

DRAFT STATEMENT
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HOUSING AND COMMUNITY DEVELOPMENT
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I would first like to thank the Subcommittee for the opportunity to speak on behalf of the Cumberland County Empowerment Zone. I have attached a detailed summary emphasizing our partnerships, collaborations and accomplishments over the past two years of operation.

Rather than review our accomplishments and history, I would like to take this time to provide clarification on specific issues that have been highlighted over the past several months.

- **Empowerment Zone Impact upon our community:**

Since its creation in January 2000, the Cumberland Empowerment Zone Corporation has leveraged its initial support, partnerships, collaborations and strategy to create over \$127,000,000 in public/private development in our community. The total number of jobs is currently over 300 and will rise to over 1,400 over the next 18 months. Over 100 homes have been purchased, renovated and/or built in the zone and more than 60 different programs have been funded.

More important than the statistics and accolades highlighted in this document, is the transformation of the way business is conducted in Cumberland County. Inherent to the Empowerment Zone Strategy is the understanding that success, collaboration and innovation, the entrepreneurial spirit if you will, are the keys to ensuring the long-term viability of our targeted communities and our regions. Our community has a renewed sense of pride and willingness to succeed that was initiated by the development of our comprehensive and participatory strategic planning effort.

During a recent business forum in our county, a survey was released highlighting the major reasons businesses are locating or remaining in our community. I am happy to report that the empowerment zone program was listed as one of the top 6 reasons why businesses choose to remain or locate into our county.

Overall, 12 of the 15 Round II zones report that they have leveraged in excess of \$1,567,722,427.

- **Lack of full funding:**

I am happy to note that in spite of the lack of full funding the Cumberland Empowerment Zone has been able to achieve limited success. Unfortunately, the major impact of the lack of full funding will not be evident over the next several

years. This is because many of the initiatives that have begun in our communities are now in the planning stages. That is to say that no successful project can be completed without proper planning and implementation. A program or project can only be deemed successful if it is able to revitalize and act as a catalyst for change over a long period of time. We must recognize that our communities have not deteriorated over a one, two or three-year period and cannot be transformed by quick fix, short-term initiatives. Initiatives that will be viable and sustainable into the future require comprehensive planning, implementation, revision and re-implementation if they are to be successful.

We do not anticipate that a business plan is the end all be all for any good business. In fact, we recognize that businesses that are able to adjust to meet the needs of its customers are the ones who will be successful and viable long into the future. The beauty of the empowerment zone program is that if fully funded it provides the opportunity and the resources to make these adjustments to meet the needs of its customers over the long haul. Proper planning, partnership, collaboration and coordination are the driving force behind the strategic plans that have been developed by empowerment zones throughout the country.

- **H.R. 2637**

H.R. 2637 provides a great opportunity to encourage economic development throughout the zone. Two major points that I would like to focus on are the ability to utilize empowerment zone funding as leverage and of course the establishment of a formal funding authorization mechanism for the zones and enterprise communities. As highlighted above, the ability to clearly determine what the funding parameters will be are essential to proper planning and implementation. In order for our strategic plans, business plans if you will; to be successful is to know what our resources will be.

The ability to utilize empowerment zone funding to leverage additional resources will provide a means of enhancing and supporting empowerment zone initiatives with other non-empowerment zone funds. The ability to leverage these funds as a match to receive additional funding creates access for many community based organizations that are now unable to apply for federal funding. It is important to note that the ability to utilize empowerment zone funds as a match will not create a preference to local organizations, but will provide the mechanism for access that is recognized as essential to new business development.

The matching ability will also serve to enhance the philosophy that empowerment zone funding was never meant to be the only answer, but the catalyst to leveraging additional resources and partners. It also perpetuates local control and program design and provides no additional impact to the federal budget. It simply provides another tool that will support and possibly compensate for the lack of full, up-front Round II funding.

- **Retention and attraction of new businesses**

The flexibility and the fact that empowerment zone funding can be tailored to the needs of our business community is the most effective mechanism for the retention and attraction of businesses in the zone. Funding can be utilized for pre-development, construction, acquisition, purchase of equipment, employee training, local incentives, leverage of additional resources, planning or a multitude of specific needs that each business owner may encounter. Once again, the empowerment zone funding does not provide 100% of the funding, but is the catalyst for leveraging and accessing additional capital and resources for individual business requirements. The ability to meet the needs of our customers is our biggest asset to accomplishing our strategy.

- **Obligation of Funds:**

The Cumberland Empowerment Zone has obligated or committed 100% of its present allocation of funding for specific projects within the zone. We are presently in the process of expending the funds that have been obligated. To date, over \$6,000,000 has been drawn from the treasury with another \$1,000,000 to be drawn within the next 30 days. Overall, 12 of the 15 Round II zones have reported that they have obligated or committed over 82% of their available funds.

On the surface it may seem that we are having problems with spending, but in fact the difference between funds obligated and funds disbursed are a direct result of careful planning and monitoring. The Cumberland Empowerment Zone follows specific financial guidelines and does not disburse empowerment zone funding until and unless a project has reached designated milestones. In the case of construction projects, funds are not disbursed until construction is completed on the portion of the project funded by empowerment zone funding. When programs are approved, funds are not disbursed until certain milestones are satisfied.

In several cases, disbursements are awaiting final environmental clearance from HUD. Depending on the use of empowerment zone funding, this process takes between 3 weeks and sometimes several months to obtain HUD's approval. We anticipate that all obligated funds will be drawn and expended within the next 18 months.

It is important to point out that although the program has been described as a 5-year program, the actual funding of the Zones began in June of 1999 with a \$3,000,000 appropriation and ended with an allocation of \$3,000,000 in November 2001 that is still awaiting final approval and distribution. In essence our 5-year program that has been described as beginning in 1997 has only been funded since June of 1999.

- **Tax incentives versus grants:**

Tax incentives are very important tools for attracting and retaining businesses in our empowerment zone. However, incentives on their own are not enough. Direct empowerment zone funding and access to capital are the primary reasons for investment in our targeted communities. The ability to provide predevelopment, acquisition and other project related funding is essential to businesses wishing to locate in our communities.

Our community presently has a state Urban Enterprise Zone. This zone provides tax incentives and direct financing to businesses wishing to locate or expand within its targeted area. Each of our empowerment zone communities provides the same tax incentives through this designation, but one has more direct lending capacity than the others. Each is successful; however the community that is able to provide the direct resources is attracting more than 75% of the businesses that are locating into our community. The zone has been able to assist the other communities with its ability to leverage its resources, but it is clear that businesses are seeking access to capital when making decisions to move into distressed communities.

As the empowerment zone's strategies are implemented and given the opportunity to effectuate positive change in our communities, the ability to attract businesses based upon the incentives that can be provided will dramatically increase.

I strongly believe that the empowerment zone program is the best revitalization program ever developed. The basis of the program is the fundamental premise that a program should be created with basic business principles in mind. The development of a Strengths, weaknesses, opportunities and threats analysis coupled with a business strategy or strategic plan and the infusion of resources along with the flexibility to adjust to your customer base are integral to the viability of any business or successful initiative.

Once again, I would like to thank you for your time and consideration.

Cumberland County Empowerment Zone

A collaborative revitalization strategy between the communities of Bridgeton, Millville, Vineland and Port Norris.

Cumberland County is similar to many communities in America that have been unable to keep pace with economic and social changes. As the nation became more suburban and more dependent on the automobile, urban communities such as Bridgeton, Millville and Vineland were no longer shopping retail and employment destinations. Shifts in manufacturing, both regionally and nationally, left a labor force traditionally tied to glass, food processing and textiles struggling to retrain and redefine itself.

Despite these problems, Cumberland County and its communities have maintained a strong sense of identity. Their heritage, diversity and character foster the strengths that are important assets to the successful implementation of our Empowerment Zone.

The Cumberland County Empowerment Zone contains a number of very unique strengths and characteristics.

Regional Perspective

The strategy addresses a number of issues and problems from a regional perspective. Solutions to enhance transportation, provide sustainable economic growth and address many of the social deficiencies of the area are linked to intermunicipal cooperation and regional solutions.

Intermunicipal Involvement

The Zone strategy includes the cooperation of municipal, County and State government. It joins the goals and objectives of four municipalities; Bridgeton, Millville, Vineland and Port Norris in a common effort to revitalize these communities.

Unique Blend of Strengths and Assets

The EZ strategy combines a number of unique assets. A regional airport is slated for new growth and expansion. There are connections to tourism development and a nationally recognized Wild and Scenic waterway. Urban redevelopment of downtowns, old industrial sites and historic neighborhoods are all included in the Zone's strategy. All of these assets point to the type of growth and development that will allow for the long-term viability and sustainability of the region.

A Strong Participatory Planning Process

One of the key aspects of the Empowerment Zone process was its mandate for participatory planning. Many of the plans and programs recently developed by the County have involved considerable stakeholder input. The community outreach effort for this Empowerment Zone strategy was particularly outstanding. In order to create a meaningful and viable strategy a number of public workshops were held. These meetings and workshops formed the foundation for the Empowerment Zone's Strategic Plan. The plan was developed cooperatively with citizens, non-profit and for-profit organizations, financial institutions and business leaders.

The Strategic Plan highlights the collective vision and assets of the region. The collaboration necessary to develop the plan was the catalyst for eliminating previous practices where parochial interests too often overshadowed the needs of the region at large. More than 100 businesses were contacted through Chamber of Commerce meetings and special business meetings. The school districts, community college and technical education center were also involved in the formation of the plan. From these efforts, a number of economic and community development priorities were identified:

- **Create New Jobs and Expand Economic Opportunity**

This objective was identified as the top priority. In addition, job retention and labor force preparation were also identified as key economic development issues. In separate outreach meetings with the business community workforce readiness, including basic skills training were identified as a high priority.

- **Enhance the County's Transportation System**

This priority was the most significant social need identified through the surveys and workshops. It was also echoed as a key component of economic revitalization.

- **Reduce Welfare Dependency through Jobs**

This objective was also identified as a top socioeconomic priority in the community survey. This objective was reinforced by comments from the business community that basic skills education and other job readiness training were critical in advancing the level of the local workforce.

- **Neighborhood Revitalization, Childcare and Other Socioeconomic Needs**

Housing and community development were seen as the foundation for neighborhood revitalization. There were a number of other priorities identified. These included providing opportunities for youth including more organized recreation, greater investments in affordable childcare, reducing substance abuse, stronger partnerships in education and training and a stronger family structure.

- **New Industrial Development in Zone Target Areas**

The development of a revolving loan fund, utilization of \$130 million in tax-exempt bond financing and special employment credits to EZ businesses will be used to promote development and redevelopment projects in Bridgeton and Vineland as well as the “developable sites” in Vineland, Millville and Port Norris.

Administration and Approval Process

The Cumberland Empowerment Zone Corporation (CEZC), a private 501©3 entity, was created to implement the Empowerment Zone strategy. The CEZC operates with a 21 member Board of Directors and a 65 member Advisory Board. Membership provides for participation from all sectors and communities included in the EZ. The members of these boards are elected to staggered three year terms that provide a mechanism to re-elect 33% of the governing body annually. This process ensures that the board is representative of the target communities that are represented in the Zone.

The Advisory Board is divided into four different committees, the Implementation, Finance, Stakeholders and Communications committee. Each committee meets on a monthly basis to review funding applications and make recommendations to the Board of Directors. Applications are accepted on a monthly basis and are first evaluated by staff for consistency with the strategic plan, HUD’s economic development criteria, feasibility, sustainability and benefit to the targeted neighborhoods.

The CEZC has 5 staff members. The staff oversees the implementation of the Zone, ensures that projects are consistent with EZ strategic plan objectives and develops strategies that provide sustainability and the opportunity to create second generation financing that will be recycled back into the zone upon repayment.

Summary of Key Initiatives and Accomplishments over the past two years:

Time and time again, the CEZC has been recognized as one of the premier Empowerment Zones in the nation. Some examples of the initiatives and projects presently being implemented by the Cumberland County Empowerment Zone include:

- Over 1,100 jobs will be created or maintained in the Cumberland County Empowerment Zone over the next 18 months. An additional 300 have already been created.
- Developed a \$4 million loan pool that will be reinvested back into the EZ targeted communities
- National recipient of the prestigious IEDC Economic Development Program Award

- Funded over 60 initiatives through the EZ program
- Over 100 housing units have been renovated, rehabilitated, constructed or purchased in EZ neighborhoods
- Partner in the creation of the Neighborhood Leadership Institute
- Created \$300,000 in tax savings to local EZ businesses
- NJ Academy of Aviation Science
- Regional Transportation center linking residents to job opportunities and public transportation

Leveraging:

The Cumberland Empowerment Zone's direct involvement in the implementation of over 60 initiatives has utilized \$11,627,563 in Round II Empowerment Zone funding. These projects are estimated to leverage a total of \$123,948,631 dollars in private, public and Tax Exempt Bond financing.

The Empowerment Zone Strategy:

- Creates a comprehensive strategy that focuses on the economic revitalization of our distressed urban areas
- Mandates a collaborative strategy and partnership among local, state and federal governments to implement this comprehensive strategy
- Requires the participation of local citizens, businesses, financial and educational institutions and the non-profit sector in the development and implementation of the revitalization strategy
- Leverages significant Private sector investment in distressed communities throughout the nation
- Provides significant tax benefits to businesses (large and small) for investing in the human development of our distressed communities
- Provides a mechanism for evaluating and enhancing existing programs that presently exist in our communities
- Instills entrepreneurial strategies throughout all sectors of our community by mandating public/private partnerships and the requirement to enhance and/or create, but not supplant existing funding resources.

The Cumberland County Empowerment Zone is one of the largest revitalization strategies of its kind undertaken in recent years.

The fact that it represents a cooperative effort of County, state, federal and municipal government, that the three cities are full partners in the application, and that the creative partnerships were developed between the public and private sectors exemplifies and highlights the uniqueness and more importantly, the opportunity to meaningful and significant change throughout the Cumberland County region.

No community or organization will be able to solve all of its problems as a result of the implementation of the plan. The Empowerment Zone designation is not a panacea. However, it does provide the mechanism and long-term strategy to overcome many of the social and economic challenges that presently exist in our communities. The vision and strategy outlined in the Zone's comprehensive plan provide the blueprint for the future and the guide for attaining self sustaining residents, businesses, communities and the region as a whole.

The future success, viability and sustainability of our strategy and more importantly, our communities hinge on our ability to continue to attract and leverage private investment. Our partners have time and time again expressed great concern with the lack of long-term funding to facilitate the implementation of our long-term strategy. Support has dwindled as a result of our inability to obtain multi-year commitment to fund the Empowerment Zone strategy.

It is imperative that the existing Round II Empowerment Zones receive multi-year funding. The receipt of this commitment will serve to eliminate the focus from the short-term, quick fix programmatic approach to the long-term strategy that will effectuate change and provide the blueprint for ongoing self-sustainability within our communities.

The beauty of the Empowerment Zone Strategy is the understanding that success, collaboration and innovation, the entrepreneurial spirit if you will, are the keys to ensuring the long-term viability of our targeted communities and our regions.

The Empowerment Zone strategy will be remembered as the Catalyst for effectuating true and meaningful change within our economy, our vision, our implementation strategies, our delivery systems and most importantly our ability to revitalize and reinvest in our region.

If we are given the opportunity to implement these insightful and participatory strategies we will instill the mechanism for change, collaboration, opportunity and investment long, long after the Empowerment Zone designation ceases to exist.