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Part III

Department of Housing and Urban Development

**Notice Inviting Applications: Designation
of Forty Renewal Communities**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4663-N-02]

Notice Inviting Applications: Designation of Forty Renewal Communities

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Notice inviting applications.

SUMMARY: The Community Renewal Tax Relief Act of 2000 (CRTR Act) authorizes HUD to designate up to 40 Renewal Communities within which special tax incentives would be available. This Notice invites applications for designation of nominated areas as Renewal Communities (RCs) in accordance with the designation process described in this Notice.

APPLICATION DUE DATE: To be eligible, a complete application (one original and 2 copies) must be received no later than October 12, 2001. See below for specific procedures applicable to the type of delivery used (e.g., mailed, express mail, overnight delivery). No facsimile (FAX) applications will be accepted for consideration by HUD.

Delivered Applications. Complete applications (one original and two copies) must be received no later than 5:00 PM eastern time, on October 12, 2001. Up until 5:00 PM on the deadline date, completed applications will be accepted at the address and room number specified below.

Mailed Applications. Applications will be considered timely if postmarked on or before October 12, 2001.

Applications Sent by Overnight Delivery. Overnight delivery items will be considered filed on time if received on or before October 12, 2001.

Electronic Submission of Application Information. Information submitted electronically using the RC/EZ On-line Application System must be submitted not later than 5 PM, Eastern Time on October 12, 2001. This is done by hitting the "Submit" button at the appropriate location in the software. The system will not be available after the deadline.

ADDRESSES: *Address for submitting applications.* All paper application materials (one original and two copies) must be submitted to: Department of Housing and Urban Development, Office of Community Planning and Development, c/o Processing and Control Unit, Room 7255, 451 Seventh Street, SW, Washington, DC 20410. Some information may also be

submitted electronically, as provided elsewhere in this notice.

For Application and Other Materials. For a copy of all RC publications, including the Application Guide, Nomination Forms, and the interim rule (24 CFR part 599, published July 9, 2001, 66 FR 35850), please call the Community Connections Information Clearinghouse at (800) 998-9999. The RC publications are also available from HUD's web site at: <http://www.hud.gov/offices/cpd/ezec>. Requests for application materials should be made immediately to allow sufficient time for application preparation. Hearing- or speech-impaired persons should use the Federal Information Relay Service telephone number, (800) 877-8339, to obtain application materials.

The Renewal Community publications consist of:

- (1) This Notice Inviting Applications;
- (2) The Renewal Communities Interim Rule (24 CFR part 599, published July 9, 2001, 66 FR 35850);
- (3) Renewal Communities Application Guide, 2001 (RC Application Guide); and
- (4) Tax Incentive Guide for Businesses in the Renewal Communities, Empowerment Zones, and Enterprise Communities.

FOR FURTHER INFORMATION: For technical questions, contact John Haines, Renewal Community Initiative, Office of Community Planning and Development, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 7130, Washington, DC 20410, (202) 708-6339. Hearing- or speech-impaired individuals may call (800) 877-8339 (the Federal Information Relay Service-TTY). HUD prefers to receive technical questions by email to john_haines@hud.gov or by facsimile (FAX) to (202) 401-7615 or (202) 708-3363, since email or FAX enables the questions and answers to be communicated as rapidly as possible in writing.

SUPPLEMENTARY INFORMATION:

I. General Background

A. Purpose and Authority

Section 1400E of the Internal Revenue Code of 1986 authorizes HUD to designate up to 40 Renewal Communities and provides the process by which the designations are to be made. Section 1400E was enacted by section 101 of the Community Renewal Tax Relief Act of 2000 (CRTR Act), which was part of the Omnibus Consolidated and Emergency Supplemental Appropriations Act for Fiscal Year 2001 (Omnibus Act) (Pub. L. 106-554, 114 Stat. 2763, approved

December 21, 2000). Section 101 adds a new Subchapter X (26 U.S.C. 1400E through 1400J) to Chapter 1 of the Internal Revenue Code of 1986. Although HUD is responsible for the designation process, the Federal tax incentives available in Renewal Communities are administered by the Treasury Department.

Section 1400E establishes population and economic parameters for urban and rural areas to be eligible for designation, and requires that at least 12 of the 40 Renewal Community designations must be rural areas. The size of an area nominated for designation as a Renewal Community is not limited, as long as it has a continuous boundary and meets the population and economic condition requirements provided in the CRTR Act.

B. General Description of Tax Benefits

The tax incentives available in Renewal Communities, administered by the Treasury Department, are authorized in secs. 1400F through 1400J of the Internal Revenue Code, and are generally available during the period beginning January 1, 2002 and ending December 31, 2009. A brief description of these incentives follows:

1. *Zero-percent capital gains rate.* A zero-percent capital gains rate applies with respect to gain from the sale of a qualified community asset acquired after December 31, 2001, and before January 1, 2010, and held for more than five years.

2. *Renewal community employment credit.* A 15-percent wage credit is available to employers for the first \$10,000 of qualified wages paid to each employee who is a resident of the renewal community and also performs substantially all employment services within the renewal community in a trade or business for the employer.

3. *Commercial revitalization deduction.* Each State is permitted to allocate up to \$12 million of "commercial revitalization expenditures" to each renewal community located within the State. A "commercial revitalization expenditure" means the cost of a new building or the cost of substantially rehabilitating an existing building. A taxpayer can elect either to deduct one-half of the commercial revitalization expenditures for the taxable year the building is placed in service or amortize all the expenditures ratably over the 120-month period beginning with the month the building is placed in service.

4. *Additional section 179 expensing.* A Renewal Community business is allowed an additional \$35,000 of section 179 expensing for "qualified renewal property." The term "qualified renewal

property" is similar to the definition of "qualified zone property" used in connection with Empowerment Zones.

5. *Extension of work opportunity tax credit (WOTC).* The high-risk youth and qualified summer youth categories in the WOTC are expanded to include qualified individuals who live in a Renewal Community.

C. Notice of Intent To Apply

Contact persons for State and local governments considering application for designation of an area as a Renewal Community are urged to notify HUD as soon as possible. Follow the instructions for the Notice of Intent to Apply available through HUD's RC/EZ On-line Application System. The system is located within HUD's web site at www.ezrc/hud.gov. Submission of the Notice of Intent to Apply is not mandatory, but it will enable HUD to estimate how many applications to expect and to plan accordingly. Use of the electronic approach for submitting this notice is strongly recommended, since it will enable an applicant to receive a User ID and password so that part of the application can be submitted on line. Contact persons also may submit their contact information (see bottom of page A-3 or A-9 of the RC Application Guide) by facsimile (FAX) to 202-401-7615 or 202-708-3363 or by mail to the following address: U.S. Department of Housing and Urban Development, Mr. John Haines, RC/EZ Team, Room 7130, 451 Seventh St., SW, Washington, D.C. 20410.

D. Overview of Application and Selection Process

The HUD rule at 24 CFR part 599 that implements section 1400E as authorized in the CRTR Act provides a streamlined, two-step process for the designation of nominated areas as RCs. First, the application for RC designation must demonstrate that a number of threshold requirements are met. These threshold requirements concern the location, population and economic characteristics of the area nominated for RC designation, and required certifications made by the nominating State and local governments of actions they have taken or will take in the nominated area. Every application that meets the threshold requirements moves on to the second step, rating and ranking. The rating and ranking is an objective process, based on census data for the nominated area.

The selection of RCs is made in rank order, with two exceptions required by the statute: (1) Of the 40 RC designations that HUD is authorized to make, a preference with respect to the

first 20 designations must be provided to nominated areas that include one or more census tracts from areas that are Enterprise Communities (ECs) or Empowerment Zones (EZs) and, (2) at least 12 RC designations must be in rural areas.

The following sections of this notice provide detailed information on the application requirements and selection procedures for designating an area as a Renewal Community. Individual sections discuss who must submit the application; identifying the area to be nominated; cooperation among the nominating governments and community-based organizations; required certifications; submission requirements; completeness and sufficiency review; threshold requirements; rating; ranking; number of communities to be designated; selection of communities; and notification of designations.

II. Application Requirements

A. Who Must Submit an Application

1. *Each State and local government in which the nominated area is located.* Except as provided in section II.A.2. of this notice, immediately below, an application nominating an area for RC designation must be submitted by one or more local governments and the State or States in which the nominated area is located.

2. *The governing body of an Indian reservation in which the nominated area is located.* In the case of a nominated area located on an Indian reservation, only the reservation governing body must submit the nomination. Any requirements in this notice that would apply to a State and/or local government in which a nominated area is located apply only to the reservation governing body for nominated areas within Indian reservations.

3. *Discussion.* An area that is nominated for RC designation is not limited to being within the jurisdiction of a single local government or a single State. As long as the nominated area meets the requirements of section II.B. of this notice, below, under the heading "Identifying the Area to Be Nominated," it can be located entirely in one State within the jurisdiction of a single local government, or it may cross State and local government boundaries. A "local government" is defined as any county, city, town, township, parish, village, or other general-purpose political subdivision of a State. If a nominated area is entirely within the jurisdiction of a single local government, the application must be submitted by both that local government and its State

government. This does not mean that a nominated area located entirely within the jurisdiction of a city, which in turn is located in a county, must be nominated by the city, the county and the State. In such a case, only the city and State would have to submit the nomination. However, a nominated area that overlapped jurisdictions and was located partially within a city and partially in the county outside the city limits would have to be nominated by the city, county and State.

Areas within Indian reservations are also eligible to be nominated as RCs. For nominated areas that are located on Indian reservations, only the reservation governing body has to submit the application; no other government body, State or local, has authority or responsibility over nominated areas within Indian reservations.

For purposes of submitting the application and the certifications that are part of the application, a responsible official must sign on behalf of each nominating government. A responsible official is someone with the authority to sign the application and certifications on behalf of the nominating government. For example, in the case of a State government, the responsible official could be the governor of the State, or any official or employee with the duly delegated authority to submit and sign the application or certification on behalf of the State. In the case of a tribal government, the responsible official could be the head of the tribal council, or a tribal official or employee that has been authorized to submit and sign the application and certifications on behalf of the tribal government. In every case, the person signing on behalf of the State, tribal or local nominating government must have the authority to do so.

B. Identifying the Area To Be Nominated

1. *Census tracts.* Census tracts are the basic building blocks of RC nominated areas. The first step in identifying an area to nominate for RC designation is to identify the census tracts that will make up the nominated area. Block groups may be used instead of census tracts for Alaska and Hawaii, and block numbering areas are to be used where census tracts are not delineated.

2. *Continuous boundary.* A nominated area must have one continuous boundary, although it may enclose areas that are not included in the nomination.

3. *Population cap.* The total population of any area nominated for RC designation may not be more than 200,000.

4. *Two types of nominated areas.* An RC nominated area may be urban or rural, as defined in sections II.B.5. and II.B.6., immediately following. At least 12 of the 40 available RC designations will be made for rural areas.

5. *Urban area.* To qualify as an urban area, the nominated area must meet the following requirements:

a. The nominated area must have a population of not more than 200,000 and not less than 4,000; and

b. The nominated area is not a rural area.

6. *Rural area.* To qualify as a rural area, the nominated area must meet the following requirements:

a. The nominated area must have a population of not more than 200,000 and not less than 1,000; and

i. If the nominated area is located entirely within a single local government jurisdiction, the jurisdiction must either have a population of less than 50,000 or be located outside a metropolitan area; or

ii. If the nominated area crosses jurisdictional boundaries and is located within several local government jurisdictions, each of those local government jurisdictions either must have a population of less than 50,000 or must be located outside a metropolitan area; or

iii. If the nominated area does not meet the requirements of either sections II.B.6.i. or II.B.6.ii., immediately above, of this notice, the nominated area is determined by HUD on a case-by-case basis, after consultation with the Secretary of Commerce, to be a rural area based on information submitted in the application to demonstrate that the nominated area should be considered as a rural area.

b. The nominated area must be located entirely within an Indian reservation. A nominated area that is entirely within an Indian reservation is not subject to the eligibility requirements of paragraph II.B.6.a., immediately above, of this notice.

7. *Economic condition requirements.*

a. *All nominated areas.* Every nominated area, urban or rural, must meet each the following economic condition requirements:

i. The area must be one of pervasive poverty, unemployment, and general distress. An explanation of how this requirement can be met is in section II.B.8., below, of this notice.

ii. The unemployment rate in the area must be at least one and one-half times (150% of) the national unemployment rate based on 1990 census data.

iii. The poverty rate for each population census tract within the nominated area must be at least 20

percent based on 1990 census data, i.e., at least 9.401 percent.

b. *Urban areas only.* In addition to meeting each of the economic condition requirements of paragraph II.B.7.a., immediately above, of this notice, in an urban nominated area, at least 70 percent of the households living in the nominated area must have incomes below 80 percent of the median income of households within the jurisdiction of the local government, based on 1990 census data.

8. *Pervasive poverty, unemployment and general distress.*

a. *Pervasive poverty.* Pervasive poverty is demonstrated by evidence that:

i. Poverty, as indicated by the number of persons listed as being in poverty in the 1990 Decennial Census, is widespread throughout the nominated area; or

ii. Poverty, as described above, has become entrenched over time (through comparison of 1980 and 1990 census data or other relevant evidence).

b. *Unemployment.* Unemployment is demonstrated by:

i. The most recent data available indicating that the annual rate of unemployment for the nominated area is not less than the national annual average rate of unemployment; or

ii. Evidence of especially severe economic conditions, such as military base or plant closings or other conditions that have brought about significant job dislocation within the nominated area.

c. *General distress.* General distress is evidenced by describing adverse conditions within the nominated urban area other than those of pervasive poverty and unemployment. Below average or decline in per capita income, earnings per worker, number of persons on welfare, per capita property tax base, average years of school completed, substantial population decline, and a high or rising incidence of crime, narcotics use, homelessness, high incidence of AIDS, abandoned housing, deteriorated infrastructure, school dropouts, teen pregnancy, incidence of domestic violence, incidence of certain health conditions and illiteracy are examples of appropriate indicators of general distress. This information may be presented in narrative form, through the use of tables or charts, or through any combination of these options.

9. *Nominated areas in Empowerment Zones (EZs) or Enterprise Communities (ECs).* A local government with an Empowerment Zone or an Enterprise Community designation within its jurisdiction may apply for one of the 40 Renewal Community designations. If,

however, the Renewal Community nominated area contains any census tracts already included in the local government's Empowerment Zone or Enterprise Community, then its Empowerment Zone or Enterprise Community designation ceases to be in effect as of the date that its Renewal Community designation takes effect. In addition, a preference is given for the first 20 Renewal Community designations to nominated areas that are, or that contain portions of, Empowerment Zones or Enterprise Communities, but the nominated area must meet all the Renewal Community requirements as well.

C. *Cooperation Among the Nominating Governments and Community Organizations*

Every application for RC designation must contain a course of action describing the commitment to cooperation in the nominated area by the nominating governments and community organizations that meets the requirements of this section II.C. listed immediately below.

1. *Commitment to a course of action.*

A course of action is a written document, signed by the nominated area's State and local governments, or in the case of a nominated area located within an Indian reservation, the reservation governing body, and community-based organizations which commits each signatory to undertake and achieve measurable goals and actions within the nominated area upon its designation as a Renewal Community.

2. *Community-based organizations.*

For purposes of the course of action, "community-based organizations" includes for-profit and non-profit private entities, businesses and business organizations, neighborhood organizations, and community groups. Community-based organizations are not required to be located in the nominated area as long as they commit to achieving the goals of the course of action in the Renewal Community.

3. *Timetable.* The course of action must include a timetable that identifies the significant steps and target dates for implementing the goals and actions.

4. *Performance measures.* The course of action must include a description of how the performance of the course of action will be measured and evaluated.

5. *Required goals and actions.* The course of action must include at least four of the following:

a. A reduction of tax rates or fees applying within the Renewal Community;

b. An increase in the level of efficiency of local services within the Renewal Community, such as services for residents funded through the Federal Temporary Assistance for Needy Families program and related Federal programs including, for example, job support services, child care and after school care for children of working residents, employment training, transportation services and other services that help residents become economically self-sufficient;

c. Crime reduction strategies, such as crime prevention, including the provision of crime prevention services by nongovernmental entities;

d. Actions to reduce, remove, simplify, or streamline governmental requirements applying within the Renewal Community, such as:

i. *Density bonus*. Permission to develop or redevelop real property at a higher density level than otherwise permitted under the zoning ordinance, e.g., increased height or increased number of residential or business units;

ii. *Incentive zoning*. Providing a density bonus or other real property-related incentive for the development, redevelopment, or preservation of a parcel in the designated area;

iii. *Comprehensive or one-stop permit*. Streamlining construction or other development permitting processes, rather than requiring multiple applications for multiple permits, e.g., for demolition, site preparation, and construction, the developer or redeveloper submits a single application that is circulated for the necessary reviews by the various planning, engineering, and other departments in the county or municipality;

iv. *Variance and exception policies*. Counties or municipalities may pass ordinances that permit variances to or exceptions from certain zoning or other land use limitations. Examples include a reduced building set-back requirement or a reduced requirement for the provision of parking. The policy may be limited to a particular geographic area.

v. *Voluntary environmental compliance program*. A shared or limited environmental liability program, with limited liability from certain legal or administrative action in exchange for undertaking an approved program of environmental investigation, hazard control, and on-going risk reduction activities. Typically, the liability limitation is for future environmental cleanup (and not against lawsuit for damages). Risk of cleanup may be shared by the developer or property owner and the government;

e. Involvement in economic development activities by private entities, organizations, neighborhood organizations, and community groups, particularly those in the Renewal Community, including a commitment from such private entities to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents from the Renewal Community;

f. The gift or sale at below fair market value of surplus real property held by State or local governments, such as land, homes, and commercial or industrial structures in the Renewal Community to neighborhood organizations, community development corporations, or private companies.

6. *Recognition of past efforts*. The course of action is not limited to future goals and actions. Past efforts within the previous eight years, either completed or on-going, of the nominating State or local governments in reducing the various burdens borne by employers and employees in the nominated area by undertaking any of the goals or actions listed in section II.C.5., above, of this notice may be used to meet the course of action requirement. If past efforts are used, the course of action must identify which of the required goals and actions listed in section II.C.5. they address; the timetable for their continued implementation, if on-going; the community-based organizations involved, if any; and an evaluation of their performance and the performance measures used.

D. Required Certifications

Every application for RC designation must include certifications in accordance with the requirements of this section II.D. listed immediately below. Each certification must be signed by a responsible official from each of the nominating governments, that is, a person with the authority to sign the certifications on behalf of the nominating government. The documents with the original signatures must be delivered to HUD. To meet the certification requirements, applicants should use the forms that are provided in the RC Application Guide. Note that Form 1 in the Guide differs for urban and rural nominated areas. Also, the Form 1 in the Guide requires that certain data be attached. This data identifies the nominated census tracts and demonstrates to HUD that the nominated area meets the threshold poverty, unemployment, and in the case of urban areas, income level requirements. This data may be submitted electronically if the applicant uses HUD's RC/EZ On-line Application

System. Form 1 also provides for the submission of information to demonstrate that the nominated area meets the threshold requirement of being an area of "pervasive poverty, unemployment, and general distress."

1. *Certification for economic requirements*. The State and the local governments, or in the case of a nominated area located within an Indian reservation, the reservation governing body, in which a nominated area is located must certify in writing for HUD's acceptance that:

i. The nominated area is an area of pervasive poverty, unemployment, and general distress;

ii. The nominated area has an unemployment rate at least one and one-half times (150% of) the national unemployment rate, based on 1990 census data, i.e., at least 9.401 percent;

iii. The poverty rate for each population census tract within the nominated area is at least 20 percent, based on 1990 census data. In the case of a nominated area that is within an Indian reservation, and cannot equivalently be described with census tracts, the poverty rate of the nominated area taken as a whole is considered for purposes of making this determination; and

iv. In the case of a nominated urban area only, at least 70 percent of the households living in the nominated area have incomes below 80 percent of the median income, as determined by HUD, of households within the jurisdiction of the local government or governments in which the nominated area is located.

2. *Economic growth promotion certification*. The State and local governments, or the reservation governing body, in whose jurisdiction the nominated area is located must certify that they have repealed or reduced, will not enforce, or will reduce within the nominated area, except to the extent that a regulation of businesses and occupations is necessary for and well-tailored to the protection of health and safety, at least four of the following actions in paragraphs II.D.2.a. through e., below.

With respect to past actions taken, the eight year period described in section II.C.6., above, applies. In addition, the nominating governments may modify the Certification of Economic Growth Promotion Incentives in the Application Guide by striking out " , for at least the period that the area is designated as a RC". The certification will often refer to efforts that will be taken in the future, and the "period that the area is designated as an RC" applies to the entire process involved in such efforts, which may take years, and not just the

end result. Also with respect to future actions to be taken, HUD fully expects that these actions will be completed, but also recognizes the practical difficulties of guaranteeing future events, and the interim rule at § 599.509 provides for requests to HUD to modify the State and local commitments made at the time of application. Such requests must provide evidence to support the proposed modifications. HUD will review the proposed modification for consistency with regulatory and statutory requirements and approve, suggest additional or alternate modifications or deny the request within 30 days:

- a. Licensing requirements for occupations that do not ordinarily require a professional degree;
- b. Zoning restrictions on home-based businesses which do not create a public nuisance;
- c. Permit requirements for street vendors who do not create a public nuisance;
- d. Zoning or other restrictions that impede the formation of schools or child care centers; and
- e. Franchises or other restrictions on competition for businesses providing public services, including taxicabs, jitneys, cable television, or trash hauling.

3. *Public notice of RC application certification.* An application must include a certification, signed by a responsible official or employee of each nominating State and local government or reservation governing body in whose jurisdiction the nominated area is located, that the public was provided notice of, and an opportunity to participate in, the application development process. For the purposes of this certification, notice and opportunity to participate may include procedures such as placing announcements in newspapers or other media, holding public meetings, and soliciting comments.

4. *Certification requirement for crime incidence.* If preference points are being sought for the nominated area because it qualifies for preference points in accordance with section II.E.2.a., below, of this notice, each nominating State and local government must certify to the 1999 Local Crime Index rate per 100,000 inhabitants (LCI) determined for the nominated area.

E. Submission Requirements

1. *Identification of nominated area.* HUD must receive a listing of the census tracts that identify the area nominated for RC designation. To assist applicants, HUD's RC/EZ On-line Application System allows for the electronic identification and submission of

nominated areas. The RC/EZ On-line Application System can also be used as a tool to plan areas for potential nomination. The system is located within HUD's web site at www.ezrc.hud.gov. HUD strongly urges prospective applicants to use the system to electronically prepare and submit the data for the application, since this will reduce the potential for errors. Use of the electronic approach is recommended but not required. The RC Application Guide also contains paper forms for listing the census tracts to be nominated and for determining whether the nominated area meets the requirements described in this notice, but the submission of this information to HUD electronically is preferred and permits HUD to confirm that the nominated area is eligible more quickly. In addition, a map showing the boundaries of the nominated area must be submitted with the application. If the nominated area is being nominated as a rural area under a case-by-case HUD determination procedure in accordance with section II.B.6.iii., above, because it does not meet the requirements of either sections II.B.6.i. or II.B.6.ii., the application must include information to demonstrate that the nominated area should be considered as a rural area.

a. *Certification to economic condition requirements.* Two of the three economic condition requirements that a rural nominated area must meet (poverty rate and unemployment rate), and three of the four economic condition requirements that an urban nominated area must meet (poverty rate, unemployment, and income levels) under section II.B.7., above, are addressed by submitting the certification for economic requirements in accordance with section II.D.1., above.

b. *Response for pervasive poverty, unemployment and general distress.* To meet the economic condition requirement that a nominated area is an area of pervasive poverty, unemployment and general distress, applicable to both urban and rural areas, the application must include a response using narrative, tables or charts, or any combination of these, that demonstrates the area is one of pervasive poverty, unemployment, and general distress in accordance with section II.B.8., above, of this notice.

c. *More than one nominated area.* Only one area may be nominated for RC designation by the same State and local governments. If the nominating governments submit more than one application, HUD will request the responsible officials to designate which application they want HUD to review

and rate and rank in accordance with the procedure for corrections to deficient applications under section III.A. of this notice. If a single application is not designated within the correction period, all of the applications will be ineligible for further consideration.

2. *Course of action.* HUD must receive a course of action for the nominated area that meets the requirements of section II.C., above, of this notice.

3. *Certifications.* HUD must receive at least the certifications described in sections II.D.1., II.D.2. and II.D.3., above, of this notice.

III. Selection Procedures

HUD will select nominated areas for RC designation in accordance with the following procedures:

A. Corrections To Deficient Applications

HUD will notify an applicant in writing, or by FAX, of any technical deficiencies in the application, and HUD will maintain a log of such communications.

The notification will specify the date by which HUD must receive the applicant's correction of all technical deficiencies, which shall be within five (5) calendar days from the date of HUD's notification. If the fifth day falls on a Saturday, Sunday, or holiday, the correction must be received by HUD on the next business day. The date and time of receipt of corrections by HUD shall be determined in the same way as the receipt of the application.

Technical deficiencies relate to items that are not necessary for HUD review under the rating factors and that would not improve the substantive quality of the proposal. Examples of technical deficiencies would be a failure to submit proper certifications or failure to submit an application containing an original signature by an authorized official.

If any of the items identified in HUD's written notification of technical deficiencies are not corrected and submitted within the correction period, the application will be ineligible for further consideration.

B. Threshold Requirements

To qualify for rating and ranking, an application must demonstrate that all of the RC application threshold requirements are met. These threshold requirements are:

1. *Submission by all necessary parties.* In accordance with section II.A., above, of this notice, the application must be submitted by one or more local governments and the State or States in which the nominated area is located or,

in the case of a nominated area located within an Indian reservation, by the reservation governing body.

2. *Nominated area meets all necessary requirements.* The nominated area must meet all of the applicable boundary, population and economic condition requirements, depending upon whether the nominated area is rural or urban, of section II.B., above, of this notice.

3. *Submission of course of action.* A course of action that meets the requirements of section II.C., above, for the nominated area must be submitted by the application due date.

4. *Submission of all necessary certifications.* The certifications described in sections II.D.1., II.D.2., and II.D.3., above, of this notice must be submitted by the application due date. The crime incidence certification described in section II.D.4 is optional, and is only required if the application wants to qualify for crime incidence preference points as described in section II.F.2.a., above, of this notice.

C. Rating

Each application that meets the threshold requirements identified in section III.B., above, of this notice, by the application due date will be rated and receive a final score consisting of its ranking score plus any preference points, as described below in this section:

1. *Ranking score.* Each nominated area meeting the thresholds will be ranked from highest to lowest according to the area poverty rate, area unemployment rate, and for urban areas, the percentage of families below 80 percent of area median income. Urban nominated areas will be ranked separately from rural nominated areas. The *percentile rank* will be determined by dividing these rankings by the total number of nominated areas ranked and multiplying the result by 100. The *average ranking* will be determined by computing the simple average of the percentile ranks for each nominated area. To create a 100 point scale, the average rankings will be subtracted from 100.

2. *Preference points.* Preference points will be added in accordance with sections III.C.3. and III.C.4., below, to the ranking score determined under section III.C.1., above, to determine the final score of a nominated area.

3. *Incidence of crime.* A nominated area may receive a maximum of 1, 2, or 4 crime incidence preference points as follows:

a. *One point awarded.* A nominated area will receive 1 additional point if its 1999 Local Crime Index per 100,000 inhabitants (LCI), as determined on the

basis of data from one or more State and local law enforcement authorities with jurisdiction in the nominated area, does not exceed by more than 25% the nation-wide 1999 Crime Index rate per 100,000 inhabitants (CI) prepared as part of the FBI's Uniform Crime Reporting (UCR) Program. The CI is 4,266.8. To meet this requirement, the LCI must be more than 4,693.48 and less than 5,334.

b. *Two points awarded.* A preference of 2 points will be added to the score of a nominated area with an LCI that does not exceed the CI by more than 10 percent. To meet this requirement, the LCI for the nominated area must be at least 4,266.8 and not more than 4,693.48.

c. *Four points awarded.* A nominated area that has an LCI that is less than the CI will receive 4 preference points. To meet this requirement, the LCI for the nominated area must be less than 4,266.8.

d. *Qualifying for crime incidence preference points.* To qualify for preference points based on the incidence of crime, the nominating governments must determine and then certify to the LCI determined for the nominated area, in accordance with section II.D.4., above, of this notice. The LCI for the nominated area is determined as follows:

i. Since the nominated area is made up of census tracts, the number of LCI crimes for 1999 in each census tract of the nominated area is counted and then added together to get the total number of LCI crimes for the nominated area.

ii. To make a valid comparison of the LCI and the CI, the same types of crimes must be counted. The offenses used in determining the CI, and which therefore must be used in determining the LCI, are the violent crimes of murder and nonnegligent manslaughter, forcible rape, robbery, and aggravated assault, and the property crimes of burglary, larceny-theft, motor vehicle theft, and arson.

iii. Once the total number of LCI crimes for the nominated area is determined, that total number must be converted to the rate per 100,000 population. For example, if the number of LCI crimes for the nominated area is 500, and the population of the nominated area (the population of each census tract in the nominated area added together) is 50,000, the LCI for the nominated area is 1000 per 100,000.

4. *Preference points for certain census tracts.* A nominated area will receive one preference point if any of its census tracts is a census tract identified in GAO Report RCED-98-158R, dated May 12, 1998. This list of tracts is available from

HUD's website at www.hud.gov/offices/cpd/ezec.

D. Ranking

1. *Initial ranking order.* Rural and urban applications will be ranked separately according to their final scores as determined in accordance with section III.C., immediately above, with the highest scoring applications ranked first.

2. *Separate ranking categories.* After initial ranking, both rural and urban applications will be separated into two ranking categories:

a. *Category 1.* Applications for designation of nominated areas that include one or more census tracts from areas that are Enterprise Communities or Empowerment Zones will be placed into Category 1 in rank order.

b. *Category 2.* Applications for designation of nominated areas that are not placed into or selected from Category 1 will be placed into Category 2 in rank order.

E. Number of Renewal Communities To Be Designated

The total number of Renewal Communities to be designated, and the distribution of designations between urban and rural areas are as follows:

1. *Total number.* The total number of nominated areas to be selected for designation as Renewal Communities is 40.

2. *Rural areas.* HUD will select at least 12 rural areas for designation as Renewal Communities. If HUD does not receive at least 12 eligible rural area applications for Renewal Community designation, the number of rural area designations will be the number of eligible rural area applications received by HUD.

3. *Urban areas.* The number of urban areas selected for designation as Renewal Communities will be the number remaining after subtracting the number of rural areas selected from 40.

4. *Less than 40 eligible applications.* If HUD receives fewer than 40 eligible applications nominating areas, the total number of nominated areas to be selected for designation as Renewal Communities will be the total number of eligible applications.

F. Selection of Renewal Communities

1. Selection of Category 1 applications.

a. *Six or less rural nominations.* If there are six or fewer Category 1 rural area nominations, HUD will select all of the nominated rural areas in Category 1 for designation as Renewal Communities. HUD will then select the highest ranking Category 1 urban area

nominations, but will not exceed a total of 20 Category 1 designations.

b. If there are more than six Category 1 rural area nominations, HUD will select the six highest ranked Category 1 rural applications, and will then select, in rank order, the highest ranking Category 1 area nominations, whether urban or rural, until not more than a total of 20 Category 1 designations is made.

2. *Selection of Category 2 applications.* After not more than 20 Category 1 designations are made in accordance with paragraph (a) of this section, any remaining Category 1 applications will be placed back in rank order into Category 2, with selections for a combined Category 1 and Category 2 total of not more than 40 designations made as follows:

a. *Less than six Category 1 rural applications.* If the number of rural area applications selected in Category 1 is less than six, HUD will select the highest ranking rural area applications in Category 2 until the total number of rural areas selected is 12. The remaining designations will be made from both rural and urban areas in rank order. If there are fewer than 12 eligible rural applications overall, counting both Category 1 and Category 2, all of the eligible rural applications will be selected.

b. *Six or more Category 1 rural applications.* If the number of rural area applications selected in Category 1 is six or more, HUD will select the six highest Category 2 rural applications. The remaining designations will be made from both rural and urban areas in rank order.

G. Notification of Renewal Community Designations

1. *Notification and effective date.* HUD will notify each applicant of the

designation of its nominated area as a Renewal Community. The effective date of designation as a Renewal Community is the date a nominated area is selected in accordance with section III.F., above, of this notice.

2. *Federal Register publication.* In addition to any other form of notification, HUD will publish a notice of the designation of Renewal Communities in the **Federal Register**.

IV. Findings and Certifications

A. Paperwork Reduction Act

The information collection requirements contained in this notice have been approved by the Office of Management and Budget under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520) and assigned OMB control number 2506–0173. This approval has been granted on an emergency basis through July 31, 2001. In addition, HUD is seeking regular, non-emergency approval for these information collections. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

B. Catalog

The Catalog of Federal Domestic Assistance Program number assigned to this program is 14.244.

C. Environmental Impact

This notice provides for the designation of Renewal Communities under 24 CFR part 599 which does not contain environmental review provisions because it concerns activities that are listed in 24 CFR 50.19(b) as categorically excluded from environmental review under the

National Environmental Policy Act of 1969 (42 U.S.C. 4321) (NEPA). Accordingly, under 24 CFR 50.19(c)(5)(ii), this notice is categorically excluded from environmental review under NEPA.

D. Documentation and Public Access Policy

(1) *Documentation and public access requirements.* HUD will ensure that documentation and other information regarding each application submitted pursuant to this Notice are sufficient to indicate the basis upon which assistance was provided or denied. This material, including any letters of support, will be made available for public inspection for a 5-year period beginning not less than 30 days after the award of the assistance. Material will be made available in accordance with the Freedom of Information Act (5 U.S.C. 552) and HUD's implementing regulations in 24 CFR part 15.

(2) *Disclosures.* HUD will make available to the public for 5 years all applicant disclosure reports (HUD Form 2880) submitted in connection with this Notice. Update reports (also Form 2880) will be made available along with the applicant disclosure reports, but in no case for a period less than 3 years. All reports—both applicant disclosures and updates—will be made available in accordance with the Freedom of Information Act (5 U.S.C. 552) and HUD's implementing regulations at 24 CFR part 15.

Dated: August 1, 2001.

Mel Martinez,

Secretary.

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