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Interim Assessment of the Empowerment Zones and Enterprise Communities (EZ/EC) Program: A Progress Report

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Interim Assessment of the Empowerment Zones and Enterprise Communities (EZ/EC) Program: A Progress Report

November 2001

Prepared for
U.S. Department of Housing
and Urban Development
Washington, DC 20410

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FOREWORD

The Department of Housing and Urban Development (HUD) recently completed an "Interim Assessment of the Empowerment Zones (EZs) and Enterprise Communities (ECs) Program." Congress established this program in the Omnibus Budget Reconciliation Act of 1993. Six urban EZs and 65 urban ECs were designated in December 1994 for a 10-year period. This study reports on progress in all six EZs and 12 of the ECs through approximately the first five years of the program.

Initiated in 1996, the study was not designed to answer definitively the question: "Are EZs and ECs effective in revitalizing distressed urban areas?" Nonetheless, the report measures job growth in the EZs over the period between 1995 and 2000. It also reports information from a two-stage survey of businesses operating in the six EZs, including information on their use of tax incentives. Finally, the report presents information developed by the 18 on-site research teams and annual progress reporting by the grantees on the strategies pursued in the EZs and ECs, on citizen involvement, and on programmatic accomplishments, such as the number of businesses assisted and the number of houses developed.

The report does not reach definitive conclusions as to whether the, EZ/EC program has been effective in reaching its goals, in part because the assessment covers only the first five years of a 10-year program, and in part because the interim findings are mixed in their implications. However, the information presented in this report should be useful to policy makers as they consider the community revitalization policies that will shape the future of America's cities.

Lawrence L. Thompson
Lawrence L. Thompson
General Deputy Assistant Secretary

Acknowledgments

This Interim Assessment Report on the Empowerment Zones and Enterprise Communities (EZ/EC) Program is the product of contributions from a number of individuals, and it is appropriate to acknowledge these contributors for their valuable assistance in the research effort.

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In addition, we would like to thank all the Federal, state and local officials, governance board members, zone businesses, representatives of community organizations, and local zone residents who aided the research immeasurably with their valuable insights regarding the zone program efforts, and their assistance in accessing local data sources.

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Chapter 4: Strategic Vision for Change:
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Chapter 5: Economic Opportunity:
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Chapter 6: Community-Based Partnerships:
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Chapter 7: Sustainable Community Development:
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Chapter 8: Universe Analysis:
Scott Hebert, Abt Associates Inc.
Chapter 9: General Conclusions and Recommendations:
Scott Hebert, Abt Associates Inc.

Appendix A: Reliability of Employment Estimates from the Dun & Bradstreet Data:
Greg Mills, Abt Associates Inc.
Appendix B: Selection of Comparison and Contiguous Areas:
Greg Mills, Abt Associates Inc.
Appendix C: Business Establishment Survey Sampling, Administration, and Analysis Methodology:
Debbie Gruenstein, Abt Associates Inc.
Appendix D: Local Analysis Methodology:
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Appendix E: EZ/EC Activities by Site:
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Appendix H: Multivariate Analysis: Ownership and Employment:
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Contents

Part III — Integrating the Study Findings

Executive Summary

The Empowerment Zones and Enterprise Communities (EZ/EC) program was designed by the Federal Government to encourage comprehensive planning and investment aimed at the economic, physical and social development of the neediest urban and rural areas in the United States. Under the initial round of funding announced in December 1994, 71 urban sites received EZ/EC designation[1]. The major share of the federal funding went to the six sites designated as Empowerment Zones (EZs) and the remaining funds went to Enterprise Communities (ECs). Although considerable latitude has been afforded to these sites regarding the selection of specific strategies and activities to pursue, each funded community's efforts at zone transformation were expected to reflect four key principles:

- Economic opportunity
- Community-based partnerships
- Sustainable community development, and
- A strategic vision for change.

In 1996, the U.S. Department of Housing and Urban Development selected a team led by Abt Associates to conduct an Interim Assessment of the first round of urban EZ/EC sites. The assessment examined the activities of these EZ/EC sites and the progress that they achieved after the first five years of program operations. As its name implies, the Interim Assessment was not intended to provide a definitive evaluation of the extent to which EZ/EC program activities contributed to outcomes reported. That task is expected to be the focus of a separate study conducted after 10 years of program operations. Nonetheless, the data reported in the Interim Assessment provide some preliminary insights into how the EZ/EC activities may be contributing to the transformation of the targeted neighborhoods.

The Interim Assessment has been a multi-faceted study, including the analysis of data from performance reports for all 71 first round sites and detailed local analyses in a sample of 18 intensive study sites, all six EZs and 12 of the ECs[2]. It has also included a time series analysis of indicators of business activity and surveys of business establishments in the EZ sites. Key findings from the various components of the study are summarized next.

[1] At the same time, Economic Development Initiative funds were also given to five Enterprise Communities and Los Angeles (City and County), California, creating a total of 72 sites generally regarded as associated with the first round of the program, but only 71 received formal designation as specified in the authorizing legislation.

[2] The six Empowerment Zones were located in: Atlanta, GA; Baltimore, MD; Chicago, IL; Detroit, MI; New York City, NY; and Philadelphia, PA-Camden, NJ. The Enterprise Communities studied were: Cleveland, OH; Boston, MA; Burlington, VT; Charlotte, NC; Dallas, TX; Louisville, KY; Minneapolis, MN; Oakland, CA; San Diego, CA; San Francisco, CA; Seattle, WA; and Tacoma, WA.

Summary of Study Findings

The findings of the interim impact assessment were mixed in their implications. Among the findings that are consistent with a positive impact of the EZ/EC interventions are the following:

Business, Job, and Employment Growth

- Job growth occurred in five of the six EZs and in the six EZs in the aggregate. (Employment grew in New York, Philadelphia, Baltimore, Atlanta, and Detroit, and declined in Chicago.)
- Job growth in four of the six EZs outpaced job growth in comparison and contiguous areas. (The Chicago and Philadelphia EZs did worse than their comparison areas.)
- The number of EZ residents employed in EZ businesses has increased markedly.
- The number of both EZ resident- and minority-owned businesses increased substantially across the six EZs.

EZ Initiatives and Business and Workforce Outcomes

- Business and workforce development activities were widespread across the 18 EZ/EC intensive study sites.
- Business owners in the EZ sites reported that the climate for doing business in their zones had improved.
- Workforce development activities have assisted and placed as many as 16,000 EZ/EC residents in jobs, both inside and outside of the EZ/ECs in the 18 intensive study sites.

Other Important Findings

- The 18 EZ/EC intensive study sites conducted a broad array of "sustainable community development" activities, including a variety of human services and education activities, physical improvement projects, housing and health initiatives, and public safety efforts.
- Federal requirements for citizen participation increased opportunities for residents and community organizations to be involved in the EZ/EC decision-making process.
- Extensive private and State and local government resources were leveraged as part of local EZ/EC Initiative activities.

Findings that are consistent with little or no positive impact of the EZ/EC Initiative, or of the significant challenges faced by EZ/EC grantees, include the following:

Business, Job, and Employment Growth

- During the period studied (1995-2000), there was a general economic upturn in the Nation generally and large cities specifically, making it difficult to attribute employment growth to the EZ initiative. The analysis of comparison and contiguous areas for each EZ site was an attempt to partially address this issue.
- In only three of the six EZs were increases in employment correlated with specific EZ programmatic activities. Moreover, in some of the EZs, such as Atlanta, employment increases may have been attributable to non-EZ activities.

EZ Initiatives and Business and Workforce Outcomes

- The EZs continue to struggle with the special challenges of placing the long-term unemployed in jobs. Although many sites used EZ resources to implement workforce development activities targeted to this population, this remains one of the most significant hurdles for EZs to overcome.
- Businesses in the six EZs made only limited use of the program's Federal tax incentives. Eleven percent reported using EZ employment credits; four percent reported using Section 179 expensing; and three percent reported using Work Opportunity Tax Credits (WOTC). (However, larger firms, especially those with more than 250 employees, reported using tax incentives more frequently.)
- More than half of the relatively few businesses using tax incentives reported that the credit was of little or no importance in affecting their hiring or investing decisions.
- In the survey of zone businesses conducted in 2000, 65 percent of all EZ businesses reported no benefits from being in the EZ.

Other Important Findings

- Citizen participation in local EZ/EC initiative decisionmaking generally decreased from the strategic planning process to the program implementation stage.
- There is little evidence to indicate that major reform or "reinvention" occurred at either the Federal or local level as a consequence of the EZ/EC initiative.
- Zone programs have relied heavily on engagement with nonprofit and private partners. Creating and maintaining these partnerships has required significant time and effort. Building internal capacity within community organizations to undertake such long-term partnerships has been an area requiring special attention, but not many sites invested heavily in such efforts.

The following sections present the Interim Assessment's findings on how the 18 intensive study sites (particularly focusing on the six EZ sites) implemented the four key EZ/EC principles: assessing the creation of jobs and economic opportunity for zone residents; developing community-based partnerships; sustaining community development; and developing a strategic vision for change.

Economic Opportunity and Vitality

Although the EZ/EC program supports the pursuit of a variety of locally-defined revitalization goals, improving the economic vitality of targeted communities and increasing the economic well-being of their residents is the program's central purpose. For insight into the experience of the zones relative to employment growth during the five years since designation, the study analyzed Dun & Bradstreet establishment level data for the six first-round EZ communities. This analysis found that:

- *Between 1995 and 2000, total employment grew in five of the six EZ areas and in the combined six-area total.*

- *Moreover, for five of the six zones and for the six-area total, the employment trend in 1995-2000 was more favorable than it had been in 1990-1995, the period prior to EZ designation.*

These findings indicate that the zones are generally experiencing the kinds of employment growth that had been desired when the EZ/EC program was first proposed. To determine whether such patterns were the result of metropolitan-wide or national economic trends or of changes specific to the zones themselves, the study assessed the experience of the zones against that of comparison areas within the same cities, and of areas contiguous to the zones. This analysis found that:

- *During the period 1995-2000, four of the six zones, and the six-area total, experienced a higher rate of employment growth than the corresponding comparison areas.*

- *Further, in these four EZs and in the six-area total, employment accelerated faster between 1990-1995 and 1995-2000 than in the comparison areas.*

Similar results were found in the contiguous areas. Although the observed employment trends are consistent with a finding of favorable EZ program effects, one cannot draw this interpretation on the basis of the Dun & Bradstreet analysis alone. The use of comparison areas and outcomes measured in rates of change are relatively crude techniques for isolating program effects. Undoubtedly, there were other developments unrelated to the local EZ program, but coincident with it, that may have had favorable or unfavorable effects on the zone area but not in the comparison or contiguous areas.

Also, although the Dun & Bradstreet analysis can demonstrate that some zone areas outperformed their comparison area and contiguous area counterparts relative to employment growth, these data do not help to explain *how* the EZ program might have been influential in contributing to the changes observed. Nor does the Dun & Bradstreet analysis provide any information regarding whether zone residents are the beneficiaries of the employment growth observed.

The local EZ programs have many dimensions that could potentially contribute to improvements in the economic climate and activity within the zone. These include: Federal tax incentives; financing, technical assistance, training and other forms of support available through the local zone program; and the additional attention and resources devoted to the area as a result of designation. Despite this array of potential tools, however, it is important to recognize that the EZ program still represents a relatively limited intervention that is seeking to influence local economies in very poor areas involving thousands of establishments and tens of thousands of employees.

To develop a plausible argument for the contributions that are being made by the EZ sites, the study sought to gather additional information on the local economies and zone program interventions in two ways. One method involved the administration of two rounds of surveys (one in 1997/98 and one in 2000) to a representative sample of business establishments in each of the six EZs. A second approach entailed detailed local analyses of zone activities and accomplishments in 18 "intensive study" sites, including the six EZ sites.

The data for the individual EZ sites from these other study components provide evidence that bolsters confidence in the basic accuracy of the Dun & Bradstreet findings in most instances, although also alerting one to the limitations of the Dun & Bradstreet analysis. Moreover, these data also support the plausibility of a conclusion that, in at least three of the four EZ sites where employment in the zone grew faster than in the comparison and contiguous areas, the EZ program made substantial contributions to the positive employment trends that were observed.

The data from the business establishment surveys showed that *the number of residents employed in the EZ business establishments increased markedly in all six zones between 1997 and 2000.* However, the percentage of residents in total zone business employment did not increase substantially between the two periods surveyed, suggesting that the primary force driving the increases in resident employment was the overall growth in the EZ economies.

The establishment surveys also revealed that residents shared in the economic opportunity created in the EZ economies through entrepreneurial activity:

- *The number of zone business establishments owned by residents increased by over 150 percent across the six zones, with growth rates in individual EZs ranging from 61 percent to 265 percent.*

- *In addition to resident ownership, minority ownership of businesses also increased substantially in the six zones from 1997/98 to 2000.*

Adding to the significance of these trends is the finding that *resident owners and minority owners were statistically more likely to hire other residents* in their zone businesses than were non-resident or non-minority owners of zone businesses. Growth of these types of businesses promotes a prime EZ/EC Initiative objective, increasing the employment opportunities of zone residents.

One of the key research questions addressed by the study was whether the EZs were becoming more attractive places to do business. Underlying this question is the belief that if the economic climate within the zone can improve, the odds of achieving and sustaining economic vitality in these areas will increase. Accordingly, as part of the establishment surveys, business establishments were asked to rate the zones as locations for their businesses. In general, the business establishments were relatively positive about the zones:

- *In 2000, in the six zones combined, 55 percent of businesses rated the zone as "very good" or "somewhat good" places to do business. The proportion was 54 percent in 1997.*

- *Moreover, there was a clear pattern of business establishments reporting more positive improvements for the three year period of 1997-2000 than they had for the three years prior to 1997/98, a period before most zone program activities got underway.*

The surveyed establishments in the six EZs were also asked about their knowledge and utilization of both the Federal tax incentives and other site-specific forms of assistance available to businesses from the local zone program (the latter included financing, technical assistance, and non-Federal tax incentives). Both familiarity with and use of these resources varied considerably from site to site, perhaps suggesting that some sites are doing a much better job than others in marketing these incentives and supports.

Knowledge of *site-specific forms of assistance* among business establishments in 2000 ranged across EZs from 11 percent to 63 percent, and actual use from one percent to 12 percent. Although these percentages are relatively modest, it should be kept in mind that in the aggregate these figures may each reflect hundreds or even thousands of individual establishments. For example, the annual performance reports for the EZs indicate that in these six sites alone more than 900 zone businesses had received financial assistance and over 7,300 establishments had received some form of technical assistance in the period through June 30, 2000.

The results relative to the knowledge and use of *Federal tax incentives* by zone businesses were somewhat similar to those for the site-specific forms of assistance. In 2000, awareness of the Federal tax incentives among establishments across the six EZ sites varied from 30 percent of businesses knowing about the Section 179 expensing provision (which provides for increased deductions on eligible investments) to 53 percent of businesses being aware of the EZ employment tax credit. Thirty-three percent of businesses across the six sites were aware of the third major tax incentive available, the WOTC.

Only a small proportion of the businesses that were aware of the incentives took advantage of them, sometimes because of assumed or actual ineligibility to use them. *Eleven percent of businesses in 2000 reported using the EZ employment tax credit, four percent reported using the Section 179 expensing provisions, and three percent used WOTC.* Larger businesses were far more likely to take advantage of these Federal tax incentives than their smaller counterparts.

In assessing the EZ/EC experience, a key policy issue for the Federal Government is the extent to which these tax incentives have shaped business behavior, in terms of promoting investment in the zones and the hiring of zone residents. According to the 2000 survey, 45 percent of those businesses that used the EZ employment tax credit and 55 percent of the businesses using WOTC indicated that it was "very important" or "somewhat important" in their hiring actions. Similarly, 40 percent of the firms using the Section 179 expensing provisions reported that this credit was important in their investment decisions. When considered in association with the relatively low utilization of these credits, these data are consistent with a finding that the tax incentives has only modest effects on business behavior in the zones.

When asked about the overall impact to date of zone designation, across the six EZs the responses of establishments were more positive than negative, but most businesses expressed an ambivalent attitude - that the impacts to date were "neither good nor bad." The ambivalent assessment of the business community could be the result of a variety of factors. It could be a reflection of the relatively modest percentage of businesses that have received direct assistance from the zone programs to date. Or it could be a result of the fact that the EZ programs are only part-way through their transformation process, and many of the community-wide changes envisioned by the local program designers have not yet been realized. It might also be a result of a drop-off in media coverage of zone activities, so that local businesses may not be aware of the role that the zone program is playing in promoting specific improvements in the area. Finally, the ambivalence could reflect the substantial challenges that still remain to revitalizing these very poor areas.

Community-Based Partnerships

The rationale for encouraging the local EZ/EC sites to pursue collaborative approaches was the complexity of the task facing the individual zone sites, and the need to mobilize across sectors and populations to accomplish the desired changes. Collective engagement was seen by the Federal EZ/EC program designers as creating a process that would allow the knowledge and skills of each group of local stakeholders to be utilized and the needs and concerns of all parties to be addressed. The study examined several dimensions of the collaborations that occurred at the local EZ/EC sites.

Resident participation in the change process is at the core of the EZ/EC initiative, and was seen by the program designers as central to individual and community empowerment. Residents could exert influence on the EZ/EC programs through a variety of mechanisms. These include involvement in the strategic planning process, through membership on the governance board (or on the boards of community-based organizations that had seats on the zone governance board), or through personal ties with members of the governing body or with zone program staff.

Across the sample of 18 intensive study sites, the extent to which residents participated and influenced the EZ/EC governance process varied greatly. *However, it appears that the Federal mandate for resident participation and community-based partnerships had the desired effect in many of the sites. The Federal expectation of citizen participation in the local EZ/EC sites increased the chances that residents and community-based organizations shared in the decision-making about zone priorities and programs.*

Nonetheless, there was a tendency for resident participation to drop off over time at the EZ/EC intensive study sites. This can be seen as a typical pattern of what happens when an initiative moves from planning to an operational phase, since it is far easier to find ways to actively engage large numbers of individuals in comprehensive planning activities than in the on-going management of discrete projects. There is also more enthusiasm during the planning phase of an initiative, and this enthusiasm can wane over time. Accordingly, it is often difficult to maintain the active involvement of non-compensated stakeholders when an initiative stretches out over several years, particularly when all the key decisions have already been made (especially a possibility in ECs). In some sites, however, the decline in resident participation was more abrupt, and appeared to reflect a decision by local officials that once funding had been secured, a different (and generally more limited) set of actors would determine the direction of the initiative from that point forward. However, even in sites that were open to the notion of maintaining the participation of a broad set of stakeholders, attention to building the capacity of zone residents to participate in zone governance was uneven.

"Community-based partnerships" was also the rubric under which the national program sought to promote the streamlining of government practices in implementing programs that would benefit designated zones. The first manifestation of this was expected to be the regulatory waivers that communities applying for zone designation could request from Federal agencies. Although the 18 intensive study sites filed a total of 244 waiver requests as part of this process, only five percent were fully or partially approved, most frequently because the request required a statutory change. Overall, in terms of the reduction of "red-tape", the Federal waiver experience did not appear to be particularly satisfying for either the EZ/EC applicants or the Federal reviewing authorities. There were also a number of examples at the local level, as the zone programs tried to get underway, of the difficulties entailed in trying to streamline local procedures or to ensure cooperation among agencies within a locality.

Nonetheless, during the process of local EZ/EC program implementation, local nonprofit organizations (both community-based organizations and larger, city-wide groups), government agencies, and private enterprises formed numerous collaborative arrangements to conduct activities to foster zone transformation. *The EZ/EC sites found that developing partnerships, particularly partnerships among diverse stakeholders, is challenging and requires structures and processes that balance disparities of power, access, capacity and resources*. However, the intensive study sites also have learned to appreciate the value of these collaborative efforts, in terms of mobilizing different perspectives, networks and resources to bring to bear on the problems being addressed.

Sustainable Community Development

Although improved economic opportunity was seen as a critical initial step in the process of achieving community transformation, the Federal EZ/EC program framework assumed that economic development by itself could not be successful or maintained unless combined with a broader effort to develop the human and physical capital of the community. This concept of "sustainable community development" was only defined in general terms in the Federal guidance on the EZ/EC program, and initially each site had to decide how it would operationalize this principle. Across the 18 intensive study sites, these local interpretations have evolved over time, in part through the learning processes that have occurred at each site about what "works" or is feasible (and partly because the Department's reporting framework for the EZ/EC sites has specified which substantive activities need to be reported as "Sustainable Community Development" efforts).

At both the commencement of the EZ/EC program and at a point five years into program operations, there has been considerable variation among the intensive study sites in how "sustainable community development" has been locally interpreted. Over time, there has been an increase in the number of sites that view the use of market forces as part of the approach to be followed to assure sustainable community development. In general, however, most intensive study sites have interpreted sustainable community development as synonymous with multi-faceted community improvement efforts. Under the label of sustainable community development, the sites have undertaken a broad array of activities, including a variety of social service and education activities, public safety efforts, physical improvement projects, housing initiatives, and community-capacity building.

To a considerable extent, how the intensive study sites have defined "sustainability" has been a reflection of their funding levels and grant terms. The EZ sites explicitly designed their programs to be 10-year efforts, and received funding ($100 million in Title XX funds) somewhat commensurate with that timeframe. Accordingly, many of the "sustainable community development" projects at these sites are seen as long-term efforts, and are ongoing.

For the non-EZ sites, the issue of sustainability has perhaps been both more "immediate" and more problematic. EC sites received $3 million in Title XX funds and, despite the federal view that they were making a commitment to a ten-year initiative, most designed their programs on a three-to-five-year timeframe. Once that time had elapsed and those funds were exhausted (and particularly the administrative funds to support core staff), the EC sites were faced with the question of how to provide for the continuation of their activities.

Some EZ/EC sites have looked to community-based nonprofits as a strategy to achieve a level of sustainability. The intensive study sites have relied on nonprofits to a significant level to carry out their sustainable community development program activities, and to a greater extent than they did for their economic opportunity activities. According to the local analysis, a few ECs will leave behind such new institutions to continue to carry out all or part of their zone mission, e.g., an economic development bank, but, overall, the ECs have made only a limited investment in building the capacity of nonprofit agencies, in part because of their shorter time perspective on the EZ/EC Initiative.

There has been somewhat more effort in this regard among the EZ sites, most notably Baltimore's efforts to establish Village Centers. In Baltimore, there was an explicit strategy to strengthen existing community development organizations and create new ones in the form of six Village Centers to provide an organizational base for managing a broad range of zone initiatives and sustaining them over time. But again, overall, most EZ sites have viewed nonprofit organizations primarily as service providers that would be used as long as they were effective, rather than as strategic investments to build long-term community capacity.

Those EZ/EC sites that have tried to build the capacity of their local nonprofit network have recognized how challenging this task can be, and acknowledge that it often requires a long-term commitment and considerable resources to achieve even basic functioning in new nonprofit organizations. Further, each time a nonprofit organization takes on a new function, additional technical assistance may be required. Nonetheless, these networks of nonprofits have allowed the zone programs to offer a more varied array of services and to reach a broader population base. From this standpoint, and from the perspective of achieving the long-term sustainability of the zone initiative, it would seem to be sensible for the EZ/EC sites to devote additional attention to building this community infrastructure.

Strategic Vision for Change

The designers of the Federal EZ/EC program believed a strategic, long-term vision for change was necessary to achieve successful revitalization of distressed communities. They felt that a clear vision of the transformation process was essential to be able to communicate the initiative's basic mission in a form that the community could understand, so that sufficient resources could be mobilized in a coordinated way to support the initiative's objectives. In addition, the Federal program guidelines allowed for considerable local discretion in how the four underlying principles of the EZ/EC program could be interpreted and made operational. This was seen as a way to allow a community's strategies to take into account unique local features - both challenges and opportunities - and to create a vision that resonates with local stakeholders so that they feel a sense of ownership.

Although it is still largely anecdotal, evidence has emerged from the study that confirms the value of having a local strategic vision. That is, *the study suggests that communities with a clearer strategic vision of comprehensive change, and one that could be effectively communicated to affected stakeholders, were in fact more likely to be successful at mobilizing support and in achieving progress in their zone activities*. The experience in the intensive study sites suggests that it is important that the vision be more than just an articulation of themes or concepts; it needs to provide a guide for how the vision will be operationalized in specific programs and activities. Consequently, the basic vision must be concrete enough to lend itself to identification of strategies for implementation. Communities in which the vision lacked strategic clarity, or where the strategic plan failed to describe mechanisms for implementing the vision's basic concepts, often experienced delays and diffusion of effort, and missed opportunities to leverage other resources.

In many of the intensive study sites there was a refinement of the strategic vision over time, or a change in the principal focus of the local program as the sites came to terms with what was truly feasible within the time and resource constraints of the initiative. Although public awareness of the basic zone vision was generally fairly high following the initial planning and application process in the EZ/EC sites, the refinement of the vision and strategies over time has often been much less transparent to the general community. *Accordingly, in many of the intensive study sites, the level of resident understanding of the zone mission has declined over time.* This demonstrates part of the difficulty of establishing and maintaining a broadly understood and shared community revitalization strategy. However, given the value of a broadly understood and shared strategy in terms of mobilizing community resources in support of the initiative's objectives, the EZ/EC sites should be encouraged to maintain their efforts to communicate their vision to the public.

Chapter One
Introduction

This chapter presents an overview of the scope and structure of the Interim Assessment of the Empowerment Zones and Enterprise Communities (EZ/EC) initiative. To establish the context for the study, we first offer some background information on the Federal EZ/EC program. This information includes a description of the key features and principles that define this national initiative, the four categories of EZ/EC program designations, and the types of resources made available to each program designation under the first round of EZ/EC awards. [1] This is followed by a presentation of the key research questions to be addressed in evaluating the EZ/EC initiative on an intermediate and long-term basis, and the role of the Interim Assessment in addressing these research questions.

The chapter then offers a description of the major components of the Interim Assessment. The "national analysis component" consists of three major study elements: an analysis of historical business activity data in the six EZ sites, surveys of EZ business establishments, and an assessment of annual performance reporting data for the 72 first-round EZ/EC sites. The "local analysis component" focuses on an assessment of the development strategies, activities and achievements conducted by local researchers in a sample of 18 "intensive study" EZ/EC sites. Following the description of the major components of the study, the chapter ends with an overview regarding the organization and contents of the rest of the report.

1.1 Brief Overview of the EZ/EC Program

This section is intended to afford readers a description of the key features of the EZ/EC initiative, and a basic understanding of the principles underlying it. It also highlights the Federal resources made available to the selected communities in the first round of EZ/EC designated sites to assist them in achieving positive transformation of their targeted neighborhoods.

1.1.1. Noteworthy Features of the EZ/EC Initiative

The Empowerment Zones and Enterprise Communities program was designed by the Federal government to encourage comprehensive planning and investment aimed at the economic, physical, and social development of the neediest urban and rural areas in the United States.

[1] In 1994, 72 urban areas and 33 rural communities received some form of EZ/EC designation, as authorized by the Omnibus Budget Reconciliation Act of 1993. The set of first-round urban EZ/EC sites is the focus of this study. In addition, the Taxpayers Relief Act of 1997 authorized the designation of an additional 15 urban and 5 rural Empowerment Zones, which were announced in January 1999.

The Federal EZ/EC initiative is intended to afford these distressed communities with real opportunities for revitalization and growth.

The Empowerment Zones and Enterprise Communities program represents one of the most significant Federal initiatives undertaken in the last few decades on behalf of distressed inner cities and rural areas. The EZ/EC program involves a number of innovative features, and builds on the lessons learned from earlier community revitalization efforts of the Federal government, foundations, states and localities. The Federal EZ/EC initiative is particularly noteworthy for its emphasis on:

- **Local Design:** The EZ/EC application process gave communities wide discretion in defining the activities that would be pursued to accomplish zone transformation. This was one of the most innovative and distinctive features of the EZ/EC initiative. Unlike most Federal grant programs, the EZ/EC program did not involve a standard application form. Instead, the cornerstone for the application was a locally generated strategic plan. This plan was expected to emerge from a bottom-up, participatory process. The strategic plan was also expected to be broad in scope. In fact, although the EZ/EC application instructions allowed applicant communities much more latitude in defining their strategies and proposed activities than is typical for most Federal programs, it also required a much more elaborate planning process. This emphasis on comprehensive strategic planning at the local level represented a new type of planning exercise for many communities. To assist potential applicants in this new undertaking, HUD prepared a guidebook on community strategic planning and held a series of regional workshops to explain the EZ/EC initiative and the planning process required in preparing an application.

- **Community Participation:** The EZ/EC program prescribes specific forms of community involvement in the planning and implementation process, taking lessons learned from the experiences of Model Cities, the Community Action Program, and more recent comprehensive community initiatives (CCIs). The EZ/EC application required each locality to describe the process through which members of the community, local institutions, and organizations participated in and contributed to the plans that were developed. Applicants were required to demonstrate that the strategic planning process involved broad participation from all segments of the community – most importantly, residents of the areas to be assisted. Moreover, the application required communities to specify how these individuals and entities would participate in the implementation of those strategic plans.

- **Comprehensive Approach to Revitalization:** The EZ/EC program seeks to put the creation of economic opportunity in a broader and more comprehensive context than have past Federal programs. The Federal EZ/EC program design strongly encourages communities to address the interrelated problems of human, economic, and community development in an integrated, holistic manner, while at the same time leaving the specific programmatic details to the locality's discretion. The EZ/EC initiative also seeks to focus a variety of resources in a coordinated manner. With its 10-year designations and multiple-year strategic plans, the EZ/EC program also seeks to promote a longer-term perspective on revitalization efforts than is typical for other government-funded programs.

- **Fostering Innovative Federalism and Governmental Reform:** The structure of the EZ/EC initiative at the Federal level is not a typical one. Unlike most Federal programs that are administered by a single agency, the EZ/EC initiative involves three Federal cabinet departments in lead roles. Moreover, the entire initiative is under the direction of the President's Community Enterprise Board, chaired by the Vice President and including Cabinet Secretaries and Commissioners of every major domestic agency of the U.S. government. This has created an unprecedented opportunity for coordination among these Federal agencies in support of the activities at the local EZ/EC sites.

  The EZ/EC program also seeks to promote better cooperation and coordination among local elected officials, along with their state and Federal counterparts. As its core, the EZ/EC initiative takes a "challenge grant" approach to reinventing government.[2] That is, in return for the Federal government's pledge to streamline procedures and coordinate its programs more effectively, similar commitments from state and local partners are sought. These changes are expected not only to "reinvent" how these entities relate to each other and deliver services, but also to change the nature of the relationship between these governmental bodies and the citizens in the affected areas.

- **Building Community Capacity:** Through encouraging community participation and the development of local partnerships, the EZ/EC initiative seeks to increase local capacity for implementing revitalization activities. In the view of Federal program designers, part of this capacity derives from the additional resources that can be mobilized through broad participation and partnerships. It also derives from the added effectiveness that can be realized when partners are pulling together in a coordinated fashion to achieve mutually shared objectives. Moreover, the EZ/EC program seeks to foster the kinds of relationships and institutions that will be able to sustain the revitalization process over the long term.

In addition, the EZ/EC program has placed particular emphasis on the development of indicators of task completion and performance in order to foster the accountability of the EZ/EC sites. In the initial years of program implementation, this was accomplished through the development of local benchmarks to measure and report on activities specified in the sites' strategic plans. More recently, the Department has upgraded the EZ/EC sites'

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2 Richard P. Nathan, et al., *Building a Community Plan for Strategic Change: Findings from the First Round Assessment of the Empowerment Zone/Enterprise Community Initiative*, Nelson A. Rockefeller Institute of Government, State University of New York, 1997, p. 10.

benchmarking and reporting process by establishing the Performance Measurement System (PERMS). Using the PERMS, the EZ/EC sites specify the planned resources, timetable, and outputs for each project to be undertaken in the zone, and report on actual accomplishments for those projects relative to those standards.

1.1.2. The Four Key EZ/EC Principles

Underlying the EZ/EC initiative are four key principles:

- Economic Opportunity;
- Sustainable Community Development;
- Community-based Partnerships; and
- A Strategic Vision for Change.

Although the 72 urban EZ/EC sites may pursue a wide variety of transformation activities, ***the four key principles are expected to be reflected in each funded community's approach to revitalization***. The four principles incorporate the lessons learned from previous initiatives, and promote the adoption of other program features that the Federal EZ/EC designers felt were essential for promoting successful local revitalization.

The first principle relates to the view that ***economic opportunity***, in the form of jobs for residents, is a basic foundation upon which economically viable communities are built. Accordingly, the Federal EZ/EC program has the expectation that the creation of jobs and the placement of residents in new and existing jobs, throughout the affected region but particularly in the EZ/EC zone, will be among the top priorities for each designated site.

The second key principle is the idea of ***sustainable community development***. The Federal EZ/EC program framework assumes that economic development can only be successful and sustained when combined with coordinated and comprehensive efforts to develop the human and physical capital of the community as well. Accordingly, to qualify for EZ/EC designation, each applicant community was required to articulate its proposed approach to transformation in a strategic plan that included:

- A description of the coordinated economic, human, community, and physical development and related activities proposed for the nominated area;

- Specification of waivers or other changes sought in Federal, state, or local governmental programming to enable better coordination and delivery; and

- Identification of the state, local, and private resources that would be mobilized to complement the efforts in the targeted area.

The third key EZ/EC principle is the belief that successful development or revitalization efforts are planned and implemented by ***community-based partnerships*** which include all segments of target communities. According to the EZ/EC program framework, residents, government officials, community groups, social service providers, and the private sector must all work together in the planning and implementation of the revitalization strategy. As we have noted above, the Federal program guidelines encouraged an inclusive planning approach that would allow the knowledge and skills of each party to be utilized and the needs and concerns of all parties to be addressed. In particular, the Federal program designers felt that the participation of the directly affected zone population in the planning and governance process would represent an important step in the empowerment of zone residents.

The Federal EZ/EC program framework also emphasizes that partnerships must be created within and among levels of government, in order that these public bodies will work together to ensure that relevant resources can be used in a coordinated, flexible, and timely fashion. These partnerships will also help to ensure that regulatory and other barriers to sustainable growth are removed. In addition, the Federal EZ/EC program design recognizes that public resources alone are likely to prove insufficient for achieving the wholesale transformation of severely distressed communities, and that the mobilization of private and nonprofit support will be critical to the success of the local revitalization efforts.

The fourth key principle underlying the Federal EZ/EC program is the belief that communities that successfully revitalize themselves develop ***strategic visions for change***. According to the Federal EZ/EC framework, strategic visions for change are comprehensive maps for revitalization that describe what a community wants to become. Ideally, a strategic vision for change is bold and innovative, but at a minimum it should present a clear picture of what is to be accomplished and how resources are to be coordinated to achieve that end. A community describes its vision for change through its strategic plan, which may be periodically updated. The strategic plan identifies the target area's key needs, analyzes the full local context and linkages to the larger region, and builds on the community's assets. It also describes how the community's response to the identified needs will integrate economic, physical, environmental, community, and human development components. In addition to establishing clear goals, the strategic plan should also establish the performance benchmarks for measuring progress, and should identify a self-assessment mechanism that describes the manner in which new information and experiences can be incorporated to refine and improve program performance.

Each of the selected EZ/EC sites was expected to incorporate these four principles in their approaches to zone transformation. However, the specific activities to be undertaken by a site can vary widely, depending on the particular needs and opportunities confronting each site, and the resources—public and private, local and Federal—that could be accessed to address these needs. In the next section, we describe the forms of Federal resources that have been made available to the first-round EZ/EC sites.

1.1.3. Types of Federal Assistance Offered to EZ/EC Communities

Under the EZ/EC program, the Federal government has made available a variety of forms of financial assistance and support for local revitalization efforts. For the communities designated in the first round of EZ/EC awards, these include:

1. ***Title XX Social Services Block Grant (SSBG) Funds.*** Title XX/SSBG funds were made available to communities to be used for a wide variety of activities conducted by public and private entities. Eligible uses for these SSBG funds include:

    - Community and economic development services focused on disadvantaged youth and adults, including skills training, transportation, and counseling relative to housing, employment, and business/financial management;

    - Promotion of homeownership, education or other routes to economic independence;

    - Assistance with emergency and transitional housing;

    - Assistance to nonprofit organizations and/or community colleges that provide disadvantaged individuals with training that promotes self-sufficiency, or organizations that provide them with training and employment in construction, rehabilitation, or improvement of affordable housing, public infrastructure or community facilities; and/or

    - Services that ameliorate or prevent neglect of children or adults or that preserve families, through mechanisms such as comprehensive drug treatment for pregnant women or mothers with children, or through after-school programming.

    Additional activities may also be eligible, with proof that they meet the same goals as for the above activities, and with an explanation why the pre-approved activities were not pursued or sufficient.[3]

    Strategically deployed, these Title XX/SSBG funds can also be used to leverage a variety of other public and private resources. The flexibility of these monies were expected to make them useful in filling programmatic gaps left after more restrictive funds had been pieced together.

[3] Ibid., p. 6.

2. ***Empowerment Zone Employment Credits***, also known as wage tax credits, are a tool to encourage firms engaged in trade or business in a designated zone to employ local residents. Starting in 1994, zone employers were eligible for a credit for up to 20 percent of the first $15,000 in wages paid to employees that live and work in the community (that is, up to a maximum of $3,000 per year in tax credits for each resident employee from the target community). Tax credits for each such employee were available to a business for as long as a ten-year period, with the maximum annual credit per employee declining over time.

3. ***Increased Section 179 Expensing.*** Section 179 of the Internal Revenue Code provides increased tax deductions for the depreciable, tangible property owned by businesses in designated zones. Qualified target area business taxpayers may write off as an expense a deduction for depreciable, tangible property that is $20,000 more than the normal first-year write-off. For example, in 1997, the deduction limit was $38,000 for EZ businesses and the limit for other businesses was $18,000.

4. ***Tax-Exempt Bond Financing.*** Tax-exempt bond financing encourages business investment in distressed areas by offering lower interest rates than conventional financing. Qualified businesses can use the low interest loans to finance property or land acquisition. They may also use the tax-exempt bonds to finance new facilities or renew or expand existing facilities in the target community.

5. ***Economic Development Initiative (EDI) Grants.*** EDI grants from HUD provide communities with another tool for financing activities related to community revitalization, particularly those directed at creating jobs and encouraging economic development. EDI grant funds can be used for any CDBG-eligible activities and must be used in conjunction with a Section 108 guaranteed loan. Through the use of these EDI grant funds, projects can be made more financially viable and therefore more likely to generate sufficient funds to repay the Section 108 loan. This makes it easier for the designated communities to use the Section 108 loan guarantee program, which can provide resources up to 5 times the community's annual CDBG allocation, as part of the local zone activities.

6. ***Priority in Other Federal Programs.*** Qualified EZ/EC areas are given priority in other Federal assistance programs. This potentially allows EZ/EC communities to secure additional Federal resources to complement their EZ/EC resources.

In addition to the above-mentioned financial resources, as part of their applications, EZ/EC applicants were encouraged to request any waivers in Federal program requirements or restrictions that were felt to be necessary for the successful implementation of their local revitalization strategy. Designated communities were also expected to "leverage" other public and private financing and in-kind contributions to support their EZ/EC activities. These other sources of support were identified in the communities' EZ/EC plans and annual performance reports.

Depending on the particular designation received by a community under the EZ/EC program, a specific package of Federal assistance and support has been made available. The next section describes the designation categories and the assistance packages associated with each.

1.1.4. EZ/EC Designations Received by Communities

On December 21, 1994, the first round of 72 urban sites for the Federal EZ/EC program were announced. The designations received by these urban communities encompass four categories:

- ***Empowerment Zones (EZs).*** Six communities were designated as Empowerment Zones (EZs). These communities received a commitment of $100 million in Title XX Social Services Block Grant funds and access to employment tax credits, increased Section 179 expensing, and new tax-exempt bond financing. The six EZ sites were the only designated communities in the first round in which the program includes Federal wage tax credits and increased Section 179 expensing for eligible businesses. The communities that received the first-round Empowerment Zone designations were: Atlanta, Baltimore, Chicago, Detroit, New York City, and Philadelphia/Camden.

- ***Supplemental Empowerment Zones (SEZs).*** Two communities were designated Supplemental Empowerment Zones (SEZs): Los Angeles and Cleveland. As an SEZ, Los Angeles received a $125 million Economic Development Initiative (EDI) grant. Cleveland, the other first-round SEZ, received an $87 million EDI grant and $3 million in Title XX Social Services Block Grant funds, as well as new tax-exempt bond financing.

- ***Enhanced Enterprise Communities (EECs).*** Four communities received designations as Enhanced Enterprise Communities (EECs). The communities so designated were: Boston, Kansas City (KS/MO), Houston, and Oakland. Each EEC received a $22 million EDI grant (and a matching authorization under the Section 108 loan guarantee program), plus $3 million in Title XX Social Services Block Grant funds and new tax-exempt bond financing.

- ***Enterprise Communities (ECs).*** In addition to the four EECs, sixty Enterprise Communities (ECs) were designated. These communities received $3 million in Title XX Social Services Block Grant funds and new tax-exempt bond financing.

One can see from the above that the most common forms of Federal assistance awarded to the EZ/EC communities were the Title XX Social Services Block Grant funds and tax-exempt bond financing. For the SEZ/EEC sites, however, the largest direct award of funds occurred in connection with the EDI grants received by these six communities.

The preceding sections have outlined the key features of the Federal EZ/EC program design and the common Federal resources that the designated first-round EZ/EC communities have been using to promote zone transformation. With this background, the chapter turns to a discussion of the key research questions to be addressed in evaluating the EZ/EC initiative, and the specific objectives of the Interim Assessment.

1.2 Framework for Evaluating the EZ/EC Initiative

The U.S. Department of Housing and Urban Development (HUD), which oversees the Federal EZ/EC initiative's efforts directed at urban areas,[4] decided to evaluate the EZ/EC program evaluated in three stages. First, an Implementation Assessment was conducted to examine the processes followed by the EZ/EC sites as they established performance benchmarks and started up their local activities. A series of reports from the Implementation Assessment were published in 1997 and 1998.

Second, HUD selected a team led by Abt Associates to examine the EZ/EC sites' interim progress toward transformation over the course of the first five years of operations. This document represents the final report for that Interim Assessment, and seeks to provide a "progress report" on the EZ/EC sites' efforts to date.

Third, it is anticipated that HUD will conduct a Long-Term Impact Evaluation to ascertain program outcomes after ten years of EZ/EC site operations, and to offer a more definitive assessment of the efficacy of the Federal EZ/EC program model.

Together, the Interim Assessment and Long-Term Impact Evaluation are intended to determine the effectiveness of revitalization efforts conducted in conformity with the four EZ/EC program principles. Given the design and expectations for the EZ/EC initiative, the key research questions include:

- To what extent does the EZ/EC program create jobs and economic opportunity within the zone?
- How have the economic and social well-being of zone residents been affected?
- Has the zone become a more attractive place to live, work and do business?
- To what extent does the zone program connect zone residents to opportunities in the metropolitan area as a whole?

4 The U.S. Department of Agriculture administers the EZ/EC program in rural areas (see Omnibus Budget Reconciliation Act of 1993, Title XIII, Chapter 1, Subchapter C, Part I).

- Has the EZ/EC program fundamentally changed the way local, state, and Federal agencies “do business”?
- Have residents of the zone been empowered to take greater control over their own lives and the future of their community?
- At what costs are these outcomes being achieved?

In addition, considerable variation in revitalization strategies was anticipated across sites, as result of the local design process and the different forms of Federal assistance received. Accordingly, the research was also intended to examine the range of experiences among EZ/EC sites, and to assess whether particular interventions are more effective than others in fostering community transformation.

As mentioned above, the Interim Assessment involved two distinct research components. One employed a quasi-experimental study in which the data collection and analysis primarily has been conducted by the national evaluation team (the national analysis component). The second component employed, in part, “theory of change” evaluation methods and has relied heavily on local research affiliates for data collection and analysis (the local analysis component). A brief description of each of these components and their roles in answering the central research questions follows.

1.2.1 The National Analysis Component

The national analysis component was designed to assess the effectiveness of the Federal EZ/EC program design in fostering revitalization of distressed communities. However, as noted above, considerable diversity among EZ/EC sites was expected in the particular problems to be addressed, the specific objectives of the local effort, and the strategies pursued. One feature that all EZ/EC sites have in common, however, is an emphasis on economic opportunity. Therefore, for the national analysis, we chose to focus on key economic indicators of local EZ/EC programs, that is:

- Job creation by zone employers;
- Business formation and expansion in zones;
- Employment of zone residents by zone businesses; and
- Business ownership by zone residents.

To develop a preliminary assessment of the EZ/EC program’s potential impact in these areas, the national analysis component of the study used two complementary methods: a time series analysis of indicators of business activity, and surveys of zone business establishments.

The time series analyses of business activity and the business establishment surveys were conducted for all six of the first-round EZs. These six sites represent the fullest expression of the national EZ/EC model and account for the majority of first-round Federal program resources. The time series analysis used business establishment-level data to measure changes in private-sector economic activity in the EZ target areas before and after initiation of the zone programs. The analysis drew on Dun & Bradstreet's comprehensive database of business establishments, and employs a "double difference" evaluation strategy. Using this approach, the rate of change in the number of jobs in the EZs for the five years before implementation (1990-1995) and the five years after implementation (1995-2000) was compared with the rates of change in contiguous and comparison areas. The use of these other areas for comparison purposes in the double difference design helped to control for the influence of regional economic trends. Otherwise, such trends could have been a major confounding influence on our time-series analysis of economic growth rates.

This quasi-experimental research design provided the opportunity to obtain strong but not irrefutable evidence for a causal linkage between zone programs and economic effects. It remains possible that other unobserved or unknown characteristics might be responsible for the outcomes observed, rather than the zone programs per se. In order to help establish the case for attribution, our research design also included surveys of a representative sample of business establishments in the EZs at two points in time (fall 1997/winter 1998 and summer 2000). These telephone surveys were designed to ask business respondents to evaluate the zones as places to do business, and to describe their use of zone incentives and the effects of zone programs on their business decisions. Most importantly, the surveys permitted us to determine the degree to which zone businesses employ zone residents, and the extent to which they increase their employment of zone residents as a result of the EZ/EC program incentives. The surveys of zone businesses also enabled the study to determine the extent of business ownership by zone residents, and whether such ownership opportunities have increased.

The national analysis component of the study also entailed an assessment of the annual performance reports submitted by the 72 first-round EZ/EC to HUD. This assessment provided systematic data on the progress and performance of the local EZ/EC programs, and offered a basis for discussing the extent to which the experiences of the 18 intensive study sites reflect patterns common to the larger population of EZ/EC sites.

1.2.2 The Local Site Analysis Component

As was specified by HUD's plan for this study, the Interim Assessment has included an in-depth analysis of all six urban Empowerment Zones (EZs), and a sample of 12 other sites from among the first-round SEZs, EECs, and ECs. The sites selected for the intensive study sample are the following:

- ***Empowerment Zone Sites (6 of 6 communities receiving such first round designation):*** Atlanta (GA), Baltimore (MD), Chicago (IL), Detroit (MI), New York City (NY), Philadelphia (PA)/Camden (NJ).

- ***Supplemental Empowerment Zone Site (1 of 2 communities receiving designation):*** Cleveland (OH).

- ***Enhanced Enterprise Community Sites (2 of 4 communities receiving designation):*** Boston (MA), Oakland (CA).

- ***Enterprise Community Sites (9 of 60 communities receiving designation):*** Burlington (VT), Charlotte (NC), Dallas (TX), Louisville (KY), Minneapolis (MN), San Francisco (CA), San Diego (CA), Seattle (WA), Tacoma (WA).

Although the national analysis component was largely focused on a narrow set of economic indicators in the 6 EZs, the local analysis component was more comprehensive, encompassing a diverse range of topics in each of the 18 intensive study sites. This local analysis was vital for understanding the range of strategic interventions being pursued. It served as the main source of information on the experiences of the sampled sites relative to resident involvement, roles and responsiveness of local government and community agencies, local quality of life issues, and improved linkages between zone residents and organizations and the larger city/metropolitan region. The local analysis was carried out between 1997 and 2000 by research affiliates in each of the 18 intensive study sites, under the oversight of the national evaluation team.

Implementing the Four Principles of the EZ/EC Program

The local analysis allowed us to describe unique site features, strategies, experiences and perspectives. The study was also interested in assessing how the EZ/EC sites have incorporated the four principles that were expected to be reflected in each funded site. In some instances, these principles were fundamental to a site's "pathway of change" – that is, the basic strategic approach being pursued to achieve revitalization. But even if one or more of the national principles were less central to the site's strategic approach, we still wanted to understand how the site interpreted and implemented the principles. Accordingly, the individual local research affiliates devoted considerable resources to documenting how the four fundamental principles were being manifested at each EZ/EC site. This information has served as a basis for completing a cross-site analysis across the 18 intensive study sites. This cross-site analysis has also been enriched by a series of detailed case studies on the experience of several EZ/EC sites in developing local partnerships.

1.3 Contents of the Interim Assessment Report

The primary purpose of our study was to provide a "progress report" on the first-round of urban EZ/EC sites. This Interim Assessment report was not intended to offer a definitive judgment on the impact of the EZ/EC program; that is the role of the Long-Term Impact Evaluation that is expected to occur after ten years of EZ/EC program operations. However, this report does seek to provide information on the activities of the EZ/EC sites to date, and data on the changes that have become evident in the zones and in the attitudes of businesses and residents. It also seeks to offer the available evidence on how EZ/EC program activities may have contributed to these changes.[5]

As the previous discussion indicates, the Interim Assessment of the EZ/EC initiative included several complementary approaches, including some pre-post analysis of data and some comparisons with other areas within the same city as the zone. The findings from these analyses are very suggestive regarding positive program impact. Furthermore, the "triangulation" achieved through the study's use of multiple research strategies also increases the level of confidence that can be placed in the findings. Nonetheless, it is important to acknowledge that, because the study was not able to use an experimental design approach, it is not possible to attribute outcomes in the sites conclusively to the EZ/EC initiative.

The Interim Assessment report is organized around the individual study components. This introductory chapter is followed by Part I of the report, which includes a presentation of the results from two portions of the national analysis component of the study. Chapter Two presents the findings from our analysis of employment and business establishment trends over time in the six Empowerment Zone sites. In particular, that chapter focuses on employment changes in the EZs relative to those seen in comparison and contiguous areas, as a way of assessing the experience of the zones compared with similar geographic areas within each municipality. Chapter Three presents the results of our two waves of surveys of business establishments in the six Empowerment Zone sites. These surveys gathered information on the characteristics of businesses in the Empowerment Zones. The surveys also examined the establishments' use of EZ tax incentives and other program resources, the effect of these incentives on their hiring and locational decisions, and the employers' attitudes relative to the zones as "a place to do business." As with Chapter Two, the survey chapter emphasizes the changes that have occurred in these characteristics since EZ designation.

The report then switches focus to the local analysis component (Part II of the report), with a series of chapters examining in detail the experience of the 18 intensive study sites over the first five years of EZ/EC program operations. In part, the local analysis component of this report is intended to help us to understand the changes observed in the national analysis sections, and to permit us to offer insights whether such changes appear to be connected to and consistent with the local program activities, at least for the EZ sites. The local analysis also provides insights relative to factors or approaches that appear to contribute to more effective programmatic activities. The local analysis chapters are organized around the four national principles that were to be reflected in each local EZ/EC program. Chapter Four

[5] In a de-briefing with HUD representatives following the submission of this report, the study team also will be offering suggestions on how the methodology used in the Interim Assessment might be applied in the Long-Term Impact Evaluation to address the issue of attribution.

discusses the “Strategic Vision” for zone transformation articulated by the individual EZ/EC sites, and how these strategic visions have changed over time. Chapter Five examines the various approaches that the sites have pursued to promote Economic Opportunity. Chapter Six assesses the various Community-Based Partnerships that have been developed, and how these partnerships have contributed to the local EZ/EC efforts. And Chapter Seven explores the ways in which the sites have defined and fostered Sustainable Community Development through their EZ/EC activities.

Part III of the report attempts to integrate the findings from the various components of the study. Part III begins with Chapter Eight, which provides a comparison of data on funding sources and uses and program outputs in the 18 intensive study sites with similar data for the remaining 54 first-round urban EZ/EC sites. This analysis, using the FY2000 PERMS reports from the EZ/EC sites, is intended to provide a sense of the extent to which the activities and experiences of the intensive study sites were similar to those of the universe of first-round EZ/EC sites. The final chapter of this report, Chapter Nine, presents the study’s overall conclusions.

In a separate volume we have also provided a series of appendices. These appendices examine methodological issues that were involved in the various study components, provide additional summary data on the activities and accomplishments of the first round EZ/EC sites, and present case studies completed on the partnership experiences of a sample of zone sites.

Part I — National Analysis

Chapter Two
Employment Growth in Empowerment Zones

This chapter examines the patterns of employment growth during the 1990s in the six first-round Empowerment Zones (EZs). As noted in the previous chapter, the first principle underlying the EZ/EC program is that ***economic opportunity*** provides the basic foundation upon which viable communities are built. In turn, economic opportunities are expected to expand when new jobs are created. The provisions of the EZ/EC program have aimed to create more favorable conditions for existing employers to maintain and expand their businesses and to provide an incentive for others to locate or relocate their businesses in the zones. This is one of the means by which the program aims to provide economic opportunity, especially for the residents of the zone.

The primary research question addressed here for each of the first-round EZs, as stated in our Research Design report, is as follows:[1]

- To what extent does the EZ program create jobs and economic opportunity within the zone?

Because job creation is the most direct indicator of expanding economic opportunity in the zones, employment growth is the focus of this chapter.[2]

The findings presented here use establishment-level data to measure changes in economic activity in the EZ areas before and after initiation of the zone programs. The analysis draws upon Dun & Bradstreet's comprehensive database of business establishments, including both private-sector and public-sector employers. For each EZ area, the employment levels and growth rates for the period prior to implementation (1990-1995) and after implementation

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1 See Scott Hebert, et al., *Evaluation of the Empowerment Zones and Enterprise Communities Program: Research Design*, Abt Associates Inc., Cambridge, Mass., January 10, 1997, p. 9. See also Scott Hebert, et al., *Interim Outcomes Assessment of the Empowerment Zones and Enterprise Communities (EZEC) Program: Baseline Conditions Report*, Abt Associates Inc., Cambridge, Mass., December 1998, p. 1-6.

2 It is true, of course, that economic opportunity can increase for zone residents *without* an expansion of employment in the immediate area. For instance, if the composition of employment were to shift toward jobs better suited to the skills of residents, this by itself would expand their opportunities. Conversely, it is conceivable that growth in total employment could occur without creating new opportunities for residents, to the extent that their skills did not match the requirements of the new jobs. Strictly speaking, employment growth is thus neither a necessary nor sufficient condition for expanding economic opportunity.

(1995-2000) are compared with the corresponding levels and growth rates in a designated comparison area within the same city. The use of a comparison area helps control for the influence of regional and national economic trends that otherwise would be a confounding influence on employment patterns. We also contrasted each EZ area's employment trends with a contiguous area.

As will be described, the analysis is based on establishment-level data for 1990, 1995, and 2000. We consider the employment outcomes observed in both 1990 and 1995 to have been unaffected by the EZ. This is clearly the case for 1990. For 1995, even the earliest planning and implementation of EZ program activities following the December 1994 announcement of the six EZ areas would arguably not have influenced the decisions of business establishments soon enough to yield any appreciable effect on employment during 1995. This would have been true for site activities supported through Title XX Social Services Block Grant (SSBG) funds or projects undertaken with tax-exempt bond financing, which would have required substantial lead times. Similarly, although the employer tax provisions (the Empowerment Zone Employment Credit, the Work Opportunity Tax Credit, and the Special Section 179 Expensing Provisions) were effective by 1995, it would presumably have taken employers some time to make and implement business decisions that would have altered employment patterns in the zones.[3]

This research design can offer supportive evidence of the effects of EZ programs, but it cannot definitively establish the presence or absence of such effects. For instance, there may be situations where a community undertook a separate economic development initiative simultaneous with the EZ program and targeted to the same neighborhoods. If so, we would be unable to assess the extent to which it was the EZ program or the non-EZ initiative that contributed to the observed employment patterns. These findings thus must be considered in conjunction with those from both the survey data and the local analysis of the zone sites to inform a judgment on the role played by the EZ program in promoting employment growth.

2.1 Data and Methods

The establishment-level employment information used in this analysis was collected by the Dun & Bradstreet (D&B) organization, which serves as a private information clearinghouse. The D&B files enable one to construct historical time series on employment in business establishments by Census tract or by any aggregation of Census tracts. Employers in both the governmental and nongovernmental sectors are included in the D&B universe of establishments. Because each EZ area is comprised of a number of Census tracts, it is a straightforward matter to tabulate the D&B data by EZ area. In contrast, federal government

[3] If the earliest effects of EZ designation had occurred during 1995 and thus had affected employment levels in that year, this would have increased the area's growth rate for 1990-1995 and correspondingly reduced it for 1995-2000. This would have caused us to understate the changes in employment that one might attribute to the EZ program.

data on establishments and employment, such as the County Business Patterns data collected by the Census Bureau, are available for counties, metropolitan statistical areas (MSAs), or central cities, but not for smaller geographic units, to protect the confidentiality of information received from the responding businesses.

Our decision to include both public and nonprofit sector establishments in this analysis was based on several factors. First, the distinction between tax-paying establishments and others is not easily drawn from SIC codes. For example, establishments in health services, legal services, or educational services may include for-profit, non-profit, and governmental entities. To exclude such SIC codes would have eliminated some private employers and thus limited the analysis too narrowly. Secondly, the economic activity generated among private employers in response to favorable tax provisions can also stimulate employment among non-profit organizations and governmental agencies in these same localities, to meet the increased needs for public and private services. Third, in some cities the economic development initiatives prompted by EZ designation included the deliberate siting of governmental buildings and other facilities into the EZ areas, as a means of employing residents and improving the climate for private development.

The basic files for 1990 and 1995 were archived Duns Market Indicators (DMI) files, which are commercially available. D&B also provided data on establishments that had been removed (or "delisted") from the commercially available files at the individual firm's request for one or the other of these two years. For the year 2000, D&B provided their current in-house data base for all establishment records, also including delisted establishments.

2.1.1 Data Testing and Adjustments

Prior to the analysis, a series of tests were conducted on the D&B data to identify—and, if possible, address—limitations in the data that might affect the reliability of estimates. As a result of these tests, and as detailed in Appendix A, a series of data adjustments were made to the source data files obtained from D&B. In brief, these adjustments were as follows:

- Where the reported value for an establishment's number of employees was missing or zero, we imputed the number of employees based on the average establishment size for that area and year (or based on reported employment data for that specific establishment in other years, if available).[4]

- For establishments found to have entered into (or exited from) the D&B database between 1990 and 1995, we used local business telephone directories to confirm the

[4] As noted in Appendix A, we considered but rejected an imputation strategy that made use of industry-specific establishment size by year and area. We concluded that such an approach might introduce spurious year-to-year changes in employment, given the small number of establishments in some cells, as defined by industry, year, and area.

accuracy of the D&B data with respect to the establishment's absence in 1990 (or in 1995). Where an establishment was found to be listed in the telephone directory, we added it to the analysis file and imputed its corresponding number of employees, in the manner indicated above.[5]

- For establishments with multiple records for any given year in the D&B database, we retained in the analysis file the record with the highest reported level of employment.

- We corrected the Census tract code for any large establishment found to have been improperly geocoded in the D&B database.

It may certainly be argued that these adjustments fail to address all of the limitations of the D&B data that others have encountered in seeking to use these data for research purposes. With the adjustments noted above, we feel that the D&B data are of sufficient quality to support the area-by-area analysis of comparative trends in employment that is the basis of the findings in this chapter.

We grant that some aspects of the D&B data would tend toward higher reported levels of local employment than available by county through the Census Bureau's County Business Patterns (CBP) data system. Most importantly, unlike the CBP data, D&B includes workers employed in government and in domestic service, as well as in agricultural production. Additionally the D&B system counts sole proprietors and unpaid family members as employees, while the CBP system does not.

Conversely, other aspects of the D&B data tend toward an undercount of employment, relative to CBP. For instance, in constructing its universe of establishments, D&B does not include establishments that have no listed telephone number, nor does D&B use some data sources from which the CBP universe is constructed (such as the Business Register, the Economic Census, and federal tax records). The D&B survey also asks establishments to report employment on a full-time equivalent basis, while CBP counts full-time and part-time employees equally. The D&B employment data analyzed here do not include establishments whose street addresses could not be geocoded to a Census tract within the indicated city and thus were eliminated from the analysis file.[6] Finally, the analysis files for 1990 and 1995 did

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[5] Due to the accelerated schedule for report completion requested by the Department, the study team was not able to complete such telephone directory "look-ups" for the D&B database for 2000. Although the result is not certain, it may have had the effect of understating the extent of employment growth during the 1995-2000 period.

[6] According to Dun & Bradstreet, for the cities in which the six EZ areas are located, such problems occurred for two percent of establishments in 2000 and for somewhat higher percentages in earlier years (e.g., seven percent in 1997).

not include firms that, at their own request, had been removed from D&B's commercially available listings for both of these years.[7]

Given the research design used here, the key question is whether the D&B data accurately measure year-to-year local employment trends. Of particular concern would be any aspect of D&B's data systems that would have introduced more bias in some years than others or more bias in EZ areas than in comparison or contiguous areas. The only specific issue of this nature arises from D&B having shifted between 1995 and 2000 to a telephone-only survey mode, versus a mixed-mode approach that included both telephone and in-person interviewing. If anything, one expects that this would cause D&B to understate the growth in employment between 1995 and 2000. If this effect were no greater proportionately in the EZ areas than in the comparison and contiguous areas, it would leave unaffected the conclusions drawn from this analysis.

In general, where there was some uncertainty as to the appropriate choice of data adjustments, we adopted approaches that, if anything, would tend to understate the effects that could be attributable to the EZ program. For any particular adjustment that might arguably have influenced the results, we examined the sensitivity of the findings to that adjustment by conducting the analysis both with and without it. This sensitivity analysis showed that, except where noted in the material that follows, the findings reported here are affected only minimally by our data adjustments.

2.1.2 Selection of Comparison Areas and Contiguous Areas

The employment trends in EZ areas during the 1990s were clearly subject to being affected by many factors other than the EZ program itself. The prevailing national and regional economic conditions, underlying demographic shifts, and other federal and local policy initiatives all provided a backdrop to the EZ program. To the extent that broad economic conditions were increasingly favorable throughout the decade, one clearly would be unable to conclude anything about the EZ program by simply following the employment trends in the EZ areas by themselves.

For this reason, our research design called for each EZ area to be paired with a designated "comparison area" within the same city. The comparison area established a primary baseline trend against which to measure the progress of the EZ area and thus enabled us to apply a stricter test of whether the EZ area's employment growth might be attributable to the EZ program.

The contiguous areas provided another frame of reference. One might expect that the contiguous areas, because of their immediate proximity to the zone areas, would better

[7] All such "delisted" establishments were included in the analysis files for 2000. They were also included in the analysis files for 1990 and 1995 if they had been removed for only one of those two years.

approximate the economic conditions of the zones than would the comparison areas. In the context of this analysis, however, proximity posed several limitations. First, in constructing each contiguous area, our choice of Census tracts was restricted to those adjacent to the EZ area. This limited our ability to match the demographic characteristics and economic conditions of the zone area. Second, the economic incentives provided by the EZ program to establishments within the zone may also have affected the adjacent communities, either favorably or unfavorably. To the extent that spillover or displacement effects occurred, the contiguous areas less accurately represented the employment trends that would have occurred in zone areas in the absence of the program. For these reasons, the principal findings reported in this chapter are based on the differences measured between the EZ areas and the comparison areas.

As detailed in Appendix B, the comparison and contiguous areas were selected based on information from the 1990 Census and from the 1995 D&B data, in consultation with the local research affiliate for each of the EZ areas under study. This was an iterative process.

First, each EZ area was profiled with respect to the following parameters:

- Poverty rate: the percentage of the area's Census tracts with a poverty rate of less than 20 percent, 20 to 25 percent, 25 to 35 percent, and 35 percent or higher (1990 Census);[8]

- Adult employment rate: the percentage of the adult population that is employed (1990 Census).

- Racial/ethnic composition: the percentage of the area's population that is white and non-Hispanic (1990 Census);

- Income: median household income in the area (1990 Census); and

- Producer-oriented employment: the percentage of the area's employment that is producer-related, versus consumer-related or public sector related (1995 D&B data).

For each EZ area, we then proceeded to identify alternative clusters of non-contiguous and contiguous Census tracts within the same city that would approximate the EZ area's profile. (By "contiguous" tracts, we mean those that are adjacent to one or more of the tracts in the EZ area.) Some Census tracts were then excluded from further consideration: for instance, those whose value for either the adult employment measure, the racial/ethnic measure, the income measure, or the producer-oriented employment measure fell above or below the range established by the Census tracts in the EZ area. We excluded any Census tracts that

[8] For an area to qualify for EZ designation, all of its Census tracts must have a poverty rate of 20 percent or higher, at least 90 percent must have a poverty rate of 25 percent or higher, and at least 50 percent must have a poverty rate that is 35 percent or higher.

were within the central business district or within a major retail center. We also excluded any tract that, in the judgment of the local research affiliate, presented special circumstances making it not suitable for analysis.

After these exclusions, we then arrayed the remaining non-contiguous and contiguous tracts according to their poverty rate (less than 20 percent, 20 to 25 percent, 25 to 35 percent, and 35 percent or higher). We made exclusions at random to arrive at a set of non-contiguous tracts and a set of contiguous tracts whose distribution by poverty rate approximated that of the EZ area. These proposed "analytic areas" were then presented to the local research affiliate for consideration. After a last round of replacing any tracts deemed to have exceptional characteristics making them ill suited to the analysis, we arrived at our final designation of each comparison area and contiguous area.

The eighteen analytic areas thus defined (i.e., the EZ area, comparison area, and contiguous in each of six localities) included a total of 615 Census tracts. At the end of this chapter, in Exhibits 2-7 through 2-12, we have included maps showing the boundaries of these analytic areas in each of the six cities. For reference, each map also shows the location of the city's central business district.[9]

2.2 Findings

Our analysis of the D&B data consisted of a series of tabulations in which the employment trend in each EZ area was contrasted with its own prior growth trend or with the growth trend of the associated comparison area or contiguous area. The findings described here are based on the set of data adjustments described in the previous section.

2.2.1 Employment Growth in EZ Areas During 1995-2000

We first examined the question of whether there was employment growth during 1995-2000 in each EZ area. Our finding was as follows.

> ***Between 1995 and 2000, total employment grew in five of the six EZ areas and in the combined six-area total.***

These results are shown in Exhibit 2-1.

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[9] Note that, in selecting the comparison and contiguous areas for Philadelphia/Camden, we treated Philadelphia/Camden as a single city. Thus, for instance, we did not identify a set of Census tracts that would comprise a distinct "Philadelphia comparison area" or a "Camden comparison area." Our approach was in keeping with the research design, which did not call for separate analyses of Philadelphia and Camden. The same applies to the Upper Manhattan and South Bronx portions of the New York EZ.

Among the six EZ areas, the percentage growth in employment from 1995 to 2000 was highest in Atlanta (at 51 percent), followed by Baltimore (31 percent), New York (17 percent), Detroit (15 percent) and Philadelphia/Camden (9 percent). Only in Chicago was there a decline in employment (-3 percent). For all six areas combined, employment grew by 16 percent, or at an annual growth rate of 3 percent. Note that the six-area total, although a useful summary measure, is dominated by Detroit and New York, which together comprised nearly one-half (46 percent) of the total combined EZ area employment in 2000.

The employment growth that occurred in these areas reflected more an increase in the size of business establishments than in the number of establishments. Indeed, the number of establishments dropped between 1995 and 2000 in all six EZ areas, with the average employment per establishment thus rising in each area.

This trend—growth in the number of employed workers accompanied by lesser growth (or a decline) in the number of establishments—occurred not only in the EZ areas but also typically throughout the central-city portions of these metropolitan areas. The most recent available special data extracts from County Business Patterns, analyzed in conjunction with HUD's recent State of the Cities 2000 Report, showed this pattern occurring between 1991 and 1997 throughout the central-city areas of Atlanta, Baltimore, Detroit, and Philadelphia.

2.2.2 Acceleration of Employment Growth in EZ Areas from 1990-1995 to 1995-2000

We next considered the question of whether the employment growth observed in each EZ area during the latter half of the decade exceeded that area's growth rate during the first half of the decade. If, to the contrary, the growth measured from 1995 to 2000 was simply a continuation of (or even a slowdown in) an earlier trend, one clearly could not interpret this as evidence of any favorable effect of EZ designation.

Our findings on this question, as shown in Exhibit 2-2, are as follows.

> ***Five of the six EZ areas, and the six-area total, experienced a more favorable employment trend during 1995-2000 than during 1990-1995.***

Only Philadelphia/Camden showed no improvement in its employment trend.

> ***Among the five EZ areas with improved employment trends, three experienced a turnaround in employment. In these areas—Atlanta, Detroit, and New York—employment growth during 1995-2000 followed an employment decline during 1990-1995. The same was true of the six-area total. The improving trends in Baltimore and Chicago took a different form. Baltimore experienced accelerating growth in employment, while Chicago showed a decelerating decline.***

Exhibit 2-1
Employment in 1995 and 2000, EZ Areas

		Atlanta	Baltimore	Chicago	Detroit	New York	Phil./ Camden	Total
Empowerment Zone								
Employment	1995	26,153	53,200	71,968	83,834	70,685	29,570	335,410
	2000	39,477	69,770	70,121	96,394	82,434	32,229	390,425
Growth Rate	1995-2000	51%	31%	-3%	15%	17%	9%	16%

Exhibit 2-2
Employment Growth Rates, EZ Areas

		Atlanta	Baltimore	Chicago	Detroit	New York	Phil./ Camden	Total
Empowerment Zone								
Growth Rate	1990-1995	-12%	2%	-16%	-17%	-1%	13%	-8%
	1995-2000	51%	31%	-3%	15%	17%	9%	16%

2.2.3 Growth Trends in EZ Areas Relative to their Comparison Areas

As noted earlier, for each EZ area we designated a comparison area to establish a baseline employment trend. These baseline trends, reflecting factors unrelated to the EZ program, are shown in Exhibit 2-3.

Consistent with the strengthening economic conditions nationwide during the 1990s, all six of the comparison areas showed an improvement in their employment trends between 1990-1995 and 1995-2000. For the six-area total and for four of the comparison areas—Atlanta, Baltimore, Chicago, and Philadelphia/Camden—employment growth during the second half of the decade reversed a declining trend during the first half. The other two comparison areas—Detroit and New York—showed decelerating declines in employment.

Focusing on the period 1995-2000, we looked at whether each EZ area's growth rate exceeded that of its associated comparison area. The findings, as shown in Exhibit 2-4, are as follows.

> ***Four of the six EZ areas, and the six-area total, experienced a higher rate of employment growth during 1995-2000 than in the corresponding comparison area. These areas were Atlanta, Baltimore, Detroit, and New York.***

The number of percentage points by which an EZ area's 1995-2000 rate of employment growth exceeded that of its comparison area was highest in Baltimore (29 percentage points), followed by Detroit (27 percentage points), Atlanta (26 percentage points), and New York (21 percentage points). For the six-area total, the difference was also favorable (9 percentage points).

We next examined the question of whether the extent of improvement in the EZ area's employment trend from 1990-1995 to 1995-2000 was greater than that experienced by its comparison area during the same period. This is a somewhat stronger test of whether the EZ area experienced a shift in its employment trend following the implementation of the EZ provisions. The logic here is that, if the EZ program is indeed having a favorable effect, not only should the EZ area's growth rate exceed its comparison area's, the extent of improvement in the EZ area's growth rate from one five-year interval to the next should also exceed that of its comparison area. As shown in Exhibit 2-5, our findings are as follows.

For four of the EZ areas, and for the six-area total, employment accelerated faster than in their comparison area between 1990-1995 and 1995-2000. These areas were Atlanta, Baltimore, Detroit, and New York.

Exhibit 2-3

Employment Growth Rates, Comparison Areas

		Atlanta	Baltimore	Chicago	Detroit	New York	Phil./ Camden	Total
Comparison Area								
Growth Rate	1990-1995	-9%	-16%	-6%	-21%	-11%	-11%	-13%
	1995-2000	25%	2%	32%	-12%	-5%	24%	7%

Exhibit 2-4

Employment Growth Rates, EZ Areas versus Comparison Areas

		Atlanta	Baltimore	Chicago	Detroit	New York	Phil./ Camden	Total
Empowerment Zone (from Exhibit 2-1)								
Growth Rate	1995-2000	51%	31%	-3%	15%	17%	9%	16%
Comparison Area (from Exhibit 2-3)								
Growth Rate	1995-2000	25%	2%	32%	-12%	-5%	24%	7%
Difference between Empowerment Zone and Comparison Area								
Growth Rate	1995-2000	26%	29%	-35%	27%	21%	-15%	9%

Exhibit 2-5

Change in Employment Growth Rates, EZ Areas versus Comparison Areas

	Atlanta	Baltimore	Chicago	Detroit	New York	Phil./ Camden	Total
Empowerment Zone							
Change in growth rate from 1990-1995 to 1995-2000	63%	29%	14%	32%	18%	-4%	25%
Comparison Area							
Change in growth rate from 1990-1995 to 1995-2000	34%	18%	38%	10%	7%	34%	20%
Difference between Empowerment Zone and Comparison Area							
Change in growth rate from 1990-1995 to 1995-2000	28%	11%	-24%	22%	11%	-38%	5%

The number of percentage points by which an EZ area’s acceleration in growth exceeded that of its comparison area was greatest in Atlanta (28 percentage points) followed by Detroit (22 percentage points), Baltimore (11 percentage points), and New York (11 percentage points).[10] Overall, across the six cities, employment growth accelerated in the EZ areas by 5 percentage points more than in the comparison areas.[11]

2.2.4 Growth Trends in EZ Areas Relative to their Contiguous Areas

As noted earlier, the contiguous areas provided a second set of benchmarks against which to compare the employment trends in the EZ areas. These findings, as shown in Exhibit 2-6, are very similar to the patterns vis-à-vis the comparison areas. Because these additional findings are so similar, we describe them very briefly here.

For each of the six cities and for their combined total, the contiguous areas experienced an improvement in their employment trends during the decade—i.e., a more favorable trend during 1995-2000 than during 1990-1995. In four of the six cities—once again, all but Chicago and Philadelphia/Camden—the improvement was greater in the EZ area than in its contiguous area. Thus, for each of the six cities, the direction of the finding was the same, whether one used the comparison area or the contiguous area as the benchmark.

City by city, the margin by which the EZ area's acceleration in growth exceeded that of its contiguous area was once again greatest for Atlanta (49 percentage points). This was followed by Baltimore (23 percentage points), Detroit (19 percentage points), and New York (6 percentage points). For the six-area total, employment growth accelerated in the EZ areas by 11 percentage points more than in the contiguous areas.[12]

10 In a separate analysis not shown here, we looked at whether the absence of any favorable employment trend for the Philadelphia/Camden EZ area might have resulted from the particular experience of either the Philadelphia or Camden subarea. This seems not to be the case, as neither EZ subarea showed a favorable trend relative to the comparison subarea in the same city.

11 For Baltimore and New York, these findings were sensitive to the earlier-noted data adjustment whereby employment was added in 1990 and 1995 to account for establishments absent in the D&B data but found listed in local business telephone directories. Without this adjustment, in only two of the six EZ areas—Baltimore and Detroit—did employment accelerate faster than in their comparison area between 1990-1995 and 1995-2000.

12 On a combined six-city basis, the EZ areas thus outperformed the contiguous areas by a somewhat greater margin (11 percentage points) than vis-à-vis the comparison areas (5 percentage points). Much more careful examination would be necessary to determine the underlying causes of this pattern, including the possibility of negative spillovers effects from the EZ. This issue may be an appropriate research topic for the Long-Term Impact Evaluation to consider in more detail

Exhibit 2-6

Change in Employment Growth Rates, EZ Areas versus Contiguous Areas

	Atlanta	Baltimore	Chicago	Detroit	New York	Phil./ Camden	Total
Empowerment Zone							
Change in growth rate from 1990-1995 to 1995-2000	63%	29%	14%	32%	18%	-4%	25%
Contiguous Area							
Change in growth rate from 1990-1995 to 1995-2000	13%	6%	17%	13%	11%	22%	14%
Difference between Empowerment Zone and Contiguous Area							
Change in growth rate from 1990-1995 to 1995-2000	49%	23%	-4%	19%	6%	-25%	11%

2.3 Summary

The major findings from our analysis of the D&B data can be summarized as follows:

- Five of the six EZ areas experienced employment growth from 1995 to 2000. (Only Chicago showed a decline in employment.)

- Four of the six EZ areas showed favorable employment trends during 1995-2000 relative to both the area's own prior growth rate and the growth trend in the corresponding comparison and contiguous areas. These four EZ areas were Atlanta, Baltimore, Detroit, and New York.

The patterns of growth in employment among business establishments in four of the six EZ areas, relative to their comparison areas and contiguous areas, are thus consistent with positive effects of the EZ program. Two of the areas – Chicago and Philadelphia/Camden – experienced markedly less positive economic trends in their Empowerment Zones than in the comparison areas. The Dun & Bradstreet analysis does not enable us to make any definitive judgment on whether the EZ program itself explains these trends, or whether instead it was other developments occurring in these same areas during the same time period.

What should one conclude from these findings, given how markedly they differ among the six EZ areas? The lack of any systematic pattern among these areas is not altogether surprising, for three reasons. First, despite our efforts to adjust for the known limitations in the D&B source data, the employment measures vary in quality from area to area and year to year. Second, the use of comparison areas and outcomes measured in rates of change are crude techniques for isolating program effects. Undoubtedly, there were other developments unrelated to the EZ program, but coincident with it, that had favorable or unfavorable effects on employment in the zone areas but not in the comparison or contiguous areas. This analysis would be unable to separate out these confounding factors. Third, as was intended in the design of the EZ initiative and as will become apparent elsewhere in this report, the EZ program took very different form in these six areas.[13]

Thus, although we observed employment trends in particular EZ sites of the kind that one would have expected under favorable program effects, one certainly should not interpret this evidence by itself as indicative of such effects. This analysis must be considered

[13] For these various reasons, we have focused in this chapter on the city-by-city findings, versus the six-area averages. The acknowledged heterogeneity among EZ areas makes it difficult to interpret their average in any meaningful way.

preliminary, with further work required to explore the specific patterns of employment growth that occurred in the EZ areas and thus test the supposition of program effects.[14]

In the chapters that follow, the findings from our survey of business establishments and our local analysis provide additional insights as to the role played by the EZ program in promoting employment growth and other improvements in the economic and social well-being of the zones.

14 For instance, if the EZ program indeed contributed to employment growth, one might expect to find some industries more affected than others. It would also be instructive to examine the extent to which employment growth in the EZ areas was attributable to the expansion of establishments already located in the zone, the creation of new establishments in the zone, the relocation of establishments into the zone from contiguous areas, or the relocation of establishments into the zone from other areas. Due to the accelerated schedule for the Interim Assessment report, the study team was not able to explore these issues. However, the Long-Term Impact Evaluation may provide an opportunity to investigate them.

Chapter Three
Survey of EZ Business Establishments

This chapter reports the results and implications of surveys of business establishments located in the six Empowerment Zones (EZs). Businesses were surveyed in the zones in late 1997 and early 1998, in order to depict the economies of the zones as close to the program baseline as possible. This is termed the Wave 1 survey. A second survey (Wave 2) was done in the summer of 2000, in order to measure change in the zone economies during the early years of the Empowerment Zone program. Approximately 1,800 businesses were interviewed in each survey, 300 establishments per zone.

The surveys have as their primary goals:

- To examine the degree to which zone residents have received palpable economic benefits from the Empowerment Zone program in terms of employment and business ownership. Enhancing the economic opportunities of zone residents is a central objective of the Empowerment Zone program.

- To describe business persons' perceptions of zones as places to do business; to identify impediments to doing business in the zones and attractive features or assets of the zones on which programs can build; and to determine changes in the zones during the initial years of the Empowerment Zone program.

- To assess the degree to which changes in zone economies can be attributed to the Empowerment Zone program per se, as opposed to other factors such as increased general prosperity, or investment and job creation in the city and metropolitan area. An element of this task is to describe the utilization by businesses of zone program incentives, and the evaluation by businesses of the effects of the incentives. [1]

3.1 Survey Methods

In this section, we provide a brief overview of the survey methodology for the EZ Business Establishment Survey.[2] This component of the Interim Assessment entailed two waves of data collection from private businesses in the first round of Federal Empowerment Zone

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1 These goals are directly related to addressing the following key research questions for the Interim Assessment and Long-Term Impact Evaluation (see Chapter One):
- To what extent does the EZ/EC program create jobs and economic opportunity within the zone?;
- How have the economic and social well-being of zone residents been affected?; and
- Has the zone become a more attractive place to live, work, and do business?

2 See Appendix C for a more detailed description of survey methods.

sites. The first wave of the survey took place in late 1997/early 1998. Although this was three years after the formal designation of the EZ communities, many zone programs were still in the early stages of implementation so that it was unlikely that major program impacts would have been created by the EZ programs. The main element of the program that was widely available in 1997 was the set of Federal tax incentives for hiring zone residents and investing in zone businesses.[3] The second wave of surveys, in the summer of 2000, was six years after zone designation and three to five years after most EZ programs began to be implemented. Change in business conditions and perceptions between Wave 1 and Wave 2 thus provides a useful indicator of program effects during its early years.

Each survey wave entailed telephone interviews with owners or managers of 1,800 businesses, approximately 300 in each of the six zones. Telephone contacts were preceded by letters of introduction outlining the survey plans and purposes. In both surveys, the sampling frame consisted of business establishments included in the Dun & Bradstreet DMI database. For purposes of this analysis, census tracts were used to delimit the Empowerment Zones for the surveys. Businesses were geocoded to census tracts by contractors to Dun & Bradstreet. An automated process was used for this geocoding. Business establishments which could not be allocated to census tracts were excluded from the analysis.

The focus of the surveys was to document the characteristics and perceptions of private, for profit businesses. These are generally the types of enterprises targeted by the tax and other economic development components of the zone program. Therefore, some sectors of the economies of the zones were omitted from the sample frame. Public sector establishments, educational establishments, social services establishments, museums, and membership organizations such as churches were not included in the survey. These types of businesses were deleted on the basis of industry codes included in the database.[4] Nonetheless, some non-profit establishments inadvertently remained in the sample after these industry deletions. These remaining non-profits were interviewed, but questions concerning tax incentives were not asked of them because the tax incentives are only relevant to for-profit business.

Stratified sampling methods were used to select the sample of business establishments. Larger employers were over-represented in the sample. Large employers were sampled with certainty, i.e., all employers with 100 or more employees in the zones were included in the survey (though some declined to participate). The employment of large establishments comprises more than half of the overall employment of the zones, so oversampling the larger

3 See Chapter One. Also see Scott Hebert et al., *Interim Outcomes Assessment of the Empowerment Zones and Enterprise Communities (EZEC) Program: Baseline Conditions Report*, *Revised Draft*, December 1998 (Cambridge, MA: Abt Associates, Inc.).

4 Excluded from the sampling frame were SIC codes 43 (Post Offices), 82 (Educational Services), 83 (Social Services), 84 (Museums), 8621 - 8699 (Membership organizations, including churches), and 91 - 97 (Public Administration). Note that these SIC codes were *not* excluded from the analysis of Dun & Bradstreet data reported in Chapter Two.

businesses improved the ability of the survey to describe employment and other measures of the zone economies. Sampling rates for establishments with 50 to 99 employees varied among the zones, but were generally close to 100 percent. Random samples of smaller businesses were included. Because numbers of establishments varied among the zones, the sample was also stratified among zones so as to meet our goal of approximately 300 interviews in each zone.

The survey design is a modified panel design. All businesses that were sampled in the Wave 1 survey were automatically sampled for Wave 2. This permits the survey to chart changes in characteristics and perceptions for a significant number of businesses in the zones throughout the study period. However, some of the businesses sampled in Wave 1 were no longer in business in the zones in Wave 2, or declined to participate in the Wave 2 survey. These businesses were replaced with approximately equal numbers of business establishments that were new to the zone economies. These were businesses which were in the zones in 2000 but, according to Dun & Bradstreet data, had not been in the zones in 1997.

Responses from individual establishments were weighted for purposes of representing the entire universe of businesses in each zone. The "establishment weights" reflect both sampling probabilities and response rates, so that they differ among zones and types of establishments. In addition, "employment weights", which are used in some calculations, reflect sampling probabilities, response rates, and the number of employees at the establishment.[5]

The findings presented in this chapter are consistent with the broader employment trends reported in Chapter Two. For the reasons noted below, however, the employment counts derived from the survey data are not directly comparable to those obtained from the D&B data analyzed in Chapter Two:

- The survey focused on private-sector employment and excluded establishments in the public and non-profit sectors that were included in Chapter Two.

- The survey-reported count of employees differed somewhat in its definition from the one used in the D&B-reported count for any given establishment. The survey asked "how many employees do you have at this location, excluding the owner?" with no distinction between full-time and part-time employees. The D&B data, in contrast, requested a count of employees on a full-time equivalent (FTE) basis.

[5] To minimize distortions caused by outliers, the one percent of establishments with the largest employment weights in each wave were truncated from analyses of total and resident employment. Therefore, while the levels of employment might be underestimations, changes and proportions are more robust.

- Waves 1 and 2 of the survey pertained to 1997 and 2000, respectively. The D&B analysis examined the years 1990, 1995, and 2000.

3.2 Employment and Business Opportunities for Zone Residents

3.2.1 Resident Employment

The numbers of residents employed by Empowerment Zones businesses increased markedly in all six zones between 1997 and 2000 (Exhibit 3-1a). [6] Across the six sites, resident employment in the zones increased by 108 percent over the three-year period. Employment growth of zone residents was particularly strong in the Atlanta, Baltimore, and New York zones, where the number of zone residents employed in zone businesses more than doubled. In addition, resident employment in zone businesses increased by over 70 percent in Chicago, Detroit, and Philadelphia/Camden.

Exhibit 3-1a
Employment of Zone Residents by Businesses in Six Empowerment Zones*

Zone	Number of Zone Residents Employed in the Zone: Wave 1	Number of Zone Residents Employed in the Zone: Wave 2	Growth in Resident Employment (Wave 1 to Wave 2)
Atlanta	1,789	4,467	150%
Baltimore	3,384	7,045	108%
Chicago	8,767	15,788	80%
Detroit	5,874	11,321	93%
New York	7,335	18,647	154%
Philadelphia/Camden	2,391	4,108	72%
Six-Site Total	29,540	61,376	*108%*
		*Six-Site Average***	*109%*

* Weighted by number of employees.

** Six-site average growth is a pure average of the six sites' growth rates. It does not weight for the disparities in site sizes. The six-site total is equivalent to a weighted average.

However, despite this very strong growth in the number of zone residents employed in zone businesses, residents *as a proportion of total business employment across zones* increased only slightly, from 29 percent in Wave 1 to 32 percent in Wave 2 (Exhibit 3-1b). This increase is not statistically significant.[7] Residents as a proportion of total zone business employment increased in four of the six zones individually (all except Atlanta and Detroit),

[6] As noted in footnote 4, several SIC codes were excluded from the survey sampling frame. Consequently, the levels of employment are not comparable to the levels based on Dun & Bradstreet data shown in Chapter Two.

[7] All significance testing is at the 95%-confidence level, unless otherwise noted.

but these increases at the site level also were not statistically significant.[8] Therefore, it appears that the primary force driving increases in resident employment was overall growth in the zone economies.

Exhibit 3-1b

Zone Residents as a Percent of Total Employment in Six Empowerment Zones*

Zone	Residents as Percent of Total Employment Wave 1	Residents as Percent of Total Employment Wave 2
Atlanta	30%	**28%**
Baltimore	21%	**22%**
Chicago	28%	**33%**
Detroit	31%	**30%**
New York	34%	**39%**
Philadelphia/Camden	32%	**36%**
Six-Site Total	*29%*	**32%**
Six-Site Average	*29%*	**31%**

* Weighted by number of employees.

Much of the growth in zone business employment of residents occurred in the service industry (Exhibit 3-2). The number of residents holding service industry jobs in the six zones increased by 180 percent between the Wave 1 and Wave 2 surveys. As a result of this strong growth, the concentration of residents working in the zones that worked in service jobs increased by 10 percentage points. By Wave 2, about 40 percent of residents employed in the identified sectors of the zones worked in the service industry, compared to about 30 percent in Wave 1. In addition, the proportion of total service employees comprised by residents increased from 29 percent of in 1997/98 to 36 percent by 2000.[9]

Residents more than doubled their employment in the zones' manufacturing industries during the study period. Manufacturing jobs tend to be higher paid than many other jobs in the zones. However, zone residents did not increase their proportion of zone manufacturing jobs between the two waves and residents continued to hold only one-fifth of zone manufacturing jobs, compared to residents comprising 32 percent of all zone jobs in the identified industries.

[8] The slight declines in Atlanta and Detroit proportions also were not statistically significant.

[9] It is difficult to assess the quality of service jobs, since the service industry is highly diverse. It includes low-wage personal service positions, and high-wage, high-skill jobs in business and professional services.

Exhibit 3-2
Growth in and Composition of Resident Employment by Industry in the Six Empowerment Zones*

Industry	Number of Jobs in Industry Held by EZ Residents			Distribution of Resident-Held Jobs, by Industry**		Proportion of EZ Jobs in Industry Held by Zone Residents	
	Wave 1	Wave 2	Growth	Wave 1	Wave 2	Wave 1	Wave 2
Services	8,608	24,088	180%	29%	39%	29%	36%
Manufacturing	5,623	11,593	106%	19%	19%	20%	21%
Retail Trade	6,978	8,840	27%	24%	14%	50%	49%
Wholesale Trade	2,947	7,002	138%	10%	11%	25%	27%
Transportation, Communications, and Utilities	2,604	4,352	67%	9%	7%	26%	27%
Finance, Insurance,and Real Estate	1,911	3,478	82%	6%	6%	43%	37%
Construction	831	2,210	166%	3%	4%	24%	24%
Other Industries***	39	14	-64%	0%	0%	12%	27%
Total	29,541	61,577	108%	100%	100%	29%	32%

* Weighted by number of employees.

** Excluded from the sampling frame were SIC codes 43 (Post Offices), 82 (Educational Services), 83 (Social Services), 84 (Museums), 8621 - 8699 (Membership Organizations, including churches), and 91 - 97 (Public Administration.) The proportions, therefore, reflect only the subset of jobs comprised by the included industries.

*** The "Other Industries" categories includes establishments in private-sector industries such as agriculture, forestry, fishing, etc.

Although overall employment of residents increased in retail trade by only 27 percent (the slowest growth of all identified industries), resident employees continued to comprise a major share of total employment in the retail industry. Residents held half of the jobs in this industry in both 1997/98 and 2000. Approximately one in seven residents working in the identified zone sectors worked in retail businesses in 2000.

The wholesale trade sector of the zone economies grew rapidly, with resident employment growing by more than 130 percent between 1997/98 and 2000. Residents continued to comprise about one-fourth of all wholesale jobs.

Seventy percent of establishments in the Empowerment Zones have fewer than 10 employees, and resident employment tends to be somewhat concentrated in these small establishments (Exhibit 3-3). While only 13 percent of *total* employment is comprised by jobs in establishments with fewer than 10 employees, 23 percent of *resident* employment in the zones is in these small firms. Similarly, though establishments with at least 250 employees comprise 21 percent of total employment, only 13 percent of zone residents working in the zone are employed in these large establishments.

3.2.2 Resident and Minority Ownership of Zone Businesses

In addition to increased employment, residents shared in the economic opportunity created in zone economies during the study period through entrepreneurial opportunity. ***The number of zone establishments owned by residents increased by over 150 percent across the six zones, with growth rates ranging from 61 percent in Philadelphia/Camden to 265 percent in New York.***[10] By 2000, almost 27 percent (or more than one in four) businesses in the six Empowerment Zones were owned by a resident of the zones. In 1997/98, only 21 percent of zone businesses were owned by residents (Exhibit 3-4). This aggregate increase in resident ownership across the six EZs was found to be statistically significant.

In addition to cross-site growth in the proportion of zone businesses owned by zone residents, the proportion increased in five out of the six Empowerment Zones individually (all except for Philadelphia/Camden). The increase was most dramatic in New York City, where the ratio of resident-owned businesses to all zone businesses grew from 24 percent in 1997/98 to 33 percent in 2000, a statistically significant increase. However, the positive changes in Atlanta, Baltimore, Chicago, and Detroit were not statistically significant, nor was the slight decrease in the share of establishments owned by zone residents in Philadelphia/ Camden.

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10 "Resident ownership" is defined as a business having at least one owner living in the zone.

Exhibit 3-3
Composition of EZ Establishments and Employment, by Establishment Size

		Establishment Size Class (number of employees)				
		0-9	**10-49**	**50-249**	**250 or more**	**Total**
Composition of All Zone Establishments*	Atlanta	70%	22%	7%	1%	100%
	Baltimore	69%	25%	5%	2%	100%
	Chicago	65%	26%	7%	1%	100%
	Detroit	62%	26%	11%	2%	100%
	New York	75%	18%	6%	1%	100%
	Philadelphia/Camden	77%	19%	3%	1%	100%
	Six-Site Total	***70%***	***22%***	***7%***	***1%***	***100%***
Composition of Total Zone Employment**	Atlanta	9%	23%	30%	38%	100%
	Baltimore	12%	32%	26%	31%	100%
	Chicago	12%	30%	40%	17%	100%
	Detroit	8%	24%	44%	24%	100%
	New York	18%	30%	37%	15%	100%
	Philadelphia/Camden	28%	35%	37%	0%	100%
	Six-Site Total	***13%***	***29%***	***37%***	***21%***	***100%***
Composition of Resident Employment in Zones**	Atlanta	15%	25%	32%	28%	100%
	Baltimore	23%	37%	22%	18%	100%
	Chicago	20%	29%	37%	14%	100%
	Detroit	12%	30%	46%	13%	100%
	New York	31%	32%	28%	8%	100%
	Philadelphia/Camden	37%	41%	22%	0%	100%
	Six-Site Total	***23%***	***31%***	***33%***	***13%***	***100%***

* Weighted by establishments.

** Weighted by employment. Establishments with the highest 1% of employment weights have been truncated (see Appendix C).

Exhibit 3-4
Resident Ownership of Businesses in the Six Empowerment Zones*

Zone	**Number of Zone Establishments Owned by EZ Residents**			**Percent of Zone Establishments Owned by EZ Residents**		
	Wave 1	**Wave 2**	**1997-2000 Percentage Growth**	**Wave 1**	**Wave 2**	**1997-2000 Percentage Point Growth**
Atlanta	108	259	140%	23%	28%	+5
Baltimore	175	451	158%	21%	27%	+6
Chicago	346	684	98%	19%	22%	+3
Detroit	195	449	130%	18%	23%	+5
New York	347	1,267	265%	24%	33%	+9 **
Philadelphia/Camden	142	229	61%	21%	20%	-1
Six-Site Total	1,313	3,339	154%	**21%**	**27%**	+6 **
*Six-Site Average****			142%	**21%**	**26%**	+5

* Weighted by establishments.

** Statistically significant at the 95% confidence level.

*** Six-site averages are pure averages of the six sites. They do not weight for disparities in site size.

Over 70 percent of the zone businesses owned by residents were in retail trade and service industries in both waves of the survey (Exhibit 3-5). These are traditional business niches for inner-city entrepreneurs, in part because they require little capital. In percentage terms, with the exception of the small, catch-all category of "other industries," growth in numbers of resident-owned zone businesses was most rapid in wholesale trade, up almost 500 percent. This parallels the large increase in resident employment in wholesale trade. The construction industry also accounts for a significant share of the growth of resident business ownership in the zones.

Exhibit 3-5
Resident Ownership by Industry in the Six Empowerment Zones *

Industry	Number of Zone Establishments Owned by EZ Residents			Composition of Resident-Owned Zone Businesses, by Industry**	
	Wave 1	Wave 2	1997/98-2000 Growth	Wave 1	Wave 2
Services	503	1,394	177%	38%	42%
Manufacturing	74	120	62%	6%	4%
Retail Trade	433	969	124%	33%	29%
Wholesale Trade	29	169	483%	2%	5%
Transportation, Communications, and Utilities	51	144	182%	4%	4%
Finance, Insurance, and Real Estate	137	289	111%	10%	9%
Construction	84	233	177%	6%	7%
Other Industries***	2	21	950%	0%	1%
Cross-Industry Total			154%	100%	**100%**

* Weighted by establishments
** Excluded from the sampling frame were SIC codes 43 (Post Offices), 82 (Educational Services), 83 (Social Services), 84 (Museums), 8621 - 8699 (Membership Organizations, including churches), and 91 - 97 (Public Administration). The proportions, therefore, reflect only the subset of jobs comprised by the included industries.
*** The "Other Industries" categories includes establishments in private-sector industries such as agriculture, forestry, fishing, etc.

Zone businesses owned by zone residents tend to be small. At baseline and in 2000, 94 and 90 percent of resident-owned business had fewer than 10 employees, respectively (Exhibit 3-6). However, though the number of establishments with at least 50 employees owned by residents is low, between the two waves it did increase by more than 500 percent.

In addition to resident ownership, minority ownership of businesses also increased substantially in the zones (Exhibit 3-7). In 1997/98, about 38 percent of zone establishments were owned, at least in part, by minorities. This proportion increased by a statistically-significant 10 percentage points, to 48 percent, in 2000. The proportion of zone businesses with minority ownership increased in all six zones, with statistically significant increases in New York and Philadelphia/Camden.

Exhibit 3-6
Resident Ownership by Establishment Size in the Six Empowerment Zones*

Establishment Size Class (Number of Employees)	**Number of Zone Establishments Owned by EZ Residents**			**Composition of Resident-Owned Zone Businesses**	
	Wave 1	Wave 2	Change	Wave 1	Wave 2
0-9	1,238	3,012	143%	94%	90%
10-49	61	211	246%	5%	6%
50-249	14	77	450%	1%	2%
250+	0	13	—	0%	0%
Number of Employees Not Reported	0	26	—	0%	1%
Total Across Establishments of All Sizes			154%	100%	100%

* Weighted by establishments.

Exhibit 3-7
Minority Ownership of Businesses in the Six Empowerment Zones *

Zone	**Percent of Zone Establishments Owned by Minorities**		
	Wave 1	**Wave 2**	**1997-2000 Percentage Point Growth**
Atlanta	38%	45%	+7
Baltimore	36%	38%	+2
Chicago	39%	43%	+4
Detroit	30%	39%	+9
New York	44%	60%	+16 **
Philadelphia/Camden	37%	49%	+12 **
Six-Site Total	38%	48%	+10 **
*Six-Site Average****	37%	46%	+9

* Weighted by establishments.

** Statistically significant at the 95% confidence level.

*** Six-site averages are pure averages of the six sites. They do not weight for disparities in site size.

Importantly, statistical analyses show that resident- and minority-owned businesses are more likely than other zone businesses to employ zone residents. On average, in zone establishments owned at least in part by zone residents, 67 percent of employees are zone residents, compared to an average 36 percent in non-resident-owned establishments.[11] In

[11] These averages represent establishment averages, not zone averages, and are therefore weighted by sampling weights (not employment weights).

addition, while residents comprise an average of 54 percent of employment in minority-owned establishments, they comprise an average of only 33 percent of employment in non-minority owned establishments. Both of these differences are statistically significant at the 95 percent confidence level. Regression analysis confirms statistically significant relationships between resident- and minority-ownership and resident employment.[12] Controlling for other factors (such as site, establishment size, industry, etc.), resident-owned establishments have greater proportions of their employees comprised by residents. Similarly, all else equal, establishments with at least one minority owner have higher proportions of resident employees then non-minority-owned businesses (See Appendix H).

3.3 Perceptions of the Empowerment Zones as Places to Do Business

In general, zone businesses were relatively positive about the EZs as places to do business in both 1997/98 and 2000. This is not surprising, as at some point all the businesses in the zones chose their current locations in the zones. Indeed, many of the businesses in zones continue to have some level of choice about where to do business, and have remained within the communities in the Empowerment Zones. Thus, most of the businesses in the zones are located there because the zones meet their locational needs in some way.[13]

3.3.1 EZs as Places to Do Business

In 1997/98 in the six zones combined, 54 percent of businesses rated the zones as "very good" or "somewhat good" as places to do business. In 2000, an almost identical proportion of firms (55 percent) rated the zones as very good or somewhat good places to do business (Exhibit 3-8). There was also a slight, but not statistically significant, decline in negative ratings of the zones: in 2000, 21 percent of zone businesses rated the zones as "very bad" or "somewhat bad" places to do business, down from 25 percent in 1997/98.

Business ratings of some individual zones improved during the period. Most notable was the improvement in business ratings of the Atlanta zone as a place to do business, where 47 percent of businesses in Atlanta rated the zone as a very or somewhat good place to do business in 1997/98. By 2000, 60 percent gave the zone this positive endorsement. There was a modest increase in satisfaction in the Chicago zone as well, from 55 percent to 60 percent. The other four sites saw slight to modest decreases in business satisfaction. The rate of decline in business satisfaction was largest in New York City, where 65 percent rated the zone positively in 1997/98, compared to only 60 percent that did in 2000. In New York's

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[12] In the regressions, the relationships between ownership and resident employment is significant at the 90 percent confidence level.

[13] Of course, this may reflect a self-selection bias, as firms that were dissatisfied with the EZs as places to do business may have left the zones or have decided not to locate there in the first place and, therefore, were excluded from our sample.

case, the proportion of negative ratings ("somewhat bad" or "very bad") also decreased during this three-year period, reflecting the fact that somewhat more businesses expressed an ambivalent rating of the zone in 2000. However, none of these site-specific changes, positive or negative, were statistically significant.

3.3.2 Improvement in the EZs

A somewhat more discriminating indicator of pre- and post-program trends in the zones is business ratings of improvements in the zones as places to do business "in the past three years." Three years is roughly the period of time separating the baseline Wave 1 survey and the Wave 2 survey. In Wave 1, changes in the "past three years" would be a period of time preceding the initiation of most zone programs. In Wave 2, the "past three years" would represent the period during which zone programs have been active. Differences between Wave 1 and Wave 2 in business ratings of change in zones thus measure changes in trendlines in the zones since the onset of the Empowerment Zone program.

There is a clear pattern of businesses reporting more positive improvements during the three-year period of zone program activity, roughly 1997 through 2000, than they had for the three years prior to 1997/98, a period before the program got off the ground. Put another way, businesses report more rapid improvement in the zones since the onset of the Empowerment Zone program than before (Exhibit 3-9). In the six zones combined, the 1997/98 survey showed 45 percent of zone establishments characterizing the zones as much or somewhat improved compared to roughly 1994/1995. In 2000, however, 53 percent of businesses reported in 2000 that the zones were "much improved" or "somewhat improved" compared to 1997. This 8 percentage point increase is statistically significant.

In each of the six zones, more businesses reported recent improvement in the zone than had been reported in the period prior to the Empowerment Zone program. The pace of improvement was most notable in Atlanta, where 66 percent of businesses reported in 2000 that the zone was much or somewhat improved during the past three years, compared to 41 percent in the 1997/98 survey. In Chicago, too, relatively large percentages of businesses also reported recent positive trends compared to the period prior to the Empowerment Zone program. In 2000, 58 percent of businesses in the Chicago zone reported the zone to be much or somewhat improved in the past three years; only 49 percent had reported such positive changes in 1997/98. Both Atlanta's and Chicago's increases are statistically significant.

Businesses were only slightly less positive about recent trends in the zones in New York City: in 2000, fully 65 percent of New York businesses reported the zones to be much or somewhat improved; only 56 percent had reported this level of improvement in the 1997/98 survey. Businesses in the Baltimore, Detroit and Philadelphia/Camden zones also reported

Exhibit 3-8
Establishment Ratings of the Empowerment Zone Areas as Places to Do Business *

Ratings by Establishments	Atlanta		Baltimore		Chicago		Detroit		New York		Philadelphia/ Camden		Six-Site Total	
	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**
Very good	13%	**18%**	16%	**16%**	22%	**18%**	17%	**18%**	20%	**29%**	13%	**16%**	18%	**21%**
Somewhat good	34%	**42%**	37%	**33%**	33%	**42%**	33%	**30%**	45%	**31%**	33%	**29%**	36%	**34%**
Neither good nor bad	19%	**14%**	21%	**21%**	20%	**20%**	22%	**22%**	15%	**23%**	17%	**24%**	19%	**21%**
Somewhat bad	22%	**13%**	15%	**17%**	11%	**12%**	19%	**19%**	14%	**7%**	23%	**18%**	16%	**13%**
Very bad	10%	**11%**	10%	**9%**	11%	**6%**	8%	**7%**	6%	**7%**	14%	**11%**	9%	**8%**
Refused/Don't know	2%	**2%**	1%	**3%**	2%	**2%**	2%	**5%**	0%	**3%**	1%	**2%**	1%	**3%**
Number of responses:	293	**300**	331	**301**	291	**300**	298	**300**	301	**301**	308	**302**	1,822	**1,804**

* Weighted by establishments.

Exhibit 3-9
Business Establishment Assessment of Zone Improvement Over Previous Three Years*

Ratings by Establishments	Atlanta		Baltimore		Chicago		Detroit		New York		Philadelphia/ Camden		Six-Site Total	
	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**
Much improved	10%	**15%**	6%	**7%**	14%	**18%**	10%	**12%**	17%	**24%**	7%	**8%**	12%	**16%**
Somewhat improved	31%	**51%**	28%	**32%**	35%	**40%**	29%	**31%**	39%	**41%**	28%	**37%**	33%	**37%**
Neither improved nor worse	39%	**30%**	35%	**41%**	32%	**28%**	42%	**39%**	30%	**23%**	41%	**35%**	35%	**31%**
Somewhat worse	13%	**6%**	15%	**10%**	12%	**7%**	11%	**10%**	6%	**7%**	14%	**10%**	11%	**8%**
Much worse	3%	**7%**	9%	**7%**	3%	**3%**	4%	**4%**	5%	**4%**	7%	**6%**	5%	**5%**
Refused/Don't know	3%	**2%**	6%	**4%**	4%	**5%**	4%	**3%**	2%	**3%**	3%	**4%**	4%	**3%**
Number of responses:	293	**300**	331	**301**	291	**300**	298	**300**	301	**301**	308	**302**	1,822	**1,804**

* Weighted by establishments.

more positive trends than they had reported in the Wave 1 survey. However, the increases in these four sites are not statistically significant.

3.3.3 Best and Worst Features of the Zones

In general, there was a substantial amount of agreement across zone businesses concerning the best and worst things about the six Empowerment Zones as places to do business (Exhibit 3-10). In 2000, the five best things about the zones all had to do with the central locations of the zones in their metropolitan areas. The zones were described as "easy for customers/suppliers to reach" by 28 percent of zone businesses. Another 13 percent said the zones were easy for owners and employees to reach. Good access to public transportation was mentioned by 11 percent. Central location and high population density were each cited by eight percent of zone businesses as the best things about the zones. Much the same list of "bests" was reported by businesses in the zones in 1997/98.

Crime and poor public safety were the biggest problems reported by businesses in the Empowerment Zones. In 2000, crime and public safety were identified by 38 percent of businesses as the worst things about the zones. The remaining factors mentioned as the worst things about the zones were run-down property and appearance (13 percent), poor city services (seven percent), parking problems (six percent) and poor public perceptions and bad reputation (six percent). The list of "worsts" was similar in 1997/98, except that drug and alcohol problems were mentioned by nine percent of businesses in the earlier survey, and parking problems did not rate among the top five responses in Wave 1.

Crime was the number one problem for businesses in the each of the six individual zones in 2000 as well. Crime was cited by 40 to 48 percent of businesses as the worst thing about the zones in Atlanta, Baltimore, Chicago, Detroit, and Philadelphia/Camden. In New York City, businesses were least concerned about crime, but still 21 percent cited crime as the worst thing about doing business in the zones, more than any other problem mentioned.

Nonetheless, crime was somewhat less of a concern for zone businesses in 2000 than it had been in 1997/98. One possible reason why businesses reported recent improvements in the zones is that crime problems seem to have been alleviated somewhat. In the earlier (Wave 1) survey, 43 percent of businesses across the six sites cited crime as the worst thing about doing business in the zones. By 2000, as has been seen, crime was cited by 38 percent. The biggest drops in business concerns with crime were in Philadelphia/Camden: in 1997/98, 60 percent of zone businesses in those cities cited crime as the worst thing about the zones, and in 2000 only 44 percent did. In New York City, business responses relative to crime dropped by 10 percentage points, from 31 percent in 1997/98 to 21 percent in 2000. There was little change in the remaining zones.

In both Wave 1 and Wave 2, less than 2 percent of establishments reported "access to capital" in response to the question: "What are the worse things about doing business in your current location."[14] However, when respondents were directly queried whether access to capital was a problem, approximately one in four responded that it was.

Exhibit 3-10

Establishment Perceptions of Best and Worst Things About Doing Business in the Empowerment Zones, Summer 2000*

	Atlanta	Baltimore	Chicago	Detroit	New York	Philadelphia / Camden	Total
Best Things (most frequent responses):							
Easy for customers/ suppliers to reach	31%	25%	31%	24%	29%	27%	28%
Easy for owners/ employees to reach	20%	10%	14%	11%	12%	14%	13%
Good access to public transportation	7%	10%	14%	12%	9%	10%	11%
Central location/near downtown	11%	8%	10%	8%	6%	11%	8%
Densely populated	8%	10%	7%	5%	10%	6%	8%
Worst Things (most frequent responses):							
Crime and safety	45%	48%	47%	40%	21%	44%	38%
Run-down property/ poor appearance	16%	13%	9%	23%	7%	18%	13%
Poor city services	4%	8%	8%	11%	5%	6%	7%
Difficult to park	3%	10%	8%	3%	5%	6%	6%
Poor public perception/ bad reputation	5%	5%	5%	4%	7%	6%	6%

* Weighted by establishments.

3.4 Effects of the Empowerment Zone Program on the Zones

Clearly, two types of good news are coming from businesses in the Empowerment Zones. First, and most importantly, there is more economic opportunity in the zones than there was just a few years ago. Businesses in the zones employ more people overall and more zone

14 In Wave 2, we directly asked about access to capital to respondents who had not listed it as a problem in the open-ended question "What are the biggest problems with doing business at your current location?" When asked directly, about one-quarter of establishments reported that it was a problem.

The following proportions of respondents listing access to capital as problematic reflect both the information obtained from the open-ended question about worse things and the direct question about access to capital. Therefore, they are upwardly biased when compared to other responses in Exhibit 3-10:

- Atlanta: 31.2%;
- Baltimore: 21.9%;
- Chicago: 20.4%;
- Detroit: 19.2 %;
- New York: 33.0 %;
- Philadelphia/Camden: 33.8%;
- Total: 26.4%

residents in 2000 than they did in 1997/98, and more zone residents and minorities own businesses in the zones. Second, businesses see improvements in the zones as places to do business. Also, they perceive more improvements in the areas since the Empowerment Zone Program got underway at a more significant scale than they did in the years before the program.

The question is, to what degree is the Empowerment Zone program contributing to or causing the favorable trends and good news? Other positive trends are also impinging on communities in many cities, including the current booming national economy. Almost a decade of economic growth is reshaping many aspects of urban life and bringing opportunity to disadvantaged people and communities that were in dire straits at the start of the 1990s.

It is impossible to disentangle authoritatively the effects of the Empowerment Zone programs per se from the many other forces shaping the zones as places to do business. Moreover, the zone programs are comparatively new and their long run directions and effects remain to be determined. However, reports from the zone businesses offer some modest indications of attribution, and suggest that the Empowerment Zone programs have had some positive impacts in the zones.

Businesses were asked in the surveys to rate the impacts of the Empowerment Zone designation on their businesses (Exhibit 3-11). In general, far more businesses rated the impact of zone designation as positive than negative. In 2000, for example, 32 percent of businesses in the six zones rated the impacts of zone designation as "very good" or "somewhat good." Only eight percent rated the impacts as somewhat or very bad. However, the majority of businesses (55 percent) reported that the zone designation had had little if any effects to date, i.e., that the impacts were "neither good nor bad."

Businesses were only slightly more likely to report positive impacts from the zone designation in 2000, several years into the program, than they had in 1997/98. In 1997/98, 28 percent rated the impacts of the zone designation as very good or somewhat good, versus the 32 percent giving a positive rating in 2000, not a statistically significant increase. Businesses were also asked to identify the most important help they had received to date from the Empowerment Zone program (Exhibit 3-12).[15] Business responses from the 2000 survey are very similar to responses from the first wave of the survey. In the 2000 survey, a little over eight percent of the businesses mentioned either the Federal tax credits or other tax benefits as the most important help received from the zone program. A combined eight percent of businesses also reported that the most important help received was either the

[15] In 1997/98, this question was not asked of businesses in Baltimore. In 2000, it was asked of respondents in all six Empowerment Zones.

Exhibit 3-11
Business Perception of Impact of Zone Designation*

Ratings by Establishments	Atlanta		Baltimore		Chicago		Detroit		New York		Philadelphia/ Camden		Six-Site Total	
	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**	Wave 1	**Wave 2**
Very good	3%	**4%**	6%	**5%**	8%	**8%**	4%	**9%**	8%	**10%**	7%	**5%**	6%	**8%**
Somewhat good	21%	**24%**	20%	**20%**	23%	**22%**	19%	**20%**	27%	**31%**	17%	**20%**	22%	**24%**
Neither good nor bad	59%	**56%**	58%	**61%**	56%	**60%**	65%	**60%**	53%	**45%**	58%	**57%**	57%	**55%**
Somewhat bad	8%	**12%**	9%	**6%**	7%	**5%**	8%	**9%**	7%	**7%**	10%	**13%**	8%	**8%**
Very bad	0%	**0%**	0%	**0%**	0%	**0%**	0%	**0%**	0%	**0%**	0%	**0%**	0%	**0%**
Refused/Don't know	9%	**4%**	7%	**7%**	5%	**5%**	4%	**2%**	6%	**7%**	9%	**4%**	6%	**5%**
Number of responses:	293	**300**	331	**301**	291	**300**	298	**300**	301	**301**	308	**302**	1,822	**1,804**

*Weighted by establishments.

Exhibit 3-12
Most Important Help Received from Empowerment Zone Program in Six Empowerment Zones: Summer 2000*

Type of Help	Atlanta	Baltimore	Chicago	Detroit	New York	Philadelphia/ Camden	Six-Site Total
Nothing/No help received/Unaware of programs	68%	69%	62%	66%	66%	70%	65%
Federal tax credits	4%	5%	12%	4%	4%	4%	6%
Bringing in business and people	5%	5%	1%	7%	6%	4%	5%
Improved zone appearance/image	5%	4%	4%	5%	2%	4%	4%
Other tax benefits	3%	1%	2%	3%	2%	3%	2%
Improved crime prevention	1%	1%	0%	0%	2%	2%	1%
Financing/Low-interest loans	1%	2%	1%	1%	0%	2%	1%
Other help	6%	7%	7%	6%	8%	6%	8%
Don't Know	7%	5%	9%	8%	9%	5%	8%
Number of Responses	300	301	300	300	301	302	1,804

* Weighted by establishments.

improved zone image or appearance, or "bringing in business and people."[16] Depending on the programmatic activities undertaken by a zone (see Part II of this report), the latter two benefits might have been either direct or indirect results of such zone activities. In 2000, one percent of businesses mentioned improved crime prevention as the most important benefit received from the zone program. Another one percent of business respondents in 2000 cited the receipt of financing through the local zone program as the most important help received; no businesses reported such direct benefits in 1997/98. *Disturbingly, in the six zones, 73 percent of businesses reported in 2000 that they had received, to date, no help, or that they didn't know what help their business had received.*

In addition, for each Empowerment Zone site, two zone-specific program resources were identified and the zone businesses were asked in 2000 to comment on their awareness and utilization of such resources. These programs reflected a variety of forms of assistance, from state and local tax incentives, to financing, to technical assistance. Exhibit 3-13 presents the results from the 2000 survey. As the table shows, awareness of the local resources varied considerably, from 11 percent of New York zone businesses being aware of the Industrial Commercial Incentive Program to 63 percent awareness of the Baltimore Development Corporation (BDC) by that city's zone businesses. Utilization of these local resources also varied, from one percent of the Detroit zone businesses taking advantage of the Wayne County Minority Business Loan Program, to 12 percent of the businesses in the Baltimore zone taking advantage of the services of BDC. Twelve percent of the Camden zone businesses also reported accessing the benefits of the New Jersey State Enterprise Program.

3.4.1 Business Utilization of Federal Tax Incentives

The first elements of the Empowerment Zone program to be implemented and available to businesses were the tax incentives for hiring zone residents (the Empowerment Zone Wage Tax Credit) and for investment in zones (special Section 179 expensing provisions). A third tax incentive was also available in zones, the Work Opportunity Tax Credit. The utilization of this older credit is closely related to the tax incentives which are part of the Empowerment Zone program because WOTC encourages the hiring of the disadvantaged.

In the Wave 1 survey done in 1997/98, four percent of zone businesses cited Federal tax incentives as the most important help they had received from the zone program. Another four percent mentioned "other tax benefits," perhaps attributing the Federal incentives to the local Empowerment Zone program, or perhaps acknowledging complementary incentives offered by the states and local governments. In the 2000 survey, six percent cited the Federal

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[16] This is consistent with a 1997 report that suggested that non-tax incentives were just as, if not more, valuable to EZ businesses than the tax incentives. See Polaner, Max., *Business Attitudes Towards Empowerment Zone Incentives*, prepared for the U.S. Department of Housing and Urban Development, April 1997.

Exhibit 3-13
Awareness and Utilization of Zone-Specific Programs *

Site		Proportion of Establishments Aware of Program	Proportion of Establishments Using the Program
Atlanta (N=300)	*City of Atlanta Urban Enterprise Zone Program*	24%	2%
	Georgia State Job Tax Credit	23%	4%
Baltimore (N=301)	*Business Empowerment Center (BEC)*	38%	6%
	Baltimore Development Corporation (BDC)	63%	12%
Chicago (N=300)	*State Enterprise Zone Program*	20%	4%
Detroit (N=300)	*Services of the Detroit Economic Growth Corporation*	26%	5%
	Wayne County Minority Business Loan Program	29%	1%
New York (N=301)	*New York State Economic Development Zone*	32%	7%
	Industrial Commercial Incentive Program (ICIP)	11%	3%
Philadelphia/ Camden** (N=302)	*Pennsylvania Commonwealth Enterprise Program (PCEP)*	21%	3%
	Philadelphia Industrial Corporation Financial Assistance (PICFA)	41%	5%
	New Jersey State Enterprise Program	33%	12%

* Weighted by establishment
** The percentages for the PCEP and PICFA only include firms in the Philadelphia EZ, while the percentages for the New Jersey State Enterprise Program include only establishments in the Camden EZ.

tax incentives as the most important help they had received from the zone program, and two percent mentioned "other tax benefits."

The tax breaks were reported most frequently by larger business establishments (Exhibit 3-14). Federal tax breaks were mentioned as the most important help they had received by 25 percent of businesses with 50-249 employees, and by 11 percent of establishments with 250 or more employees. They were mentioned by only three percent of businesses with fewer than 10 employees. [17] Larger business establishments also mentioned other factors more than smaller businesses, particularly "improved crime prevention" (8 percent), "bringing in business and people" (10 percent), and "other help" (16 percent). It may be that managers in

[17] A study by the General Accounting Office also found that businesses with at least 50 employees used the financial incentives with greater frequency than businesses with fewer than 50 employees. The GAO study reported on 1997 utilization of Federal tax incentives in the six Empowerment Zones. See *Community Development: Businesses Use of Empowerment Zone Tax Incentives*, United States General Accounting Office Report to Congressional Requesters, September 1999.

these larger establishments are more aware of the activities of the zone programs, but these frequent reports of benefits may suggest that some of the local Empowerment Zone programs have targeted larger businesses for special attention.

Exhibit 3-14
Most Important Help Received from Empowerment Zone Program by Size of EZ Establishment: Summer 2000*

	Establishment Size Class (number of employees)				
Type of Help	**0-9**	**10-49**	**50-249**	**250 or more**	**All Establishments**
Nothing/No help received	71%	56%	43%	33%	65%
Federal tax credits	3%	9%	25%	11%	6%
Bringing in business and people	5%	6%	2%	10%	5%
Improved zone appearance/image	3%	4%	5%	5%	4%
Other tax benefits	2%	3%	5%	3%	2%
Improved crime prevention	1%	1%	1%	8%	1%
Financing/Low-interest loans	1%	2%	0%	6%	1%
Other help	7%	10%	12%	16%	8%
Don't Know	7%	10%	7%	9%	8%
Number of Responses	1,169	390	179	56	1,794

* Weighted by establishments.

Overall, the Federal tax breaks associated with the Empowerment Zone achieved significant rates of utilization relatively quickly, but then use of these incentives either plateaued or declined. Nine percent of businesses establishments in the 1997/98 survey used the Empowerment Zone Wage Tax Credit, increasing only 2 percentage points to 11 percent in the 2000 survey.[18] Eight percent of zone businesses reported using the special expensing provision in 1996, declining to 4 percent in 1999. The three percent that reported using the Work Opportunity Tax Credit in 1997/98 is roughly equivalent to the percent reported in 2000 (Exhibit 3-15).[19] These findings are generally consistent with those of a 1999 GAO study examining EZ tax incentives.[20]

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[18] The survey administered in 1997/1998 asked about tax utilization on establishments' 1996 tax returns, while the 2000 survey asked about tax returns in 1999.

[19] A small percentage of establishments reported that they did not use the EZ Wage Tax Credit because doing so would actually increase their taxes, due to the Alternative Minimum Tax (AMT) provision. While some "personal" tax breaks may be protected in the AMT, EZ credits are not.

[20] The GAO found that about 8 percent of urban EZ establishments used the EZ Wage Tax Credit on their 1997 returns, compared to 4 percent for the Section 179 expensing provision and 2 percent for the Wage Opportunity Tax Credit. See *Community Development Businesses' Use of Empowerment Zone Tax Incentives*, pages 7-18.

Exhibit 3-15
Utilization of Tax Incentives by Businesses in the Six Empowerment Zones, by Size of EZ Establishment: Summer 2000 *

Type of Incentive	Establishment Size Class (number of employees)				
	0-9	10-49	50-249	250 or more	Total
EZ Wage Tax Credit	5%	19%	51%	62%	11%
Section 179 Expensing	2%	8%	9%	31%	4%
WOTC Credit	1%	5%	13%	30%	3%
Number of responses	1,045	328	139	27	1,539

* Weighted by establishments.

Awareness of the financial incentives also remained low in 2000, especially for the Work Opportunity Tax Credit and the Section179 expensing provision (Exhibit 3-16). Almost half (49 percent) of establishments were unaware of the EZ Wage Tax Credit, while fully 69 percent were unaware of the Section 179 Expensing Provision and 71 percent were unaware of the Work Opportunity Tax Credit.[21]

Larger establishments more commonly have the tax expertise and taxable profits required to avail themselves of such tax breaks, even if the incentives are not specifically designed for large businesses.[22] Because large establishments are much more likely to use the incentives than are smaller ones (see Exhibit 3-15), the overall rates of utilization of the tax incentives may understate their potential impacts on zone employment and investment. Therefore, though utilization at the establishment level might be low, these tax incentives may still have the potential for a significant impact on the employment of zone residents and on investment in the zones.[23]

21 These proportions of business lacking awareness of the tax incentives are much higher than figures reported in the GAO study. The GAO found that approximately 68 percent of urban EZ businesses *were* aware of the EZ Wage Tax Credit and about 61 percent *were* aware of the Section 179 expensing provision (the GAO study did not report on awareness of the Wage Opportunity Tax Credit). See *Community Development Businesses' Use of Empowerment Zone Tax Incentives,* page 7-15. However, our survey instrument directly asked whether establishments were aware of the various incentives. The GAO report relied on responses to questions of why establishments did not use the incentives to derive an estimate of the proportion which were unaware of the credits. This may explain the disparity between the findings of the GAO study and this study.

22 For example, the Section 179 expensing provision has a dollar cap of $20,000 on the extra investments which Empowerment Zone businesses can expense rather than depreciate. This cap limits the potential benefits of this investment incentive to larger businesses. Even so, 31 percent of businesses with 250 or more employees claimed this incentive; only 2 percent of establishments with under 10 employees did.

23 Thirty-seven percent of employees are represented by establishments that used the EZ Wage Tax Credit, while establishments using the Work Opportunity Tax Credit and the Section 179 expensing provision each account for 13 percent of employees.

Utilization of the Empowerment Zone Wage Tax Credit varied considerably among the zones (Exhibit 3-16). In 2000, it was highest in Detroit (19 percent) and Chicago (13 percent). Businesses in these two zones were also most likely to claim the Section 179 expensing provisions. In 2000, fully 8 percent of businesses in the Chicago Empowerment Zone claimed the expensing benefit. Use of this provision was also above average in Detroit (5 percent).

Another clear pattern is for manufacturing businesses to claim these incentives far more frequently than do businesses in other industries. Compared to the cross-site utilization rates of 11 percent, 4 percent, and 3 percent for the EZ Wage Tax Credit, expensing provision, and Work Opportunity Tax Credit, respectively, utilization within the manufacturing industry was 29 percent, 10 percent, and 6 percent (Exhibit 3-17). Why this is true is unknown, although the high degree of correlation between establishment size and industry may account for some of this, as manufacturing establishments tend to be larger than average and utilization is concentrated in larger establishments. This may also account for the higher use of the incentives in Chicago and Detroit. These are zones with substantial manufacturing sectors.

The key issue is the potential power of these financial incentives to shape business behavior, i.e., business hiring and investment decisions. Evidence from the survey suggests that these credits may have modestly helped shape hiring practices and investment, for at least some of the affected businesses. In the 2000 survey, businesses were asked "How much did the Wage Tax Credit influence hiring?"[24] Fully 45 percent of businesses claiming the Empowerment Zone Wage Tax Credit answered that the credit's effects on hiring were "very important" or "somewhat important" (Exhibit 3-18).[25] For users of WOTC, 58 percent said the credit was very important or somewhat important. A similar analysis suggests that the expensing provision has stimulated additional investment in machinery and equipment (i.e., in Section 179 property) in the zones, but only slightly.[26] Of the 4 percent of businesses that claimed this provision, 16 percent reported that the credit was important in their investment

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24 This question was not asked in the Wave 1 survey.

25 The GAO study had a significantly higher proportion of establishments reporting that the EZ Wage Tax Credit was important to hiring decisions in 1997. Specifically, the GAO found that 79 percent of large establishments (defined as establishments with at least 50 employees) and 67 percent of small establishments (defined as establishments with fewer than 50 employees) that used the Wage Tax Credit in 1997 considered it to be "somewhat important" or "very important" in their hiring decisions. See *Community Development Businesses' Use of Empowerment Zone Tax Incentives*, page 10.

26 There appears to be some misunderstanding on the part of the respondents of the nature of this tax break. On average, businesses reported eligible investments that were far higher than the cap. In the six zones combined, businesses reported that they claimed an average of $90,000 under this provision. Perhaps these are the overall costs of projects, which for tax purposes were both expensed (up to the maximum), with the remainder depreciated.

decision: i.e., without the provision, it was "very unlikely" or "somewhat unlikely" that they would have made the investment which was expensed.

These responses support the hypothesis that these credits may have had some positive, but fairly modest effects on zone economies. In particular, the survey responses indicate that:

- the Empowerment Zone Wage Tax Credit may have stimulated the employment of zone residents by some zone employers;

- the WOTC credit may have encouraged employment in zones of the various target groups, especially the disadvantaged; and

- the Section 179 expensing provisions may have stimulated some additional business investment in machinery and equipment that would otherwise not have occurred in the zones.

However, it is important to note that the vast majority of establishments did not use the financial incentives at all and many of those that did indicated that the incentives did not have a significant influence on their hiring or investment decisions. In addition, several multivariate statistical analyses modeling the effects of these incentives on the hiring of zone residents show mixed evidence of significant impacts (see Appendix H). Specifically, there does not appear to be any significant relationship between utilization of the financial incentives in 1999 and the share of jobs held by zone residents in Wave 2 (Exhibit H-1). However, there does appear to be a positive and significant relationship between the utilization of the EZ Wage Tax Credit in both waves and the *percentage change in the number of residents employed* for establishments that responded to both waves of the survey.[27] That is, establishments that used the EZ Wage Tax Credit in both 1996 and 1999 experienced, on average, greater increases in the number of residents employed between the two survey waves (Exhibits H-2 and H-3). These inconsistent findings preclude a firm conclusion about the effects of the incentives on the employment of residents.[28]

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[27] Because percentage changes could not be calculated for establishments that had zero resident employees in the first wave (a zero would appear in the denominator of the calculation), these establishments were dropped from the analysis.

It may be that businesses that already employed residents in 1997/98 were better able to use friendship and family networks among employees to find good resident workers in the current labor market, or that they had jobs more suitable to the employment skills and needs of residents, or that they differed in other important ways from establishments that did not employ any residents in 1997/98.

[28] It is important to note that our data reflects a period when the labor market was extremely tight. Unemployed zone residents available to be hired have declined in number, and those remaining unemployed probably suffer from numerous impediments to productive work. These labor market conditions may have made it increasingly difficult for businesses wishing to use the incentives to find appropriate residents to employ. This situation may have diminished the impact of the incentives. Future research should explicitly compare the effects of the incentives in zones with relatively soft labor markets, with those in EZs with tight labor markets.

Exhibit 3-16
Awareness and Utilization of the Financial Incentives by Businesses in Six Empowerment Zones, Summer 2000*

	Atlanta	Baltimore	Chicago	Detroit	New York	Philadelphia/ Camden	*Six-Site Total*	*Six-Site Average*
Empowerment Zone Wage Tax Credit								
Percent of establishments aware of the EZ Wage Tax Credit	42%	61%	57%	61%	38%	58%	51%	53%
Percent of establishments using the EZ Wage Tax Credit	7%	12%	13%	19%	7%	9%	11%	11%
Average number of employees claimed for those that used credit	6	6	9	14	16	4	11	9
Work Opportunity Tax Credit								
Percent of establishments aware of the WOTC	31%	40%	28%	36%	23%	39%	31%	33%
Percent of establishments using the WOTC	5%	6%	2%	2%	3%	3%	3%	3%
Average number of employees claimed for those that claimed any	7	10	18	47	6	2	13	15
Section 179 Expensing Provision								
Percent of establishments aware of the Section 179 expensing provision	22%	33%	29%	27%	28%	39%	29%	30%
Percent of establishments using the special expensing provision	1%	4%	8%	5%	2%	4%	4%	4%
Average value of investment of those who used the provision	$35,000	$179,754	$78,137	$183,035	$35,806	$48,019	$90,197	$93,292
*Number of Responses:***	274	276	281	265	275	261	1,632	1,632

* Weighted by establishment.
**Establishments that did not respond "Yes" to the question "Does your organization have a for-profit subsidiary doing business at this location" were not asked about utilization of financial incentives and are, therefore, not included.

Exhibit 3-17
Proportion of EZ Establishments Using Credits/Tax Provisions, by Industry: Summer 2000*

	EZ Wage Tax Credit	*Section 179 Expensing Provision*	*Work Opportunity Tax Credit*
Industry:			
Services	7%	4%	3%
Manufacturing	29%	10%	6%
Retail Trade	7%	3%	4%
Wholesale Trade	14%	6%	2%
Transportation, Communications, and Utilities	11%	1%	3%
Finance, Insurance, and Real Estate	11%	1%	2%
Construction	13%	2%	3%
Other Industries	21%	0%	21%
Total Across Industries:	11%	4%	3%

* Weighted by establishments

Exhibit 3-18

Importance of Tax Credit/ Expensing Provisions to Hiring/Investments: Summer 2000*

EZ Businesses Rating of Importance*		**Atlanta**	**Baltimore**	**Chicago**	**Detroit**	**New York**	**Philadelphia/ Camden**	**Six-Site Total**
Importance of EZ Wage Tax Credit on Hiring	Very Important	35%	21%	23%	13%	12%	28%	19%
	Somewhat Important	18%	21%	23%	35%	16%	14%	26%
	Not Very Important	21%	24%	25%	9%	32%	31%	22%
	Not Important at All	26%	34%	19%	42%	40%	27%	32%
	Don't Know/ Refused	0%	0%	0%	1%	0%	0%	0%
	Number of Responses	*18*	*33*	*44*	*50*	*22*	*23*	*190*
Importance of WOTC on Hiring	Very Important	16%	35%	0%	30%	28%	31%	24%
	Somewhat Important	25%	25%	67%	5%	32%	39%	34%
	Not Very Important	19%	24%	14%	35%	40%	31%	28%
	Not Important at All	30%	7%	19%	30%	0%	0%	11%
	Don't Know	10%	8%	0%	0%	0%	0%	3%
	Number of Responses	*13*	*16*	*12*	*5*	*11*	*10*	*67*
Likelihood of Investment Without Section 179 Expensing Provision	Very Unlikely	0%	26%	0%	0%	32%	0%	8%
	Somewhat Unlikely	0%	22%	9%	2%	0%	6%	8%
	Likely	21%	0%	45%	41%	21%	8%	32%
	Very Likely	57%	43%	31%	27%	15%	52%	32%
	Don't Know/Refuse	21%	9%	15%	30%	33%	34%	22%
	Number of Responses	*4*	*10*	*22*	*14*	*7*	*11*	*68*

* *Weighted by establishments*

** Questions only asked to those who used the tax credit/provision.

In this chapter, we have used the results of the business surveys in the six EZs to broaden our understanding of changes in economic conditions in the zones, and the possible role of the Empowerment zone program in promoting those changes. The business surveys have provided strong evidence that resident employment has grown significantly in the zones, as has resident ownership of zone businesses. It has also demonstrated that zone businesses are viewing the EZ areas as improved environments in which to do business. The surveys document that zone businesses have used site-specific forms of zone assistance and the Federal tax incentives to a modest degree. For at least some of the zone businesses, the use of these incentives has influenced the firms' hiring or investment policies in directions consistent with the objectives of the EA program. In addition, zone businesses are more positive than negative about the overall impact of zone designation. However, most zone businesses remain neutral regarding the impact of zone designation to date.

In the next section of the report (Part II), we present information collected as part of the local analyses in 18 EZ/EC intensive study sites, including the six EZs. These data describe the range of site features, strategic interventions, activities and accomplishments among the 18 sites. The local analyses shed light on how the four fundamental EZ/EC principles were incorporated in the 18 sites. They also provide additional information to assist in interpreting and understanding the findings from the business surveys and Dun & Bradstreet analysis of economic indicators.

Chapter Four
Strategic Vision for Change

Federal EZ/EC guidelines encouraged program applicants to use the required strategic planning process to develop a shared vision for change. In response, most program applications included both a vision statement—a description of what local stakeholders aspired to for their target community—and a strategic plan that was intended to be the blueprint for making that vision a reality.

This chapter begins by characterizing the visions articulated by local stakeholders in the 18 intensive study sites. It then reviews briefly the key problems the sites identified in their target communities. The core of the chapter discusses the strategic priorities that sites set to address the problems and pursue their visions, including an assessment of how and why the strategic priorities have changed over time.[1]

4.1 Characteristics of the Sites' Visions for Their Communities

Each site's vision reflects the view of local stakeholders of what the zone will look like "after transformation." Most sites included a vision statement in their application. ***These vision statements make clear that ideas about the elements of an appealing, well-functioning neighborhood are widely shared: people consistently aspire to communities in which people of all ages can enjoy economic opportunity, safety, health, and decent housing and neighborhood amenities.***[2] There were, however, some differences in the major themes singled out for explicit attention (Exhibit 4-1). Vigorous economic activity was a universal theme, and a well-educated, trained and connected workforce and a healthy, nurturing and safe environment were nearly so. Two-thirds of the intensive study sites emphasized the importance of an attractive physical environment. Eight sites called explicit attention to the need for the community to provide youth with excellent life chances, and seven sites sought to develop strong community institutions and civicly engaged residents with the capacity to sustain change.

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1 The specific activities and programs the sites used to pursue their strategic priorities are presented in Appendix E and discussed in Chapters Five and Seven.

2 In a few sites, the vision of local stakeholders could not be determined from the strategic plan. In some instances, e.g., Dallas, the strategic plan did not include an explicit vision statement. In others, e.g., New York City, the character of the local program changed markedly after zone designation, so the strategic plan was not a reliable reflection of local stakeholders' views and plans. In these cases, local research affiliates assessed the site's vision on the basis of other written materials from the site and/or information collected in interviews with local stakeholders.

Exhibit 4-1
Major Themes in EZ/EC Sites' Strategic Visions for Their Communities

City	Vigorous Economic and Commercial Activity	Well-Educated, Trained and Connected Workforce	Youth with Excellent Life Chances	Healthy, Nurturing, and Safe Social Environment	Attractive Physical Environment	Strong Community Institutions
Empowerment Zones						
Atlanta	✫	✫	✫	✫	✫	✫
Baltimore	✫	✫		✫		✫
Chicago	✫	✫	✫	✫	✫	✫
Detroit	✫			✫	✫	
New York	✫	✫				
Philadelphia/Camden	✫		✫	✫	✫	
Supplemental Empowerment Zones/Enhanced Enterprise Communities						
Boston	✫	✫				
Cleveland	✫	✫		✫	✫	✫
Oakland	✫	✫		✫		
Enterprise Communities						
Burlington	✫	✫		✫	✫	✫
Charlotte	✫	✫	✫	✫	✫	
Dallas	✫	✫	✫	✫		
Louisville	✫	✫	✫	✫	✫	
Minneapolis	✫	✫		✫		
San Diego	✫	✫		✫	✫	
San Francisco	✫	✫	✫	✫	✫	✫
Seattle	✫	✫	✫	✫	✫	✫
Tacoma	✫	✫		✫	✫	

The vision statements vary more in style than they do in content. Among the most detailed is the vision that emerged from Burlington's highly participatory strategic planning process; their goal was that, by the year 2005, the Burlington Old North End Enterprise Community would become a place of security, opportunity, and sustainability:

> A PLACE OF SECURITY where public infrastructure, private buildings and the natural environment promote the health and well-being of all; where all residents have the economic means to meet their basic needs; where all residents are assured of the safety of their neighborhoods and the affordability of their housing; where all residents are assured of the quality and availability of basic human services promoting self-sufficiency, reducing dependencies, and preventing the neglect, abuse or exploitation of persons unable to protect themselves; where accessibility to public spaces and private buildings is not made more difficult by structural barriers impeding persons who happen to be physically challenged; where access to jobs and housing are not made more difficult by social barriers impeding persons who happen to be "different;"
>
> A PLACE OF OPPORTUNITY where new enterprises find it easy to get started; where existing enterprises find it easy to grow; where economic self-support is within the reach of all; where all residents have a chance to improve their earnings, their housing, their skills, and their lives;
>
> A PLACE OF SUSTAINABILITY where the long-term prosperity of the economy and the long-term health of the environment are in balance; where the fragile, irreplaceable resources of both the natural environment and the built environment are preserved; where local businesses, community-based nonprofits, and educational, recreational, and cultural institutions have confidence in their continued survival; where the physical, economic, and social gains to be made in the next three years within the Old North End Enterprise Community are perpetuated.

4.2 Identifying the Key Problems to be Addressed

Moving from a *broad vision* to a set of *strategic priorities* required local stakeholders to make decisions about which neighborhood problems they would focus on directly.[3] When

[3] In selecting strategic priorities, local stakeholders took into account more than the nature and severity of various zone problems. Typically, they also responded to the level and type of EZ/EC resources received, the purposes for which they were able to leverage other resources, and the availability of local program opportunities. Simply stated, they took into account where they could reasonably expect to make a real difference in the zone communities with the level of resources (both EZ/EC and leveraged) that they had at their disposal. The amounts and types of EZ/EC resources are discussed in Chapter Eight. Local opportunities, including leveraging opportunities, are idiosyncratic. Examples are noted in reference to specific sites throughout the chapter. Zone problems are more consistent from place to place, at least at the general level, and hence are analyzed here.

localities were preparing their program applications, local stakeholders were acutely aware of the fact that they were involved in a competitive site selection process. Applications had to document clearly that the areas targeted for inclusion in the proposed zones met the Federal eligibility criteria with regard to maximum population size and minimum poverty rates.

At the same time, applicants also had an interest in arguing that their strategic plan was grounded in a thorough understanding of the zone-specific problems it was intended to address. This led applicants to focus attention on those problems, which were sometimes discussed in great detail. For example, all EZ/EC applications documented poverty and unemployment to establish their eligibility, but some mustered data on a wide assortment of related variables (labor force participation, median income, dependency on public assistance, unemployment among youth, etc.). Exhibit 4-2 groups these numerous descriptors into 14 types and shows how those types of problems map onto the strategic priorities that the intensive study sites devised.

Four patterns stand out. First, all sites identified poor economic conditions (i.e., some combination of (a) unemployment, poverty and low incomes; (b) lack of capital or disinvestment; and (c) lack of job skills, as shown in Exhibit 4-2) as a significant issue. These types of problems were cited more frequently than any others, reflecting the EZ/EC program's economic opportunity agenda. Second, sites that focused specifically on "unemployment, poverty, and low incomes" split evenly in their strategic responses: some saw a workforce development strategy as the preferred approach, while others responded by promoting business development (i.e., job creation). Third, in about half of the sites, workforce development and business development strategies were viewed as ways of addressing an array of social, physical and other problems (crime, poor physical conditions, etc.). Finally, the "logical" correspondence between the types of problems identified and the remediation strategies was not as intuitive (or sometimes as strong) as might have been expected. For example, Boston stakeholders framed their business development strategy as a response not only to poverty and unemployment, but also to problems of poor physical environment, crime and racial discrimination. This suggests that local stakeholders in the various sites differed in how they were thinking about the causes and solutions to complex problems.

Exhibit 4-2

EZ/EC Strategic Priorities at Baseline by Types of Problems Identified in Targeted Areas

Problems	Business Development	Workforce Development	Social Improvement	Public Safety	Physical Improvement	Housing	Capacity Improvement	Sustainability	Empowerment	System Reform	Increased Racial Equality
Economic Conditions											
Unemployment/ Poverty/Low Incomes	Atlanta, Boston, Burlington, Charlotte, Chicago, Detroit, Minneapolis, Oakland,	Boston, Burlington, Charlotte, Chicago, Minneapolis, New York, San Diego, San Francisco, Seattle	Atlanta								
Lack of Capital/ Disinvestment	Atlanta, Baltimore, Charlotte, Chicago, Dallas, Detroit, Louisville, New York, Oak-land, Philadelphia, Tacoma						Cleveland, Seattle				
Social Conditions											
Lack of Employment		Atlanta, Baltimore, Cleveland, Dallas, Detroit, Louisville, Philadelphia, San Francisco, Seattle, Tacoma									
Crime	Boston, Philadelphia	Boston, San Francisco	San Francisco	Atlanta, Chicago, Dallas, Detroit, New York							
Drug Abuse		Atlanta			San Diego		Oakland				

Exhibit 4-2
EZ/EC Strategic Priorities at Baseline by Types of Problems Identified in Targeted Areas

Problems	Business Development	Workforce Development	Social Improvement	Public Safety	Physical Improvement	Housing	Capacity Improvement	Sustainability	Empowerment	System Reform	Increased Racial Equality
Poor Educational Attainment	San Francisco	Baltimore, Chicago, Cleveland, Detroit, San Francisco	New York, San Francisco, Seattle								
Alienation among Residents			Philadelphia				New York, Oakland		Burlington		
Physical Conditions											
Poor Physical Environment	Boston, Cleveland, Oakland, Seattle	Boston	Boston		Chicago, San Diego						
Lack of Transportation Services		Baltimore, Burlington, Louisville, Minneapolis	Detroit								
Lack of Affordable Housing						Atlanta, Burlington, Chicago, New York, Philadelphia					
Other											
Poor Social Services Coordination			Louisville, Philadelphia				Minneapolis, Oakland			Dallas, Seattle	
Racial Discrimination	Boston										Burlington
Few Community-Based Organizations	Atlanta	Atlanta					Baltimore	Seattle, Baltimore	Charlotte, Seattle		
Lack of Childcare		Atlanta, Chicago	Burlington, Philadelphia								

4.3 Strategic Priorities in EZ/EC Sites

While local stakeholders in the 18 intensive study sites expressed broadly shared visions of what makes an attractive community, the strategic priorities they established in order to move their communities toward that vision varied considerably. Collectively, they adopted eleven types of strategic priorities in varying combinations (see Exhibit 4-3); each strategic priority is represented in one or more pathways of change.[4]

These priorities did not necessarily remain fixed over the life of the program. This section begins by presenting the sites' strategic priorities at baseline, i.e., at the time the local research affiliates completed their initial fieldwork for this assessment.[5] It then discusses two sets of changes: those that occurred in some sites between the pre-designation strategic planning process and baseline, and those that occurred as the program unfolded between baseline and the final local data collection for the interim report (June 2000). It concludes with an assessment of residents' understanding of the strategies of their zone programs.

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4 This report does not include all the pathways of change of the individual EZ/EC sites. Local research affiliates did not have the resources to document and monitor them all, and the critical ones that they did document are too voluminous to present here. However, Appendix D discusses the pathways of change methodology and includes examples of selected pathways.

5 EZ/EC designations for the first round of grantees were announced at the end of December 1994. Ideally, the baseline profile of the designated zones and the revitalization strategies intended to strengthen them would capture conditions and expectations close to this point in time. Indeed, a case could be made for an even earlier baseline date, since the strategic planning conducted during the process of preparing program applications was itself intended to have an impact by engaging community residents in new decision-making mechanisms, fostering the creation of new partnerships, and generating new ideas about how to effect community improvement. However, the current assessment project did not get into the field to begin data collection until August 1997. Abt Associates was awarded the contract to perform the Interim Assessment in July 1996, and one of the early key tasks was the selection of an appropriate sample of sites to serve as the focus of the local analysis component of the study. Among the 18 intensive study sites ultimately selected for the Interim Assessment, 15 were also the focus of the earlier Implementation Assessment directed by the Rockefeller Institute at the State University of New York for HUD. Accordingly, the best course of action appeared to be for the Interim Assessment to recruit the same set of local research affiliates as had been used in the Implementation Assessment for these sites, in order to gain the benefit of the affiliates' existing base of knowledge and contacts with the zone staff and local stakeholders. Abt Associates was authorized by HUD to approach these affiliates in late spring 1997, and trained these affiliates and initiated the local analysis data collection in the summer of 1997. Those affiliates who had not been part of the Implementation Assessment quickly familiarized themselves with the local program's history.

Exhibit 4-3
Strategic Priorities Reflected in EZ/EC Sites' Pathways of Change

City	Business Develop-ment		Workforce Develop-ment		Social Improve-ment		Public Safety		Physical Improve-ment		Housing	
	B	I	B	I	B	I	B	I	B	I	B	I
Empowerment Zones												
Atlanta	+	☆	+		☆		☆				☆	☆
Baltimore	☆	☆	☆	☆								
Chicago	☆	☆	☆	☆		☆	☆		☆			☆
Detroit	☆	☆			☆	☆						
New York	☆	☆	☆	☆			☆		☆			
Philadelphia/Camden	☆	☆			Q			☆	Q		Q	
SEZ/EEC Sites												
Boston	☆	☆	☆	☆		☆						
Cleveland	☆	☆	☆	☆				☆		☆		☆
Oakland	☆	☆	☆									
Enterprise Communities												
Burlington	☆		☆	☆	Q	☆	Q	☆	Q	☆	Q	☆
Charlotte	☆	☆	☆	☆								
Dallas	☆	☆	☆	☆			☆	☆				
Louisville	☆	☆	☆	☆	☆	☆						
Minneapolis	☆	☆	☆		Q					☆		☆
San Diego		☆	☆	☆		☆			☆	☆		
San Francisco	+		☆	☆	+	☆						
Seattle	+	☆	+	☆	❖	☆						
Tacoma	☆	☆	☆	☆	☆							

Note: + Denotes sets of activities conducted by a site in connection with more than one strategic priority.
Q Indicates sets of activities that made up a Quality of Life strategic priority

B = Baseline I = Interim

Exhibit 4-3 (continued)
Strategic Priorities Reflected in EZ/EC Sites' Pathways of Change

City	Capacity Improve-ment		Sustain-ability		Empower-ment		Systems Reform		Increased Racial Equality	
	B	I	B	I	B	I	B	I	B	I
Empowerment Zones										
Atlanta										
Baltimore	✮	✮	✮	✮		✮				
Chicago										
Detroit										
New York	SB		✮	✮						
Philadelphia/Camden										
SEZ/EEC Sites										
Boston										
Cleveland	✮	✮	✮		✮					
Oakland	✮				✮					
Enterprise Communities										
Burlington					✮	✮			✮	
Charlotte		✮	✮	✮	✮	✮				
Dallas							✮	✮		
Louisville			✮	✮						
Minneapolis	✮						Q	✮		
San Diego			✮							
San Francisco			✮		✮					
Seattle	+	✮	✮	✮	✮	✮	+	✮		
Tacoma										

Note: + Denotes sets of activities conducted by a site in connection with more than one strategic priority.
Q Indicates sets of activities that made up a Quality of Life strategic priority
SB South Bronx only

B = Baseline I = Interim

4.3.1 Strategic Priorities at Baseline

Enhanced economic opportunity for zone residents was the central goal of the Federal EZ/EC program. The sampled sites all embraced this national principle, and understood it to include (1) business development within the zone and (2) helping EZ/EC residents secure employment. All but one of the intensive study sites identified business development strategies, and sixteen sites had employment strategies. The presence of these strategies, in one form or another, across all of the EZ/EC sites underscores the importance stakeholders in the sites placed on economic development as a means to creating better neighborhoods.[6]

Business development strategies sought to increase the number of employers operating within a site's EZ/EC neighborhoods and/or to enable existing zone businesses to expand. They were premised on the notion that the EZ/EC neighborhoods would be enhanced by increasing the number of jobs actually located within the zone. ***In some cases, one of the purposes of a business development strategy was to improve the quality of neighborhood commercial areas and/or consumer goods and services, but more typically the reasoning was that business growth within the zone would provide more employment opportunities and income for zone residents.*** For example, the pathway of change for the Boston Enhanced Enterprise Community's (EEC) business development strategy included a link between an increase in the number of firms located within EEC neighborhoods and higher resident incomes. This, in turn, was expected to result in reduced crime rates, a non-economic development outcome.[7]

Workforce development strategies started by acknowledging that many zone residents have low levels of formal education and limited hard and soft job skills. The strategies proposed to address those problems were usually predicated on the assumption that jobs would be available to qualified zone residents. Hence, the zone strategy was designed to provide EZ/EC residents with the assistance they needed to become qualified and successfully link to an employer.

While economic development was seen as a critical first step toward the establishment of a healthy community, the Federal EZ/EC program guidelines encouraged applicants to build sustainable community development into their plans as well. Most sites used this latitude to broaden their programs. Six EZ/EC intensive study sites added social improvement strategies that emphasized aspects of human services that go beyond the services needed to make residents job ready. Service coordination and a focus on youth were common themes in these locales. Four sites gave emphasis to strategies to improve public safety, three made physical improvements in the neighborhood central to their local program, and one site emphasized a housing strategy.[8] Two zones assigned a high priority to changing the way

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6 This chapter uses the term "economic development" broadly to include both business development and workforce development, and categorizes EZ/EC strategies accordingly, even if localities use different language. For example, Boston's Economic Development Strategy was classified by the site itself as a business development strategy, while its Human Services Strategy, which consisted largely of activities designed to prepare zone residents for employment, was classified as a workforce development strategy. In our analysis, both strategies are seen as falling under the broad rubric of "economic development" to promote increased economic opportunity.

7 This is illustrated in Figure D-1 in Appendix D.

8 The fact that a locality does not have a particular category of strategy, e.g., public safety, does not necessarily mean that it considers that issue unimportant. In some sites, other initiatives may be in place to address the issue, e.g., several cities had local community policing efforts underway. In other sites, the problem might have received attention as part of another strategy. Recall the example of Boston, where economic development was seen as a way to reduce crime.

business is done locally: Seattle's Office of Economic Development, the agency that managed the local EC program, established performance standards for non-profit organizations funded by the City of Seattle, while Dallas' strategic plan called for improving the coordination among city agencies that deliver services to zone communities. In addition, several EZ/EC strategic plans (those for Burlington, Minneapolis and Philadelphia/Camden) cited improving the quality of life in the zone (or a similar, broadly framed goal) as a strategic priority; these approaches commonly encompassed several of the functional priorities identified in Exhibit 4-3.

4.3.2 Changes in Strategic Priorities Immediately Following Designation

The design of the EZ/EC program called for applicants to engage in broadly-based strategic planning as part of preparing their applications. The presumption was that those sites that received awards would then implement the plans that had formed the basis of their designation as an EZ/EC zone. In some instances, however, this did not occur. Two very different factors produced this anomalous result.

First, ***some zones applied for EZ designation but received a different type of award.*** Those that became ECs (Dallas, Louisville, Minneapolis, San Diego, and Tacoma in this sample) received significantly less money than they had assumed in preparing their strategic plans. Those that became EECs or SEZs (Boston, Cleveland, and Oakland in this sample) received more funding than the ECs — but that funding was from HUD's EDI/Section 108 program rather than the Title XX program, and the purposes and activities that the two programs support are quite different. Both groups of sites had to revise their strategic plans very quickly to maintain their EZ/EC eligibility; in almost all cases, numerous activities were dropped, and in the EECs and SEZs some new types of economic development activities were added. The "baseline" strategic priorities shown in Exhibit 4-3 are the priorities set in these reformulated plans, not the ones specified in the strategic plans that formed the core of the program applications.

Second, in three of the cities that received EZ designation (Baltimore, Chicago and New York City), ***the receipt of the large Title XX award drew into the start-up and implementation process powerful participants who had not been part of the strategic planning that had engaged other stakeholders in the target communities.*** In Baltimore and New York, politically appointed governing boards dominated by corporate leaders shifted the EZ's emphasis from the broad, holistic plans in the application to strategies that focused very sharply on economic opportunity. In Chicago, the governing board adopted a set of broad, flexible guidelines that gave the EZ maximum discretion in awarding zone funding to agencies applying for support for programs in the zone. Again, the "baseline" strategic priorities shown in Exhibit 4-3 are the ones these zones have actually been implementing, not the ones initially identified in their program applications.

4.3.3 Changes in Strategic Priorities During Implementation

Over the course of program implementation to date, some of the sites have stuck closely to the strategic priorities they identified at baseline. The strategies were "fleshed out" as programs were developed and implemented, and program approaches were sometimes modified as local stakeholders learned from experience, but the basic thrust of zone activities remained essentially the same. In most sites, however, strategic priorities did change over time, although rarely in fundamental ways (see again Exhibit 4-3). Several factors appear to have been at work, but it is difficult to disentangle their effects.

First, ***as sites became engaged in the day-to-day activities of designing, operating and monitoring programs, there was a common tendency to lose the sharp focus on strategic priorities that were developed in most sites at the start of the program.*** Moving the program forward — preparing requests for proposals, letting contracts, dealing with staff turnover, and the like — made it easy to lose sight of "the big picture."

A second contributing factor was ***staff turnover.*** This was a significant issue in a number of sites, most notably Atlanta, Chicago and Cleveland, each of which has had at least four zone executive directors during the first five years of the program. It also affected Tacoma, where the lead staff position was vacant for an extended period of time.[9]

The timetable of EZ/EC program implementation altered the thinking of local stakeholders in numerous sites. The ECs in the intensive study sites developed their strategies and programs using a three- to five-year timetable.[10] When most funding had been allocated and no more decisions about resource allocation were needed, local stakeholders no longer needed a strategy to guide their actions, and their focus on it waned accordingly. In cities that competed for Round Two EZ designation, the strategic planning required for that application generated a new set of strategic priorities. Sites that received EZ designation in Round Two, e.g., Boston, are implementing those priorities — but they are EZ priorities, not EC or EEC priorities (and those newly-funded strategies are not covered by this assessment). Stakeholders in sites that applied for but did not receive Round Two funding have identified activities they would like to undertake, but cannot meaningfully be thought of as having a strategy since they have no resources with which to move those activities forward.

Another influence on the definition of strategic priorities was HUD's introduction of a new program reporting system in the fall of 1998. This system requires sites to report their activities and accomplishments in standard, functional categories (e.g., housing,

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9 This issue is discussed further in the section on program implementation issues in Chapter Six.

10 Recall, for example, the Burlington EC's vision statement quoted earlier, which ends with the statement "…where the physical, economic, and social gains to be made *in the next three years* within the Old North End Enterprise Community are perpetuated" [emphasis added].

infrastructure, education) developed by HUD rather than reporting them organized as they pertain to locally-developed strategies. This system has had the unintended consequence of encouraging zone staff to think about the zone's activities programmatically rather than strategically. For example, Cleveland stakeholders initially conceptualized housing development as part of their business development strategy, but now simply report a housing program.

Finally, ***in a few sites the strategic plan masked strong differences of opinion about priorities that have never been fully resolved*** (most notably, in Atlanta and Oakland) or never garnered the commitment of key local stakeholders (most notably, Chicago). In these places, local research affiliates have, in essence, derived the interim strategic priorities by observing retrospectively how the sites have actually allocated their money.

The net effect of these forces is that the number of sites that are operating in a fashion that is actually "strategic" has declined markedly over time. Local research affiliates were asked to specify whether the agendas in their zones were truly strategic, in the sense that local stakeholders assessed and sought to capitalize on local opportunities, set priorities, and tried to organize activities to be mutually supportive. Their responses, although necessarily qualitative and subjective, are informative (see Exhibit 4-4). They indicate a clear decline in the number of zones with a strategic focus. They also illustrate the difficulty of establishing and maintaining a thoughtful but broadly understood and shared strategy to address problems, especially in a politicized environment where substantial funding is at stake, as was the case in the EZs.

4.3.4 Residents' Understanding of the Strategic Priorities

Among residents of the zones, the level of understanding of the EZ/EC sites' strategies was fairly high at the outset of the program but declined over time. Local research affiliates in almost half of the sites reported that at baseline, their sites' strategies were understood well by a few key players and understood in general by many of the zone's active residents; one site (Seattle) reported that their strategy was understood well by most active residents. Local research affiliates in the other half of the sites reported that the local strategies were understood in general by a few people, and poorly understood (or invisible) by many active residents at baseline. At the time of the interim reports, almost all of the local research affiliates, including those in the EZs (which are currently more active than the ECs), reported that the local strategies were understood in general by a few and poorly understood by many.

This pattern reflects two basic factors. The first is that the sites varied in the way they conducted their strategic planning processes. In some places, residents and the leaders of local community-based organizations (CBOs) played active and influential roles in preparing the strategic plan, and were in good positions to understand the plan as a whole. Baltimore and Burlington are good examples. In other places, residents and other zone stakeholders were less active, or participated in ways that did not give them a good understanding of the strategic plan as a whole (e.g., because they provided input that was then used by City staff to prepare the plan, as in Dallas, or because the site designated several distinct target areas and residents were engaged only in the planning for their part of the zone, as in Philadelphia/Camden). This led to a lower level of understanding, even at the start of the program.

The second factor influencing the level of residents' understanding of local zone strategic priorities is the timing of resident participation. The strategic planning process was the point in the EZ/EC program that provided the greatest opportunity for residents to engage in program-related activities. Sites set up planning committees and task forces, had these

Exhibit 4-4
Degree to Which EZ/EC Sites Were Really Strategic

City	Were Zone Agendas "Truly" Strategic?	
	At Baseline	**At Interim Assessment**
Empowerment Zones		
Atlanta	Partially	No
Baltimore	Partially	Partially
Chicago	No	No
Detroit	No	No
New York	Yes	Yes
Philadelphia/Camden	Partially	Partially
SEZ/EEC Sites		
Boston	No	NA
Cleveland	Yes	Partially
Oakland	No	Partially
Enterprise Communities		
Burlington	Partially	Partially
Charlotte	Yes	Partially
Dallas	Yes	Partially
Louisville	Yes	Yes
Minneapolis	Yes	Yes
San Diego	No	Partially
San Francisco	Yes	Partially
Seattle	Yes	Yes
Tacoma	Yes	NA

Source: Ratings provided by local research affiliates in response to the question, "Were the vision and principal strategies [in your site] 'truly' strategic, in the sense that they assessed and sought to capitalize on local opportunities, set priorities, and sought to organize activities to be mutually supportive?"

Note: NA denotes a report from the local research affiliate that the activities covered by this assessment have been completed to a degree that local stakeholders can no longer be regarded as having an EEC or EC strategy.

groups make reports in sessions that allowed for feedback from the community, and so forth.[11] In places where the strategic priorities changed as a result of the type of designation received (see again the discussion in Section 4.3.2), residents typically had little or no involvement in making the changes because they had to be made so quickly. And in all the sites, once implementation began there were fewer roles for individual residents; significant, publicly-funded programs are designed and implemented by organizations, not *ad hoc* committees. In addition, in most sites coverage of zone activities by the media declined once major decisions about programs and funding allocations had been made. Even in places where zone-sponsored programs were quite visible, residents did not necessarily know that the EZ/EC program had provided important funding for them, and hence did not associate them with "the zone." Finally, once all the major funding decisions had been made, as is the case in virtually all the ECs, participants lost one of their most pressing motives for being involved and well-informed.

[11] For a thorough discussion of the strategic planning process in the EZ/EC sites, see David J. Wright, Richard P. Nathan, and Michael J. Rich, *Building a Community Plan for Strategic Change: Findings from the First Round Assessment of the Empowerment Zone/Enterprise Community Initiative*. Nelson A. Rockefeller Institute of Government, State University of New York, Summer 1996.

Chapter Five
Economic Opportunity

Economic opportunity is preeminent among the four principles of the national EZ/EC program. Although the program supports pursuit of a variety of locally defined goals, the program's central purpose is improving the economic viability of target neighborhoods and increasing the economic well-being of their residents. All of the 18 intensive study sites centered their economic opportunity efforts around some combination of job creation and increasing residents' access to employment. Some sites gave additional definition to their economic opportunity agenda, e.g., five sites' goals emphasized the importance of getting residents into "living-wage" jobs, but the core emphases are quite consistent: expressed in Burlington EC's terms, the zone programs have sought to "create work" (business development) and "create workers" (workforce development). Numerous sites attempted to integrate the two approaches.

While a focus on economic opportunity was part of every zone program, the relative emphasis of different aspects of sites' economic opportunity strategies shifted over time in almost one-half of the 18 intensive study sites. In a few cases, the shift has been at the level of overall strategy; most notably, Atlanta and Oakland decided to make major investments in real estate development projects and have done limited funding of initially-proposed workforce development activities (see Exhibit 4-3 in Chapter Four). In most cases, changes in emphasis have been more modest, and have often been responsive to local problems and opportunities. For example, Louisville's EC shifted its business development emphasis from manufacturing to services when the zone was unable to use the site initially identified for a business incubator. Boston's EEC took advantage of a local opportunity to finance some significant commercial development. Although emphases have moved both from business development toward workforce development and vice-versa, on balance the adjustments have moved the zone programs toward a somewhat greater emphasis on business development, relative to workforce development, than they had at baseline. Within business development, the shift has tended to be from smaller projects to larger ones.[1]

EZs were much more likely to have experienced strategy changes than the ECs—in fact, all of the EZs have made at least some changes in their economic opportunity strategies since baseline, while only four of the other twelve intensive study sites did so. This may reflect the greater scale of the EZ programs, including more opportunities for learning and adjustment,

[1] Local research affiliates offered two possible explanations for this: (1) local business interests favored this approach and pushed the zone agenda in that direction; (2) local opportunities arose to do real estate development projects that would have visible impacts, and zones seized these opportunities in lieu of more difficult and time consuming workforce development activities that had less clear and less certain impacts. No systematic information is available to inform a choice between these two hypotheses (or whether each is true in some of the sites). However, the second hypothesis is more consistent with available information on the representation of business representatives on EZ/EC governance boards; see Exhibit 6-1 in Chapter Six.

and/or the fact that local stakeholders in many of the ECs had shorter program timeframes (typically between three and five years rather than ten), and so had less opportunity to make major changes and still get key activities accomplished.[2]

This chapter comprises two major sections, each of which discusses and illustrates one of the two basic approaches—business development and workforce development—that the 18 intensive study sites have taken to promoting economic opportunity in their target communities, and presents the activities and accomplishments they reported through June 2000. These sections are followed by a brief examination of the efforts that some zones made to coordinate these two strategic approaches. The chapter concludes with a discussion of emerging lessons.

5.1 Business Development

The primary EZ/EC business development activities were lending to small businesses (including micro-lending), often packaged with training and technical assistance for entrepreneurs, and a variety of business attraction strategies, most notably commercial real estate development intended to attract and house new or expanded businesses (see Exhibit 5-1). Other activities included assisting with the redevelopment of brownfields, making physical improvements, starting business incubators, marketing existing zone businesses to the larger economy, and public safety improvements.[3]

Exhibit 5-1
Number of EZ/EC Sites Reporting Business Development Programs, by Category

Type of Site (Number of such sites)	Number of Sites Reporting Activity	
	Lending	Commercial Development
Empowerment Zones (6)	6	5
SEZ/EECs (3)	3	3
Enterprise Communities (9)	7	7
Total (18)	16	15

2 The EZ/EC program was designed as a 10-year program. However, local stakeholders in many EC sites, which had modest Federal funding at their disposal, developed their plans and initially implemented their programs with shorter timetables in mind (see again the conclusion of the Burlington EC's vision statement in Section 4.1). When HUD introduced a new EZ/EC program monitoring system (PERMS) in the fall of 1998, program monitoring staff reminded local EZ/EC program staff about the 10-year program timetable and insisted that they complete all PERMS entries in a way that is consistent with that timeframe—but by that point many of the ECs had already allocated and spent much of their funding. The effects of the different program time frames adopted by local stakeholders in various types of zones is discussed in Section 7.3.

3 Detailed information about the specific activities conducted in each of the study sites is presented in Appendix E.

These activities can be seen as falling into three categories, each discussed in one of the following subsections. The first considers the sites' experiences with providing increased access to capital; it pays particular attention to one-stop capital shops (which were the most common approach to providing access to capital), to the importance of including technical assistance and training programs in capital access programs, and to the difficulties the sites experienced with micro-lending. The second section examines support for commercial real estate developments as a business development approach. The third subsection summarizes a variety of other business development activities, each of which was undertaken in only a few zones.

5.1.1 Access to Capital

An emphasis on access to capital is widespread among EZ/ECs. Sixteen of the 18 intensive study sites (all except San Diego and San Francisco) have sought to improve access to capital for neighborhood businesses. In some places, the strategic planning process or pre-existing analyses of zone neighborhoods documented poor access to credit. In other places, softer evidence, such as an obvious community-wide pattern of disinvestment (reflected in easily visible facts like poor building maintenance and vacant structures) or the absence of branch banks, seems to have provided the principal impetus.

Overwhelmingly, the capital provided by the EZ/ECs has been in the form of credit. This does not necessarily mean that stakeholders believed that the shortage of debt capital was the primary difficulty facing local firms, or that they did not appreciate the importance of adequate equity to new and small firms. In fact, as discussed in Chapter Three, when surveyed businesses were asked through an open-ended question about the biggest problems they faced in doing business in the zone, less than two percent cited "access to capital" as a problem. (The most frequent response was crime and safety.) However, when specifically prompted on the issue of access to capital, a little more than one-quarter of the respondents (26.4 percent) confirmed that it is sometimes a problem for them. The sites' decision to emphasize credit appears to reflect the difficulty they experienced in identifying ways to use Title XX funds to provide equity.[4] Generally, the zones' focus has been on lending to small businesses, including some micro-lending, but leveraged financing for commercial real estate developments has been part of the package of activities in a number of places, as well.

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4 The Title XX regulations do not prohibit use of the funds to provide equity, but the conditions they specify for such use make equity provision extremely complex. In addition, some local stakeholders, recognizing that equity investments are riskier than loans, may have been averse to using Federal dollars to make such investments. The exception is small grants made in connection with some sites' technical assistance activities; these are reported in Exhibit 5-3.

Exhibit 5-2
Access to Capital Outputs Reported by EZ/EC Intensive Study Sites - Summary[5]

All Study Communities—Totals of:	Active Plans: # Sites Repre-sented	Active Plans: Projected	Active Plans: Actual	Completed Plans: # Sites Repre-sented	Completed Plans: Projected	Completed Plans: Actual
Dollar size of loan pools established	10	$235 million	$130 million	4	$30 million	$19 million
Number of loans closed	12	4,797	3,601	3	340	357
EZ/EC resident jobs created from loans	10	6,016	2,090	3	1,512	1,270
Number of capital/credit access programs	7	160	34	5	20	17
Number of businesses served through capital/credit programs	8	3,100	3,457	6	251	213
Number of EZ/EC residents hired through capital/credit programs	7	2,288	271	5	1,024	997
HHS Funds $			**$84 million**			**$2.6 million**
Total $			**$1.9 billion**			**$65 million**

Source: HUD PERMS, October 30, 2000

5 The data in Exhibit 5-2 (and all subsequent tables in this chapter) are taken from the performance measurement system (PERMS) through which all EZ/EC sites report their activities to HUD. Several caveats should be noted about these data. First, the programs as developed by the sites do not consistently fall neatly into the categories mandated by PERMS. As discussed in Chapter Four, the PERMS structure is project-based, whereas most sites initially framed their programs in terms of the strategic priorities and outcomes that they intended to achieve (e.g., many sites provided child care as part of their workforce development strategy, but in PERMS they report their child care activities under human services). Second, the HHS figures do not represent the only Federal funds in use by these programs—the “Total” amounts include not only HHS funds, but also funds from HUD and other Federal agencies, states and localities, and the private sector; both grants and in-kind contributions (which are sometimes very difficult to value) are included. Third, detailed inspection of the site PERMS reports by the national team and on-site assessments of the quality of the PERMS by the local research affiliates both indicate that the reliability of these data is uneven—both across sites (some of which have good monitoring systems and some not) and across line items for a given site. Finally, the PERMS data report only outputs, not outcomes. Outputs are goods and services generated directly by the program, e.g., prenatal examinations for pregnant women; outcomes are the result of these goods and services on conditions in the community, e.g., incidence of low birth weight babies. As the only formal reporting requirement established by HUD for the EZ/EC sites, the PERMS reports establish standards for the sites relative to on-going project planning, programmatic record-keeping, and reporting on accomplishments. Since the PERMS reports do not require reporting on outcomes, to date most EZ/EC sites have felt no incentive to specify precise outcome measures for either their projects or their programs overall, or to maintain any systematic data documenting outcomes that have been achieved. (Further discussion of this issue, and its impact on the evaluation methology, can be found in Appendix D.) Nevertheless, as the only systematic EZ/EC reporting mandated by HUD across sites, the PERMS are the best information available about the EZ/EC's accomplishments. These cautions apply to all subsequent tables.

Additional detail about outputs is presented in Appendix F, which shows outputs disaggregated by type of zone.

Almost half of the sites that established loan funds initially experienced limited effective demand for loans; many applicants simply did not qualify for loans. To address the difficulty in qualifying applicants for loan products, most sites increased their emphasis on technical assistance and training. (Technical assistance and training are discussed later in this section.) In Baltimore, the loan criteria for eligibility were modified to make the loans more attractive to businesses.

Sites that experienced no shortage of demand for loans commonly cited two key program features as being beneficial to their EZ businesses:

- Provision of a full range of technical assistance services; and
- Effective marketing (using multiple forms of outreach).

Zone staff in some places cited other reasons for strong demand, as well. Boston and Seattle attributed some of the demand for loans to their cities' growing economies "which created a strong environment for business growth." Both of these zones also involved CDCs skilled in business development in their programs. In Boston, another contributing factor has been active marketing and expansion of small business lending by several Boston banks.

Collectively, the intensive study sites have committed more than $86 million of their HHS (Title XX SSBG) funds to establishing and operating loan pools and other programs to facilitate access to credit by zone firms and prospective entrepreneurs. ***This is the activity area in which the zones have been by far the most successful in attracting ("leveraging") private sector capital.*** Most of the leveraged dollars are accounted for by a $1.2 billion commitment by a lending consortium of Detroit banks. However, even without that significant component, the magnitude of leveraged dollars committed is substantial. The zones report engaging in a considerable volume of lending activity with these funds, closing almost 4,000 loans and serving more than 3,500 firms to date, with much additional activity envisioned (see Exhibit 5-2).

It is important to note that the zones' access to capital programs do not necessarily provide services only to zone residents and firms. Some serve everyone seeking services. In some cases this has had no apparent negative implications for zone clients. Thus, for example, the local research affiliates in Detroit reported that zone residents receive "services at a level equal to or above residents in the larger area" from its one-stop capital shop (OSCS), which is no longer funded by EZ funds.

However, local research affiliates in two sites reported that although the OSCSs in their zones were successful in serving many city residents well, they had difficulty attracting residents of the zone.[6] Local stakeholders in Tacoma reported that only 10 percent of visitors

[6] This was not an issue that all local research affiliates were explicitly asked to examine. Given the number of sites that initially experienced weak demand for their lending programs, the issue may well be more widespread.

to its Small Business Administration program have been zone residents. Moreover, most of those residents have established businesses. Atlanta's active OSCS reports having provided hands-on technical assistance by business consultants located within the OSCS to 14,000 persons.[7] Of these, only about 15 percent have been documented as zone residents. SBA loans or referrals have been made to 105 Atlanta zone residents or businesses and the loan amounts provided to these borrowers has exceeded $30 million. In response to low demand from zone residents, more aggressive outreach activities have been undertaken. ***This experience raises what is likely to become a more widespread issue as EZ/EC programs phase out or transition to the mainstream: namely, the extent to which institutions and programs established to serve the targeted communities make their resources more broadly available, possibly diluting the level of service in zone neighborhoods.***

In interpreting the figures displayed in Exhibit 5-2, it is important to note the observation of local research affiliates that some loan programs consider all employees of the firms that receive loans as "jobs created or retained." Therefore, the "EZ/EC resident jobs created" figures are possibly overestimated in some sites. In addition, local research affiliates noted that the data may not count all jobs for residents because some sites lack the tracking systems necessary to monitor whom the firms have hired. Finally, no information is available about the actual performance of either the loans or the assisted firms.

One-Stop Capital Shops

The loan programs of the EZs and the SEZ/EECs are substantial and many are housed in OSCSs as centerpieces of the sites' business development strategies. This approach was much less common among the ECs; the major exception is Louisville, which is discussed below. In all, ***two-thirds of the 18 intensive study sites implemented OSCSs, including five of the six EZs*** (Atlanta, Baltimore, Chicago, Detroit and New York), two EECs (Boston and Oakland), and five of the nine ECs (Dallas, Louisville, Minneapolis, Seattle, and Tacoma). Some have been designated CDFIs (community development financial institutions), some have not. These shops provide a variety of services to new or expanding business, including:

- Technical assistance and/or training programs;
- Micro-loan programs;
- Federal, state, or local agencies with offices on-site;
- Private lenders with office hours on-site;
- Resource libraries; and
- Mentorship services for fledgling entrepreneurs.

Louisville's OSCS provides a rich illustration of the range of products and services these facilities make available.

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[7] Note that this figure exceeds the total number of firms assisted that are reported in PERMS; the reason for this inconsistency is unclear.

Louisville's CDFI

Local stakeholders in Louisville had been contemplating the establishment of a community development bank before the EZ/EC program was announced. The new Federal initiative served as a catalyst that stimulated more detailed planning and the capitalization of the new venture. Stakeholders determined that EC area residents did not have adequate credit histories to qualify for loans originated by traditional lenders. In addition, many residents had little business experience, including the knowledge needed to complete a loan application. Local opportunities included a perceived demand for credit products among residents, a history of public-private partnerships, and incentives for lenders due to Community Reinvestment Act requirements.

Louisville's response to this combination of factors was the new Louisville Development Bancorp, organized as a bank holding company modeled after Shorebank Corporation in Chicago. One subsidiary, the Louisville Community Development Bank Enterprise Group, operates revolving loan funds, an OSCS and a business incubator for EC area businesses. Its services include seed loans, equipment leasing, lines of credit, working capital term loans, subordinated debt term loans, and accounts receivable financing to promising pre-bankable concerns and commercial developments. Its products complement the commercial lending products of another subsidiary: the Louisville Community Development Bank, a retail bank. Their activities, combined with the work of the independent Louisville Business Resource Center, provide a broad package of financing and technical assistance for existing and emerging zone businesses. It is worth noting that the Bancorp invested significant effort in developing systems for linking programs and tracking clients so it could tailor the delivery of its services to the needs of individual clients, no matter where they first enter the system.

The Louisville Development Bancorp is particularly innovative in its partnership with private, for-profit lenders. Local stakeholders cited the following innovations as key to the initiative's success:

- Local banks are investors and partners in the community development bank holding company. This was key to the bank's ability to sell stock and raise capital.

- Commitments for significant deposits ($21 million) were obtained before the bank actually opened its doors. According to local stakeholders, no other community development bank has done this before. This provided an immediate source for development lending.

- Other community investor banks committed to selling loans to the Community Development Bank up front; this created an immediate source of revenue and was expected to shorten the time required for the banks to break even.

Louisville's Development Bancorp has outpaced its goals for commercial and small business lending. In the three years since opening for business, the CDFI has made over $6 million worth of new loans to 55 different businesses either located within the zone or providing services to, or hiring, zone residents.

Exhibit 5-3
Business Assistance Outputs Reported by the EZ/EC Intensive Study Sites - Summary[8]

All Study Communities—Totals of:	Active Plans			Completed Plans		
	# Sites Repre-sented	Projected	Actual	# Sites Repre-sented	Projected	Actual
Number of EZ/EC businesses receiving financial assistance	13	2,705	2,131	8	472	400
Number of EZ/EC businesses receiving technical assistance	14	9,832	9,001	9	802	879
Number of non-EZ/EC businesses receiving assistance	7	10,473	6,614	2	148	412
Number of jobs created or retained through non-EZ/EC business assistance	12	12,227	2,939	8	1,913	1,746
Number of EZ/EC businesses receiving other assistance	6	632	229	1	17	32
Number of jobs created or retained through other assistance	4	5,150	1,200	1	20	20
HHS Funds $			**$56 million**			**$2.3 million**
Total $			**$737 million**			**$23 million**

Source: HUD PERMS, October 30, 2000

Technical Assistance and Training

One critical lesson reported by stakeholders at the Louisville Development Bancorp was that "business development is harder to do than [we] envisioned. Securing money for a loan fund is easier than growing businesses and jobs." Many other sites learned similar lessons. ***The most common problem in access to capital programs was the inability of prospective borrowers to qualify for loans***. Entrepreneurs needed technical assistance with such matters as getting financial statements in order, developing financial plans, and improving their credit records. ***Many sites built training and technical assistance into their programs from the outset, and those that did not have added these elements to varying degrees*** (see Exhibit 5.3). Oakland's OSCS offers an unusually broad range of training and technical assistance opportunities for prospective borrowers.

Oakland's One-Stop Capital Shop

The OSCS has become the cornerstone of Oakland's EEC program, and has implemented numerous adaptations to its original plan in order to more fully meet the needs of the community. The OSCS has noted the necessity of providing a full range of services to equip even the least sophisticated, least experienced borrowers with the tools and knowledge essential for success.

8 Additional detail about outputs is presented in Appendix F, which shows outputs disaggregated by type of zone.

From providing workshops for prospective loan applicants, to assisting in creating a business and marketing plan with input from knowledgeable consultants, to providing mentorship services for borrowers during the first year of business, the OSCS seeks to take its new entrepreneurs through each stage of the process in launching their new businesses. Among the services provided are ongoing loan servicing, and training and technical assistance. EEC staff report that a positive side-effect of this holistic, one-stop approach to lending is that residents are less likely to "throw caution to the wind" by borrowing large sums on their personal credit cards to finance new businesses without either consultation regarding potential risks or training in basic business and marketing practices. Staff are convinced that this has reduced the number of failed ventures by encouraging the start-up of only those establishments whose business plans suggest a reasonable probability of success.

The agency hosts 55 to 60 workshops per year, ranging from two-hour to day-long sessions on topics such as restaurant ownership, credit consulting, and e-commerce training. With 5,500 people on the OSCS mailing list, this integrated strategy has proven very successful at recruiting attendees; 300-400 people per year have been served by the various workshops.

In addition, the OSCS offers a Business Skills Development Training Program, a comprehensive 10-13 week program offering training on a wide range of topics. Upon graduation, participants have learned the marketing and financial skills necessary to draft a presentable business plan. Graduation does not necessarily mean the graduate takes out an OSCS loan; numerous graduates have left the program equipped with the tools necessary to obtain loans from private institutions. Graduates who are not loan-ready have learned what additional preparation they need in order to qualify for either OSCS or private sector loans. Once graduates launch their new businesses, they are assigned a mentor for one year to help them with the inevitable problems that confront business start-ups. The training program has been offered four times, and has graduated 27 of its 28 total students.

Fourteen of the eighteen EZ/EC intensive study sites, including all six of the EZs reported output data for technical assistance programs. Together, these fourteen sites have provided technical assistance to almost 10,000 EZ/EC businesses, and have helped numerous businesses (both inside and outside the zones) in other ways (see Exhibit 5-3).[9] Collectively, the 18 intensive study sites have allocated more than $58 million of their HHS (Title XX SSGB) funds to support these business assistance activities.

Challenges and Success in Micro-lending

Thirteen of the 18 sites, including all but one of the EZs (Detroit), implemented some type of micro-lending program. The large number of such programs is somewhat surprising given national experience with the demands of operating them. Micro-enterprise development

[9] Recall from the discussion of Exhibit 5-2 that the "jobs created or retained" through this assistance may be somewhat overstated (since some programs count all employees in assisted firms in this category); for these business assistance activities there is no information available about the extent to which the jobs are held by zone residents.

strategies rest on the premise that a sizeable number of zone residents are interested in becoming self-employed, have a market-worthy idea and related skills, and have enough relevant experience to operate a business successfully if they are provided with access to credit and entrepreneurship training and/or technical assistance. The basis for this widespread belief in untapped entrepreneurial talent is unclear. In Cleveland, some residents expressed an interest in starting their own businesses to planning staff during the strategic planning process. In Atlanta, zone residents who participated in the planning process felt very strongly that the EZ should support the efforts of residents who wanted to start businesses in their homes. In general, interest in this approach appears to have stemmed from local stakeholder familiarity with the proposition that small businesses provide a large share of all new jobs, coupled with the above-noted views about poor access to capital.

Micro-lending programs that succeeded in making loans understood micro-lending to be different from traditional small business lending. They planned their programs to accommodate applicants with damaged credit histories (or none at all), and structured those programs around substantial amounts of training, support, and technical assistance (not around the loan product). Some of these programs made use of established local CDCs that provided business training and entrepreneurship classes. Successful programs also received support from diverse sources, including major for-profit lenders. For example, in Dallas the micro-lending program was run by ACCION Texas, Inc., an established program with offices already located in other cities in Texas. Prior to the opening of the Dallas office, the City of Dallas worked with ACCION to secure a CDFI designation. Several major banks, including Chase, Compass, Bank One, Bank of America, and Wells Fargo provided lines of credit to the program, and Bank of America donated office space. Overall, zone-sponsored micro-lending programs have generally assisted quite modest numbers of people.

Some of the difficulties that the intensive study sites' micro-lending programs encountered were:

- **Need for extended technical assistance.** Technical assistance and supportive post-loan follow-up are an integral part of micro-lending. The generally poor experience that the EZ/EC sites had with these programs seems to have stemmed from a practice of treating micro-loans like very small business loans rather than as a distinct product. Staff in several sites reported the realization that technical assistance may be even more important than financial assistance for micro-business development.

- **Lack of demand for micro-loans**. Five sites specifically noted a lack of demand in their micro-lending programs (Baltimore, Burlington, Charlotte, Cleveland, and Tacoma). Burlington stakeholders attributed this to a combination of the strong local economy (believed to have made starting a micro-business less attractive to residents) and the fact that few "startups emerged from women and youth [entrepreneurial] strategies." Other sites found that effective marketing, including use of word-of-mouth advertising through community organizations, helped to increase demand. The local research affiliate in Dallas attributed its high demand for loans to characteristics of the Latin American culture, which is "more willing to demand micro-lending programs" than African

American and Anglo American cultures, which are more familiar with the traditional lending mechanisms found in the states. However, given the sites' experience with other lending programs, it seems likely that some of the lack of demand they experienced was related to inadequate provision of essential technical assistance.

- **High levels of loan default.** Tacoma found that micro-lending to individuals at or below the poverty line often resulted in high levels of default. Of the 24 loans made through their micro-lending program, 4 are in default and 11 have been, or are expected to be, written off. Local stakeholders felt that micro-lending was more likely to succeed with moderate-income borrowers (which they defined as people above 300 percent of the poverty line.)

- **High cost per job created.** Baltimore reported that its micro-loan programs were difficult to sustain because of the relatively high costs of administering such small loans. Other sites also reported on the extensive resources needed to get EZ/EC residents to the point where their businesses were credit-worthy. Reflecting back, one Burlington stakeholder reported that "funding for micro-enterprise development might have been better spent on helping existing small businesses expand."

Most EZ/EC business development strategies were clearly understood to have job creation for zone residents as a goal. However, given the widespread experience nationally that micro-enterprises generally employ only a single person, the effects of micro-loans actually should be compared to the effects of job training programs.[10]

5.1.2 Commercial Development

Commercial development activities in EZ/ECs have been as widespread as efforts to increase access to capital. All but one of the EZs have either large- or medium-scale commercial real estate development activities as a part of their programs. Seven of the nine target ECs, and all three of the SEZ/EECs, also had commercial development activities; often, but not always, these were on a smaller scale than the EZ projects. The EC developments focus mainly on improving traditional neighborhood shopping districts and more substantial developments, e.g., small malls, at prime locations.

Real estate developments are complex projects that can easily take several years. In many older cities where land parcels are small, site assembly is very challenging. Financing that includes layered public subsidies is complicated to negotiate. Construction is subject to unexpected delays, and the entire development process is subject to extensive municipal regulation. Each of these factors has led to delays in at least a few of the EZ/EC sites. In addition, local research affiliates report that staff in some zones were unprepared to handle the complex contractual issues associated with construction projects.

[10] Lisa J. Servon. 1999. *Bootstrap Capital -- Microenterprises and the American Poor.* Brookings Institution Press.

For all these reasons, many commercial development projects—and most of the larger ones—are still in progress, so it is not possible at this point to make a fair assessment of their success in creating jobs and attracting businesses to the zones. However, a few examples of some of the larger efforts that are either underway or planned illustrate the kinds of impacts that might be expected.

Atlanta: Redevelopment of Commercial Corridors

The primary focus of Atlanta's EZ has been the commercial redevelopment of four major corridors in the EZ neighborhoods. Through a combination of grants and loans, the EZ funds are being used to leverage investment from private developers to acquire, demolish, and redevelop run-down and abandoned commercial strips and shopping centers. The assumption behind this strategy is that these new investments will both attract new businesses to the zone, which will in turn provide employment for zone residents, and will spur more investment and physical redevelopment of the areas that surround the new developments.

Philadelphia/Camden: Waterfront Revitalization

Similar developments have been planned in Philadelphia/Camden, and this site is also moving forward with a larger, higher profile project on the Camden riverfront. The State of New Jersey, the State Economic Development Corporation, and Rutgers University have partnered to build a new minor league baseball stadium near the riverfront. Infrastructure improvements funded by the State of New Jersey and associated with the Republican National Convention were also in this area, as is the purchase, permanent docking and restoration of the battleship U.S.S. New Jersey and development of a riverfront park. The riverfront park is being developed by Cooper Ferry, a development corporation created with public interest goals in mind. These investments will include, and are intended to stimulate, other significant investment in restaurant and entertainment enterprises.

Boston: Targeted Commercial Development in Dudley Square

Boston's EEC has committed $17.2 million, or 39 percent of its EDI/108 funds, to four substantial commercial development projects in Dudley Square in a conscious effort to "jump start" revitalization of Roxbury's primary business district. This approach recognized that several projects were needed to change the investment climate and to fill enough vacant office space located above store-fronts to create a critical mass of activity.

The innovative aspects of this project are twofold: (1) taking a proactive approach to target the area for development, getting developers and property owners to prepare plans, and reviewing and allocating funds for the projects through one coordinated process; and (2) establishing a pooled "portfolio" debt service reserve for the projects, which allowed developers to proceed with financing and development without having all the buildings substantially pre-leased. The Dudley Square effort not only required the City and the EEC to work together, but also required developers and lenders to agree to share the $17.2 million reserve fund among four projects. In return for EEC financing and subsidies, developers have agreed to share 30 percent of the future appreciation of their buildings with the city of Boston.

The four Dudley Square projects, even before their completion, have spurred development interest in the area and are widely believed to have helped stimulate additional projects, including the relocation of Massachusetts Department of Public Health offices and new commercial development on the Modern Electroplating site, a brownfield site in Dudley Square. These EEC-funded projects, in conjunction with other initiatives (including a nearby HOPE VI development, the Blue Hill Avenue Initiative[11] and the City's Main Streets programs) have eliminated many blighted and vacant sites and improved the physical conditions along key commercial corridors and in business districts. Finally, the new development will increase and concentrate daytime employees in Dudley Square. This expanded market is expected to contribute to sales and job growth among local retail and services firms.

5.1.3 Other Business Development Activities

Various EZ/ECs have used a variety of other activities to "round out" their business development strategies. These have included marketing zone firms in the larger economy, physical improvements (especially to complement commercial development), and efforts to increase public safety. Each of these is discussed briefly below as it relates to business development. More extensive discussions of public safety and physical improvements can be found in Chapter Seven.

Linking Existing Zone Businesses to the Larger Economy

A few sites have made conscious efforts to link existing zone businesses to the larger economy. Local research affiliates have reported three approaches. The first was to help companies in the zone make sales to customers outside the zones. For example, Baltimore held a roundtable for zone businesses and regional government procurement officers to provide information about how zone businesses could do business with those governments.

The second approach was to attract non-residents—and their purchasing power—into the zone. The Precita Eyes mural project in San Francisco is an example. In addition to training local youth in business and art skills, this project marketed the main commercial strip in the Mission district by highlighting the area's cultural attractions. In the past, the city's Chamber of Commerce allegedly had discouraged tourists from going to the Mission; the area had acquired the reputation of being a dangerous place for tourists. By drawing tourists into the Mission, Precita Eyes was able to generate revenues not only for itself, but also for local restaurants and gift shops. Many of the members of the local Merchants Association were involved in and benefited from this project.

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[11] The Blue Hill Avenue Initiative was a pre-existing effort to improve the commercial corridor in the zone. It was a mayoral commitment made during his first election. The City of Boston has invested funds in storefront improvements, street infrastructure, and a new early learning center.

The third approach was to make links to the global economy. Tacoma took this approach in planning the International Services Development Zone, a program intended to link professional services in Tacoma's EC to comparable services in Dublin and Sydney, creating service-industry jobs within the Tacoma EC. The program is currently on hold, while the city waits for proposed Federal legislation creating tax breaks for international services locating the zone.

Community Development Activities in Support of Business Development

Several EZ/EC sites supported their business development strategies with activities that the Federal regulations (and later the PERMS) treat as sustainable community development activities. A common linkage of this kind used physical improvements of various sorts to upgrade the appearance and safety of neighborhood commercial districts to make them more attractive, either to customers of existing establishments or to prospective investors and developers of vacant properties. A similar approach used physical improvements to complement large-or medium-sized commercial development projects, e.g., by providing infrastructure improvements. And a few sites focused attention on either brownfields remediation or regulatory reform that would facilitate brownfield redevelopment. [12]

Four sites (Burlington, Charlotte, Cleveland, and San Francisco) considered public safety programs to be at least loosely related to their overall business development strategy. In general, these public safety activities, targeted mainly to residents, included or were expected to have spillover effects that would benefit businesses. The most extensive of these programs was in Cleveland, where the SEZ contracted with the Uptown Cleveland Security Corporation to provide a 16-hour daily patrol using three, two-person cars within the zone. Most stakeholders believe the increased visibility of security forces has diminished the number of nuisance crimes and drug activities that have harmed key commercial corridors and individual businesses in the SEZ.[13] ***Given the frequency with which businesses surveyed for this assessment cited crime as a negative aspect of the zone as a business environment (see Chapter Three), the limited attention that public safety activities have received to date as a part of zone business development programs is somewhat surprising.***

5.2 Workforce Development

Workforce development strategies were almost as ubiquitous as business development strategies in the EZ/ECs studied. All but two (Detroit and Philadelphia/Camden) of the 18 intensive study sites had major strategies at baseline that included workforce development.[14]

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12 These activities were undertaken in addition to any activities supported as part of an explicit physical improvement strategy; a more extensive discussion of physical improvement activities and PERMS data on outputs is included in Section 7..1.3

13 In all four cases, this was a small element in a much broader agenda. A more extensive discussion of public safety activities and PERMS data on outputs is included in Section 7.1.2

14 Note that some sites initiated workforce development activities without including workforce development as a principal strategy for change.

At the time of the interim data collection (June 2000) all but three of these (Atlanta, Oakland, and Minneapolis) had retained those strategies. The activities employed in pursuit of these strategies were numerous. They included basic adult education, English as a Second Language courses, job readiness training, general job training, sector-specific job training, assistance with job search, placement services, post-placement services, assisted child care, transportation (including reverse commuting programs), youth employment initiatives, and job fairs. They often also included a variety of human services, such as access to health services and substance abuse treatment, health outreach, and parenting classes. In some cases these services were targeted specifically to individuals seeking to become job-ready, in others they were available to all zone residents.[15]

As in business development, many sites modified their workforce development activities over time. For example, Baltimore and Charlotte altered their marketing and recruitment techniques, including Baltimore's addition of stipends for job trainees. Detroit has added pre-training for trainees in some programs to bring applicants up to a ninth grade math proficiency level. Minneapolis gave greater attention to serving the hard-to-employ, while Louisville dropped its training geared toward industrial jobs and substituted training in health care. In Tacoma, the school-to-work program now covers the entire school district and is more career focused. Baltimore and Burlington have also added transportation programs to accommodate residents newly employed in suburban locations, and Boston added a school-to-work program. Some sites still have plans for workforce programs that have not yet been implemented, e.g., one-stop social service centers in Atlanta and Dallas and construction of three social service centers in Cleveland.

This section of the chapter focuses primarily on the sites' experience in implementing workforce training and placement activities, including job readiness. However, it also examines efforts to link those activities to social services, interconnections between the EZ/EC program and welfare-to-work programs, and efforts to link residents to the regional economy.

5.2.1 Workforce Training and Placement

A primary objective of the EZ/EC program is to increase the employment rates and incomes of zone residents. A principal way sites have pursued this objective is through programs intended to get unemployed residents job-ready, trained, and placed into jobs. In some cases, new programs have been created to serve particular groups of zone residents. In other cases, zones have funded existing providers to expand their activities. Other common approaches to increasing resident employment, in addition to the sites' job creation activities, have included assisting residents in searching for jobs (e.g., providing help with writing resumes and preparing for job interviews, or linking residents to job banks) and helping residents to

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15 Complete information on the workforce development activities of each of the 18 intensive study sites can be found in Appendix E.

acquire the soft skills, described later in this section, necessary to make them viable job candidates.

To date, the 18 intensive study sites have obligated more than $58 million of their HHS (Title XX SSGB) funds to support these activities (see Exhibit 5-4). These sites have reported serving more than 38,000 individuals (assuming no overlap in the persons served in the various categories);[16] of these, more that 12,000 have received some type of training. The sites report placing approximately 16,000 zone residents in jobs; slightly over 5,000 of those had received training before being placed. These figures indicate that (combining the experience of training programs implemented under active and completed projects) the overall placement rate to date for zone-funded programs has been about 40 percent. No information is available from the PERMS report about the fraction of people who start training that complete it successfully, about job retention, or about the extent to which zone-supported training programs provide post-placement follow-up. Such post-placement support can be critical, either to help trainees keep their jobs or to help them quickly find new jobs if the original ones do not work out.

A widespread issue, especially in cities where the local economy is very strong, has been the extent to which residents who have not found work in the current economy are very hard to train and place. As local stakeholder in Detroit stated, "we were prepared for the economic isolation of residents, but not for their social isolation," by which she meant the unwillingness of some EZ residents to leave their neighborhoods for training, high incidence of substance abuse, inability to show up on time, and lack of reading and math skills at even an elementary school level. This has had important implications for both recruitment and training program content, and has led to several sites adding pre-workforce "soft skills" training requirements to their programs.

Recruitment Issues

The 18 intensive study sites split about 50/50 in reporting problems with trainee recruitment. In some sites (e.g., Cleveland, Charlotte, Louisville), one reason for the recruitment problem was ineffective outreach. ***Community-based organizations (CBOs), trusted by their communities and with adequate organizational/staff capacity, appear to be a critical component of effective outreach—initially used by successful sites and added by those that initially fared poorly***.[17]

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[16] This assumption is probably not correct, but since no information about overlapping services is available, it is used to provide a high-side estimate of service levels.

[17] Charlotte used CBOs to conduct outreach, and provides an example of the difficulties experienced by understaffed and inexperienced CBOs striving to deliver challenging services.

Exhibit 5-4
Workforce Development Outputs Reported by EZ/EC Intensive Study Sites - Summary[18]

All Study Communities—Totals of:	Active Plans			Completed Plans		
	# Sites Repre-sented	Projected	Actual	# Sites Repre-sented	Projected	Actual
Number of EZ/EC residents trained in job training programs	15	28,507	10,564	10	2,236	2,072
Number of EZ/EC resident trainees placed in jobs	15	13,408	3,996	10	1,229	1,266
Number of EZ/EC residents participating in job match programs	11	27,087	14,904	4	1,472	1,092
Number of EZ/EC residents placed in jobs through job match programs	12	17,153	8,144	5	827	928
Number of EZ/EC residents attending job fairs	9	8,623	6,558	2	1,800	3,300
Number of EZ/EC residents placed in jobs through job fairs	9	1,849	1,383	2	219	272
Number of EZ/EC residents placed in jobs via other programs	3	1,225	250	1	22	13
HHS Funds $			**$50.8 million**			**$7.9 million**
Total $			**$169.8 million**			**$18 million**

Source: HUD PERMS, October 30, 2000

In San Francisco, neighborhood-level programs were effective because recruitment by many workforce development efforts used personal networks, word of mouth, and local neighborhood newspapers.[19] Directors of these programs also had legitimacy with the communities they served and their programs were trusted because of their long record of service in the communities. For example, the Visitacion Valley Jobs, Education and Training Initiative is led by a director with local legitimacy who was able to recruit participants through word-of-mouth. The program is also located in a community that is home to numerous community service providers, which enabled the initiative to advertise through and receive referrals from these agencies.

Similarly, in the Tacoma EC's Employment Initiative program, recruitment was successful because of very effective outreach by the EC's contractors. These contractors, the Tacoma Private Industry Council and the Tacoma Urban League, used multiple methods to reach clients. The Urban League sent out flyers and other mailings, and took advantage of pre-existing outreach programs in other agencies. The local newspaper and local television station were used for outreach, and the Employment Initiative received word-of-mouth referrals on a regular basis.

18 Additional detail about outputs is presented in Appendix F, which presents outputs disaggregated by type of zone.

19 In this section, the term "effective" is used in a fairly limited way—namely, to indicate that the programs described were able to recruit and retain trainees. As noted earlier, no information is available about the placement rates for trainees (although for seasoned providers continued success at recruitment likely means they have a good reputation). More broadly, no information is available about whether the programs increase participants' labor force attachment or incomes.

Program Design Issues

Among sites that experienced recruitment problems, however, the most commonly reported difficulty in recruiting zone residents to job training and placement programs was residents' lack of basic job readiness. ***Many residents faced multiple barriers to workforce participation, including substance abuse, inadequate basic education, lack of childcare, health problems, social isolation, or lack of basic English language proficiency.*** This difficulty was specifically cited by local research affiliates in seven sites: Atlanta, Baltimore, Charlotte, Cleveland, Detroit, Louisville, and New York.

Sites responded to this difficulty by making program design changes of varying kinds. Some approaches were relatively straightforward. For example, Atlanta and Detroit added provision of adult basic education and/or GED training prior to their job training; Baltimore and Detroit made provision for prospective trainees to receive health care and/or substance abuse treatment, if needed. Baltimore also decided to pay stipends to trainees. Several sites provided residents with transportation assistance in support of training and/or work. This was relatively uncomplicated when it consisted of subsidizing transit fares, but much more complex when it entailed entering into partnerships to provide such services as reverse commuting to suburban job locations or "night owl" bus service.

Other program design changes were more fundamental, sometimes shifting sectors or types of jobs for which training would be provided. In Louisville, for example, a manufacturing sector-specific program to train women for tool and die work was not attractive to job seekers, but training to be nursing assistants did attract applicants. This is one of two zones (Burlington being the other) where efforts to provide women with training in non-traditional occupations were not successful. Such programs are very difficult to do well, and neither of these zone programs seem to have found the right combination of outreach, education and participant supports.

In Detroit, the EZ contracted with Focus: HOPE, a nationally-known agency that trains participants for very good jobs in precision machining, to provide some of its training slots for zone residents. To attack the basic skills problems of many zone residents, this agency added a new four-week program, First Step, that attempts to move EZ residents and welfare-to-work clients with middle-school reading and math proficiencies up to the minimum skill levels needed to enroll in "FAST TRACK"—Focus: HOPE's pre-technical training program that previously served as the lowest entry point into technical training programs.

Even more dramatically, Goodwill Industries in San Francisco is redesigning their Hotel and Restaurant Associates Program in response to the effects of the strengthening economy. This program was always filled to capacity until a couple of years ago, when the class sizes fell, due to the alternative employment options available to the traditional target population for this program. This situation left the program with an enrollment that was increasingly harder to place, despite the good economy. Goodwill Industries is in the process of revamping the program to prepare people with less than fifth grade education for work in the growing hospitality and restaurant sector. To serve this group ("the nearly impossible to employ" instead of the "hard to employ"), Goodwill has found that they need to add simple soft skills courses, as well as basic computer courses, basic English, customer service, telephone techniques and money math components to their program. They have also conducted labor market studies and brought in potential employers to help re-work the curriculum. ***The bottom line is that helping the hard core unemployed is extremely challenging and time- and resource-intensive.***

Linkage to Social Services

Given the barriers that many zone residents face when they try to enter the workforce, the more thoughtful zone-supported training and placement programs either included social services components or cultivated relationships with other agencies that offered such services. Six EZ/EC sites reported some type of linkage between social services and job training/placement, or the integration of services within a program.

Some sites sought to integrate social services into their employment-related services, in essence trying to meet multiple needs through one program. In Burlington, for example, the Bridge program tries to help students deal with issues in their lives as part of its job and school readiness training. Other Burlington EC workforce development efforts that have not provided social services often recognized the need for this type of integration later on.

More commonly, zones fostered various types of linkages among distinct social service and workforce development efforts. Baltimore provides a good example. Each Village Center has a "career center" and "family support center," both of which provide services directly and also refer clients to other agencies. Services are coordinated through case managers who screen applicants and direct them to appropriate services. When the Village Centers reported that they were unable to serve a number of clients because they had substance abuse problems that made them unreliable in job readiness and training programs, the Empower Baltimore Management Corporation[20] contracted with a residential drug treatment center to guarantee that a specified number of beds would be available to zone residents referred by the Village Centers.

The Baltimore experience illustrates the challenges of assisting residents whose circumstances present multiple barriers to work. Zone program designers have made a successful effort to provide a full spectrum of services that residents might need: substance abuse treatment, basic education, GED classes, job readiness programs, and a wide variety of training opportunities. While these comprehensive services are treating real problems and providing valuable skills that zone residents lack, it may take months for a program participant to complete pre-training services, job training, and be placed in a job. This can make it difficult to both attract and retain people in the program.

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[20] Empower Baltimore Management Corporation (EBMC) is the quasi-public corporation in Baltimore that is charged with developing and implementing zone programs.

Despite the potential value of such links, eight sites reported little or no linkage between social service programs and zone job training and placement programs (Atlanta, Chicago, Cleveland, Dallas, Detroit, Minneapolis, Oakland, and Philadelphia/Camden). Local research affiliates cited three central reasons for this: lack of administrative capacity to get programs funded in a timely way; changes in funding priorities that de-emphasized the importance of these linkages; and lack of coordination among the EZ/ECs and other providers/programs because of poor organization or splintering of planned organizational partnerships.

Lessons Learned

The experience of sites that encountered recruitment difficulties reinforces the lessons offered by the sites that reported no recruitment problems. Program features cited by the local research affiliates as generally contributing to the positive job training and placement experience included:

- **A program reputation for placement success**, which can be based on a combination of trainee screening, careful identification of employer needs and good program design (e.g., San Francisco, Boston, and Chicago); training targeted to a specific employer or group of employers (e.g., Burlington, San Diego, and San Francisco); and/or guaranteed placement for those successfully completing the training (e.g., Charlotte);

- **Appropriate length of training programs**, i.e., ideally short (preferably no more than three weeks prior to employment placement or access to some form of financial compensation);

- **Effective outreach**, including use of extensive personal networks, word of mouth, neighborhood-level newspapers to recruit and media to supplement caseworker referrals; outreach by organizations trusted in the community; and very targeted outreach to particular communities such as ethnic minorities or public housing residents (Boston, San Francisco, and Tacoma);

- **Provision of stipends** for **trainees**, particularly if training is longer than a few weeks;

- **Neighborhood specific programs**, which offer accessibility and legitimacy, and provide for socially isolated residents unwilling to leave the neighborhood for training (San Francisco); and

- **Provision of** supportive **services**, including access to child care and transportation, social services, and social support (e.g., San Francisco).

An additional factor that aided in recruitment for youth programs in San Francisco was the "ownership" in the entrepreneurship programs that this EC emphasized for young people (both as workforce development and gang prevention). As the program director for both the Sunrise Steam Cleaners and Children's Credit Union noted, kids really wanted to work with their programs because "they weren't just sitting in a classroom getting trained for some sort of future career, they were actually running the show and starting their careers."

5.2.2 Impact of Welfare-to-Work

The majority of sites reported neither coordination nor conflict between zone workforce development efforts and changes in the local welfare and/or employment training system occurring as a result of welfare reform. Where there were linkages, the predominant type of formal linkage between EZ/EC workforce development activities and local welfare-to-work programs was through the provision of training programs to both zone residents and welfare recipients. This could take the form of training explicitly developed for both (Boston, Dallas, Detroit, San Diego, and San Francisco), or of referrals of welfare recipients to job training programs funded by or located within EZ/ECs (Baltimore and Louisville).

In both Boston and Detroit, zone programs were developed specifically to meet the training needs of welfare recipients who either were not eligible for training programs supported by other Federal funds (Boston), or were not offered training prior to work under the state's "Work First" program (Detroit). Focus: HOPE, a major Detroit EZ-funded training agency, has a waiver allowing qualified welfare-to-work clients to take extended training prior to finding work. Taking a different tack, the Tacoma EC enrolled participants in welfare-to-work programs in its activities, but did not establish a formal linkage with local welfare-to-work efforts specifically because the state's program allowed very limited training prior to placement.

In San Diego, the EC helped to coordinate The Community Works Program —a partnership of the EC, the San Diego Housing Commission, the county CalWorks (welfare-to-work) Program, and several CBOs. Community Works is a welfare-to-work program designed to assist the hardest-to-serve welfare recipients. Each partner provides a service and makes referrals to appropriate training programs. This is a complex and successful partnership that took time to establish, since many new relationships had to be developed among the partners.

Relative to welfare reform efforts, the Baltimore EZ developed a novel program to serve non-custodial fathers who had not made child support payments and owed substantial sums to the state as compensation for AFDC or TANF payments. These men saw their debt as a disincentive to work, since they owed such large sums that they had little hope of paying off their debt. Under this program, as these men work through job training and placement programs and make regular payments for child support, the debt is forgiven according to an established schedule.

A few sites reported conflict or overlap between the EZ/EC programs and welfare reform efforts. Both Cleveland and the Philadelphia/Camden EZs reported difficulty in recruitment for their job training programs because of competition or overlap with welfare reform programs. In the first two instances, the problem was incompatibility between the time required by the training programs and the time allowed/required by the state. In the latter, welfare-to-work agencies soaked up the available training funds and, in the absence of necessary resources, this activity was dropped from the EZ agenda.

Finally, ***local stakeholders in several zones called attention to the clear tension experienced in their job training programs between the pressure of welfare reform and residents' needs for "a job right now" on the one hand, and the extent to which residents were not job ready and needed time-consuming "soft skills" training as well as job training in order to be employable.*** This has clear applicability both across zones and beyond the EZ/EC program.

5.2.3 Linkages with the Regional Economy

EZ/EC programs made three types of efforts to link zone residents to the regional economy: (1) provision of training for residents in occupations that were in high demand in the region; (2) linkage of residents to existing job opportunities outside the zone; and (3) provision of transportation to suburban employers.

Twelve sites (Boston, Burlington, Charlotte, Cleveland, Dallas, Detroit, Louisville, Minneapolis, San Diego, San Francisco, Seattle, and Tacoma) focused on the training of residents in occupations in demand in the region, and in linking residents to existing regional job opportunities. In Detroit, the EZ subsidized slots for zone residents in a long-standing program (Focus: HOPE), which trained and placed 40 of them with employers located primarily outside of the zone. In San Diego, residents were trained for occupations that were in high demand in the region (home health care aides and child care providers).

Sites fostered linkages to regional employers through partnerships with major employers and through the use of centralized job banks. A few sites created Internet-based employment databases. Detroit's JOBnet database is available citywide by accessing the Detroit Works site and lists all known job opportunities throughout the region, most of which are outside of the zone. Dallas sponsored a Net on Wheels Project that sought to bridge the digital divide by bringing the internet to EC neighborhoods. In partnership with the Dallas County Community College District, the project borrowed special vans from Dallas Rapid Transit (DART) that went to the EC mobile storefronts and recruited for job training programs. Housed within the vans were Internet connections where residents could enter their profiles for assessment. Flyers, billboard ads and one-sheet leaflets enclosed in 50,000 water bills were used to inform the community about the project.

The Tacoma EC (TEC) provides a telling example that illustrates the difficulty of making these types of linkages effectively, as the EC's best attempt at linking zone workers to a large employer in the regional economy resulted in disappointment. Fifty-two residents were placed in jobs at a computer parts manufacturing plant outside the zone area. The firm received a state Sales and Use Tax Deferral and the Work Opportunity Tax Credit as an incentive to hire EC residents. TEC worked with the firm and the local Tacoma Community College to provide a short-term job-readiness training program. The firm provided zone residents with child care and transportation services, and arranged for their supervisors on the production line to give them more time than usual to adapt to their new work and environment. Despite these efforts, at the end of two years, all but one of the zone residents had either quit or been fired, although some (an unknown number) had sought jobs they consider better and credit their experience with the program for helping them get the experience they needed to move to a better job. This experience illustrates the difficulties of achieving employee retention even when significant support services are made available to employees. The employer is still open to hiring zone residents, but would like to see the program managed differently. It would like the training program to be longer and would like to see a work-study program initiated so that residents could transition into the work—but the experience in other zones illustrates the difficulty of attracting participants into lengthy training programs, especially under Welfare-to-Work and Workforce Investment Act rules.

Poor access to growing suburban job locations is a well-documented problem among inner-city residents. Six sites reported responding to this problem by providing transportation for zone residents to jobs in the regional area (Baltimore, Burlington, Cleveland, Detroit, Louisville, and Minneapolis). Of note are the two Baltimore Village Center reverse commuting programs, supported by Bridges to Work, that link zone residents (usually those completing training) to the suburbs for employment or interviews. One of the sponsoring Village Centers has also negotiated "first hiring" agreements with some suburban employers. In Cleveland, Cuyahoga County provided van service linking low-income neighborhoods to the location of entry-level jobs in its welfare-to-work programs. Louisville has established arrangements with its local bus company for residents to get to jobs outside of the zone, and also operates the Night Owl Program that provides "after hour" transportation services. Burlington's EC supported the Good News Garage, which repairs donated automobiles and "recycles" them to low-income residents needing transportation to get to work or to training and other programs, especially in the suburbs. Burlington also established a "road runner" van for reverse commuters and a "night owl" van for residents on late shifts as part of the regional transit system. Detroit reported a comprehensive approach to providing transportation services to zone residents. The EZ Ride program was created through a collaboration of a wide range of agencies. It created a "dial-a-ride" system within the zone and timed "point-to-point" transportation to workplaces outside the zone. EZ Ride allowed zone residents to better connect with D-DOT (Detroit Department of Transportation) buses and SMART (Suburban Mobility and Rapid Transit) buses that service the tri-county area. The Seattle EC, which did not develop a formal transportation program element, addressed this issue by seeking job placements in locations that are served by the public transit system.

The effectiveness of transportation programs depends heavily on the types of employers with which zone programs can place community residents. Cleveland's experience illustrates the limitations of the approach if employers that provide "good" jobs cannot be linked to the program. Their van service provided transportation to standard entry-level jobs in the suburbs—but those jobs typically pay only about $6 an hour, which is too little to compensate for the time and cost of commuting from the SEZ.

5.3 Linkage Between Workforce and Business Development

Integration of business development and workforce development strategies was tried seriously in twelve sites. Sites tried four basic approaches: (1) co-location of office space for the two types of programs; (2) enterpreneurship training; (3) placing zone residents with firms newly-attracted to the zone; and (4) linking workforce development with large commercial developments.

The first approach has been implemented in Baltimore, Charlotte, and Louisville. Theoretically, co-location should lead to better coordination between the programs, so that training and placement efforts are more attuned to the specific skills employers are seeking, and so that business development efforts are more sensitive to what is necessary to create jobs for zone residents. However, the main benefit of co-location of office space reported so far is the ease of referrals between different programs.

A second approach was to provide entrepreneurship training (often, but not always, tied to loans and technical assistance) to provide at a minimum both a new business and a job for the owner. Baltimore, New York, San Diego, and San Francisco implemented this approach, with three of these four sites also using it to work with youth. Most programs working with adults served modest numbers of residents; the clearest exception to this pattern was in San Diego, where an EC-funded program combined training in childcare and development of childcare businesses by zone residents. This effort required follow-up to make sure trainees actually got licenses, but it appears to be a replicable approach with wide feasibility, including among women with limited English proficiency.

San Diego: Chicano Federation Enterprise Community Child Care Training
The Chicano Federation Enterprise Community Child Care Training provided training and technical assistance to 131 prospective in-home child care providers. Locally regarded as one of the EC's most successful programs, it succeeded because it identified strong regional demand for a service (child care) and a group of people all interested in running the same type of business. As a result, it was able to realize some economies of scale in training. The program also functioned as a source of support for the participants, who were experiencing similar challenges in the start-up of their new businesses. Although the site reported some difficulties with qualifying trainees for bank loans, the program helped 92 of these trainees (70 percent) to start their own in-home child care businesses.

Despite the general experience of the sites that developing new firms was extremely difficult, the youth programs do seem to have engaged young people. An example from the San Francisco EC illustrates the approach.

San Francisco: Sunrise Cleaners Youth Entrepreneurship Program
The major goal of this EC-funded program operated in the Mission District of San Francisco is to provide participating at-risk youth with business and management training while also improving the overall appearance of the neighborhood's commercial district. Sponsored by the Columbia Park Boys & Girls Club, the Sunrise Steam Cleaners cleans sidewalks in the

Mission commercial district under contract with local businesses and other clients. All business decisions are made by the participating youth with the advice and support of adult experts. Members of the local business community were essential partners in the start-up phase of the project: some businesses donated essential equipment, while others supported the project by contracting for its sidewalk cleaning services. The program has trained 96 at-risk youth as of June 30, 2000, and it appears to be making good progress toward financial self-sufficiency. According to the PERMS 2000 report, the Steam Cleaners have already taken in $500,000 in revenues for services rendered.

A factor in the success of this and other youth entrepreneurial programs is the issue of "ownership." As noted earlier in this chapter, youth liked this program because they were not in a classroom, they were "actually running the show and starting their careers. They weren't just getting hired to clean sidewalks—they were learning how to start and run businesses." Otherwise, as the project director noted, the program would be losing the kids to fast-food jobs.

The third approach to linking business development and workforce development was to place zone residents, including trainees, with firms newly-attracted to the zone. This could be done by getting new firms to agree to accept referrals, or by requiring that a certain number or percentage of jobs go to residents in exchange for some publicly-funded benefit. Sites pursuing this approach reported two problems. The first is the skills mismatch between those required by the types of jobs in incoming firms and those possessed by residents (Atlanta, Baltimore, Burlington, Detroit, and Tacoma). In general, getting the new firm to locate in the zone was a higher priority (at least for those operating the business development programs) than making sure the firm would have jobs that would be suitable for residents. The second problem was that businesses reported difficulties with the retention of zone residents that had been hired (Boston, Dallas, and Tacoma). On balance, the experience to date suggests that this approach is challenging to implement and current models for its implementation yield only modest employment gains for residents.

Finally, a few sites linked workforce development of zone residents with their large commercial development projects (Atlanta, Boston, Oakland, and Seattle). Atlanta held job fairs to attract zone resident applicants to construction jobs for commercial developments funded by the zone. Oakland required that "flagship" development projects hire a certain percentage of zone residents. An innovative approach to this linkage is the job training and placement collaboration formed for Boston's Crosstown Center project, in which seven community-based agencies will recruit, train and prepare residents for jobs at the development and the initiative will be funded, in large part, by the developer. This approach has not been implemented yet, as the project is still in the pre-construction phase, but it may provide a way to achieve the integration of economic development and human service efforts that has hitherto eluded the Boston EEC. It may also provide an advantage in attracting tenants in the current tight labor market.

5.4 Emerging Findings and Lessons

The 18 intensive study sites have engaged in a considerable volume of activity in support of their economic opportunity objectives. Collectively they have committed more of their EZ/EC funding to business development than to workforce development, and they have been significantly more successful at leveraging private sector financial commitments for this purpose than for any other single type of zone activity.

While improving access to capital has been the primary thrust of zone business development programs, the zones' experiences clearly indicate that capital is not enough. Many would-be entrepreneurs and existing owners of small firms who want access to capital require training and technical assistance to become loan-ready, even for CDFI loans. Providing this assistance appears to be at least as important, and as challenging, as assembling financing for local loan funds. Some of the EZ/EC sites recognized this from the outset and structured their programs accordingly; others learned it and changed their program offerings as a result. One issue to explore in the future is the relative efficacy of providing these services to existing owners *versus* owners of start-up enterprises; in particular, the intensive effort required to support new business start-ups (as illustrated in the Oakland OSCS example in Section 5.1.1) suggests that helping existing firms to expand, or at least to establish a stronger financial footing, might have a bigger pay-off in terms of increasing employment.

Many of the study sites reported disappointing results from their micro-loan programs. The reason for this appears to be that these zones were not adequately prepared for the special demands of such programs, including the extended time frame and intensive personal and technical support typically needed to help participants succeed. Micro-lending is a highly specialized activity, best thought of as a distinct program, not as a conventional small business loan program that makes smaller loans.

The EZ/EC experience to date suggests that increasing access to capital for zone business establishments and other forms of business development are limited tools for improving employment opportunities for zone residents. We know from the local research affiliates that the match between residents' skills (even after job readiness preparation) and the needs of zone firms has commonly been problematic. Furthermore, sites have found that resident hiring agreements are very hard to enforce if firms that hire residents/trainees are dissatisfied with employee performance or job turnover. However, the information currently available makes it difficult to assess how successful these programs have actually been in increasing resident employment. Some zones do not have systems in place to monitor resident hiring by the recipients of their loans and technical assistance, and those that have tried to establish such systems have found the monitoring task challenging. Establishing and improving such tracking systems would improve the ability of the Long-Term (10-Year) Impact Evaluation to assess the employment effects of business development programs.

Workforce development activities, especially those conducted in locales where the local economy is strong, have found that many prospective trainees are far from job-ready.

Serving them effectively is challenging and resource-intensive. These features are not consistent with the time limits on training activities generally adopted by state welfare-to-work efforts. However, some zones used their EZ/EC workforce development funds to provide training and related services to individuals who are not eligible for other Federally-funded workforce preparation programs, e.g., individuals who are underemployed, or who hold very low-wage jobs. This suggests that the flexibility of EZ/EC funding has been an advantage for local programs, and raises the possibility that zone training programs might have a greater impact on residents' incomes if this approach were expanded.

Chapter Six
Community-Based Partnerships: Resident Participation, Program Implementation, and Partnership Lessons

The EZ/EC program design emphasizes the importance of community-based partnerships that involve zone residents in the revitalization process. Partnerships, collaborations, alliances and other types of joint action have grown more prevalent as effective ways to approach urban community development. Practitioners and researchers have increasingly agreed that this approach—bringing together residents, local institutions, neighborhood organizations and businesses, local government and external stakeholders such as financial institutions—is more effective than any single entity acting alone.[1] The EZ/EC initiative adopted this point of view, and supported the trend toward inclusive collaborative approaches that would engage residents in planning and implementing the revitalization strategies.

The rationale for pursuing collaborative approaches probably derives from the complexity of urban problems, the many people and institutions affected by both the problems and alternative solutions, and the need to mobilize across sectors and populations to accomplish change. Although engagement of many parties in a collaboration may not be the most efficient way to produce results, it holds the promise for greater acceptance of the preferred solution and thereby the potential for greater success. This kind of collective engagement was seen by EZ/EC program designers as creating a process that would allow the knowledge and skills of each group of local stakeholders to be utilized, and the needs and concerns of all parties to be addressed. It acknowledged that the target communities cannot succeed with public resources alone. It was also intended to encourage private and nonprofit participation; The support, skills and resources they could bring to bear were seen as critical to the success of the local revitalization efforts.

Community-based partnerships is a "big tent" concept that was intended to include three very different types of activities and relationships. First, it was the banner under which Federal officials encouraged broad, meaningful resident participation in the planning and governance of local EZ/EC programs. The participation of low- and moderate-income residents and community-based organizations fulfills the democratic value of self-determination and citizen enfranchisement. Further, the participation of the directly affected zone population in the zone decision-making was seen as an important step in the empowerment of zone residents and the development of community capacity. The first section of this chapter discusses this resident participation facet of "community-based partnerships."

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[1] See Ronald F. Ferguson and William T. Dickens, Editors, 1999. *Urban Problems and Community Development.* Washington, D.C.: Brookings Institution Press. Chapters 2 and 13.

"Community-based partnerships" was also the rubric under which the national program sought to promote the "reinvention" of government, i.e., the streamlining of government practices in implementing programs that would benefit designated zones. The EZ/EC program framework emphasized that partnerships should be created within and among levels of government. The objective was to have public agencies at all levels work together to ensure that available resources would be used in a coordinated, flexible and timely fashion, and that regulatory and other barriers to sustainable growth would be removed. The challenge posed to localities was to forge new, less bureaucratic ways of doing business that would better serve designated communities. As part of this approach, the designated communities were encouraged to request any waivers of Federal regulations that they felt were necessary for the successful implementation of their local revitalization strategies. The second section of this chapter summarizes the findings concerning government reinvention.

Finally, during the process of local EZ/EC program implementation, local nonprofit organizations (both community-based organizations [CBOs] and larger, city-wide groups), government agencies and private enterprises formed numerous collaborative arrangements to conduct the program-supported activities intended to achieve each site's objectives for improving the targeted neighborhood(s). Generally called "partnerships," they actually consist of highly varied arrangements that range from formal, legal partnerships to informal arrangements for simple purposes such as sharing information. These arrangements have been central to the EZ/EC's program ability to deliver new and improved services in the zones. The third section of this chapter examines the diversity of partnerships that localities created. It identifies some of the ingredients of successful partnerships, challenges to their creation, and approaches to overcoming those challenges. It concludes with some broad lessons about resident participation and effective partnerships in community revitalization. This section uses not only information from the local research affiliates, but also information from a set of in-depth partnership analyses conducted by the national assessment team in two of the intensive study sites, Baltimore and Burlington.

6.1 Resident Participation in EZ/EC Program Governance

Resident participation in the change process is at the core of the EZ/EC initiative, and was seen by the Federal program designers as being key to individual and community empowerment. Therefore, the extent to which residents have participated in the program is a key issue. ***The intensive study sites varied greatly in the extent to which residents participated and influenced the EZ/EC governance***. This section of the chapter uses two different indicators to gauge residents' roles in EZ/EC governance.

6.1.1 Community Representation on EZ/EC Governing Boards

One way to understand residents' participation in the EZ/EC program is to examine their presence on EZ/EC governing boards. Exhibit 6-1 displays the current composition of the

EZ/EC governing boards. These figures should be viewed as approximations that probably *understate* the actual degree of resident influence for several reasons. First, the categories in the table are not mutually exclusive. Local research affiliates had to use their best judgment about how to classify residents who are also representatives of CBOs or owners of zone businesses; they often classified them in their formal role, thus making the number of residents look smaller than it actually is.[2] Second, they do not include members of community advisory boards that report to the primary governing body. Finally, some positions on the governing boards are vacant (and so not counted in Exhibit 6-1). For example, vacancies were noticed in EZ/ECs where major decisions have been finalized—the boards have little to do and interest has waned as a result, so the current numbers may be somewhat lower than was the case for most of the program to date.[3]

All but one (Seattle) of the 18 intensive study sites established governing boards to oversee their EZ/EC programs, and all of these governing boards include zone residents.[4] On average, residents make up at least 33 percent of the total board membership. Individual residents represent the majority of the governing body in at least four sites (Chicago, Oakland, Dallas, and Louisville). If one makes the assumption that representatives of CBOs speak on behalf of zone residents (as would occur if residents had influence on the CBOs' boards), then the combination of residents and CBO representatives typically constitute at least 50 percent of the zone boards. In at least eight sites (Chicago, Detroit, Philadelphia/Camden, Oakland, Burlington, Charlotte, Dallas, and, Louisville), CBOs and residents make up the majority. ***These numbers suggest that, on average, the community was well-represented on governing boards***. Notice that the EEC/SEZ sites had lower numbers of representatives from CBOs, many of which provide social services; this may reflect these organizations' relatively low level of interest and expertise in the types of activities that the EDI/108 funds these sites received can be used to support.

Representation of the business community was substantially lower than that of residents and CBOs. Zone business representatives made up more than 20 percent of zone governing boards in four sites (Chicago, Oakland, Dallas, and San Francisco). External corporate

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2 San Diego provides a good example: the table indicates that the EC board has no resident members, but in fact nine of the current 16 members are zone residents counted in other categories.

3 In some places, such as San Diego, residents became inactive on the board more frequently than other types of participants once major funding decisions were made. Detroit is an example of a site where the residents remained active in governance and other, non-resident board members became less engaged in the governance board

4 In Seattle, the EC program was overseen by the Seattle Office of Economic Development (OED); there is no formal governance mechanism. During the strategic planning process, which built on a pre-existing process of developing plans for each of the city's neighborhoods, residents of zone communities feared that creation of a separate EC governing body would undermine the authority of the existing neighborhood planning groups. However, the Seattle OED is bound by the adopted neighborhood plans and does consult with the neighborhood planning groups, which provide for a great deal of resident participation. Because there is no central governing body, the numbers discussed in the remainder of this subsection of the chapter do not include Seattle.

representatives (i.e., non-zone businesses) reached that level of representation only in New York and San Diego. This suggests less corporate participation than the discussion of community-based partnerships in the EZ/EC strategic planning guidelines seemed to envision, and may help to account for the relatively limited emphasis most zone programs gave to strengthening linkages between the zones and the regional economy.[5]

It is also clear from the make-up of the EZ/EC boards that elected officials were not directly engaged in their governance. Atlanta was the only city with a significant elected official on the board. Non-elected officials (e.g., senior staff of City agencies responsible for economic development or housing) were much more numerous on the governing boards. On average, their level of representation was similar to that of representatives of CBOs. This said, both elected and non-elected officials have been very influential in shaping initiatives from the beginning, in many cases even initiating the EZ/EC application process. Mayoral appointees are prominent on almost all of the governing boards, and local governments influenced sites' experiences through their support, both monetarily and in-kind, of zone activities.

Louisville is an example of a site where residents comprised at least 80 percent of the executive committee of the Community Board. Members of the board were drawn from the 100-member Community Board, selected by the City to develop a strategic plan and to complete their application for the Empowerment Zone. The executive board is overseen by the Community Board that meets several times a year. While technically the Community Board is in control of the EZ/EC funds, most of the decisions on a month-to-month basis are left to the executive committee.

Tacoma is an example of a site with very low resident involvement in governance. At present, the EC has only one resident representative on the board. Lacking the leadership and direction of an executive director for an extended period, the EC's small staff did not make recruitment and development of resident board members a priority. Tacoma EC board members noted that it was difficult to keep residents engaged in board activities, and found that residents who were recruited quickly lost interest.[6]

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[5] In other fields, such as education reform and workforce development systems reform, members of the business community have been found to have insufficient time to participate in ways, like the EZ/EC governing boards, that entailed numerous meetings. In those instances, other mechanisms had to be created to engage business leaders effectively. Some local EZ/EC programs have done this, too; see, for example, the Seattle EC's work with the Manufacturing/Industry Council in Section 6.3.2.

[6] Note, however, that no information is available about resident board members' view of this situation.

Exhibit 6-1
EZ/EC Governance Board Membership in June 2000 (Intensive Study Sites)

	% Individual Activist/ Resident	% CBO Represen-tative	% Non-elected Official	% Zone Business Person	% External Corporate Representative	% Elected Official	% Other	Total Number of Board Members
Empowerment Zones								
Atlanta	35	12	24		12	18		17
Baltimore	27	13	23	7	17	3	10	30
Chicago	62		8	21			15	14
Detroit	36	16	20		12		16	25
New York	13	9	4	18	29	2	24	45
Philadelphia/ Camden	15	39	24	7	2	2	10	41
SEZ/EEC Sites								
Boston	5	16	42	16	11		2	19
Cleveland	50		21		7	7	14	14
Oakland	54	8		23			15	13
Enterprise Communities								
Burlington	40	20	27			7		15
Charlotte	41	31	13	16				32
Dallas	67			33				6
Louisville	80	7		7	7			15
Minneapolis	21	6	18	18	9	6	21	23
San Diego		44	19	13	25			16
San Francisco	6	26	13	26		4		13
Seattle	NA	NA	NA	NA	NA	NA	NA	NA
Tacoma		38	33	10	10	5		21
Total Number of Board Members in Category	106	71	67	46	37	12	40	379
% of Total	33	17	17	13	8	3	9	100

6.1.2 Qualitative Assessment of Resident Influence

Numbers cannot tell the whole story of the role of residents in the EZ/EC program. Board membership changed over time, and some members are more effective than others in influencing their colleagues. Further, residents had other ways (beyond governing board membership) to influence their local EZ/EC programs, including participation in the strategic planning process, membership on zone advisory bodies established in several of the sites, and participation in the activities of CBOs that had seats on the zone governance board or that implemented particular zone projects.

Resident participation was most extensive and visible during the strategic planning process. As noted in Chapter Four, this process typically featured numerous committees, task forces and public meetings. Thus, it provided many and varied opportunities for residents and representatives of CBOs to engage, contribute, and exercise leadership.

Later, during program implementation, the extent of resident participation and influence became more varied across the EZ/EC sites.[7] The experience of the 18 intensive study sites indicates that three factors tended to reduce resident influence during program implementation. First, some zones applied for EZ status but received a different type of designation. Hence, they received much less money than their original strategic plans presumed and some (the SEZs and EECs) received funding that was difficult to use for the types of activities the residents had tended to support. These sites had to revise their plans very quickly, and resident influence was limited in this process. Second, in some EZs, winning the award drew into the process powerful participants who had not participated previously in the strategic planning; their engagement altered zone priorities. Finally, and most commonly, the shift to implementation simply provided fewer roles in which resident volunteers could engage meaningfully—a typical pattern when an initiative moves from planning to an operational phase.

Local research affiliates were asked to rate the influence of residents overall, i.e., their influence over the course of the entire program period to date, including the strategic planning process.[8] Their ratings are shown in Exhibit 6-2. According to the characterization used by the local research affiliates, residents may be: (a) influential actors fully involved in the local process, (b) active but not influential, (c) a presence but not active in shaping the agenda, or (d) have little or no involvement.

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7 The generally reduced level of resident participation after the strategic planning process is also noted in Nelson A. Rockefeller Institute of Government, *Building a Community Plan for Strategic Change: Findings from the First Round Assessment of the Empowerment Zone/Enterprise Community Initiative*. Albany, New York: State University of New York, 1996.

8 These ratings reflect the judgements of the local research affiliates based on their interviews, observations, and review of documentary materials over the assessment period.

Residents as Influential Actors in EZ/EC Governance

In six of the 18 intensive study sites' local research affiliate concluded that zone residents had an influential role in EZ/EC governance. Three sites illustrate how meaningful resident influence has occurred.

The Boston EEC had a two-part governance structure consisting of a Community Advisory Board (CAB) and a Governance Board. Boston has a long traditional of parochial neighborhood interests and racial differences, and the CAB included representatives of all four EEC neighborhoods and the four principal racial/ethnic groups resident in the zone. CAB members were recruited through their original participation in the strategic planning process and recommendations from other CAB members, City and EEC staff, and community leaders. The original EZ strategic planning process brought together activists from across the city's neighborhoods and racial/ethnic groups. It resulted in a recognition that their issues, problems and concerns were common across the city, and created stronger personal relationships, communication, and cooperation among activists and organizations that rarely approached problems in a collective way. These cross-neighborhood and cross-racial working relationships have persisted and strengthened collaboration and mutual political support outside of EEC activities.

As the EEC moved into implementation, the influence of local activists decreased for several reasons. First, the changed level and type of funding along with new people joining the process shifted the EEC's focus and weakened the shared vision and strategy that emerged from the original planning process. Second, implementation and pressure to spend EEC dollars shifted the focus to programs. This gave EEC and City staff (who provided much of the administrative capacity to the EEC) greater influence. Nonetheless, several individual EEC residents and activists remained very influential due to their active involvement in planning committees and strong advocacy within the CAB working committees and Governance Board.

The Governance Board, which had the ultimate decision-making authority for the EEC, had 19 members—ten elected by the CAB from its membership and nine appointed by the mayor. In electing its delegates, the CAB sought to represent the various neighborhoods and interests within the EEC zone. The existence of the CAB and the role of several key community leaders gave residents more influence than their numbers on the Governance Board (see Exhibit 6-1 above) might suggest.

In Baltimore, the Empower Baltimore Management Corporation (EBMC) was led by a "blue ribbon" board of high profile corporate leaders appointed out of mayoral concern for effective use of the EZ funds. The community representatives were in the minority. As discussed in Section 4.3.3, this board quickly put many of the activities placed in the strategic plan by community organizations on the back burner to focus on economic development. This history has made building trust and sharing control a real challenge. As one EBMC

Exhibit 6-2
Overall Resident Influence In Governance in Intensive Study EZ/EC Sites

Site	Influential in Governance	Active But Not Influential in Governance	Present But Not Active in Shaping Agenda	Little or No Involvement
Empowerment Zones				
Atlanta		X		
Baltimore	X			
Chicago		X		
Detroit		X		
New York			X	
Philadelphia/Camden	X			
SEZ/EEC Sites				
Boston	X			
Cleveland		X		
Oakland			X	
Enterprise Communities				
Burlington	X			
Charlotte	X			
Dallas				X
Louisville		X		
Minneapolis			X	
San Diego	X			
San Francisco				X
Seattle		X		
Tacoma				X

Source: Ratings shown were provided by local research affiliates in response to the question – “Characterize the overall role/impact of ‘community residents’ in zone governance.”

official put it, “The elites think the money will disappear, and the community fears it will go to the suits.”

To provide for greater community input into the EBMC decisions (mostly in response to HUD’s insistence on community participation), the Community Advisory Council has played a continuing role. This council is primarily composed of neighborhood representatives. At first the EBMC merely informed the Advisory Council of its decisions as they were made. However, the Council asserted its role and the process evolved to the point that preliminary decisions are presented to the Council, which can approve, disapprove, or more often, suggest conditions for approval. This community role took some getting used to by the EBMC Board, but was felt to have a substantive influence on EBMC decisions.

In San Diego, EC funds flowed through the pre-existing Livable Neighborhoods Initiative (LNI), a City effort to encourage greater citizen participation. Each neighborhood was required to prepare a Revitalization Action Plan (RAP) that identified problems and prioritized specific strategies and actions to stabilize and improve the area. LNI thus provided a mechanism for community involvement in the establishment of community priorities.

Resident input and the dissemination of San Diego EC program information to the general community are done through members of the EC Governance Board (ECGB). ECGB has 18 seats, two of which are currently vacant. Eleven are either residents or business owners in the EC; the remaining 5 were appointed by the city manager. The ECGB members have been responsible for keeping their various constituencies informed about the EC's activities. EC staff recruited most of the members, and received some names of potential prospects from the city council; they contacted between 50 and 60 CBOs to elicit their interest in participating in the EC program. Staff attempted to attract individuals from CBOs that were perceived as being active in neighborhood revitalization efforts, and the local research affiliate reported that they appeared to be representative of the community. While the EC is almost out of money, the ECGB continues to meet on a monthly basis to see that the EC meets its goals.

Residents Active but Not Influential in Governance

In six intensive study sites, local research affiliates reported that residents had an active role in EZ/EC governance, but that their influence on the initiative was limited. This situation arose in different places for different reasons, including arguments with other board members over strategic priorities which residents have lost, a decline in residents' interest in the zone program, and the inability of resident representatives to articulate a shared position on issues that would allow them to show leadership and exert influence.

Cleveland's SEZ governance structure includes a two-tiered approach to citizen participation. There is a zone-wide Citizens Advisory Council (CAC) and a Neighborhood Advisory Council (NAC) in each of the zone neighborhoods. The role of both types of bodies is advisory, as their names imply. The membership of the CAC is broad and representative. It has fourteen members, including seven residents and a representative of the CDC that works with zone businesses. The resident CAC members are also members of the NACs. The NACs exercise influence largely through their members on the CAC.

Resident involvement has helped the process of ongoing SEZ management and implementation, since it lends credibility to the operation. However, the SEZ has not pursued many of the priorities of the residents. During the strategic planning process, for example, residents tended to express greater interest in community projects and increased social services than in economic development. As an SEZ, however, Cleveland received funds restricted mainly to economic development uses (EDI/Section 108) that has made it difficult to respond to ideas expressed by the CAC board members who are residents.

The EZ governing body in Atlanta is the board of directors of the Atlanta Empowerment Zone Corporation (AEZC). Like its counterparts in other sites, it has the authority to approve all funding requests. Six of its 17 members are residents of EZ neighborhoods. These six also serve on the Community Empowerment Advisory Board (CEAB), which is comprised of a representative of each of the 30 neighborhoods included in the EZ and 6 representatives from the 39 linkage neighborhoods (the city's designation for neighborhoods with poverty rates of 35 percent or higher not included in the zone). The CEAB is responsible for informing the general community about the plans and progress of Atlanta's EZ activities, and also provides a mechanism for the community to comment and vote on whether to support new projects.

Resident influence has been limited for at least two reasons. The first is that the relationship between the CEAB and the EZ staff got off to a bad start. The first executive director of the AEZC was not supportive of community participation and alienated the CEAB delegates to the AEZC board. During his tenure, the CEAB and the AEZC disagreed in fundamental ways on both substantive priorities and the process for allocating EZ funds. Their struggles included confrontations over both funding for specific projects and general management practices. As discussed later in this chapter, this initial damage to was not easily repaired. The other limitation on resident influence has been that the CEAB is a large, very diverse body that has had difficulty agreeing on a shared agenda to advance.

Residents Present but Not Active in Governance

Three zones serve as examples of situations in which residents are clearly present but are not active in governance.

The City of Minneapolis identified the EZ/EC initiative as a program that could augment its Neighborhood Revitalization Program (NRP), an $80 million program created to provide the city's 81 neighborhoods with investment capital for revitalization efforts over a 20-year period. A central feature of NRP was its reliance on CBOs as planning and organizing bodies for their neighborhoods. When a neighborhood was selected to receive NRP funding, the City selected a lead community agency to assume responsibility for conducting a broad-based neighborhood planning process and to serve as a conduit for project funds. The neighborhood then designed its own plan, which included stakeholders' visions for the neighborhood and identified strategies and programs to achieve that vision. Thus, these CBOs wielded considerable influence over their communities' development agendas and occupy a key role in Minneapolis' vision for neighborhood revitalization.

Nevertheless, neighborhood residents had no direct role in overall EC program governance. NRP was governed by a joint-powers agreement among five jurisdictions: the City of Minneapolis, Hennepin County, the Minneapolis Board of Education, the Minneapolis Park and Recreation Board and the Minneapolis Library Board. These entities shared the goals of capacity-building and neighborhood planning, but provided for no independent mechanisms for EC information dissemination, decision-making or governance to this point, and hence no resident role in policy-making.

Within the Oakland EEC, the Policy Board has been the key governing body of residents working on the community empowerment strategy. The influence of this group has eroded steadily. Originally, this board was intended to act in an advisory capacity to the city council on all matters concerning EEC residents and funding and to oversee the Community-Based Interns (CBI) and Program Partnership Network (PPN) programs. Community leaders feel that City staff have sought to isolate them and emphasize the economic aspects of the EEC program, sometimes to the exclusion of all else. Over time, the community empowerment strategies the Policy Board sought to promote became lower priorities of City staff and the City Council. From the Policy Board's perspective, the final blow came when the City Council voted to appoint members of the Policy Board itself, rather than via community petition by zone residents, and to reduce the size of the Board from 21 to 13 members. The Oakland EEC's agenda has, in fact, given heavy emphasis to economic opportunity activities.

Little or No Resident Involvement in Governance

Three EZ/ECs identified little or no resident involvement in governance (San Francisco, Dallas, and Tacoma). Two examples illustrate this situation.

In Dallas, the process did not facilitate citizen participation in the governance of the EC program. The Dallas EC has been implemented and closely controlled through the city manager's office. This approach to governance has limited the influence of EC residents in the implementation of the program and the allocation of funds. Members of the Dallas City Council whose districts overlap the EC nominated a six-member citizen advisory board. However, this board has no oversight authority, and since almost all of the important decisions had been made and funds allocated before the advisory board was established, its members have had little to do.

Tacoma's EC board has only one resident representative at present. The board originally recruited residents from among those involved in the EZ strategic planning process, and in the early days of implementation, three residents were on the board. Two dropped out, and the EC board did not recruit replacements. The one resident who remained on the board is not part of the executive committee. Consequently, community residents did not develop a strong voice or advocacy capacity on the board. The board did not become a mechanism for community residents to interact more effectively with public and/or private sector decision-makers than prior to the EC program.

6.2 Reinventing Government

One of the objectives of the EZ/EC program was to change how economic and community development is done by streamlining decision-making and implementation practices to make them more effective and more responsive to communities. Federal guidelines emphasized that the concept of partnership was to be extended into and among the various levels of government. Public sector departments and agencies at all levels—local, state and Federal—

were to work together to ensure that relevant programs and resources would be used in a coordinated, flexible and timely fashion. At the same time, the program was intended to maintain enough accountability in program operations to assure that Federal funds would be well-spent and would reach the intended beneficiaries in the target communities.

Unfortunately, changes of this kind are difficult to monitor. When they occur, they typically take place out of the public view, and may be dispersed across many individual programs and public offices. Documenting these changes systematically was therefore beyond the scope of this assessment. The local research affiliates were asked to report any instances of "cutting red tape" that they discovered during their fieldwork; few were reported other than the types of joint agency efforts discussed in the following section of this chapter, which focuses specifically on partnerships. However, data are available on two indicators of how well these program "reinvention" objectives have been accomplished to date: 1) the sites' experiences in requesting waivers from Federal regulations; and 2) the degree to which local governments or other actors have substituted Federal dollars for their own. These are reported below.

6.2.1 Federal Waivers

In an effort to support innovative programming and to encourage new collaborations, EZ/ECs were encouraged to apply for waivers from Federal regulations that interfered with their ability to implement locally desired programs. Sites submitted waiver requests as they developed their programs during the year following zone designation, and the various Federal departments had responded by April 1996. This analysis is based on a review of Federal agency responses to those waiver requests; the responses included the Federal agency's summary of the request and the agency's response.

The intensive study sites filed a total of 244 waiver requests during the specified time period (Exhibit 6-3). Zones differed sharply in how actively they pursued changes in Federal requirements. Four of the 18 intensive study sites asked for no such changes; three requested more than 30 each. On average, EZs filed more requests than zones with smaller, non-EZ programs: an average of 18 versus 11 per site. Despite the fact that most sites were working with Title XX Social Services Block Grant funds, only 14 percent of the waiver requests were to the Department of Health and Human Services (HHS), which administers that program. The lion's share of the requests, 43 percent, were to HUD.

Waiver requests were very diverse. The types of waivers most often requested were:

- Exemption from, or changes to, Davis-Bacon requirements, especially the prevailing wage provision (all turned down because this would require statutory changes);[9]

[9] The Davis-Bacon Act, passed in 1931, requires that contractors using Federal funds pay employees the prevailing wages.

Exhibit 6-3
Waivers Requested, by Federal Agency

City	HUD	HHS	DOL	Treas.	Ed.	SBA	EPA	Other	Totals
Empowerment Zones									
Atlanta	3	2	1				1	0	7
Baltimore	2	2	5			1		1	11
Chicago	9	3	3		1	4	5	1	26
Detroit	10							1	11
New York	14	2	2	1			1	0	20
Philadelphia/ Camden	2	8	10	7			1	4	32
SEZ/EEC Sites									
Boston[a]								0	0
Cleveland		3		2				0	5
Oakland	4	8	2		3			9	26
Enterprise Communities									
Burlington	3	1		1	1			1	7
Charlotte[a]								0	0
Dallas[a]								0	0
Louisville	18	1	6	1	5	3		2	36
Minneapolis[a]								0	0
San Diego	10		1	1	2			0	14
San Francisco	15	4	1		1	5		5	31
Seattle	8							3	11
Tacoma	7							0	7
Totals	105	34	31	13	13	13	8	27	244
% of Total[b]	43%	14%	13%	5%	5%	5%	3%	11%	

a. These sites had no waiver requests.
b. Percentages do not sum to 100% because of rounding.

Source: Correspondence between individual city government officials and HUD and HHS.

- Modification of JTPA eligibility requirements and definitions (usually turned down);

- Flexibility in using CDBG or HOME funds (most HUD responses said the requested flexibility already existed);

- Changes in Section 8 eligibility, targeting and use of funds (most HUD responses said the requested flexibility already existed);

- Changes in AFDC, Food Stamp, and Medicaid eligibility (most referred to the Single State Agency coordinating these types of waivers).

As suggested by the above, the Federal agency responses were also diverse. Twenty-seven percent of the waivers requested were denied. In the vast majority of these cases, the reason cited was that the requested change would require a statutory rather than a regulatory response (see Exhibit 6-4). In 21 percent of the cases, Federal agencies declared that a waiver was not required because the proposed activity was already permitted. Almost as common were cases in which the agency responded that it required more information before it could respond to the request, either because it was not clear what the locality wanted changed or because the circumstances in which the waiver would apply were not adequately specified. Only five percent of waiver requests were fully or partially approved.[10] In almost all cases, the responding agency expressed some willingness to work with sites to find another way to accommodate their program needs (usually by referring the sites to local agency staff), but in many instances it was not clear what this follow-up would consist of or what the field staff would be able to do.

Accounting for this pattern of outcomes is difficult. At least two factors appear to be at work, but their relative importance is unknown. One is that local officials in some of the sites did not understand clearly the laws and regulations governing their proposed programs and/or what kind of information the Federal agency would need in order to make a determination about their request. The other possibility is that at least some sites used the waiver process to complain about Federal programs they did not like or that they felt were poorly designed. Whatever combination of these factors was operative, it seems likely that ***both the localities and the Federal agencies found the waiver process less than fully satisfactory, and little "cutting of red-tape" resulted from the process.***

6.2.2 Substitution

The EZ/EC program was intended to supply localities with funds that would be used to provide goods and services to target communities *above and beyond* those the communities

[10] Partial approval is possible because many requests had more than one part.

would receive in the absence of the program. The Federal intent was thus to avoid having local agents (e.g., city government or local lenders) reduce their spending in the zone, by substituting Federal dollars for local ones and then reducing the size of the net benefits the Federal program provides.

Exhibit 6-4
Disposition of Waiver Requests

City	Action Already Permitted	Agency Lacks Authority	Needs More Information	Denied	Approved	Partially Approved	Other	Totals
Empowerment Zones								
Atlanta	1	1	3	1			1	7
Baltimore	1		1	8			1	11
Chicago	12		2	2	4	1	5	26
Detroit	3	2	1	3			2	11
New York	4	1	4	8			5	22
Philadelphia/ Camden	7	3	3	10			9	32
SEZ/EEC Sites								
Boston[a]								0
Cleveland	1	1	1	1			1	5
Oakland	9		5	3			9	26
Enterprise Communities								
Burlington			3	3			1	7
Charlotte[a]								0
Dallas[a]								0
Louisville	2	4	4	13		2	11	36
Minneapolis[a]								0
San Diego	3		1	7			3	14
San Francisco	5	2	10	6			8	31
Seattle	1		1	1	5		3	11
Tacoma	2		3				2	7
Totals	51	14	42	66	9	3	61	246
% of Total[b]	21%	6%	17%	27%	4%	1%	25%	

a. These cities had no waiver requests.
b. Percentages do not sum to 100% because of rounding.

Source: Correspondence between individual city government officials and HUD and HHS.

Most local research affiliates reported that they found little or no evidence that substitution had occurred in the zone programs they have monitored, and provided three types of evidence in support of their conclusions.

First, several reported that those responsible for administering the zone programs were aware of the possibility of substitution and tried carefully to avoid it. Such individuals reported that they were diligent about avoiding the assumption of responsibilities that they felt should be borne by the city or other non-Federal sources, and tried to use their EZ/EC dollars to "fill funding gaps" or as a "last resort."

Second, local stakeholders often reported that they used their Title XX Social Services Block Grant funding to expand the number of job readiness and training "slots" in existing training programs, to add new program elements that zone residents needed to be eligible for pre-existing services, or to create opportunities for zone residents who were not eligible for training services funded from other sources, e.g., those who were underemployed but not unemployed.

Finally, a survey of projects subsidized by the Boston EEC with EDI/108 funds found that "seven [out of nine respondents] indicated that they would not have been able to secure sufficient financing without the EEC assistance." Five of those said they would not have done the project without this assistance, and two said they would have gone forward at a reduced scale. The two remaining projects would have been built with private financing, but one would have moved to the suburbs rather than locating in the zone. On balance, this indicates a modest degree of substitution of Federal subsidy dollars for private capital in the Boston EEC.

Local research affiliates reported two possible exceptions to the general avoidance of substituting Federal for local public funds. First, in both Atlanta and Baltimore, zone administrators discovered (or believed) that some precincts in their community policing program had not actually assigned additional officers to target neighborhoods, but simply designated existing officers in those neighborhoods as being part of the EZ-funded activity. In both cases, they believe these situations have been corrected. Second, the Chicago EZ made several substantial awards to city agencies, including the Chicago Housing Authority, Department of Housing, Board of Education, and the Mayor's Office of Workforce Development. While this is not improper, it does create precisely the type of opportunity for substitution that program designers sought to prevent. However, no information is available about whether substitution is actually taking place in these agencies.

6.3 Building Effective Partnerships

Despite the acknowledged difficulty of doing them well, partnerships and other types of collaborative arrangements are increasingly common in efforts to address stubborn urban problems. This section of the chapter examines qualitatively the EZ/EC program experience with partnerships of various kinds. It differs from the rest of Part II of the report in that it draws on insights and examples identified in a series of in-depth partnership analyses done by the national assessment team as well as the reports of the 18 local research affiliates.[11] The in-depth analyses are clustered in two of the intensive study sites: the Baltimore EZ and the Burlington EC. Illustrative examples in this section of the chapter therefore draw more heavily on information from these two cities than is the case in other portions of Part II of this report.

The section begins with a brief review, drawn from the partnership literature, of the reasons that partnerships are sought. Then, based on the partnership experiences in the 18 intensive study sites, it summarizes and illustrates the conditions that support and undermine the creation of strong partnerships. The two subsections that follow then present key challenges to the creation of effective partnerships and strategies for overcoming those challenges; these analyses draw on the in-depth partnership cases as well as the local research affiliate reports. The chapter concludes with broad lessons about partnerships in EZ/EC program.

6.3.1 Rationale for Partnerships

Some of the clearest purposes for creating partnerships for community development include:[12]

- No one constituency, agency, or organization has all the skills or resources needed to accomplish the tasks.

- Partnerships can provide a structure for community and resident participation and input into program and service design and implementation.

- Partnerships can provide a legitimate way for powerful external institutions, agencies, organizations, and individuals to contribute to neighborhood-level problem solving.

- Partnerships can reduce the risk of major undertakings by sharing investment and expertise, so that partners can receive higher payoffs as a result of the partnership.

- Collaboration can reduce duplication of services by different partners and increase efficiency.

The idea of a partnership suggests a form of exchange. In addition to their assets, each partner brings their own self-interest to the partnership, and looks to get something out of the relationship. Partners contribute capital (human, financial, social, political) to the endeavor

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[11] The in-depth partnership analyses are presented in Appendix G.

[12] This list draws on two works: Ronald F. Ferguson and William T. Dickens, editors, *Urban Problems and Community Development.* Washington, D.C.: Brookings Institution, 1999; and Bennett Harrison and Marcus Weiss, *Workforce Development Networks: Community-Based Organizations and Regional Alliances*. Thousand Oaks, CA: Sage, 1998.

in exchange for a return (increased resources, competence, contacts, clout, or something as amorphous as the realization of their principles, goals, or ideals). Thus, mutual self-interest is often what keeps partnerships together.

By bringing together a diversity of membership from both inside and outside the community, partnerships can draw on a wide range of skills and assets of the partners that can produce better results. Some of the benefits of partnerships include:

- Partners bring different perspectives, networks, and resources to problems.
- Partners can help make connections to clients, offering better outreach and marketing.
- Partners can bring credibility, visibility and legitimacy to the effort in the eyes of clients, funders, and needed allies.
- Partners can provide greater understanding of community issues and norms making solutions better fit the situation.
- Partners can provide technical expertise, technologies, and track records that can improve the chances of success.
- Partners can bring political power to help overcome or neutralize opposing interests.

It has been in search of such benefits that local stakeholders in the EZ/EC sites have sought to work together.

6.3.2 Partnership Performance

The term "partnership" is used (in the EZ/EC program and more broadly, both in practice and the literature) to encompass many different kinds of relationships. These relationships vary on a continuum from loose associations for specific, time-limited purposes, to formal, legally-binding alliances for long-term mutual benefits. Partners may take leading, active roles as planners and implementers or may play limited, advisory functions. Depending on the purpose of the partnership, the task to be accomplished, and the environment in which it operates, partnerships may take different forms and partners may play different roles. Nonetheless, the successful association of different parties for a common purpose requires them to develop trust in each other.[13]

Given the Federal program's emphasis on partnerships, it is not surprising that local research affiliates report that ***all but two (Chicago and San Diego) of the 18 study sites made partnerships an explicit part of their strategic plans for the EZ/EC program. However, only five sites (Boston, Burlington, New York, San Francisco, and Tacoma) explicitly mandated partnerships or provided any programmatic support for partnership building***.

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[13] Ferguson summarizes the different stages of alliances and emphasizes the importance at all levels of partners in building trust in the motives, competence, dependability and collegiality of the others; in Ferguson, Ronald F. and William T. Dickens, Editors, 1999. *Urban Problems and Community Development.* Washington, D.C.: Brookings Institution Press (Chapter 13, p 593).

For example, Burlington linked multiple organizations together by making partnerships a grant requirement, and provided some grantees with AmeriCorps/VISTA volunteers to help form and maintain ties among partners. Despite the lack of formal support, partnerships to do the work of the EZ/EC program were established in every study site.

This subsection of the chapter first identifies five conditions found in the 18 intensive study sites to be supportive of effective partnerships (and the corresponding conditions that undermine such partnerships). It then examines common challenges to the formation of effective partnerships and common approaches for overcoming those challenges. It concludes by highlighting examples of instances in which implementation partnerships have crafted "new ways of doing business" that improve service quality.

Factors That Influence Partnership Effectiveness[14]

The partnership experience in the 18 EZ/EC study sites is highly varied.[15] ***Developing partnerships among diverse stakeholders is challenging and requires structures and processes that balance any disparities of power, access, capacity and resources***. A review of this diverse experience, combined with the reflections on partnerships provided by the local research affiliates and the local stakeholders they interviewed, yields patterns that are quite consistent with the findings of other research. Exhibit 6-5 below presents the conditions most commonly found to support (or undermine) partnerships.

The following brief sections provide examples that illustrate these influences as they manifested themselves in the EZ/EC intensive study sites. Note that many of the examples readily illustrate more than one factor.

Commitment

Numerous partnerships cited in this report reflect intense commitment among the participants. Examples include the formation of the Louisville Development Bancorp described in Chapter Five and two examples discussed in later sections: formation of the East Harbor Village Center in Baltimore and development of the Multigenerational Center in Burlington (see Appendix G). The following example, however, illustrates how the lack of commitment can damage collaborative efforts.

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14 In this context, effectiveness means that the partners did what they set out to do; no information is available about the impact of the partnerships on the quality of services.

15 Local research affiliates were asked to provide their own observations about features of successful partnerships—and to report the views of local stakeholders on these issues as well. The national team synthesized their responses. Recall from the introduction to Part II that local research affiliates were not charged with tracking all activities in the zones, rather they focused on the most important ones.

Exhibit 6-5
Conditions That Support or Undermine Partnerships

	Positive Conditions	Negative Conditions
Commitment	Each partner highly committed; in many cases, visible public commitment reinforced partnership ties	Lack of commitment by one or more of the partners, or different understandings among partners concerning what they were committing to
Capacity	Each organization doing what it does well, not over-committed or too stretched; thus partners could deliver on their promises and "roll with the punches" if problems arose	Internal problems experienced by any partner; these most often included inadequate capacity or staff turnover
Relationships Among Partners	Partners knew and trusted each other so difficulties could be worked through	Problems between partners, including differences in point of view, organizational culture, operating style, or expectations
Community Legitimacy	A number of partners had community-wide positive reputation and trust	Inadequate buy-in (or even outright opposition) from one or more important segment of the community; this could signal that one or more needed partners was not at the table
Value of Product	Program was well-regarded; partners wanted to stay together and could attract additional resources	Program results disappointed key partners, leading them to see the costs of engagement as too high

The Boston EEC sought to increase bank lending to businesses in the zone and thought a group of local banks had committed to this effort. However, bank representatives viewed their commitment not as a new or distinct lending program, but as a commitment to increase conventional business lending in the EEC. They did not set the money aside specifically for the businesses in the EEC zone and did not engage in discussions with the EEC staff about how this money would be used and structured. From the EEC stakeholders' perspective, the banks never followed through on making the $35 million commitment available for business lending in the EEC zone, other than through their normal lending activities. Thus, there were very different interpretations of the commitment's meaning and the partnership did not get beyond this disagreement.

Capacity

To be viewed as trustworthy, partners must have the capability to meet the commitments they make to produce or deliver desired goods and services. Organizational capacity is most commonly called into question in discussions about CBOs, where building stronger capacity is an on-going issue (discussed further in Section 6.4). However, it can also affect public sector agencies, as the examples below illustrate.

In Dallas, the Bill J. Priest Institute (BJPI) has a long history of mounting successful job training programs. It demonstrated resourcefulness and a thorough knowledge of the workforce development field in developing an EC-funded training program for computer technicians. BJPI identified major sources of used computers in need of overhaul and repair in regional offices of Federal agencies, which were willing to participate because of the EC designation. To place the computers that were repaired by the trainees, BJPI turned to the community college system and the public schools, which needed computers for classrooms and teachers. BJPI obtained a grant from the U.S. Department of Education to manage a program in which it acquired the used computers, repaired them as an integral part of the training program, and placed them in schools. The trainees are readily placed in industry and the public sector, schools get needed computers without cost, and the small EC allocation for training has gone much further than originally anticipated.

In Detroit, partnership attempts with the Detroit Public School (DPS) system were generally unsuccessful because of that system's internal problems. Since the EZ plan was developed, the DPS has had two superintendents selected by the locally elected former school board. Continued poor performance by the system led to a State of Michigan takeover of the district. An appointed "reform" board selected an interim superintendent while searching for a new permanent leader who has since been hired. As a result of these important changes in the larger school system context, the focus of the district has been appropriately on securing basic improvements in district fiscal, managerial and educational effectiveness. New initiatives, including youth and adult entrepreneurship training that the district had originally proposed to do as part of its partnership with the EZ, have fallen by the wayside. (Recall, too, from Sections 4.3.3 and 5.2.1 that capacity was also a problematic issue for some of the EZ/EC lead agencies.)

Adaptability is an important aspect of capacity, as illustrated by the Seattle EC workforce program of the Asian Counseling and Referral Service (ACRS). This CBO entered into an agreement with US West and the Urban Enterprise Center to place 35 unemployed and underemployed Asian/Pacific Islanders with US West and other communications employers. Shortly after the program started, US West announced massive layoffs and dropped out of the project. ACRS refocused on finding jobs in manufacturing and light industry and in other communications firms. By the end of September 1997 the program was back on track.

Relationships Among Partners

While some EZ/EC partnerships relied on relationships that pre-dated this Federal initiative, positive relationships among partners often have to be developed over time. This lengthens the start-up period for partnership formation, but can yield important rewards — plus relationships that may be drawn on in support of future endeavors. For example, San Diego's Community Works Program (CWP) is a welfare-to-work program designed to assist the hardest to serve welfare recipients. The San Diego EC convened the original meeting of the partners, who received additional funds in 1997 from the U.S. Department of Labor through the Governor of California's Office. Partners in this effort include the EC, San Diego Housing Commission (the lead group in the partnership), Second Chance, Golden Hill CDC, City Heights CDC, MAAA, the United Domestic Workers Union, and UPAC.

The partners worked well together in the planning phase of CWP; energy was high and turf issues minimal. CWP linked to San Diego County's CalWorks Program, which certified that clients were eligible for services and made referrals to different partners according to clients' needs. This required each of the partners not only to work with each other, but also to develop an independent relationship with CalWorks. This took a significant amount of time, and the partnership experienced some problems sorting out the referral process which also took a while to be resolved. Referrals from the County were apparently slow enough to cause some partners to question the County's commitment to the program and capacity for follow-through. The Housing Commission also referred potential clients to the various partners and they, too, had a slow system for identifying clients which hindered implementation of CWP. These problems were overcome, however, and CWP's goals have largely been met.

Detroit's "EZ Ride" Program includes an even more diverse group of partners, most of which were not heretofore transit providers. In addition to EZ funding, the program has secured non-Title XX funds to the tune of $2.5 million a year to both expand and begin to institutionalize the effort. A wide range of public and private organizations including two transit authorities, the local agency on aging, numerous churches and social services agencies have pooled their personnel, vehicles and other assets to dramatically improve the viability of both route-based and point-to-point public transportation for zone residents. While this many diverse partners took a long time to get adjusted to one another, the payoff is high—the program is a success and the partners have established new connections to serve their clients that would not have been possible otherwise.

Community Legitimacy

The core of the Washington Village-Pigtown Public Safety Program in Baltimore is a partnership—a team composed of a community organizer, a community police officer, and agents from the Department of Parole and Probation. The community organizer is a resident. The team as a whole represents the diversity of the community, has a positive attitude, solves problems, and interacts constructively with people who are in distress. The program brings police and probation officers out of their departments into the neighborhood and coordinates neighborhood volunteers in regular community service activities, such as clean-ups and block parties. The team is very collegial and works together well, with cooperation from their departments. Working together, the team is better able to respond to safety concerns in the neighborhood. The team members are familiar with the area and the residents—and, perhaps most importantly, the *residents know and trust them*.

In Charlotte, beyond conducting recruitment for job training programs and making some very small grants for neighborhood programs, the "ECs" (neighborhood CBOs established to implement the local EC program) have played a coordinating and facilitating role that extends beyond their initial mandate to facilitate workforce development among zone residents. This is well-illustrated by the part that the Northeast Charlotte Enterprise Community (NECEC) has played in a housing development program undertaken by Bank of America. The bank controlled some property in the Cherry neighborhood where it wanted to build single family homes for the community — but it had a credibility problem. Long-time residents recalled that the last time homes were built and "promised" to the residents, the homes were instead sold to wealthier outsiders and residents were shut out. NECEC partnered with the Urban League of Central Charlotte, which had a good relationship with Bank of America from some prior affirmative lending activities. The League sponsored a Cherry Neighborhood Homebuyer's Club, for which the NECEC conducted recruiting. Together, the NECEC and the Urban League have helped to quell residents' lingering resentment over past problems.. It has taken a lot of work to overcome these deep suspicions and complete the first 4 homes—which, as promised, have been sold to current residents. In short, the ECs, by establishing themselves as authentic community-based organizations, have succeeded in facilitating programs for their communities that they could not mount on their own.

Value of Product

Real estate development projects were often cited by the local research affiliates as providing clear, valued products around which partnerships could be built. For example, many Boston projects funded with EDI/108 funds involved partnerships between the Boston EEC, the city of Boston, other lenders, developers, and in some cases tenant businesses. Many of these partnerships have involved unique arrangements and new roles. Grove Hall Mall is being developed through a partnership between a local CDC and a shopping center developer. The Boston Redevelopment Authority assembled, cleaned and prepared the site, and the EEC advocated for the project and provided $6.8 million in financing. BankBoston (now FleetBoston) provided the private financing. In a more unusual arrangement, Nuestra Communidad (a Roxbury CDC) and a local restaurant owner are partners in a development project. The CDC is providing project equity which the restaurant is expected to buy out over five years.

These Boston development partnerships have been successful in getting projects financed and under development for several reasons: the City's and EEC's commitment to them; the availability of large EDI subsidy dollars to make projects feasible and to create an incentive and financial nexus for developers and lenders; the creative thinking used to fashion solutions; and the technical capacity and skills of City staff, EEC board members, developers, and lenders. The developments represented valued products which met the joint and individual interests of each of the partners. In addition, in these cases some of the other conditions fostering successful partnerships were apparent, including trust among the partners, proven track records, commitment and capacity.

Value is not produced only by bricks and mortar. One San Francisco partnership has been hailed as a national model in the field of youth employment and training. Sunshine Street Cleaners is a firm formed by local youth that trains young people both as street cleaners and as business managers. This program and the partnerships that made it work succeed because the partners are high-performing, capable service providers with the technical expertise necessary to conduct the program. Also, the program itself generates revenues and is highly attractive to other funders, allowing the program to be self-sustaining.

Challenges to Partnerships

Although the conditions that foster and undermine successful partnerships are straightforward, creating these conditions is not. Many EZ/EC partnerships encountered problems that were serious barriers to their formation and maintenance. Most of these problems can ultimately be traced back to some aspect of lack of trust among the parties, but they nevertheless take varied forms. ***Three common challenges stand out: developing ways to share control; differences in race, class, and gender; and competition***.

Shared Control

In an ideal partnership, the relationship of the partners anticipates some level of shared control and decision-making on important, strategic directions. However, doubts about the motivations and competency of community-based partners can prevent political leaders or power brokers from ceding a share of control to the community. In addition, partners with greater resources, technical capacity, and political access may try to limit shared control with other partners. Shared control is often the most challenging to public-private partnerships that are responsible for large amounts of money. This issue was more often reported by local research affiliates in the EZs, where the $100 million commitment attracted a lot of attention and caused concern about potential misuse of funds or highly visible program failures.

This issue of shared control lies at the heart of the Atlanta example discussed in the context of resident influence (Section 6.1.2), but it has other aspects, too. As reported by the local research affliliate, a common view voiced by local stakeholders was that the mayor and the Atlanta Empowerment Zone Corporation (AEZC) board have been unable or unwilling to share control of the EZ funds and implementation, either with the community residents or with other major city players and pre-existing collaborations. The stakeholders reported that the AEZC has not approached prospective partners, and is reported to have been unresponsive to many of those who reached out to the EZ initiative. The local research affliliate further noted that the

AEZC has funded projects jointly with others, but its contribution has been mostly limited to providing money—it has neither shaped the conceptualization of these efforts, nor played an active role in their implementation.

Race, Class, and Gender Differences

One of the most challenging issues to partnerships was overcoming the differences in race, class, and gender among the partners to be able to develop the confidence and trust that partnership relationships require. In trying to bring together the diverse interests in a community, cultural differences, old hostilities, and stereotypes can get in the way of building trustful relations. Partnerships that engaged the participation of corporate and civic elites could be estranged from (or perceived as abandoning) the values and experience of neighborhood residents. Conflicts in race and class can lead to lack of collegiality and respect, questioning the motives of other partners, and low expectations of other partners' competence.

One example in which race and class conflicts were faced and dealt with constructively in Baltimore is in the formation of the East Harbor Village Center (EHVC)—one of the six neighborhood organizations designated to implement the Baltimore EZ programs.

East Harbor Village Center (EHVC) had a rocky start. The first planning meeting drew residents from local public housing developments, and area businesses, as well as other residents and organizations. Under the leadership of the president of a local tenants' council, the African-American residents ended up walking out of the meeting in protest over the tone and disrespect they felt from the (mostly white) business representatives. An additional meeting convinced this community leader that a key business association wanted to control the new Village Center. She caucused with a group of people representing the churches, public housing, and others and formed a coalition to speak up for the residents. After several more meetings, a 21-member Village Center board was created that involved all the parties in equal measure. At the request of the caucus, she ran for the position of board chair and won. When she learned that the board was ready to hire a director, she resigned from the board and applied for the job—with full knowledge that there would be conflict from the start. To address the issue of lack of trust, she called a big meeting, with a facilitator from EBMC. People aired issues (schools, public safety, housing, jobs) and were caught off-guard when they found that they had common concerns.

The director of the Empower Baltimore Management Corporation said that by bringing the conflicts out in the open and dealing with them, EHVC was able to build new productive relationships among the different constituencies. She noted that at first, the businesses were upset that they might not be included in the Village Center and complained to EBMC. EBMC delayed approval of the EHVC application for its initial round of EZ funding until there was an effort to bring the groups together. In the EBMC director's view, EHVC got a better board and structure from this process, and one business CEO became one of the best allies of the Village Center. It has taken a long time for trust to develop; there had always been racial conflicts and people needed to have a way to bond, across color and class lines, to form a more inclusive community.

Target communities were selected because they are low income—and many of them include substantial communities of color. Therefore tensions fostered by differences in race and class are not unusual in the EZ/EC programs. And these tensions are often not as clear as they were in the EHVC example above. More commonly, they are entangled with (or beneath the surface of) other difficult issues such as trust, control, and confidence in motives and capacity. This entanglement makes both sets of issues more difficult to understand and to address effectively. As the example above illustrates, it helps to openly air issues for honest discussion and get assistance from trusted brokers or facilitators. Perhaps most importantly, the agency that was trying to act as a capacity builder (EBMC) used its authority to support the principle of inclusion in the development of the new EHVC board.

Competition

Another problem that contributes to lack of trust among partners is competition. Partners that perceived their interests to be competitive with others had more difficulty building trust. In Burlington, a partnership effort to change the employment training system to be more responsive to the needs of the unemployed was difficult to accomplish due, in part, to competition for clients among the service agencies.

The Workshop in Burlington was designed to be a one-stop training program—founded on the premise that people know what they need and want, and the system should provide it. Many of the eight partners—very different agencies, nonprofits, and employment programs—had worked together before. Although individual organizational goals may have differed among the group, they agreed on the purpose for the Workshop. However, trust was hard to build in this partnership. Partners could see that collaboration would be beneficial, but some felt they had to protect their turf. Many were competitive in trying to attract clients to their programs. Also, they each had their own methods of training, curricula, and their own client profile. Some were not willing to share leads for employers when they felt that other providers would not be as careful in screening clients they referred. Some were not forthcoming about their funding and their criteria. Indeed, the rules of some funding sources inhibited some groups from trying to adapt the programs to meet the needs of clients. While most of the partners were well-intentioned and collaborative, partners came to the table with various motives: to expand their contacts and improve their services; to access additional resources for their clients; to land a larger Department of Labor grant; or to keep tabs on the plans—not as willing participants.

In the midst of these clashing interests and motives, two key leaders in the Burlington group were able to push forward the concept of consumer choice, to provide training that was appropriate to the needs of the clients rather than the needs of the providers. These leaders saw the importance of having community voices at the table saying, "this isn't working for our community" and demand greater accountability to the community. Their effort was not successful, and the same accountability issues persist in a new collaboration, including many of the same partners plus the Department of Employment and Training to develop a one-stop training program.

Another example of competition challenging partnerships was the effort in Baltimore to develop an alliance among all the Village Centers to advocate on their own behalf. The EZ funding for each Village Center in Baltimore was an area of conflict among the Village Centers. When the Baltimore EZ funding was first allocated, most of the Village Centers got together—despite misgivings about being in competition with one another—and proposed a funding formula to EBMC. Since the Historic East Baltimore Community Action Committee (HEBCAC) area is larger than any other Village Center (it serves 30,000 people) and originally was to have been served by three Village Centers, it wanted to receive funding on a per capita basis. Other Village Centers wanted to have the funds divided equally among the Village Centers. This conflict set HEBCAC apart from the other Village Centers. Since it was the only pre-established group with a significant track record and its director had been the leader of the EZ planning process, the perception or reality of uneven power likely contributed to resentment, along with the fact that HEBCAC has white leadership and serves a heterogeneous community, while some of the other ECs are African American. In the end, EBMC made initial grants of $135,000 to $200,000 to each the five smaller Village Centers and HEBCAC got $300,000. This compromise did not resolve the underlying issues, however, which remain and surface from time to time.

Overcoming Obstacles to Partnerships

Local stakeholders in the EZ/EC sites also found ways to overcome some of the challenges to forming broad-based partnerships. Foremost among these are identifying effective bridge-builders, sharing risk, and clearly defining partnership roles and expectations.

Bridge Builders

To overcome the barriers of mistrust, some partnerships have demonstrated the important role that staff can play as bridge builders among the parties to the partnership. As capable facilitators, staff can sometimes intentionally balance the interests and offset power differences among the partners. Bridge builders can also mediate some of the race, class and gender tensions in partnerships.

The second director of the EBMC in Baltimore has established a strong reputation as an effective bridge between the corporate board and the community organizations. She had experience with both the board and communities prior to taking over the director's role, and has been an effective advocate for community participation and local determination within the organization. She helped restrain the board, frustrated at the slow start-up of some

Village Centers, to allow the Village Centers to develop at their own pace and process. The director understands her role as bridge building—nurturing relationships and helping the Village Centers find mainstream partners and new resources.

Bridge-building is neither easy nor risk-free. The second executive director of the Atlanta Empowerment Zone Corporation (AEZC) moved into the position after a period of considerable tension (described earlier) between the CEAB and the AEZC board, chaired by the mayor. Many maintain that the director's affiliation with the mayor hurt his ability "to get things done." Although they noted the director's attempts to work more closely with the community than the former director had, many CEAB board members maintained an adversarial relationship with him because of his continued support of the mayor. Some local stakeholders pointed out that he "was caught in the middle and no matter what he did he was going to alienate one group or another." If he appeared to be too close to the mayor he lost credibility with the CEAB, but if he reached out too much to the CEAB he would risk losing the support of the mayor and his job.

Bridge builders need not necessarily be people in positions of power and authority.
The Burlington EC Public Safety Project is a partnership of the City, the police department, neighborhood residents and some nonprofit agencies. While some residents were distrustful of the police, the role of the VISTAs who staffed the project was important to the project's success.[16] The VISTA workers were not part of the City or the police, and brought no institutional baggage with them. The VISTA role as community organizer was a unique "badge" that allowed them to cross the class lines between city departments and the people they serve. They have offered a new type of bridge person between the neighborhoods and the City. Respectful, tolerant, nonjudgmental behavior on the part of the VISTAs, the community police officers, and resident leaders was essential to the success of the Public Safety Project.

Shared Risk

Partnerships that came together around risky projects and were able to foster trust among the partners were able to weather crises and thrive. A good example is the case of the Multigenerational Center in Burlington, a partnership of three nonprofit agencies that came together to develop a new facility for childcare and senior citizens.

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[16] The Community Economic Development Office (CEDO) of the City of Burlington has about 50 Federally funded AmeriCorps*VISTA workers that are assigned to a variety of City programs and activities. CEDO assigned three VISTAs to staff the Public Safety Project, specifically to act as community organizers and liaisons between the police and the neighborhood residents for the project. In the project each neighborhood was able to define its own issues, and the VISTAs looked for cues and interests from the residents. Door-knocking by the VISTAs helped identify the "neighborhood mayors" and leaders to organize neighborhood watches, get people to talk to each other, share phone numbers, and organize block parties. The Public Safety Project has been able to accomplish a lot with a very small budget, in part by relying on VISTA workers, since the City pays only a portion of their salary.

When the Burlington Senior Center and the Children's Space were each seeking larger facilities, the City of Burlington linked them to the Burlington Community Land Trust. None of the organizations had worked together before, but each brought something of value to the collaboration. The Land Trust brought its well-tested capital development skills, fundraising success and ability to finance projects, manage construction and oversee property management. The Senior Center brought its building; when it was sold, the proceeds could be invested in the new project. The Children's Space brought its skills in grant writing. The scope of the combined project was beyond anything any of the partners had done before and represented a big financial risk. The Senior Center and Children's Space had no experience developing property and had not managed a capital campaign before—a major concern of their boards. The three female executive directors worked together well. They met frequently, worked out problems, and made decisions as needed. The three agencies clearly articulated and then formalized the terms of the partnership from an early stage through a predevelopment agreement which laid out the basic assumptions about the project and defined the roles. However, the project still entailed a lot of risks for all three partners. The Land Trust took on the major development risks. It had to exercise the option on the property before all the financing was in place—taking ownership of the property during construction—and borrowed additional funds as they were needed. The two service providers had to enter into an agreement that required them to substantially increase their occupancy costs. The Senior Center had to sell its building and invest the proceeds into the new project that it would not "own." The agencies would be linked to each other for the future. Yet, the three partners understood the motives, competence, and dependability of the others and operated with collegiality. This engendered trust that saw them through construction and legal problems that could have sunk the project. Together, they were able to produce a facility better than what any one could have done alone.

Another excellent example of risk-sharing is the development activity in Dudley Square supported by the Boston EEC (see Section 5.1.2). It is a proactive effort by the City and the EEC to jump start four development projects. The financing package for these ventures required the developers and the lenders (including the EEC) to agree to share a $1.2 million debt reserve fund among four projects. In return for EEC financing and subsidies, developers have agreed to share 30 percent of the future appreciation of their building with the City of Boston.

Clear Partnership Roles

Clarity in the roles and responsibilities of the partners helps to make for stronger partnerships by reducing the likelihood of ambiguity and miscommunication. Well-defined roles for partners also provide mutual accountability and expectations about performance. Both of the partnerships formed to develop real estate projects just discussed in the preceding section could not possibly have gone forward without clearly defined roles for all the parties—in those instances, specified in written agreements.

The Baltimore EZ also has made extensive use of formal written agreements in a variety of situations encountered in implementing its programs, including contractual agreements with the Village Centers. Its management of a loan fund provides a different kind of illustration.

EBMC selected the Development Credit Fund (DCF) to manage some of the financing vehicles for the EZ to provide capital for small businesses and entrepreneurs in the zone. EBMC and DCF entered into a specific, renewable contract for services. The partnership has been good for DCF because it expanded the array of loan products that it had available for clients. It could therefore help businesses grow with progressively larger loans, and it could mix and match loan products to meet the clients' purposes. The relationship with EBMC has been good, and channels of communication have been open. EBMC is satisfied with the arrangement as well. EBMC's objective was to get the money out to job-creating businesses. It sought professional loan servicing and monitoring of borrowers. EBMC trusted DCF because it was an established loan fund manager with a strong track record. The motives, competence, and dependability of both partners were understood and clearly defined in the contract. The technical demands of the financial vehicle lent itself to the more formalized, contract driven partnership.

New Ways of Doing Business

One of the objectives of the EZ/EC program was to encourage "new ways of doing business" that would make public agencies more responsive and accountable to low income communities. While the effort to encourage regulatory relief via waivers (described earlier in this chapter) was disappointing, some partnerships made real headway in this regard. Local research affiliates reported examples of organizations working together that had never partnered before, organizations working in cooperation that never (or rarely) approached problems in a collective way before, organizations taking on new roles, and thereby working on issues that were new to them.

The Washington Village/Pigtown Village Center (discussed under Community Legitimacy in Section 6.3.2) has established unconventional relationships with the local court system and the Baltimore Department of Parole and Probation that help cultivate strong ties between the community and ex-offenders and residents convicted of minor offenses. Residents sentenced by the courts to do community service are referred to the Village Center for their assignments and supervision. A parole officer maintains an office in the Village Center building, which draws ex-offenders into this community center. Understanding the difficulties that these men have in finding employment, the Village Center has (as noted in Section 5.2) developed relationships with receptive zone employers; the latter have agreed to change their personnel policies, and now give job interviews to ex-offenders referred to them by the Village Center case worker. All of these activities represent an effort to integrate at-risk individuals more closely into the community.

In some zone sites, established institutions have modified long-standing practices to respond to needs expressed by stakeholders. For example, faced with an unmet need for skilled labor in Seattle's Duwamish area (a large manufacturing district), the Manufacturing/Industry Council (MIC) has focused since 1999 on workforce development and provides influential input into the industrial workforce curriculum for the Seattle Jobs Initiative (SJI).[17] For example, according to SJI, the community college that provides SJI's industrial training had been primarily interested in having SJI buy slots in existing courses that teach specific skills, e.g., welding. At first, staff at SJI tried to argue with the community college that this type of very specific skill training is not what industrial/manufacturing employers are looking for, but the community college, staffed by the "vocational experts," prevailed. With the entry of the MIC into the program, the dynamic among the partners has changed: when the MIC says a welding course is not what is needed, the community college has been obliged to respond. In general, the MIC has advocated for, and has contributed to shaping, a manufacturing training curriculum that provides more generic industrial skills than originally planned by SJI.

Seattle has also adapted a business development loan fund, in partnership with others, to improve its operation. Local CDCs active in commercial development wanted to assist neighborhood business owners to help them become tenants in the CDCs' developments—but they had no business development capacity. The Office of Economic Development (which administered the Seattle EC program) had a Federally funded loan fund that was not particularly effective and attracted some unfavorable press coverage. With assistance from LISC, a new nonprofit organization—Community Capital Development (CCD)—was formed to take responsibility for the City's loan fund and add a strong technical assistance component. Representatives from the CDCs sit on the board, and CCD serves prospective borrowers referred by the CDCs and from the EC. As a nonprofit, CCD can receive philanthropic funding, and is developing partnerships with local banks, e.g., to allow borrowers whose CCD loans perform well for two years to convert to private financing.

6.4 Broader Lessons

The Federal mandate of community-based partnerships and resident empowerment presented local jurisdictions with a paradox. On the one hand, one of the EZ/EC program's objectives is to involve those neighborhood citizens and organizations that have too often been left out of decisions and activities that affect their lives and communities. On the other hand, these tend to be precisely those residents and organizations that have the least experience in public decision-making. As individuals, they are not always well-prepared to participate effectively on boards, task forces and other vehicles that provide opportunity for community voice. As

[17] The MIC, formed in 1997, is made up of 24 businesses in and around the Duwamish area. The MIC's original focus was on industrial development policy, and planning and development in the Duwamish. The Seattle Jobs Initiative, funded by the Annie E. Casey Foundation, is a multi-year collaboration of all segments of the workforce development system in Seattle.

organizations, CBOs in the target communities vary enormously in their capacity — both their capacity to perform at a high level of quality in their areas of activity and their capacity to engage as equal, respected partners in collaborative arrangements.

This paradox leads to two broad lessons from the EZ/EC experience to date. The first is that ***the Federal mandate for resident participation and community-based partnerships appears to have had the desired effect in many of the sites.*** Specifically, it seems reasonably clear that sending a strong, consistent message about the importance of community engagement in the EZ/EC program ***increased the chances that residents and community-based organizations shared in the decision-making about zone priorities and programs***. The EZ/EC requirements for community participation made the sites take affirmative steps, starting during the strategic planning process, to bring community voices into the equation. Many sites carried through on this emphasis by building it into their governance structures to include broader community representation. Without such a mandate, it is unlikely that as many places would have gone to the same lengths to incorporate resident and community opinion, given the level of effort it requires.[18]

The second lesson is that ***local attention to building the capacity of zone residents to participate in zone governance, and to building the capacity of CBOs to deliver programs, has been extremely uneven.***

In the development of governance structures that provided for resident input, community representatives typically had less experience in board service and procedures than their counterparts from the public and private sectors. Many would have benefited from training and on-going coaching or other assistance in understanding board roles, formal decision-making processes, technical analyses, dealing with conflict, and having the confidence to assert their views.

More than half of the intensive study sites made investments in some type of board training (see again Exhibit 6-6). For example, prior to considering any funding decisions, the Burlington EC Steering Committee spent its first several months defining the policies and procedures that it would use. With guidance and assistance from City staff, the committee members developed an appeals process, a conflict-of-interest policy, rules of operation, open meeting policies, and communications methods, including a newsletter and provision for cable television coverage of its meetings. The City coordinator acted as the facilitator and negotiator in this period, helping the committee to define its role and processes. The EC also

[18] The strongest impetus for including resident participation appears to have been the importance that specific factor assumed in the competition for zone designation, which then carried over into the content and style of many sites' strategic plans. Whether current monitoring systems and local commitment to the principle are strong enough to sustain this engagement for an additional five years is an appropriate issue for the Long-Term (10-year) Impact Evaluation to address.

brought in some experienced facilitators to allow the committee to focus on content of ongoing projects and status reports.

At the same time, even zones that provided some type of training or other assistance to increase residents' skills and confidence and to foster mutual respect among members of governing boards commonly found that a one-time intervention was not a "solution." Sustained, thoughtful effort was required. Many zones did not stay the course and, as noted above, some zones did not attend to this issue explicitly at all.

During implementation, attention to capacity building for community organizations was even more limited. As the discussion in Chapters Five and Seven, as well as this chapter, illustrates, zone programs relied extensively on local nonprofit organizations to implement their community improvement activities. Yet most, particularly the non-EZs, apparently made little or no investment in building the capacity of those organizations to perform well.[19]

In some sites, the organizational capacity building issue did not arise directly because local stakeholders chose to work with CBOs and other service providers that had already achieved a high level of performance. Some sites did this simply by selecting the best proposals they received, which generally led to the selection of seasoned organizations; the San Francisco EC's reliance on well-regarded organizations with an established track record to address workforce development has been noted at several points.

Other sites made this choice as a matter of explicit strategy. In Burlington, the EC tried to avoid the costs and delays entailed in starting new organizations for its program. It designed its projects to build on the strengths of existing nonprofit agencies, and it was very efficient in getting funding out and implementing its projects as a result. But even in drawing on capable organizations, partnerships represent new relationships and require nurturing to be successful. For the most part, Burlington did not have the financial resources to provide technical assistance to its partnerships, but it used City staff whenever possible to provide assistance that improved the partnerships' operations. For example, in Burlington's Public Safety Project, the City staff person was well organized and kept the committee on task (see again the example in Section 6.3.2). The group received training in facilitation, and the responsibility for facilitating meetings rotated around the table. The EC also provided mandatory diversity training for all of its grantees.

The rationale for this emphasis on established providers is strong, especially in the ECs: given a limited amount of money and the desire to make a visible difference in target communities, it makes sense to work with experienced providers who have demonstrated the capacity to accomplish what they set out to do. Many zone governing boards adopted the

[19] The overwhelming majority of the funds devoted to capacity-building were allocated by the governing boards of the EZs (see footnote number 24 in Chapter Seven).

perspective (also adopted by many public sector programs and private philanthropies) that they preferred to devote their funds to direct service rather than strengthening core capacity.

On the other hand, and taking a longer view, CBOs pursuing community revitalization are doing difficult work, and there is no doubt that strong CBOs, capable of undertaking the kinds of complex partnerships that successful local EZ/EC programs required, are in short supply in low-income communities — especially when compared to the challenges faced. Lack of capacity and experience are the main obstacles to overcome for new and/or newly empowered groups, and for groups that are taking on significant new responsibilities. The fact that zone investments in organizational capacity building in target communities has been so limited, especially in the ECs, is perhaps another reflection of the small Federal awards they received and the compressed time frames they adopted. In some of the other zones, the decision not to pay more explicit attention to capacity building may have been short-sighted.

Since CBO capacity building is so central to the success of community-based partnerships, the contrast between two sites' approach to capacity building is instructive. Both Baltimore and Charlotte chose to support the creation of new organizations to implement EZ/EC programs in their respective target neighborhoods.

In Baltimore, building strong Village Centers was central to the EZ's strategy. EBMC has invested considerable time and effort in capacity building by offering technical assistance to the Village Centers, including some help with facilitation, diversity training and organizational issues, as well as project assistance. The time and effort required for building the capacity of the Village Centers has been significant. According to the director of East Harbor Village Center, it took EHVC five years just to get its operations going and get the word out, and it will take longer for it to become a well-established, stable organization.

In Charlotte, the City agreed reluctantly to the formation of three neighborhood Enterprise Community organizations. City staff felt that the resulting organizations would be too small to be effective, but agreed to let residents have their way. The City made little effort to strengthen these groups, either through affirmative assistance or through insisting on standards of performance. The resulting groups are, in fact, fairly weak. One has closed its doors and the other two are at risk.

EBMC and the City of Charlotte have responded very differently to the challenges and inherent tensions of trying to build capacity from a position of power and authority. On the one hand, as a funder, each entity is concerned about accountability and impact. On the other, new organizations cannot be expected to take on new, difficult work without making any mistakes. And the questions of how much help, what kind of help, and the timing of that help are often tricky to answer. This is an area in which differences of race and class easily get confounded with other substantive issues, since in this setting the differences in power and technical skill are so clear and central to the relationship and the work at hand. Despite the difficulties, however, more capacity building work is clearly needed. Some localities may themselves need assistance in learning how to do it well.

Resident and service organizations are not the only promising targets for capacity building efforts. Business organizations can sometimes benefit, too—and often need certain new types of capacity to participate effectively in community revitalization activities. Seattle's Manufacturing/Industry Council (MIC) developed a work program with milestones and identified several areas of highest priority for their work, e.g., freight mobility and permitting reform. MIC had achieved all its initial milestones, including implementing its work program to advance its three business priority issues by the end of June 1999. As noted earlier in this chapter, the organization then turned its attention to workforce development, where it has helped to strengthen the workforce development curriculum in the community college.

Overall, the MIC has exceeded all expectations in terms of policy influence and has demonstrated its capacity to secure funding beyond the EC program. Part of its success is due to the careful facilitation process that Seattle's Office of Economic Development staff employed to reach out and enable the business community to buy into the concept. The members of the MIC feel real ownership of this new organization, are taking their new roles very seriously, and are making important contributions.

Capacity can be an issue for lead implementing agencies, as well. The need for new skills among would-be community capacity builders has already been noted. Baltimore provides a more subtle example. The membership on the EBMC board has been consistent over five years, so that there have been opportunities for members to be educated about community development and to learn from each other. This consistency has helped understanding grow among the parties. The current director of EBMC notes that recognizing the need for capacity building in the community has required the greatest effort from the board. She reported that some board members “had come around 180 degrees” on the question of community participation, and are now clear about the need to have community organizations implementing workforce development and other projects. Their insight provides a lesson that has clear applications in other localities.

Chapter Seven
Sustainable Community Development

The EZ/EC program design clearly acknowledged that enhancing residents' economic opportunity was critical, but was only a first step. The guidelines state clearly that economic development can only be successful when part of a coordinated and comprehensive strategy that includes physical development as well as human development. Communities were encouraged to think comprehensively about community revitalization, and they responded by incorporating a wide variety of programs and activities into their strategic plans.[1] Those programs and activities that extend beyond the provision of economic opportunity are the main focus of this chapter.

The broad latitude accorded to localities left them free to think about the principle of sustainable community development in somewhat different ways—and they did. The second major section of the chapter reviews these alternative approaches and discusses their implications for local program sustainability.

7.1 Multi-Faceted Community Development Activities

In most localities, the strategic planning process surfaced a multitude of issues about which residents and other local stakeholders had concerns and ideas. Economic opportunity issues were clearly central, but moving beyond economic opportunity required many local stakeholders to make a series of choices: even the EZ awards were not large enough to support plans that would accomplish everything on some community agendas. In the end, local EZ/EC sites extended their zone programs into sustainable community development in varying degrees. A few zones adopted activities beyond economic development very selectively, e.g., Dallas, which added only public safety initiatives. For the most part, however, the intensive study sites broadened their programs considerably, and a few adopted a broad, holistic agenda.[2]

Burlington is a good example of a site that viewed sustainable community development as a holistic, umbrella concept. The goal in Burlington was to create physical, economic, and social gains in the Old North End Enterprise Community using five principles: job creation, performance-based contracting, bottom-up relationships between the government and

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1 Sustainable community development thus can be viewed as the EZ/EC counterpart to the term "comprehensive" in comprehensive community initiatives (CCIs). Evaluators have come to view comprehensiveness not as an indication that individual CCI programs should try to mount a full spectrum of programs, or attempt to solve all of the community's problems simultaneously, but rather as a license that provides local stakeholders the freedom to focus on whatever functional point(s) of entry are important to the community. This allows the community to seize any promising opportunities that are available.

2 For a detailed portrait of the variety of sustainable community development programs undertaken in the intensive study sites, see the table of activities presented in Appendix E.

communities, comprehensive strategic plans built around public and private partnerships, and teaching the government how to interact with the community. Burlington's strategic plan identified an enormous variety of programs—more than 70 in all—that included a mix of economic and non-economic opportunity activities. In addition, the Burlington EC strategic plan articulated how the various components of their agenda related to one another. Local stakeholders clearly saw the elements of their initiative as having the potential to be mutually supportive, and those interrelationships were part of the strategic vision.[3]

Specifying the relationships among EZ/EC local program elements, as Burlington did, was somewhat unusual. As discussed in Appendix D, most of the intensive study sites identified discrete strategic priorities and tended to pursue them more or less independently. Both in their thinking and in implementation, local zone programs captured the breadth of the principle of sustainable community development better than they captured its emphasis on coordination. As in the case of economic opportunity, some coordination certainly occurred, e.g., through cross-referrals in "one-stop" community service centers, or between neighborhood clean-up and public safety activities in individual communities. Still, relatively few sites emphasized coordination as a clear theme during implementation.

This section of the chapter describes the activities and accomplishments that complement the economic opportunity activities of the 18 intensive study sites. The programs covered are organized into five categories: social improvement, public safety, physical improvement, housing, and capacity building.[4] All the activities reported in the tables are taken from the PERMS; they are activities that, in the judgment of the local implementing agency, are part of the local EZ/EC program, regardless of whether they receive any funding from the program.[5] The section concludes with a brief discussion of the factors that led localities to adapt their sustainable community development activities over time.

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3 An example of Burlington's assessment of the inter-relationships among program elements is presented in Figure D-7 in Appendix D.

4 Most non-economic opportunity programs fall neatly into these categories, but a few do not. Those few have been placed into the category that most closely resembles the overall function of that program. This organization follows the structure of the PERMS, but does not necessarily reflect the sites' thinking about how their activities relate to their strategic priorities.

5 Localities may differ considerably in the degree to which they report in PERMS activities in their zones (e.g., park improvements or assisted housing development) that receive no EZ/EC financial support.

7.1.1 Social Improvement

A total of 13 zones have been engaged in social improvement activities.[6] ***The most common of these activities were coordinated social service delivery, youth education, and child care provision.*** Some sites, like Detroit and Louisville, have distinct social improvement strategies. Others have conducted these activities as part of other types of strategies. Baltimore, Charlotte, and New York City have sought to coordinate social services such as substance abuse treatment with workforce preparation and training strategies. Childcare, commonly delivered as part of workforce development by the study sites, falls under the category of human services in the PERMS. For example, Boston's workforce development strategy has emphasized activities like job training that are directly related to job readiness. However, Boston also established a grant program to improve day care quality and an initiative to expand day care services for public housing residents in the EEC, which local program designers believed was critical to the ability of many parents to work. Taking a quite different approach, San Diego dedicated training dollars to increasing the capacity of the Chicano Federation's Child Care Worker Training Program. This decision was a response to a well-publicized shortage of child care "slots" in the San Diego EC at the beginning of the EZ/EC program.

Among the zones that have pursued social improvement strategies (and even among some that have not), reliance on one-stop neighborhood service centers is the desired norm. Enthusiasm for such centers is premised on the following three beliefs. First, more residents will take advantage of available services when they are located in their neighborhood. Second, more holistic service delivery will improve outcomes for participating citizens. And third, co-location of services is an important advantage even if not accompanied by coordinated case management and service delivery.

Louisville provides a good example of the "one-stop" services approach. The EC Community Board allocated funds to establish the Nia Center, which houses state, county, and local social services providers at a shared location. The consolidated services include financial services, health services, mental health assessments, child protective services, and assessment and referral to job training and placement services (these latter two being other EC emphases for assisting low-income persons). The intention has been to foster a setting in which agencies are encouraged to coordinate with one another to eliminate barriers to effective, seamless service provision.

The extent to which co-location actually produces closer coordination is not entirely clear. However, local stakeholders in Burlington, Louisville, Oakland, and Seattle reported that co-location was an effective way to create service efficiencies both for clients and service

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[6] Social improvement activities includes all human services programs that are not directly linked to the preparation of residents for employment, as well as programs that HUD's reporting system classifies under education and health. Please see table in Appendix E which shows all activities the sites have engaged in as part of the EZ/EC program.

providers. The most commonly cited benefits of closer coordination were increased success in outreach and greater numbers of clients served. In Seattle, for example, agencies that previously had not shared outreach efforts now do, since they are all in the same building and seek to reach similar clientele in the community. The physical proximity of these services engenders in the providers a desire to have the service flow be accessible and understandable to the incoming client, thus producing more of a coordinated effort to deliver these services.

Outputs reported by EZ/EC intensive study sites that have implemented social improvement activities are displayed in aggregate in Exhibit 7-1. If one sums the PERMS outputs for health, human services, and education activities (all grouped under social improvement activities), and assumes no overlap among the counts for families, children, and adults, the intensive study sites have served a total of 667,000 clients through June 2000. However, this assumption is probably not realistic, because in many cases the figures reported are probably client interactions, i.e., clients who come more than once are counted more than once. Hence, the 667,000 figure should be regarded as a high-side estimate of the number of residents served.

Collectively, considering both active and completed plans, the sites have obligated over $80 million of their HHS (Title XX Social Services Block Grant) funds for social improvement programs—most of this allocated to programs conducted under plans that are still active. This pattern of Title XX funding being primarily associated with ongoing projects is a common pattern across activity areas, since the EZs have by far the most money and their plans are much less likely than EC plans to have been completed.

The data in Exhibit 7-1 (and all subsequent tables in this chapter) are taken from the performance measurement system (PERMS) through which all EZ/EC sites report their activities to HUD. As discussed earlier, the PERMS structure asks sites to report on their activities in a pre-specified set of categories, and that structure is used here. Thus, the activities cannot be linked directly to the local strategic priorities they support (e.g., childcare as part of workforce development). They are, however, the best information available about the EZ/EC sites' accomplishments. Dollars shown are obligations, not expenditures. Total obligations include both grants and in-kind contributions. (For a more complete discussion of the quality of the PERMS data, see footnote five in Chapter Five.)

7.1.2 Public Safety

Twelve EZ/EC sites have supported public safety activities.[7] In addition to those zones with public safety strategic priorities, this group also includes sites that view these activities as part of strategies relating to capacity building (e.g., Oakland), social improvement (e.g., Detroit and Philadelphia/Camden), or improving the overall quality of life (e.g., Burlington).

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7 Appendix E identifies all activities the sites have engaged in as part of the EZ/EC program.

Exhibit 7-1
Selected Social Improvement Outputs Reported by EZ/EC Intensive Study Sites[8]

	Active Plans			Completed Plans		
All Communities—Totals of:	**# Sites Repre-sented**	**Projected**	**Actual**	**# Sites Repre-sented**	**Projected**	**Actual**
Number of EZ/EC families served by childcare programs	7	6,486	2,705	4	5,421	5,414
Number of EZ/EC residents served by elderly programs	4	12,829	13,726	1	35	35
Number of EZ/EC youths served by youth programs	8	62,517	68,382	7	4,691	3,694
Number of EZ/EC families served by family programs	2	9,500	5,834	7	12,169	11,556
Number of homeless persons served by homeless programs	1	9,200	15,543	3	1,121	1,361
Number of EZ/EC residents served by substance abuse programs	5	1,883	821	0	0	0
Number of EZ/EC residents served by recreation/arts programs	5	375,405	378,582	4	2,256	2,019
Number of EZ/EC residents served by human services programs	6	11,314	5,710	2	3,575	18,500
Number of EZ/EC children served by pre-school/HeadStart programs	1	130	100	2	748	1,201
Number of EZ/EC children served by K-12 programs	11	17,066	11,254	5	17,376	15,948
Number of EZ/EC residents served by vocational/GED programs	3	2,150	505	3	557	715
Number of EZ/EC residents served by post-secondary assistance programs	0	0	0	2	171	201
Number of EZ/EC residents served by other educational programs	9	56,265	51,920	7	41,936	51,675
Number of EZ/EC residents served by health-related programs	9	175,306	65,466	4	7,279	8,421
Number of new health-care facilities opened	5	14	9	2	2	1
Number of rehabilitated health-care facilities opened	3	4	1	1	1	1
Number of facilities expanded	2	2	1	1	200	0
HHS Funds ($)			**$71,693,754**			**$9,650,301**
Total ($)			**$546,177,335**			**$37,043,442**

Source: HUD PERMS, 10/30/00

Following national trends, the EZ/EC public safety efforts have consistently taken a community-oriented policing approach. This approach emphasizes greater police presence in the neighborhood and greater contact between police officers (commonly on foot patrol)

[8] Additional detail about outputs is presented in Appendix F, which shows outputs disaggregated by type of zone.

and local residents and business proprietors.[9] The intent is to improve police-community relations, increase residents' perceptions of safety, prevent some crimes from occurring, and increase residents' willingness to cooperate with the police to solve those that do occur. The latter two improvements are expected to reduce the incidence of crime.

Some sites also saw the community-policing program as a way to address a perceived lack of understanding between law enforcement officials and neighborhood residents. As noted in Chapters Four and Five, local stakeholders in a few sites reasoned that reducing crime would improve the zone's business climate (a perception supported by the results of the business establishment survey, discussed in Chapter Three).

Specific zone-sponsored public safety activities have varied. Sites most commonly placed mobile police stations at high-crime locations (as done in Baltimore and Dallas) and organized block associations around public safety issues (as in Burlington). However, there has also been some innovation. Most notably, one of the Village Centers in Baltimore has built relationships within the criminal court system. Offenders from the community who are sentenced to public service are sent to the Village Center so that service can take place in the community; a parole officer has his office at the Village Center and uses it as a base from which to make home visits. In addition, this Village Center has done outreach to neighborhood employers in an attempt to change their attitude toward hiring ex-offenders, and several employers now accept ex-offender referrals from the Center's referral service.

The intensive study sites report that by July 2000 they had served 753,000 people through public safety programs or crime prevention programs (see Exhibit 7-2).[10] Together, they have obligated $19 million of their Title XX funds to support public safety and crime prevention activities, commonly combining those dollars with public safety funds available from the Federal Department of Justice and the states.

7.1.3 Physical Improvement

Although relatively few of the intensive study sites have had distinct physical improvement strategies, twelve have supported physical improvement activities.[11] These have included street cleaning programs, anti-graffiti programs (sometimes considered an element of a public safety strategy), vacant lot clean-ups, improvements to commercial strips (often

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9 In other U.S. cities, community policing programs include citizen oversight review boards or other mechanisms to make police officers more directly accountable to the community (as part of changing police behavior toward residents and improving police-community relations), but the zone programs in the intensive study sites do not appear to contain this program component.

10 In the PERMS—shown in Exhibit 7-3—sites reported public safety activities as distinct from crime prevention activities. Crime prevention activities directly involve police (e.g., police mobile storefronts, community policing with police walking the beat, etc.) and public safety activities involve citizens, but not with direct police involvement (e.g., street lighting, citizen patrols, etc.).

11 Appendix E reports all activities the sites have engaged in as part of the EZ/EC program.

considered part of a business development strategy), construction and enhancement of recreational facilities, infrastructure improvements, brownfield remediation, and large-scale redevelopment (the latter two also commonly viewed locally as aspects of business development strategies).[12] These programs are discussed here, under physical improvement, because the HUD-imposed structure of the PERMS classifies outputs based on activity-type, rather than the strategy it supports in any particular site's EZ/EC program.

Exhibit 7-2
Selected Public Safety Outputs Reported by EZ/EC Intensive Study Sites[13]

	Active Plans			Completed Plans		
All Communities—Totals of:	**# Sites Repre-sented**	**Projected**	**Actual**	**# Sites Repre-sented**	**Projected**	**Actual**
Number of EZ/EC residents served by public safety programs	7	524,836	373,784	6	62,300	61,424
Number of EZ/EC residents served by crime prevention programs	8	473,844	259,150	4	67,125	58,533
HHS Funds ($)			**$17,456,036**			**$1,415,033**
Total ($)			**$310,682,441**			**$4,030,111**

Source: HUD PERMS, 10/30/00

Zone programs designed to address physical improvement commonly assume that the results of these activities increase the quality of life, stabilize residence in the zone, and raise the chances of new private sector investment in the neighborhood. Improved physical conditions, especially at "gateways" to the neighborhood and along major commercial shopping corridors, are visually obvious to visitors and residents, so successful programs can have high-profile results.

Physical improvements can also contribute to other, non-physical program objectives. For example, the Chicago EZ's support for large-scale child care facility development activities in each of four non-contiguous zone areas increases the access and availability of child care for working parents in the zone communities. The Sunrise Steam Cleaners program and the Precita Eyes Mural Project in the Mission District of San Francisco serve multiple objectives, training youth in business operations, improving the physical environment of the business district, and helping to bring tourism revenue into a zone community.

Physical improvement outputs reported by the 18 intensive study sites are shown in Exhibit 7-3. The diversity of the activities makes their outputs difficult to summarize simply, but they include 17 brownfields sites remediated, 66 playgrounds rebuilt or built, and 169,000

[12] These activities are reported under infrastructure and environment in PERMS.

[13] Additional detail about outputs is presented in Appendix F, which shows outputs disaggregated by type of zone.

people served through transportation programs, parks programs or by other infrastructure programs. To date, the intensive study sites have allocated $16 million of their HHS (Title XX Social Services Block Grant) funding for these activities.

Exhibit 7-3
Selected Physical Improvement Outputs Reported by EZ/EC Intensive Study Sites[14]

	Active Plans			Completed Plans		
All Communities—Totals of:	**# Sites Repre-sented**	**Projected**	**Actual**	**# Sites Repre-sented**	**Projected**	**Actual**
Number of EZ/EC residents served by transportation programs	1	249,000	119,074	1	100	150
Number of parks/playgrounds built/rehabilitated	5	65	37	3	28	29
Number of EZ/EC residents served by building/rehabilitating parks/playgrounds	4	31,178	17,714	2	19,000	18,720
Number of new facilities constructed	3	6	0	1	1	6
Number of facilities rehabilitated	2	3	2	2	3	3
Number of other infrastructure activities programs	5	26	32	1	1	0
Number of EZ/EC residents served by other infrastructure programs	4	55,202	13,252	0	0	0
Number of Brownfields projects	5	31	29	2	6	6
Number of Brownfields sites identified	6	69	63	2	4	4
Number of Brownfields sites remediated	5	38	15	2	2	2
Number of neighborhood beautification/anti-graffiti programs	4	47	39	3	22	19
HHS Funds ($)			**$13,530,335**			**$2,594,539**
Total ($)			**$423,346,631**			**$30,281,493**

Source: HUD PERMS, 10/30/00

7.1.4 Housing

Currently, 13 of the intensive study sites report having supported some type of housing activity, although only five have distinct housing strategies. At baseline, nine sites had incorporated housing activities into their thinking about how to improve zone neighborhoods. As is the case with other types of activities, local stakeholders have sometimes thought about

14 Additional detail about outputs is presented in Appendix F, which shows outputs disaggregated by type of zone.

their housing activities as being part of other strategies. Chicago stakeholders saw their housing activities and subsidized mortgage program as contributing to physical improvement. Oakland and Seattle considered their homebuyer counseling as part of their capacity-building strategies. Cleveland's housing activities were initially seen as an element of business development. Boston, Louisville, and Philadelphia/Camden included housing activities as an element of social improvement. A few sites have increased the intensity of their housing effort over time. For example, the Seattle EC has given housing greater emphasis in response to a recent severe shortage of affordable housing; it developed one of the relatively few programs among the sites that provided loans for the construction of rental housing.

Housing activities have most commonly been in support of increasing homeownership, especially for low-income or first-time buyers. EZ/EC programs have engaged in construction of new housing, improving the condition of existing owner-occupied dwellings, lending to help resident owners rehabilitate their homes, subsidized mortgages or other financial assistance to make home purchases in the zone neighborhoods more affordable for low-income households, and credit counseling and other technical assistance to prospective home purchasers.

The Philadelphia/Camden EZ program included a more novel approach. It used EZ funds to help capitalize a community-oriented Housing Trust Fund, leveraging funds from CDBG, HOME, the Pennsylvania Housing Finance Agency, Fannie Mae, Freddie Mac, and the Federal Home Loan Board Bank. This fund has provided financing for 587 housing units to date. Rehabilitation and construction loans and homebuyer counseling have also been part of the package.

Housing activities have accounted for $72 million of the HHS (Title XX Social Services Block Grant) funds committed by the zones in the intensive study sites (see Exhibit 7-4). This is one of the few areas in which funding allocations differ noticeably across the different types of zones: EZs have, as of June 30, 2000, allocated to housing about 12 percent of the total HHS funds available to the Empowerment Zones; in contrast, the ECs have made a little over $1 million of Title XX funding available to housing, about 4 percent of their combined HHS allocation of $27 million.[15] Altogether, these funds helped to produce 1,549 new units of housing and 2,462 rehabbed units.[16] Homeownership programs (e.g., homeowner counseling, mortgage assistance programs) were operated in 11 of the 18 sites, serving 4,447 residents thus far.

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15 PERMS data disaggregated by type of zone is presented in Appendix F.

16 Note that these totals include completed units only, not projects that are "in the pipeline."

Exhibit 7-4
Selected Housing Outputs Reported by EZ/EC Intensive Study Sites[17]

	Active Plans			Completed Plans		
All Communities—Totals of:	**# Sites Repre-sented**	**Projected**	**Actual**	**# Sites Repre-sented**	**Projected**	**Actual**
Number of new units	9	3,561	1,262	5	155	287
Number of rehabilitated units	8	3,194	1,435	6	971	1,027
Number of EZ/EC residents served by homeownership programs	11	12,770	4,080	4	236	367
Number of homeless residents served by homeless housing programs	3	157	1	1	50	50
Number of homes inspected	1	245	245	0	0	0
Number of homes remediated	1	245	222	0	0	0
Number of EZ/EC residents served by other housing programs	4	1,216	33	1	1,450	0
HHS Funds ($)			**$68,069,836**			**$4,120,163**
Total ($)			**$801,172,324**			**$98,857,614**

Source: HUD PERMS, 10/30/00

7.1.5 Community Capacity Building

Zone programs intended to strengthen community capacity typically presume that the best approach is to establish or strengthen community-based organizations by providing them with financial and technical support (for varying purposes and periods of time) and with a responsible role in neighborhood revitalization. Five sites adopted community capacity building strategies to strengthen the institutional infrastructure of designated zone neighborhoods. This entailed supporting existing CBOs where they already existed, and trying to establish and stabilize new ones where they did not.[18] The former approach is exemplified in Cleveland, where supporting existing CDCs in the three SEZ neighborhoods was an explicit element of the zone strategy. Cleveland is well-positioned to pursue such a strategy since it has an active network of CDCs working in the context of a well-developed support system. Supporting the neighborhood links in this network is part of a long-term local commitment to strengthening neighborhoods by sustaining community-based change agents. Building local organizational capacity is also part of the strategy in Seattle, where new CBOs were being formed, and in Baltimore, where most of the Village Centers were newly-established organizations.

[17] Additional detail about outputs is presented in Appendix F, which shows outputs disaggregated by type of zone.

[18] Other well-regarded approaches to building community capacity, such as community organizing and leadership development programs, appear in only one or two zone sites.

Successful community capacity building requires sustained effort over time, and not all the zones have maintained the supports needed. Oakland is an EZ/EC intensive study site that initially placed a large strategic emphasis on community building, which local stakeholders defined as creating mechanisms to enhance the self-esteem of residents and teach them to take advantage of the resources within the EEC program and in the broader community. To accomplish this, the Oakland EEC sought to increase the involvement of community residents and organizations in local revitalization strategies by training selected residents to initiate change.[19] Indeed, community empowerment was an explicit strategy of Oakland's pathway of change model at the time of the baseline report. Oakland's community building program involved training Community Building Interns (CBIs). Neighborhood residents were recruited to become CBIs and received training in the skills necessary for effective community building as well as individual growth and future employment. These interns were expected to be responsible for organizing projects that would help build a sense of community, such as block parties, job fairs, neighborhood beautification projects, and resident safety activities. In addition, CBIs were responsible for starting outreach efforts to connect EEC residents with job training and employment opportunities. However, the CBI program ceased activity in December 1998 due to lack of funding and leadership. Economic development efforts have simply taken precedence since then in the Oakland EEC effort.

In general, CBOs that received assistance from EZ/EC programs have been expected to "learn by doing"—an approach widely followed in the community development field. Baltimore, however, has made a consistent effort to enhance the capacity of the zone's six Village Centers. The original plan in Baltimore called for Empower Baltimore Management Corporation (EMBC), the lead implementing agency, to "sunset" after five years, with the Village Centers taking over implementation at that time. This has not happened because most of the centers are not yet strong enough to be self-sustaining. This continues to be the goal, however, and EMBC is encouraging (and assisting) all of the Village Centers to become fully-functional CDCs with the capacity to sustain themselves.

As noted earlier, some sites engaged in other types of capacity building as part of local strategies for systems reform, empowerment, or increased racial equity. Most distinctively, Burlington emphasized racial equity by requiring diversity training of all EC grantees. Dallas promoted city-level systems change by supporting better coordination among lead agencies serving the zone. San Francisco encouraged grantee partnerships between CBOs that served different racial or ethnic groups. Seattle institutionalized contractors'

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[19] This is distinct from the approach followed in many zones of involving representatives of CBOs or resident activists in zone governance as representatives of "the community." Community building is about helping "ordinary" residents to identify community activities in which they might want to become involved, come together around issues of common concern, build a sense of shared identity and loyalty, and take direct action on the community's behalf. For more information about community building, please see Thomas Kingsley, Joseph McNeely and James Gibson, *Community Building: Coming of Age* (Urban Institute, 1997).

accountability by establishing a performance-based contracting system with its CBOs. Not all of these process-oriented activities are captured in the PERMS.

The principal capacity building activities tracked in the PERMS are training activities for members of EZ/EC governing boards and training of residents, boards and staff of implementing agencies (see Exhibit 7-5). Almost 400 EZ/EC board members have been trained through the EZ/EC program, and more than 5,000 residents have been trained through community capacity-building activities. Further, 262 organizations have been supported either with technical assistance or staff training. Collectively, the intensive study sites have allocated almost $22 million of their HHS (Title XX Social Service Block Grant) funds for activities the PERMS catalogs as capacity building.

7.1.6 Changes Since Baseline

Activities that have taken place to date represent reasonable follow-through on what was expected of the sites at baseline. Like economic opportunity activities, sustainable community development activities changed over time in many of the sites, although not in fundamental ways. However, because the sites' activities have been so varied, fewer patterns emerge in the implementation experience. The observed changes have occurred for five basic reasons: problems experienced in program implementation; adaptation to take advantage of new opportunities; adjustments based on lessons learned; lack of priority status given to programs; and lack of organizational or staff capacity.

Exhibit 7-5
Selected Capacity Building Outputs Reported by EZ/EC Intensive Study Sites[20]

		Active Plans			Completed Plans		
All Communities—Totals of:	**Funds Allocated**	**# Sites Repre-sented**	**Projected**	**Actual**	**# Sites Repre-sented**	**Projected**	**Actual**
Number of EZ/EC board members trained		9	567	375	1	24	12
Number of implementing agencies trained		6	491	327	2	65	54
Number of EZ/EC residents trained		9	4378	4626	3	323	663
Number of EZ/EC staff hired		4	77	58	0	0	0
Number of organizations supported		6	465	222	1	50	40
Number of Public Meetings		10	472	336	2	112	100
HHS Funds ($)	**$21,716,318**						
Total ($)	**$41,781,924**						

Note: The funds allocated for capacity building outputs were not broken out in the PERMS according to active and completed plans.
Source: HUD PERMS, 10/30/00

[20] Additional detail about outputs is presented in Appendix F, which shows outputs disaggregated by type of zone.

First, most sites experienced at least some problems during program implementation. This was to be expected: community revitalization is difficult, and the target neighborhoods were chosen for inclusion in the zones precisely because their problems were stubborn and acute. Many of these problems were overcome, but in some cases they led programs to be dropped or modified in important ways. For example, Atlanta mounted a community policing program but was unable to implement it fully, in part because of bureaucratic delays, and in part because the tight labor market made it difficult to hire sufficient numbers of officers. In San Diego, the Code Compliance Program had to switch from a housing focus to a commercial property focus because securing title to abandoned private homes proved too difficult. Given the San Diego EC's limited resources, local stakeholders decided that focusing on a few large commercial properties would be more economical.

Second, some sites adapted their programs to take advantage of new opportunities. For example, Atlanta added new health programs because the EZ saw an opportunity to fill a funding gap. Camden added housing and riverfront development programs to take advantage of a new state initiative in New Jersey. One of the Charlotte EC's neighborhood organizations funded a home-buyers club to facilitate the purchase of new homes by community residents when it became clear that without such help new housing being developed in the neighborhood by Bank of America would not benefit current members of the community. Numerous sites, including Burlington, Chicago, Minneapolis and San Diego, added new programs when planned programs did not occur, freeing funds for other uses.

Third, many sites adapted their community development agendas (or specific programs) in response to lessons learned through experience. For example, Baltimore dropped several programs that had been in their strategic plan when they were determined to be infeasible (e.g., neighborhood mediation centers) or not needed because others were already providing them (e.g., information highway initiative, abandoned property program).

Fourth, numerous sustainable community development programs did not go forward simply because they had a low priority among members of the zone governance body. This was most common in the EZs, where the number of activities being undertaken made greater demands on governance boards and staff time and attention. Programs without advocates sometimes simply did not receive attention, or could not garner enough financial support to be viable. In some cases, however, programs were explicitly assigned a lower priority, e.g., a proposed market rate housing program in Baltimore.

Finally, some activities foundered for lack of required staff or capacity. Sometimes this occurred because of inadequate organizational capacity in the target communities. For example, the zones in Minneapolis, San Francisco, and Seattle each cancelled programs because of non-performance by the lead implementing CBO. Sometimes, however, the problem was with the zone staff. In Tacoma, the prolonged vacancy of the executive directorship of the EC left the remaining staff over-extended; outreach to residents to involve them in governance got short shrift as a result.

7.2 Varied Approaches to Sustainable Community Development

Although virtually all of the EZ/ECs launched activities they believed were important to sustainable community development, including many activities that were similar in character across sites, they did not all think about this program principle in precisely the same way. In most places, at least some local stakeholders accepted the principle as articulated in the Federal program guidelines. In doing so, however, they emphasized the multi-faceted "community development" aspect of the principle more than the "sustainability" aspect of it. However, in some zones, local stakeholders tried to incorporate sustainability into their programs in some explicit way. Some approached the issue in terms of making community members self-sufficient, some focused on building sustainable community development organizations, and some viewed re-energized market forces as the key to sustainability. This section of the chapter briefly considers the sites' experiences with each of these perspectives.

7.2.1 Making Community Members Economically Self-Sufficient

Three of the intensive study sites (see Exhibit 7-6) currently operationalize sustainable community development by emphasizing resident self-sufficiency. Local stakeholders in these sites reasoned that sustainable community development could not occur if individual residents were unable to sustain themselves economically.

Boston initially applied to be an EZ and developed a multifaceted approach to revitalization. It received EEC designation instead, with funding primarily from the EDI and Section 108 programs, plus access to new tax-exempt bond financing. Since these programs require that the money be used primarily to support economic development activities, Boston had to shift its focus and to drop (or find other ways to pay for) many community-based initiatives strongly supported by zone residents and community-based organizations. Therefore, the concept of sustainable community development as originally incorporated in the strategic plan (and as still understood by many community stakeholders) was not addressed by its activities. As a matter of necessity, the Boston EEC supported sustainable community development by supporting job growth and access to jobs for EEC residents.

At baseline, the New York EZ, especially the portion of the zone in the South Bronx, interpreted sustainable community development in terms of resident self-sufficiency.[21] Over time, however, this perspective changed. In the South Bronx, most of the land is devoted to business uses; as a result, the zone had difficulty recruiting residents for its programs. This led local stakeholders to de-emphasize activities and approaches targeted to residents and to increase efforts targeted to businesses. Thus, the two parts of the zone became very similar, both having a strong emphasis on economic opportunity (as discussed in Section 7.2.3).

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[21] Recall from Chapter Five that New York City's EZ was split between two areas, Upper Manhattan and the South Bronx.

Exhibit 7-6
EZ/EC Sites' Interpretations of Sustainable Community Development

City	Resident Self-sufficiency		Building Community Institutions		Use Market Forces to Sustain Development		Multifaceted Community Improvement	
	B	I	B	I	B	I	B	I
Empowerment Zones								
Atlanta			♦					♦
Baltimore			♦	♦				
Chicago							♦	♦
Detroit						♦	♦	
New York	♦					♦		
Philadelphia/Camden							♦	♦
SEZ/EEC Sites								
Boston	♦	♦						
Cleveland	♦			♦				
Oakland							♦	♦
Enterprise Communities								
Burlington						♦	♦	♦
Charlotte			♦					♦
Dallas							♦	♦
Louisville			♦			♦		♦
Minneapolis						♦	♦	♦
San Diego							♦	♦
San Francisco							♦	♦
Seattle	♦	♦	♦	♦		♦	♦	♦
Tacoma	♦	♦		♦			♦	♦

♦ - Primary interpretation(s) of Sustainable Community Development
NOTE: Column "B" identifies interpretation at baseline and column "I" the interpretation as of the interim reporting.

7.2.2 Sustainability through Building Community Development Institutions

Five sites initially addressed the principle of sustainable community development by creating or strengthening local institutions. They expected those institutions to become capable of sustaining future neighborhood development after the EZ/EC program ended. This approach reflected the view among local stakeholders that increasing community capacity would lead to an ongoing stream of development activity. Most saw residents as playing an important role in that activity.

Of the sites taking this approach, Louisville was most articulate in explaining the rationale for it. Local stakeholders noted that the problems in the zone are the product of strong forces operating over many decades, not likely to be eliminated by a 10-year program, no matter how good it is. The Louisville EC's primary response was to establish a new community development bank modeled after Shorebank Corporation in Chicago. Local stakeholders determined that EC area residents did not have adequate credit histories to qualify for loans originated by traditional lenders. In addition, many residents had little business experience, including the knowledge needed to complete a loan application. Local opportunities included a perceived demand for credit products among residents and local business people, a local history of public-private partnerships, and incentives for lenders to participate in a new community development bank because of CRA requirements. The EC organized the Louisville Development Bancorp as a bank holding company whose divisions would provide an array of financial and technical assistance services in a single location. It now has its own board and is independent of the zone program. With the bank in place, the EC shifted its emphasis to a more multifaceted, services-oriented approach.

Charlotte used EC funds to leverage creation of a neighborhood-based organization, called an Enterprise Community, in each of the three neighborhood clusters in the Charlotte EC zone. They were to provide job training and job placement, assist with business development and expansion, and provide support services to area residents and businesses. They have proven to be too small to take on so many responsibilities, however. One of the centers has closed its doors. The other two have gradually shifted into activities for which they have the capacity, such as providing outreach and referral for job training programs operated by other providers, including the City. Each of the centers has a one-year contract for their referral services from the City. The City has encouraged them to use the contract period to merge (to become more efficient and have a greater likelihood of survival), and they are working on a plan to become self-sustaining.

Baltimore has sought to enhance community capacity in zone neighborhoods by strengthening community development organizations where they existed and seeding new ones where they did not. Its primary initiative in this regard was the establishment of six Village Centers. These varied in initial capacity; one was a well-regarded CDC, while several were newly-started organizations. Each has been responsible for representing the community's interests as they plan and organize zone initiatives within their scope of responsibility. Their activities have included preparing land use plans, public safety plans, family support strategies, and job readiness plans. They are also responsible for delivering and coordinating a variety of services to residents of their respective neighborhoods (e.g., assessment and referral to a variety of job readiness and training providers). Empower Baltimore Management Corporation (EBMC), the zone's lead implementation agency, has provided training and other capacity-building assistance to the Village Centers and is encouraging them all to become CDCs.[22] At this point in time, they continue to vary considerably in capacity, illustrating the time and effort required to foster strong community institutions.

[22] The relationship between EBMC and the Village Centers is discussed in greater detail in Chapter Six.

7.2.3 Sustainability Through Relying on Market Forces

Local researchers in six of the intensive study sites (including Louisville) note a focus in the interim reports on stimulating enough change in their communities that private market forces will sustain development. This was most commonly the perspective of sites that had a more corporate orientation.

Detroit is a good example of this approach. The Detroit strategic plan gave considerable weight to the importance of private investment in the zone. In fact, the investment commitments of major corporations, cited in the City's EZ application, gave Detroit's application the highest leveraging ratio in the application pool. The City worked with Daimler Chrysler and General Motors to develop their facilities in the zone, and General Motors has moved their offices into the zone, the first time a "big three" auto company has been headquartered in downtown Detroit. Since the portions of the Detroit EZ program that emphasize social services (the other main strategic priority) have been very slow getting off the ground, over time the business investment priority has come to be seen locally as the core of the zone initiative.

New York also developed a plan committed to reaching a point at which market forces will sustain development. The two portions of the New York City zone initially had different foci. By far the larger part of the zone is in Upper Manhattan, which has always had a strong business development component. The South Bronx started out with a strong resident focus, but has shifted to adopt an agenda more like Upper Manhattan's. The fundamental principle behind both parts of New York's current EZ strategy is that expanding economic opportunity is the key to sustainable community and economic development for the zone and its residents.

In addition, local stakeholders in a number of sites made or leveraged durable investments in their zones that they believed would stimulate a steady stream of benefits to the community over time. For the most part, these were investments in significant commercial developments intended to change the local investment climate and thereby "jump start" a flow of private investment. The development supported by the Boston EEC in Dudley Square (described in Section 5.1.2) is a good example. Since the EZ/EC program has consistently treated economic opportunity and sustainable community development separately (although acknowledging that they are related), local stakeholders tend to describe these investments purely in terms of business development. However, if they are successful, they will make an important contribution to the sustainability of zone-fostered improvements.

7.3 Summing Up Sustainability—Lessons Learned to Date

The approaches taken by local stakeholders in EZ/EC intensive study sites, and their experience to date in implementing sustainable community development activities, provide some tentative lessons. Some of these lessons have been learned "the hard way," when sites launched programs and then saw, in hindsight, what could have been done better. Some come from successful programs in which the participants have learned valuable lessons through a series of successes. Broader lessons about the EZ/EC program itself have also begun to emerge through the experience of planning and implementing this major Federal program. Three stand out: differences in Federal funding levels have influenced how local stakeholders have thought about sustainability; local programs have relied heavily on nonprofit program providers and thus depended on their organizational capacity; and there is an inherent tension in government-sponsored efforts to promote community control.

Lesson One: T*he great difference in Federal funding levels between the EZs and the ECs influenced how local stakeholders in the sites viewed sustainability in the context of the EZ/EC program*. The EZs had enough funds to undertake ambitious agendas, to target serious resources on particular places or problems if they chose to do so, and to treat their programs as 10-year efforts. The larger scale of their projects typically delayed EZ program start-up. As illustrated by the PERMS data (see again Appendix F), most of the EZ project plans are still active and much of the EZ sites' planned work still lies ahead.

The EEC/SEZs initially applied for EZ designation. As discussed earlier, they were obliged to cut originally planned activities and reorient their agendas to accommodate smaller awards from sources that were substantially less flexible than the Title XX funds for which they had applied. This naturally generated disappointment in the communities affected, and in varying degrees tended to undermine credibility of the program, at least for a time. Nevertheless, these zones have maintained an extended time frame because they still have Federal funds at their disposal, and because the local stakeholders had generally believed that they were optimally positioned to compete successfully for EZ status in the second competitive round of EZ designations.

Local stakeholders in the intensive study ECs have typically thought about the program as a 10-year program only if they received, or became convinced they would receive, Federal funding significantly in excess of their "initial" $3 million, i.e., Round Two EZ designation. Although there were exceptions, ***most of the ECs adopted and kept a three-to-five-year time frame***.[23] In most of these sites, the Federal money is gone or nearly gone. However, local stakeholders in these zones made varied assumptions about what would be likely to happen when their modest funding ran out. Some have treated the EC Title XX funds as a one-shot infusion of Federal dollars. In their view, when the dollars are gone, the program as a distinct set of activities is over, although individual efforts may continue if they have attracted other funding.

In most ECs, however, sustainability remains a live issue, responded to in three different ways. First, some city governments continue to provide modest staff support to still existing (but less active) EC boards; this category includes Oakland, Burlington, Charlotte, Dallas, San Diego, and San Francisco. Their activities include continuing to oversee already-funded

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[23] However, HUD is requiring that they continue to submit PERMS reports.

activities, spending down the last dollars, and lending their approval to applications for Federal funds prepared by others so they will qualify for EZ/EC "bonus points."

Second, stakeholders in some ECs stipulated that newly-created organizations or programs would have to search for alternate funding when EC support ran out. In some instances, as with San Francisco's industry-specific training programs, the presumption was that a program's success would assure it of support from employers (and possibly the county or state); this has happened in a number of instances. Similarly, Charlotte stakeholders argued that the new EC organizations in the three neighborhood clusters (and their training and placement activities) should be held to a type of "market" test. If they proved genuinely useful they would attract support, if not they should cease operation. The jury is still out on the sustainability of these organizations. In Seattle, while local stakeholders generally viewed their efforts as a five-year program, most of the affiliated projects have secured other funding. This was facilitated by the city's integration of EC planning into neighborhood plans required by the city.

Where pre-existing programs received EC support, the sponsoring agencies folded that funding into their program budgets (sometimes explicitly setting aside program "slots" for zone residents if their service areas extended outside the zone). With that funding gone, they must seek replacement dollars—part of the on-going fundraising effort among CBOs.

Finally, ***a few ECs will leave behind new institutions that will continue to carry out all or part of the mission of the EC***. Louisville's development bank is the best example in this sample, illustrating the impact that using a high-profile program as a public forum or "bully pulpit" can sometimes have.[24] Other examples include one-stop capital shops with significant capitalization from private commercial banks and one-stop social service centers in which the resident service providers continue to rely on their pre-existing sources of support.

Stakeholders in several of the intensive study ECs (as well as the SEZs and EECs) had high hopes of receiving EZ designation in the second round of awards and operated their programs accordingly. Those that did not win were extremely disappointed, and local stakeholders in these places are generally dispirited. They see themselves as having invested in developing new ideas and plans that they cannot implement.

Further, local stakeholders in the ECs tended to regard the funding level and the time frame of the EC program as insufficient to make serious inroads on the complex problems—disinvestment, poverty, and racial segregation—that the program is intended to address in target neighborhoods. Those problems are stubborn and difficult to address. Despite the accomplishments reported by the ECs, it seems clear that a modest, one-time infusion of Federal funds is not enough in these communities.

[24] Louisville applied to be an EZ and under the mayor's leadership continued to call its zone an EZ and to fundraise as if they would maintain an EZ.

Lesson Two: ***Organizational capacity in the local nonprofit sector was key to program success. To an even greater extent than economic opportunity programs, the programs discussed in this chapter relied heavily on nonprofit program providers, putting a premium on the ability of those organizations to carry out programs.*** Issues concerning their internal capacity arose in the context of program delivery and performance in numerous sites. However, in general, zone programs made very limited, if any, investments to build the capacity of the nonprofit agencies they funded; this was especially the case in the ECs.[25] Better support and technical assistance for those organizations, especially new groups and those undertaking significant new tasks, would almost certainly have been beneficial.[26]

Programs generally fared better when the zones relied on existing organizations and agencies with proven capacity and solid connections to other organizations. Initiatives using existing agencies and proven programs generally produced more "leverage" for the Title XX funds and were more likely to be successful and timely. This illustrates the classic tension between using existing productive agencies to get discrete activities accomplished quickly, versus building capacity to achieve far greater potential (although at somewhat greater risk) in the long term. The difficulties of building community capacity are discussed in Chapter Six.

Organizational collaborations of various kinds performed well in many sites, with seasoned partnerships being more consistent, dependable, and effective.[27] Service providers reported that collaboration facilitated cross-agency learning, which led to better service delivery. Cross-agency referrals helped all participating agencies achieve their targets. Collaborations also won praise for culturally sensitive services for diverse populations, since each partner could address the distinctive needs and interests of the groups they knew best. Some unconventional collaborative arrangements seem to have worked well: the one-stop capital shop that evolved out of Seattle's EC program has acted as a fiduciary agent for new CBOs, considerably enhancing these fledgling groups' organizational capacities; and Minneapolis had a very positive experience linking citizenship programs connected to employment and training programs.

Lesson Three: ***There is an inherent tension embedded in top-down initiatives intended to promote community control***. This is clearly illustrated by the effect of broad resident engagement in the strategic planning process.[28] In general, plans prepared in response to inputs from large diverse groups covered more varied types of activities, put great emphasis on broad community development (especially social service provision and activities for

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[25] Of the $21.7 million in Title XX SSBG funding allocated for capacity building activities, $19.8 million was allocated by the boards of the six EZs, $800,000 by the three SEZ/EECs, and $1 million by the nine ECs.

[26] A related issue is the capacity of local government and the EZ/EC lead agencies to administer programs effectively and provide staff continuity. This issue is addressed in Chapter Six.

[27] See Chapter Six for a discussion of the partnerships formed in the EZ/EC study sites.

[28] As discussed in detail in Chapter Six, the national EZ/EC program design clearly called for resident participation in local zone programs.

youth), and spread the available funds more broadly than plans prepared by small, cohesive groups. Plans of the latter type were more likely to emphasize business and commercial development, target resources, and set priorities.

Zone agendas that were set by small groups, (e.g., those set by a steering committee or established when EZ applicants received other awards and had to modify their programs speedily) aroused resentment among community members. On the other hand, some local stakeholders in Burlington, which had an unusually open strategic planning process and received much acclaim as a result, have begun to doubt the wisdom of having spread small amounts of money very broadly because they have not seen many significant impacts. Striking the right balance in programs of this type is a constant challenge for both Federal program designers and local leaders.

Part III — Integrating the Study Findings

Part III of the report brings together the findings from the separate components of the Interim Assessment to support more general conclusions. It does this in two ways. First, Chapter Eight compares the experiences of the 18 intensive study sites with those of the rest of the 72 first round EZ/EC sites. This analysis provides an indication of the extent to which the study's findings regarding the 18 sites may be relevant to the broader universe of first round EZ/EC sites. Second, Chapter Nine attempts to "triangulate" the data from the study's multiple research strategies in order to provide a more comprehensive and integrated assessment of the zones' activities and accomplishments. Although this triangulation approach does not completely solve the methodological problem of attribution, it does increase the level of confidence in the study's conclusions regarding the likely impact of the zone activities to date.

Chapter Eight
Universe Analysis

As noted above, this chapter examines the experiences of the 18 intensive study EZ/EC sites relative to those of the other first-round zone designees. The purpose of this analysis is to determine the extent to which the experiences to date of the study sites and the other first-round sites are comparable. The more comparable they are, the more confidence we can have in our ability to generalize to the entire universe of first-round EZ/EC communities the findings derived from the study's Local Analysis of the 18 intensive study sites.

As discussed earlier in this report,[1] in December 1994, 72 urban communities received some form of EZ/EC designation: six sites received Empowerment Zone (EZ) designation, two communities received Supplemental Empowerment Zone (SEZ) designation, four communities received Enhanced Enterprise Community (EEC) designation, and 60 communities received Enterprise Community (EC) designation. Our 18 intensive study sites included all six EZ sites, one of the two SEZ sites, two of the four EEC sites, and nine of the 60 EC sites. The remaining 54 first-round sites were not part of our intensive study sample.

For our universe analysis, we have divided the 72 first-round sites into three groups, with the 18 intensive study sites making up two of these groups. Because the program resources available to the six EZ sites, in terms of the nature and amount of assistance, were markedly different from those available to the other first-round sites, we concluded that the EZ sites should be analyzed as a separate group. The second group is comprised of the remaining 12 intensive study sites, consisting of one SEZ, two EECs and nine EC sites. The third group

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1 See Chapter One.

represents the 54 first-round sites that were not part of our intensive study, comprised of one SEZ site, two EEC sites, and 51 EC sites.

As part of our analysis, we examine the comparability of the EZ sites with the 54 non-intensive study sites. However, because of the aforementioned unique features of the EZs' resources, we believe that the key question for our analysis is the extent to which the programs and experiences of the 12 non-EZ intensive study sites resemble those of the 54 non-intensive study sites.

Our analysis looks at a number of features of the zone sites, including the number of distinct projects, funding sources and amounts, allocation of resources relative to substantive activities, and achievement of project outputs. The data source for this analysis is the Performance Measurement System (PERMS) reports from the individual first-round EZ/EC sites for FY2000. The PERMS reports are submitted on an annual basis by the individual zone sites, and provide information on the status of each planned, operational, and completed project of the local EZ/EC program. Although we have noted some possible limitations of these data,[2] the PERMS reports represent the only consistent and systematic source of data for all 72 first-round EZ/EC sites.

8.1 Sources and Levels of Funding and Leveraging in the EZ/EC Sites

Exhibits 8-1 presents information on the total number of distinct projects being implemented[3] by each of the groups of EZ/EC sites, and the amounts and types of funding that have been allocated for these projects. Exhibit 8-2 provides estimates of the average number of projects and funding per project for individual zone sites within each category of EZ/EC site, derived from the data in Exhibit 8-1. ***The data in these exhibits indicate a number of similarities between the 12 non-EZ intensive study sites and the 54 non-intensive study sites in the level of activity and sources of funding in their zone programs***.

In terms of the number of projects undertaken by the individual sites, the data in Exhibit 8-2 and from the individual PERMS reports reveal a close correspondence between the average number of projects being undertaken by the 12 non-EZ intensive study sites and those being implemented by the 54 non-intensive study sites. Whereas on average each of the EZ sites are implementing 71.8 projects (ranging from 31 in Atlanta to 126 in Philadelphia/Camden), on average the 12 non-EZ intensive study sites and the 54 non-intensive study sites are undertaking 29.4 projects per site and 29.5 projects per site, respectively. Among the 12 non-EZ intensive study sites, the number of projects per site ranged from 6 (for Tacoma) to

[2] See, for example, the discussion of the PERMS data in Chapter Five.

[3] The "number of project plans" in Exhibit 8-1 reflects projects that are either completed, currently underway, or that the sites plan to initiate within the next 12 months.

Exhibit 8-1
Numbers of Projects and Sources of Funds by Category of EZ/EC Site

Category of Grantee	Number of Project Plans	HHS (SSBG) Funds	Other Funding Sources: EDI/Sec 108	Other Funding Sources: CDBG	Other Funding Sources: Other Sources Cash	Other Funding Sources: In-Kind	TOTAL FUNDING
6 EZ Study Sites	431	$390,285,503	$2,320,000 (2 projects, 2 sites)	$4,891,867 (8 projects, 3 sites)	$2,494,563,039	$352,610,446	$3,244,670,855
12 Additional Study Sites (Non-EZ)	353	$26,927,031	$173,339,007 (42 projects, 9 sites)	$83,797,442 (51 projects, 7 sites)	$1,356,213,648	$56,246,629	$1,696,523,757
54 First Round Sites (Non-Study Sites)	1,595	$118,153,496	$556,926,175 (41 projects, 14 sites)	$264,675,088 (236 projects, 38 sites)	$5,974,670,901	$93,290,835	$7,007,716,495
Total for 72 First Round Sites	2,379	$535,366,030	$732,585,182 (85 projects, 25 sites)	$353,364,397 (295 projects, 48 sites)	$9,825,447,588	$502,147,911	$11,948,911,107

Exhibit 8-2
Average Number of Projects and Funding Levels Per Project by Category of EZ/EC Site

Category of Grantee	Average Number of Project Plans/Site	Average Amt. of HHS (SSBG) Funds/Project	Other Funding Sources: Average Amt. of Other Cash Sources/ Project	Other Funding Sources: Average Amt. of In-Kind/ Project	Average Amt. of Total Funding/ Project
6 EZ Study Sites	71.8	$905,535	$5,804,582	$818,122	$7,528,239
12 Additional Study Sites (Non-EZ)	29.4	$76,281	$4,570,397	$159,338	$4,806,016
54 First-Round Sites (Non-Study Sites)	29.5	$74,077	$4,260,986	$58,437	$4,393,553

Chapter Eight – Universe Analysis 8-3

84 (for Oakland), while for the 54 non-intensive study sites the figures ranged from 4 projects (for Springfield, Illinois) to 90 projects (for Akron).

Exhibit 8-2 also shows that there is considerable similarity between the 12 non-EZ intensive study sites and the 54 non-intensive study sites in terms of the average amount of funding allocated to projects.[4] In the aggregate, the 12 non-EZ intensive study sites were averaging $4.8 million in total funding per project, compared to a figure of $4.4 million per project for the 54 non-intensive study sites. In contrast, the six EZ sites in the aggregate were allocating an average of $7.5 million per project, or more than 50 percent more per project on average than the non-EZ sites.

When one examines the different sources of funding available to the EZ/EC sites, some additional patterns become apparent. The group of 12 non-EZ intensive study sites have allocated only about $76,000 in HHS funds (i.e., Title XX Social Services Block Grant funds) per project on average, and the group of 54 non-intensive study sites on average have allocated a similar amount, $74,000 per project. Across all projects, the EZ sites as a group have allocated roughly $906,000 in HHS (Title XX/SSBG) funds per project on average. At designation, the six EZ sites had received substantially more Title XX/SSBG funding from HHS than the other zone sites; each first-round EZ received a commitment of $100 million in Title XX/SSBG funding, whereas the other zone sites generally received an award of only $3 million in such funds.[5] Accordingly, the wide disparity observed in the average amount of HHS funds allocated per project in the EZ sites versus the other groups of zone sites is expected.

In addition to Title XX/SSBG funds, some of the zone sites received federal Economic Development Initiative (EDI) awards as part of their initial zone designation, whereas other sites received EDI funding under separate competitions but applied these funds to projects within their zones. In all these cases, the EDI funds were to be used in connection with Section 108 loan guarantees. As noted in Exhibit 8-1, three-quarters of the non-EZ intensive study sites are using EDI/Section 108 funds relative to 42 zone projects; these funds represent ten percent of the total funding allocated in these intensive study sites. EDI/Section 108 funds are somewhat less frequently being used in the 54 non-intensive study sites, in that only a quarter of the non-intensive study sites are using such funds in connection with zone projects. Nonetheless, these funds — which are used in 41 projects — constitute eight percent of funds allocated in the non-intensive study sites. It should be noted, however, that a large portion of the EDI/Section 108 funds in both the 12 non-EZ intensive study sites and

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4 The funding figures in Exhibits 8-1 and 8-2 reflect the funds allocated to projects as of the date of submission of the FY2000 PERMS report, or any updates thereof that might have occurred up until October 19, 2000.

5 The exception was the Los Angeles SEZ site, which received a $125 million Economic Development Initiative (EDI) grant, but no Title XX award.

the 54 non-intensive study sites are concentrated in a small number of communities, principally the EECs and SEZs.

Overall, EDI/Section 108 funding seems to be playing a much less significant role in the EZ sites. Only two of the EZ sites are using EDI/Section 108 funds in connection with zone-related projects, and the $2.3 million in EDI/Section 108 funds devoted to the two projects in these sites represents less than 0.1% of the total funding allocated by the EZ sites.

Another common source of federal funding being used in connection with the zone programs is Community Development Block Grant (CDBG) funds. Half the EZ study sites, seven of the 12 non-EZ study sites (58 percent), and 38 of the 54 non-intensive study sites (70 percent) are using CDBG funds as part of their zone activities. As with the EDI/Section 108 funds, however, the CDBG funds represent an extremely small proportion of the total funding in the EZ sites, only 0.2 percent. Although not as large a proportion as the EDI-related funding in the 12 non-EZ intensive study sites and the 54 non-intensive study sites, CDBG funds still represent 5 percent and 4 percent of the total funding for those groups of sites, respectively. Again, like the EDI funds, the CDBG funds tend to be principally concentrated in a few zone sites.

The category of "Other Funding Sources" in Exhibit 8-2 represents additional funding leveraged by the EZ/EC sites from all other sources, including other Federal, state, and local resources, and private cash contributions, such as privately-financed loans or equity contributions. It also includes "in-kind" resources, usually staff, space, equipment or materials contributed to projects by partners in the zone activities.

In terms of other cash sources of funding,[6] the 12 non-EZ study sites allocated approximately $4.6 million per project on average, compared with an average of $4.3 million per project for the 54 non-intensive study sites. In contrast, the EZ sites averaged $5.8 million in other cash resources per project. For in-kind contributions, the 12 non-EZ study sites averaged somewhat larger amounts per project than the group of 54 non-intensive study sites, but for both of these groups such funds represented a very small percentage of the average total funding per project (3 percent and 1 percent, respectively).

By combining the amounts of "Other Sources-Cash" and "In-Kind" contributions presented in Exhibit 8-1, one can develop a rough measure of the resources that have been leveraged by the EZ/EC sites. As a group, the 12 non-EZ intensive study sites leveraged approximately $4.0 million per project on average (83 percent of total funding allocated), and the 54 non-intensive study sites on average leveraged a somewhat similar amount, $3.8 million per project (87 percent of total funding). The EZ sites averaged $6.6 million in leveraged funds

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[6] The figures in the "Other Cash Sources" column in Exhibit 8-2 also include the EDI/Section 108 funds and CDBG funds that had been displayed in separate columns in Exhibit 8-1.

per project; such funds represented 88 percent of the total funding allocated by this group of sites.

8.2 Emphasis on Substantive Activity Areas

In the previous section, we examined the comparative experiences of the three zone groups relative to their total number of projects and the funding allocated per project. In this section, we examine the allocation decisions of the zone groups from a somewhat different perspective, by assessing how the zone groups have distributed their resources among the various strategic goals and substantive activity areas available to the EZ/EC sites.

Exhibit 8-3 presents, for the three groupings of EZ/EC sites, the allocation of resources among the various substantive areas under which sites could undertake activities. Data are presented both for the proportion of projects conducted relative to each strategic goal and activity area, and the share of resources devoted to each goal and activity area across the various funding sources. ***One can see some clear similarities across all three groups of zone sites in their allocation decisions, and most frequently between those made by the 12 non-EZ intensive study sites and those of the 54 non-intensive study sites. However, one can also observe some differences in the emphases among the groups of sites.***

In terms of the proportion of projects devoted to strategic goals and activity categories, all three groups of sites are focusing approximately half of their projects on activities to promote Sustainable Community Development, with the 54 non-intensive study sites giving somewhat more emphasis to this strategic goal than the other two groups of sites (see Exhibit 8-3). Most of this difference results from the greater attention that the 54 non-study sites are giving to projects focused on Housing activities. For most of the other activity categories associated with Sustainable Community Development, however, the percentage of projects that the 54 intensive study sites are dedicating to individual activity categories is generally quite similar to those of the other two groups of zone sites.

All three groups of zone sites are devoting the bulk of their other projects to activities related to Economic Opportunity. In this case, however, the 54 non-intensive study sites are allocating a somewhat smaller proportion of their projects to this strategic goal than the other two groups, approximately one-third of their projects compared with a little over two-fifths of the projects of the other two groups. Within this strategic category, the percentage of projects being conducted by the 54 non-intensive study sites relative to Workforce Development and to Business Assistance activities are very similar to the proportions of projects being undertaken by the other two groups. The principal difference in the allocation of the 54 non-intensive study sites is associated with the activity category of Access to Capital, in which these sites are devoting less than half the proportion of projects as the 6 EZ intensive study sites and the 12 non-EZ intensive study sites.

Exhibit 8-3
EZ/EC Sites
Percentage of Projects and Sources of Funds Devoted to Individual Activity Categories

	Focus of Project Plans (percent of plans)			Allocation of HHS Funds (percent of SSBG funds)			Allocation of Other Funds						Allocation of Total Funding (percent of total funding)		
							Other Cash Sources (percent of cash funds)			In-Kind (percent of in-kind funds)					
Strategic Goal / Activity Category	**6 EZ Study Sites**	**12 Non-EZ Study Sites**	**54 Non-Study Sites**	**6 EZ Study Sites**	**12 Non-EZ Study Sites**	**54 Non-Study Sites**	**6 EZ Study Sites**	**12 Non-EZ Study Sites**	**54 Non-Study Sites**	**6 EZ Study Sites**	**12 Non-EZ Study Sites**	**54 Non-Study Sites**	**6 EZ Study Sites**	**12 Non-EZ Study Sites**	**54 Non-Study Sites**
Community-Based Partnerships															
Governance Board	0.5	3.1	2.4	0.9	3.5	4.6	0.0	0.1	0.1	0.2	4.2	1.8	0.1	0.3	0.2
Capacity Building	3.2	5.4	4.3	4.7	3.4	4.9	0.1	0.5	0.2	1.1	0.3	2.6	0.8	0.5	0.3
SUBTOTAL	***3.7***	***8.5***	***6.7***	***5.6***	***6.9***	***9.5***	***0.1***	***0.6***	***0.3***	***1.3***	***4.5***	***4.4***	***0.9***	***0.8***	***0.5***
Economic Opportunity															
Workforce Development	15.8	15.3	16.7	13.6	35.3	19.0	1.8	4.6	7.3	2.5	5.7	13.2	3.3	5.1	7.6
Business Assistance	15.1	13.3	11.5	15.9	9.0	9.5	19.6	13.5	26.7	3.2	1.9	15.5	17.7	13.0	26.2
Access to Capital	12.9	13.4	6.2	23.4	14.1	14.0	61.6	22.9	16.8	<0.1	35.6	15.0	51.6	23.1	16.7
SUBTOTAL	***43.8***	***42.0***	***34.4***	***52.9***	***58.4***	***42.5***	***83.0***	***41.0***	***50.8***	***5.7***	***43.2***	***43.7***	***72.6***	***41.2***	***50.5***
Sustainable Community Development															
Housing	11.4	8.5	15.0	19.6	4.2	6.5	11.2	31.1	20.8	0.5	<0.1	25.4	11.2	29.6	20.6
Public Safety	6.9	3.7	5.1	5.0	4.6	4.5	0.4	0.9	0.9	88.7	47.7	0.7	9.0	2.5	0.9
Infrastructure	5.7	6.0	7.6	2.2	4.9	4.3	2.1	4.5	12.7	0.1	0.2	0.5	1.9	4.4	12.4
Environmental	5.7	2.8	3.3	1.8	1.2	2.3	0.5	0.6	2.6	0.1	0.4	1.5	0.6	0.6	2.5
Health	4.0	2.8	3.2	2.6	1.3	1.9	1.0	16.8	3.0	0.3	0.1	2.9	1.1	16.0	3.0
Education	5.4	9.9	8.8	2.7	6.1	6.8	0.3	1.1	3.7	0.8	2.4	5.1	0.6	1.2	3.8
Human Services	10.4	13.9	13.7	6.5	10.9	20.4	1.2	3.1	4.5	1.7	1.3	15.1	1.9	3.2	4.9
Other Programs/Projects	3.0	1.7	2.3	1.2	1.6	1.4	0.1	0.5	0.7	0.8	0.0	0.5	0.3	0.5	0.7
SUBTOTAL	***52.5***	***49.3***	***59.0***	***41.6***	***34.8***	***48.1***	***16.8***	***58.6***	***48.9***	***93.0***	***52.1***	***51.7***	***26.6***	***58.0***	***48.8***
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Although all three groups of sites are devoting a limited share of their projects to activities related to Community-Based Partnerships, comparatively the 12 non-EZ intensive study sites and the 54 non-intensive study sites are giving more attention to this strategic goal. This appears to be particularly true relative to the proportion of projects being directed at increasing the capacity of governance boards by these two groups of sites.

There was a strong correspondence across all three groups of zone sites relative to the most frequently addressed activity categories. Exhibit 8-4 summarizes the top five activity categories, in terms of the percentage of projects devoted to each, for the three groups of zone sites. Although their relative order varies somewhat, three activity categories are common to the "top five" lists for all three groups of sites: Workforce Development, Businesses Assistance, and Human Services. Moreover, the 12 non-EZ intensive study sites and the 54 non-intensive study sites share four activity categories in common, and largely in the same order.[7]

The three groups of sites also display a remarkable similarity in the aggregate percentage of projects that are being devoted to the most frequently addressed activity categories. For each group of sites, approximately two-thirds of the projects are focusing on the top five activity categories.

Exhibit 8-4
Most Frequently Addressed Activity Categories

Ranking of Activity Category (by percentage of projects devoted to category)	6 EZ Intensive Study Sites	12 Non-EZ Intensive Study Sites	54 Non-Intensive Study Sites
1st most frequent	Workforce Development	Workforce Development	Workforce Development
2nd most frequent	Business Assistance	Human Services	Housing
3rd most frequent	Access to Capital	Access to Capital	Human Services
4th most frequent	Housing	Business Assistance	Business Assistance
5th most frequent	Human Services	Education	Education
Aggregate percentage of projects devoted to these activity categories	65.6	65.8	65.7

Source: FY 2000 PERMS reports as of 11/2/2000

7 The "top five" list for the 54 non-intensive study sites has "Housing" as its second most frequently addressed activity category. Although not on the "top five" list for the 12 non-EZ intensive study sites, this activity was the sixth most frequently addressed category among the latter group of zone sites.

When attention is shifted to the share of financial resources devoted to each activity category, there is still considerable correspondence among zone groups, and particularly between the 12 non-EZ intensive study sites and the 54 non-intensive study sites. For example, the shares of Total Funding being allocated by these two groups of sites among the three strategic goal categories are quite comparable and distinct from the allocations being made by the 6 EZ sites (see Total Funding column in Exhibit 8-3). The allocations of Other Cash Sources[8] and In-Kind resources among the strategic goal categories made by these two groups of zone sites are also very similar, and reflect quite different funding patterns than those of the group of 6 EZ intensive study sites. In their distribution of HHS (Title XX/SSBG) funds among strategic goals, greater differences are observed in the allocation patterns between the 12 non-EZ intensive study sites and the 54 non-intensive study sites. For these HHS funds, however, all three groups of zone sites still follow roughly comparable allocation patterns.

In looking at funding allocations to individual activity areas *within* strategic goal categories, substantially more variation among the zone groups is observed. This variation is greatest among activity categories relative to the zone groups' "in-kind" resources. For example, the vast majority (89 percent) of the in-kind contributions for the 6 EZ intensive study sites occurs in connection with Public Safety activities.[9] In comparison, although almost half of the in-kind contributions for the 12 non-EZ intensive study sites are related to Public Safety activities, another 36 percent is in connection with Access to Capital activities, perhaps reflecting loan funds pledged by private institutions. Moreover, in contrast to the other two groups of EZ/EC sites in which the in-kind resources are largely concentrated in one or two activity categories, the 54 non-intensive study sites display a much more varied application of in-kind sources. For these sites, the largest amount of in-kind resources, a little more than one-quarter of the total, are focused on Housing activities. Substantial amounts of in-kind resources are also associated with Business Assistance, Human Services, Access to Capital, and Workforce Development activities.

Despite this variation at the level of individual activity categories, there are some general similarities among the zone groups relative to their funding allocations to individual activity areas. Overall, when examining the patterns of use of HHS (Title XX/SSBG) funds and other cash resources, the allocations made by the 12 non-EZ intensive study sites more frequently tend to resemble those being made by the 54 non-intensive study sites than do the allocations of the 6 EZ sites, although there are clear exceptions.

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8 In Exhibit 8-3, Federal EDI/Section 108 and CDBG funds have been included in the category "Other Cash Funds," as well as other Federal, state, local, and private cash contributions.

9 Although in-kind contributions represent only 11 percent of the total resources of the 6 EZ intensive study sites (see Exhibit 8-1), the concentration of in-kind resources in this activity category helps to account for why Public Safety was the fourth highest ranked activity category, in terms of the amount of resources allocated, for this group of sites.

In addition, Exhibit 8-5 presents data relative to the proportion of Total Funding allocated to key activity categories by each of the three groups of EZ/EC sites. In this instance, all three zone groups have four activity categories in common in their "top five" lists (Access to Capital, Business Assistance, Housing, and Workforce Development), as measured by percentage of funds directed at an activity area. However, the relative order in which the categories occur is generally different for each zone group (with the exception of Workforce Development, which was fifth on the list of each group). [10]

Exhibit 8-5
Activity Categories Receiving Largest Share of Total Funds

Ranking of Activity Category (by percentage of total funds allocated to category)	**6 EZ Intensive Study Sites**	**12 Non-EZ Intensive Study Sites**	**54 Non-Intensive Study Sites**
1st largest share	Access to Capital	Housing	Business Assistance
2nd largest share	Business Assistance	Access to Capital	Housing
3rd largest share	Housing	Health	Access to Capital
4th largest share	Public Safety	Business Assistance	Infrastructure
5th largest share	Workforce Development	Workforce Development	Workforce Development
Aggregate percentage of total funds devoted to these activity categories	92.8	86.8	83.5

Source: FY2000 PERMS reports as of 11/2/2000

In summary, then, when looking at the allocation decisions of the zone groups relative to the emphases of their projects, one finds similarities among all three groups in terms of the allocation of projects among strategic goals. Within strategic categories, more variation is observed among the groups relative to the attention being focused on individual activity areas. Nonetheless, for many activity categories, the project emphases of the 54 non-intensive study sites are very similar to those of either the 12 non-EZ intensive study sites or both other zone groups. Moreover, there is considerable correspondence relative to the activity areas most frequently addressed by all three zone groups.

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[10] The extent of the concentration of funds in the top five activity categories for each zone group displayed in Exhibit 8-5 is striking, when compared to the concentration of projects by activity category shown in Exhibit 8-4. These patterns point to the clear distinction between the number of projects that might be devoted to a particular activity category and the share of funding that the activity category may receive, as reflected in the detailed data in Exhibit 8-3. Moreover, Exhibit 8-5 displays somewhat more variation among the zone groups in the aggregate percentage of total funds allocated to the "top five" activity categories than had been evident in Exhibit 8-4 for the relative share of projects.

8.3 Achievement of Outputs by the EZ/EC Sites

As a final measure of the comparability of the experiences of the three groups of zone sites, we examine the achievement of project outputs by each group. For selected activity categories,[11] our analysis considers three dimensions of the EZ/EC sites' activities: the size of the projects (in terms of planned project objectives), the extent to which project objectives have been realized, and the amount of output achieved. For this analysis, in each activity category, we focus only on the *completed projects* of the zone groups.[12] We have taken this approach because the "active projects" shown in the PERMS reports include both projects that have been underway for varying periods of time and planned projects that are expected to be undertaken within the next 12 months. Therefore, for the active projects, it is impossible to assess accurately at the aggregate level whether one is examining comparable efforts. (These active projects, nonetheless, include a large percentage of the outputs that have been achieved by the first-round EZ/EC sites to date. For this reason, data on active projects for each of the selected activity categories are included in Appendix I.)

For the Workforce Development activity category, Exhibit 8-6 highlights the number of placements achieved by the groups of zones through training programs, job match efforts, and job fairs. In the aggregate, the goals of the 54 non-intensive study sites and the 6 EZ intensive study sites for their training programs were similar, in terms of the average number of residents to be trained per program. Both these groups of sites had goals relative to training graduates that on average were twice as large as those for the 12 non-EZ intensive study sites. The 54 non-intensive study sites were the only group to exceed the planned number of training programs and their aggregate goal for number of residents to be trained. However, this group and the 6 EZ-intensive study sites achieved very similar numbers of graduates per training program on average. Although the 12 non-EZ intensive study sites achieved fewer graduates per training program than the other two groups, these sites on average exceeded their training goals per program by the largest margin.

In terms of placement of trainees in employment, Exhibit 8-6 indicates that the 54 non-intensive study sites had far more ambitious goals per program on average than the other two zone groups. All three zone groups exceeded their aggregate placement goals, although the 54 non-intensive study sites fell somewhat short of their goals for placements per training program on average. Nonetheless, the 54 non-intensive study sites still achieved the largest average number of placements per training program.

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11 The activity categories selected for this analysis represent the areas in which the three groups of zone sites focused the majority of their projects and funding.

12 The data source for this analysis is the FY2000 PERMS reports, as of any updates made by 10/30/00.

Exhibit 8-6
Projected and Actual Outputs for Workforce Development Activities by EZ/EC Category (Completed Projects)

ACTIVITY CATEGORY Output Measurement Category Output Measurement	Completed Projects					
	6 EZ Study Sites		12 Non-EZ Study Sites		54 Non-Study Sites	
	Projected	Actual	Projected	Actual	Projected	Actual
WORKFORCE DEVELOPMENT						
Number of training programs	17	12	38	20	311	334
Number of EZ/EC residents trained	1,128	1,084	1,257	1,257	24,236	29,121
Ave. number of residents trained per training program	66.4	90.3	33.1	62.9	77.9	87.2
Number of EZ/EC resident trainees placed in jobs	295	316	722	793	17,438	17,477
Ave. number of placements per training program	17.3	26.3	19.0	39.7	56.1	52.3
Number of job match programs	8	7	15	16	228	395
Number of EZ/EC residents placed in jobs	125	100	683	1,002	4,269	5,242
Ave. number of placements per job match program	15.6	14.3	45.5	62.6	18.7	13.3
Number of job fairs	0	0	1	1	87	75
Number of EZ/EC residents attending	0	0	1,800	3,300	6,572	16,432
Number of EZ/EC residents placed in jobs	0	0	219	272	2,290	5,260
Ave. number of placements per job fair	0	0	219	272	26.3	70.1

In terms of their job match programs, both the 12 non-EZ intensive study sites and the 54 non-intensive study sites exceeded their aggregate goals for residents placed in employment, although only the 12 non-EZ intensive study sites exceeded their average goals for placements per job match program. Ironically, the placement rate goals for this group of sites were much more ambitious than those of the other two zone groups. The 54 non-intensive study sites apparently exceeded their aggregate placement goals by implementing many more job match programs than originally planned, but on average failed to achieve their goals for placements per job match program.

Exhibit 8-6 indicates that the 6 EZ intensive study sites had no completed job fair projects at the time of the submission of the latest PERMS reports, and the 12 non-EZ intensive study sites had completed only one such project. The 12-non-EZ intensive study sites exceeded their goals for this project, as did the 54 non-intensive study sites for their job fair projects. The group of 12 non-EZ intensive study sites achieved a much greater number of placements for their single job fair than the 54 sites were able to average for their numerous job fairs, although a much lower rate of placements per resident attending a job fair (8 percent versus an average 32 percent for the 54 non-intensive study sites).

Exhibit 8-7 presents information relative to the Economic Development-related activities conducted as part of completed projects at the EZ/EC sites. In terms of Business Assistance activities, the exhibit suggests that the 12 non-EZ intensive study sites and the 54 non-intensive study sites had somewhat similar experiences. Both of these groups either nearly

Exhibit 8-7
Projected and Actual Outputs for Economic Development Activities by EZ/EC Category (Completed Projects)

ACTIVITY CATEGORY Output Measurement Category Output Measurement	Completed Projects					
	6 EZ Study Sites		12 Non-EZ Study Sites		54 Non-Study Sites	
	Projected	Actual	Projected	Actual	Projected	Actual
ECONOMIC DEVELOPMENT						
Business Assistance Programs						
Number of EZ/EC businesses receiving financial assistance	76	6	396	394	1,512	1,357
Number of EZ/EC businesses receiving TA	338	229	464	650	1,148	1,479
Number of non-EZ/EC businesses receiving assistance	148	81	0	331	393	555
Number of jobs created or retained by assisted businesses	313	104	1,600	1,642	11,834	13,276
ACCESS TO CAPITAL						
Loan Pools						
Number of loans closed	0	0	340	357	272	230
EZ/EC resident jobs created from loans	0	0	1,512	1,270	1,184	1,107
Ave. number of jobs created per loan	0	0	4.4	3.6	4.4	4.8
Other Capital/Credit Access Programs						
Number of credit/capital access programs	5	3	14	14	11	11
Number of businesses served	115	77	136	136	363	745
Number of EZ/EC residents hired	60	28	964	969	301	259
Ave. number of residents hired per business served	0.5	0.4	7.1	7.1	0.8	0.3

met or exceeded the goals for aggregate numbers of zone businesses receiving financial or technical assistance, of non-zone businesses receiving assistance, and of jobs created by assisted businesses. The 6 EZ intensive study sites fell far short of their goals in each of these areas for their completed projects.

The 6 EZ intensive study sites did not have any completed projects dealing with Loan Pools. The other two groups of zone sites – the 12 non-EZ intensive study sites and the 54 non-intensive study sites – apparently had somewhat similar experiences relative to their loan pools. As with their Business Assistance efforts, both these groups of sites nearly met or exceeded their aggregate goals for numbers of loans closed and resident jobs created from loans. The two groups had identical goals for the average number of jobs that were expected to be created per loan, although the 54 non-intensive study sites modestly exceeded this goal whereas the 12 non-EZ intensive study sites did not reach their goal.

In terms of their activities relative to Other Capital/Credit Access Programs, both of these groups met their goals in terms of number of such programs to be implemented. The 12 non-EZ intensive study sites met or slightly exceeded their aggregate goals for number of businesses to be served and number of zone residents to be hired, and for the average number of residents to be hired per business served. The 54 non-intensive study sites greatly exceeded their aggregate goals for number of businesses served, but fell short of their goals for aggregate number of residents hired and average number of residents hired per business assisted. In contrast, as a group, the 6 EZ intensive study sites failed to meet any of their performance targets relative to Other Capital/Credit Access Programs in their completed projects.

In terms of the Housing Construction activities of the zone programs, Exhibit 8-8 indicates that all three groups of zone sites exceeded their aggregate goals for the creation of new housing units by a substantial margin. However, the goals for the 6 EZ intensive study sites and the 12 non-EZ intensive study sites appear to have been very modest compared to those of the 54 intensive study sites. All three groups of zone sites also exceeded their aggregate goals for rehabilitated units; in this instance, the goals of the zone groups appear to be roughly proportionate to the numbers of sites involved.

Exhibit 8-8
Projected and Actual Outputs for Housing Activities by EZ/EC Category (Completed Projects)

ACTIVITY CATEGORY Output Measurement Category Output Measurement	Completed Projects					
	6 EZ Study Sites		12 Non-EZ Study Sites		54 Non-Study Sites	
	Projected	Actual	Projected	Actual	Projected	Actual
HOUSING						
New Housing Construction Projects						
Number of new units constructed	8	32	147	255	1,031	1,259
Number of rehabilitated units	267	294	703	733	2,714	3,096
Homeownership Programs						
Number of homeownership programs	2	2	4	2	48	52
Number of EZ/EC residents served	124	52	112	315	2,602	5,306
Ave. number of EZ/EC residents served per program	62	26	28.0	157.5	54.2	102.0
Homeless Programs						
Number of homeless programs	0	0	0	0	11	18
Number of homeless served	0	0	50	50	1,184	6,049
Lead-Based Paint Abatement						
Number of homes inspected	0	0	0	0	157	197
Number of homes remediated	0	0	0	0	53	93

Exhibit 8-8 suggests that there are relatively few completed homeownership projects among the first-round EZ/EC sites. For those homeownership projects that were completed, the experiences of the 12 non-EZ intensive study sites and the 54 non-intensive study sites were somewhat similar. For example, both zone groups exceeded by a large margin the aggregate goals for the number of residents to be served and the goals for average number of residents served per program; in contrast, the 6 EZ sites failed to achieve their aggregate and average goals with respect to these indicators. It should be noted, however, that the group of 12 non-EZ intensive study sites was able to achieve an average rate of residents served per program that was more than 50 percent greater than the average rate realized by the 54 non-intensive study sites.

It is also worth noting that the 54 non-intensive study sites were the only group that had completed projects relative to homeless programs and lead paint abatement activities. For both of these sets of activities, the 54 non-intensive study sites exceeded the aggregate goals that had been established.

As can be recalled from Exhibit 8-3, the group of 6 EZ intensive study sites colectively allocated nine percent of their total resources to the Public Safety activity category, whereas the other two groups of zone sites devoted much smaller percentages of their resources to such activities. Nonetheless, Exhibit 8-9 indicates that all three zone groupings served large numbers of residents through their Public Safety and/or Crime Prevention activities.

Exhibit 8-9
Projected Versus Actual Outputs for Public Safety Activities by EZ/EC Category (Completed Projects)

ACTIVITY CATEGORY Output Measurement Category Output Measurement	Completed Projects					
	6 EZ Study Sites		12 Non-EZ Study Sites		54 Non-Study Sites	
	Projected	Actual	Projected	Actual	Projected	Actual
PUBLIC SAFETY						
Public Safety Programs						
Number of Public Safety programs	11	11	8	9	180	187
Number of EZ/EC residents served	56,625	55,514	5,675	5,910	129,947	134,256
Ave. number of EZ/EC residents served per public safety program	5,147.7	5,046.7	709.4	656.7	721.9	717.9
Crime Prevention Programs						
Number of Crime Prevention programs	5	5	1	1	148	159
Number of EZ/EC residents served	67,025	58,413	100	120	224,228	226,499
Ave. number of EZ/EC residents served per crime prevention program	13,405.0	11,682.6	100	120	1,515.0	1,424.5

In their completed Public Safety projects, all three groups of zone sites were successful in either coming very close to meeting or modestly exceeding their aggregate goals for the number of programs to be conducted, the number of residents to be served, and the average number of zone residents served per program. There seems to have been a distinction in the approaches taken in these activities by the different zone groups, however, with the 12 non-EZ intensive study sites and the 54 non-intensive study sites apparently focusing on smaller geographic areas or more targeted populations in these activities, if the average number of residents served per program is any indication.

In terms of Crime Prevention programs, in their completed projects all three zone groups met or exceeded their aggregate goals relative to the number of such programs to be implemented (see Exhibit 8-9). The 12 non-EZ intensive study sites and the 54 non-intensive study sites also exceeded their goals for the total number of residents to be served (although in the case of the 12 non-EZ intensive study sites, only one completed project is being assessed); the group of 6 EZ intensive study sites fell short of their goal by a small margin. Both the 54-non intensive sites and the 6 EZ intensive study sites also did not achieve their goals relative to average number of residents to be served per crime prevention program. As with their Public Safety activities, these two groups apparently had very different approaches relative to the scale of these projects, with the programs of the 6 EZ sites on average being targeted to much larger populations.

The PERMS reports provide relatively limited information regarding the Infrastructure activities conducted by the EZ/EC sites (see Exhibit 8-10). From the available information, it would appear that the group of 6 EZ sites have placed less emphasis on such activities as part

Exhibit 8-10
Projected Versus Actual Output for Infrastructure Activities by EZ/EC Category (Completed Projects)

ACTIVITY CATEGORY Output Measurement Category Output Measurement	Completed Projects					
	6 EZ Study Sites		12 Non-EZ Study Sites		54 Non-Study Sites	
	Projected	Actual	Projected	Actual	Projected	Actual
INFRASTRUCTURE						
Number of streetscape improvement programs	6	2	2	2	32	37
Number of transportation programs	0	0	3	3	4	4
Numbers of parks/playgrounds built or rehabilitated	4	5	24	24	28	35
Number of new facilities constructed	0	0	1	6	5	7
Number of facilities rehabilitated	3	2	0	1	12	13

of their completed projects than have the other two groups of sites. Moreover, for their Infrastructure projects that have been completed, the 12 non-EZ intensive study sites and the 54 non-intensive study sites have met or exceeded all their aggregate goals, whereas the group of 6 EZ intensive study sites have failed to realize their aggregate goals.

Exhibit 8-11 presents information on the EZ/EC sites' activities related to Health.
In their completed Health-related projects, the 12 non-EZ intensive study sites and the 54 non-intensive study sites appeared to be concentrating on a more limited number of residents per program than had the EZ sites (as was the case in their Public Safety activities). All three groups of zone sites met or exceeded their aggregate goals for the number of health-related programs that would be implemented. The 6 EZ intensive study sites and the 12 non-EZ intensive study sites also essentially met or exceeded their aggregate goals for total number of residents to be served and their goals for average number of residents to be served per health-related program. The 54 non-intensive study sites, however, did not achieve their goals for either of these performance indicators.

Exhibit 8-11
Projected Versus Actual Outputs for Health-Related Activities by EZ/EC Category (Completed Projects)

ACTIVITY CATEGORY Output Measurement Category Output Measurement	Completed Projects					
	6 EZ Study Sites		12 Non-EZ Study Sites		54 Non-Study Sites	
	Projected	Actual	Projected	Actual	Projected	Actual
HEALTH						
Health-Related Programs						
Number of health-related programs	4	5	12	12	44	53
Number of EZ/EC residents served by health programs	4,533	5,242	2,746	3,179	17,598	14,764
Ave. number of EZ/EC residents served per health-related program	1,133.3	1,048.4	228.8	264.9	400.0	278.6
Health Care Facilities						
Number of new health facilities opened	0	0	2	1	4	4
Number of rehabilitated health facilities opened	0	0	1	1	0	0

Across the EZ/EC sites, there were relatively few completed projects focusing on the establishment or rehabilitation of health facilities, and none for the group of 6 EZ intensive study sites. The 54 non-intensive study sites were able to open all four of the new health facilities that had been initiated, whereas the 12 non-EZ intensive study sites were able to open only one of the two planned facilities. This latter group of sites also rehabilitated a health facility as planned.

To recap, in comparing the aggregate project goals and achievement of outputs among the three groups of zone sites, the results are a mixed bag. For example, in terms of their Workforce Development activities, the training goals and performance of the group of 54 non-intensive study sites were similar to those of the group of 6 EZ intensive study sites (although the former had more ambitious goals and higher job placement rates per program than both the other zone groups). In terms of their experiences with job match and job fair activities, however, the group of 54 non-intensive study sites tended to resemble the group of 12 non-EZ intensive study sites.

The correspondence between the 12 non-EZ intensive study sites and the 54 non-intensive study sites was particularly strong relative to their Economic Development activities (Business Assistance, Access to Capital, and Other Capital/Credit Access projects). This was also the case for Public Safety activities.

In some aspects of their Housing Construction activities, all three groups of sites displayed similarities. Relative to Homeownership efforts, the experiences of the 12 non-EZ intensive study sites and the 54 non-intensive study sites were comparable. However, the 54 non-intensive study sites were the only group of zone sites to demonstrate an emphasis on Homeless programs and Lead Paint Abatement in completed projects.

Aspects of their experiences relative to Infrastructure projects and Health activities were also similar for the 12 non-EZ intensive study sites and the 54 non-intensive study sites. For other aspects of these activities, the performance of the 6 EZ sites and the 12 non-EZ intensive study sites most resembled one another.

On balance, there were many points of correspondence between the goals and accomplishments of the 12 non-intensive study sites and those of the 54 non-intensive study sites. However, the exceptions to this pattern were numerous enough to recognize that one must be careful about generalizing too far based on these similarities.

8.4 Overall Assessment of the Comparability of the Sites' Experiences

In this chapter, we have compared the experience to date of the 6 EZ intensive study sites and the 12 non-EZ intensive study sites with that of the 54 non-intensive study sites along a variety of dimensions. We have noted instances where the experience of the 54 intensive study sites represented a clear departure from the patterns established by the other two zone groups. However, although there is considerable variation among all the site groups, in many respects the experience of the 12 non-EZ intensive study sites as a group matched that of the 54 non-intensive study sites fairly closely. Given that the majority of the sites in both these groups were Enterprise Communities, and therefore shared similar types and levels of resources, this result in not unexpected. Our analysis also noted, nonetheless, that there were a number of situations in which all three groups of zone sites had reasonably similar experiences in the aggregate, despite the differences in the resources available to the 6 EZ sites compared to the other two zone groups.

At the individual site level, much greater variation in zone experiences presumably occurred than is evident in our aggregate analysis. Nonetheless, our limited PERMS analysis gives us some confidence that the general findings from our more detailed examination of the intensive study sites, and particularly our detailed assessment of 12 non-EZ intensive study sites, may be relevant to the larger population of first-round zone sites to a considerable extent. Conversely, the universe analysis of zone sites can help to inform the study's conclusions relative to the progress achieved by the first-round EZ/EC sites overall. The next chapter presents these general conclusions.

Chapter Nine
Summary and General Conclusions

The purpose of this Interim Assessment of the Empowerment Zone and Enterprise Communities program has been to provide a "progress report" on the efforts of the first-round, urban EZ/EC sites to transform their target areas into more healthy and viable communities. As part of this task, our study has sought to provide some preliminary insights relative to key questions about the efficacy of the national EZ/EC program design. We have presented an initial assessment of the manner in which the four national EZ/EC principles—that is, strategic vision, economic opportunity, community-based partnerships, and sustainable community development—have been interpreted and implemented in the first-round EZ/EC sites. We have also tried to assess how the application of these principles may be contributing to the revitalization of the targeted communities, although questions about the overall effectiveness of the approaches taken will not be answered definitively until the Long-Term (10-year) Impact Study. To provide our preliminary assessment, we have examined data on establishment location and growth in the zones, performed surveys of zone businesses, and conducted detailed local analyses of the evolution and accomplishments of 18 of the first-round EZ/EC sites. Our assessment has examined both the common patterns and the diversity seen across the EZ/EC sites.

In this final chapter, we summarize and attempt to integrate the findings from the various components of the study. This chapter also offers additional analysis and some general conclusions that are suggested when the findings from the separate but complementary research strategies are taken together. The presentation of the findings and conclusions in this chapter is organized according to the four key EZ/EC principles.

9.1 Strategic Visions in the EZ/EC Sites

The designers of the Federal EZEC program believed a strategic, long-term vision for change was necessary to achieve successful revitalization of distressed communities. They felt that a clear vision of the transformation process was essential to communicate the initiative's basic mission in a form that the community could understand, and to mobilize resources in a coordinated way to support the initiative's objectives. In addition, the Federal program guidelines allowed for considerable local discretion in how the four underlying principles of the EZ/EC program could be interpreted and made operational. This was seen as a way to allow a community's strategies to take into account unique local features—both challenges and opportunities—and to create a vision that resonated with local stakeholders so that they could feel a sense of ownership.

As part of the planning process, the Federal EZ/EC guidelines also emphasized the development of indicators of task completion and performance in order to foster accountability in the EZ/EC sites. Designated communities were required to specify planned resources, timetables and expected accomplishments to be achieved in the zones. The sites were also required to report on actual progress and accomplishments relative to the benchmarks established in their plans.

Our analysis of the 18 EZ/EC intensive study sites suggests that the Federal program designers were justified in their belief in the value of the local strategic vision. That is, our study suggests that ***communities with a clear strategic vision of change, and one that could be effectively communicated to affected stakeholders, were more likely to be successful*** at mobilizing support and in achieving progress in their zone activities. The experience in the intensive study sites also indicates that it is important that the vision be more than just an articulation of themes or concepts, however. It needs to provide a guide for how the vision will be operationalized in specific programs and activities. Consequently, the basic vision must be concrete enough to lend itself to identification of strategies for implementation. Communities in which the vision lacked strategic clarity, or where the strategic plan failed to describe mechanisms for implementing the vision's basic concepts, often experienced delays and diffusion of effort, and missed opportunities to leverage other resources.

Our local analysis in the intensive study sites revealed that some EZ/EC communities had several competing visions that were being promoted, particularly in the planning phase and early stages of program implementation. These were sometimes manifested in multi-faceted strategic plans that may have masked the fact that the community had not yet achieved a clear consensus in its strategic vision. This was not altogether a bad thing, however, since it allowed these communities to avoid divisive showdowns during the planning stages that might have alienated important groups of stakeholders. It did not eliminate all such conflict, however, and may have only deferred it to a later time. Where there were competing visions or strategies evident in an EZ/EC site, in general one of the visions/strategies would emerge as dominant over time, either because of the political strength of the stakeholders that supported it, or because operational experience had shown more could be accomplished through that approach (such as in the Detroit EZ).

Consensus among those with responsibility for implementing the strategic vision appears to be another important factor contributing to the success of local zone programs in mobilizing resources and making progress toward transformation. Local stakeholders in some zones were able to establish and maintain a broadly understood and shared community revitalization strategy—although this required time, effort, and effective local leadership. ***Political leadership and EZ staff leadership were often essential in this process, but also other community stakeholders frequently played key leadership roles in promoting consensus***. In a few places, consensus emerged following initial local disagreements over priorities. Regardless of how consensus was reached, however, the value of establishing such consensus on a clear strategic vision has been demonstrated in the form of a consistent stream of program accomplishments.

Two contrasting examples illustrate this point. In the Burlington EC, the local strategic planning process produced such a high degree of local agreement about what should be done that the strategic plan incorporated all major funding allocation decisions. As a result, when Burlington received its EC designation, it was the first local zone to get its zone projects up and running, and most of its planned activities were accomplished in a timely fashion. In Baltimore, the original, multi-faceted strategic plan was narrowed in focus by the EZ's governing board. Not all community stakeholders agreed with the decision when it was made, and a few have continued to work through the Village Centers and the community advisory board to reinstate some of the projects that were de-emphasized. Nevertheless, a broad range of stakeholders both understand and support the zone program's central goals of expanding economic opportunity and building community capacity. As a result, to a significant extent, community organizations and public officials have acted in concert to ensure that their activities support the strategic plan's goals and projects. Although the transformation process is still in its early stages in the Baltimore EZ, there are already positive signs of renewal as a result of the collective efforts being conducted in the zone.

In many of the intensive study sites there was a refinement of the strategic vision over time, or a change in the principal focus of the local program as the sites came to terms with what was truly feasible within the time and resources constraints of the initiative. For the sites that initially applied for EZ funding and got EC designation, this happened early in the process (and under severe time constraints). This experience clearly demonstrated that the nature of the funding received affected the vision and strategies that could be articulated. For one thing, ECs developed strategies and programs reflecting shorter timetables than their EZ counterparts.

By and large, after this initial round of adjustments, the ECs were more likely to stick with their basic strategy(ies). The EZs, on the other hand, were more likely to make on-going adjustments in their basic strategies. In some cases, this occurred because the confirmation of EZ funding had attracted new stakeholders to the process. A more fundamental reason for these changes was that, because their funding involved longer terms and larger amounts, the EZ sites had the time and resources to make these refinements. In both the EZs and the ECs, staff turnover and changes in political administrations also tended to result in modifications of the strategies being pursued. In some instances, staff turnover or a change in political administrations also contributed to the dulling of the strategic focus of the local initiative, as individuals who had not taken part in designing the initiative became responsible for implementing it. ***This is another indication of the importance of political leadership and staff capacity in ensuring the continuity and momentum of the zone efforts.***

Although public awareness of the basic zone vision was generally fairly high following the initial planning and application process in the EZ/EC sites, the refinement of the vision and strategies over time has often been much less transparent to the general community. As was discussed in detail in Chapter Six, in many of the intensive study sites, the level of resident understanding of the zone mission has declined over time. This demonstrates part of the difficulty of establishing and maintaining a broadly understood and shared community revitalization strategy.

It is also obviously desirable to have some method for measuring the progress being achieved by the local program toward the vision and objectives of the initiative. The Department's PERMS reporting system has tried to serve that purpose, as well as to capture data in a way that allows for cross-site aggregation of information. In many respects, the PERMS reporting system represents a significant improvement over the previous Annual Performance Report (APR) reporting format used by the EZ/EC sites. However, it appears that the PERMS may have had some unintended consequences in how it has affected the sites' definition of strategic priorities and the context in which those activities are reported. By specifying the set of strategic categories under which data can be reported, as well as which activities can be associated with each strategic category, the PERMS has taken away some of the sites' discretion in how they articulate their local strategies. The format of the reports, which primarily entails reporting on the basis of individual projects, may also be pushing sites to think programmatically rather than strategically. These shortcomings may be inherent to any reporting system that seeks to facilitate the aggregation of planning and programmatic data across program sites. One approach to enhance the value of the PERMS as a tool to encourage local strategic thinking and self-assessment is to have the sites specify and report on their accomplishments on the basis of "outcomes." Unfortunately, most EZ/EC sites only specify "outputs" (the goods and services generated by their activities), although they are encouraged by HUD to report accomplishments on the basis of "outcomes" (the results of such goods and services). By focusing on outputs rather than outcomes, however, EZ/EC sites are failing to connect their projects and activities to their broader strategic objectives in their planning and reporting documents.

9.2 Job Creation and Economic Opportunity in the Zones

As noted earlier in this report, among the four national principles guiding the local zone programs, the principle of economic opportunity was seen by the Federal program designers as preeminent. The EZ/EC program design allows communities the flexibility to pursue a variety of locally-defined goals, but improving the economic vitality of target neighborhoods and increasing the economic well-being of their residents serves as the program's central focus. This emphasis derives from the belief that the creation of jobs and the placement of residents in jobs are critical initial steps to the establishment of healthy communities.

9.2.1 Growth in Zone Employment

For insight into the experience of the zones relative to employment growth during their first five years since designation, our study analyzed Dun & Bradstreet establishment-level data for the six first-round Empowerment Zone communities (Atlanta, Baltimore, Chicago, Detroit, New York City, and Philadelphia/Camden). Overall, the findings from this analysis appear to be encouraging. Between 1995 and 2000, total employment grew in five of the six EZ areas (all except Chicago) and in the combined six-zone total. Moreover, for five of the six zones and for the six-zone total, the employment trend in 1995-2000 was more favorable than it had been in 1990-1995, the period immediately prior to EZ designation.

Noting that such patterns may simply be the result of metropolitan-wide or national economic trends, however, we also assessed the experience of the zones against that of comparison areas within the same cities, and of contiguous areas. The findings from this portion of the Dun & Bradstreet analysis also appear to be largely positive. Four of the six zones, and the six-zone total, experienced a higher rate of employment growth during the period 1995-2000 than in the corresponding comparison areas. Further, in these four EZs (Atlanta, Baltimore, Detroit, and New York City) and the six-zone total, employment accelerated faster between 1990-1995 and 1995-2000 than in the comparison areas. Generally similar results were found relative to the contiguous areas.

Given the inherent limitations of our comparison-group research design, however, from the Dun & Bradstreet analysis we cannot make a *definitive* statement about whether the EZ program itself caused these employment growth trends. There are also a number of ways in which the Dun & Bradstreet analysis for any particular EZ might be misleading, in terms of suggesting either positive or negative outcomes. For example, the census tracts selected for the comparison and contiguous areas that form the framework of the Dun & Bradstreet analysis might not be as similar to the zone at baseline as one might want.

Moreover, even if these analytic areas reflect a good match and the data compiled for them are of reasonable quality, unless a specific zone program involved activities logically related to job creation it would be difficult to make a case that the EZ program helped to foster any positive employment trends observed. The local EZ programs have many tools available to them that could potentially contribute to improvements in the economic climate and activity within a zone. These include the various Federal tax incentives, the other forms of assistance that might be provided by the local zone program, and the additional attention and resources that might be devoted to the area as a result of its designation. Without knowing the extent to which these tools were actually applied in a zone, it is impossible to assess the program's potential impact. Moreover, there are likely to be other non-EZ factors at work, both within and outside the zones, which might be contributing to the trends that are being observed.

The Dun & Bradstreet data also do not provide any information regarding who is holding the jobs which have been created—that is, whether the employment growth that has occurred is resulting in more economic opportunities <u>for zone residents</u>. It is important to keep in mind that growth in zone employment does not further the goals of the EZ/EC program unless it increases the economic opportunities available to the target area's residents.

Our study attempted to gain insight relative to these additional issues in two ways. One method involved the administration of two rounds of surveys of business establishments in the six EZ sites, one conducted in the winter of 1997-98 and one in the summer of 2000. A second approach entailed detailed analyses of zone program activities in 18 intensive study sites, including the six EZ sites, carried out by local research affiliates. The data for the individual EZ sites from these other study components provides evidence to bolster our confidence in the basic accuracy of the Dun & Bradstreet findings in most instances, although also alerting us to the limitations of the D&B analysis. Moreover, these data also support the plausibility of the belief that, at least in some of the EZ sites, the local zone program contributed to the positive employment trends that were observed. We will summarize the evidence from these other study components, first for the four EZ sites that experienced the most positive economic trends, and then for the two EZ sites that showed less favorable trends.

According to our Dun & Bradstreet analysis in Chapter Two, relative to its comparison area, the Baltimore EZ experienced a substantially higher rate of employment growth during the period 1995-2000 (31% for the zone versus 2% for its comparison area). It also realized greater acceleration in employment growth rates in 1995-2000 versus 1990-1995 (an increase of 29 percentage points for the zone versus 18 percentage points for its comparison area). The zone outperformed its contiguous area to an even greater extent relative to these two indicators of economic activity.[1] In addition, the data on the "baseline" characteristics for these analytic areas (see Appendix B) show a reasonably close correspondence among the three areas relative to the poverty rates of their residents and the general composition of their industrial base in 1995. Accordingly, we can be fairly confident that the Baltimore zone's superior employment growth performance in 1995-2000 relative to these other areas is not an artifact of the selection of the comparison or contiguous areas.

Further, the local analysis conducted in the Baltimore EZ clearly reveals that job creation has been the principal emphasis of the local zone program, and that this strategy is both well-understood and generally supported by local stakeholders.[2] According to the local analysis, the agency administering the Baltimore zone program[3] has been effective in implementing a variety of business development and workforce preparation activities, as well as supportive services to facilitate resident employment. Although not all its interim goals have been achieved, the zone has been able to report substantial numbers of businesses assisted, jobs created and residents trained and placed. Moreover, this site has shown an ability to fine-

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1 For example, the Baltimore contiguous area only realized an increase of 6 percentage points in its employment growth rate from 1990-1995 to 1995-2000, compared to the 29 percentage point increase experienced by the zone.

2 For example, the study's local research affiliate in Baltimore noted that members of the community who are active in the zone's Village Centers are quick to respond that the emphasis of the current strategic plan is "jobs, jobs, jobs."

3 Empower Baltimore Management Corporation (EBMC).

tune its approaches in light of its operational experience to enhance the program's effectiveness, such as adding stipends to increase recruitment for its workforce training programs and increasing public funding for business finance to facilitate job creation. In addition, the EZ administering agency has developed strong relationships with other local and state agencies that foster additional support for initiatives in the zone. For example, firms interested in considering locational possibilities in Baltimore are referred to the Baltimore Development Corporation (BDC), which will routinely look at the appropriateness and advantages of recommending that the business consider a site within the zone. BDC will also assemble a package of customized incentives and assistance to encourage a firm to move to the zone, as it did in convincing a national bank to locate its regional headquarters in the Baltimore zone. Consistent with these efforts, our business establishment survey (see Chapter Three) shows that, compared with the other EZ sites, Baltimore businesses have a relatively high level of awareness and use of both the Federal tax incentives and site-specific forms of assistance.

Although it is difficult to determine with certainty whether some complementary efforts would have occurred in the absence of zone designation, the local research affiliate for Baltimore has identified over $197 million that has been leveraged over the last five years for activities within the zone that are consistent with the EZ's strategic plan. The majority of these funds are private investments in commercial or industrial ventures. In addition, the local analysis indicates that the Baltimore zone has also benefited from decisions to locate large publicly-supported projects in the area. One such example is the state's decision to construct a new stadium in a portion of the zone; another is the former mayor's decision to support the development of hotel space in the "east harbor" section of the zone as a strategy to draw tourism activity into this district. Although some of these decisions pre-date the zone designation, they serve to reinforce the climate of renewed investment in the zone.

The business surveys conducted as part of our study also provide independent corroboration that at least one result from all this activity is increased economic opportunity for zone residents in Baltimore. According to the survey data, from 1997/98 to 2000 there was substantial growth in the number of residents employed in Baltimore zone businesses (an increase of 108%), and in the number of resident-owned businesses (an increase of 158%). The size of these gains suggest that progress is being made in achieving at least some of the overall objectives of the Baltimore EZ.

In Detroit, as in Baltimore, the Dun & Bradstreet data reveal similarly strong employment growth performance in the zone compared to the comparison and contiguous areas designated for our analysis. For example, the zone achieved a employment growth rate in 1995-2000 of 15 percent, compared to -12 percent for the comparison area and -9 percent for the contiguous area (see Chapter Two). Likewise, the acceleration of the zone's employment growth from 1990-1995 to 1995-2000 surpassed that of the comparison and contiguous areas (with the zone achieving an increase in its growth rate of 32 percentage points, compared to an increase of 10 percentage points for the comparison area and 13 percentage points for the contiguous area).

Again, one needs to ask the question whether the areas chosen to serve as the basis of comparison for the zone's performance were appropriate. In this regard, the data on the baseline characteristics of the zone, comparison area, and contiguous area show a close correspondence among these areas relative to resident poverty rates and the general composition of their business establishment base in 1995 (see Appendix B). Indeed, the local research affiliate for Detroit indicated that the original Federal standards for required zone characteristics could have been successfully applied to half the city. The local research affiliate confirmed that the comparison and contiguous area tracts could easily have been included in the zone boundaries if the City of Detroit had so chosen, and that the industrial structure of these areas is similar to that of the zone.

In terms of the nature of its zone vision and activities, the Detroit experience tells a different story than that of Baltimore. Whereas the Baltimore zone pursued a fundamental emphasis on job creation from the commencement of the local program, initially Detroit adopted a multi-faceted vision. Although during the application process some stakeholders apparently felt that zone designation created an opportunity to focus on promoting business development, the demands of community groups and residents led Detroit to craft a more complex strategic plan that also emphasized strengthening families and upgrading neighborhoods. The bulk of Detroit's Title XX funding was initially earmarked for these other emphases. However, the administration of these Title XX funds got bogged down in a variety of contracting issues, leading to lengthy delays in the start-up of many of the planned social services and neighborhood improvement projects. In the meantime, activities by the mayor's office and by other groups like Detroit's Empowerment Zone Financial Institutions Consortium (EZFIC) to promote the zone resulted in significant reinvestment in the zone by the private sector. These developments have led to "vigorous economic and commercial activity" evolving into the principal focus of the zone, with most stakeholders increasingly accepting the view that the flow of private investment is perhaps the best— and perhaps even the only genuinely valid—indicator of the well-being of Detroit's EZ program.

As measured by this standard, Detroit's progress is indeed significant. The City's most recent PERMS report indicates that $1.3 billion has been leveraged by the zone's business development activities, primarily in the form of private investment. According to the local research affiliate, decisions regarding some of these investments may have pre-dated the zone, or may be part of a larger trend of downtown revitalization in Detroit.[4] However, interviews conducted by the local research affiliate suggest that many have been stimulated by the image of the EZ, or the assistance and/or information about opportunities therein that have been made available. For example, several businesses reported to the local research

[4] The Detroit EZ surrounds the city's Central Business District.

affiliate that publicity about the zone caused them to learn about the comparatively low cost of land in the zone, which in turn led to the decision to locate their business there.

Overall, the data from the establishment survey suggests a modest increase from 1997/98 to 2000 in the ratings that business establishments gave to the Detroit zone relative to the impact that designation has had (see Chapter Three). The data from the establishment survey also provides evidence that zone residents are realizing some benefits from the economic resurgence in the Detroit zone. From 1997/98 to 2000 the number of residents employed in zone businesses increased by 93 percent, and the number of resident-owned zone businesses increased by 130 percent.

The New York EZ is another site where the zone appears to have outperformed the comparison and contiguous areas relative to employment growth. The Dun & Bradstreet data indicate that the New York EZ realized an employment growth rate during 1995-2000 of 17 percent, compared to -5 percent for the comparison area and -3 percent for the contiguous area (see Chapter Two). The New York zone also achieved greater improvement in its employment growth rate from 1990-1995 to 1995-2000 than did the other two areas (an increase in the zone's growth rate of 18 percentage points, compared to an increase of 7 percentage points for the comparison area and 11 percentage points for the contiguous area).

When comparing the New York EZ as a whole with the designated comparison and contiguous areas, one finds a reasonably close correspondence among these areas relative to resident poverty rates in 1995, although portions of these latter areas were somewhat less affluent than the zone. There is also a fair correspondence at baseline among these areas relative to the general composition of their business establishment base (see Appendix B). However, although data in this report are presented for the combined zone area, it is important to note that the New York EZ is made up of an Upper Manhattan zone and a Bronx zone.[5] Moreover, since most of the land area in Harlem was included in the Upper Manhattan zone, though it was possible to identify contiguous tracts in Harlem for our analysis, by necessity a large portion of the comparison area consists of non-zone tracts in the Bronx. These factors suggest that one may want to be somewhat more cautious in drawing conclusions from the zone-comparison-contiguous area analysis for this site.

The New York EZ is another site that has concentrated to a great extent on job creation and business development activities. Although city-state disputes slowed the initial commencement of funds to specific zone projects (caused in part because different city and state administrations were implementing the EZ than had designed it), most of these problems were resolved by the end of 1996 and implementation has proceeded apace since then. From the inception of the program, the Upper Manhattan portion of the zone has

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[5] The time constraints of the accelerated schedule for this report have not permitted a detailed analysis of Upper Manhattan EZ patterns versus Bronx EZ patterns. This avenue of analysis is one that the Department may wish to pursue in the future.

consistently emphasized job creation, attraction of new businesses, expansion of existing businesses, and entrepreneurial activity to promote start-ups (although it is fine-tuning its efforts somewhat to devote addition attention to growing industrial sectors, such as technology). During the first two and a half years of the program, in contrast, the Bronx portion of the EZ pursued a more diversified strategy, with substantial resources allocated to social services and community-based public safety activities. In recent years, however, the Bronx zone has refined the focus of its EZ activities, and now shares with the Upper Manhattan zone a principal emphasis on the expansion of economic opportunity.

Perhaps the most striking example of the results of the New York EZ's efforts to date is HarlemUSA. This is a $56 million retail and entertainment complex constructed on 125th Street. A substantial portion of the construction jobs connected to this project went to zone residents. Another 457 zone residents have obtained jobs with the commercial tenants of the complex, which include a movie theater, a bank, sports club, and a variety of retail outlets. Another noteworthy project of the New York EZ has been the creation of a Vendors Market on 116th Street, which has provided business opportunities for 75 new vendors.

According to the business establishment survey data, among the six zones sites the New York EZ has realized some of the greatest gains in economic opportunity for zone residents. The New York EZ experienced the largest reported growth in resident employment in zone businesses from 1997/98 to 2000 (an increase of 154%), and in the number of resident-owned zone businesses (an increase of 265%). Moreover, during this period the percentage of zone businesses that are resident-owned increased from 24 percent to 33 percent, and the percentage that are minority-owed increased from 44 percent to 60 percent (both of these findings were statistically significant at the 95% confidence level). Although the zone activities cannot be expected to account for all these gains, based on the data from the various study components it seems reasonable to conclude that the zone program substantially contributed to them.

Atlanta is a fourth EZ site where the Dun & Bradstreet analysis has indicated that the zone area experienced more positive employment growth than the designated comparison and contiguous areas. For example, the employment growth rate in the zone for the period 1995-2000 was 51 percent, compared to a growth rate of 26 percent in the comparison area and -10 percent for the contiguous area. Further, the zone realized much greater improvement in its employment growth rates from 1990-1995 to 1995-2000 than did the other two analytic areas (an increase of 63 percentage points for the zone compared to an increase of 34 percentage points for the comparison area and 13 percentage points for the contiguous area).

In terms of the factors used to select the analytic areas in Atlanta, there is a close match between the zone and the comparison area relative to resident poverty rate characteristics in 1995, although the baseline data (see Appendix B) suggests that the contiguous area was somewhat more affluent than the zone. The data on the general composition of the business establishment base shows more correspondence between the zone and the contiguous area, and a fairly good match between the zone and the comparison area. In assessing the similarities of the analytic areas, however, it should also be noted that although the zone is clustered around the Atlanta Central Business District, large portions of the comparison area consist of tracts that are located in outlying portions of the city, and this may account for some of the differences observed in employment performance.

Moreover, unlike the other EZ previously mentioned, based on the local analysis it is much more difficult to build a case in Atlanta that EZ-related activities to date have been a significant factor in generating the positive employment growth observed. In its EZ application and strategic plan, Atlanta described a vision of "creating an urban village" which encompassed four strategic areas: expanding employment and investment opportunities; creating safe, livable communities; lifting youth and families out of poverty; and providing adequate housing for all. However, according to the local research affiliate for Atlanta, the strategic plan was extremely vague and offered no specific programs that could serve as mechanisms to implement these concepts. As a result, during the first several years of the Atlanta zone program the zone governance board and staff struggled over how to translate the basic vision into specific programs. In fact, the EZ came under criticism during this period for the level of its administrative spending given that few tangible programmatic accomplishments had been realized.

Over time, the focus of the Atlanta EZ has shifted. Currently, vigorous economic and commercial activity is seen by the zone program staff as the primary focus of the EZ, with a secondary zone focus on housing. Particular emphasis is being given to large-scale economic development projects along four transportation corridors. However, there appears to be no consensus around this revised vision. A number of stakeholders, including members of the governance board, have a dramatically different vision for the zone. These stakeholders feel that the zone's current focus on business development means that the economic investment model is being pursued at the expense of a more empowering community development model. Moreover, general resident understanding of the revised vision, and awareness of zone activities, appear to be low.

In addition, because of their complexity, none of the planned large-scale economic development projects have been completed to date. Therefore, although the long-term impact of these development projects may be substantial, there is little indication that they have had a discernable effect on the zone to date. Also, while the zone has been active in providing technical assistance to businesses, it has not been particularly successful with its smaller scale business development efforts. According to the local research affiliate, as of September 20, 2000 a total of only eight businesses had received assistance (either loans or grants) from the EZ's Business Development Fund and Revolving Loan Fund. The zone has experienced some difficulty in enlisting the support of the business community, and has not taken full advantage of other opportunities to create partnerships. For example, the EZ has not worked directly with the Atlanta Housing Authority on any renovation projects, despite the authority's commitment to improve public housing in the zone.

In short, Atlanta appears to lack most of the elements seen in the earlier examples as lending credence to the argument that the zone program was a significant factor in the economic resurgence observed. These include: a clear vision that is actively embraced by stakeholders, including an emphasis on job creation activities; strong staff capacity; creation of broad partnerships to mobilize additional resources; and completion of substantial numbers of projects focusing on job creation, particularly high profile, anchor projects. To date, the Atlanta EZ program has made only two loans to businesses in the census tracts experiencing the largest employment increases within the zone. The employment growth in these tracts appears to be related to the expansion of a number of large hospital complexes and universities situated in these neighborhoods.[6] Although such expansion may have been encouraged in some way by zone-related activities, we have no clear evidence to support this thesis.

The previous examples suggest that the Dun & Bradstreet data are providing generally accurate indicators of the progress being achieved in some of the zone sites relative to growth in employment (although not all the gains observed may be attributable to zone-specific initiatives). We are also interested in assessing whether the D&B data that shows less favorable trends in some of the EZ sites are reliable. Chicago and Philadelphia/Camden were two EZ sites in which the Dun & Bradstreet analysis suggested that the zone areas did not perform as well as the designated comparison and contiguous areas relative to employment growth during the period studied.

During the period of 1995-2000, the Chicago zone experienced a growth rate of -3 percent, compared to growth rate of 32 percent for its comparison area. Also, the Chicago zone realized a smaller improvement in its growth rate from 1990-1995 to 1995-2000 than did the other two Chicago analytic areas (with the zone experiencing an increase of 14 percentage points compared to 38 percentage points for the comparison area and 17 percentage points for the contiguous area). In assessing the similarities of these analytic areas at baseline, there was a fairly good match between zone and the other analytic areas relative to resident poverty rate characteristics in 1995, and in the general composition of the business establishment base at baseline. However, the comparison area had a somewhat higher concentration of consumer-oriented (retail) establishments in 1995 than did the zone, whose businesses were more oriented to manufacturing. Overall, the less favorable results realized

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6 The exceptionally large percentage increase in the Atlanta zone's employment between 1995 and 2000 may also be a function of growing from a small base. The Atlanta zone had the lowest employment level among the six zones in 1995, a total of approximately 26,000 jobs. Most of the other zones had two or three times the number of jobs at baseline as did the Atlanta zone in 1995. Accordingly, for the Atlanta EZ, a modest absolute increase in jobs would translate into a larger percentage increase than that same number of jobs would generate in these other zone sites.

by the Chicago zone relative to employment trends do not seem to be fully explained by these modest dissimilarities among the analytic areas at baseline.

Although it does not answer all the questions one might have about the comparable employment trends in Chicago, the local analysis does lend some additional insight into the disappointing results relative to employment growth in the zone itself. According to the local research affiliate, during the planning process there were two competing zone "visions" in Chicago. Community activists believed the EZ should be about empowering, holistic programs to alleviate poverty and reinvent government. The city government, on the other hand, principally saw the program as funding stream to augment existing City initiatives. The Chicago EZ application and strategic plan presented both these visions side-by-side, without acknowledging the possibility of tension between them. However, when Chicago received designation, the city government's "vision" took precedence, in terms of how the program was operationalized. The EZ funds have been allocated within the zone based on local competitive funding rounds, similar to the local process followed to solicit project ideas for the City's annual Community Development Block Grant (CDBG) allocations. For the two competitive rounds that have occurred for the EZ program (in 1996 and 1999), the funding has been determined on a proposal by proposal basis. These funding rounds have not been strategically focused, and although some commercial development projects were funded, there has been no consistent emphasis on job creation activities. These funding rounds and implementation of the selected projects have also been hampered by administrative delays in contracting and turnover among key EZ staff; the Chicago program has had five EZ directors to date.

Accordingly, because there has been no consistent application of funding to job creation activities, or even a coherent strategic vision to mobilize other resources to complement the EZ program's direct efforts, there is little basis for expecting that the EZ activities would be likely to make a substantial contribution to growth in employment within the zone.

As in the Chicago example, the comparison area for the Philadelphia/Camden zone realized a higher employment rate in 1995-2000 than did the zone (24% for the comparison area versus 9% for the zone). The Philadelphia/Camden comparison area also realized better performance relative to the change in the employment growth rate from 1990-1995 to 1995-2000 than did the zone (an increase of 34 percentage points for the comparison area versus a decrease of 4 percentage points for the zone). The Philadelphia/Camden contiguous area had a lower employment growth rate than the zone in 1995-2000 (an employment growth rate of –1% versus 9% for the zone), but still achieved more improvement in its employment growth rate from 1990-1995 to 1995-2000 than did the zone (an increase of 22 percentage points for the contiguous area versus a decrease of 4 percentage points for the zone).

In terms of the similarities among these areas at baseline, the data on resident poverty rates shows high correspondence among the Philadelphia/Camden zone, comparison area, and contiguous area in 1995. Similarly, the general composition of the business establishment base in 1995 is similar for all three analytic areas.

While keeping in mind that the Philadelphia/Camden zone still achieved a positive employment growth rate during the period 1995-2000, information from the local analysis can be helpful in suggesting some factors that might explain the comparatively less favorable performance of the zone (or at least why the EZ may not have been able to foster greater employment performance). In 1995-1996, the Camden portion of the zone was rated by HUD to be among the lowest performers in the EZ/EC program. In subsequent years, Camden had started to turn this situation around, but recently lost the EZ director who had been spearheading the effort to get the program back on track. This loss and the distraction caused by the indictments directed at the mayor have caused the Camden zone effort to lose momentum.

In contrast to the Camden experience, the Philadelphia portion of the zone was seen as making significant programmatic progress in the first years after designation. More recently, however, the Philadelphia zone's efforts have lost some of their impetus. This has been due to a variety of factors, including staff turnover and an overall reduction in staffing levels, dissatisfaction among some community activists, and uncertainty relative to the emphasis that the new mayor wants to give to the zone. As a result, the Philadelphia zone has been slow to issue RFPs for projects, and some projects have been abandoned, altered or dramatically delayed. The Philadelphia zone still has some major projects in the planning stages that promise to have a substantial impact on the zone, but the completion dates for these efforts are uncertain.

The implementation setbacks suffered by the Philadelphia/Camden EZ are consistent with the relatively low levels of employment growth that were observed for the zone area. Other information revealed by the local analysis also may help to account for some of the more favorable employment growth observed in the Philadelphia/Camden comparison and contiguous areas. For example, the governor of New Jersey has invested considerable funding to clean up the corridor along the northeast portion of Camden (which includes some comparison area tracts). Within Philadelphia, the Spring Garden district's low commercial space costs and proximity to the Central Business District have led it to become an incubator of business start-ups in recent years. Portions of this district include both comparison and contiguous area tracts.

In total, the comparison of the Dun & Bradstreet data with the results from our local analysis and business establishment surveys offer a more complete understanding of the dynamics at work in the EZ sites and the areas that surround them. The insights from the other components of our study reinforce our confidence that the D&B data are generally providing a reliable portrayal of employment trends in the analytical areas. The comparison of the data from the various components of the study also provides a clearer picture of the roles that the

EZ programs are playing in their localities, and a better sense of the extent to which their activities may be contributing to the employment growth observed.

Zone Resident Employment and Business Ownership

The data from the EZ business surveys are especially helpful in assessing the extent to which residents have been sharing in the employment growth and increased economic activity being experienced in most zones. As with the Dun & Bradstreet analysis, the findings from the business establishment surveys were also generally positive. The survey data showed that the number of residents employed in zone businesses increased markedly in all six EZs between 1997 and 2000. However, residents as a *percentage* of total zone business employment did not increase markedly between the two periods surveyed, suggesting that the primary force driving the increases in resident employment was the overall growth in the EZ economies.

In addition to increased employment, the business establishment surveys also revealed that residents shared in the economic opportunity created in the EZ economies during the study period through entrepreneurial opportunity. The number of zone establishments owned by residents increased by over 150 percent for the six zones, with growth rates ranging from 61 to 265 percent across the six sites. Not only did the number of resident-owners increase in all six sites, but also the percentage of resident ownership increased in five of the six EZs, and for the six-zone total. Moreover, minority ownership increased substantially across the six EZs. Adding to the significance of these findings is our analysis showing that resident owners and minority owners were statistically more likely to hire other residents in their zone businesses than were non-resident or non-minority owners of businesses in the zones. This suggests that efforts to promote increased resident or minority ownership of zone businesses may have a positive "multiplier effect," in terms of creating still further increases in resident employment in the zones.

9.2.2 Zone Businesses: Perspectives, Needs, and Behavior

One of the key research questions relative to the impact of the EZ/ECs is whether the zones have become more attractive places to do business. Underlying this question is the belief that if the economic climate within the zone can improve, the odds of achieving and sustaining economic vitality in these areas will increase. As one method of assessing business climate, our surveys of business establishments asked respondents to rate the zones as places to do business, and to specify the best and worst things about conducting business in the zones. Across the six sites, most zone businesses were relatively positive in their opinions of the zone as a place to do business. Results varied by individual site, however. But even in those sites in which the positive ratings fell below a majority of respondents, there were substantially more positive than negative ratings. Moreover, there was a clear pattern of business establishments reporting more positive improvements for the three-year period of

1997-2000 than they had for the three years prior to 1997/98, a period before most Empowerment Zone program activities got underway.

From the perspective of zone businesses, there was a substantial amount of agreement across the EZ sites about both the best and the worst features of the zones as a location for business. The business establishments most frequently cited factors related to the zones' central location as its "best" feature: easy for customers or suppliers to reach, access afforded owners and employees, proximity to public transportation, high population density, etc. Crime and poor public safety were the biggest problems reported by business establishments in the Empowerment Zones. Although crime and safety were somewhat less of a concern for zone businesses in 2000 than they had been in 1997/98, these issues were cited by 38 percent of the business establishments in 2000 as the worst thing about doing business in the zone, more than any other problem mentioned.

Zone Business Development Activities and Incentives

The local analysis of the 18 intensive study sites revealed that, in their business development activities, most sites emphasized activities designed to improve access to capital for zone businesses. Accordingly, an interesting finding from the establishment surveys was the fact that in both 1997/98 and 2000 only small percentages of establishments cited "access to capital" as an issue when asked in an open-ended question to name the biggest problem they faced in conducting business in the zone. However, when the businesses in the EZs were directly queried whether access to capital was a problem, approximately one in four said that it was. In some intensive study sites, the EZ/EC strategic planning process or pre-existing analyses had documented poor access to credit. In other instances, softer evidence of disinvestment (such as vacant structures and poorly maintained buildings) or the absence of branch banks, provided the principal justification. The decision of some sites to emphasize access to credit appears to reflect the difficulties that they experienced in identifying ways to use the Title XX funds to provide equity, even though the sites appreciated that the absence of debt capital perhaps was not the primary difficulty facing local firms. This is one example of how the nature of the funding received by the zone sites influenced the shape of their response to local problems.

Across the sample of intensive study sites, almost half the sites that established loan funds experienced low demand for this capital. In some cases, a refinement in the design of the loan products and/or more aggressive marketing was sufficient to increase demand. The strong economy and/or accessible conventional financing also undercut demand in some EZ/EC sites. A more common problem, however, was the difficulty that prospective borrowers had in qualifying for loans. Often, intensive technical assistance was necessary to help these applicants to get their financial statements in order, to develop business plans, and to improve their credit records. ***The critical role of technical assistance in their business development efforts was one of the key lessons learned across the intensive study sites***, and those sites that initially began such activities without a technical assistance capacity found that they needed to add such services if they were to achieve success.

Some sites responded to the problems of low demand for credit or, conversely, to the success of their loan programs, by expanding their programs city-wide. The PERMS data clearly document the increase in the numbers of non-zone businesses that are being assisted through programs initiated as part of the local zone effort. This appears to be true in both EZs and ECs, but for the latter it may be seen as a key strategy to ensure the sustainability of the business development program after the Title XX funds had been exhausted. A concern, of course, is whether the expansion of the geographic focus of these loan programs will result over time in a dilution of business development efforts in the zones.

Commercial development was another activity frequently undertaken by the intensive study sites as part of their business development strategies. The EZs frequently had either large- or medium-scale real estate development activities as part of their programs. The ECs tended to have smaller scale projects, often focusing on improving traditional neighborhood shopping districts.

As with the other business development activities, the purpose of these commercial development efforts was generally to provide more employment opportunities and income to zone residents. These activities were as widespread as the "access to capital" activities and, like the latter, were refined over time. In general, the tendency of the EZ/EC intensive study sites has been to move from smaller projects to larger ones. As noted in the earlier discussion of some of the EZs, although these larger projects offer the potential for great impact on the zone, they tend to be very complex and difficult to successfully implement. Accordingly, most of these projects had not yet been completed during the period of our study.

It is worth noting that, although the business surveys in the EZs identified crime and public safety as the biggest problems in doing business in the zones, the local analysis showed that relatively few sites were conducting public safety activities as part of their business development *strategies*. Only 4 of the 18 sites, including none of the EZ sites, saw public safety activities as part of their economic development efforts. A total of 12 of the intensive study sites conducted some type of public safety activities but, for the most part, these were viewed as general community improvement efforts rather than specifically as a way to improve the zone's economic climate.

In addition to assessing the overall business climate in the zones, the Interim Assessment team used the establishment surveys in the EZ sites to obtain the perspective of zone businesses relative to the specific benefits that they had received or saw as resulting from zone designation. Again, this was part of the study's attempt to assess the extent to which the positive employment findings in the zones might be attributable to identifiable aspects of the zone program.

When asked what was the “most important assistance” that they had received from the Empowerment Zone program, most businesses (73 percent) reported “no help/don’t know.” Among those specifying particular forms of assistance, the most frequently cited categories were tax incentives (8 percent), improved appearance/bringing in people (8 percent), financing assistance (1 percent), and improved public safety (1 percent). Related to this issue, the survey also examined the business establishments’ familiarity with and use of the specific tax incentives and financing options available in the zone programs. The businesses’ knowledge and utilization of the zone resources varied considerably from site to site, particularly when asked about a sample of site-specific forms of assistance available through their local EZ programs. Knowledge of these local assistance options (e.g., financing, technical assistance, or additional non-Federal incentives) ranged from two-thirds of the respondents in one EZ site to one-tenth of the establishments in another. In part, this suggests that ***some zone sites are doing a much better job than others in advertising their site-specific services to the business community.***

According to the survey, use of these site-specific forms of program assistance ranged from one percent to 12 percent of the business establishments. Although these numbers appear to be very modest, it should be kept in mind that the businesses were asked about only a few of the forms of assistance available through the local zone programs. The annual performance reports of the EZs are probably a better indication of the total level of assistance that businesses received through their local EZ programs. According to that report, the PERMS data indicate that in these six EZ sites more than 900 zone businesses had received financial assistance and over 7,300 establishments had received some form of technical assistance in the period through June 30, 2000.

The establishment survey also provided data on the levels of knowledge about, and use of, the various Federal tax incentives. Awareness of the availability of the Federal tax incentives in 2000 varied from 30 percent of businesses for the Section 179 expensing provisions to 53 percent of establishments for the EZ Wage Tax Credit. Eleven percent of businesses reported using the EZ Wage Tax Credit in 2000, four percent reported using the Section 179 expensing provisions, and three percent the Work Opportunity Tax Credit (WOTC).

In assessing the EZ/EC experience, a key policy issue for the Federal government is the extent to which these tax incentives have shaped business behavior, in terms of promoting investment in the zones and the hiring of zone residents. When asked how much the tax credits influenced hiring decisions, 45 percent of those establishments that used the EZ Wage Tax Credit and 55 percent of the businesses using WOTC indicated that it was “very important” or “somewhat important” in their hiring actions. Similarly, forty percent of those using the Section 179 expensing provisions reported that this credit was important in their investment decisions. The modest level of use of these incentives, combined with the fact that large percentages of users indicated that the incentives did not significantly influence their hiring or investment decisions, suggest that their impact on revitalization has been limited. Accordingly, although additional research is warranted before arriving at a firm conclusion, we believe that the Federal tax incentives have been only a marginal tool for promoting revitalization in the EZs to date.

Our analysis also found that larger businesses are far more likely to utilize these Federal tax breaks. In addition, larger businesses are far more likely to report that they have received some form of assistance from the local zone program that they rate as important. Neither of these findings is surprising. However, it is important to keep in mind that most resident-owned businesses—the businesses found to be most likely to hire other residents—are small. In addition, resident employment is somewhat concentrated in the smaller establishments in the zone, regardless of the ownership structure. Therefore, if a zone is principally marketing its resources to larger firms, it may be missing an opportunity to work with a group of employers that may be more sympathetic with the goal of expanding resident employment. This is not to suggest that the zones should avoid marketing the tax incentives to large businesses, since larger firms represent "economies of scale" that the zone programs might be able to use to their advantage. However, the evidence to date argues that the local programs need to be proactive in dealing with businesses—large or small—to ensure that use of these credits actually results in increased employment for residents.

When asked about the overall impact of zone designation, across the six EZs the responses of businesses were more positive than negative, but most businesses expressed a neutral attitude—that the impacts to date were "neither good nor bad." The extent of ambivalence among much of the business community could be the result of a variety of factors. It could reflect the relatively modest percentage of businesses that have received direct assistance from the zone programs to date. Furthermore, because the EZ programs are only part-way through their transformation process, many of the community-wide changes envisioned by local program designers have not yet been realized. The neutral attitude of many businesses might also be a result of a drop-off in media coverage of zone activities, leaving most businesses unaware of the role that the zone programs are playing in promoting specific improvements in the area.[7] The survey findings suggest, nonetheless, that the local zone programs need to improve communications with businesses, as well as to demonstrate more tangible results, before a majority of the business community will recognize the specific benefits of zone designation.

[7] Local research affiliates have also noted that a substantial portion of the media coverage of zone-related issues is negative in tone, which can also influence the general public to be more skeptical of zone developments than is actually warranted.

9.2.3 Workforce Development as an Economic Opportunity Strategy

The intensive study sites also frequently engaged in workforce development activities as part of their economic opportunity strategies. Indeed, such activities were almost as ubiquitous as the business development activities. The activities conducted as part of the EZ/EC sites' workforce development strategies included general and sector-specific job training, job search and placement services, job readiness training, job fairs, adult basic education, English as a Second Language (ESL) courses, post-placement support, and transportation services. The sites' workforce development strategies also often included a variety of related human services, such as assisted childcare, access to health services and substance abuse treatment, and parenting classes. In the first five years of zone program operations, the 18 EZ/EC intensive study sites have conducted 308 training programs that have served approximately 12,600 residents. Almost 5,300 residents who participated in these training programs have been placed in jobs. More than 25,800 zone residents also participated in job match programs and job fairs sponsored by the 18 EZ/EC intensive study sites. An estimated 10,700 residents obtained jobs through these additional activities. Overall, the 18 EZ/EC intensive study sites have trained or provided job search assistance to more than 38,400 zone residents, and placed over 16,250 residents in jobs.

As with the business development activities, there were some common problems experienced by the intensive study sites relative to these activities, which required the sites to make adjustments in their approaches. For example, half the sites with training programs reported difficulties with recruitment for these efforts. ***The intensive study sites found that partnerships with CBOs with operational and staff capacity, and that enjoyed the trust of the community, could prove to be critical elements in effective outreach.*** Stipends were also found to be an essential factor in recruitment for training programs in which the training cycle involved more than a few weeks' duration.

More daunting, however, was the challenge faced by the sites in trying to respond to the multiple barriers experienced by the long-term unemployed. ***A harsh lesson learned in many sites was that, in a strong economy, those that have not found work are very hard to train and place.*** Helping the hardcore unemployed is generally time and resource intensive. Complicating this process was the fact that half the sites apparently had little or no formal links between their zone job training/placement programs and area social services programs, despite the benefits that might be derived from such linkages.

Within some of the intensive study zone programs, there were a number of examples of efforts to forge links between the workforce development efforts and the business development activities. These generally took the form of either co-location of services, entrepreneurship programs, placing residents in firms newly located in the zone, or linking placements with large commercial development projects through "first hiring" agreements and the like. A common problem with the latter approach has been the mismatch between the skills possessed by zone residents and those being sought by employers. In general, these efforts have achieved only modest levels of success.

Zone programs were also encouraged by the Federal program designers to connect residents to opportunities in the metropolitan areas as whole, recognizing that it was unrealistic to expect all—or even most—residents to work in the zone itself. To promote these regional connections, three approaches were most often followed by the intensive study sites: training residents for occupations with high demand throughout the region, linking residents to specific job opportunities outside the zone, and transportation efforts. Some zone programs combined the latter two approaches. This proved to be complex to do well, since the commuting distance often exacerbated the problems which job seekers experienced relative to day care, other family responsibilities, etc. Accordingly, the effectiveness of these efforts was found to be very dependent on the nature of the jobs and employers with which residents could be placed. In particular, the jobs need to pay wages that were high enough for the job seekers to accept the additional costs and inconvenience of the commute.

At a number of the intensive study sites, over time the economic opportunity strategies shifted away from workforce development activities and more toward business development. Although such business development activities can provide a variety of other benefits to the zone transformation process, it should be noted that the record of job creation for residents through the zones' targeted business assistance efforts has been fairly modest to date. For example, according to PERMS data for business lending projects, on average no more than 3-4 jobs were created for each business loan made. The sites' business technical assistance efforts and other credit access programs experienced similar results, in terms of jobs created. Moreover, because of skill mismatches and other barriers faced by job seekers, the EZ/EC sites had considerable difficulty in placing zone residents in the jobs that were created. The sites' workforce development projects helped to address these gaps in skills and services, however. In fact, the PERMS data show that the results of the sites' workforce development efforts, in terms of placing residents in employment, has been at least comparable to their business development activities, despite the difficulties entailed in dealing with individuals with multiple barriers.

9.3 Community-Based Partnerships

The rationale for encouraging the EZ/EC sites to engage in collaborative approaches most likely derives from the complexity of the task facing the individual zone sites, and the expectation that the zone sites would need to mobilize across sectors and populations to accomplish the desired changes. Collective engagement was seen by the Federal EZ/EC program designers as creating a process that would allow the knowledge and skills of each group of local stakeholders to be utilized, and the needs and concerns of all parties to be addressed. Our study examined several dimensions of the collaborations that occurred at the local EZ/EC sites, including resident participation, the streamlining of bureaucratic procedures, inter-agency and inter-institutional cooperation, and new or expanded roles for partners.

Resident participation in the change process is at the core of the EZ/EC initiative, and was seen by the program designers as a vehicle for individual and community empowerment. Residents could exert influence on the local EZ/EC programs through a variety of mechanisms. These include involvement in the strategic planning process, through membership on the governance board (or on the boards of CBOs that had seats on the zone governance board), or through personal ties with members of the governing body or with zone program staff.

Across the sample of 18 intensive study sites, the extent to which residents participated and influenced the EZ/EC governance process varied greatly. However, it appears that the explicit Federal mandate for resident participation and community-based partnerships had the desired effect in many of the EZ/EC sites. The Federal expectation that the local EZ/EC sites' planning and operations would provide opportunities for citizen participation increased the chances that residents and community-based organizations shared in the decision-making about zone priorities and programs.

Resident participation was most extensive during the strategic planning process. Later, during program implementation, the extent of resident participation and influence varied greatly across the intensive study sites. A variety of factors tended to reduce resident influence during program implementation. In some cases, the decline in resident participation can be seen as a typical pattern of what happens when an initiative moves from planning to an operational phase. It is far easier to find ways to actively engage large numbers of individuals in comprehensive planning activities than in the on-going management of discrete projects. There is also more enthusiasm during the planning phase of an initiative, and this enthusiasm can wane over time. Accordingly, it is often difficult to maintain the active involvement of non-compensated stakeholders when an initiative stretches out over several years, particularly when all the key decisions have already been made. In some sites, changes in political leadership or staff turnover contributed to a reduction in resident involvement, because there were no longer resources being devoted to encourage and maintain such involvement. In a few sites, the award of zone designation drew into the process powerful interests that had not participated previously; their engagement sometimes significantly affected the direction of the local initiative and the influence that could be exercised by residents.

"Community-based partnerships" was also the rubric under which the national EZ/EC program sought to promote the streamlining of government practices in implementing programs that would benefit the designated zones. It does not appear that this objective has been given much priority in the local EZ/EC activities to date, however. The experiences of the 18 intensive study sites reveal a number of examples of local-state jurisdictional struggles that delayed the start-up of the local initiatives. There were also instances of long bureaucratic delays in the approval of contracts or requests for financial assistance necessary for zone-related projects. On the other hand, many EZ/EC sites established "one-stop shops" for providing business assistance, workforce development services and/or social service programs. By bringing together related agencies and services at one location, these one-stop shops sought to eliminate some of the red-tape and duplication previously faced by zone residents in attempting to obtain information and services.

The efforts to streamline requirements and to promote better coordination among Federal agencies on behalf of the EZ/EC sites also have had mixed results. For example, when communities first applied for zone designation, they were encouraged to request regulatory waivers from Federal agencies in order to streamline their local programs. Overall, in terms of the reduction of "red-tape," this waiver experience did not satisfy either the EZ/EC applicants or the Federal reviewing authorities. Most of the waiver requests received from the intensive study sites required statutory changes (and therefore were beyond the control of the Federal agencies), were already within the discretion of the locality, or were inadequately documented. As a result, the Federal agencies were only able to grant formal approval to a small percentage of the requests. Since that time, however, a number of the EZ/EC sites have benefited from one aspect of improved coordination among Federal agencies – the preference given to EZ/EC sites in competitions for other Federal grants.

During the process of local EZ/EC program implementation, local nonprofit organizations (both community-based organizations and larger, city-wide groups), government agencies, and private enterprises formed numerous collaborative arrangements to conduct activities to foster zone transformation. One such example is the array of activities undertaken by the Baltimore Development Corporation to encourage businesses to locate in the zone. Another example is the work of Detroit's Empowerment Zone Financial Institutions Consortium (EZFIC). This entity helps to coordinate the activities of a group of banks committed to new lending of over $1 billion in the zone during the 10-year life of the initiative.[8] A third example is the collaboration between three nonprofit agencies in the Burlington EC to establish a new multi-generational center offering childcare and services for senior citizens.

The EZ/EC intensive study sites learned to appreciate the value of mobilizing these collaborative efforts, in order to bring different perspectives, networks and resources to bear on solving the problems being addressed. However, the EZ/EC sites found that establishing partnerships, particularly partnerships among diverse stakeholders, was often very challenging and required structures and processes that balance disparities of power, access, capacity, and resources among the partners. ***The sites' experience also highlighted***

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8 The consortium identifies market-rate investment opportunities that will help to promote economic activity in the Detroit zone. Although aspects of their activities are "business as usual", by working together in an informal partnership, this group is able both to identify more investment opportunities and to communicate to a wider business audience more effectively.

the conditions that most commonly fostered effective partnerships: commitment, capacity, trusting relationships, community legitimacy, and value of product.

9.4 Sustainable Community Development

The Federal EZ/EC guidelines emphasized that the provision of economic opportunity was critical, but was only an initial step in the process of achieving vibrant communities. They presumed that economic development could only be successful and maintained when combined with broader, coordinated efforts to develop the human and physical capital of the community, and they encouraged the EZ/EC sites to pursue such efforts. The sites interpreted this principle in somewhat different ways. In general, however, zone programs operationalized sustainable community development by implementing multi-faceted community improvement efforts. The degree to which those activities were actually coordinated varied considerably across the intensive study sites.

Through their sustainable community development activities, the EZ/EC sites have served large numbers of zone residents, and addressed a wide range of physical, social and human development needs in the target communities. Housing development and rehabilitation received the largest community development investments in both the EZs and the ECs, because housing development leveraged significant private investment dollars. Zone housing programs commonly emphasized homeownership, especially for first-time and low- and moderate-income homebuyers.

EZ and EC priorities concerning other community development activities differed somewhat. Both groups emphasized human services in their Title XX spending, but the EZs directed more of their funding to public safety, while the other zones gave greater emphasis to education and infrastructure improvements, especially parks, playgrounds and neighborhood facilities. Other common activities focused on health and the environment. Exhibit 9-1 presents a sampling of the 18 EZ/EC sites' accomplishments from their sustainable community development activities through June 30, 2000.

Five years after zone designation, one of the most challenging issues facing the EZ/EC sites is how to sustain zone-sponsored initiatives over time. To a considerable extent, how the 18 EZ/EC intensive study sites have defined this "sustainability" issue has reflected their funding levels and grant terms. The EZ sites received significant federal resources ($100 million in Title XX Social Services Block Grant funds) and explicitly designed their local programs as ten-year initiatives. Accordingly, many of the economic and community development programs and projects in these zones are structured as long-term efforts, and are on-going. Most EZs still have considerable funding and time in which to tailor their strategies to achieve longer-term sustainability, and some have already begun addressing this issue.

Exhibit 9-1
Community Development Highlights in the 18 EZ/EC Intensive Study Sites
(Source: FY2000 PERMS reports)

Selected Accomplishment Measure	Accomplishments for 18 Study Sites
New and Rehabilitated Housing Units	4,011
Zone Residents Served by Homeownership Programs	4,447
Crime Prevention/Public Safety Programs	102
New or Improved Parks and Neighborhood Facilities	80
Zone Families Served by Childcare Programs	8,139
Zone Residents Served by Health-Related Programs	73,887
Zone Residents Served by Elderly Programs	13,761
Zone Residents Served by Substance Abuse Programs	20,763
Zone Residents Served by Recreation and Art Programs	380,601

On the other hand, for the non-EZ sites (and particularly the ECs that did not receive EZ designation in the second round of program funding in 1999), the issue of sustainability has been both a more urgent and problematic concern. EC sites received $3 million in Title XX funds and, despite the Federal view that they were making a commitment to a 10-year initiative, most designed their programs using a 3-5 year timeframe. As that time has elapsed and funds have dwindled—particularly the administrative funds to support core staff—the EC sites have faced the immediate question of whether and how to provide for the continuation of their activities.

The approaches followed by the 18 EZ/EC intensive study sites to achieve the long-term sustainability of their local initiatives generally fall into three categories:

- Development of institutional infrastructure, primarily in the form of new or strengthened community organizations, that will continue to pursue local community development;
- Durable direct investments, most often in community facilities or neighborhood commercial developments, that will continue to generate community level-benefits; and
- Stimulating market-driven development that will promote on-going private investment in the zone.

Some of the EZ/EC sites have focused on one of these approaches, some have pursued a combination, and some have made only limited investments in any of the three approaches.

The EZ/EC intensive study sites have relied to a significant extent on nonprofit community-based organizations to carry out the zones' sustainable community development program activities to date. Some sites are also looking to these community institutions to achieve long term sustainability of some or all of their zone initiatives. However, relatively few zones have invested in building the capacity of nonprofit agencies or other community institutions to help to sustain local development over time. In the intensive study sites, Baltimore, Louisville, Seattle and Tacoma are examples of zones that have established or strengthened community organizations whose activities appear likely to continue to pursue the local zone's objectives over time. For example, the Baltimore EZ has invested considerable efforts to create "Village Centers" to develop a continuing capacity for neighborhood-level planning and service delivery within the EZ, and the Louisville EC established the Louisville Development Bancorp (a new community development financial institution) and the Nia Center (a multi-service center).

Despite these examples, most of the EZ/EC intensive study sites have viewed nonprofit organizations primarily as service providers that would be used as short-term contractors as long as they were effective, rather than as strategic investments to build long-term community capacity. For the most part, the sites have chosen to work with established organizations with a proven track record in order to maximize the likelihood of achieving short-term gains.

In contrast, those sites that have tried to build nonprofit capacity have recognized how challenging this task can be. These sites acknowledge that it often requires a long-term commitment and sustained resources to establish basic competencies and systems in a new community organization. Further, each time a nonprofit organization takes on a new function, additional technical assistance may be required. Nonetheless, these networks of nonprofits have allowed the zone programs to offer a more varied array of services and to reach a broader population base. In addition, as we have previously discussed, community-based organizations provide opportunities for greater resident influence and participation.

Among the zones pursuing a strategy of durable direct investment, the Oakland EEC's housing development investments seem to offer strong potential for a lasting positive impact in the zone. Likewise, the Boston EEC, Louisville EC, and Burlington EC are examples of zones where physical and/or commercial development efforts appear likely to be continuing catalysts for renewal in those sites. The major development projects planned for the Atlanta and Camden EZs may generate similar positive results in those zones, although a firm assessment of these projects' impacts is premature. Among those EZ/EC sites seeking to stimulate market-driven development, the Detroit and New York EZs are examples of sites that appear to be achieving some success. For these and the other intensive study sites, however, efforts to achieve sustainability and build on the gains that have already been made still face many hurdles.

Long-term strategic thinking and consistent, effective program and administrative performance are key contributors to successful, sustainable community development. In reviewing the collective experience of the intensive study sites to date, a key lesson is that achieving sustainable community development—that is, establishing the conditions in which investments and improvements continue to occur over time— is complex, since many economic, social and political forces are at work. Among the most essential tools are long-term thinking, an insightful strategy, and sustained, effective performance. These program elements cannot guarantee success; there are no such guarantees. But experience suggests that these program attributes can substantially increase the likelihood of local revitalization efforts— by demonstrating that local strategies and activities merit further support, and positioning programs and strategies to attract capable staff and financing on a continuing basis.

The local programs in the EZ/EC sites are still evolving, and therefore their story is incomplete. Nonetheless, the Interim Assessment has found some very promising examples of innovation, collaborative partnerships, leveraging of private and nonprofit sector resources, and multi-faceted strategies in the 18 intensive study sites, as well as some early signs of community renewal. The Interim Assessment also confirms that many of the original assumptions of the Federal EZ/EC program designers about key elements for successful revitalization have proven to be correct. These include the value of strategic planning, of participatory processes that promote community consensus, of a comprehensive and coordination approach to revitalization, and of maintaining a long-range vision. However, we have also found considerable variation among the EZ/EC sites in the extent to which these features have been fully embraced and/or maintained. We have also seen the EZ/EC sites, and particularly the Enterprise Community sites, are being challenged about how to sustain their focus and efforts over time. The EZ/EC sites have made substantial progress in building a foundation for revitalization, but will need continued support and encouragement to capitalize on the groundwork that has been established.