
II. New Economy - Community Empowerment

While America's great cities and distressed rural communities fell into disrepair in the 1980s, Washington ignored their fate. Private enterprise has abandoned these distressed areas, leaving young people with few job prospects and declining hopes. The Clinton Administration has launched initiatives that promote economic opportunity in distressed communities.



Empowerment Zones (EZ) and Enterprise Communities (EC)

- The President's initiative, passed by Congress, includes \$2.5 billion in tax incentives and \$1.3 billion in flexible grants to spur local communities to address barriers to economic growth. Over 500 communities across America took up the EZ challenge, submitting strategic plans for revitalizing their communities.
- The private/public partnerships that have developed as a result of the EZ/EC application process will be a force for change far into the future. In Detroit, for example, more than \$2 billion in private-sector commitments have been pledged.

Community Development Banks and Financial Institutions

- The CDBFI Act creates a network of community development banks and financial institutions. Their primary mission is to lend, invest, and provide basic banking services in low- and moderate-income communities. This initiative will encourage the private sector to work in places it has not gone before.
- When fully leveraged with private capital, the CDBFI program will create nearly \$5 billion in new investments in low and moderate income communities.
- The initiative will provide as many as 40,000 loans to entrepreneurs, expanding businesses, homeowners, and others who might not otherwise be able to obtain credit.

Community Reinvestment Act

- The President issued a directive to reform CRA, the 1977 law to prevent bank redlining. Under the new regulations, banks will be judged on performance -- actual lending, investments, and basic banking services -- rather than paperwork. Reform will unleash billions in new credit to low- and moderate income communities.
- To reduce unnecessary regulatory burdens, a streamlined examination process applies to about 80% of all banks and S&Ls.



Other Empowerment Initiatives

- The Administration permanently extended the Low-Income Housing Tax Credit and the Mortgage Revenue Bond program to encourage private investors to build affordable housing and to help first-time home buyers.
- Up to 15 new SBA One-Stop Capital Shops will distribute \$3 billion in loans and investment for small and minority business over the next five years.
- Capital Gains Rollover and Exclusion -- To encourage capital investment in small and minority-owned business, the President signed legislation to provide capital gains tax relief for investments in certain venture capital companies.

As President Clinton said, [There] needs to be a new partnership between Washington and the communities and the individuals of this country, and there needs to be a way of doing business in which we try to create the conditions in which people can seize opportunities for themselves. The Clinton Administration's community empowerment strategy is helping restore the American Dream in distressed areas by focusing on helping people help themselves.

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