

THE WHITE HOUSE

President Obama's Plan to Promote Jobs and Investment in Growth Zones Across the Country

President Obama is committed to locally led economic rejuvenation tied to regional economic growth. To promote job creation and investment, the President's budget proposes a new national competition to identify Growth Zones across the country.

- **Creating a national competition for Growth Zones -- a "Race to the Top" for regional economic growth:** By developing rigorous plans for economic growth, communities or regions that face high unemployment and have identified significant new opportunities for growth will qualify to enter a national competition for zone status. Twenty new zones will be selected, 14 urban and 6 rural zones, and the program will last for 5 years.
- **Stimulating job creation and investment in areas facing distress with a \$3,000 employment credit and 100% expensing for five years:** For the twenty zones, the President is proposing to provide \$2.5 billion in employment credits and investment incentives to businesses, large and small, to encourage investment and job creation.
- **Accelerating growth by streamlining access to existing government programs and helping with planning:** Zones will receive program flexibility and preference for competitive grants through other federal programs. In addition, the President is also proposing to provide \$40 million in planning and seed capital grants to the 20 Zones. These grants will further enable communities to develop economic growth strategies and implement actions that connect zones to drivers of regional economic growth.

The President's Initiative to Create Growth Zones

The President's budget proposes to rejuvenate distressed communities by supporting zones and regions that have developed economic strategies for future growth.

Objectives of Growth Zones include:

- **Encouraging employment through a tax credit of up to \$3,000 for businesses that hire zone residents:** To generate and sustain employment, a business will receive a 10% credit on the first \$15,000 of wages for employing zone residents. As an added incentive for regional innovation and growth, businesses that are located in the zone will receive a 20% credit on the first \$15,000 of wages for employing zone residents.

- **Incentivizing investment by providing 100% expensing for five years for zone businesses:** To provide businesses additional incentives to invest, expand and hire, the President proposes 100% expensing of qualified capital investments for all businesses located in the zone for five years.
- **Supporting communities in translating economic strategies into economic realities:** Along with tax incentives, the President proposes a \$40 million investment to provide the 20 Zones with planning and seed capital grants. These grants will facilitate rigorous analysis, additional strategic planning, capacity building, and implementation. The zones will be selected by the Economic Development Administration (EDA), in conjunction with the Department of Housing and Urban Development (HUD) for urban zone selection, and the Department of Agriculture (USDA) for rural zone selection. All three agencies will provide on the ground technical support to make the zones successful and ensure federal dollars go the farthest. In addition, the Treasury Department will administer the two tax incentives.
- **Incentivizing local and regional governments to develop business plans for growth based on rigorous analysis:** Collaboration across a diverse set of stakeholders will be essential to win the competition. Applicants will be encouraged to form local “competitiveness councils,” made up of members of local government, businesses, regional governments and NGOs/foundations to develop a strategic plan to build on their economic strengths and outline targeted investments. The twenty zones will be selected from a pool that meets economic criteria based on the strength of their strategic plans and their need to attract investment and jobs. Zone applicants that are not ultimately selected also stand to benefit from developing plans that can serve as a foundation for future growth.
- **Streamlining access to the existing resources of the federal government.** Zones will be allowed greater flexibility in how they apply for and use certain other federal funding. This could include waiving matching funds requirements, expanding on the types of projects that are covered by block grants, or additional consideration when applying for competitive grants that address workforce investment, business development, infrastructure, access to capital, community development or regional economic growth. Any necessary regulatory and legislative adjustments to provide this flexibility will be pursued where appropriate.

Building on Success

Growth Zones are designed to build on the success of Empowerment Zones, enacted in 1994, and improve the program’s ability to provide streamlined support to distressed communities. Empowerment Zones provided similar tax incentives and grants to distressed communities and had measurable impacts on employment and wealth; this new initiative will stimulate a new nationwide competition for new recipients, while retooling the benefits that zones get and the criteria used to determine winners of the competition.

- **Growth Zones will be focused on communities that face distress and show promise for growth.** Rather than allocating resources simply to the areas facing the most distress, entrants to the competition will be evaluated based on both economic indicators and the quality of their economic strategies.
- **Growth Zones will receive two clear streamlined tax incentives: an employment incentive and an investment incentive.** Empowerment Zones received five different tax incentives, some quite complex to use, while the President's initiative streamlines the tax incentives to make it easy for businesses in the zone and outside the zone, both large and small, to take advantage of the credits.
- **Growth Zones will receive federal program flexibility.** Empowerment Zones did not include this additional flexibility to encourage localities to allow for more coordinated and effective use of federal funding.

Growth Zones build on the innovative commitments in the President's first two Budgets to agency-specific efforts in disadvantaged communities, such as SBA's efforts to target inner-city growth companies and Treasury's Community Development Financial Institutions program, both of which the Obama Administration has strengthened substantially.