeds), and
2 may include—

3 “(A) a certification by the State insurance
4 commissioner (or similar State official) that
5 basic commercial property insurance of a type
6 comparable to that insurance generally in force
7 in urban or rural areas, whichever is applicable,
8 throughout the State is available to businesses
9 within the tax enterprise zone,

10 “(B) a reduction of tax rates or fees apply-
11 ing within the tax enterprise zone,

12 “(C) an increase in the level, or efficiency
13 of delivery, of local public services within the
14 tax enterprise zone,

15 “(D) actions to reduce, remove, simplify,
16 or streamline government paperwork require-
17 ments applicable within the tax enterprise zone,

18 “(E) the involvement in the program by
19 public authorities or private entities, organiza-
20 tions, neighborhood associations, and commu-
21 nity groups, particularly those within the nomi-
22 nated area, including a written commitment to
23 provide jobs and job training for, and technical,
24 financial, or other assistance to, employers, em-
25 ployees, and residents of the nominated area,

1 “(F) the giving of special preference to
2 contractors owned and operated by members of
3 any socially and economically disadvantaged
4 group (within the meaning of section 8(a) of
5 the Small Business Act (15 U.S.C. 637(a)),

6 “(G) the gift (or sale at below fair market
7 value) of surplus land in the tax enterprise zone
8 to neighborhood organizations agreeing to oper-
9 ate a business on the land,

10 “(H) the establishment of a program
11 under which employers within the tax enterprise
12 zone may purchase health insurance for their
13 employees on a pooled basis,

14 “(I) the establishment of a program to en-
15 courage local financial institutions to satisfy
16 their obligations under the Community Rein-
17 vestment Act of 1977 (12 U.S.C. 2901 et seq.)
18 by making loans to enterprise zone businesses,
19 with emphasis on startup and other small-busi-
20 ness concerns (as defined in section 3(a) of the
21 Small Business Act (15 U.S.C. 632(a)),

22 “(J) the giving of special preference to
23 qualified low-income housing projects located in
24 tax enterprise zones, in the allocation of the

1 State housing credit ceiling applicable under
2 section 42, and

3 “(K) the giving of special preference to fa-
4 cilities located in tax enterprise zones, in the al-
5 location of the State ceiling on private activity
6 bonds applicable under section 146.

7 “(3) RECOGNITION OF PAST EFFORTS.—In
8 evaluating courses of action agreed to by any State
9 or local government, the appropriate Secretary shall
10 take into account the past efforts of the State or
11 local government in reducing the various burdens
12 borne by employers and employees in the area in-
13 volved.

14 “(4) PROHIBITION OF ASSISTANCE FOR BUSI-
15 NESS RELOCATIONS.—

16 “(A) IN GENERAL.—The course of action
17 implemented under paragraph (1) may not in-
18 clude any action to assist any establishment in
19 relocating from 1 area to another area.

20 “(B) EXCEPTION.—The limitation estab-
21 lished in subparagraph (A) shall not be con-
22 strued to prohibit assistance for the expansion
23 of an existing business entity through the estab-
24 lishment of a new branch, affiliate, or subsidi-
25 ary if—

1 “(i) the establishment of the new
2 branch, affiliate, or subsidiary will not re-
3 sult in an increase in unemployment in the
4 area of original location or in any other
5 area where the existing business entity
6 conducts business operations, and

7 “(ii) there is no reason to believe that
8 the new branch, affiliate, or subsidiary is
9 being established with the intention of clos-
10 ing down the operations of the existing
11 business entity in the area of its original
12 location or in any other area where the ex-
13 isting business entity conducts business op-
14 erations.

15 “(d) SELECTION CRITERIA.—From among the nomi-
16 nated areas eligible for designation under subsection (b)
17 by the appropriate Secretary, such appropriate Secretary
18 shall make designations of tax enterprise zones on the
19 basis of the following factors (each of which is to be given
20 equal weight):

21 “(1) STATE AND LOCAL COMMITMENTS.—The
22 strength and quality of the commitments which have
23 been promised as part of the course of action rel-
24 ative to the fiscal ability of the nominating State
25 and local governments.

1 “(2) IMPLEMENTATION OF COURSE OF AC-
2 TION.—The effectiveness and enforceability of the
3 guarantees that the course of action will actually be
4 carried out, including the specificity with which the
5 commitments under paragraph (1) are described in
6 order that the applicable Secretary will be better
7 able to determine annually under section
8 1391(d)(2)(A)(ii) whether the commitments are
9 being carried out.

10 “(3) PRIVATE COMMITMENTS.—The level of
11 commitments by private entities of additional re-
12 sources and contributions to the economy of the
13 nominated area, including the creation of new or ex-
14 panded business activities.

15 “(4) AVERAGE RANKINGS.—The average rank-
16 ing with respect to—

17 “(A) the criteria set forth in subpara-
18 graphs (D) and (E) of subsection (b)(1), in the
19 case of an area which is not a rural area, or

20 “(B) the 2 criteria set forth in subsection
21 (b)(2)(D) that give the area a higher average
22 ranking, in the case of a rural area.

23 “(5) REVITALIZATION POTENTIAL.—The poten-
24 tial for the revitalization of the nominated area as
25 a result of zone designation, taking into account

1 particularly the number of jobs to be created and
2 retained.

3 **“SEC. 1393. DEFINITIONS AND SPECIAL RULES.**

4 “For purposes of this subchapter—

5 “(1) URBAN TAX ENTERPRISE ZONE.—The
6 term ‘urban tax enterprise zone’ means a tax enter-
7 prise zone which meets the requirements of section
8 1392(b)(1).

9 “(2) RURAL DEVELOPMENT INVESTMENT
10 ZONE.—The term ‘rural development investment
11 zone’ means a tax enterprise zone which meets the
12 requirements of section 1392(b)(2).

13 “(3) GOVERNMENTS.—If more than 1 local gov-
14 ernment seeks to nominate an area as a tax enter-
15 prise zone, any reference to, or requirement of, this
16 subchapter shall apply to all such governments.

17 “(4) LOCAL GOVERNMENT.—The term ‘local
18 government’ means—

19 “(A) any county, city, town, township, par-
20 ish, village, or other general purpose political
21 subdivision of a State, and

22 “(B) any combination of political subdivi-
23 sions described in subparagraph (A) recognized
24 by the appropriate Secretary.

1 “(5) NOMINATED AREA.—The term ‘nominated
2 area’ means an area which is nominated by 1 or
3 more local governments and the State in which it is
4 located for designation as a tax enterprise zone
5 under this subchapter.

6 “(6) RURAL AREA.—The term ‘rural area’
7 means any area which is—

8 “(A) outside of a metropolitan statistical
9 area (within the meaning of section
10 143(k)(2)(B)), or

11 “(B) determined by the Secretary of Agri-
12 culture, after consultation with the Secretary of
13 Commerce, to be a rural area.

14 “(7) APPROPRIATE SECRETARY.—The term ‘ap-
15 propriate Secretary’ means—

16 “(A) the Secretary of Housing and Urban
17 Development in the case of urban tax enterprise
18 zones, and

19 “(B) the Secretary of Agriculture in the
20 case of rural development investment zones.

21 “(8) STATE-CHARTERED DEVELOPMENT COR-
22 PORATIONS.—An area shall be treated as nominated
23 by a State and a local government if it is nominated
24 by—

1 “(b) QUALIFIED ZONE WAGES.—

2 “(1) IN GENERAL.—For purposes of this sec-
3 tion, the term ‘qualified zone wages’ means any
4 wages paid or incurred by an employer for services
5 performed by an employee while such employee is a
6 qualified zone employee.

7 “(2) ONLY FIRST \$20,000 OF WAGES PER YEAR
8 TAKEN INTO ACCOUNT.—With respect to each quali-
9 fied zone employee, the amount of qualified zone
10 wages which may be taken into account for the tax-
11 able year shall not exceed \$20,000.

12 “(3) COORDINATION WITH TARGETED JOBS
13 CREDIT.—The term ‘qualified zone wages’ shall not
14 include wages attributable to service rendered during
15 the 1-year period beginning with the day the individ-
16 ual begins work for the employer if any portion of
17 such wages is taken into account in determining the
18 credit under section 51.

19 “(c) QUALIFIED ZONE EMPLOYEE.—For purposes of
20 this section—

21 “(1) IN GENERAL.—Except as otherwise pro-
22 vided in this subsection, the term ‘qualified zone em-
23 ployee’ means, with respect to any period, any em-
24 ployee of an employer if—

1 “(A) substantially all of the services per-
2 formed during such period by such employee for
3 such employer are performed within a tax en-
4 terprise zone in a trade or business of the em-
5 ployer, and

6 “(B) the principal place of abode of such
7 employee while performing such services is
8 within such tax enterprise zone.

9 “(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—
10 The term ‘qualified zone employee’ shall not in-
11 clude—

12 “(A) any individual described in subpara-
13 graph (A), (B), or (C) of section 51(i)(1),

14 “(B) any 5-percent owner (as defined in
15 section 416(i)(1)(B)),

16 “(C) any individual employed by the em-
17 ployer at any facility described in section
18 144(c)(6)(B), and

19 “(D) any individual employed by the em-
20 ployer in a trade or business the principal activ-
21 ity of which is farming (within the meaning of
22 subparagraphs (A) or (B) of section
23 2032A(e)(5)), but only if, as of the close of the
24 taxable year, the sum of—

1 “(i) the aggregate unadjusted bases
2 (or, if greater, the fair market value) of
3 the assets owned by the employer which
4 are used in such a trade or business, and

5 “(ii) the aggregate value of assets
6 leased by the employer which are used in
7 such a trade or business (as determined
8 under regulations prescribed by the Sec-
9 retary),

10 exceeds \$500,000.

11 “(d) EARLY TERMINATION OF EMPLOYMENT BY EM-
12 PLOYER.—

13 “(1) IN GENERAL.—If the employment of any
14 employee is terminated by the taxpayer before the
15 day 1 year after the day on which such employee
16 began work for the employer—

17 “(A) no wages with respect to such em-
18 ployee shall be taken into account under sub-
19 section (a) for the taxable year in which such
20 employment is terminated, and

21 “(B) the tax under this chapter for the
22 taxable year in which such employment is ter-
23 minated shall be increased by the aggregate
24 credits (if any) allowed under section 38(a) for

1 prior taxable years by reason of wages taken
2 into account with respect to such employee.

3 “(2) CARRYBACKS AND CARRYOVERS AD-
4 JUSTED.—In the case of any termination of employ-
5 ment to which paragraph (1) applies, the carrybacks
6 and carryovers under section 39 shall be properly
7 adjusted.

8 “(3) SUBSECTION NOT TO APPLY IN CERTAIN
9 CASES.—

10 “(A) IN GENERAL.—Paragraph (1) shall
11 not apply to—

12 “(i) a termination of employment of
13 an employee who voluntarily leaves the em-
14 ployment of the taxpayer,

15 “(ii) a termination of employment of
16 an individual who before the close of the
17 period referred to in paragraph (1) be-
18 comes disabled to perform the services of
19 such employment unless such disability is
20 removed before the close of such period
21 and the taxpayer fails to offer reemploy-
22 ment to such individual, or

23 “(iii) a termination of employment of
24 an individual if it is determined under the
25 applicable State unemployment compensa-

1 tion law that the termination was due to
2 the misconduct of such individual.

3 “(B) CHANGES IN FORM OF BUSINESS.—
4 For purposes of paragraph (1), the employment
5 relationship between the taxpayer and an em-
6 ployee shall not be treated as terminated—

7 “(i) by a transaction to which section
8 381(a) applies if the employee continues to
9 be employed by the acquiring corporation,
10 or

11 “(ii) by reason of a mere change in
12 the form of conducting the trade or busi-
13 ness of the taxpayer if the employee con-
14 tinues to be employed in such trade or
15 business and the taxpayer retains a sub-
16 stantial interest in such trade or business.

17 “(4) SPECIAL RULE.—Any increase in tax
18 under paragraph (1) shall not be treated as a tax
19 imposed by this chapter for purposes of—

20 “(A) determining the amount of any credit
21 allowable under this chapter, and

22 “(B) determining the amount of the tax
23 imposed by section 55.

1 **“SEC. 1394A. CREDIT TO QUALIFIED ZONE EMPLOYEES OF**
2 **TAX-EXEMPT ORGANIZATIONS.**

3 “(a) ALLOWANCE OF CREDIT.—In the case of a
4 qualified zone employee who received qualified zone wages
5 during the taxable year from any tax-exempt employer,
6 there shall be allowed as a credit against the tax imposed
7 by this chapter for such taxable year an amount equal to
8 15 percent of the qualified zone wages received by such
9 employee from such employer during such taxable year.

10 “(b) ONLY FIRST \$20,000 OF WAGES PER YEAR
11 TAKEN INTO ACCOUNT.—With respect to each qualified
12 zone employee, the amount of qualified zone wages which
13 may be taken into account for the taxable year shall not
14 exceed \$20,000.

15 “(c) LIMITATION BASED ON AMOUNT OF TAX.—For
16 purposes of this title, the credit allowed under this section
17 shall be treated as allowed under subpart A of part IV
18 of subchapter A of this chapter (relating to nonrefundable
19 personal credits).

20 “(d) TAX-EXEMPT EMPLOYER.—For purposes of this
21 section, the term ‘tax-exempt employer’ means any em-
22 ployer who is exempt from tax under this subtitle. Such
23 term shall not include the Federal Government, any State
24 or local government or political subdivision thereof, or any
25 agency or instrumentality of any of the foregoing.

26 “(e) OTHER DEFINITIONS AND SPECIAL RULES.—

1 “(1) DEFINITIONS.—Terms used in this section
2 which are also used in section 1394 shall have the
3 respective meanings given such terms in section
4 1394.

5 “(2) SPECIAL RULES.—Rules similar to the
6 rules of section 1394(d) shall apply for purposes of
7 this section.

8 **“SEC. 1395. OTHER DEFINITIONS AND SPECIAL RULES.**

9 “(a) WAGES.—For purposes of this subpart, the term
10 ‘wages’ has the same meaning as when used in section
11 51.

12 “(b) CONTROLLED GROUPS.—For purposes of this
13 subpart—

14 “(1) all employers treated as a single employer
15 under subsection (a) or (b) of section 52 shall be
16 treated as a single employer for purposes of this
17 subpart, and

18 “(2) the credit (if any) determined under sec-
19 tion 1394 with respect to each such employer shall
20 be its proportionate share of the wages giving rise
21 to such credit.

22 “(c) CERTAIN OTHER RULES MADE APPLICABLE.—
23 For purposes of this subpart, rules similar to the rules
24 of section 51(k) and subsections (c), (d), and (e) of section
25 52 shall apply.

1 “(d) NOTICE OF AVAILABILITY OF ADVANCE PAY-
 2 MENT OF EARNED INCOME CREDIT.—Each employer
 3 shall take reasonable steps to notify all qualified zone em-
 4 ployees of the availability to eligible individuals of receiv-
 5 ing advanced payments of the credit under section 32 (re-
 6 lating to the earned income credit).

7 **“Subpart B—Investment Incentives**

 “Sec. 1396. Deduction for purchase of enterprise zone stock.

 “Sec. 1397. Nonrecognition of gain from new zone investments.

 “Sec. 1397A. Other incentives.

 “Sec. 1397B. Enterprise zone business defined.

 “Sec. 1397C. Other definitions.

8 **“SEC. 1396. DEDUCTION FOR PURCHASE OF ENTERPRISE**
 9 **ZONE STOCK.**

10 “(a) GENERAL RULE.—In the case of an individual,
 11 there shall be allowed as a deduction an amount equal to
 12 50 percent of the aggregate amount paid in cash by the
 13 taxpayer during the taxable year for the purchase of enter-
 14 prise zone stock.

15 “(b) LIMITATION.—

16 “(1) IN GENERAL.—The maximum amount al-
 17 lowed as a deduction under subsection (a) to a tax-
 18 payer for the taxable year shall not exceed the lesser
 19 of—

20 “(A) \$25,000, or

21 “(B) the excess of \$250,000 over the
 22 amount allowed as a deduction under this sec-
 23 tion to the taxpayer for all prior taxable years.

1 “(2) EXCESS AMOUNTS.—If the amount other-
2 wise deductible by any person under subsection (a)
3 exceeds the limitation under paragraph (1)(A)—

4 “(A) the amount of such excess shall be
5 treated as an amount paid to which subsection
6 (a) applies during the next taxable year, and

7 “(B) the deduction allowed for any taxable
8 year shall be allocated proportionately among
9 the enterprise zone stock purchased by such
10 person on the basis of the respective purchase
11 prices per share.

12 “(3) AGGREGATION WITH FAMILY MEMBERS.—

13 The taxpayer and members of the taxpayer’s family
14 shall be treated as one person for purposes of para-
15 graph (1), and the limitations contained in such
16 paragraph shall be allocated among the taxpayer and
17 such members in accordance with their respective
18 purchases of enterprise zone stock. For purposes of
19 this paragraph, an individual’s family includes only
20 such individual’s spouse and minor children.

21 “(c) ENTERPRISE ZONE STOCK.—For purposes of
22 this section—

23 “(1) IN GENERAL.—The term ‘enterprise zone
24 stock’ means stock of a corporation if—

1 “(A) such stock is acquired on original
2 issue from the corporation, and

3 “(B) such corporation is, at the time of
4 issue, a qualified enterprise zone issuer.

5 “(2) PROCEEDS MUST BE INVESTED IN QUALI-
6 FIED ENTERPRISE ZONE PROPERTY.—

7 “(A) IN GENERAL.—Such term shall in-
8 clude such stock only to the extent that the pro-
9 ceeds of such issuance are used by such issuer
10 during the 12-month period beginning on the
11 date of issuance to purchase (as defined in
12 section 179(d)(2)) qualified enterprise zone
13 property.

14 “(B) QUALIFIED ENTERPRISE ZONE PROP-
15 erty.—For purposes of this section, the term
16 ‘qualified enterprise zone property’ means prop-
17 erty to which section 168 applies—

18 “(i) the original use of which in a tax
19 enterprise zone commences with the issuer,
20 and

21 “(ii) substantially all of the use of
22 which is in a tax enterprise zone.

23 “(3) REDEMPTIONS.—The term ‘enterprise
24 zone stock’ shall not include any stock acquired from
25 a corporation which made a substantial stock re-

1 demption or distribution (without a bona fide busi-
2 ness purpose therefor) in an attempt to avoid the
3 purposes of this section.

4 “(d) QUALIFIED ENTERPRISE ZONE ISSUER.—For
5 purposes of this section, the term ‘qualified enterprise
6 zone issuer’ means any domestic C corporation if—

7 “(1) such corporation is an enterprise zone
8 business or, in the case of a new corporation, such
9 corporation is being organized for purposes of being
10 an enterprise zone business,

11 “(2) such corporation does not have more than
12 one class of stock,

13 “(3) the sum of—

14 “(A) the money,

15 “(B) the aggregate unadjusted bases of
16 property owned by such corporation, and

17 “(C) the value of property leased to the
18 corporation (as determined under regulations
19 prescribed by the Secretary),

20 does not exceed \$5,000,000, and

21 “(4) more than 20 percent of the total voting
22 power, and 20 percent of the total value, of the
23 stock of such corporation is owned directly by indi-
24 viduals or estates or indirectly by individuals
25 through partnerships or trusts.

1 The determination under paragraph (3) shall be made as
2 of the time of issuance of the stock in question but shall
3 include amounts received for such stock.

4 “(e) DISPOSITIONS OF STOCK.—

5 “(1) BASIS REDUCTION.—For purposes of this
6 title, the basis of any enterprise zone stock shall be
7 reduced by the amount of the deduction allowed
8 under this section with respect to such stock.

9 “(2) DEDUCTION RECAPTURED AS ORDINARY
10 INCOME.—For purposes of section 1245—

11 “(A) any stock the basis of which is re-
12 duced under paragraph (1) (and any other
13 property the basis of which is determined in
14 whole or in part by reference to the adjusted
15 basis of such stock) shall be treated as section
16 1245 property, and

17 “(B) any reduction under paragraph (1)
18 shall be treated as a deduction allowed for de-
19 preciation.

20 If an exchange of any stock described in paragraph
21 (1) qualifies under section 354(a), 355(a), or
22 356(a), the amount of gain recognized under section
23 1245 by reason of this paragraph shall not exceed
24 the amount of gain recognized in the exchange (de-
25 termined without regard to this paragraph).

1 “(3) CERTAIN EVENTS TREATED AS DISPOSI-
2 TIONS.—For purposes of determining the amount
3 treated as ordinary income under section 1245 by
4 reason of paragraph (2), paragraph (3) of section
5 1245(b) (relating to certain tax-free transactions)
6 shall not apply.

7 “(4) INTEREST CHARGED IF DISPOSITION
8 WITHIN 5 YEARS OF PURCHASE.—

9 “(A) IN GENERAL.—If—

10 “(i) a taxpayer disposes of any enter-
11 prise zone stock with respect to which a
12 deduction was allowed under subsection (a)
13 (or any other property the basis of which
14 is determined in whole or in part by ref-
15 erence to the adjusted basis of such stock)
16 before the end of the 5-year period begin-
17 ning on the date such stock was purchased
18 by the taxpayer, and

19 “(ii) section 1245(a) applies to such
20 disposition by reason of paragraph (2),
21 then the tax imposed by this chapter for the
22 taxable year in which such disposition occurs
23 shall be increased by the amount determined
24 under subparagraph (B).

1 “(B) ADDITIONAL AMOUNT.—For purposes
2 of subparagraph (A), the additional amount
3 shall be equal to the amount of interest (deter-
4 mined at the rate applicable under section
5 6621(a)(2)) that would accrue—

6 “(i) during the period beginning on
7 the date the stock was purchased by the
8 taxpayer and ending on the date of such
9 disposition by the taxpayer,

10 “(ii) on an amount equal to the aggre-
11 gate decrease in tax of the taxpayer result-
12 ing from the deduction allowed under this
13 subsection (a) with respect to such stock.

14 “(C) SPECIAL RULE.—Any increase in tax
15 under subparagraph (A) shall not be treated as
16 a tax imposed by this chapter for purposes of—

17 “(i) determining the amount of any
18 credit allowable under this chapter, and

19 “(ii) determining the amount of the
20 tax imposed by section 55.

21 “(f) DISQUALIFICATION.—

22 “(1) ISSUER CEASES TO QUALIFY.—If, during
23 the 10-year period beginning on the date enterprise
24 zone stock was purchased by the taxpayer, the issuer
25 of such stock ceases to be a qualified enterprise zone

1 issuer (determined without regard to subsection
2 (d)(3)), then notwithstanding any provision of this
3 subtitle other than paragraph (2), the taxpayer shall
4 be treated for purposes of subsection (e) as dispos-
5 ing of such stock (and any other property the basis
6 of which is determined in whole or in part by ref-
7 erence to the adjusted basis of such stock) during
8 the taxable year during which such cessation occurs
9 at its fair market value as of the 1st day of such
10 taxable year.

11 “(2) CESSATION OF ENTERPRISE ZONE STATUS
12 NOT TO CAUSE RECAPTURE.—A corporation shall
13 not fail to be treated as a qualified enterprise zone
14 issuer for purposes of paragraph (1) solely by reason
15 of the termination or revocation of a tax enterprise
16 zone designation.

17 “(g) OTHER SPECIAL RULES.—

18 “(1) APPLICATION OF LIMITS TO PARTNER-
19 SHIPS AND S CORPORATIONS.—In the case of a part-
20 nership or an S corporation, the limitations under
21 subsection (b) shall apply at the partner and share-
22 holder level and shall not apply at the partnership
23 or corporation level.

1 “(2) DEDUCTION NOT ALLOWED TO ESTATES
2 AND TRUSTS.—Estates and trusts shall not be treat-
3 ed as individuals for purposes of this section.

4 **“SEC. 1397. NONRECOGNITION OF GAIN FROM NEW ZONE**
5 **INVESTMENTS.**

6 “(a) GENERAL RULE.—At the election of an individ-
7 ual, qualified capital gain (as defined in section 1397C)
8 from the sale or exchange of a qualified zone asset shall
9 be recognized only to the extent that—

10 “(1) the amount realized from such sale or ex-
11 change, exceeds

12 “(2) the cost (not heretofore taken into account
13 under this subsection) of any qualified zone asset
14 purchased directly by the taxpayer during the rein-
15 vestment period.

16 “(b) QUALIFIED ZONE ASSET.—For purposes of this
17 section—

18 “(1) IN GENERAL.—The term ‘qualified zone
19 asset’ has the meaning given such term by section
20 1397C.

21 “(2) TIME FOR TESTING.—

22 “(A) SALES.—In the case of a sale or ex-
23 change of property, the determination of wheth-
24 er such property is a qualified zone asset shall
25 be made as of the time of the sale or exchange.

1 “(B) PURCHASES.—In the case of a pur-
2 chase of property, the determination of whether
3 such property is a qualified zone asset shall be
4 made as of the time of such purchase.

5 “(c) OTHER DEFINITIONS.—For purposes of this
6 section—

7 “(1) REINVESTMENT PERIOD.—The term ‘rein-
8 vestment period’ means, with respect to any sale or
9 exchange, the 6-month period beginning on the date
10 of such sale or exchange.

11 “(2) PURCHASE.—The term ‘purchase’ has the
12 meaning given to such term by section 179(d)(2).

13 “(d) BUSINESS OR PROPERTY CEASES TO QUAL-
14 IFY.—

15 “(1) IN GENERAL.—If, during the 10-year pe-
16 riod beginning on the date any qualified zone re-
17 placement asset was purchased by the taxpayer,
18 such asset ceases to be a qualified zone asset, not-
19 withstanding any provision of this subtitle other
20 than paragraph (3), the taxpayer shall be treated as
21 disposing of such asset during the taxable year dur-
22 ing which such cessation occurs at its fair market
23 value as of the 1st day of such taxable year.

24 “(2) LIMITATION ON GAIN RECOGNIZED.—The
25 amount of gain recognized pursuant to paragraph

1 (1) with respect to any asset shall not exceed the
2 lesser of—

3 “(A) the amount of gain which was not
4 recognized under subsection (a) by the reason
5 of the purchase of such asset, or

6 “(B) the excess of the fair market value
7 referred to in paragraph (1) over the adjusted
8 basis of such asset.

9 “(3) CESSATION OF ENTERPRISE ZONE STATUS
10 NOT TO CAUSE RECAPTURE.—An asset shall not fail
11 to be treated as a qualified zone asset for purposes
12 of paragraph (1) solely by reason of the termination
13 of a tax enterprise zone designation.

14 “(4) QUALIFIED ZONE REPLACEMENT ASSET.—
15 For purposes of paragraph (1), the term ‘qualified
16 zone replacement asset’ means any qualified zone
17 asset the purchase of which resulted in the non-
18 recognition of gain under subsection (a) with respect
19 to any other property.

20 “(e) BASIS OF QUALIFIED ZONE REPLACEMENT
21 ASSET.—If gain from the sale or exchange of any property
22 is not recognized by reason of subsection (a), such gain
23 shall be applied to reduce (in the order acquired) the basis
24 of any qualified zone replacement asset (as defined in sub-
25 section (d)(4)) purchased during the reinvestment period.

1 “(f) COORDINATION WITH INSTALLMENT METHOD
2 REPORTING.—This section shall not apply to any gain
3 from any installment sale (as defined in section 453(b))
4 if section 453(a) applies to such sale.

5 “(g) STATUTE OF LIMITATIONS.—If any gain is real-
6 ized by the taxpayer on any sale or exchange to which
7 an election under this section applies, then—

8 “(1) the statutory period for the assessment of
9 any deficiency with respect to such gain shall not ex-
10 pire before the expiration of 3 years from the date
11 the Secretary is notified by the taxpayer (in such
12 manner as the Secretary may by regulations pre-
13 scribe) of—

14 “(A) the taxpayer’s cost of purchasing any
15 qualified zone replacement asset,

16 “(B) the taxpayer’s intention not to pur-
17 chase qualified zone replacement asset within
18 the reinvestment period, or

19 “(C) a failure to make such purchase with-
20 in the reinvestment period, and

21 “(2) such deficiency may be assessed before the
22 expiration of such 3-year period notwithstanding the
23 provisions of any law or rule of law which would oth-
24 erwise prevent such assessment.

1 “(h) CERTAIN BUSINESSES TREATED AS NOT
2 QUALIFIED BUSINESSES.—For purposes of this section,
3 the term ‘enterprise zone business’ has the meaning given
4 such term by section 1397B except that, in applying sec-
5 tion 1397B for such purposes, the term ‘qualified busi-
6 ness’ shall not include any trade or business of producing
7 property of a character subject to the allowance for deple-
8 tion under section 611.

9 **“SEC. 1397A. ADDITIONAL INCENTIVES.**

10 “(a) INCREASE IN EXPENSING UNDER SECTION
11 179.—In the case of an enterprise zone business, section
12 179(b)(1) shall be applied by substituting ‘\$20,000’ for
13 ‘\$10,000’.

14 “(b) ORDINARY LOSS TREATMENT FOR CERTAIN
15 PROPERTY.—

16 “(1) IN GENERAL.—Loss on any qualified zone
17 asset (as defined in section 1397C(b)) held for more
18 than 2 years (5 years in the case of real property)
19 shall be treated as an ordinary loss.

20 “(2) REAL PROPERTY.—For purposes of para-
21 graph (1), the term ‘real property’ means any prop-
22 erty which is section 1250 property (as defined in
23 section 1250(c)).

24 “(3) SPECIAL RULES.—

1 “(A) CERTAIN RULES MADE APPLICA-
2 BLE.—For purposes of this subsection, rules
3 similar to the following rules shall apply:

4 “(i) Paragraphs (1), (2), and (3) of
5 section 1244(d).

6 “(ii) Subsections (a)(6), (b)(3), (c),
7 (d), and (e) of section 1397C.

8 “(B) COORDINATION WITH SECTION
9 1231.—Losses treated as ordinary losses by rea-
10 son of this subsection shall not be taken into
11 account in applying section 1231.

12 “(c) ADDITIONS TO RESERVES FOR BAD DEBTS
13 WITH RESPECT TO LOANS TO ENTERPRISE ZONE BUSI-
14 NESSES.—

15 “(1) IN GENERAL.—For purposes of section
16 585(a)—

17 “(A) the deduction for a reasonable addi-
18 tion to a reserve for bad debts shall be com-
19 puted separately with respect to qualified enter-
20 prise zone loans, and

21 “(B) section 585(c) shall not apply to the
22 deduction computed under this subsection for a
23 reasonable addition to a reserve for bad debts
24 with respect to qualified enterprise zone loans.

1 “(2) ADDITION TO RESERVE FOR BAD
2 DEBTS.—For purposes of section 585(a), the reason-
3 able addition to the reserve for bad debts of any fi-
4 nancial institution to which section 585 applies
5 (after the application of paragraph (1)) shall be an
6 amount determined by the taxpayer which shall not
7 exceed the addition to the reserve for losses on quali-
8 fied enterprise zone loans under the percentage
9 method as provided by paragraph (3).

10 “(3) PERCENTAGE METHOD.—The amount de-
11 termined under this paragraph for any taxable year
12 shall be the amount necessary to increase the bal-
13 ance of the reserve for losses on loans (at the close
14 of the taxable year) to 10 percent of qualified enter-
15 prise zone loans outstanding at such time.

16 “(4) BANKS USING EXPERIENCE METHOD.—In
17 the case of a bank to which section 585(a) applies
18 (determined without regard to this subsection), the
19 amount determined under paragraph (3) of this sub-
20 section for any taxable year shall in no event be less
21 than the amount determined under section 585(b)
22 for such taxable year with respect to qualified enter-
23 prise zone loans.

24 “(5) QUALIFIED ENTERPRISE ZONE LOANS.—
25 For purposes of this subsection, the term ‘qualified

1 enterprise zone loan’ means any loan made to an en-
2 terprise zone business for use in the conduct of a
3 qualified business within a tax enterprise zone.

4 **“SEC. 1397B. ENTERPRISE ZONE BUSINESS DEFINED.**

5 “(a) IN GENERAL.—For purposes of this subpart, the
6 term ‘enterprise zone business’ means—

7 “(1) any qualified business entity, and

8 “(2) any qualified proprietorship.

9 “(b) QUALIFIED BUSINESS ENTITY.—For purposes
10 of this section, the term ‘qualified business entity’ means,
11 with respect to any taxable year, any corporation or part-
12 nership if for such year—

13 “(1)(A) every trade or business of such entity
14 is the active conduct of a qualified business within
15 a tax enterprise zone, and

16 “(B) at least 80 percent of the total gross in-
17 come of such entity is derived from the active con-
18 duct of such business,

19 “(2) substantially all of the use of the tangible
20 property of such entity (whether owned or leased) is
21 within a tax enterprise zone,

22 “(3) substantially all of the intangible property
23 of such entity is used in, and exclusively related to,
24 the active conduct of any such business,

1 “(4) substantially all of the services performed
2 for such entity by its employees are performed in a
3 tax enterprise zone,

4 “(5) at least $\frac{1}{3}$ of its employees are residents
5 of a tax enterprise zone,

6 “(6) less than 5 percent of the average of the
7 aggregate unadjusted bases of the property of such
8 entity is attributable to collectibles (as defined in
9 section 408(m)(2)) other than collectibles that are
10 held primarily for sale to customers in the ordinary
11 course of such business, and

12 “(7) less than 5 percent of the average of the
13 aggregate unadjusted bases of the property of such
14 entity is attributable to nonqualified financial prop-
15 erty.

16 “(c) QUALIFIED PROPRIETORSHIP.—For purposes of
17 this section, the term ‘qualified proprietorship’ means,
18 with respect to any taxable year, any qualified business
19 carried on by an individual as a proprietorship if for such
20 year—

21 “(1) at least 80 percent of the total gross in-
22 come of such individual from such business is de-
23 rived from the active conduct of such business in a
24 tax enterprise zone,

1 “(2) substantially all of the use of the tangible
2 property of such individual in such business (wheth-
3 er owned or leased) is within a tax enterprise zone,

4 “(3) substantially all of the intangible property
5 of such business is used in, and exclusively related
6 to, the active conduct of such business,

7 “(4) substantially all of the services performed
8 for such individual in such business by employees of
9 such business are performed in a tax enterprise
10 zone,

11 “(5) at least $\frac{1}{3}$ of such employees are residents
12 of a tax enterprise zone,

13 “(6) less than 5 percent of the average of the
14 aggregate unadjusted bases of the property of such
15 individual which is used in such business is attrib-
16 utable to collectibles (as defined in section
17 408(m)(2)) other than collectibles that are held pri-
18 marily for sale to customers in the ordinary course
19 of such business, and

20 “(7) less than 5 percent of the average of the
21 aggregate unadjusted bases of the property of such
22 individual which is used in such business is attrib-
23 utable to nonqualified financial property.

24 For purposes of this subsection, the term ‘employee’ in-
25 cludes the proprietor.

1 “(d) QUALIFIED BUSINESS.—For purposes of this
2 section—

3 “(1) IN GENERAL.—Except as otherwise pro-
4 vided in this subsection, the term ‘qualified business’
5 means any trade or business.

6 “(2) RENTAL OF REAL PROPERTY.—The rental
7 to others of real property located in a tax enterprise
8 zone shall be treated as a qualified business if and
9 only if—

10 “(A) in the case of real property which is
11 not residential rental property (as defined in
12 section 168(e)(2)), the lessee is an enterprise
13 zone business, or

14 “(B) in the case of residential rental prop-
15 erty (as so defined)—

16 “(i) such property was originally
17 placed in service after the date the tax en-
18 terprise zone was designated, or

19 “(ii) such property is rehabilitated
20 after such date in a rehabilitation which
21 meets requirements based on the principles
22 of section 42(e)(3).

23 “(3) RENTAL OF TANGIBLE PERSONAL PROP-
24 erty.—The rental to others of tangible personal
25 property shall be treated as a qualified business if

1 and only if substantially all of the rental of such
2 property is by enterprise zone businesses or by resi-
3 dents of a tax enterprise zone.

4 “(4) TREATMENT OF BUSINESS HOLDING IN-
5 TANGIBLES.—The term ‘qualified business’ shall not
6 include any trade or business consisting predomi-
7 nantly of the development or holding of intangibles
8 for sale or license.

9 “(5) CERTAIN BUSINESSES EXCLUDED.—The
10 term ‘qualified business’ shall not include—

11 “(A) any trade or business consisting of
12 the operation of any facility described in section
13 144(c)(6)(B), and

14 “(B) any trade or business the principal
15 activity of which is farming (within the meaning
16 of subparagraphs (A) or (B) of section
17 2032A(e)(5)), but only if, as of the close of the
18 preceding taxable year, the sum of—

19 “(i) the aggregate unadjusted bases
20 (or, if greater, the fair market value) of
21 the assets owned by the taxpayer which are
22 used in such a trade or business, and

23 “(ii) the aggregate value of assets
24 leased by the taxpayer which are used in
25 such a trade or business,

1 exceeds \$500,000.

2 For purposes of subparagraph (B), rules similar to
3 the rules of section 1395(b) shall apply.

4 “(e) NONQUALIFIED FINANCIAL PROPERTY.—For
5 purposes of this section, the term ‘nonqualified financial
6 property’ means debt, stock, partnership interests, op-
7 tions, futures contracts, forward contracts, warrants, no-
8 tional principal contracts, annuities, and other similar
9 property specified in regulations; except that such term
10 shall not include—

11 “(1) reasonable amounts of working capital
12 held in cash, cash equivalents, or debt instruments
13 with a term of 18 months or less, or

14 “(2) debt instruments described in section
15 1221(4).

16 **“SEC. 1397C. OTHER DEFINITIONS.**

17 “(a) QUALIFIED ZONE ASSET.—For purposes of this
18 subpart—

19 “(1) IN GENERAL.—The term ‘qualified zone
20 asset’ means—

21 “(A) any qualified zone stock,

22 “(B) any qualified zone business property,

23 and

24 “(C) any qualified zone partnership inter-

25 est.

1 “(2) QUALIFIED ZONE STOCK.—

2 “(A) IN GENERAL.—Except as provided in
3 subparagraph (B), the term ‘qualified zone
4 stock’ means any stock in a domestic corpora-
5 tion if—

6 “(i) such stock is acquired by the tax-
7 payer on original issue from the corpora-
8 tion solely in exchange for cash,

9 “(ii) as of the time such stock was is-
10 sued, such corporation was an enterprise
11 zone business (or, in the case of a new cor-
12 poration, such corporation was being orga-
13 nized for purposes of being an enterprise
14 zone business), and

15 “(iii) during substantially all of the
16 taxpayer’s holding period for such stock,
17 such corporation qualified as an enterprise
18 zone business.

19 “(B) EXCLUSION OF STOCK FOR WHICH
20 DEDUCTION UNDER SECTION 1396 ALLOWED.—
21 The term ‘qualified zone stock’ shall not include
22 any stock the basis of which is reduced under
23 section 1396(e)(1).

24 “(C) REDEMPTIONS.—The term ‘qualified
25 zone stock’ shall not include any stock acquired

1 from a corporation which made a substantial
2 stock redemption or distribution (without a
3 bona fide business purpose therefor) in an at-
4 tempt to avoid the purposes of this section.

5 “(3) QUALIFIED ZONE BUSINESS PROPERTY.—

6 “(A) IN GENERAL.—The term ‘qualified
7 zone business property’ means tangible property
8 if—

9 “(i) such property was acquired by
10 the taxpayer by purchase (as defined in
11 section 179(d)(2)) after the date on which
12 the designation of the tax enterprise zone
13 took effect,

14 “(ii) the original use of such property
15 in a tax enterprise zone commences with
16 the taxpayer, and

17 “(iii) during substantially all of the
18 taxpayer’s holding period for such prop-
19 erty, substantially all of the use of such
20 property was in a tax enterprise zone and
21 in an enterprise zone business of the tax-
22 payer.

23 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-
24 PROVEMENTS.—The requirements of clauses (i)

1 and (ii) of subparagraph (A) shall be treated as
2 satisfied with respect to—

3 “(i) property which is substantially
4 improved by the taxpayer, and

5 “(ii) any land on which such property
6 is located.

7 For purposes of the preceding sentence, prop-
8 erty shall be treated as substantially improved
9 by the taxpayer if, during any 24-month period
10 beginning after the date on which the designa-
11 tion of the tax enterprise zone took effect, addi-
12 tions to basis with respect to such property in
13 the hands of the taxpayer exceed the greater of
14 (i) an amount equal to the adjusted basis at the
15 beginning of such 24-month period in the hands
16 of the taxpayer, or (ii) \$5,000.

17 “(C) LIMITATION ON LAND.—The term
18 ‘qualified zone business property’ shall not in-
19 clude land which is not an integral part of a
20 qualified business (as defined in section
21 1397B(c)).

22 “(4) QUALIFIED ZONE PARTNERSHIP INTER-
23 EST.—The term ‘qualified zone partnership interest’
24 means any interest in a partnership if—

1 “(A) such interest is acquired by the tax-
2 payer from the partnership solely in exchange
3 for cash,

4 “(B) as of the time such interest was ac-
5 quired, such partnership was an enterprise zone
6 business (or, in the case of a new partnership,
7 such partnership was being organized for pur-
8 poses of being an enterprise zone business), and

9 “(C) during substantially all of the tax-
10 payer’s holding period for such interest, such
11 partnership qualified as an enterprise zone
12 business.

13 A rule similar to the rule of paragraph (2)(C) shall
14 apply for purposes of this paragraph.

15 “(5) TREATMENT OF SUBSEQUENT PUR-
16 CHASERS.—The term ‘qualified zone asset’ includes
17 any property which would be a qualified zone asset
18 but for paragraph (2)(A)(i), (3)(A)(ii), or (4)(A) in
19 the hands of the taxpayer if such property was a
20 qualified zone asset in the hands of any prior holder.

21 “(6) 10-YEAR SAFE HARBOR.—If any property
22 ceases to be a qualified zone asset by reason of para-
23 graph (2)(A)(iii), (3)(A)(iii), or (4)(C) after the 10-
24 year period beginning on the date the taxpayer ac-
25 quired such property, such property shall continue to

1 be treated as meeting the requirements of such
2 paragraph; except that the amount of gain which is
3 qualified capital gain on any sale or exchange of
4 such property shall not exceed the amount which
5 would be qualified capital gain had such property
6 been sold on the date of such cessation.

7 “(7) TREATMENT OF ZONE TERMINATIONS.—
8 The termination of any designation of an area as a
9 tax enterprise zone shall be disregarded for purposes
10 of determining whether any property is a qualified
11 zone asset.

12 “(b) OTHER DEFINITIONS AND SPECIAL RULES.—
13 For purposes of this section—

14 “(1) QUALIFIED CAPITAL GAIN.—Except as
15 otherwise provided in this subsection, the term
16 ‘qualified capital gain’ means any long-term capital
17 gain.

18 “(2) CERTAIN GAIN ON REAL PROPERTY NOT
19 QUALIFIED.—The term ‘qualified capital gain’ shall
20 not include any gain which would be treated as ordi-
21 nary income under section 1250 if section 1250 ap-
22 plied to all depreciation rather than the additional
23 depreciation.

24 “(3) GAIN ATTRIBUTABLE TO PERIODS AFTER
25 TERMINATION OF ZONE DESIGNATION NOT QUALI-

1 FIED.—The term ‘qualified capital gain’ shall not in-
2 clude any gain attributable to periods after the ter-
3 mination of any designation of an area as a tax en-
4 terprise zone.

5 “(c) TREATMENT OF PASS-THRU ENTITIES.—

6 “(1) SALES AND EXCHANGES.—Gain on the
7 sale or exchange of an interest in a pass-thru entity
8 held by the taxpayer (other than an interest in an
9 entity which was an enterprise zone business during
10 substantially all of the period the taxpayer held such
11 interest) for more than 5 years shall be treated as
12 qualified capital gain to the extent such gain is at-
13 tributable to amounts which would be qualified cap-
14 ital gain on qualified zone assets (determined as if
15 such assets had been sold on the date of the sale or
16 exchange) held by such entity for more than 5 years
17 and throughout the period the taxpayer held such in-
18 terest. A rule similar to the rule of paragraph (2)(C)
19 shall apply for purposes of the preceding sentence.

20 “(2) INCOME INCLUSIONS.—

21 “(A) IN GENERAL.—Any amount included
22 in income by reason of holding an interest in a
23 pass-thru entity (other than an entity which
24 was an enterprise zone business during substan-
25 tially all of the period the taxpayer held the in-

1 terest to which such inclusion relates) shall be
2 treated as qualified capital gain if such amount
3 meets the requirements of subparagraph (B).

4 “(B) REQUIREMENTS.—An amount meets
5 the requirements of this subparagraph if—

6 “(i) such amount is attributable to
7 qualified capital gain recognized on the
8 sale or exchange by the pass-thru entity of
9 property which is a qualified zone asset in
10 the hands of such entity and which was
11 held by such entity for the period required
12 under subsection (a), and

13 “(ii) such amount is includible in the
14 gross income of the taxpayer by reason of
15 the holding of an interest in such entity
16 which was held by the taxpayer on the date
17 on which such pass-thru entity acquired
18 such asset and at all times thereafter be-
19 fore the disposition of such asset by such
20 pass-thru entity.

21 “(C) LIMITATION BASED ON INTEREST
22 ORIGINALLY HELD BY TAXPAYER.—Subpara-
23 graph (A) shall not apply to any amount to the
24 extent such amount exceeds the amount to
25 which subparagraph (A) would have applied if

1 such amount were determined by reference to
2 the interest the taxpayer held in the pass-thru
3 entity on the date the qualified zone asset was
4 acquired.

5 “(3) PASS-THRU ENTITY.—For purposes of this
6 subsection, the term ‘pass-thru entity’ means—

7 “(A) any partnership,

8 “(B) any S corporation,

9 “(C) any regulated investment company,

10 and

11 “(D) any common trust fund.

12 “(d) SALES AND EXCHANGES OF INTERESTS IN
13 PARTNERSHIPS AND S CORPORATIONS WHICH ARE
14 QUALIFIED ZONE BUSINESSES.—In the case of the sale
15 or exchange of an interest in a partnership, or of stock
16 in an S corporation, which was an enterprise zone business
17 during substantially all of the period the taxpayer held
18 such interest or stock, the amount of qualified capital gain
19 shall be determined without regard to—

20 “(1) any intangible, and any land, which is not
21 an integral part of any qualified business (as defined
22 in section 1397B(b)), and

23 “(2) gain attributable to periods before the des-
24 ignation of an area as a tax enterprise zone.

1 “(e) CERTAIN TAX-FREE AND OTHER TRANS-
2 FERS.—For purposes of this section—

3 “(1) IN GENERAL.—In the case of a transfer of
4 a qualified zone asset to which this subsection ap-
5 plies, the transferee shall be treated as—

6 “(A) having acquired such asset in the
7 same manner as the transferor, and

8 “(B) having held such asset during any
9 continuous period immediately preceding the
10 transfer during which it was held (or treated as
11 held under this subsection) by the transferor.

12 “(2) TRANSFERS TO WHICH SUBSECTION AP-
13 PLIES.—This subsection shall apply to any trans-
14 fer—

15 “(A) by gift,

16 “(B) at death, or

17 “(C) from a partnership to a partner
18 thereof of a qualified zone asset with respect to
19 which the requirements of subsection (d)(2) are
20 met at the time of the transfer (without regard
21 to the 5-year holding requirement).

22 “(3) CERTAIN RULES MADE APPLICABLE.—
23 Rules similar to the rules of section 1244(d)(2) shall
24 apply for purposes of this section.

1 **“Subpart C—Regulations**

 “Sec. 1397D. Regulations.

2 **“SEC. 1397D. REGULATIONS.**

3 “The Secretary shall prescribe such regulations as
4 may be necessary or appropriate to carry out the purposes
5 of this part, including—

6 “(1) regulations limiting the benefit of this part
7 in circumstances where such benefits, in combination
8 with benefits provided under other Federal pro-
9 grams, would result in an activity being 100 percent
10 or more subsidized by the Federal Government,

11 “(2) regulations preventing abuse of the provi-
12 sions of this part, and

13 “(3) regulations dealing with inadvertent fail-
14 ures of entities to be qualified zone businesses.”

15 (b) CLERICAL AMENDMENT.—The table of sub-
16 chapters for chapter 1 is amended by inserting after the
17 item relating to subchapter T the following new item:

 “Subchapter U. Designation and treatment of tax enterprise
 zones.”

18 **SEC. 103. TECHNICAL AND CONFORMING AMENDMENTS.**

19 (a) ENTERPRISE ZONE EMPLOYMENT CREDIT PART
20 OF GENERAL BUSINESS CREDIT.—

21 (1) Subsection (b) of section 38 (relating to
22 current year business credit) is amended by striking
23 “plus” at the end of paragraph (7), by striking the

1 period at the end of paragraph (8) and inserting “,
2 plus”, and by adding at the end the following new
3 paragraph:

4 “(9) the enterprise zone employment credit de-
5 termined under section 1394(a).”

6 (2) Subsection (d) of section 39 is amended by
7 adding at the end thereof the following new para-
8 graph:

9 “(4) NO CARRYBACK OF SECTION 1394 CREDIT
10 BEFORE ENACTMENT.—No portion of the unused
11 business credit for any taxable year which is attrib-
12 utable to the enterprise zone employment credit de-
13 termined under section 1394 may be carried to a
14 taxable year ending before the date of the enactment
15 of section 1394.”

16 (b) NONITEMIZERS ALLOWED DEDUCTION FOR EN-
17 TERPRISE ZONE STOCK.—Subsection (a) of section 62 is
18 amended by adding at the end thereof the following new
19 paragraph:

20 “(15) ENTERPRISE ZONE STOCK.—The deduc-
21 tion allowed by section 1396.”

22 (c) DENIAL OF DEDUCTION FOR PORTION OF WAGES
23 EQUAL TO ENTERPRISE ZONE EMPLOYMENT CREDIT.—

24 (1) Subsection (a) of section 280C (relating to
25 rule for targeted jobs credit) is amended—

1 (A) by striking “the amount of the credit
2 determined for the taxable year under section
3 51(a)” and inserting “the sum of the credits
4 determined for the taxable year under sections
5 51(a) and 1394(a)”, and

6 (B) by striking “TARGETED JOBS CRED-
7 IT” in the subsection heading and inserting
8 “EMPLOYMENT CREDITS”.

9 (2) Subsection (c) of section 196 (relating to
10 deduction for certain unused business credits) is
11 amended by striking “and” at the end of paragraph
12 (4), by striking the period at the end of paragraph
13 (5) and inserting “, and”, and by adding at the end
14 the following new paragraph:

15 “(6) the enterprise zone employment credit de-
16 termined under section 1394(a).”

17 (d) OTHER AMENDMENTS.—

18 (1) Subsection (c) of section 381 (relating to
19 carryovers in certain corporate acquisitions) is
20 amended by adding at the end the following new
21 paragraph:

22 “(26) ENTERPRISE ZONE PROVISIONS.—The
23 acquiring corporation shall take into account (to the
24 extent proper to carry out the purposes of this sec-
25 tion and subchapter U, and under such regulations

1 as may be prescribed by the Secretary) the items re-
2 quired to be taken into account for purposes of sub-
3 chapter U in respect of the distributor or transferor
4 corporation.”

5 (2) Paragraph (1) of section 1371(d) (relating
6 to coordination with investment credit recapture) is
7 amended by inserting before the period at the end
8 the following “and for purposes of section
9 1394(d)(3)”.

10 (3) Subsection (a) of section 1016 (relating to
11 adjustments to basis) is amended by striking “and”
12 at the end of paragraph (25), by striking the period
13 at the end of paragraph (26) and inserting a semi-
14 colon, and by adding at the end thereof the following
15 new paragraphs:

16 “(27) in the case of stock with respect to which
17 a deduction was allowed under section 1396(a), to
18 the extent provided in section 1396(e); and

19 “(28) in the case of property the acquisition of
20 which resulted under section 1397A in the non-
21 recognition of any part of the gain realized on the
22 sale or exchange of other property, to the extent pro-
23 vided in section 1397A(e).”

24 (4) Section 1223 (relating to holding period of
25 property) is amended by redesignating paragraph

1 (15) as paragraph (16) and by inserting after para-
2 graph (14) the following new paragraph:

3 “(15) In determining the period for which the
4 taxpayer has held property the acquisition of which
5 resulted under section 1397A in the nonrecognition
6 of any part of the gain realized on the sale or ex-
7 change of any qualified zone asset (as defined in sec-
8 tion 1397C(b)), there shall be included the period
9 for which such asset had been held as of the date
10 of such sale or exchange.”

11 **SEC. 104. EFFECTIVE DATE.**

12 (a) GENERAL RULE.—The amendments made by this
13 subtitle shall take effect on the date of the enactment of
14 this Act.

15 (b) REQUIREMENT FOR RULES.—Not later than the
16 date 4 months after the date of the enactment of this Act,
17 the appropriate Secretaries shall issue rules—

18 (1) establishing the procedures for nominating
19 areas for designation as tax enterprise zones,

20 (2) establishing a method for comparing the
21 factors listed in section 1392(d) of the Internal Rev-
22 enue Code of 1986 (as added by this subtitle), and

23 (3) providing that State and local governments
24 shall have at least 30 days after such rules are pub-
25 lished to file applications for nominated areas before

1 such applications are evaluated and compared and
2 any area designated as a tax enterprise zone.

3 **Subtitle B—Redevelopment Bonds**
4 **for Tax Enterprise Zones**

5 **SEC. 111. SPECIAL RULES FOR REDEVELOPMENT BONDS**
6 **PROVIDING FINANCING FOR TAX ENTER-**
7 **PRISE ZONES.**

8 (a) IN GENERAL.—Subsection (c) of section 144 (re-
9 lating to qualified redevelopment bonds) is amended by
10 adding at the end thereof the following new paragraph:

11 “(9) SPECIAL RULES FOR TAX ENTERPRISE
12 ZONES.—For purposes of this subsection, in the case
13 of bonds issued during the 60-month period begin-
14 ning on the date a tax enterprise zone is des-
15 ignated—

16 “(A) TREATMENT AS A DESIGNATED
17 BLIGHTED AREA.—Such tax enterprise zone
18 shall be treated as a designated blighted area
19 during such 60-month period (or, if shorter, the
20 period such designation is in effect). Any area
21 designated by reason of the preceding sentence
22 shall not be taken into account in applying
23 paragraph (4)(C).

24 “(B) SECURITY FOR BONDS.—The require-
25 ments of paragraph (2)(B) shall be treated as

1 met with respect to a financed area that is
2 within a tax enterprise zone if the general pur-
3 pose governmental unit guarantees the payment
4 of principal and interest on the issue either di-
5 rectly or through insurance, a letter of credit,
6 or a similar agreement but only if the cost
7 thereof is financed other than with proceeds of
8 any tax-exempt private activity bond or earn-
9 ings on such proceeds.

10 “(C) EXPANSION OF REDEVELOPMENT
11 PURPOSES.—

12 “(i) IN GENERAL.—The term ‘redevel-
13 opment purposes’ includes the making of
14 loans to any enterprise zone business (as
15 defined in section 1397B) for—

16 “(I) the acquisition of land with-
17 in the tax enterprise zone for use in
18 such business, or

19 “(II) the acquisition, construc-
20 tion, reconstruction, or improvement
21 by such business of land, or property
22 of a character subject to the allowance
23 for depreciation, for use in such busi-
24 ness.

1 “(ii) \$5,000,000 LIMITATION.—Clause
2 (i) shall apply to loans made to any enter-
3 prise zone business only if the aggregate
4 principal amount of such loans (whether or
5 not financed by the same issue) does not
6 exceed \$5,000,000. For purposes of the
7 preceding sentence, all persons treated as a
8 single employer under subsection (a) or (b)
9 of section 52 shall be treated as 1 person.

10 “(iii) LOANS MUST BE MADE WITHIN
11 18 MONTHS AFTER BONDS ISSUED; REPAY-
12 MENTS MUST BE USED FOR REDEMP-
13 TIONS.—Clause (i) shall apply only to
14 loans—

15 “(I) made during the 18-month
16 period beginning on the date of issu-
17 ance of the issue financing such loan,

18 “(II) repayments of principal on
19 which are used not later than the
20 close of the 1st semiannual period be-
21 ginning after the date the repayment
22 is received to redeem bonds which are
23 part of such issue, and

24 “(III) the effective rate of inter-
25 est on which does not exceed the yield

1 on the issue by more than 0.125 per-
2 centage points.

3 In determining the effective rate of interest
4 for purposes of subclause (III), there shall
5 be taken into account all fees, charges, and
6 other amounts (other than amounts for
7 any credit report) borne by the borrower
8 which are attributable to the loan or the
9 bond issue.

10 “(iv) HOUSING LOANS EXCLUDED.—
11 Clause (i) shall not apply to any loan to be
12 used directly or indirectly to provide resi-
13 dential real property.

14 “(v) COORDINATION WITH RESTRIC-
15 TIONS ON USE OF PROCEEDS.—Paragraphs
16 (6) and (8) shall apply notwithstanding
17 clause (i); except that in applying para-
18 graph (6), subsection (a)(8) shall be treat-
19 ed as not including a reference to a facility
20 the primary purpose of which is retail food
21 services.

22 “(D) ISSUER TO DESIGNATE AMOUNT OF
23 ISSUE TO BE USED FOR LOANS.—Subparagraph
24 (C) shall not apply with respect to any issue
25 unless the issuer designates before the date of

1 issuance the amount of the proceeds of such
2 issue which is to be used for loans to which
3 subparagraph (C)(i) applies. If such amount ex-
4 ceeds the principal amount of loans to which
5 subparagraph (C)(i) applies, an amount of pro-
6 ceeds equal to such excess shall be used not
7 later than the close of the 1st semiannual pe-
8 riod beginning after the close of the 18-month
9 period referred to in subparagraph (C)(iii) to
10 redeem bonds which are part of such issue.

11 “(E) DE MINIMIS REDEMPTIONS NOT RE-
12 QUIRED.—Subparagraphs (C)(iii) and (D) shall
13 not be construed to require amounts of less
14 than \$250,000 to be used to redeem bonds. The
15 Secretary may by regulation treat related issues
16 as 1 issue for purposes of the preceding sen-
17 tence.

18 “(F) PENALTY.—

19 “(i) IN GENERAL.—In the case of
20 property with respect to which financing
21 was provided under this paragraph, if at
22 any time during the 10-period beginning
23 on the date such financing was provided—

1 “(I) such property ceases to be in
2 use in an enterprise zone business (as
3 defined in section 1397B), or

4 “(II) substantially all of the use
5 of such property ceases to be in a tax
6 enterprise zone,

7 there is hereby imposed on the trade or
8 business to which such financing was pro-
9 vided a penalty equal to 1.25 percent of so
10 much of the face amount of all financing
11 provided (whether or not from the same
12 issue and whether or not such issue is out-
13 standing) before such cessation to the
14 trade or business using such property.

15 “(ii) NO PENALTY BY REASON OF
16 ZONE TERMINATION.—No penalty shall be
17 imposed under clause (i) solely by reason
18 of the termination or revocation of a tax
19 enterprise zone designation.

20 “(iii) EXCEPTION FOR BANK-
21 RUPTCY.—Clause (i) shall not apply to any
22 cessation resulting from bankruptcy.”

23 (b) VOLUME CAP ONLY CHARGED WITH 50 PER-
24 CENT OF TAX ENTERPRISE ZONE REDEVELOPMENT
25 BONDS.—Subsection (g) of section 146 is amended by

1 striking “and” at the end of paragraph (3), by striking
2 the period at the end of paragraph (4) and inserting
3 “, and”, and by adding at the end thereof the following
4 new paragraph:

5 “(5) 50 percent of any qualified redevelopment
6 bond issued—

7 “(A) as part of an issue 95 percent or
8 more of the net proceeds of which are to be
9 used for 1 or more redevelopment purposes (as
10 defined in section 144(c)) in a tax enterprise
11 zone, and

12 “(B) during the 60-month period begin-
13 ning on the date of the designation of such
14 zone.”

15 (c) PENALTIES FOR LOANS MADE TO BUSINESSES
16 THAT CEASE TO BE ENTERPRISE ZONE BUSINESSES,
17 ETC.—Subsection (b) of section 150 is amended by adding
18 at the end thereof the following new paragraph:

19 “(6) ENTERPRISE ZONE REDEVELOPMENT
20 BONDS.—In the case of any financing provided by
21 an issue the interest on which is exempt from tax by
22 reason of section 144(c)(9)—

23 “(A) IN GENERAL.—No deduction shall be
24 allowed under this chapter for interest on such
25 financing which accrues during the period be-

1 ginning on the first day of the calendar year
2 which includes the date on which—

3 “(i) the trade or business to which the
4 financing was provided ceases to be an en-
5 terprise zone business (as defined in sec-
6 tion 1397B), or

7 “(ii) substantially all of the use of the
8 property (determined in accordance with
9 subchapter U) with respect to which the fi-
10 nancing was provided ceases to be in a tax
11 enterprise zone.

12 The preceding sentence shall not apply solely by
13 reason of the termination or revocation of a tax
14 enterprise zone designation.

15 “(B) EXCEPTION FOR BANKRUPTCY.—This
16 paragraph shall not apply to any cessation re-
17 sulting from bankruptcy.”

18 **Subtitle C—Expansion of Targeted** 19 **Jobs Credit**

20 **SEC. 121. ECONOMICALLY DISADVANTAGED ZONE RESI-** 21 **DENTS INCLUDED AS MEMBERS OF TAR-** 22 **GETED GROUP.**

23 (a) ALLOWANCE OF CREDIT FOR HIRING TAX EN-
24 TERPRISE ZONE RESIDENTS.—Paragraph (1) of section
25 51(d) (defining members of targeted groups) is amended

1 by striking “or” at the end of subparagraph (I), by strik-
2 ing the period at the end of subparagraph (J) and insert-
3 ing “, or”, and by adding at the end the following new
4 subparagraph:

5 “(K) an economically disadvantaged tax enter-
6 prise zone resident.”

7 (b) ECONOMICALLY DISADVANTAGED TAX ENTER-
8 PRISE ZONE RESIDENT.—Section 51(d) is amended by
9 adding at the end thereof the following new paragraph:

10 “(17) ECONOMICALLY DISADVANTAGED TAX
11 ENTERPRISE ZONE RESIDENT.—

12 “(A) IN GENERAL.—The term ‘economi-
13 cally disadvantaged tax enterprise zone resi-
14 dent’ means an individual—

15 “(i) whose principal place of abode
16 while performing services for the employer
17 is within a tax enterprise zone (as defined
18 in section 1391(a)), and

19 “(ii) who is certified by the designated
20 local agency as being a member of an eco-
21 nomically disadvantaged family (as deter-
22 mined under paragraph (11)).

23 “(B) SPECIAL RULE FOR DETERMINING
24 AMOUNT OF CREDIT.—For purposes of applying
25 this subpart to wages paid or incurred to any

1 economically disadvantaged tax enterprise zone
2 resident, subsection (a) shall be applied by sub-
3 stituting ‘30 percent’ for ‘40 percent.’”

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to individuals who begin work for
6 the employer after the date of the enactment of this Act.

7 **Subtitle D—Credit for Contribu-**
8 **tions to Certain Community De-**
9 **velopment Corporations**

10 **SEC. 131. CREDIT FOR CONTRIBUTIONS TO CERTAIN COM-**
11 **MUNITY DEVELOPMENT CORPORATIONS.**

12 (a) IN GENERAL.—For purposes of section 38 of the
13 Internal Revenue Code of 1986, the current year business
14 credit shall include the credit determined under this sec-
15 tion.

16 (b) DETERMINATION OF CREDIT.—The credit deter-
17 mined under this section for each taxable year in the credit
18 period with respect to any qualified CDC contribution
19 made by the taxpayer is an amount equal to 5 percent
20 of such contribution.

21 (c) CREDIT PERIOD.—For purposes of this section,
22 the credit period with respect to any qualified CDC con-
23 tribution is the period of 10 taxable years beginning with
24 the taxable year during which such contribution was made.

1 (d) QUALIFIED CDC CONTRIBUTION.—For purposes
2 of this section—

3 (1) IN GENERAL.—The term “qualified CDC
4 contribution” means any transfer of cash—

5 (A) which is made to a selected community
6 development corporation during the 5-year pe-
7 riod beginning on the date such corporation was
8 selected for purposes of this section,

9 (B) the amount of which is available for
10 use by such corporation for at least 10 years,

11 (C) which is to be used by such corpora-
12 tion for qualified low-income assistance within
13 its operational area, and

14 (D) which is designated by such corpora-
15 tion for purposes of this section.

16 (2) LIMITATIONS ON AMOUNT DESIGNATED.—
17 The aggregate amount of contributions to a selected
18 community development corporation which may be
19 designated by such corporation shall not exceed
20 \$2,000,000.

21 (e) SELECTED COMMUNITY DEVELOPMENT COR-
22 PORATIONS.—

23 (1) IN GENERAL.—For purposes of this section,
24 the term “selected community development corpora-
25 tion” means any corporation—

1 (A) which is described in section 501(c)(3)
2 of such Code and exempt from tax under sec-
3 tion 501(a) of such Code,

4 (B) the principal purposes of which include
5 promoting employment of, and business oppor-
6 tunities for, low-income individuals who are
7 residents of the operational area, and

8 (C) which is selected by the Secretary of
9 Housing and Urban Development for purposes
10 of this section.

11 (2) ONLY 10 CORPORATIONS MAY BE SE-
12 LECTED.—

13 (A) IN GENERAL.—The Secretary of Hous-
14 ing and Urban Development may select 10 cor-
15 porations for purposes of this section, subject to
16 the availability of eligible corporations. Such se-
17 lections may be made only before January 1,
18 1994. At least 4 of the operational areas of the
19 corporations selected must be rural areas (as
20 defined by section 1393(6) of such Code).

21 (B) PRIORITY OF DESIGNATIONS.—In se-
22 lecting corporations for purposes of this section,
23 such Secretary shall give priority to corpora-
24 tions with a demonstrated record of perform-
25 ance in administering community development

1 programs which target at least 75 percent of
2 the jobs emanating from their investment funds
3 to low income or unemployed individuals.

4 (3) OPERATIONAL AREAS MUST HAVE CERTAIN
5 CHARACTERISTICS.—A corporation may be selected
6 for purposes of this section only if its operational
7 area meets the following criteria:

8 (A) The area meets the size requirements
9 under paragraph (1)(C) or (2)(C) of section
10 1391(b) which would apply if such area were to
11 be designated as a tax enterprise zone.

12 (B) The unemployment rate (as deter-
13 mined by the appropriate available data) is not
14 less than the national unemployment rate.

15 (C) The median family income of residents
16 of such area does not exceed 80 percent of the
17 median gross income of residents of the juris-
18 diction of the local government which includes
19 such area.

20 (f) QUALIFIED LOW-INCOME ASSISTANCE.—For pur-
21 poses of this section, the term “qualified low-income as-
22 sistance” means assistance—

23 (1) which is designed to provide employment of,
24 and business opportunities for, low-income individ-

1 uals who are residents of the operational area of the
2 community development corporation, and

3 (2) which is approved by the Secretary of Hous-
4 ing and Urban Development.

5 **Subtitle E—Authority for National**
6 **Banks To Deal in Securities of**
7 **Corporations Located in Tax**
8 **Enterprise Zones**

9 **SEC. 141. AUTHORITY FOR NATIONAL BANKS TO DEAL IN**
10 **SECURITIES OF CORPORATIONS LOCATED IN**
11 **TAX ENTERPRISE ZONES.**

12 The clause designated the “Seventh” of section 5136
13 of the Revised Statutes (12 U.S.C. 24) is amended by add-
14 ing at the end thereof the following new sentence: “Any
15 national bank meeting minimum capital requirements
16 which is located in (or maintains a branch located in) a
17 tax enterprise zone (as defined in section 1391 of the In-
18 ternal Revenue Code of 1986) may deal in securities is-
19 sued by any corporation whose office is located in such
20 zone and may underwrite the securities of any corporation
21 headquartered in such zone.”

1 **Subtitle F—Report on Number of**
2 **Areas Meeting Enterprise Zone**
3 **Criteria**

4 **SEC. 151. REPORT.**

5 (a) IN GENERAL.—The Secretary of the Treasury, in
6 consultation with the Secretary of Housing and Urban De-
7 velopment and the Secretary of Agriculture, shall conduct
8 a study to determine—

9 (1) the number of areas in the United States
10 which satisfy the tax enterprise zone eligibility cri-
11 teria specified in section 1391(b) of the Internal
12 Revenue Code of 1986, and

13 (2) the estimated additional cost to the Federal
14 Government by reason of this title and title II if all
15 such areas were designated as tax enterprise zones.

16 (b) REPORT.—The report of the study required by
17 subsection (a) shall be submitted to the Congress not later
18 than 1 year after the date of the enactment of this Act.

19 **TITLE II—ADDITIONAL ASSIST-**
20 **ANCE TO ENTERPRISE ZONES**
21 **AND OTHER DISTRESSED**
22 **COMMUNITIES**

23 **SEC. 201. PURPOSE.**

24 The purpose of this title is to implement initiatives
25 to improve the quality of life and expand economic oppor-

1 tunity by providing assistance to States, units of general
2 local government, and other entities for implementing ac-
3 tivities to rejuvenate neighborhoods and promote economic
4 opportunity.

5 **Subtitle A—National Public-Private** 6 **Partnership Program**

7 **SEC. 211. SENSE OF CONGRESS.**

8 It is the sense of Congress that public-private part-
9 nerships between government and community-based orga-
10 nizations offer an opportunity to empower residents of
11 low-income distressed communities and to forge innovative
12 solutions to the challenges confronting these communities,
13 and that increased resources should be invested in such
14 partnerships.

15 **SEC. 212. AUTHORIZATION OF APPROPRIATIONS.**

16 (a) IN GENERAL.—To promote national public-pri-
17 vate partnerships, there are authorized to be appro-
18 priated—

19 (1) for grants under section 236 for implemen-
20 tation of the Model Neighborhood Aid Program es-
21 tablished under chapter 2 of subtitle B of this Act—

- 22 (A) \$40,000,000 for fiscal year 1993;
- 23 (B) \$126,000,000 for fiscal year 1994;
- 24 (C) \$132,000,000 for fiscal year 1995;
- 25 (D) \$138,000,000 for fiscal year 1996;

- 1 (E) \$147,000,000 for fiscal year 1997;
2 (F) \$153,000,000 for fiscal year 1998;
3 (G) \$162,000,000 for fiscal year 1999;
4 (H) \$168,000,000 for fiscal year 2000;
5 (I) \$227,000,000 for fiscal year 2001; and
6 (J) \$236,000,000 for fiscal year 2002;

7 (2) for the National Community Economic
8 Partnership program established under subtitle E of
9 this title—

- 10 (A) \$40,000,000 for fiscal year 1993;
11 (B) \$126,000,000 for fiscal year 1994;
12 (C) \$132,000,000 for fiscal year 1995;
13 (D) \$138,000,000 for fiscal year 1996;
14 (E) \$147,000,000 for fiscal year 1997;
15 (F) \$153,000,000 for fiscal year 1998;
16 (G) \$162,000,000 for fiscal year 1999;
17 (H) \$168,000,000 for fiscal year 2000;
18 (I) \$227,000,000 for fiscal year 2001; and
19 (J) \$236,000,000 for fiscal year 2002; and

20 (3) for the Enterprise Capital Access Fund
21 Demonstration Program established under section
22 281 of this Act—

- 23 (A) \$20,000,000 for fiscal year 1993;
24 (B) \$63,000,000 for fiscal year 1994;
25 (C) \$66,000,000 for fiscal year 1995;

- 1 (D) \$68,000,000 for fiscal year 1996;
2 (E) \$72,000,000 for fiscal year 1997;
3 (F) \$78,000,000 for fiscal year 1998;
4 (G) \$81,000,000 for fiscal year 1999;
5 (H) \$84,000,000 for fiscal year 2000;
6 (I) \$115,000,000 for fiscal year 2001; and
7 (J) \$118,000,000 for fiscal year 2002.

8 (b) AVAILABILITY OF AMOUNTS.—Notwithstanding
9 any other provision of this Act, of the amounts appro-
10 priated for programs pursuant to paragraphs (2) and (3)
11 of subsection (a), not less than 50 percent shall be avail-
12 able only for projects or activities that directly and prin-
13 cipally benefit the residents of tax enterprise zones des-
14 ignated pursuant to section 1391 of the Internal Revenue
15 Code of 1986.

16 (c) TREATMENT OF APPROPRIATED AMOUNTS.—
17 Notwithstanding the provisions of title XII of Public Law
18 102-368 (106 Stat. 1160-1161) and the programs re-
19 ferred to in such title, the National Public/Private Part-
20 nership Program under such title shall consist of the eligi-
21 ble programs, projects, and activities under the programs
22 under the provisions of this subtitle, chapter 2 of subtitle
23 B, subtitle E, and section 281 and such provisions shall
24 be considered the National Public/Private Partnership

1 Program for which amounts are available under title XII
2 of Public Law 102-368.

3 **Subtitle B—Coordinated and Com-**
4 **prehensive Neighborhood Aid**
5 **for Tax Enterprise Zones and**
6 **Other Communities**

7 **CHAPTER 1—ENTERPRISE COMMUNITY**
8 **BLOCK GRANT DEMONSTRATION PRO-**
9 **GRAM**

10 **SEC. 221. FUNDING.**

11 (a) AUTHORIZATION OF APPROPRIATIONS.—There
12 are authorized to be appropriated for assistance under sec-
13 tion 222, \$400,000,000 for fiscal year 1993,
14 \$1,260,000,000 for fiscal year 1994, \$1,320,000,000 for
15 fiscal year 1995, \$1,380,000,000 for fiscal year 1996,
16 \$1,470,000,000 for fiscal year 1997, and such sums as
17 may be necessary for each of the fiscal years 1998 through
18 2002, except that amounts authorized under this section
19 for each of the fiscal years 1998 through 2002 shall not
20 be less than twice the amount of the revenue loss estimates
21 to result as a result of enterprise zone tax preferences
22 under section 1391 of the Internal Revenue Code of 1986
23 less the sum of the amounts authorized by section 212(a)
24 of this Act.

1 (b) TREATMENT OF APPROPRIATED AMOUNTS.—The
2 program for providing assistance under this chapter shall
3 be considered the Enterprise Community Block Grant
4 Demonstration Program for which amounts are available
5 under title XII of Public Law 102–368 (106 Stat. 1160).

6 **SEC. 222. ALLOCATION OF AMOUNTS AMONG TAX ENTER-**
7 **PRISE ZONES.**

8 (a) IN GENERAL.—The Interagency Council estab-
9 lished under section 242 of this Act shall make any
10 amounts available pursuant to section 221 (and not set
11 aside under section 222(d)) available under this chapter
12 to provide assistance on behalf of each tax enterprise zone
13 designated under section 1391 of the Internal Revenue
14 Code of 1986 for which a neighborhood aid plan under
15 section 243 of this Act has been submitted and approved
16 by the Interagency Council.

17 (b) ALLOCATION BETWEEN URBAN AND RURAL
18 ZONES.—Of the amounts available for each fiscal year
19 under this chapter for tax enterprise zones, 80 percent
20 shall be available for urban tax enterprise zones and 20
21 percent shall be available for rural development investment
22 zones.

23 (c) DIVISION AMONG URBAN AND RURAL ZONES.—

24 (1) URBAN ZONES.—The amounts available for
25 each fiscal year under this chapter for urban tax en-

1 terprise zones shall be allocated so as to reserve an
2 equal amount for each urban zone that may be des-
3 ignated prior to the end of the calendar year begin-
4 ning during the fiscal year for which such amounts
5 were made available, pursuant to the annual limits
6 on zones specified in section 1391 of the Internal
7 Revenue Code of 1986.

8 (2) RURAL ZONES.—The amounts available for
9 each fiscal year under this chapter for rural develop-
10 ment investment zones shall be allocated so as to re-
11 serve an equal amount for each rural development
12 investment zone that may be designated prior to the
13 end of the calendar year beginning during the fiscal
14 year for which such amounts were made available,
15 pursuant to the annual limits on zones specified in
16 section 1391 of the Internal Revenue Code of 1986.

17 (d) SET ASIDE.—Of the amounts available pursuant
18 to subsection (a) for fiscal year 1993, the Interagency
19 Council established under section 242 shall make not less
20 than \$5,000,000 available for the access to jobs/reverse
21 commuting demonstration program under section 282.

22 (e) AVAILABILITY.—Notwithstanding any other pro-
23 vision of law, amounts available pursuant to authoriza-
24 tions under this chapter shall remain available until the

1 end of the fiscal year following the year for which such
2 amounts are appropriated.

3 **SEC. 223. USE OF AMOUNTS.**

4 (a) IN GENERAL.—The assistance allocated for a fis-
5 cal year under section 222 on behalf of each tax enterprise
6 zone shall be available only for carrying out selected pro-
7 grams within the tax enterprise zone, in accordance with
8 the neighborhood aid plan of the tax enterprise zone for
9 the fiscal year approved under section 243 and subject to
10 the provisions of this section.

11 (b) ALLOCATION AMONG PROGRAM CATEGORIES.—

12 (1) IN GENERAL.—Except as provided in para-
13 graph (2), of the total amount of assistance provided
14 under this chapter on behalf of a tax enterprise zone
15 for any fiscal year, the sum of the amounts used to
16 carry out selected programs referred to under any
17 one of paragraphs (1) through (6) of section 241
18 may not exceed 20 percent of such total amount.

19 (2) WAIVER OF CAPS.—Pursuant to a request
20 contained in an neighborhood aid plan under section
21 243, the interagency council may provide that the
22 requirement under paragraph (1) shall not apply
23 with respect to amounts for the fiscal year involved
24 that are used to carry out selected programs under
25 the plan, except that of the total amount of assist-

1 ance provided under this chapter on behalf of such
2 tax enterprise zone for the fiscal year, the sum of
3 the amounts used to carry out selected programs re-
4 ferred to under any single paragraph under section
5 241 may not exceed 30 percent of such total amount
6 and may not be less than 5 percent of such total
7 amount.

8 (c) PROVISION OF ASSISTANCE.—Upon the approval
9 of a neighborhood aid plan under section 243 for a tax
10 enterprise zone, the appropriate Federal agency head for
11 each selected program under the approved plan shall make
12 available on behalf of the enterprise zone (under such pro-
13 gram and through the appropriate eligible entity), from
14 amounts available on behalf of such zone pursuant to sec-
15 tion 222 for the fiscal year involved, the amount of assist-
16 ance determined in accordance with the approved plan.

17 (d) SUPPLEMENTATION REQUIREMENT.—Any
18 amounts provided under this chapter shall be in supple-
19 ment to, and shall not supplant, any Federal, State, local,
20 or private funds from other sources already used, or com-
21 mitted for use, for programs, projects, activities, and serv-
22 ices assisted under this chapter or comparable to such pro-
23 grams, projects, activities, and services. No appropriate
24 Federal agency head may reduce the usual allocations with
25 respect to any jurisdiction under any eligible program be-

1 cause such jurisdiction allocates funds under this chapter
2 to any of such programs.

3 **CHAPTER 2—MODEL NEIGHBORHOOD AID**
4 **PROGRAM**

5 **SEC. 231. PURPOSE.**

6 The purposes of this chapter are—

7 (1) to encourage communities to develop coordi-
8 nated and comprehensive neighborhood aid plans,
9 with the participation of various governmental, com-
10 munity, neighborhood, law enforcement, business,
11 school and other representatives, that target the de-
12 livery of Federal, State, local, and private assistance
13 to the community in an effective and coordinated
14 manner; and

15 (2) to provide for communities to request fund-
16 ing under various Federal assistance programs by
17 submission of the single comprehensive plan, to bet-
18 ter coordinate the provision of assistance under such
19 programs.

20 **SEC. 232. SINGLE APPLICATIONS BY LOCAL GOVERNMENTS**
21 **FOR FUNDING UNDER ELIGIBLE PROGRAMS.**

22 (a) IN GENERAL.—The Interagency Council estab-
23 lished under section 242 shall carry out a program under
24 this subtitle to make assistance for each fiscal year under
25 the eligible programs referred to in section 241 available

1 to entities eligible to receive and administer such assist-
2 ance in the fiscal year, pursuant to the submission and
3 approval of a single coordinated and comprehensive neigh-
4 borhood aid plan under section 243 for such year on behalf
5 of such entities by a unit of general local government.

6 (b) TREATMENT OF NEIGHBORHOOD AID PLAN.—
7 Except as provided in section 234, each appropriate Fed-
8 eral agency head for each selected program under a neigh-
9 borhood aid plan submitted in accordance with the re-
10 quirements of this chapter and chapter 3 shall treat the
11 plan as an application for assistance under the selected
12 program for the fiscal year submitted in full compliance
13 with the requirements for requesting or applying for as-
14 sistance under the program.

15 **SEC. 233. AVAILABILITY AND USE OF AMOUNTS.**

16 (a) AVAILABILITY.—Any amounts made available for
17 a fiscal year to carry out the eligible programs may be
18 made available pursuant to an approved plan for such
19 year, except that the amounts made available in accord-
20 ance with section 221 may be made available only as pro-
21 vided in this subtitle.

22 (b) USE.—Any assistance provided on behalf of a
23 unit of general local government pursuant to an approved
24 plan for the fiscal year shall be available only for carrying

1 out the selected programs under the plan in the amounts
2 and manner provided in the plan.

3 (c) PROVISION OF ASSISTANCE.—Upon the approval
4 of a neighborhood aid plan under section 243 for a unit
5 of general local government, the appropriate Federal agen-
6 cy head for each selected program under the approved
7 plan shall make available on behalf of the unit of general
8 local government (under such program and through the
9 appropriate eligible entity) the amount of assistance for
10 the fiscal year involved that is approved under the plan
11 by the Interagency Council.

12 (d) WAIVER OF PROGRAM REQUIREMENTS.—The
13 Interagency Council may waive the applicability of any
14 Federal laws and regulations relating to the eligible pro-
15 grams to the extent necessary to facilitate providing as-
16 sistance under eligible programs pursuant to plans for as-
17 sistance under this chapter.

18 **SEC. 234. PRIORITY IN FUNDING.**

19 In allocating any amounts made available for a fiscal
20 year to carry out each eligible program (that is not allo-
21 cated based on a formula), the appropriate Federal agency
22 head shall give priority to providing such amounts pursu-
23 ant to any neighborhood aid plan for the fiscal year sub-
24 mitted under this chapter that (1) is approved by the

1 Interagency Council with respect to such program, and (2)
2 under which such program is a selected program.

3 **SEC. 235. TREATMENT OF PREVIOUSLY APPROVED WEED**
4 **AND SEED COMMUNITIES.**

5 (a) TREATMENT.—Any strategy under subsection (b)
6 shall be considered to be a neighborhood aid plan submit-
7 ted in accordance with the requirements of this chapter
8 and chapter 3, except to the extent that the Interagency
9 Council for Neighborhood Aid established under section
10 242 requires the unit of general local government submit-
11 ting the strategy to amend the strategy for purposes of
12 including any information necessary to facilitate the provi-
13 sion of assistance under this chapter. If any such unit of
14 general government submits the additional information re-
15 quired by such Interagency Council, the strategy shall be
16 considered to be a neighborhood aid plan approved under
17 section 243, except that the Interagency Council may exer-
18 cise any authority under section 243(f)(2)(B) with respect
19 to such strategy.

20 (b) IDENTIFICATION OF PREVIOUSLY APPROVED
21 WEED AND SEED STRATEGIES.—A strategy referred to
22 in subsection (a) is any comprehensive neighborhood aid
23 strategy of any unit of general local government approved,
24 before the date of the enactment of this Act, by the inter-
25 agency council responsible for coordinating the weed and

1 seed program activities in connection with amounts made
2 available for the Executive Office of Weed and Seed by
3 Public Law 102–395 (106 Stat. 1830), and shall include
4 any such strategy submitted by a unit of general local gov-
5 ernment and approved by such interagency council but not
6 funded with the amounts made available by such Act.

7 **SEC. 236. ONE-TIME STRATEGY IMPLEMENTATION GRANTS.**

8 To the extent amounts are available to carry out this
9 section, the Interagency Council shall make grants to
10 units of general local government for which neighborhood
11 aid plans have been approved pursuant to this chapter,
12 subject to the following requirements:

13 (1) USE.—Amounts from a grant under this
14 section shall be used by the unit of general local gov-
15 ernment or the eligible entities referred to in the ap-
16 proved plan only for the following purposes:

17 (A) LOCAL COORDINATING BOARD.—To es-
18 tablish a permanent local coordinating board
19 under section 243(c), which shall carry out the
20 functions required under such section and ad-
21 vise the local government and such entities re-
22 garding implementation of any approved plans
23 of the local government pursuant to this
24 chapter.

1 (B) UNIQUE OR ESSENTIAL ACTIVITIES.—

2 To the extent that such use is authorized in the
3 approved plan of the unit of general local gov-
4 ernment, to carry out any unique or essential
5 aspect of the approved plan of the unit of gen-
6 eral local government for which funding is not
7 available under the selected programs for which
8 funding is provided under the approved plan.

9 (C) SUPPLEMENTATION OF SELECTED
10 PROGRAMS.—To the extent that such use is not
11 prohibited by the Interagency Council in the ap-
12 proved plan of the unit of general local govern-
13 ment, to supplement amounts provided under
14 the approved plan for carrying out activities
15 under selected programs.

16 (2) ONE-TIME GRANTS.—No community may be
17 awarded more than 1 grant under this section.

18 (3) GRANT LIMIT.—No grant awarded under
19 this section may exceed \$1,000,000.

20 (4) DISBURSEMENT.—The Interagency Council
21 may disburse the amounts of any grant awarded
22 under this section to the unit of general local gov-
23 ernment in increments over a reasonable period of
24 time, as determined by the Council, beginning upon
25 the availability of such grant amounts.

1 **CHAPTER 3—ELIGIBLE PROGRAMS AND**
2 **INTERAGENCY COUNCIL FOR NEIGH-**
3 **BORHOOD AID**

4 **SEC. 241. ELIGIBLE PROGRAMS.**

5 Assistance may be provided under chapters 1 and 2
6 for carrying out the following activities, projects, and pro-
7 grams:

8 (1) CRIME AND CRIMINAL JUSTICE.—

9 (A) Community policing projects and ac-
10 tivities under the Edward Byrne Memorial
11 State and Local Law Enforcement Assistance
12 Program under part E of title I of the Omnibus
13 Crime Control and Safe Streets Act of 1968
14 (42 U.S.C. 3751 et seq.).

15 (B) Chapter B of subpart 2 of part E of
16 title I of the Omnibus Crime Control and Safe
17 Streets Act of 1968.

18 (C) Projects and activities under chapter 1
19 of subtitle B of title III of the Anti-Drug Abuse
20 Act of 1988 (42 U.S.C. 11801 et seq.).

21 (2) JOB TRAINING.—

22 (A) The Young Adult Employment Dem-
23 onstration program under part K of title IV of
24 the Job Training Partnership Act (as added by
25 section 241 of this Act).

1 (B) The Job Corps program under part B
2 of title IV of the Job Training Partnership Act
3 (29 U.S.C. 1692 et seq.).

4 (C) Title II of the Job Training Partner-
5 ship Act (29 U.S.C. 1601 et seq.).

6 (D) The American Conservation and Youth
7 Corps program under subtitle C of title I of the
8 National and Community Service Act of 1990
9 (42 U.S.C. 12541 et seq.).

10 (E) The Access to Jobs/Reverse Commut-
11 ing Demonstration Program established under
12 section 286 of this Act.

13 (3) EDUCATION.—

14 (A) The Head Start program under the
15 Head Start Act (42 U.S.C. 9831 et seq.).

16 (B) The programs under the Carl D. Per-
17 kins Vocational Educational and Applied Tech-
18 nology Education Act (20 U.S.C. 2301 et seq.).

19 (C) Projects under the Comprehensive
20 Child Development Act (42 U.S.C. 9881 et
21 seq.).

22 (D) Activities under the Child Care and
23 Development Block Grant Act of 1990 (42
24 U.S.C. 9858 et seq.).

1 (E) The programs under chapter 1 of title
2 I of the Elementary and Secondary Education
3 Act of 1965.

4 (F) The TRIO programs under part A of
5 title IV of the Higher Education Act of 1965
6 (20 U.S.C. 1070 et seq.).

7 (G) The programs under the Adult Edu-
8 cation Act (20 U.S.C. 1201 et seq.).

9 (H) Literacy activities authorized under
10 the National Literacy Act of 1991.

11 (4) HEALTH, NUTRITION AND FAMILY ASSIST-
12 ANCE.—

13 (A) The special supplemental food program
14 for women, infants, and children under section
15 17 of the Child Nutrition Act of 1966.

16 (B) The following programs under the
17 Public Health Service Act (42 U.S.C. 201 et
18 seq.):

19 (i) Capacity expansion of substance
20 abuse treatment facilities.

21 (ii) Substance abuse treatment for in-
22 dividuals under criminal justice super-
23 vision.

24 (iii) Substance abuse treatment for
25 pregnant and postpartum women.

1 (iv) Community prevention grants re-
2 garding substance abuse.

3 (v) Substance abuse treatment im-
4 provement grants.

5 (vi) The programs under sections 329,
6 330, 340 and 340A of such Act (42 U.S.C.
7 254c).

8 (C) The programs under title XXVI of the
9 Public Health Service Act (42 U.S.C. 300ff-21
10 et seq.).

11 (D) The family support programs under
12 subtitle F of title VII of the Stewart B. McKin-
13 ney Homeless Assistance Act (42 U.S.C. 1148
14 et seq.).

15 (E) Projects for high risk youth under title
16 V of the Public Health Service Act (42 U.S.C.
17 290aa et seq.).

18 (F) Emergency child protective service
19 grants under section 107 of the Child Abuse
20 Prevention and Treatment Act (42 U.S.C.
21 5106a).

22 (G) Family support centers and family re-
23 source and support programs under sections
24 933 and 934(d) of the Augustus F. Hawkins

1 Human Services Reauthorization Act of 1990
2 (Public Law 101–501).

3 (5) HOUSING AND COMMUNITY DEVELOP-
4 MENT.—

5 (A) The community development block
6 grant program under title I of the Housing and
7 Community Development Act of 1974 (42
8 U.S.C. 5301 et seq.).

9 (B) The public and Indian housing mod-
10 ernization program under section 14 of the
11 United States Housing Act of 1937 (42 U.S.C.
12 14371).

13 (C) The public and assisted housing drug
14 elimination program under chapter 2 of subtitle
15 C of title V of the Anti-Drug Abuse Act of
16 1988 (42 U.S.C. 11901 et seq.).

17 (D) Contracts for rental assistance at-
18 tached to structures pursuant to paragraph (2)
19 of section 8 of the United States Housing Act
20 of 1937 (42 U.S.C. 1437f).

21 (E) The HOME investment partnership
22 program under title II of the Cranston-Gon-
23 zalez National Affordable Housing Act (42
24 U.S.C. 12721 et seq.).

1 (F) The self-help housing technical assist-
2 ance grant program under section 523 of the
3 Housing Act of 1949 (42 U.S.C. 1490c).

4 (G) Rural housing preservation grants
5 under section 533 of the Housing Act of 1949
6 (42 U.S.C. 1490m).

7 (H) Rural rental housing loans under sec-
8 tion 515 of the Housing Act of 1949 (42
9 U.S.C. 1485).

10 (I) Rural rental housing assistance pay-
11 ments under section 521(a)(2) of the Housing
12 Act of 1949 (42 U.S.C. 1490a).

13 (J) Rural water and waste disposal grants
14 pursuant to paragraphs (2) and (6) of section
15 306(a) of the Consolidated Farm and Rural
16 Development Act (7 U.S.C. 1926(a)) and water
17 and waste facility loans and grants under sec-
18 tion 306C of such Act.

19 (K) Private business enterprise grants
20 under section 310B(c) of the Consolidated
21 Farm and Rural Development Act (7 U.S.C.
22 1926).

23 (L) Loan guarantees under section 108 of
24 the Housing and Community Development Act
25 (as amended by section 232 of this Act).

1 (M) Outreach and assistance for socially
2 disadvantaged farmers and ranchers under sec-
3 tion 2501 of the Food, Agriculture, and Trade
4 Act of 1990 (7 U.S.C. 2279).

5 (N) Public Housing Family Investment
6 Centers under section 22 of the United States
7 Housing Act of 1937 (42 U.S.C. 1437t).

8 (O) The Youthbuild program under sub-
9 title D of title IV of the Cranston-Gonzalez Na-
10 tional Affordable Housing Act (42 U.S.C.
11 12899 et seq.).

12 (P) The Neighborhood Reinvestment Cor-
13 poration under title VI of the Housing and
14 Community Development Amendments of 1978
15 (42 U.S.C. 8101 et seq.).

16 (6) OTHERS.—Any other activities, projects,
17 and programs authorized in law that are consistent
18 with the purposes of this subtitle, as the Interagency
19 Council may provide.

20 **SEC. 242. INTERAGENCY COUNCIL FOR NEIGHBORHOOD**
21 **AID.**

22 (a) ESTABLISHMENT.—There is hereby established
23 an interagency council to be known as the Interagency
24 Council for Neighborhood Aid.

1 (b) MEMBERSHIP.—The members of the council shall
2 be the Secretary of Agriculture, the Secretary of Edu-
3 cation, the Secretary of Health and Human Services, the
4 Secretary of Housing and Urban Development, the Sec-
5 retary of Labor, the Director of the Office of National
6 Drug Control Policy, the Attorney General of the United
7 States and the Chairperson of the Commission on
8 National and Community Service.

9 (c) DUTIES.—The Interagency Council shall—

10 (1) review and approve neighborhood aid plans
11 for assistance under chapters 1 and 2 submitted
12 pursuant to section 243;

13 (2) direct the appropriate Federal agency head
14 to provide assistance under the selected programs
15 under approved plans in the amount approved, pur-
16 suant to the provisions of chapters 1 and 2; and

17 (3) carry out any other responsibilities of the
18 Council as provided under this subtitle.

19 **SEC. 243. NEIGHBORHOOD AID PLANS.**

20 (a) ESTABLISHMENT OF APPLICATION PROCE-
21 DURE.—The Interagency Council shall establish, by regu-
22 lation, a procedure for submission and approval of a single
23 comprehensive neighborhood aid plan for a fiscal year as
24 an application under this section for receiving assistance
25 for the fiscal year under chapter 1 or 2.

1 (b) REQUIREMENTS.—The Interagency Council shall
2 provide for the form and manner of submission of neigh-
3 borhood aid plans and shall require that the plan be sub-
4 mitted—

5 (1) in the case of a plan for assistance under
6 chapter 1, by the State, unit of local government, or
7 economic or community development corporation,
8 that submitted the nomination for designation of the
9 area designated as a tax enterprise zone, and
10 promptly after such designation; and

11 (2) in the case of a plan for assistance under
12 chapter 2, by a unit of general local government.

13 (c) LOCAL COORDINATION.—

14 (1) PURPOSES.—Each neighborhood aid plan
15 submitted under this section shall be developed in
16 coordination and consultation with a local coordinat-
17 ing board under paragraph (2). The local coordinat-
18 ing board shall ensure that the programs, projects,
19 activities, and services under section 241(1) carried
20 out with amounts provided pursuant to an approved
21 plan are sufficiently coordinated with the other pro-
22 grams, projects, activities, and services carried out
23 pursuant to the plan, and that all such programs,
24 projects, activities, and services are coordinated with
25 law enforcement efforts within the area nominated

1 for designation as a tax enterprise zone or the area
2 served under the plan submitted by the unit of gen-
3 eral local government, as appropriate.

4 (2) MEMBERSHIP.—The local coordinating
5 board referred to in paragraph (1) shall include rep-
6 resentatives of units of local government within such
7 area, representatives of law enforcement agencies
8 having jurisdiction within such area, residents of the
9 area, and community leaders (including local busi-
10 ness persons, bankers, architects or planners, rep-
11 resentatives of school boards, and representatives of
12 nonprofit community-based organizations such as
13 community development corporations, community ac-
14 tion agencies, community health centers, Head Start
15 agencies, agencies or organizations establishing Job
16 Corps centers, and local Neighborhood Housing
17 Services organizations).

18 (d) CONTENTS.—Each neighborhood aid plan for a
19 fiscal year shall include the following information:

20 (1) A list of the eligible programs for which
21 funding is requested for the fiscal year and a general
22 description of the types of activities to be carried out
23 with such assistance.

24 (2) A statement of—

1 (A) in the case of a plan for assistance
2 under chapter 1 for a tax enterprise zone, the
3 percentage of the total amount of any funding
4 received for the fiscal year under chapter 1 that
5 will be used for each selected program; and

6 (B) in the case of a plan for assistance
7 under chapter 2 on behalf of a unit of general
8 local government, the amount of funding re-
9 quested for the fiscal year for each selected pro-
10 gram.

11 (3) A statement documenting the entities that
12 will receive any assistance provided for the selected
13 programs on behalf of the tax enterprise zone or
14 unit of general local government, as appropriate, and
15 the entities' eligibility for such assistance.

16 (4) A statement documenting the membership
17 of the local coordinating board organized pursuant
18 to subsection (c) and describing the coordination be-
19 tween the programs, projects, activities, and services
20 assisted pursuant to the plan and local law enforce-
21 ment efforts in the tax enterprise zone or unit of
22 general local government, as appropriate.

23 (5) In the case of a plan for assistance under
24 chapter 1, a request for any waiver of the require-
25 ment under section 223(b)(1) (as authorized in

1 paragraph (2) of such section) for the fiscal year
2 and a statement documenting the rationale for such
3 waiver.

4 (6) A statement documenting other Federal,
5 State, and local resources for the fiscal year for the
6 community in which the tax enterprise zone or unit
7 of general local government is located, as appro-
8 priate, that will be dedicated to the types of pro-
9 grams, projects, activities, and services to be as-
10 sisted pursuant to the plan.

11 (7) A statement documenting a strong commit-
12 ment by nonprofit community-based organizations in
13 the tax enterprise zone or unit of general local gov-
14 ernment, as appropriate, for carrying out the se-
15 lected programs and similar programs, projects, ac-
16 tivities, and services.

17 (8) A statement documenting private sector re-
18 sources, including corporate contributions and indi-
19 vidual commitments, to supplement assistance pro-
20 vided pursuant to the plan.

21 (9) A statement documenting the efforts made
22 by the local jurisdiction containing the tax enterprise
23 zone or the unit of general local government, as ap-
24 propriate, to encourage local financial institutions to
25 satisfy their obligations under the Community Rein-

1 vestment Act of 1977 by making loans to enterprise
2 zone businesses with emphasis on startup and other
3 small business concerns (as defined in section 3(a)
4 of the Small Business Act and the commitments
5 made by local financial institutions in response to
6 these efforts.

7 (10) A coordinated and comprehensive strategy
8 for the delivery of Federal, State, and local re-
9 sources and assistance for the tax enterprise zone or
10 unit of general local government, as appropriate,
11 that addresses public safety, includes drug and
12 crime prevention, improves health, education and
13 other social services, and promotes neighborhood re-
14 vitalization through strategies to create jobs and
15 other economic opportunities which assist families to
16 become self sufficient. The strategy may include im-
17 provements in infrastructure, public facilities, and
18 affordable housing opportunities embodying good
19 urban design and neighborhood planning principles
20 that contribute to the creation of wholesome and at-
21 tractive social, economic, and physical environments,
22 and any other appropriate activities.

23 (11) A statement demonstrating that any
24 amounts requested under the plan for selected pro-
25 grams are part of an integrated and comprehensive

1 plan for the use of Federal, State, local, and private
2 resources to accomplish specific goals and measur-
3 able outcomes for neighborhood revitalization.

4 (12) In the case of a plan for assistance under
5 chapter 2 on behalf of unit of general local govern-
6 ment, a statement requesting any approval of au-
7 thority necessary under section 236(1)(B) to use
8 grant amounts provided to the unit of general local
9 government to carry out a unique or essential aspect
10 of the plan.

11 (13) In the case of a plan for assistance under
12 chapter 2 on behalf of unit of general local govern-
13 ment, a statement of the extent to which any grant
14 amounts provided to the unit of general local govern-
15 ment under section 236 will be used under section
16 236(1)(C) to supplement amounts for the selected
17 programs provided pursuant to the approved plan.

18 (e) REVIEW.—In reviewing each neighborhood aid
19 plan submitted under this section, each member of the
20 Interagency Council shall review the portion of the plan
21 concerning any request or eligibility for assistance under
22 any selected program under the jurisdiction of such mem-
23 ber to determine whether providing assistance pursuant
24 to such plan for the fiscal year involved would comply with

1 the laws and regulations applicable to such program (and
2 not waived under section 233(d)).

3 (f) APPROVAL AND DISAPPROVAL.—

4 (1) TIMING.—The Interagency Council shall re-
5 view each neighborhood aid plan promptly upon re-
6 ceipt and shall approve or disapprove each plan not
7 later than the expiration of the 30-day period begin-
8 ning upon receipt.

9 (2) STANDARDS FOR APPROVAL.—

10 (A) IN GENERAL.—Subject to the require-
11 ments under subparagraph (B), the Council
12 shall approve a plan if the Council determines
13 that—

14 (i) the information, documentation, or
15 evidence required under subsection (d) is
16 accurate and sufficient;

17 (ii) the assistance requested for the
18 selected programs under the plan will as-
19 sist in the economic development of the tax
20 enterprise zone or unit of general local
21 government, as appropriate;

22 (iii) the eligible entities identified in
23 the plan are capable and qualified to re-
24 ceive and administer the assistance pursu-
25 ant to the plan; and

1 (iv) the appropriate Federal agency
2 head has determined that providing assist-
3 ance pursuant to the plan for the fiscal
4 year involved would comply with the laws
5 and regulations applicable to the selected
6 programs (and not waived under section
7 233(d)).

8 (B) PLANS OF UNITS OF GENERAL LOCAL
9 GOVERNMENT.—In approving and disapproving
10 plans for assistance under chapter 2, the Coun-
11 cil shall take into consideration any factors re-
12 lating to determining the appropriate amount of
13 assistance to provide for the fiscal year involved
14 for each selected program under the plan. The
15 Council may, in approving any plan under chap-
16 ter 2, approve assistance for only certain se-
17 lected programs under the plan and disapprove
18 assistance for other selected programs, and may
19 approve assistance for certain selected pro-
20 grams in amounts different from the amount of
21 funding requested.

22 (3) DISAPPROVAL.—If, pursuant to review
23 under this section, the Council determines that any
24 plan is incomplete or unsatisfactory, the council
25 shall, before the expiration of the period referred to

1 in paragraph (1), notify the entity submitting the
2 plan of the reasons for the failure to approve the
3 plan and that the plan may be resubmitted during
4 the period referred to in paragraph (4).

5 (4) REVIEW OF RESUBMITTED PLAN.—The
6 Council shall permit any entity that submitted a
7 plan that (A) was disapproved, or (B) was approved
8 in a form different from the form in which the plan
9 was submitted, to resubmit a corrected or amended
10 plan during the 30-day period beginning on notifica-
11 tion of such disapproval or approval. The Council
12 shall approve or disapprove any plan resubmitted
13 under this paragraph before the expiration of the
14 15-day period beginning upon such resubmission.
15 Any plan resubmitted under this paragraph that is
16 disapproved may be resubmitted before the expira-
17 tion of the 15-day period beginning upon such dis-
18 approval and shall be subject to review under the
19 provisions of this paragraph.

20 (5) EFFECT OF DISAPPROVED PLAN.—Dis-
21 approval of a plan submitted under chapter 2 shall
22 not affect the ability or eligibility of any unit of gen-
23 eral local government or entity to apply for assist-
24 ance under any eligible program in any manner
25 other than under this subtitle.

1 (g) PUBLIC COMMENT.—Any entity submitting a
2 plan under this section, in conjunction with the relevant
3 local coordinating board, shall ensure that there are ade-
4 quate opportunities for public comment concerning the
5 plan, including—

6 (1) furnishing citizens with information con-
7 cerning the availability of funds pursuant to chap-
8 ters 1 and 2 and the range of activities that may be
9 undertaken with such funds;

10 (2) holding one or more public hearings to ob-
11 tain the views of citizens on community needs; and

12 (3) providing citizens with reasonable access to
13 a copy of any plan filed pursuant to this section and
14 to records regarding the use of funds received pursu-
15 ant to the plan.

16 **SEC. 244. DEFINITIONS.**

17 For purposes of this subtitle:

18 (1) The term “appropriate Federal agency
19 head” means, with respect to an eligible program,
20 the head of the Federal agency or other Federal offi-
21 cial responsible for administering such program.

22 (2) The term “approved plan” means a neigh-
23 borhood aid plan under section 243 for assistance
24 under chapter 1 or 2 that is approved by the Inter-

1 agency Council and meets the public comment re-
2 quirements under section 243(g).

3 (3) The term “eligible entity” means, with re-
4 spect to a selected program under a neighborhood
5 aid plan under section 243, an entity in the tax en-
6 terprise zone or area to be served by the plan sub-
7 mitted by the unit of general local government, as
8 appropriate, that is eligible to receive and administer
9 amounts under the program and is designated under
10 the plan to receive and administer amounts provided
11 for the program pursuant to approval of the plan.

12 (4) The term “eligible program” means a pro-
13 gram referred to in section 241.

14 (5) The terms “Interagency Council” and
15 “Council” mean the Interagency Council for Neigh-
16 borhood Aid established under section 242.

17 (6) The terms “neighborhood aid plan” and
18 “plan” mean a neighborhood aid plan under section
19 243 for assistance under chapter 1 or 2.

20 (7) The term “selected program” means, with
21 respect to a neighborhood aid plan, any of the pro-
22 grams identified in the plan for which funding is re-
23 quested pursuant to the plan.

24 (8) The term “State” means the States of the
25 United States, the District of Columbia, the Com-

1 monwealth of Puerto Rico, the Commonwealth of the
2 Northern Mariana Islands, Guam, the Virgin Is-
3 lands, American Samoa, the Trust Territory of the
4 Pacific Islands, and any other territory or possession
5 of the United States.

6 (9) The term “tax enterprise zone” means an
7 urban tax enterprise zone or a rural development in-
8 vestment zone designated under section 1391 of the
9 Internal Revenue Code of 1986.

10 (10) The term “unit of general local govern-
11 ment means any city, town, township, county, par-
12 ish, village, or other general purpose political sub-
13 division of a State.

14 **SEC. 245. STUDY AND REPORT.**

15 (a) GENERAL STUDY.—The Interagency Council
16 shall conduct a study to identify—

17 (1) any alternative methods or systems for allo-
18 cation of amounts made available pursuant to this
19 subtitle among tax enterprise zones and units of
20 general local government; and

21 (2) any problems experienced in the implemen-
22 tation and administration of the provisions of this
23 subtitle, including identification of any provisions of
24 law or regulations relating to eligible programs for

1 which a waiver would facilitate carrying out the pur-
2 poses of this subtitle.

3 (b) REPORT.—Not later than the expiration of the
4 1-year period beginning on the date of the enactment of
5 this Act, the Interagency Council shall submit to the Con-
6 gress a report regarding the study conducted under sub-
7 section (a), which shall include any recommendations for
8 improving the program for assistance under this subtitle.

9 **SEC. 246. REGULATIONS.**

10 The Interagency Council shall issue any regulations
11 necessary to carry out this subtitle not later than the expi-
12 ration of the 60-day period beginning on the date of the
13 enactment of this Act.

14 **Subtitle C—Community**
15 **Development Block Grant Program**

16 **SEC. 251. INCREASE OF PUBLIC SERVICES CAP UNDER**
17 **COMMUNITY DEVELOPMENT BLOCK GRANT**
18 **PROGRAM.**

19 Section 105(a)(8) of the Housing and Community
20 Development Act of 1974 (42 U.S.C. 5305(a)) is amend-
21 ed—

22 (1) by inserting “(A)” before “except that not
23 more than”;

24 (2) by inserting “(i)” after “unless such unit of
25 local government”; and

1 cants or proposed activities and the provisions of this Act,
2 except that the provisions of subsection (k) shall not apply
3 with respect to any guarantees and commitments to guar-
4 antee pursuant to authority provided under this sub-
5 section.”.

6 **Subtitle D—Young Adult Employ-**
7 **ment Demonstration Program**

8 **SEC. 261. ESTABLISHMENT OF YOUNG ADULT EMPLOY-**
9 **MENT DEMONSTRATION PROGRAM.**

10 (a) IN GENERAL.—Title IV of the Job Training Part-
11 nership Act (29 U.S.C. 1671 et seq.) is amended by add-
12 ing at the end the following new part:

13 **“PART K—YOUNG ADULT EMPLOYMENT**
14 **DEMONSTRATION PROGRAM**

15 **“SEC. 499I. STATEMENT OF PURPOSE.**

16 “It is the purpose of the Young Adult Employment
17 Demonstration program under this part to—

18 “(1) ensure access to education and job train-
19 ing assistance for youth and young adults residing
20 in tax enterprise zones;

21 “(2) make provisions for a comprehensive range
22 of education, training, and employment services to
23 disadvantaged youth and young adults in tax enter-
24 prise zones who are not currently served or are un-

1 derserved by Federal education and job training pro-
2 grams;

3 “(3) enable communities located in or contain-
4 ing tax enterprise zones to establish and meet goals
5 for improving the opportunities available to youth
6 and young adults within the tax enterprise zone; and

7 “(4) facilitate the coordination of comprehen-
8 sive services to serve such youth and young adults.

9 **“SEC. 499J. PROGRAM AUTHORIZED.**

10 “(a) ESTABLISHMENT OF PROGRAM.—The Secretary
11 is authorized to establish a program of Young Adult Em-
12 ployment Demonstration grants to provide comprehensive
13 services to youth and young adults living in tax enterprise
14 zones.

15 “(b) ELIGIBILITY FOR GRANTS.—

16 “(1) RECIPIENTS.—The Secretary may only
17 award grants under this part to—

18 “(A) the participating community for a
19 target area that is located within a service de-
20 livery area; or

21 “(B) grantees designated under sections
22 401 and 402, or a consortium of such grantees
23 and the State, when the target area is located
24 in an Indian reservation, Alaskan Native vil-

1 lage, or migrant or seasonal farmworker
2 community.

3 “(2) NUMBER OF GRANTS.—The Secretary may
4 award not more than 25 grants during the first fis-
5 cal year the program is authorized.

6 “(c) RENEWABILITY OF GRANTS.—Grants awarded
7 under this part shall be for a 1-year period and shall be
8 renewable for each of the 2 succeeding fiscal years if the
9 Secretary determines the grant recipient complied with
10 conditions of the grant during the previous fiscal year.

11 “(d) FACTORS FOR AWARDS.—In awarding grants
12 under this part, the Secretary shall consider the quality
13 of the proposed project, the goals to be achieved, the likeli-
14 hood of the project’s successful implementation, the extent
15 of community support and other Federal and non-Federal
16 funds available for similar purposes, and the new State,
17 local, or private resources.

18 “(e) SELECTION REQUIREMENTS.—In awarding
19 grants under subsection (b), the Secretary shall not ap-
20 prove an application unless the application contains assur-
21 ances that the applicant will use funds from a grant to
22 provide job training, education, services, stipends (only to
23 individuals age 17 to 30), and needs-related payments in
24 accordance with sections 499K and 499L.

1 **“SEC. 499K. APPLICATION.**

2 “(a) ELIGIBILITY TO APPLY.—Participating commu-
3 nities shall be eligible to apply for a Young Adult Employ-
4 ment Demonstration grant under this part.

5 “(b) CONTENTS OF APPLICATION.—Each participat-
6 ing community desiring a grant under this part shall,
7 through the individuals described in subsection (c), submit
8 an application to the Secretary at such time in such man-
9 ner and accompanied by such information as the Secretary
10 may reasonably require. Each such application shall—

11 “(1) include a comprehensive plan for the
12 Young Adult Employment Demonstration initiative
13 designed to achieve identifiable goals for youth and
14 young adults in the target area;

15 “(2) set forth measurable program goals and
16 outcomes, which may include increasing the propor-
17 tion of—

18 “(A) youth completing high school or its
19 equivalent;

20 “(B) youth and young adults entering into
21 postsecondary institutions, apprenticeships, or
22 other advanced training programs;

23 “(C) youth and young adults placed in
24 jobs; or

1 “(D) eligible youth and young adults par-
2 ticipating in education, training, and employ-
3 ment services;

4 “(3) include supporting goals for the target
5 area such as increasing security and safety, or re-
6 ducing the number of drug-related arrests;

7 “(4) provide assurances that the conditions set
8 forth in section 499L will be met;

9 “(5) demonstrate how the participating commu-
10 nity will make use of the resources, expertise, and
11 commitment of institutions of higher education, edu-
12 cational agencies, and vocational and technical
13 schools and institutes;

14 “(6) attempt to ensure that all youth and
15 young adults in the target areas have access to a co-
16 ordinated and comprehensive range of education and
17 training opportunities which serve the broadest
18 range of interests and needs of youth and young
19 adults and simultaneously mobilize the diverse range
20 of education and training provided in the participat-
21 ing community;

22 “(7) include support services necessary for suc-
23 cessful participation by eligible youth and young
24 adults, including child care, transportation, and as-
25 sistance in resolving personal or family crises such

1 as those related to substance abuse, homelessness,
2 migration, and family violence;

3 “(8) include a system of common intake, indi-
4 vidualized assessment, and case management;

5 “(9) include an estimate of the expected num-
6 ber of youth and young adults in the target area to
7 be served;

8 “(10) include a description of the resources
9 available in the participating community from pri-
10 vate, local government, State and Federal sources
11 which will be used to achieve the goals of the pro-
12 gram;

13 “(11) provide evidence of support for accom-
14 plishing the stated goals of the participating commu-
15 nity from—

16 “(A) local elected officials,

17 “(B) the local school system,

18 “(C) postsecondary education and training
19 institutions,

20 “(D) the applicable private industry
21 council,

22 “(E) local community leaders,

23 “(F) business,

24 “(G) labor organizations, and

25 “(H) other appropriate organizations; and

1 “(12) provide assurances that the target area
2 includes, to the maximum extent possible, the poor-
3 est neighborhoods in the community, such as those
4 with substantial numbers of public housing facilities.

5 “(c) SUBMISSION OF APPLICATION.—The application
6 for funds for a participating community may only be sub-
7 mitted to the Secretary by—

8 “(1) the mayor of a city or the chief elected of-
9 ficial in a metropolitan statistical area, after the
10 Governor of the State has had an opportunity to
11 comment on the application;

12 “(2) the chief elected official of a non-
13 metropolitan county or the designated chief elected
14 official of contiguous nonmetropolitan counties, after
15 the Governor of the State has had an opportunity to
16 comment on the application; or

17 “(3) the grantee designated under section 401
18 or 402, or jointly by the grantee and the Governor
19 of the State in which such grantee is located, in ap-
20 plications for Native American or migrant or sea-
21 sonal worker communities.

22 **“SEC. 499L. GRANT AGREEMENT.**

23 “Each grant recipient under this part shall enter into
24 an agreement with the Secretary. Each such agreement
25 shall describe how—

1 “(1) the recipient will designate a target area
2 that will be the focus of the demonstration project
3 and which shall have a population of not more than
4 25,000 (or upon approval of the Secretary, a popu-
5 lation of not more than 75,000), except that in the
6 event that the population of an area from which a
7 high school draws a substantial portion of its
8 enrollment exceeds this limit, the target area may
9 encompass such boundary;

10 “(2) funds provided under this part will be used
11 to support education, training, and supportive activi-
12 ties selected from a set of youth program models
13 designated by the Secretary or from alternative mod-
14 els described in the application and approved by the
15 Secretary, such as—

16 “(A) nonresidential learning centers;

17 “(B) alternative schools;

18 “(C) combined summer remediation, work
19 experience and work readiness training, and
20 school-to-work/apprenticeship/post-secondary
21 education program;

22 “(D) teen parent programs;

23 “(E) special programs administered by
24 community colleges;

25 “(F) youth centers;

1 “(G) initiatives aimed at increased rural
2 student enrollment in post-secondary institu-
3 tions;

4 “(H) public-private collaborations to en-
5 sure private sector employment and continued
6 learning opportunities for youth; and

7 “(I) initiatives that combine community
8 and youth service opportunities with education
9 and training activities;

10 “(3) funds received under this section will be
11 used for services to youth and young adults age 14
12 to 30 at the time of enrollment;

13 “(4) the local educational agency and any other
14 educational agency which operates secondary schools
15 in the target area provide activities and resources to
16 promote the educational goals specified in the appli-
17 cation;

18 “(5) the participating community will provide
19 activities and local resources to promote the goals
20 specified in the application;

21 “(6) the participating community shall under-
22 take outreach and recruitment efforts in the target
23 area to encourage, to the maximum extent possible,
24 participation by those disadvantaged youth and
25 young adults who are currently unserved or under-

1 served by education and training programs, includ-
2 ing targeted measures specifically designed to enlist
3 the participation of minority youth and young
4 adults, particularly those under the jurisdiction of
5 the child welfare, juvenile justice, and criminal jus-
6 tice systems;

7 “(7) the participating community will carry out
8 special efforts to establish coordination with Federal,
9 State, or local programs that serve the target popu-
10 lation; and

11 “(8) funds provided under this part shall be
12 used to pay stipends for participant support in paid
13 work experience and classroom training programs
14 when such programs are combined with other edu-
15 cation and training activities.

16 **“SEC. 499M. JOB GUARANTEES.**

17 “(a) PROGRAM AUTHORITY.—The Secretary shall
18 permit a number of the grant recipients under this part
19 to enter into an agreement to provide, in accordance with
20 this section, a job guarantee program to youth meeting
21 prior school attendance and performance standards.

22 “(b) GUARANTEE AGREEMENTS.—A grant recipient
23 providing a job guarantee program shall enter into an
24 agreement with the Secretary. Such agreement shall—

1 “(1) provide that the program be available to
2 youth aged 16 to 19 who undertake a commitment
3 to continue and complete their high school edu-
4 cation;

5 “(2) require the grant recipient to guarantee
6 employment to each youth undertaking that commit-
7 ment if such youth meets school attendance and per-
8 formance standards for the previous school semester,
9 as established by the Secretary in consultation with
10 the Secretary of Education;

11 “(3) provide that the grant recipient will make
12 additional services available to support the undertak-
13 ing of any such youth, which shall include counsel-
14 ing, job development and placement, and support
15 services (including child care and transportation);

16 “(4) specify the conditions under which funds
17 provided under this part may be used to provide
18 wage subsidies of up to 50 percent through employ-
19 ers, which shall—

20 “(A) encourage subsidies to employers who
21 provide advanced or specialized training, or who
22 provide a structured and integrated learning ex-
23 perience involving the school and employer; and

24 “(B) limit the duration of such subsidies to
25 not more than 1 year;

1 “(5) require that the employment provided to
2 any such youth shall not exceed 15 hours per week
3 during the school year;

4 “(6) permit employment to continue through
5 the summer following high school graduation, or
6 until the youth reaches age 19, whichever is later;
7 and

8 “(7) contain such other terms and conditions as
9 the Secretary requires by regulation.

10 “(c) SELECTION OF GRANT RECIPIENTS.—In deter-
11 mining which grant recipients to permit to enter into an
12 agreement under this section, the Secretary shall seek to
13 target funds to high poverty areas.

14 “(d) YOUTH ELIGIBILITY.—All youth age 16 to 19,
15 regardless of income, residing in the eligible high poverty
16 area shall be eligible to participate in the job guarantee.

17 “(e) PRIVATE FUNDS.—Nothing in this section shall
18 be construed to prohibit the grant recipient from raising
19 funds to augment such grant if such funds are utilized
20 under the conditions of this grant, except that such funds
21 shall not be used for administration purposes.

22 **“SEC. 499N. PAYMENTS AND MATCHING REQUIREMENT.**

23 “(a) PAYMENTS.—In any fiscal year, the grant
24 awarded under this part to a grant recipient shall be de-
25 termined according to the amount to be provided for the

1 program pursuant to designation of the program as a se-
2 lected program under an application made on behalf of
3 a tax enterprise zone under section 215 of the Enterprise
4 Zone Community Development Act of 1993, and shall be
5 of sufficient size and scope to carry out an effective pro-
6 gram.

7 “(b) MATCHING REQUIREMENT.—A grant recipient
8 shall provide non-Federal funds in an amount equal to 10
9 percent of the funds from such grant, an in-kind contribu-
10 tion equivalent to such percent (as determined by the Sec-
11 retary), or a combination thereof.

12 **“SEC. 4990. REPORTING.**

13 “The Secretary is authorized to establish such report-
14 ing procedures as necessary to carry out the purposes of
15 this part.

16 **“SEC. 499P. FEDERAL RESPONSIBILITIES.**

17 “(a) ASSISTANCE IN IMPLEMENTATION.—The Sec-
18 retary shall provide technical assistance in the implemen-
19 tation of this project in participating communities.

20 “(b) INDEPENDENT EVALUATION.—The Secretary
21 shall provide for a thorough, independent evaluation of the
22 activities assisted under this part. Such evaluation shall
23 include an assessment of—

24 “(1) the impact on youth and young adults re-
25 siding in target areas, including their rates of school

1 completion, enrollment in advanced education or
2 training, and employment;

3 “(2) the extent to which participating commu-
4 nities fulfilled the goal of guaranteeing access to ap-
5 propriate education, training, and supportive serv-
6 ices to all eligible youth and young adults residing
7 in target areas who seek to participate;

8 “(3) the effectiveness of guaranteed access to
9 comprehensive services combined with outreach and
10 recruitment efforts in enlisting the participation of
11 previously unserved or underserved youth and young
12 adults residing in target areas; and

13 “(4) the effectiveness of efforts to integrate
14 service delivery in target areas, including systems of
15 common intake, assessment, and case management.

16 “(c) REPORT.—The Secretary shall prepare a report
17 describing the results of the independent evaluation con-
18 ducted pursuant to subsection (b).

19 “(d) RESERVATION OF FUNDS.—The Secretary may
20 reserve not more than 5 percent of the amounts to be used
21 for assistance under this part in each fiscal year to carry
22 out the provisions of this section.

23 **“SEC. 499Q. DEFINITIONS.**

24 “For the purposes of this part—

1 “(1) The term ‘participating community’
2 means—

3 “(A) a city, when referring to an urban
4 area that is located within or contains a tax en-
5 terprise zone;

6 “(B) a nonmetropolitan county, or contig-
7 uous nonmetropolitan counties, that is located
8 within or contains a tax enterprise zone; and

9 “(C) a section 401 or 402 grantee, or con-
10 sortia of the State and section 401 or 402
11 grantee, when referring to Indian reservation,
12 Alaska Native village, and migrant or seasonal
13 farmworker community, that are located within
14 or contain a tax enterprise zone.

15 “(2) The term ‘high poverty area’ means (A) an
16 urban census tract, a nonmetropolitan county, an
17 Indian reservation, or an Alaskan Native village,
18 with a poverty rate of 30 percent or more as deter-
19 mined by the Secretary based on the latest Bureau
20 of the Census estimates, or (B) a migrant or sea-
21 sonal farmworker community.

22 “(3) The term ‘target area’ means a high pov-
23 erty area (or portion thereof), or set of contiguous
24 high poverty areas, that is located within a tax en-

1 terprise zone and will be the focus of the program
2 under this part in a participating community.

3 “(4) The term ‘tax enterprise zone’ has the
4 meaning given the term in section 217 of the Enter-
5 prise Zone Community Development Act of 1993.”.

6 (b) TECHNICAL AMENDMENTS.—The Job Training
7 Reform Amendments of 1992 (Public Law 102–367) is
8 amended—

9 (1) in section 406, by striking “adding at the
10 end” and inserting “inserting after part G”;

11 (2) in section 407, by striking “adding at the
12 end” and inserting “inserting after part H”; and

13 (3) in section 408, by striking “adding at the
14 end” and inserting “inserting after part I”.

15 **Subtitle E—National Community** 16 **Economic Partnership**

17 **SEC. 271. SHORT TITLE.**

18 This subtitle may be cited as the “National Commu-
19 nity Economic Partnership Act of 1993”.

20 **SEC. 272. FINDINGS AND PURPOSE.**

21 (a) FINDINGS.—Congress finds that—

22 (1) the cities, towns, small communities and
23 rural areas throughout the United States face criti-
24 cal social and economic problems arising in part

1 from a lack of economic growth in community based
2 economies;

3 (2) the crisis facing local economies has re-
4 sulted in—

5 (A) a growing percentage of the work force
6 earning poverty level wages, even though they
7 work full time and year round;

8 (B) the percentage of the labor force living
9 below the poverty line increasing from 25.7 per-
10 cent in 1979 to 31.5 percent in 1987;

11 (C) population losses, rising unemployment
12 and a decline of the farm sector and of many
13 other rural industries (such as timber, oil, gas,
14 and mining) contribute to the decline of rural
15 economies;

16 (D) with respect to rural areas, 31.9 per-
17 cent of the work force falling below the poverty
18 line in 1979, with that percentage rising to
19 42.1 percent in 1987; and

20 (E) with respect to urban areas, 23.4 per-
21 cent of the work force falling below the poverty
22 line in 1979, with that percentage rising to
23 28.9 percent in 1987;

24 (3) the future well-being of the United States
25 and the well-being of its citizens depends on the es-

1 establishment and maintenance of viable community
2 development enterprises;

3 (4) meeting the goal of establishing and main-
4 taining viable community development enterprises
5 requires—

6 (A) increased public and private invest-
7 ment in business development activities, espe-
8 cially in the small business sector, which gen-
9 erates the majority of new jobs, as evidenced by
10 the fact that between 1980 and 1986 enter-
11 prises with less than 100 employees accounted
12 for more than 50 percent of the jobs created in
13 the United States;

14 (B) increased investment and technical as-
15 sistance to existing community based enter-
16 prises, as evidenced by the fact that during the
17 first half of the 1980's more than 75 percent of
18 the total net new jobs in the United States
19 came from the expansion of existing businesses;

20 (C) a substantial expansion and greater
21 continuity in the scope of Federal programs
22 that support community based economic devel-
23 opment strategies;

24 (D) the continuing efforts at Federal,
25 State and local levels to coordinate the plan-

1 ning, implementation and evaluation of commu-
2 nity economic development efforts; and

3 (E) the formation of a national commis-
4 sion, as an independent agency, to administer
5 the various community development programs
6 and serve as a focal point for Federal efforts to
7 promote community based economic develop-
8 ment; and

9 (5) community development corporations, due
10 to their proven capacity and achievements in both
11 the field of community based housing and economic
12 development, are appropriate vehicles through which
13 to advance a national community economic develop-
14 ment program because—

15 (A) there are currently over 2000 commu-
16 nity development corporations throughout the
17 United States, operating projects that promote
18 community based housing and economic devel-
19 opment;

20 (B) community development corporations
21 operate in every State and in virtually every
22 major city in the United States, and account
23 for many of the existing efforts undertaken to
24 meet the needs of low-income persons in both
25 urban and rural communities;

1 (C) community development corporations
2 have developed some 225,000 units of housing,
3 with over 90 percent of these units for use by
4 low-income occupants;

5 (D) community development corporations
6 have developed over 17,400,000 square feet of
7 retail space, offices, industrial parks and other
8 industrial developments in economically dis-
9 tressed communities;

10 (E) community development corporations
11 have made loans to over 3000 enterprises, eq-
12 uity investments in 242 ventures and own and
13 operate 427 businesses; and

14 (F) community development corporations
15 commercial, industrial and business enterprise
16 development activities have accounted for the
17 creation and retention of nearly 90,000 jobs in
18 the last 5 years.

19 (b) PURPOSE.—It is the purpose of this subtitle to
20 provide assistance to States to carry out plans developed
21 by the States—

22 (1) to stimulate enterprise development and em-
23 ployment opportunities in economically distressed
24 urban and rural areas through public and private

1 partnerships facilitated by community development
2 corporations;

3 (2) to increase private investment in distressed
4 local communities and to build and expand the ca-
5 pacity of local institutions to better serve the eco-
6 nomic needs of local residents, through the provision
7 of assistance to community development corpora-
8 tions; and

9 (3) to increase the community economic devel-
10 opment activities of community development cor-
11 porations by assisting such corporations in upgrad-
12 ing their management and operating capacity and
13 enhancing the resources available to such corpora-
14 tions.

15 **SEC. 273. ASSISTANCE TO STATES.**

16 To the extent amounts are available to carry out this
17 subtitle, the Secretary of Health and Human Services
18 shall provide assistance to States to carry out State plans
19 under section 275 for assistance to community develop-
20 ment corporations.

21 **SEC. 274. STATE ASSISTANCE TO COMMUNITY DEVELOP-**
22 **MENT CORPORATIONS.**

23 States may provide assistance with amounts received
24 under this subtitle to community development corpora-
25 tions only as provided in the State plan of the State ap-

1 proved by the Secretary under section 275. Such assist-
2 ance may be in the form of—

3 (1) nonrefundable lines of credit to community
4 development corporations to establish, maintain, or
5 expand revolving loan funds used to finance eco-
6 nomic development projects, to defray administrative
7 costs related to the establishment of such revolving
8 loan funds, or to provide training or technical assist-
9 ance to private business enterprises and for the
10 planning, development, and management of eco-
11 nomic development projects;

12 (2) grants to community development corpora-
13 tions for acquisition of training and technical assist-
14 ance to increase the business management and de-
15 velopment skills of the individuals who manage such
16 corporations to enable such corporations to seek the
17 public and private resources necessary to develop
18 community economic development projects;

19 (3) grants to community development corpora-
20 tions to enable such corporations—

21 (A) to conduct evaluations of the feasibility
22 of potential low-income community economic de-
23 velopment projects that address identified needs
24 in low-income communities;

1 (B) to develop business plans related to
2 such projects; or

3 (C) to mobilize resources to be contributed
4 to planned low-income community economic de-
5 velopment projects or strategies;

6 (4) grants to emerging community development
7 corporations to enable such corporations to establish,
8 maintain or expand revolving loan funds, to make or
9 guarantee loans, or to make capital investments in
10 new or expanding local businesses;

11 (5) grants to community development corpora-
12 tions, institutions of higher education, or nonprofit
13 organizations to enable such grantees to conduct re-
14 search, testing, studies, or demonstrations related to
15 community economic development; and

16 (6) any other assistance designed to carry out
17 the purposes of this subtitle under section 272(b).

18 **SEC. 275. STATE PLANS.**

19 (a) REQUIREMENT.—The Secretary may provide as-
20 sistance under this subtitle only to States that have sub-
21 mitted a State plan under this section that is approved
22 by the Secretary under subsection (c), and have entered
23 into an agreement with the Secretary to provide assistance
24 to community development corporations, with amounts

1 provided under this subtitle, in accordance with the provi-
2 sions of the approved plan.

3 (b) CONTENTS.—Each State plan under this section
4 shall specify—

5 (1) the kinds and amounts of assistance to be
6 provided by the State with assistance under this
7 subtitle;

8 (2) the terms of such assistance;

9 (3) the communities for which such assistance
10 will be used and the extent to which such assistance
11 will be targeted to low-income communities, under-
12 employed and unemployed individuals, population-
13 losing communities, and very low-income commu-
14 nities;

15 (4) the extent and manner by which local and
16 private sector contributions will be leveraged with
17 assistance under this subtitle;

18 (5) the extent to which assistance under this
19 subtitle will improve or provide employment opportu-
20 nities for low-income individuals;

21 (6) requirements for community development
22 corporations and other entities receiving assistance
23 from amounts provided under this subtitle to report
24 to the State regarding the use and results of such
25 assistance; and

1 (7) any other information the Secretary consid-
2 ers appropriate to ensure that assistance under this
3 subtitle is used for the purposes under section
4 272(b).

5 (c) APPROVAL.—The Secretary may approve a State
6 plan under this section only if the Secretary determines,
7 on the basis of the State plan, that—

8 (1) the State has the capacity and capability to
9 carry out the State plan;

10 (2) the State plan ensures that such assistance
11 will be used to carry out the purposes of this subtitle
12 under section 272(b); and

13 (3) the State plan provides that a significant
14 portion of such assistance will be used by community
15 development corporations to serve the economic
16 needs of low-income communities.

17 **SEC. 276. REPORTS.**

18 Each State receiving assistance under this subtitle
19 shall submit a report under this section to the Secretary
20 not later than the expiration of the 18-month period begin-
21 ning upon the first receipt of assistance under this subtitle
22 by the State. The report shall describe the use of any as-
23 sistance provided to the State under this subtitle, the
24 number of jobs created or retained through such use, and

1 any other information that the Secretary considers appro-
2 priate.

3 **SEC. 277. DEFINITIONS.**

4 For purposes of this subtitle:

5 (1) COMMUNITY DEVELOPMENT CORPORA-
6 TION.—The term “community development corpora-
7 tion” means a private, nonprofit corporation whose
8 board of directors is comprised of business, civic and
9 community leaders, and whose principal purpose in-
10 cludes providing economic or community develop-
11 ment projects that improve or provide job or employ-
12 ment opportunities to low-income individuals or low-
13 income communities.

14 (2) LOW-INCOME COMMUNITY.—The term “low-
15 income community” means a community in which
16 the median income of the residents of such commu-
17 nity does not exceed 80 percent of the median in-
18 come of the area, as determined by the Secretary.

19 (3) POPULATION-LOSING COMMUNITY.—The
20 term “population-losing community” means a county
21 in which the net population loss is at least 7 percent
22 from April 1, 1980 to April 1, 1990, as reported by
23 the Bureau of the Census.

24 (4) SECRETARY.—The term “Secretary” means
25 the Secretary of Health and Human Services.

1 (5) STATE.—The term “State” means the
2 States of the United States, the District of Colum-
3 bia, the Commonwealth of Puerto Rico, the Com-
4 monwealth of the Northern Mariana Islands, Guam,
5 the Virgin Islands, American Samoa, the Trust Ter-
6 ritory of the Pacific Islands, and any other territory
7 or possession of the United States.

8 (6) VERY LOW-INCOME COMMUNITY.—The term
9 “very low-income community” means a community
10 in which the median income of the residents of such
11 community does not exceed 50 percent of the median
12 income of the area, as determined by the Secretary.

13 **SEC. 278. PROHIBITION.**

14 Amounts provided to States under this subtitle may
15 not be used to finance the construction of housing.

16 **SEC. 279. EFFECTIVE DATE.**

17 This subtitle shall take effect as if included in the
18 Omnibus Budget Reconciliation Act of 1990.

19 **Subtitle F—Miscellaneous**
20 **Programs**

21 **SEC. 281. ENTERPRISE CAPITAL ACCESS FUND.**

22 (a) SHORT TITLE.—This section may be cited as the
23 “Enterprise Capital Access Fund Demonstration Pro-
24 gram”.

25 (b) FINDINGS AND PURPOSE.—

1 (1) FINDINGS.—The Congress finds that—

2 (A) the Nation’s urban and rural commu-
3 nities face critical social and economic problems
4 stemming from lack of economic opportunity
5 among low-income persons and persons living in
6 poverty;

7 (B) the numbers of low-income persons
8 and persons living in poverty has grown signifi-
9 cantly over the last decade;

10 (C) lack of access to credit and other
11 forms of capital is a significant factor in the
12 disinvestment and decline of low-income and
13 minority neighborhoods;

14 (D) changes in the banking system and fi-
15 nancial markets have made access to credit in
16 low-income and distressed communities increas-
17 ingly more difficult to obtain as decision mak-
18 ing on credit has been removed from local com-
19 munities;

20 (E) the restoration and maintenance of
21 viable local economies will require improved ac-
22 cess to credit, as well as public and private in-
23 vestment in economic and community develop-
24 ment activities, business development, and low-
25 income housing;

1 (F) indigenous community-based financial
2 institutions can play a significant role in identi-
3 fying and responding to community needs;

4 (G) the Federal Government needs to de-
5 velop new models and institutions for facilitat-
6 ing local revitalization efforts and improving ac-
7 cess to credit; and

8 (H) nonprofit financial intermediaries have
9 proven effective in meeting the credit and other
10 capital needs in low-income and distressed com-
11 munities.

12 (2) PURPOSE.—The purpose of this section is
13 to establish a demonstration program to assist
14 States in promoting reinvestment in low-income and
15 chronically distressed neighborhoods through com-
16 munity-based nonprofit financial institutions that
17 work cooperatively with residents and State and
18 local government.

19 (c) AUTHORITY.—The Secretary shall carry out a
20 demonstration program in accordance with this section to
21 make grants to States to provide assistance to eligible
22 intermediaries to finance business and employment oppor-
23 tunities, housing opportunities affordable to low-income
24 persons, and neighborhood revitalization projects by using
25 such grant amounts to—

1 (1) increase the capital available for loans, loan
2 guarantees, interest rate reduction activities, and
3 other activities that promote housing affordable to
4 low-income persons and economic and community
5 development activities that benefit low-income per-
6 sons; or

7 (2) provide technical assistance to borrowers.

8 (d) APPLICATIONS.—The Secretary shall make
9 grants only to States that submit an application to the
10 Secretary, in the form and manner as the Secretary shall
11 require, that is approved by the Secretary, and enter into
12 an agreement with the Secretary that assistance under
13 this section will be used as provided in the approved appli-
14 cation. The Secretary may approve only applications pro-
15 viding that—

16 (1) assistance under this section will be pro-
17 vided only to eligible intermediaries capable of carry-
18 ing out the purposes of this section;

19 (2) eligible intermediaries will contribute for ac-
20 tivities under subsection (c) not less than an amount
21 equal to any assistance under this section received
22 by the eligible intermediary;

23 (3) not less than 70 percent of loans to individ-
24 ual borrowers made using assistance provided under

1 this section are to low-income persons and who are
2 residents of the targeted geographic area served;

3 (4) all loans made to nonprofit or for-profit or-
4 ganizations provide a direct benefit to persons who
5 are residents of the targeted geographic area served;
6 and

7 (5) assistance will be used only as provided in
8 this section.

9 (e) REPORT.—The Secretary shall submit a report to
10 the Congress annually containing a summary of the activi-
11 ties carried out under this section and the findings and
12 conclusions drawn from such activities.

13 (f) DEFINITIONS.—For purposes of this section:

14 (1) ELIGIBLE INTERMEDIARY.—The term “eli-
15 gible intermediary” means a nonprofit organization
16 that—

17 (A) is organized under Federal, State or
18 local laws;

19 (B) has no part of its net earnings inuring
20 to the benefit of any member, founder, contrib-
21 utor, or other person;

22 (C) complies with standards of financial
23 accountability acceptable to the Secretary;

1 (D) controls, operates or is affiliated with
2 an entity that provides credit or investment
3 capital in a targeted geographic area;

4 (E) has as its primary purpose the revital-
5 ization of low-income and chronically distressed
6 neighborhoods or communities; and

7 (F) maintains, through significant rep-
8 resentation on its governing board and other-
9 wise, accountability to community residents.

10 (2) LOW-INCOME PERSONS.—The term “low-in-
11 come persons” means persons whose incomes do not
12 exceed 80 percent of the median for the area.

13 (3) SECRETARY.—The term “Secretary” means
14 the Secretary of Housing and Urban Development.

15 (4) STATE.—The term “State” means the
16 States of the United States, the District of Colum-
17 bia, the Commonwealth of Puerto Rico, the Com-
18 monwealth of the Northern Mariana Islands, Guam,
19 the Virgin Islands, American Samoa, the Trust Ter-
20 ritory of the Pacific Islands, and any other territory
21 or possession of the United States.

22 (5) TARGETED GEOGRAPHIC AREA.—The term
23 “targeted geographic area” means a geographically
24 contiguous area of chronic economic distress as
25 measured by unemployment, growth lag, the extent

1 of poverty, per capita income, extent of blight and
2 disinvestment, fiscal distress, or other indicators
3 deemed appropriate by the Secretary, that has been
4 identified by an eligible intermediary as an area to
5 be served by it.

6 **SEC. 282. ACCESS TO JOBS/REVERSE COMMUTING DEM-**
7 **ONSTRATION PROGRAM.**

8 (a) PURPOSE.—It is the purpose of this section to—

9 (1) improve employment rates and earnings in
10 inner-city areas by improving access to job sites for
11 inner-city residents;

12 (2) improve the viability of businesses in tax en-
13 terprise zones and other communities as a result of
14 the increased incomes and purchasing power of zone
15 residents; and

16 (3) test differing approaches to achieving these
17 goals and determine their effects.

18 (b) ESTABLISHMENT OF PROGRAM.—

19 (1) IN GENERAL.—The Secretary of Labor, in
20 consultation with the Secretary of Transportation,
21 shall establish a Reverse Commuting Demonstration
22 Program to test the effects of assisting residents of
23 poor inner-city areas to commute to job sites in
24 other areas of the city or surrounding suburbs.

1 (2) NEIGHBORHOOD AID PLAN.—Any urban tax
2 enterprise zone or unit of general local government
3 submitting a neighborhood aid plan for assistance
4 under subtitle B of this Act may include the pro-
5 gram under this section as a selected program. As-
6 sistance may be made available for the program
7 under this section only if the plan includes informa-
8 tion meeting the criteria in subsection (c), as ap-
9 proved by the Secretary of Labor, in consultation
10 with the Secretary of Transportation.

11 (3) USE OF SET-ASIDE FUNDS.—The funds set
12 aside under section 222(d) for the program under
13 this section shall be used to fund not more than 6
14 demonstration projects under this section utilizing
15 the program models described in subsection (d) that
16 are carried out by units of general local government
17 pursuant to approved neighborhood aid plans sub-
18 mitted under chapter 2 of subtitle B. The Secretary
19 of Labor, in consultation with the Secretary of
20 Transportation, shall select the projects on a com-
21 petitive basis from neighborhood aid plans meeting
22 the requirements of subsection (c) of this section
23 that are submitted under such chapter.

24 (c) REQUIRED INFORMATION.—The information re-
25 quired under subsection (b)(2) to be included in a neigh-

1 borhood aid plan shall be such information as may be
2 specified by the Secretary of Labor, in consultation with
3 the Secretary of Transportation, that is sufficient to sat-
4 isfy the Secretary that—

5 (1) the geographic area whose residents would
6 be served by the program established under this sec-
7 tion pursuant to the neighborhood aid plan is a low-
8 income area;

9 (2) one of the three program models described
10 in subsection (d) will be used by the urban tax en-
11 terprise zone or unit of general local government;

12 (3) the data collection procedures that will be
13 established by the urban tax enterprise zone or unit
14 of general local government will be sufficient to en-
15 able the Secretary of Labor, in consultation with the
16 Secretary of Transportation, to conduct an evalua-
17 tion in accordance with subsection (e); and

18 (4) the urban tax enterprise zone or unit of
19 general local government has the capability to per-
20 form adequately with respect to the program estab-
21 lished and to meet such other criteria as the Sec-
22 retary of Labor may prescribe.

23 (d) PROGRAM MODELS.—A program under this sec-
24 tion shall be carried out utilizing one of the following pro-
25 gram models:

1 (1) ADDING TRANSPORTATION SERVICES TO EX-
2 ISTING JOB TRAINING AND PLACEMENT PRO-
3 GRAMS.—Under this model an urban tax enterprise
4 zone or unit of general local government shall sup-
5 plement existing training and placement programs
6 through the establishment of new transportation
7 services that are designed to—

8 (A) transport inner-city residents to job lo-
9 cations (such as van service between the zones
10 and business parks or major employers, with
11 the service being provided by a public agency,
12 a private vendor, or a neighborhood organiza-
13 tion);

14 (B) provide transportation counseling and
15 assistance (such as the creation of car pools
16 and provision of education on public transit
17 routes); or

18 (C) provide a direct subsidy of public tran-
19 sit fares or private automobile expenses.

20 (2) IMPROVING PUBLIC TRANSIT SYSTEMS TO
21 FACILITATE ACCESS TO JOBS/REVERSE COMMUT-
22 ING.—Under this model an urban tax enterprise
23 zone or unit of general local government may—

24 (A) work with the relevant transit operator
25 or agency to modify public transit routes and

1 schedules to increase the accessibility of resi-
2 dents of inner-city areas to job locations (such
3 as through the provision of express bus service
4 to business parks at times coinciding with labor
5 shifts or the provision of new connecting serv-
6 ices to fill gaps that impede commuting from
7 inner-city areas to jobs sites); or

8 (B) reimburse public transit operators for
9 the costs of providing reduced fare programs to
10 increase the access of inner city residents to
11 employment opportunities.

12 An urban tax enterprise zone or unit of general local
13 government under subparagraph (A) may request
14 suburban employers to contribute to the costs of im-
15 plementing such transit services.

16 (3) ESTABLISHING REGIONAL COALITIONS TO
17 IMPROVE INNER-CITY ACCESS TO JOBS.—Under this
18 model an urban tax enterprise zone or unit of gen-
19 eral local government shall establish a regional coali-
20 tion, which may include neighborhood organizations,
21 employers and employers associations, transpor-
22 tation providers, and similar entities, to implement
23 comprehensive strategies to improve the access of
24 residents of inner-cities to jobs through modifica-
25 tions in job training and placement services, support

1 services such as child care, and transportation serv-
2 ices. An urban tax enterprise zone or unit of general
3 local government under this model shall attempt to
4 link job training program participants with job op-
5 portunities throughout as much of the metropolitan
6 area as practicable, and transportation barriers be-
7 tween inner-city areas and job locations shall be
8 identified and transportation services implemented
9 to address these problems.

10 (e) EVALUATION.—The Secretary of Labor, in con-
11 sultation with the Secretary of Transportation, shall con-
12 duct a thorough evaluation of the program established
13 under this section. Such evaluation shall include an assess-
14 ment of—

15 (1) with respect to urban tax enterprise zones
16 or units of general local government adding trans-
17 portation services to job training programs, the ef-
18 fect of the addition of such transportation services
19 on employment rates, job retention, and earnings
20 among residents of the demonstration project areas;

21 (2) with respect to urban tax enterprise zones
22 or units of general local government improving pub-
23 lic transit systems, the effect of the improvements,
24 on employment rates, job retention, and earnings;

1 (3) with respect to urban tax enterprise zones
2 or units of general local government establishing re-
3 gional coalitions and implementing comprehensive
4 strategies, the effects of such strategies on employ-
5 ment rates, job retention, and earnings; and

6 (4) the manner in which the adoption of such
7 comprehensive strategies affect employment and
8 earnings in urban tax enterprise zones and units of
9 general local government, compared to other urban
10 tax enterprise zones and units of general local gov-
11 ernment not initiating programs to improve inner-
12 city access to suburban job locations.

13 (f) OTHER FUNDING SOURCES.—Nothing in this sec-
14 tion shall be construed to prevent an urban tax enterprise
15 zone or unit of general local government from raising
16 funds for any program established under the application
17 from other sources to augment the funds available under
18 this Act.

19 (g) DEFINITION.—As used in this section, the term
20 “urban tax enterprise zone” means an area designated
21 under section 1391 of the Internal Revenue Code of 1986
22 as an urban tax enterprise zone.

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