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Select Committee on Economic Disparity and Fairness in Growth
U.S. House of Representatives
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Memorandum

To: Members, Select Committee on Economic Disparity and Fairness in Growth

From: Select Committee Majority Staff

Subject: May 11, 2022, Select Committee Hearing entitled, **"Bringing Prosperity to Left-Behind Communities: Using Targeted Place-based Development to Expand Economic Opportunity"**

The Select Committee on Economic Disparity and Fairness in Growth will hold a hearing entitled **"Bringing Prosperity to Left-Behind Communities: Using Targeted Place-based Development to Expand Economic Opportunity"** on Wednesday, May 11, 2022, at 12:00 PM ET in Room 2167 in Rayburn Office Building. There will be one panel with the following witnesses:

- **Dr. Tim Bartik,** Senior Economist, W.E. Upjohn Institute for Employment Research; Co-Director, Upjohn Institute's "Place-Based" Research Initiative
- **Mr. Jay Williams,** President and CEO of the Hartford Foundation for Public Giving; former Assistant Secretary of the US Economic Development Administration; former Mayor of Youngstown, Ohio
- **Dr. Tracy Hadden Loh,** Fellow, Brookings Metro, Anne T. and Robert M. Bass Center for Transformative Placemaking
- **Ms. Cheryal Hills**, Executive Director of Region Five Development Commission, National Association of Development Organizations (NADO)
- **Mr. Levon Johnson***,* President and CEO, Greater Elkhart Chamber of Commerce

Overview

Over the last few decades, both American economic opportunity and economic distress have concentrated in separate regions, increasing economic disparity between communities and within them as well. In conjunction with directing economic support to individuals – or people-based policies – the federal government has used targeted policies to support economic and community development in left-behind communities and neighborhoods – or place-based policies. These include geographically targeted tax-incentives, federal grant eligibility for targeted municipalities, and deployed regional planning personnel. This hearing will analyze the existing place-based programs, examine concerns with geographic targeting and implementation, and discuss how future place-based policies can support people-based policies to enhance economic opportunity and resilience for underserved residents of economically distressed regions and neighborhoods.

Introduction: Place Matters

Access to economic opportunity and prospects for upward mobility in America are increasingly shaped by where people live.[1] Growing evidence suggests living in economically distressed areas is associated with adverse health outcomes, lower economic mobility and productivity, and diminished opportunities for innovation and entrepreneurship.[2] Yet, Americans are no longer moving to higher-income regions in pursuit of better economic opportunities at the same rate they did forty years ago.[3] Instead, data show many who live in economically distressed regions were born there and are likely to remain because of their strong community ties.[4] Therefore, economists agree targeted strategies that help bring job opportunities and services to these economically distressed areas are an increasingly important tool for connecting people and communities to economic prosperity.[5]

In research and policy, experts define economically distressed areas in varying ways: they can be counties, neighborhoods (census tracts),[6] ZIP codes, or local labor markets (commuting flow areas),experiencing either high poverty rates, low rates of prime-age (25-54) employment, low per-capita income, low median income, or some combination of these factors.[7] Index measures, such as the Distressed Communities Index by the Economic Innovation Group (EIG),[8] combine multiple dimensions of economic well-being such as poverty rate, changes in employment rate, and educational attainment by ZIP code. Figures 1 and 2 show that even before the COVID-19 pandemic, large swaths of the country were living in places with insufficient jobs and in economically lagging neighborhoods.[9]

Figure 1. Distressed Local Labor Markets (2015-19)

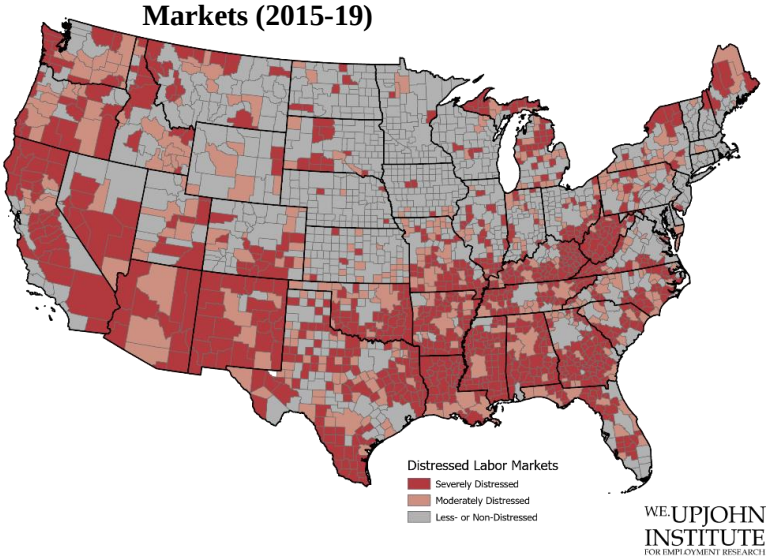

Figure 1 Source: Bartik, Timothy, (US Select Committee on Economic Disparity and Fairness in Growth Testimony,)

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[1] Bartik, Timothy J. "Broadening Place-Based Jobs Policies: How to Both Target Job Creation and Broaden Its Reach." Upjohn Institute Policy Paper 2020-024. November 2020; Summers, Lawrence, Austin, Benjamin, and Glaeser, Edward. "Jobs for the Heartland: Place-Based Policies in 21st-Century America." 2018.

[2] Kennedy, Patrick and Wheeler, Harrison. "Neighborhood-Level Investment from the U.S. Opportunity Zone Program: Early Evidence." April 13, 2022.

[3] Summers, Lawrence, Austin, Benjamin, and Glaeser, Edward. "Jobs for the Heartland: Place-Based Policies in 21st-Century America." 2018.

[4] Zabek, Mike. "Local Ties in Spatial Equilibrium." *Finance and Economics Discussion Series*, vol. 2019, no. 080, 2019.

[5] Summers et al. (2018); Bartik, Timothy J. "Should Place-Based Jobs Policies Be Used to Help Distressed Communities?" 2019.

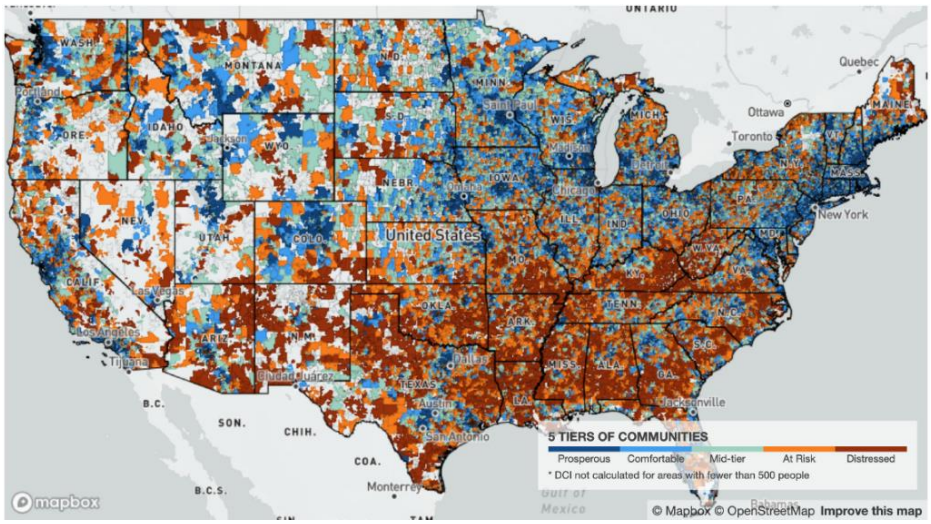
[6] Statistical delineation units for neighborhoods are census tracts which are spatial units of approximately 4,000 residents. For more information, please visit: https://www.census.gov/programs-surveys/geography/about/glossary.html#par_textimage_13 .

[7] Local economic distress is also defined for the purposes of funding eligibility by government agencies. For examples, see CRS report "Federal Resources for State and Local Economic Development."

[8] Kesler, Patrick. "2020 DCI Methodology." *Economic Innovation Group*, April 29, 2022.

[9] Upjohn Institute calculations and technical note: The map classifies as a local labor market any metro area (divided further in some cases into metro divisions) or micropolitan area. Metro and micro areas are further divided at state borders. Outside of metro or micro areas, each county is its own local labor market. Severely distressed local labor markets are those whose employment rate, based on the 2015–2019 American Community Survey (ACS) for "prime-age workers" (ages 25–54), is less than 73.6 percent. Moderate distress is less than 77.6 percent. Underlying data for this map are available on request.

Figure 2. Distressed Communities by ZIP Code (2014-18)



Source: Economic Innovation Group (EIG)

These patterns of local economic distress have persisted or widened between communities across the country since 1980.[10] Over this period, a handful of mostly coastal metropolitan areas became some of the most economically prosperous regions in history, while other places have seen a precipitous economic decline.[11] For instance, prime-age labor force participation in non-metropolitan areas has not rebounded to levels from before the Great Recession. At the same time, urban areas have not only recovered but had seen a nine percent increase in prime-age labor force participation over the same period.[12] Despite these overall economic gains in metropolitan areas, two-thirds of urban neighborhoods continued to suffer from disinvestment and experienced persistent or growing poverty rates. In 2018, poverty rates exceeded 30 percent in nearly 4,300 urban neighborhoods, home to 16 million Americans, with minority communities disproportionately represented.[13]

The driving forces behind negative local economic trends in lagging rural towns, former industrial hubs, and persistently-disinvested neighborhoods are distinct[14] and require targeted policy approaches.[15] Given the growing scale, persistence, and pervasiveness of localized economic distress across America, experts generally recognize the need to complement direct aid to people with place-based development interventions to uplift left-behind communities.[16] When designed and implemented to directly improve economic opportunity for people living in economically distressed communities, place-based policies can improve both the communities themselves and their contribution to national economic performance.[17]

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[10] Manduca, Robert. Place-conscious federal policies to reduce regional economic disparities in the United States, Washington Center for Equitable Growth. January 14, 2021.

[11] Ibid.

[12] Fikri, Kenan, Newman, Daniel, and O'Dell, Kennedy. "Uplifting America's Left Behind Places: A Roadmap for a More Equitable Economy." Economic Innovation Group. February 2021; referencing Pipa, Tony and Geismar, Natalie, Reimagining rural policy: Organizing federal assistance to maximize rural prosperity. Brookings Institution. 2020.

[13] Benzow, August and Fikri, Kenan. "The Persistence of Neighborhood Poverty: Examining the Power of Inertia and Rarity of Neighborhood Turnaround Across Cities." May 2020.

[14] Fikri, Kenan, Newman, Daniel, and O'Dell, Kennedy. "Uplifting America's Left Behind Places: A Roadmap for a More Equitable Economy." Economic Innovation Group. February 2021.

[15] Bartik, Timothy J. 2020. "Broadening Place-Based Jobs Policies: How to Both Target Job Creation and Broaden its Reach." Policy Paper No. 2020-024. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

[16] Summers, Lawrence, Austin, Benjamin, and Glaeser, Edward. "Jobs for the Heartland: Place-Based Policies in 21st-Century America." 2018.

[17] "Regional Development Policy - OECD." *OECD*. Accessed 6 May 2022.

What are place-based policies?

The United States has employed different types of place-based initiatives throughout history: from state and local business tax incentives to spur business activity, to enhanced federal grant eligibility for physical infrastructure to technical assistance for targeted localities. The typical policy goals have been to spur investment and create job opportunities in economically-insecure areas like deteriorating downtown business districts, distressed urban neighborhoods, or regions undergoing economic transition.[18] Other place-based programs have targeted different socioeconomic outcomes, such as improved educational outcomes in neighborhoods.[19] Less commonly, place-based policies "may also seek to enhance even further the economic performance of areas that are already doing well."[20]

Place-based economic development policies have several rationales: first, as previously noted, many people in distressed communities want to remain because of local ties, insufficient resources to move, or higher cost of living in higher-income regions.[21] Further, federal policy incentivizing movement out of distressed communities to more promising areas can start a vicious cycle, as those with means depart a depressed area, decreasing economic potential further and hurting those who remain.[22] Second, state and local governments representing communities that became economically distressed following global and technological economic shifts lost significant tax revenue and economic capacity from the departure of highly concentrated industries like manufacturing, making it difficult to fund key services and economic diversification efforts on their own.[23] Third, extensive research indicates past and present discriminatory policies against racial minorities in housing, commerce and small business lending contributed to the spatial concentration of poverty in urban areas, requiring significant investment to remedy past harm.[24]

Some experts believe place-based policies are potentially less effective than people-based policies[25] that deliver subsidies and services directly to individuals based on qualifying characteristics like income level or family size, such as the Earned Income Tax Credit.[26] One concern raised with targeting aid to places rather than people is the potential for benefits to primarily accrue to new workers and firms drawn by the place-based benefit instead of the people originally targeted.[27] Should this scenario continue without intervention, it could lead to displacing the original residents of the area because of increased costs of living, making their neighborhood unaffordable. Another concern regarding targeting aid by place is the possibility to merely shift economic distress rather than ameliorate it, having one community benefit from government expenditure at the direct expense of another.[28] For example, one state's generous place-specific tax incentives to lure firms and jobs could result in an exodus of firms, talent, and economic activity from another state. This can result in a so-called "race to the bottom" between jurisdictions, expending taxpayer funds while failing to generate additional economic activity.[29] Increasingly, experts argue that the concerns noted above can be resolved through improvement of the designs of place-based

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[18] Neumark, David and Simpson, Helen. "Place-Based Policies." National Bureau of Economic Research. 2014.
[19] "Promise Neighborhoods." *Office of Elementary and Secondary Education*, 20 Jan. 2022.
[20] Neumark, David and Simpson, Helen. "Place-Based Policies." National Bureau of Economic Research. 2014.
[21] Summers, Lawrence, Austin, Benjamin, and Glaeser, Edward. "Jobs for the Heartland: Place-Based Policies in 21st-Century America." 2018.
[22] Bartik, Timothy. "Broadening Place-Based Jobs Policies: How to Both Target Job Creation and Broaden Its Reach." *Upjohn Research*. November 2020.
[23] Nunn, Ryan, Parsons, Jana and Shambaugh, Jay, "The Geography of Prosperity." The Hamilton Project. Brookings. 2018.
[24] Abravanel, Martin D. et al. (including Theodos, Brett). New Markets Tax Credit (NMTC) Program Evaluation. Urban Institute. 2013.
[25] Posen, Adam S. 2021. "Testimony to the Select Committee on Economic Disparity and Fairness in Growth, Hearing on Globalization." Washington, DC, U.S. House of Representatives (September 28).
[26] Neumark, David and Simpson, Helen. "Place-Based Policies." National Bureau of Economic Research. 2014.
[27] Ibid.
[28] Ibid.
[29] Slattery, Caitlin and Zidar, Owen. "Evaluating State and Local Business Incentives," *Journal of Economic Perspectives*, 34(2): 90-118. 2020.

development policies[30] rather than doing away with the approach. Ultimately, well-targeted place-based policies can complement national-level, people-based policies because they help adjust for differences in local costs of living and unique local economic assets and conditions.[31]

Types of federal place-based development initiatives

Although traditionally considered more essential to state- and local-level government policymaking,[32] the federal government uses place-based policies to play a role in supporting local economic development through the tax code, additional federal funding, and personnel with regional convening power.

Tax Incentives

Opportunity Zones

Opportunity Zones is the most recently enacted federal place-based initiative. Created as part of the Tax Cuts and Jobs Act of 2017 (TCJA), its stated purpose is to spur investment in economically distressed census tracts by reducing capital gains taxes for individuals and businesses who invest in qualified Opportunity Zone funds.[33] The legislation empowered each Governor to designate Opportunity Zones among eligible Low-Income Community tracts, initially defined as those with a poverty rate above 20% or median family income (MFI) less than 80% of the area's MFI, and the U.S. Treasury Department would certify their eligibility.[34] In the end, Treasury certified 8,764 Census tracts, or 12% of all tracts, as Opportunity Zones.

Due to the recent enactment of Opportunity Zones and scarce reporting requirements, limited data are available to evaluate their effectiveness. Early evidence suggests that the program has helped engage a wide range of actors in community development efforts and powerfully facilitated the flow of funds into the communities.[35] For example, one study of federal tax records found that in 2019 and 2020, 37% of Opportunity Zones, or 3,242 individual tracts, received some sort of investment, with the average tract receiving $9.1 million and the median tract receiving $1.6 million in direct equity. [36] Of course, that means that 63% of Opportunity Zones received *zero* capital in those years, and a different empirical analysis found no evidence of effects on poverty rates, employment, and average earnings in the tracts that received investment. [37]

Critics of Opportunity Zones note they are structured in a way that has not led to significant investments into operating businesses, smaller and rural projects, and "other types of mission-aligned projects that could deliver maximum community benefit."[38] So far, investors report greater equity and property investments in neighborhoods with relatively higher incomes, home values, educational attainment, and

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[30] Loh, Tracy Hadden and Kim, Joanne. "How We Define 'Need' for Place-Based Policy Reveals Where Poverty and Race Intersect." *Brookings*, 9 Mar. 2022. Austin Turner, Margery, Williams, James Ladi, Milner, Justin, Pizarek, Jessica, and Gardere, Ashleigh. "A Blueprint for the Next Generation of Federal Place-Based Policy." Urban Institute. December 2021.

[31] Summers, Lawrence, Austin, Benjamin, and Glaeser, Edward. "Jobs for the Heartland: Place-Based Policies in 21st-Century America." 2018.

[32] Manduca, Robert. "Place-conscious federal policies to reduce regional economic disparities in the United States." Washington Center for Equitable Growth. January 14, 2021.

[33] Eastman, Scott and Kaeding, Nicole. "Opportunity Zones: What We Know and What We Don't." Tax Foundation. 2022.

[34] For rural tracts, the area MFI is taken to be the statewide median family income. For urban tracts, the area MFI is the larger of the statewide MFI and the metropolitan area MFI.

[35] Theodos, Brett. "Opportunity Zones: Current Status and Options for Reform." Testimony before the US House Ways and Means Committee's Oversight Subcommittee. Urban Institute. November 2021.

[36] Kennedy, Patrick and Wheeler, Harrison. "Neighborhood-Level Investment from the U.S. Opportunity Zone Program: Early Evidence." April 13, 2022. They analyzed 78% of all Opportunity Zone tax filings, representing $41.5 billion in investment.

[37] Freedman, Matthew, Khanna, Shantanu and Neumark, David, The Impacts of Opportunity Zones on Zone Residents (2021). NBER Working Paper No. w28573.

[38] Theodos, Brett. "Opportunity Zones: Current Status and Options for Reform." Urban Institute. November 2021.

pre-existing income and population growth.[39] This may in part stem from the fact that some governors nominated a small number of census tracts with higher median incomes than eligible, but Treasury still approved their designation. Further, investors are overwhelmingly funding real estate projects instead of those with higher local job creation and other direct community benefits, according to a public directory of projects receiving Opportunity Zone funding.[40] Broad project eligibility and a lack of local employment requirements for projects receiving Opportunity Zone funding contribute to this outcome.

Effective evaluation of these investments is in part complicated by the lack of data reporting requirements, which were stripped from the original legislation before being placed in the TCJA. Members of Congress have advocated for a variety of reforms. The original sponsors of the legislation, Senators Tim Scott and Cory Booker, along with Congressmen Mike Kelly and Ron Kind, introduced the "Opportunity Zones Transparency, Extension, and Improvement Act of 2022," which would narrow the eligibility for higher-income tracts and increase reporting requirements on investments, while keeping flexibility for eligible investment projects.[41] Other legislative efforts, like Congressman Jim Clyburn's "Opportunity Zone Reform Act,"[42] would tighten eligibility both for zone designation and acceptable investment projects.

New Market Tax Credits

The New Market Tax Credit (NMTC), enacted as part of the Community Renewal Tax Relief Act in 2000, is another place-based program offering tax incentives to invest in distressed census tracts. Eligibility for NMTC designation is determined by poverty rates, income thresholds, and outmigration patterns (particularly in rural communities).[43] Administered by the Treasury Department, NMTC incorporates community participation through specialized financial intermediaries called Community Development Entities (CDEs), aiming to "attract private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in" the CDEs.[44] The qualifying low-income community investments by CDEs are then made into a nonprofit or for-profit entity within an NMTC-eligible census tract.

A recent Urban Institute study examined the types of projects funded through NMTCs and their subsequent community impact,[45] finding that 52% of funding went to manufacturing, food processing, retail, health care, schools and child care facilities projects. The remaining projects included office and professional services, community facilities, and market-rate housing development. While the authors found considerable positive economic impacts of these NMTC-funded projects, they cautiously noted that an increase in the number of adults with college degrees in the analyzed census tracts might indicate that

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[39] Kennedy, Patrick and Wheeler, Harrison. "Neighborhood-Level Investment from the U.S. Opportunity Zone Program: Early Evidence." April 13, 2022. They analyzed 78% of all Opportunity Zone tax filings, representing $41.5 billion in investment.
[40] "Directory of Qualified Opportunity Zone Funds (QOFs)." *OpportunityDb,* 4 May 2022. This is a voluntary information directory which means that it is potentially incomplete.
[41] "S.4065 - 117th Congress (2021–2022): Opportunity Zones Transparency, Extension, and Improvement Act." *Congress.Gov | Library of Congress.* Accessed May 7, 2022.
[42] "H.R.5042 - 116th Congress (2019–2020): Opportunity Zone Reform Act." *Congress.Gov | Library of Congress*. Accessed May 6, 2022.
[43] Congressional Research Service. "New Markets Tax Credit: An Introduction". June 27, 2019.
[44] U.S. Department of Treasury. "New Markets Tax Credit Program | Community Development Financial Institutions Fund." Accessed May 6, 2022.
[45] Theodos, Brett, et al. "Project: Evaluating the NMTC Program." Urban Institute. 2021.

"the gains following an NMTC project may accrue to new residents rather than preexisting residents."[46] Notably, American Indian reservations have never secured funding through NMTC.[47]

Empowerment Zones

The Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) implemented the federal Empowerment Zone (EZ) program in three competitive rounds following its 1993 enactment.[48] Through the first round of competition, HUD awarded six EZ designations to six urban communities, and USDA to three rural communities. Through the second round, HUD and USDA designated 20 additional EZs (15 urban and five rural), and in the third round, the agencies added nine EZs (seven urban and two rural).[49]

As part of the first EZ designation, the urban communities received $100 million of Title XX Social Services Block Grant Funds, and rural communities received $40 million in addition to enhanced eligibility for federal place-based grant programs. The block grants could be used for a wide range of investments including infrastructure, training programs, and emergency housing assistance.[50] Further, each employee who lived and worked in the EZ was eligible for employment tax credits up to 20 percent of their first $15,000[51] of earned wages for up to ten years. Overall, the literature on the effectiveness of the first round of EZ designations presents mixed results, with some studies showing that clear economic improvements to the distressed areas did not reach the lower-income residents of the EZ areas.[52] However, one empirical assessment on the impact of the first round of EZ designations in the six urban communities found that the program "resulted in substantial increases in zone employment along with increases in the wages of zone residents working in the zone" and "appeared to have successfully transferred income to a small spatially concentrated labor force."[53] Evaluation literature on the impact subsequent designations is still limited.

Additional Federal Funding and Regional Convening Efforts

Four agencies—the Departments of Commerce (Commerce), Housing and Urban Development (HUD), Agriculture (USDA), and the Small Business Administration (SBA)[54]— implement 80 different programs supporting economic development, some with local economic distress focus.

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[46] Theodos, Brett et al. "Evaluating the NMTC Program." Urban Institute. 2021.

[47] Desiderio, Dante. "Written Statement from the US House Select Committee on Economic Disparity and Fairness in Growth: Economic Empowerment for Native Communities: Harnessing Innovation and Self-Governance to Unlock Economic Potential." National Congress of American Indians. April 8, 2022.

[48] Empowerment Zones (EZs) were enacted alongside smaller-scale Enterprise Communities (ECs) and Renewal Communities (RCs); all three programs were based on federally designated geographic areas characterized by high levels of poverty and economic distress, where businesses and local governments may be eligible to receive federal grants and tax incentives. For more information, please see: Congressional Research Service. "Empowerment Zones, Enterprise Communities, and Renewal Communities: Comparative Overview and Analysis." February 14, 2011.

[49] "Empowerment Zones." US Department of Housing and Urban Development. Accessed May 7, 2022.

[50] Busso, Matias, Gregory, Jesse and Kline, Patrick. 2013. "Assessing the Incidence and Efficiency of a Prominent Place Based Policy." *American Economic Review*. 2013.

[51] Ibid. The authors note underline that this was a significant subsidy at the time given that the average worker residing in EZ earned $16,000 per year.

[52] Reynolds, Lockwood C, Rohlin, Shawn M. "The effects of location-based tax policies on the distribution of household income: Evidence from the federal Empowerment Zone program", Journal of Urban Economics, Volume 88, 2015.

[53] Busso, Matias, Gregory, Jesse and Kline, Patrick. "Assessing the Incidence and Efficiency of a Prominent Place Based Policy." *American Economic Review* 103(2). 2013.

[54] U.S. Government Accountability Office (GAO). Efficiency and Effectiveness of Fragmented Economic Development Programs are Unclear. May 19, 2011.

Department of Commerce
A subagency of Commerce, the U.S. Economic Development Administration (EDA) leads the federal economic development agenda, the only federal agency with that singular mandate.[55] EDA provides grants to economically distressed areas to fund a wide range of community-enhancing physical infrastructure, regional economic planning collaboration, and technical assistance projects. The CARES Act increased the agency's funding by $1.5 billion, or five times its regular appropriations, and the American Rescue Plan (ARP) Act of 2021 allocated an additional $3 billion in supplemental funding to assist communities in recovery efforts from COVID-19 induced shocks.[56]

Department of Housing and Urban Development
HUD administers the Community Development Block Grant (CDBG) Program, which provides annual grants on a formula basis to states, cities, and counties to "develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons." The regular appropriations for CDBG are around $3 billion per year. The CARES Act added $5 billion to the program.[57] The agency received an additional $280 million for the Indian Community Development Block Grant under the ARP.

HUD also administers the Promise Zones program, which enhances federal grant eligibility and provides direct technical assistance for designated high poverty communities to improve educational opportunities, leverage private investment, and achieve other goals as identified through a competitive application process.[58] Designed as a partnership between private business, federal, state, local officials, and civil society organizations, the program currently assists 22 communities, including tribal, rural, and urban jurisdictions, with each community assigned a designated federal liaison to assist with implementation. The Obama Administration initially proposed tax incentives to attract businesses and investment to these distressed areas, but Congress did not enact such legislation.

Department of Agriculture
The $4 billion USDA Rural Development (RD) program supports rural communities with loans, grants and loan guarantees "to help create jobs and support economic development and essential services such as housing; health care; first responder services and equipment; and water, electric and communications infrastructure."[59] Under the CARES Act, USDA Rural Development's Business and Industry Loan Program was allocated $20.5 million to support about $1 billion in loan guarantees.[60]

Small Business Administration
Administered by SBA since 1997, the Historically Underutilized Business Zone Empowerment Contracting (HUBZone) program provides small businesses operating in areas with low income, high poverty, or high unemployment with contracting opportunities in the form of set-asides, sole-source awards, and price-evaluation preferences.[61] The primary goals of the program are job creation and increased capital investment in distressed communities. The qualified areas include census tracts, non-metropolitan counties, Indian reservations/Indian Country, military bases closed under the Defense Base Closure and Realignment Act of 1990, governor-designated covered areas, and qualified disaster areas.

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[55] *About* the EDA | U.S. Economic Development Administration." U.S. Economic Development Administration. Accessed May 4, 2022.
[56] EDA Office of Public Affairs and Communications. "EDA American Rescue Plan Programs." U.S. Economic Development Administration. Accessed May 4, 2022.
[57] "Community Development Block Grant Program." *HUD.Gov* / U.S. Department of Housing and Urban Development (HUD). Accessed May 4, 2022.
[58] "Promise Zones (PZ)." *HUD.Gov* / U.S. Department of Housing and Urban Development (HUD). Accessed 5 May 2022.
[59] "About RD." US Department of Agriculture. Oct. 2021. Accessed May 4, 2022.
[60] "H.R.748 - 116th Congress (2019–2020): CARES Act." *Congress.Gov | Library of Congress*. Accessed 9 May 2022.
[61] Congressional Research Service. "Small Business Administration HUBZone Program." Updated February 17, 2022.

SBA grants certifications to eligible HUBZone firms. Over the years, the program has been subject to numerous audits and criticism due to falling short of the goal that qualified HUBZone firms receive three percent of the total value of federal contracts as well as incidents of fraud.[62]

Administrative Concerns

A 2011 US Government Accountability Office (GAO) report found significant overlap, fragmentation, and potential duplication across these and additional programs.[63] In response, EDA established the Office of Economic Development Integration to coordinate federally-supported local economic development efforts and assist communities applying for federal funding.[64]

Another complicating factor in coordinating, implementing, and evaluating current place-based efforts are the varying definitions of local economic distress used by different agencies, often as directed by the different pieces of legislation that created the programs. For instance, per the Public Works and Economic Development Act of 1965, the EDA defines local distress for an area as either having 80% or less of national per-capita income or a 24-month local unemployment rate one percent or more above the national rate.[65] Other agencies apply an index- or rank-based approach to compare local data to national levels, poverty rates, and other socioeconomic data.[66] Further, as noted in the section above, different tax incentive programs use different eligibility criteria, making an apples-to-apples evaluation even more difficult.

International Examples

Similar to U.S. federal place-based policies, the European Union (EU) funds place-based development efforts to reduce regional economic distress within EU member countries.[67] One of the funding streams is the EU cohesion policy which aims "to strengthen economic, social, and territorial cohesion, notably by reducing disparities in the levels of development between regions."[68] Funding for the cohesion policy is disbursed from the EU's budget to less economically dynamic regions and cities to build out transportation infrastructure, invest in human capital, spur research and development, aid private sector investors, and provide technical assistance to local governments. A recent study shows that between 2007 and 2013, the cohesion policy programs increased demand and output, which in turn led to sustained national-level GDP growth, improvements in trade balances, and overall EU GDP growth above preintervention trajectories.[69] Notably, over the long run, the cohesion policy strengthens and creates a positive impact for all EU member states, with the most benefits accruing to the most economically distressed regions.[70]

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[62] Congressional Research Service. "Small Business Administration HUBZone Program." Updated February 17, 2022.
[63] A GAO report from 2021 reiterates its recommendations for better coordination among EDA, HUD, and USDA: "Economic Development: Opportunities for Further Collaboration among EDA, HUD, and USDA." July 30, 2021.
[64] Federal Assistance for Economic Development | U.S. Economic Development Administration." US Economic Development Administration. Accessed May 7, 2022.
[65] Congressional Research Service. "Areas of Economic Distress for EDA Activities and Programs." April 4, 2022; additionally, EDA applies "special need criteria" to determine eligibility for grant funding. For more information, see the referenced report.
[66] Ibid.
[67] "The EU's Main Investment Policy." *Regional Policy - European Commission*. Accessed 8 May 2022.
[68] Monfort, Philippe and Salotti, Simone. Where Does the EU Cohesion Policy Produce Its Impact? Simulations with a regional dynamic general equilibrium model." Publications Office of the European Union. January 26, 2021.
[69] Ibid.
[70] Ibid.