

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5113

To amend the Public Works and Economic Development Act of 1965 to establish a Competitive Communities Demonstration Program to assist distressed communities in developing a competitive economic base, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 27, 1994

Mr. WISE introduced the following bill; which was referred jointly to the Committees on Public Works and Transportation and Banking, Finance and Urban Affairs

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## A BILL

To amend the Public Works and Economic Development Act of 1965 to establish a Competitive Communities Demonstration Program to assist distressed communities in developing a competitive economic base, and for other purposes.

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.**

4 This Act may be cited as the “Competitive Commu-  
5 nities Demonstration Act of 1994”.

6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—Congress finds the following:

1           (1) Traditionally, the Economic Development  
2 Administration has primarily helped communities  
3 develop the necessary public infrastructure to enable  
4 such communities to foster private sector investment  
5 and in many communities public infrastructure re-  
6 mains a critical enabler to economic development.

7           (2) However, in many distressed communities  
8 the primary economic development challenge is not  
9 a lack of public infrastructure but rather a lack of  
10 supporting high growth, globally competitive private  
11 sector activities as a generator of quality jobs.

12           (3) Therefore, building upon its existing net-  
13 work of programs, the Economic Development Ad-  
14 ministration should institute a Competitive Commu-  
15 nities Demonstration Program to assist distressed  
16 communities develop the necessary economic base to  
17 compete in the global marketplace.

18           (b) PURPOSES.—The purposes of this Act include the  
19 following:

20           (1) To enable the Economic Development Ad-  
21 ministration to become a more active partner in  
22 bringing community leadership together with com-  
23 petitive growth businesses to build a new competitive  
24 economic base in communities outside the main-  
25 stream of economic growth.

1           (2) To raise the economic aspirations of such  
2           communities beyond the retention of the existing  
3           economic base to building a new competitive eco-  
4           nomic base for the future.

5 **SEC. 3. COMPETITIVE COMMUNITIES DEMONSTRATION**  
6                                   **PROGRAM.**

7           Title IX of the Public Works and Economic Develop-  
8           ment Act of 1965 (42 U.S.C. 3241–3245) is amended—

9                   (1) by redesignating section 905 as section 908;  
10           and

11                   (2) by inserting after section 904 the following:

12 **“SEC. 905. COMPETITIVE COMMUNITIES DEMONSTRATION**  
13                                   **PROGRAM.**

14           “(a) ESTABLISHMENT.—The Secretary shall estab-  
15           lish and carry out a Competitive Communities Demonstra-  
16           tion Program (hereinafter in this section referred to as  
17           the ‘program’) under which the Secretary may make  
18           grants to eligible intermediaries in accordance with the re-  
19           quirements of this section.

20           “(b) ELIGIBLE INTERMEDIARY DEFINED.—In this  
21           section, the term ‘eligible intermediary’ means an eco-  
22           nomic development district established under title IV of  
23           this Act, an Indian tribe, a State, a city or other political  
24           subdivision of a State, a nonprofit organization, or a con-  
25           sortium of any of such entities which demonstrate the fi-

1 nancial expertise, ability, and legal authority to make in-  
2 vestments under the program, as well as the ability to de-  
3 velop and implement a community investment strategy.

4 “(c) USE OF GRANTS.—A grant made to an eligible  
5 intermediary under the program shall be used by the eligi-  
6 ble intermediary to provide financial assistance to high  
7 growth businesses in a distressed community. Such finan-  
8 cial assistance may include loans, loan guarantees, and  
9 payments to reduce interest on loan guarantees.

10 “(d) GRANT APPLICATIONS.—An eligible  
11 intermediary seeking a grant under the program shall sub-  
12 mit to the Secretary a grant application which—

13 “(1) identifies proposed uses of the grant  
14 amounts;

15 “(2) demonstrates that receipt of the grant  
16 amounts would be a determining factor in a business  
17 decision to proceed with an investment in a high  
18 growth business in a distressed community;

19 “(3) demonstrates that the proposed uses of the  
20 grant amounts are part of a community investment  
21 strategy for economic development;

22 “(4) contains assurances satisfactory to the  
23 Secretary that the proceeds from the repayment of  
24 loans made by the eligible intermediary under the

1 program will be used for purposes which are consist-  
2 ent with the purposes of the program; and

3 “(5) is in such form and contains such addi-  
4 tional information as the Secretary may prescribe.

5 “(e) PANEL OF EXPERTS.—

6 “(1) ESTABLISHMENT.—The Secretary shall es-  
7 tablish a panel of experts to review grant applica-  
8 tions submitted to the Secretary under the program.  
9 Such panel shall consist of 7 members as follows:

10 “(A) The Secretary (or the Secretary’s  
11 designee).

12 “(B) The Assistant Secretary for Eco-  
13 nomic Development.

14 “(C) 1 Regional Director of the Economic  
15 Development Administration appointed by the  
16 Secretary.

17 “(D) 1 Economic Development Represent-  
18 ative of the Economic Development Administra-  
19 tion appointed by the Secretary.

20 “(E) 3 private citizens with economic de-  
21 velopment and business expertise appointed by  
22 the Secretary.

23 “(2) DIVERSITY OF MEMBERS.— In making ap-  
24 pointments under paragraph (1), the Secretary shall

1 seek to appoint members with diverse ethnic, cul-  
2 tural, and geographic backgrounds.

3 “(f) SELECTION OF GRANT RECIPIENTS.—

4 “(1) IN GENERAL.—Grant recipients under the  
5 program will be selected by the Secretary on the  
6 basis of recommendations made by the panel of ex-  
7 perts established pursuant to subsection (e) after a  
8 merit-based comparative evaluation of proposed  
9 projects conducted as part of a national competition.  
10 The national competition shall be held on a periodic  
11 basis.

12 “(2) SCORING SYSTEM.—In order to make rec-  
13 ommendations pursuant to paragraph (1), the panel  
14 shall rank the proposed projects by priority using a  
15 scoring system based on criteria described in sub-  
16 section (g).

17 “(3) GEOGRAPHIC BALANCE.—The project scor-  
18 ing system used pursuant to paragraph (2) shall be  
19 weighted to promote a balance among the regions of  
20 the United States and a balance among urban and  
21 rural areas; except that no specific formula may be  
22 used to apportion the projects between urban and  
23 rural areas.

24 “(g) CRITERIA TO BE USED BY PANEL.—

1           “(1) CRITERIA.—In recommending grant recipi-  
2           ents under the program, the panel shall consider the  
3           following:

4                   “(A) The role of the intermediary in the  
5                   community, including the extent to which the  
6                   intermediary has a clearly articulated role in  
7                   the economic development strategy of the com-  
8                   munity and the extent to which such role is  
9                   supported by both private sector and public sec-  
10                  tor leaders in the community.

11                  “(B) The capacity of the eligible  
12                  intermediary to participate in the program.

13                  “(C) The business plans and prospects of  
14                  the businesses which would receive assistance  
15                  from the grant amounts.

16                  “(D) The quantity and quality of jobs to  
17                  be created or retained by the projects.

18                  “(E) The commitment of the businesses to  
19                  remain in the community.

20                  “(F) The level of economic distress in the  
21                  community involved.

22                  “(G) The leveraging of non-Federal funds  
23                  committed to the projects.

24           “(2) SPECIAL CONSIDERATIONS.—In rec-  
25           ommending grant recipients under the program, the

1 panel shall give special consideration to the following  
2 applicants:

3 “(A) Applicants who operate existing re-  
4 volving loan funds.

5 “(B) Applicants who have applied for des-  
6 ignation as empowerment zones or enterprise  
7 communities under subchapter U of chapter 1  
8 of the Internal Revenue Code of 1986 but have  
9 not received such designation because of the  
10 limited number of communities that may receive  
11 such designation.

12 “(C) Applicants who represent commu-  
13 nities adversely affected by the closure or re-  
14 alignment of a military installation or by de-  
15 fense industry cutbacks.

16 “(h) DEADLINES.—

17 “(1) SUBMISSION OF APPLICATIONS.—The Sec-  
18 retary shall publish in the Federal Register dead-  
19 lines for the submission of grant applications under  
20 the program.

21 “(2) APPROVAL OR DISAPPROVAL OF APPLICA-  
22 TIONS.—The Secretary shall approve or disapprove  
23 each grant application received by the Secretary  
24 under the program on or before the 60th day follow-

1       ing the deadline for submission of such grant appli-  
2       cation established pursuant to paragraph (1).

3           “(3) USE OF GRANT AMOUNTS.—Any grant  
4       agreement entered into by the Secretary and an eli-  
5       gible intermediary under the program shall require  
6       that the eligible intermediary provide assistance to  
7       businesses using the grant amounts on or before the  
8       90th day after the date of receipt of such grant  
9       amounts or shall return any remaining portion of  
10      such grant amounts to the Secretary for subsequent  
11      grant awards under the program.

12      “(i) FUNDING.—Of the amounts appropriated to  
13      carry out this title for fiscal year 1995 \$20,000,000 shall  
14      be available to carry out this section.”.

15      **SEC. 4. LOAN GUARANTEE DEMONSTRATION PROGRAM.**

16      Title IX of such Act is further amended by inserting  
17      after section 905, as added by section 3 of this Act, the  
18      following:

19      **“SEC. 906. LOAN GUARANTEE DEMONSTRATION PROGRAM.**

20      “(a) AUTHORITY TO GUARANTEE LOANS.—To the  
21      extent the Secretary considers appropriate to carry out the  
22      economic adjustment purposes of this title, the Secretary  
23      is authorized to guarantee loans made to private borrowers  
24      by private lending institutions, community development fi-  
25      nancial institutions, and other lenders.

1       “(b) ELIGIBLE ACTIVITIES.—Activities for which  
2 loans may be guaranteed under this section include the  
3 development of land and facilities (including machinery  
4 and equipment) for industrial or commercial usage (such  
5 as the construction of new buildings, the rehabilitation of  
6 abandoned or unoccupied buildings, and alterations, con-  
7 version, or enlargement of existing buildings) and the pro-  
8 vision of working capital.

9       “(c) TERMS AND CONDITIONS.—The Secretary may  
10 make loan guarantees under this section upon application  
11 of the lenders and upon such terms and conditions as the  
12 Secretary may prescribe; except that—

13               “(1) no such guarantee shall at any time exceed  
14       90 percent of the outstanding unpaid balance of  
15       such loans; and

16               “(2) no such guarantee shall be provided unless  
17       the lender or the lender’s designee is responsible and  
18       makes adequate provision for servicing the loan on  
19       reasonable terms and for protecting the financial in-  
20       terests of the United States.

21       “(d) FULL FAITH AND CREDIT.—Loan guarantees  
22 provided under this section shall have the full faith and  
23 credit of the United States.

24       “(e) PREFERRED LENDERS.—To the extent feasible,  
25 the Secretary shall conduct the guarantee program estab-

1 lished under this section on a preferred lenders basis and  
2 shall authorize lenders, in accordance with agreements en-  
3 tered into between the Secretary and such lenders, to take  
4 such actions on the Secretary's behalf as the Secretary  
5 considers appropriate, including the determination of eligi-  
6 bility and credit worthiness and loan monitoring, collec-  
7 tions, and liquidation.

8       “(f) FUNDING.—Of the amounts appropriated to  
9 carry out this title for fiscal year 1995 \$10,000,000 shall  
10 be available to carry out this section.”.

11 **SEC. 5. REPORTING REQUIREMENT.**

12       Title IX of such Act is further amended by inserting  
13 after section 906, as added by section 4 of this Act, the  
14 following:

15 **“SEC. 907. REPORTING REQUIREMENT.**

16       “As part of the annual report to be transmitted to  
17 Congress under section 707 of this Act, the Secretary shall  
18 include an assessment of—

19               “(1) the competitiveness of the economic base  
20               of the Nation's distressed areas;

21               “(2) the Nation's progress in encouraging in-  
22               vestment in competitive businesses located in dis-  
23               tressed areas outside the mainstream of economic  
24               growth;

1           “(3) the success of the Competitiveness Com-  
2           munities Demonstration Program authorized by sec-  
3           tion 905, including the number of grants provided  
4           under the program, the distribution of such grants  
5           among geographic regions and among urban and  
6           rural areas, the amount of non-Federal funds lever-  
7           aged using such grants, and the quantity and qual-  
8           ity of jobs created; and

9           “(4) the success of the loan guarantee program  
10          authorized by section 906, including the subsidy cost  
11          of loan guarantees made under the program.”.

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