

# Economic boost for Watsonville

## HUD designation means funds for jobs, business opportunities

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WATSONVILLE — Efforts to create desperately needed jobs in the Pajaro Valley received a surprising boost Tuesday from the U.S. Department of Housing and Urban Development.

HUD designated El Pajaro Community Development Corp. of Watsonville, which specializes in helping people start and maintain their own businesses, as one of 20 community development corporations in the country.

The designation means that El Pajaro can receive up to \$2 million in loans from individuals and businesses. Investors then would get a 5 percent annual tax credit on the loans for 10 years.

Donors also can make outright contributions that would be deemed charitable by the Internal Revenue Service, said Pam Salsedo, director of El Pajaro.

Donner Buchet of HUD said Tuesday from Washington, D.C., that 165 applications were received for the designation, which is restricted to creating job and business opportunities. He said the main criteria were programs already in place to benefit low-income persons, and future programs that were proposed in the application.

"This is very exciting," Salsedo said. "It means that we can do a lot more things than we had anticipated being

'It means that we can do a lot more things than we had anticipated being possible.'

— Pam Salsedo, El Pajaro Community Development Corp.

possible."

Much of the hardest work lies ahead, Salsedo said, because it is up to El Pajaro to solicit the loans and donations.

"Now we've got to set out a strategy and get moving," she said.

El Pajaro, formed in 1979, has assisted about 200 people with existing or start-up businesses, Salsedo said. Since the 1989 earthquake, she said, the focus has moved from technical assistance and loan packaging to entrepreneurial training and helping small businesses that are foundering.

"People (whose businesses were hurt by the quake) couldn't even qualify for emergency aid because their operations weren't sound," she said. "At that point, we decided to back up and focus on business-plan development."

One example, she said, was El Pajaro's work with a fruit-stand operator who has expanded from one stand to several and added two full-time employees.

One project that could immediately benefit from El Pajaro's new status is a proposed "business incubator" that would offer technical assistance, training and mentor groups. El Pajaro wants to erect a 15,000-square-foot building on a vacant lot at the intersection of East Beach and Union streets. About 15 small-business owners would operate at that site.

El Pajaro's inclusion in the CDC program could lead to more federal attention for Watsonville, which has struggled to rebuild since the 1989 earthquake and has an unemployment rate of over 20 percent.

Of the 20 organizations chosen, eight are in rural areas. Urban areas include Los Angeles, Washington, D.C., Miami, Chicago and the New York City borough of Brooklyn.

Watsonville often has been in a funding no-man's-land because it is relatively isolated and both rural and urban in character. A city of 32,000, its primary industry is agriculture.

Ned Madonia, the city's director of housing and economic development, said he hadn't studied the CDC program in detail because El Pajaro's inclusion seemed to be such a long shot, given the number of applicants.

"We're very pleased for them and I think it can be a substantial benefit (for Watsonville)," he said. It relates to us indirectly because it's part of the same redefining on how social service and community development agencies get their funding."

Watsonville has been trying to become part of the state and national enterprise-zone programs, which provides tax credits for businesses that move into or expand in the zone. Those programs are not related to the El Pajaro designation, but Tuesday's announcement means that federal agencies are aware of Watsonville's plight, Salsedo and Madonia said.

"When there's an application for various other grants, having a CDC puts (Watsonville) in a stronger position," Salsedo said.

The city and El Pajaro have been working closely for some time, and Salsedo said that was an important factor in getting the federal designation.

Madonia said the city will try to give El Pajaro any help that it requests as it tries to line up investors.