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## DETROIT EMPOWERMENT ZONE

House Bill 4730 as introduced  
First Analysis (5-9-95)

Sponsor: Rep. Carolyn Kilpatrick  
Committee: Urban Policy

### ***THE APPARENT PROBLEM:***

The Clinton Administration's effort to address urban and rural redevelopment in distressed areas was launched with enactment of the Omnibus Budget Reconciliation Act of 1993. A competitive application process ensued as communities across the nation vied for selection as an Empowerment Zone (EZ) or Enterprise Community (EC). At stake was \$100 million in federal block grants for EZ designations, \$2.95 million for EC designations, and various tax initiatives and incentives. Applications included submitting a strategic plan setting forth goals, demonstrating strong relationships between the local government and private sector, and stating how the plan would combine resources from federal programs and other sources. A strategic plan was required to include written commitments from the local government and the state that the strategic plan would be adhered to. Key components of the strategic plan were economic opportunity, sustainable community development, community-based partnerships, and strategic vision for change.

On December 21, 1994, Detroit was named one of only nine communities to receive EZ designation, with Muskegon, Flint, and Lake County receiving EC designation. Detroit's two-volume application and strategic plan, entitled "Jumpstarting the Motor City", outlines the plans for the grants and also the promise of \$1.9 billion in funds from area banks, businesses, foundations, and government agencies, including \$20 million from Ford, Chrysler, and General Motors to be invested in a development fund created by Detroit Renaissance.

In light of the tremendous undertaking in implementing the strategic plan, the Detroit Empowerment Zone Coordinating Council, the group responsible for Detroit's application and strategic plan, is seeking enabling legislation for the creation of development corporations for the designated communities. Though primarily to facilitate the implementation of Detroit's plan, the

proposed legislation would be able to serve any designated community.

### ***THE CONTENT OF THE BILL:***

House Bill 4730 would provide authorization for designated communities under the federal empowerment zone and enterprise community (EZ/EC) program to create an empowerment zone or enterprise community development corporation (EZDC/ECDC). It also would provide for a city with a population of 900,000 or more to establish an empowerment zone coordinating council to develop a strategic plan, incorporate an EZDC, and recommend initial candidates to a board of directors.

Under the bill, an empowerment zone would be an area designated as such by the United States Department of Housing and Urban Development (HUD) and an enterprise community would be designated by HUD or the Department of Agriculture. A strategic plan would be a plan agreed to by the state and the municipality for an EZ or EC and would require "certification of the authority to adopt a strategic plan in an application for nomination as an empowerment zone or enterprise community under applicable federal regulations" and a written commitment of the state and municipality to adhere to the plan.

Legislative finding. The bill would state that there exists in this state the continuing need for programs to alleviate and prevent long-term unemployment, economic distress, and accompanying social ills. Thus, the bill specifies a legislative finding that "it is necessary to empower municipalities to create empowerment zone and enterprise community development corporations to facilitate the implementation" of strategic plans to stimulate the creation of new jobs and promote the revitalization of distressed areas, and to ensure local oversight of strategic plan implementation.

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Empowerment zone/enterprise community development corporation. An application to incorporate an EZDC or ECDC would be made in writing by at least three persons to a municipality's governing body and would include proposed articles of incorporation and by-laws. A governing body could approve an application after holding a public hearing. Approved applications and articles of incorporation would then be filed with the Department of Commerce. A municipality could only approve one corporation.

Under the bill, a municipality would determine, by ordinance, the size and composition of the board of directors of the corporation, and of the executive committee, neighborhood review panels, and necessary subcommittees of the board. It would also establish the qualifications, selection process, terms of office, and the method of filling vacancies for the board. For a city with a population of 900,000 or more, 60 percent of the board members would be required to be residents of the zone, with the remaining 40 percent having a substantial interest in the zone (defined as having a demonstrable, substantial interest in, or owning, real property or a business in the zone, or being active in improving the social and economic conditions of the zone). Elected officials and candidates for elective office would not be eligible to serve on the board. Members of the board of directors and all committees would have to reflect the demographic diversity of the zone. The corporation would employ an executive director and other necessary staff. Board members would serve without compensation, but would be reimbursed for expenses. Further, board members would be required to disclose conflicts of interest and could not vote on matters in which they had either a direct or indirect financial interest.

Powers and duties of a corporation. An empowerment zone/enterprise community development corporation would:

- \*\* Coordinate, review, recommend priorities for, monitor, and evaluate the programs of the agencies implementing the strategic plan.
- \*\* Acquire and dispose of property necessary to accomplish the purposes of the act.
- \*\* Solicit and accept donations, in-kind services, grants, loans, appropriations, or other money from

federal, state, local, and private sources for operating expenses.

\*\* Submit periodic progress, financial, and performance reviews, and other necessary reports, to the municipality.

\*\* Modify the strategic plan, with the concurrence of the municipality and except as precluded by federal, state, or local law.

\*\* Possess "all other powers necessary and appropriate" that were not inconsistent with current laws to implement the strategic plan.

The municipality could, by ordinance, assign additional powers to the corporation.

Powers of eminent domain. A municipality could institute proceedings under its powers of eminent domain according to state law or local charter in order to accomplish the purposes of the act. The taking and transfer of public and private property by the municipality for use in a project under an empowerment zone/enterprise community strategic plan would be done under conditions considered appropriate by the municipality, and would be considered necessary for the benefit of the public.

### ***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that the fiscal impact of the bill is indeterminate. (5-1-95)

### ***ARGUMENTS:***

#### ***For:***

Detroit, as well as Muskegon, Flint, and Lake County, have earned the opportunity to make use of a substantial grant of federal dollars and authority to revitalize certain depressed areas within their borders. Enabling legislation would guarantee the establishment of local corporations to oversee creation of and implementation of empowerment zone/enterprise community strategic plans. This would keep oversight within the EZ or EC, giving local people power and voice in their communities as to the development of programs, rather than having programs imposed from those outside of the communities.

***Against:***

By granting a quasi-governmental corporation the authority to acquire, hold, lease, or dispose of property it deems necessary to accomplish its goals, and with the ability to make use of the powers of eminent domain held by the municipality, a situation could arise whereby residents of a neighborhood could find themselves displaced as housing costs go up due to redevelopment. The very people the plan is meant to help could find their homes condemned to make room for housing they cannot afford or businesses they will not be able to be employed by. This could lead to increases in the number of homeless and change the ethnic make-up of certain neighborhoods.

***Response:***

By design, the empowerment zone concept includes local people at every level of decision-making, so it is unlikely that projects will proceed without neighborhood support.

***POSITIONS:***

Detroit Renaissance supports the bill. (5-2-95)

A representative from the City of Detroit testified in support of the bill. (5-3-95)

A representative from General Motors testified in support of the bill. (5-3-95)