Accomplishments and Challenges of the

Round Three Federal Empowerment Zone Program:

The Case of Tucson

by

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ABSTRACT

The Empowerment Zones were created in 1993 under Clinton's administration, demonstrating a commitment to solving tough socio-economic problems in distressed communities. The main objective associated with this program was economic recovery of distressed communities by creating jobs and providing various services to the indigenous populations. The designation of the Empowerment Zones went in three rounds (1994, 1998, and 2001), and although the types and amounts of federal incentives varied across rounds, the four principles around which the program originated remain unchanged: strategic vision for change, community based partnerships, economic opportunity, and sustainable community development. Since its inception, the Empowerment Zones program has been implemented in 30 urban and 10 rural communities in 27 states across the U.S. Two central questions lead the research of this dissertation project: 1) What have been the main accomplishments of the round three federal Empowerment Zones program in Tucson? 2) What have been the main challenges of the round three federal Empowerment Zones program in Tucson? By using a case study research design and various techniques for data collection and analysis (including the program package Atlas.ti), this study examined the accomplishments and the challenges associated with the round three designated Empowerment Zone in Tucson. Evidence was collected from multiple sources, including 24 interviews, over 60 local newspaper articles, relevant documentation, annual performance reports, and other sources. The analysis reveals that the program's implementation in Tucson was strong in the beginning, but after two years, the earlier success started to fade quickly. The shortcomings of program design became evident during the implementation phase and further in the inability of the administration to collect relevant data to demonstrate the program's success. The consequences of the inability to provide data for program evaluation influenced the enthusiasm of the administrators and program partners, and weakened the political support. The reduction in the grant component contributed to overemphasis of the business development component thereby ignoring most community development aspects essential for the success of the program in Tucson. This study did not find evidence for the claim that round three of the empowerment zones program based on federal tax incentives contributes to the creation of new jobs and the attraction of new business in economically deprived communities in Tucson.

DEDICATION

I dedicate this work to my

daughter Elena Andonoska

and to my husband Sasho Andonoski.

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INTRODUCTION

The Empowerment Zones/Enterprise Communities (EZs/ECs) initiative was envisioned as a comprehensive federal policy for revitalization of economically deprived communities. Armed with tools that fostered community participation in the early stages of program implementation, the Federal Empowerment Zones (EZs) held high promises and expectations. First introduced in 1993 by President Clinton's administration, the Empowerment Zones initiative was built on four fundamental principles that remained unchanged across the three rounds of program implementation: strategic vision for change, community based partnerships, economic opportunity, and sustainable community development. The EZs communities designated in round one turned out to be the most fortunate because they were able to collect up to $100 million in social security block grants for a period of 10 years. These communities were also eligible for a number of business tax breaks that stimulated investments and employments. The EZs communities designated in the second round, although not as fortunate as the first six urban EZs designees, were still entitled to all tax breaks in addition to the $25.6 million in Economic Development Initiatives (EDI) grants. In contrast, the urban EZs designees from the third round were left to operate exclusively on tax incentives. The grant component was eliminated, and this financial burden was implicitly assumed to be carried out by the local government(s) administering the program and their partners if they were to keep the community development component of the program. Put differently, the formal expectations from the program were only slightly adjusted toward the business development end, while important requirements for community economic development were retained, despite the shift of a major financial burden to the local government level.

In addition, the empowerment concept was almost completely absent in the round three designated communities. The program was effectively altered from a comprehensive community economic development initiative to a business development tool that mirrored the state Enterprise Zones on a larger scale. Intrigued by the absence of academic studies for the round three urban Empowerment Zones' designees, this study focuses on two central research questions:

1) What have been the main accomplishments of the round three federal Empowerment Zones program in Tucson?

2) What have been the main problems associated with the round three federal Empowerment Zones program in Tucson?

The goals of this study are threefold. Firstly, it addresses the urge to find out what happened with the round three EZs designated communities. Secondly, it provides a matrix for the assessment of the evidences based on data availability and the perceptions of the administrators responsible for program implementation. And thirdly, it provides the insights and potentially valuable empirical lessons for the practitioners.

This dissertation speaks to two communities, to the academic community and to the practitioners. It is significant for the academic community because it contributes to the overall urban economic development literature and assesses the impact of a federal program designed to tackle tough socio-economic problems. These types of urban initiatives are hardly novel for the Federal government. However, only a handful could be identified as comprehensive and people and place oriented programs. The urban

Empowerment Zones literature on the round three designated communities, to this day, to the best of my knowledge is extremely limited if not completely absent. Therefore, my dissertation makes an important addition to the Empowerment Zones literature, in particular to the literature on the round three designated communities. As a study of a tax-incentives based program, this dissertation provides evidences regarding the impact of the tax incentives in federally designated communities.

The significance for the practitioner derives from the observed problems as well as the lessons that the practitioners themselves have offered. Although this study did not look at a case that provides best practice and method to achieve best result, it still provides compelling evidences for the negative experiences and/or the problems that could have been avoided had the program been better designed, implemented, and monitored.

The research design of case study employs multiple data sources and techniques to analyze the collected evidences. Data sources include 24 interviews, over 60 newspaper articles, relevant contents from the laws and statutes that regulate the program, the U.S. Department of Housing and Urban Development (HUD) internet-based performance system reports (PERMS), the Youth Opportunity Grant Report, the Business Development Finance Corporation (BDFC) data on Small Business Administration 504 loans (SBA 504 loans), the U.S. Census data, Internal Revenue Services (IRS) statistical reports, and other relevant sources.

The analysis of the text from the transcripts of interviews and the local newspaper articles has been done by using software for a qualitative analysis (Atlas.ti 7.0) which was especially helpful for the coding and organizing the codes in manageable ways. Two theoretical frames were used in the analytical process: First, a matrix analysis of the collected evidences based on the perceptions of the administrators and the evidences reported in various available documents to learn more about the stages of program implementation, and second, theory based logic models locate the problems associated with the program respectively. The theory based logic models allow us to look at the various stages of the process and compare the planned processes with the implemented processes.

The findings about the accomplishments of the programs suggest that the program has served as a tool that fosters implementation of other related programs. In addition, the partnerships that evolved during the lifetime of the program, while not completely utilized for the needs of the programs, have been sustained as valuable resources for the three local governments involved in the Tucson EZs (the City of Tucson, the City of South Tucson, and Pima County). As for the desired business attraction/ retention and employment opportunities, there is no evidence that any of the new employments could be assigned as an accomplishment of the Empowerment Zones. With at least ten other local, state, and/or federal programs running at the same time and in the same economically deprived community, it is next to impossible to estimate the actual number of program beneficiaries. Without access to the IRS data on tax return claims even in an aggregate format, the estimates about the volume of tax incentives utilized by Tucson EZs businesses could only be speculated on the basis of estimated eligibility.

The problems associated with the empowerment zones are numerous, and could be found in every stage of the program from the program design, the implementation, to the monitoring and evaluation. This study is limited by all of these problems including its design and generalizability of the findings. The generalizability is limited to the theoretical propositions that can be tested in future studies.

This study is organized as follows:

Chapter Two provides a chronology of the local and community economic development initiatives from the Progressive Era to current policies, predominantly those initiated by the federal government. These programs have had tremendous impact on the urban economic development in the U.S. and continue to shape the expectations for federal initiatives.

Chapter Three provides a literature review on the local economic development (LED) and community economic development (CED) literature streams. The LED literature reviewed in this text is concentrated on tax incentives studies, while the CED literature emphasizes the empowerment and community development.

Chapter Four introduces the Federal Empowerment Zones program. It describes the program and specifically concentrates on the urban Empowerment Zones' criteria and incentives. After that, it reviews the main program's accomplishments and challenges identified in the literature and in government reports.

Chapter Five describes the methods, the significance of the study, and its limitations. It also provides a graphical presentation of the models used in the analysis.

Chapter six presents the results from the study. The Tucson Empowerment Zone is introduced in the beginning of this chapter. And then, some of the peculiar data caveats are accentuated to provide better understandings of the findings from this study. The accomplishments are initially presented in a two-by-two matrix that informs readers about the strength of the evidences. This matrix not only helps with data triangulation but also provides information for the source of the evidences (collected or perceived). In the first frame, the theory based logical model is introduced to assess the performance from the views of the goals and the plans established in the strategic plan, which is compared to the actual activities reported in the documents or reflected by the program administrators. In the second frame, analyses are performed to identify the assumptions behind the application and the implementation of the program. Furthermore, the theory based logical model is used to locate some of the problems associated with the zone.

Finally, Chapter seven presents the conclusions of the study by recognizing some of the potential consequences and suggesting further steps that could be proven beneficial.

Chapter 2

URBAN INITIATIVES: REVIEW OF THE LITERATURE

Introduction

Since the 1940s, the U.S. Federal government has been a supporter and an initiator of many economic and community development programs tailored to combat problems related to poverty, lack of job opportunities, education and income inequality as well as to prevent further urban decline. Each of these programs, according to the proponents, reflected extraordinary ideas and promises for providing creative solutions to the unique problems (Halpern, 1995; Mossberger, 2009). However, the history of the federal and neighborhood initiatives tells us another story revealing that the old and the new ideas have taken a somewhat predictable course, "first generating interest, then questions…, and then loss of commitment" (Halpern, 1995, p. 5). Similarly, O'Connor described the results as "… a sizable collection of short lived programs, …that seem continually to replicate, rather than learn from, what has been tried in the past… federal community development policy is notorious for reinventing old strategies while failing to address the structural conditions underlying community decline" (1999, p. 77-78).

The factors that are most frequently attributed to the failures of these programs include limited scope of the program and diminishing federal resources (Mossberger, 2009). The lessons from initiatives have been clear. In order for federal programs to deliver results, they must be comprehensive, meaning that they must coordinate concepts such as resident and community participations, market-driven public-private partnerships, absorbing new ideas for resource mobilization and delivering community-based services (Rubin, 1994).

Chronology of Neighborhood and Federally Mandated Initiatives for Urban Development

Historically, the urban initiatives have evolved under the pressure of tough socio-economic challenges such as unemployment, poverty, poor education, or urban economic development (Halpern, 1995; Ladd, 1993; O'Connor, 1999). Many scholars and practitioners have been under the impression that these problems have had the tendency to persist. These initiatives, according to Ladd (1993), have used myriad strategies to solve "the crime, poverty and physical and social deterioration of the inner cities", or what Lemann called "America's most obvious problem" (1994, para 2). Some of the interventions that address them, often federal and state, have used either people-centered or place-based policies.

People-oriented strategies are centered on individuals or particular population groups regardless of where they live. The so called pure people-oriented strategies, according to Ladd (1993), are based on the neoliberal philosophy that proposes free labor markets, allowing movement of labor based on residents' pursuits of better efficiencies and better opportunities. Examples that would approximate the pure people-based strategies include: the Job Training Partnership Act and Trade Adjustment Assistance, the Small Business Administration (SBA) loans, and the Low Income Housing Tax Credit (LIHTC). The government sponsors training programs for the unemployed prepare them for the market. Proponents of people-oriented strategies often oppose any government measurement or policy that will restrict the mobility of the people from welfare to work. Instead, they propose value-based approaches that will "respect the right of the people to determine their own well-beings and competences to craft solutions to their problems"

(Arizmendi, Arizmendi, & Donelson, 2010, p. 87). The successes of the people-oriented strategies depend on the grassroots advocacy efforts and their potentials for forming long-lasting partnerships that will act in favor of the citizens. Therefore, the role of the community leaders becomes critical for the success of the people-centered strategies. Arizmendi, et al. (2010), studying development practices in the U.S. colonial states that border Mexico, found that the leaders of the communities that implemented people-based strategies practiced relational leadership style and were motivated by “confidence in their fellow residents’ ability and potential for growth” (p. 88). The authors further suggested that these leaders were most effective when they “respect and yield to the capacity of the community to define its own problems”, because unless people are involved in the decision-making processes “they cannot be expected to follow along blindly” (Arizmendi, et al. 2010, p. 93). The impact of resident-led development initiatives, according to Arizmendi, et al. (2010, p. 95-98), could be seen in the influence that residents gain in the policy making processes. Some of the programs such as the SBA loans have been used as an effective tool to promote small business development and employment.

Place-based urban development strategies are founded in the community paradigm. The central objective of place-based interventions is revitalization of distressed communities and community building. Examples of place-based policies include the Model Cities and the Community Action Program, the state enterprise zones, the Urban Development Action Grant (UDAG) and others. The main problem that is emphasized by the proponents of place-based initiatives is the mismatch between the places where jobs are offered and the places where the jobs are needed. This problem became known in the literature as a spatial mismatch hypothesis [SMH], (Kain, 1968; Ihlanfeldt, 1994; Immergluck & Mullen, 1998). The SMH was first developed in the late 1960s to describe the impact of the "suburbanization of jobs and involuntary housing market segregation", which reduced the number of jobs available in the inner city relative to the number of workers (Ihlanfeldt, 1994, p. 219). The result was a social isolation of many residents who were less likely to benefit from finding jobs in better-off suburban communities. Therefore, a better option for these residents, according to the supporters of place-based strategies, was bringing the jobs into the community. The strategy of bringing the jobs to certain geographic locations demands meeting at least two conditions. The first prerequisite is attracting new businesses and retaining the old businesses in the economically deprived communities. The role of public policies in relation to this condition should be offering incentives appealing to the new and existing businesses. The second prerequisite lies in the assumption that the newly opened businesses will hire local people (Ladd, 1993). There is a third condition attached, namely, assuming that once the unemployed person finds a job, he or she will stay in the same neighborhood. The second and the third prerequisites rely on the assumptions that the workforce is attached to the community and is not mobile. The empirical evidences from this dissertation and other research studies find that these assumptions are somewhat problematic.

The advocates of place-centered policies also agree that "the targeted geographic area or zone should contain a mix of land uses, including residential, industrial, and commercial activity" (Ladd, 1993, p. 196). With respect to business development, the proponents prefer smaller businesses, a concept that gives credibility to the idea of place-based strategies and tames the criticism that jobs are just moving from one place to another. Bartik (1991, 1993) found that the net social benefit from attracting jobs in one place could be positive even when the total number of jobs has not increased, but just relocated to places with greater needs.

The essential difference between people- and place-oriented programs is the target of each type of program. In the case of people-oriented programs, direct recipients of the various monetary incentives, such as grants or tax incentives, are individuals facing certain economic challenges regardless of the place of residence. The program itself targets people. In the case of place-oriented programs, the target is a location and the funding typically is indirect involving institutions and intermediaries.

Urban development policies can further be classified by the initiator: government or non-government. Government initiated can be local, state, or federal. Non-government initiatives could come from the for-profit or from the non-profit sector. A common element of all these policies is that they aim at addressing problems of poverty and economic deprivation. All included policies in this chronology have marked a period in the history of the urban economic development in the United States, and have commonly been referenced by most studies in the field that I was able to review. Since the 1940s, with the exception of the Ford Foundation's Gray Areas and the state enterprise communities, all other policies have been initiated by the federal government.

Early Urban Concerns

Poverty in the United States has long been explained in terms of an individual's choice, and a result of an individual's background, predispositions, and habits. During the late ninetieth century, it was exactly this mindset that prevailed among various charity organizations such as the Buffalo Charity Organization Society (C.O.S.) that, according to Halpern (1995, p. 22), was “responsible for deciding how American society would interpret and address poverty.” However, the neglect of the new reality that came as a product of the industrialization and the emergence of big corporations, steel magnates, and coal operators as major employers, resulted in creating difficult circumstances that put too many families in position to work over 12 hours a day. Children were also required to work because "child labor frequently provided the modest additional income that kept families out of dependence, but at great cost to children’s own future” (Halpern, 1995, p. 27).

The rise of progressivism and the reforms that took place in the early years of the last century marked a new, more balanced perspective about poverty (Halpern, 1995; Mollenkopf, 1983, O’Connor, 1999). The Progressives have been credited with many legal reforms that took place during the early decades of the twentieth century, among which are the legislation that gave the women the right to vote, the regulation of child labor, the tenant protection laws, and so on. While the Progressives were generally against government intervention to reduce poverty, they recognized that poverty could result from conditions outside of an individual’s control. In the early years of the Progressive reforms, the reformists believed that local governments could not address the problems related to poverty; instead, problem solving required a substantial role of the state and the federal government. However, state and federal policies for urban development during this period were unlikely to be imposed as most of the efforts “perished in the legislatures of the courts at the hands of due process” (Halpern, 1995, p. 27). These policies, as Halpern (1995, p. 29) put it, “seemed neither too trivial nor too radical as a response to poverty". The first institutionalized response to the problem of poverty came in form of settlements. Settlement leaders did not always trust the residents, especially regarding the decision-making about the kinds of needs that will be addressed. Moreover, the leaders had their own visions about how settlements were to operate, and these visions did not always correspond with what community would have identified as a need (Mossberger, 2009). The settlements were about improving the living conditions of the poor. In addition to housing, which was the biggest component in the whole initiative, settlement leaders also considered day-care services, after-school programs, sports, and other programs that meant better opportunities for its residents. Settlements were seen as safeguards for many poor families, who, by the end of the 1920s, were coming in bigger numbers to seek financial assistances from the settlements and their neighborhood organizations. As the conditions were deteriorating with the coming of the Great Depression, other urban initiatives appeared. One of the most notable neighborhood initiatives from this period was The Chicago Area Project (CAP) that was envisioned as a social experiment "in neighborhood-based juvenile delinquency prevention" (Halpern,1995, p. 50).

The first urban development program in the U.S. directly funded by the federal government was established by President Franklin Roosevelt under the New Deal (Chaskin & Peters, 1997). The Public Works Administration, the Works Progress Administration and the U.S. Housing Authorities fostered the development of working relations between the local and the federal governments, which were mainly concentrated on housing, services, and employments at local level.

The Urban Renewal Period

Carmon (1999) identified this stage as a first generation of urban development initiatives, which she called “the era of bulldozer”. According to Carmon (1999), this era was marked with an effort to build the environment, which came as a response to the intolerable housing conditions that incited the slum clearance policies during the post-war period. The federal government conditioned the Urban Renewal Grants with a public hearing requirement stipulated in the Housing Act of 1949 (Robbins, Simonsen, Feldman, 2008; Chaskin & Peters, 1997; McFarlane, 2000/01). Later, President Eisenhower’s Urban Renewal Administration has shifted its focus from housing to urban renewal, targeting middle- and upper-income population groups, housing and business attractions (Chaskin & Peters, 1997). The period of urban renewal in the United States became known for the efforts of the federal government to provide low-income housing units, while demolishing the old slums. The demolition of the slums was entirely assigned to the federal government, while the building of new units was left to the private sector (Carmon, 1999), thus resulting in a net decline of the housing units for the poor (Halpern, 1995, Carmon, 1999, Zhang & Fang, 2004). Although many parcels of the land were used by businesses or developers, there were parcels that remained undeveloped for extended periods because they were not attractive to them for various reasons (Collins & Shester, 2011). The Urban Renewal policies have been widely criticized for the failure to improve the living conditions of the poor. Zhang and Fang (2004, p. 286-7) point out that “although the program was intended to provide more and better housing…urban renewal simply pushed the slum dwellers (mostly African Americans and other minorities) to other parts of the city or to the suburbs, a result that actually exacerbated the ills the program sought to solve." These policies failed to address some of the problems peculiar to that time. Most notably, it failed to address the changes of the demographics and structure urban regions including rapid expansion of suburbs along with the decline of the traditional downtowns and many central city neighborhoods. The Urban Renewal policies were mostly concerned with creation of a new infrastructure such as highway construction that forced dislocation of the poor along with a disproportional allocation of public housing. The latter was accused for fostering racial and class segregation (Mossberger, 2009, p. 3). These conditions were exacerbated by the departure of the affluent residents and the jobs from the inner city. By the end of the 1950s, over 40 million Americans (or about 22 percent of the population) lived in poverty (Orleck & Hazirjian, 2011, p. 5).

Ford Foundation's Gray Areas

In response to the negative consequences from the Urban Renewal's physical revitalization, in the early 1960s, the Ford Foundation launched the Gray Areas project focused on participation and addressing social needs in six cities across the U.S. (Boston, Oakland, New Haven, Philadelphia, Washington D.C, and New York). The pilot was intended to improve the environment for the youth living in economically distressed communities. Based on the assumption that youth crime is the product of unequal opportunities, the project had two targets: a) the institutions that created this inequality, and b) the people who needed to be prepared in the job search process (Mossberger, 2009; Halpern, 1995). Ford Foundation's Gray Areas program, in fact was a place-based strategy that fostered participation on the assumption that poverty is concentrated in certain areas; therefore, programs that support community building could potentially find feasible solutions (Chaskin & Peters, 1997, p. 5; Gittell, Newman, & Pierre-Louis, 2001; McFarlane, 2000/01). The pilot program, in one decade leveraged Ford Foundation's initial investment ten times, largely through federal grants and other contributions. The cities covered with this program used a newly created non-profit organization to coordinate across organizations. During this period, the program established "programs for pre-school education, recreation, youth employment, and community used of schools" in each city (Mossberger, 2009, p. 4). While the studies exploring the Gray Areas project have not reported radical changes that opened better opportunities for the poor youth, they have reported other accomplishments, which included the following: "the importance of leadership in the neighborhoods, the need to evaluate and learn from separate components of the program, and the need to avoid overregulation of grantees" (Mossberger, 2009, p. 5). Another important purpose that was fulfilled with the Ford's Gray Areas program was that this program raised the awareness about poverty as a persisting problem of the society. Moreover, the Gray Areas emphasized the opportunity to address poverty by using new approaches (Frieden & Kaplan, 1975, p. 29).

The War on Poverty (Community Action and Model Cities)

While Ford's 'Gray Areas' were a result of a private initiative, they inspired President Lyndon Johnson's Great Society projects that specifically targeted ghetto communities and people living in extreme poverty. The policies under the War on Poverty umbrella signified a paradigm shift in the way poverty was perceived by the society and how the federal government addressed the problem of poverty. In the early years of President Johnson's term, several critical laws were passed that changed the political and the economic landscape for the decades to come: the Civil Rights Act of

1964, the Economic Opportunity Act of 1964, the Food Stamp Act of 1964, the Voting Rights Act of 1966, along with notable amendments of the Social Security act that created Medicare and Medicaid; and then other bills emerged that created the U.S. Department of Housing and Urban Development, the U.S. Department of Transportation, and so on. Most of these laws, while amended, are still in effect five decades later. The policies that were enacted in response to the severe criticism of the "bulldozer approach" to urban development came to be known as a second generation of neighborhood initiatives which were frequently described as "comprehensive" approaches that targeted more than one social problem (Carmon, 1999).

The stream of economic reforms that followed in the next period was related to the adoption of the Economic Opportunity Act in August 1964. This law "poured $947 million into job training, youth employment, adult education, rural economic development, services for migrant farm workers, legal services", and also created a new federal Office of Economic Opportunity to coordinate these and the rest of the new programs that emerged during this period (Orleck & Hazirjian, 2011, p. 10). The Economic Opportunity Act gave power to the federal government to address the problems of poverty, unemployment, lack of opportunities, and exclusion. The Community Action program was one of the key provisions of this law and one of the central policies introduced with the Great Society programs. The Community Action mandated "maximum feasible participation of the poor", which, as McFarlane (2000/01) points out, was used by many citizens and communities to "speak out on a broad range of issues, including unpopular renewal projects and poor city services" (p 873). The coordination among the various organizations and levels of government involved in the implementation of this program was done by newly established Community Action agencies which were financed by the federal government.

At the beginning, the Community Action programs had some impact, in particular with regard to involving poor women of color, on community politics. The main goal of the Community Action program was to bridge social services and job training to “housing and physical community development activity”, which in turn was expected to improve the infrastructure of the inner-city (including ‘ghetto’ neighborhoods) and to “demonstrate that urban development could also be inclusive to the poor” (McFarlane, 2000/01, p. 875). The high infant death rates among this category of women clearly indicated malnutrition and lacks of accesses to adequate health care. One of the successful programs launched at that time was the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), “which offered improved health care and nutrition for poor babies and mothers across the country” (Orleck & Hazirjian, 2011, p. 12). Women, especially poor women, with the help of this and similar programs were able to take another role beyond the one in the family. Some of them used these programs to promote the role of the women in the political sphere. However, one of the common problems associated with broader participation in these projects was lack of representation in community boards and lack of representation of traditionally excluded groups. The major criticism came from the city mayors who perceived the rises of powers of the community organizations outside of the control of the local governments. As early as in the beginning of 1965, President Johnson received a letter from the mayor of Baltimore, expressing “anger about the Community Action Program” (McFarlane, 2000/01, p. 875). This letter was not an isolated case of frustration. There was an even bigger antagonism expressed among the segregated Latino and African-American minority groups who literally had fights over winning federal money. Facing opposition from within and outside of his political party, President Johnson stepped back in the proclamation of Community Action program by giving power to the city governments to decide which organizations would receive a slice from the federal pie.

The War on Poverty Era early in the implementation phase was criticized for fostering a big (fat) government and extensive social-welfare programs. Decades later, the discussion about the extent to which the federal government should participate in the urban redevelopment by providing support for the social component remains blurred. Nearly three decades after President Reagan identified the government as “the biggest problem of the society”, the mindsets of the politicians and the citizens once again switched to a more reluctant acceptance of programs intended to provide a safety-net for the poor. As Orleck & Hazirjian, (2011) put it,

> Poverty and the poor remain with us. But so does the federal social safety net that limits how far this country’s poor can fall. Federal poverty programs initially passed between 1964 and 1980—nutrition aid; medical care for seniors, children, and the poor; housing, social service, and educational assistance—have become so enshrined in our political culture that is nearly impossible to kill them. Yet … America’s simmering hostility toward Great Society programs in general and the War on Poverty in particular continue to animate U.S. political discourse (p. 8).

The Community Action program was replaced by the Model Cities initiative, which was the first major project designed and implemented by the newly established U.S. Department of Housing and Urban Development (HUD). The focus of this program was to revitalize the inner city in a selected number of cities through federal grants. Cities and states that took the role of leaders in community development programs needed to demonstrate the need, the strategy, and the capacity to carry out the vision of the program. “In contrast to Community Action's mandate of maximum feasible participation of the poor”, Model Cities discouraged the involvement of the neighborhood residents by assigning them advisory roles in the decision-making processes (McFarlane, 2000/01, p. 876).

Direct participation was greatly impeded by “channeling funding of development through state and local governmental agencies instead of directly to community groups” (McFarlane, 2000/01, p. 876). By 1969 President Nixon wanted to distance himself from the War on Poverty programs by declaring an end of the urban crisis and redefining the unsolved problems as problems of “law and order” (Halpern, 1995, p. 124). From the perspective of the neighborhood residents, the Model Cities failed to address almost any of their problems while at the same time employed a serious attempt to marginalize the role of the citizen in the decision-making processes and program implementation (Halpern, 1995; Mossberger, 2009). In the words of Frieden and Kaplan, who both were engaged at one point with the Model Cities, “Federal officials and local grantsmen alike were caught in the red tape of programs that seemed to be both underfunded and overregulated” (1975, p. 5). Another critique stated that the War on Poverty gave too much emphasis on the preparation of future employees for the job market, while it did very little, if anything for job creation (Katz, 2010, p. 18).

Community Economic Development and Early Decentralization and Devolution

President Johnson's successors in the next decade (Presidents Nixon, Ford, and Carter) wanted to distance themselves from The War on Poverty federal initiatives which concentrated excessive federal resources in entitlement programs. From Johnson's Great Society programs to the first Carter's administration, federal welfare expenditures grew almost 150 percent when measured in constant dollars. The results from the War on Poverty programs, although mostly negative (as reported by some research studies) have had positive implications. Katz (2010), making reference to previous findings, claimed that the main beneficiaries from the public employment programs during that period were the African American minorities, which contributed to the emergence of a "black middle class" (p. 18). Many of the programs during Johnson's era survived in one way or the other, but the major two initiatives that (literally) marked this period, the Community Action program and the Model Cities, failed to meet the expectations. The Model Cities were not completely abandoned during President Nixon's term although significant efforts were done to reduce their financial resources (Frieden & Kaplan, 1975; Orleck & Hazirijan, 2011).

The recession in the 1970s changed the federal government's approach to urban and community economic development fundamentally. The new federalism started to pave its way to devolution and decentralization by giving more flexibility and authority to the states and localities to implement many programs, typically financed by federal grants. The devolution of government functions to lower level of governments that are closer to the people has been important since the time of Thomas Jefferson. The idea that a decentralized service is best delivered to the citizen has survived during the ninetieth and twentieth century (Kantor, 2010, p. 5) and was revisited during the 1970s and even more aggressively during the 1980s. Some of the major federal government programs and initiatives during the 1970s include the Community Development Block Grant (CDBG) program together with the Section 108 Loan Guarantee program, the Economic Development Initiative (EDI) and the Brownfields Economic Development Initiative (BEDI) (1974); the EDA Revolving Loan Fund (1974); the Urban Development Action Grant (UDAG) program (1977–1986); Rehabilitation Tax Credits (RTC) (1977–); the Community Reinvestment Act (CRA) (1977)." (Abravanel, Pindus, & Theodos, 2010, p. 3). Most notable of these federal initiatives and programs was the Community Development Block Grant (CDBG), which is still an active driver for the revitalization of the poor neighborhoods.

President Nixon and later Carter, when compared to Johnson's Great Society, had very few programs that addressed the problems of cities. The main programs that marked Nixon's presidency included the enactment of the general revenue sharing and four special revenue sharing programs (categorical block grants), which were later introduced as community development block grants (CDBG): "manpower training, urban and community development, elementary and secondary education, and law enforcement assistance" (Barnes, 2005, p. 580). Although Nixon's approach was markedly different from President Johnson's, these programs "reflected new directions and increased funding overall for urban policy" (Barnes, 2005, p. 580). Nixon began shifting the control over the programs towards the states and localities. This went along with establishing procedures that transferred the federal monies directly to the City Halls, rather than going through various authorities before reaching the final destination. It became obvious that

Nixon's policy closely reflected the principles and the assumptions associated with the liberal economics such as "market-orientation, decentralization, and preference for people-oriented strategies" (Silver, 2010, p. 2).

President Jimmy Carter formed the Urban and Regional Policy Group (URPG) only few days upon taking office (Kingsley & Fortuny, 2010; Silver, 2010). He reauthorized the CDBGs, introduced the Urban Development Action Grants (UDAGs), and expanded the Economic Development Administration. In a 1982 HUD Report, the UDAG is defined as a "program assisting distressed cities and urban counties in promoting economic development. Unlike CDBGs, which had a formula based allocation of resources, the UDAG stimulated economic development through allocation of resources based on an application review process. Additionally, the ability to provide private sector investments as leverage was a factor in the decision-making." (Abravanel et al., 2010, p. 28).

The Community Development Block Grants have become another vehicle for stimulating economic development in distressed communities. The intention of this grant was to provide conditions for the community to decide how the money will be spent (Nathan & Dommel, 1978). In reality, the CDBG incorporated a formula based allocation and control mechanisms that enabled central government monitoring. The formula included three variables that measured the needs of the community for funding: population, overcrowding, and poverty, with the later receiving the largest weight (Abravanel, Pindus, &Theodos, 2010, p. 28). During the 1970s the formula was changed to provide more resources to the older industrial cities (Barnes, 2005, p. 576). The CDBG also required a public participation, which, according to Wang and Van Loo (1998), was relatively low because of the design of the program. Namely, the residents were given "little advance notice and most applications were already well developed, such as the residents had little say in influencing proposed projects." (Abravanel et al., p. 61).

Overall, the results reported by the studies on the impact of CDBGs are mixed. Some studies informed that the CDBG in certain localities are effective in cases when public investment exceed certain threshold (Galster et. al. 2006). Similarly, another study that investigated how CDBG funds influenced indicators of community performance found a relationship between CDBG spending and neighborhood improvement (Walker et. al., 2002, p. iii). This study, however, did not control the presence or absence of other public funding programs including earlier CDBG projects. The CDBG is still an active program, one of the few that have survived the Reagan Era of fiscal cuts and devolution of the federal government functions.

Carter also issued executive orders that mandated community impact analyses of all federal programs for urban development, along with coordination of so called nonurban programs. President Carter, criticizing Nixon and Ford for retracting from the federal government's responsibility to the United States' cities, in March 1978, announced his "new partnership to conserve America's communities" (Barnes, 2005, p. 576). Overall, Carter's programs were a mixture of people- and place-oriented initiatives. The executive orders and legislation from his administration focused on job creation and economic development along with an overwhelming emphasis on partnerships among the three levels of government and the non-governmental sector (Barnes, 2005, p. 577). President Carter's concept in addressing urban problems went beyond the establishment of formal national urban programs. Carter's administration also was concerned with the "coordination of programs, impact analyses, and targeting procurement and facility siting" (Barnes, 2005, p. 577). In the words of Silver (2010, p. 54), "the urban consequences of essentially nonurban policies will continue to overweight those of narrow and explicitly urban policies."

President Carter's direct and indirect strategies together with the earlier initiatives from the 1970s fostered decentralization and devolution processes, supported urban economic development from within rather than from a hierarchically mandated program. The idea that strengthening of community capacity is a prerequisite for urban economic development could be traced back to the ninetieth century. This idea has been revived during the 1970s in the form of place-based strategies based on the premises that community building and community economic development could rely on the local human capital and the innovative processes originating from the grassroots. According to Shragge (2006, p. 6), "innovations and new practices were put in place-based on the principle that small, local, decentralized approaches were both possible and necessary in the new context. Furthermore, this new localism created possibilities for participatory democracy and citizen control of development."

The community economic development paradigm embraced the notion of community residents' empowerment and self-reliance (Anglin, 2011; Halpern, 1995; Mossberger 2009; Shragge, 2006, 1997). Community economic development, according to Toye & Chaland (2006), represents a subsection of community development. The core of community development lies in the process of strengthening the capacity of the community to confront and address its own problems and challenges (Toye & Chaland, 2006, p. 22). Although there is no consensus about the elements of community economic development, two dimensions are common to most of the studies: a) creation of wealth and employment in the community, and b) empowerment of local communities as an end in itself (p. 25).

The underdeveloped communities typically face a problem with limited or no access to financial resources for investments. Therefore, the establishments of financial institutions that support the financing of community projects become critical for the success of the program. Community Economic Development Institutions (CEDIs) emerged in the processes that fostered community building and community economic development (Anglin, 2011, pp. 3-11). The Community Reinvestment Act of 1977 (CRA), "instructs federal regulators to use banks' loans making records in their local communities as a criterion in evaluating applications for mergers, acquisitions, or new branches" (Katz, 2010, p. 17). The ultimate goal, according to Katz, is to bring capital into the neighborhoods. Without the investment multiplier taken into consideration, it has been estimated that CRA had put between $4 billion and $6 billion in credits into low-income communities. CRA has become a significant financial source for the Community Development Corporations (CDCs), the most dominant community-based financial intermediary (Katz, 2010). According to the Federal Reserve Committee Chair, Ben Bernanke, the CRA could be interpreted as an effort to rectify market failures by providing information and expertise for giving loans into poor neighborhoods. The CDCs, which were formed in the 1960s, gained popularity in particular with regard to providing resources for affordable housing. However, as the need for professionalization of the financial and consulting service increased, so did the need to revise the kinds of projects that were regularly approved for financing. They have been criticized for avoiding the poorest communities. Kingsley and Fortuni (2010, p.2) estimated that only about 23 percent of all CDCs locations have the status of severely distressed. Almost two decades ago Halpern claimed that CDCs have lost their initial purpose because they were less likely to operate in severely distressed areas (1995, p. 147). Stoecker (1997) also emphasized the need for hiring various experts in multiple fields such as finance, insurance, real estate, and architecture that sharply contradicted the ideological stance of community development (p. 5).

Reaganomics and Beyond: Implications for the Urban Economic Development

President Reagan in his first term inherited the huge problems associated with stagflation, i.e., a high inflation rate accompanied with an economic decline. Reagan at the time located the problems within the government, implying that the federal government was big and ineffective. Although his predecessors have also taken steps toward devolution and decentralization, it was during Reagan's era when most of the changes in this direction were introduced. The economics during Reagan's presidency is known as Reaganomics, a term that is used almost as a synonym of neoliberalism and a tendency for government reductionism.

The Reagan administration proposed a Program for Economic Recovery, which was expected to bring stable growth of the economy by application of four sets of programs: 1) reduction of the share of the federal government in the national income, 2) individual and corporate tax cuts, 3) business favorable regulation (deregulation) policy, and 4) a significant reduction of domestic spending in favor of an increased military spending (Glickman, 1984). In reality, most social programs suffered from being either completely eliminated or significantly reduced. Most of the programs for the poorest and most vulnerable population groups were delegated to the states with little or no money attached to them. “Place-based payments and spending that provided infrastructural investments, fiscal assistance, and social services were gutted or transferred into less expensive programs” (Sapotichne, 2010, p. 3).

President Reagan advocated a neoliberal approach that favored various tax incentives for the private sector. The assumption behind these programs was conveying the anti-government sentiment. Under this assumption, the federal government spending was wasteful; therefore, the role of the government should be minimized, and the market should be left alone to activate its invisible hand into the economy. The private companies, taking advantage of the federal market-based incentives, would invest in the deprived communities and therefore would provide employment. The imperative was obviously the introductions of federal policies and programs that foster private sector initiatives and therefore, lay down the foundation for long term urban economic development. One such initiative in particular was the Enterprise Zones. While this initiative was not accepted at federal level, the Enterprise Zones, according to Turner and Cassell (2007), have become “one of the most important policy innovations” on state level (p.87). Introduced first in Connecticut in 1982, this program quickly spread out across the Unites States. By 2008, as many as 40 states had introduced programs that mirrored the Enterprise Zones. The Enterprise Zones offer various types of tax incentives, such as property tax credits, training credits, jobs credits, or sales tax credits, which are intended to attract businesses at a particular location (Peters & Fisher, 2003). Despite the differences across states, according to Ham et. al. (2011), two common themes persist: 1) the designation of the Enterprise Zones is conditioned with particular economic conditions, and is typically reserved for the very poor communities, and 2) job creation is either an explicit or an implicit requirement attached to the designation.

The specific characteristic of the Enterprise Zones is its spatial dimension. It targeted economically distressed areas by "providing significant economic incentives to attract firms, incentives not available to localities elsewhere in the state" (Turner & Cassell, 2007, p.100). The literature that investigates the impact of the Enterprise Zones, however, presented mixed results. It implies that there is no conclusive evidence to support the economists' claim that various tax incentives of the Enterprise Zones had real effect on achieving relocation of businesses into the designated zones. As Peters and Fisher (2002) suggested, "most Enterprise Zone incentives are too small to materially affect the investment and location behavior of a firm" (p.122). Other studies found that the Enterprise Zones on average had the tendency to reduce wages and had only marginal impact on the employment rates (Bondonio & Greenbaum, 2006). Another pitfall of the Enterprise Zones relates to the unforeseen consequences triggered by the states' efforts to use Enterprise Zones as competitive mechanisms for attracting businesses from neighboring states. As Turner and Cassell (2007) noted, the instrument that once was used to attract businesses in impoverished areas, was now extensively used for the purpose of business attraction or business retention. The Enterprise Zones and the market-based incentives did not foster community involvement and citizen participation.

The research and evaluation of the Enterprise Zones, which is traditionally conducted by using various econometric models, have encountered numerous challenges (Neumark & Kolko, 2010; Freedman, 2012; Ham et. al., 2011). An important limitation associated with the studies of the Enterprise Zones is the choice of geographic location of the zone. The locations of most state Enterprise Zones across the U.S. do not comply with geographic designations such as census tracts or zip codes for which census data are collected and/or compiled. Most studies are then forced to use approximations in order to assess the impact of the designated state Enterprise Community. The approximations, depending on how much they differ from the actual area, are related to measurement errors.

Another limitation is the selection of legitimate control groups. Ideally, the control group should have same or similar socio-economic parameters as the treatment group, except for the state Enterprise Zone designation. In addition, these models should account for unobservable variables such as growth that comes as a result of the overall trends in the economy rather than as an impact credited to the Enterprise Zones designation. As Neumark and Kolko (2010) explained, many recent studies have done efforts to account for these problems although it is very difficult to eliminate all concerns.

A third significant limitation that accompanies the studies of state Enterprise Zones is the "problem" of multiple program designations. Poor communities are frequently targeted by many government and non-government programs that potentially could have impact on the community. Another major challenge for assessment of the Enterprise Zones is associated with the choices of dependent and policy variables and adequate measurement instruments. Put differently, while employment is an essential goal for the state enterprise program, accounting for the unemployment rates on a state level without considering employment in particular locations could produce incorrect results (Neumark & Kolko, 2010, p. 2).

The state Enterprise Zones in the course of the past three decades have provided many lessons that should have been better addressed when the EZ/EC program would be designed in 1992. One important message that should have been addressed is that the evaluation plans should be included early in the process (Thomas, 1995). For this author, zone evaluations are difficult for three reasons: the long-term nature of these initiatives, the different quality of available data, and the difficulty of analyzing political and institutional factors.

Federal Urban Initiatives during Clinton Presidency

The trend of reducing the federal aid to support many programs, among which, those for urban economic development continued to the President Clinton's two terms. The Federal funds reserved for municipal governments marked a historic decline from about 17 percent of all municipal revenues in 1978 to well under 5 percent during Clinton Presidency. The amounts of state funds during the two decades from 1977 and 1997 remained relatively steady (Barnes, 2005).

The period of Clinton Presidency is marked with major changes in the ideology influenced by the New Public Management, which, among other things, advocated a small and efficient government. The Reinventing Government philosophy became the underlying paradigm behind the many programs that were either introduced or advanced during the 1990s. Giving voice to the communities and the stakeholders of all public policies was another dimension that flourished during Clinton's administration. If community empowerment was considered to be a mechanism for cooptation in the 1970s, most notably because of the level of financial support that was provided by the federal government and through the local governments, and this perception was somewhat changed during the 1990s (Stoecker, 1997).

President Clinton's administration comprehended the opportunity to revitalize the communities which were severely hit by the fiscal crisis during the 1980s. In the words of Stegman (1995), "the administration has already begun to replace failed urban policies of the past with policies that strengthen communities," (p. 1602). Clinton had two main goals, one of which was building stronger communities, and the other goal was fostering democratic participation to "produce" residents who would be responsible to achieve their own potentials. Instead of promoting welfare programs, the Clinton administration favored programs that:

1) linked families to work by bringing together "tax, welfare, education, job training, transportation, and housing initiatives that help families make the difficult transition to self-sufficiency and independence" (HUD, 1995, p. 3);

2) leveraged private investment through: place-based initiatives that restore the access to financial capital and the investment by the private sector; initiatives that facilitate neighborhood rebuilding by expanding homeownership among poor population groups and coordinated initiatives for attacking crime and violence (HUD, 1995, p 31);

3) were locally driven, thus allowing for entrepreneurial initiatives and innovations. In other words the solutions for the problems confronting metropolitan areas and poor communities will derive from the communities and will not be hierarchically enforced; and,

4) fostered traditional values of hard work and self-reliance.

One of the main changes introduced by President Clinton was an increased enforcement of the federal Community Reinvestment Act of 1977. Although adopted for more than 15 years, this Act was not completely implemented before the early 1990s (Abravanel et al., 2010; Anglin, 2011; Benjamin, et al., 2004). The major contribution from the implementation of the CRA law was the revision of the law in 1995 that enabled activities “more on their actual landing and investment performance in low-income communities than on their marketing and outreach efforts in these areas” (Benjamin et al., 2004, p. 178). In addition to these changes, the Community Financial Institution Fund (CDFI) was established in 1994. The fund was intended to increase the availability of affordable funds to underdeveloped, low-income communities. The provision of low interest rates loans was institutionalized by requirements for certifications of organizations (Community Development Financial Institutions-CDFIs), which had to meet set of criteria to receive funds through banks and/or other legal financial institutions (Abravanel, 2010; Anglin, 2011). The CDFIs are relatively small financial institutions that “make loans and equity investments, collect deposits, and offer various checking and savings accounts” which have only direct impact on the urban economic development (Benjamin et al., 2004, p. 178).

In the first decade of operation, from 1995 to 2004, over $400 million in direct funding was approved and disseminated to over 250 CDFIs, which in turn facilitated over a $1 billion in CDFIs investments from banks and other organizations. Shortly before President Clinton left office, he signed the Community Renewal Tax Relief Act of 2000, which introduced a new Program financed by the Community Development Financial Institution Fund, administered by the U.S. Department of Treasury. The New Program was called a New Market Tax Credit (NMTC), which allows taxpayers to receive tax incentives if they make equity investments into particular Community Development Entities (CDEs). CDEs then use at least 85 percent of the funds to make business investments in low income communities. The principal goal of this place-based program was to increase employment and to promote economic development (Anglin, 2011, pp. 71-72).

In the previous decade, the U.S. Housing and Urban Development Department suffered serious drawbacks and loss in influence by the reduction of the number and the magnitude of the programs. As Stegman (1995, p. 1603) put it, at the time Clinton was taking the office, the administration "at HUD inherited an agency that was as troubled as the communities it was intended to revitalize." During Clinton, HUD's role was restored and many programs for urban development, and especially related to affordable housing were supported. With the goal to provide better access to affordable housing, President Clinton's administration introduced several initiatives under HUD. Among them are the following four initiatives:

1) HOPE VI, created by the U.S. Congress in the 1993 with the main goal to revitalize distressed public housing.

2) The Homeownership Zones (HOZ), created by HUD in 1996, with the objective of revitalizing blighted neighborhoods through construction of entire neighborhoods of new single-family homes.

3) The Community Outreach Partnership Center Program (COPC), established in 1994 by HUD to "engage colleges and universities in community development" (p. 15).

4) The Empowerment Zones/ Enterprise Communities/ Renewal Communities (EZ/EC/RC), initially established by Congress in 1993, with the objective to comprehensively revitalize disadvantaged urban and rural communities.

While some of these initiatives such as HOPE VI and HOZ specifically targeted poor population (people-based) with the goal to provide affordable housing to lower-income groups, the EZs/ECs initiative, as will be described in chapter four, was widely accepted as a comprehensive initiative that had multiple objectives that ranged from business attraction and reduction of the unemployment rate to community empowerment.

Current Federal Urban Initiatives

In the years after President Clinton, some initiatives were reduced in funds, while others (typically smaller) were introduced. The federal government removed most urban problems from the Washington policy making agenda. While the urban policy has not been the pinnacle of the national priorities for many past presidents, the economic crisis, the two wars, and the health care reforms that took over the agenda of President Obama certainly made it even harder to establish a national urban agenda (Silver, 2010). Kingsley and Fortuny (2010), observing Obama's urban policies, concluded that Obama has a "stealth urban policy", which indicates an indirect approach to urban development. However, the conditions in the cities have worsened, especially since the last economic crisis that escalated in September 2007, which was partially a result from the reduction of state funds. The fiscal crisis had a real impact on many programs and projects that the cities were planning to implement.

Obama, aware of the urban and metropolitan problems that were exacerbated by the fiscal crisis, raised the urgency for addressing them by the establishment of the White

House Office of Urban Affairs (Lawrence, Stoker, & Wolman, 2010). Although President Obama did not have an explicit “national urban policy”, the stimulus package and the 2010 budget outlays certainly had urban impacts because, by nature, the package incorporates investments in particular places. Obama, according to Kantor (2010, p. 8), is “unlikely to significantly challenge the traditional urban model,” which relies on competition and government incentives. The localism and competition that reflect the “American” model, as Kantor observed, is unlikely to be abandoned, but is expected to co-exist with programs that are likely to assist urban and metropolitan areas. Kantor argues that the pressure of the fiscal and economic crisis in conjunction with the “rebirth of a powerful new Democratic majority” has contributed to a paradigmatic shift to an expanded government role and restoration of marginalized social programs. In the words of Kantor (2010, p. 3), “beginning with the waning days of the Bush administration, big government is back.”

The American Recovery and Reinvestment Act of 2009 will certainly be remembered as one of the largest economic recovery plans in the U.S. history. Including a mixture of various tax expenditures, renewable energy projects, projects for building infrastructure and supporting safety net spending, “the stimulus” exceeds all known federal government packages, including: the Works Progress Administration during the Great Depression, the Marshall Plan to rebuild Europe after the World War II, and others. When “various extensions…[are] taken into account, the recovery program cost well-over a trillion dollars” (Grabell, 2012, p. ix). Obama’s stimulus package has indirect urban results, primarily through the employment opportunities in public works and building an infrastructure, from yards to much more (Grabell, 2012, p. ix). The implications from this plan are yet to be explored. As Grabell points out, seventy-five years later, the outcomes from this plan will still be debated.

President Obama in his second term faced another severe problem which was popularly named as the 'fiscal cliff'. This problem of the immense budget deficit and the changes that were going to take effect by the beginning of the fiscal year 2013 triggered many actions and by-partisan negotiations that involved the President and the two houses in the Congress. The problem was addressed with the adoption of the American Taxpayer Relief Act of 2012, which gave extension to the tax credits of many expired programs, among which, is the tax credits for the Empowerment Zones. The Empowerment Zones once again were extended on the premise that the tax incentives attached to the program give positive results and contribute to the improvement of the economic conditions.

Chapter 3

THEORETICAL FRAMES AND MODELS

The review of the major federal initiatives presented in the previous chapter has shown that urban economic development, albeit not always expressed as an explicit National (Federal) Urban Policy, has been an important aspect of many U.S. Federal government programs and strategies. While urban economic development has been recognized as important at many levels, the definitions on what exactly constitutes urban economic development are not always consistent. Regarding the question of what constitutes economic development, Bartik (1994) offers a very broad definition, according to which the economic development encompassed “the process by which wealth is created in a nation, state, or local economy” (p.1). This general definition, as the author admits, implies that economic development could be affected by “anything [that] government does” (1994, p.1). Even the narrow version of this definition, which looks at the government-sponsored development programs, does not provide a list of the kinds of goals the economic development would serve (Bartik, 1994, p.1). The students of urban economic development emphasize that attracting and retaining businesses, providing employment for the local residents, increasing the levels of income, and generating local government revenues are among the usual suspects related to urban economic development (Malpezzi, 2003). It is conventionally accepted that the results from most economic development initiatives could be assessed by measuring important socio-economic indicators such as the employment/ unemployment rates, per capita Gross Domestic Product, poverty rates, high school graduates/ dropouts, crime rates, number of new businesses established in a particular locality, and so on (Bartik 1991, 1994, 2010).

One important characteristic in the study of the urban economic development is the multidisciplinary approach of the subject that incorporates assumptions and topics from disciplines such as economics, democratic theory, organizational theory, community studies, among others. Acknowledging the fact that it is virtually impossible to incorporate every element that describes the processes, the outcomes, and the problems associated with the development of economically deprived communities, this study makes an eclectic choice of theories and assumptions associated with them that fit best the needs of the program under consideration, i.e., the Empowerment Zones. The extensive search and revision of various literatures resulted in the choice of two sets of theoretical constructs to economic development in deprived communities, which provide the rationale for the assessment of the results from the round three Empowerment Zones designated communities: theories that are concerned with the local economic development (LED) approaches, on the one hand, and theories that advance the community economic development (CED) approaches, on the other. With regard to the former, the LED approaches, a special emphasis is given to the tax incentives literature. With regard to the later, the CED approaches, the accent goes to the community empowerment literature. They provide the theoretical lenses through which the evidence from Tucson EZ was collected, analyzed and presented. The underlying assumptions behind the CED and LED theories provide the foundation of the empirical models used in this study, which incorporate elements of so called *theory-based models* (theories of change) and *logical models*. The use of the elements from these theoretical models is limited to a degree that helps this study in the mission to answer the question about the main achievements and problems of the Empowerment Zone in Tucson.

Local and community economic developments, according to Shragge & Toye (2006, p. 23), lie within the same spectrum of strategies that run from “liberal approaches at the one end to progressive at the other”, with a common goal to generate a sufficient level of economic activities for “community’s residents so that they can achieve and maintain an acceptable quality of life.” The intervention as an inducement for the economic activity is an important prerequisite for the economic development in both CED and LED approaches. The economic activity can increase or decline based on the general economic climate and the invisible hand of the market. The interventions, unlike these (market led) natural economic movements, have the goal to induce certain economic behaviors by the community and/or for the community (Shragge, 1997; Shragge & Toye, 2006).

The local economic and the community economic development literature streams emphasize different aspects of the urban economic development. The neoliberal LED scholars concentrate on market-based mechanisms and government interventions that translate into utilization of incentives to stimulate a desired economic behavior, especially on behalf of the private sector. Community economic development proponents give preference to the communities as targeted entities and the utilizations of their potentials. In the words of Anglin (2011), “The difference between what is now termed community economic development (CED) and traditional local economic development practice is the priority placed on community involvement in economic development partnerships between the private sector and government.” (p. xi). It is important to notice that both theory streams could converge in the point where employment and poverty reduction are considered both necessary and desirable. The next part of this study elaborates the theoretical propositions behind the urban development initiatives described in the previous part of this chapter. Special emphasis is given to the treatment of tax expenditures in the local economic development programs for at least two reasons. Firstly, most federal, state and local initiatives provide some types of tax incentives to foster business development; and, secondly, the third round of the Empowerment Zones lost its grant component and was running exclusively on tax incentives.

Local Economic Development: Neoliberalism and Market-Based Incentives

If we accept the claim that the LED and the CED approaches are two poles in the same urban economic development spectrum, then it is reasonable to assume that there are significant differences that separate them. Identifying the dimensions that define each approach could be the first step to better understand their leading philosophies. Local economic development (LED), according to Blakely & Bradshaw (2002, p. xvi),

> refers to the process in which local governments or community-based (neighborhood) organizations engage to stimulate or maintain business activity and/or employment. The principal goal of local economic development is to stimulate local employment opportunities in sectors that improve the community using existing human, natural, and institutional resources.

This definition clearly sets the local economic development in the neoliberal paradigm with a fairly straightforward goal to be achieved, which could simply be expressed as stimulating employment within a particular locality and/or industry. Similarly, Howard (2002) postulated that LED approaches derive from the idea that "depressed markets in specific geographic areas" could be revitalized by the improvement of the overall business climate, something that can be "accomplished by attracting existing businesses, creating new businesses, or helping local businesses grow" (p. 9). The business-led strategies most of the time make use of business incentives that have the goal to influence business allocation decisions.

Another important element for the LED strategies is intervention. Blackely and Bradshaw's definition also assumes an intervention on behalf of an institutionalized body, which could be found within or outside of the government (federal, state, local government and/or community-based organizations). Another definition provides further insights about the types of organizations that carry out programs for local economic development. According to Toye & Chaland (2006, pp. 23-4), seen from a perspective of a local economic development program, local economic development is generally implemented by a "local government or quasi-governmental agency or by a business consortium such as the local chambers of commerce." This type of program leans toward the liberal pole, rather than toward the progressive model. It assumes "less participation in governance by a broad range of community residents, thus reducing the spread of benefits and taking a less comprehensive strategy." (Toye & Chaland, 2006, p. 24). Tye and Chaland's definition entails the assumption that LED approaches will not be concerned with citizen and community participations, therefore reducing the scope of the program and shrinking the number of beneficiaries from the program.

LED strategies are the most frequently used sets of tools by local and state governments. More frequently than not, LED strategies have also been exercised by the federal government in the form of interventions and programs intended to support the revitalization of economically exhausted communities. According to Anglin (2011), government policies that aim to lure businesses by promoting government competition “constitute a negative-sum game” because the industries in the quest for better privileges decide to allocate in one place at the expense of another. In the words of Anglin “the fact that these policies are pervasive does not make them right or appropriate in all cases” (2011, p. xx).

In fact, when using LED strategies to carry out their business development agenda, all levels of governments experience at least some drawbacks due to the presence of factors that could potentially influence the results from these programs in many ways. The evidence from empirical studies done on programs that relied on market-based incentives report results ranging from positives effects through no significant impact to providing benefits to non-targeted groups (Abravanel et al., 2010; Bartik, 1992, 1993, 1994, 2010; Howard, 2002, Kantor, 2005; 2010).

Given the local character of the local economic development policies, it comes as no surprise that local politics will have at least some influence over the implementation of programs that carry fiscal implications for the locality. Over three decades ago, in his award-winning book, Peterson (1981) expressed concerns about the political and the economic interests that took over the local policy processes. When politics takes over, diversion of the beneficiaries from the population living in poverty to the local businesses is likely (even expected) to happen. The local economic development policies tend to favor developers and businesses who promise economic revitalization of the community, many times at the expenses of the people who already live there. In effect, although the impact may be seen in terms of actual changes in the level of economic activity, it may reflect a development of space, but not necessarily a development of the community and improvement of the lives of the residents who live there. The potential for racial and other forms of discrimination complement the problem of economic discrimination. Some authors have argued that market-based strategies (politically conservative, economically neoliberal) favor the white, middle-aged, middle class males over the rest of the population (Howard, 2002, Maier, Fitzgerald, & Randolf, 1993).

Kantor (2010) used the phrase “the American urban model” to denote the prevailing system of values and assumptions that dominate the local economic development practices in the United States. In Kantor’s view, the highly decentralized system and the dependence on cities’ own revenue sources have long constituted the basis for sustaining the logic of capitalism. Comparing the U.S. urban development system to the prevailing systems in most EU countries, Kantor found four pillars that persist in the United States. The first pillar, according to Kantor (2010), is the *devolutionary impulse*, or the deeply entrenched belief that people know how to solve their own problems. (p. 5). After World War II, with the suburbs receiving opportunities to consolidate into separate local governments “that could control over the land use and keep out unwanted people, industries and other ‘intrusions’, including people of color, public housing and the poor,” the problem of fragmented metropolitan areas appeared (p. 5). This political constellation gave impetus to the well-known drive for competition among local governments for lucrative businesses and entrepreneurs, or what is widely accepted as a “market-driven urban society”. As we have discussed earlier in Chapter Two, the early post-war policies strengthened the American suburbs at the expense of the already impoverished central city. In the last three decades of the twentieth century, the federal government has continuously been cutting the many programs that supported economic development at the local level. The federal aid for the cities declined from 17.5

percent of cities' own revenues in 1977 to about 5.4 percent in 2000 (Wallin, 2005). The level has remained steady in the last decade. Based on the US Office and Management data, Kantor reported that the federal outlays in 2008 to state and local governments "comprised almost the same proportion of federal outlays as in 1999" (p. 6).

Another characteristic of the American urban model, according to Kantor, is *intergovernmental competition*. The ability of the people to "vote with their feet" (Tiebout, 1956), allowed cities to compete among themselves in order to provide better conditions for their residents. The argument favoring intergovernmental competition is countered with the argument that competition among governments, especially competition among adjacent governments could potentially lead to greater government spending and taxation by providing more benefits to the companies to attract them. This fierce competition may lead to what became known as "race to the bottom" (Berry, Fording, & Hanson, 2003; Volden, 2005; Shipan & Volden, 2012). Cities, as Kantor emphasized "have little choice but to lean close to the market if they are to survive." (2010, p.6). The federal government through its policies reinforces market pressures even more.

Public entrepreneurship is another trait of the American Urban Model. The pressure of the market is somewhat tamed by the communities that are determined to "avoid letting market pressures alone determine their destiny" (Kantor, 2010, p.7). Local governments often adopt programs that control the influence from the market by imposing conditions that are attached with every type of government support (Kantor, 2005; 2010). They choose to be pro-active by subsidizing businesses in an effort to suppress the influence of the market in their favor. Local governments establish agencies that promote entrepreneurial spirit within them and often partner with private sector to promote local economic development goals.

A final characteristic of the American Urban Model, according to Kantor, is the *politics of winners and losers*. The political strength of the middle class who lives in the Sunbelt gives them the power to oppose policies that would even out the competition with older cities. Older cities are also unresponsive to government efforts to flatten the rivalry among cities in their moves to attract companies and industries. The big old cities such as New York City, Chicago, Boston, and Los Angeles have recently put energy into reviving their downtowns. The U.S. urban scene according to Kantor is more fragmented than ever and as Kantor put it “the dominant interest constellation in urban America spurs nearly all localities and states to seek their own assets to grow and become wealthier, rather than spending much political capital on team-playing in national politics” (p. 8).

The features of the American Urban Model described by Kantor and supported by many studies provide compelling arguments that the American politics at any governmental level is in favor of the market-based interventions that support businesses (Lawrence et al., 2010; O’Connor, 1999; Stoecker 1997). The goals of many developmental programs, including those supported by the federal government, lean toward an increased economic activity that is likely to raise the employment rates among the residents of economically deprived communities. The axiom behind this goal states that once economic activities take place within a particular location, the rest will be done by the invisible hand of the market. This is consistent with the market-spirited American culture. Therefore, it is expected from the federal government to introduce policy instruments that will foster private sector initiatives. Using incentives to invite businesses in certain locations that are typically not attractive is justified on the premise that the government is providing a remedy of a market failure by removing the non-market obstacles.

Government Tax Incentives as a Central Local Economic Development Strategy

> Study after study shows that fiscal incentives are a small part of the decision- making in plant or office relocation. Firms are probably going to establish a branch office or plant in a community without government incentives if that community is the first choice on criteria other than incentives (Anglin, 2011, p. xx).

Offering tax incentives to attract businesses in certain locations has been known since the colonial times. The colonial towns frequently offered various rewards to lure entrepreneurs and skilled craftsman in their town (Buss, 2001). During the early 1800s, the U.S. states started to use incentives by providing capital to private industry and by building infrastructure such as roads and rail roads. "By 1844, Pennsylvania had invested more than $100 million ... Intense rivalry … led to substantial investments in banks, railroads, bridges, and roads" (Buss, 2001, p. 91). When these practices took corruptive turn the legislature outlawed these practices (Watson, 1995). In the second half of the 1930s, Mississippi "pioneered tax-exempt bonds to attract industries" (Buss, 2001, p. 91). In the post-war period, tax incentives were widely used by the states and localities, and it was especially during severe recessions in the 1970s and 1980s when the states entered in bitter wars to attract businesses or industries by using various tax incentives (Buss, 2001).

Tax expenditures, as defined by Musell (2009), "have little to do with either tax collections or government expenditures. In fact, they are taxes governments do not collect", (p. 56). They could be applied to any type of tax liability: property, income, sales, and others. Tax incentives could be offered by any government level, including local, state, and federal. On federal level, tax expenditures were defined in the Congressional Budget Act of 1974 as "provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability" (Toder, 2011, para 3).

Some of the critical questions asked by the scholars who are studying tax incentives referred to the effectiveness of these types of business incentives. The causal relationship between business incentives (including tax incentives) and economic development, especially the development in spatially targeted poor communities, continues to produce heated debates. According to Peters and Fisher (2004, p. 27), the cost effectiveness of the business incentives, including tax instruments, is in the core of the controversy about the economic development initiatives. Studies that investigated federal, state and local programs based on business incentives (including tax incentives), have contradictory conclusions that range from positive to negative. The answer probably is to be found somewhere in between, with some programs producing more positive results while others failing to deliver any. The controversy with the tax incentives used as a form of business incentives becomes even more relevant because the exact cost of tax incentives used by local, state, and the federal government is not known. The estimates about how much has been spent are alarming. For example, Thomas (2000), estimated that the state and local expenditures on economic development (including tax incentives), were hovering around $50 billion in 1996. This estimate excluded federal incentives, but included other types of business incentives such as grants, loans, and loan guarantees.

A more recent study by *The New York Times's* team based on reviews of over 150,000 awards and interviews with more than 100 officials, found that "over the years, corporations have increasingly exploited the fear… to get the most lucrative packages" (Story, 2012, p. 2). According to the same study, nationwide, billions of dollars have been awarded as the recession took the heat. To illustrate the magnitude of the tax incentives, Story (2012) takes the auto industry as an example that has cashed nearly $14 billion in 1985. Since then, the top recipient, the Mich. G. M., according to the Center for Automotive Research was awarded $3.3 billion in aid. The same car producer in the last four decades has closed more than 267 plants across the U.S. (Story, 2012). Given these numbers, it is justified to call the use of business incentives a controversy.

In the next part of the study, a selection from these studies will be reviewed to extract their main assumptions and the main results. The studies on tax incentives related to the federal Empowerment Zones program will be reviewed in the next chapter.

Tax Incentives for Business Attraction: Assumptions

Three underlying assumptions could be identified behind the tax incentives policies. Each of them triggers the other "derivative" assumption. Firstly, it is assumed that tax incentives have a motivational impact over businesses, i.e., they are large enough to overweight other criteria in allocation decision-making. Businesses will be strongly attracted by the incentives; therefore, they will allocate resources in certain communities and/or in certain industries. Many scholars, however, have been skeptical as this assumption has been violated multiple times. Osborne (1990, pp. 255-56) clearly expresses his disagreement with this dominant condition:

> The truth is that tax levels are far less important than most of us assume, extremely high tax obviously will scare some investors, and extremely low taxes just as obviously inhibit government's ability to pay for quality schools, high ways, and the like. ..they concern the kind of taxes a government levies: Do they encourage investment or consumption?

The second assumption is the one that states that a more dynamic business activity will have a developmental influence. Put differently, the business attraction and business retention with more intensified business activity will reduce unemployment. Phillips and Goss (1995) said that while the results from the studies that tested this assumption empirically have been mixed, the reliability of the results have improved due to improvements in the econometric and statistical techniques for data collection and analysis (Brace, 1997; Blair &Kumar, 1997). The third underlying assumption, which justifies use of tax incentives, is the one that states that tax tax incentives on the long run increase tax revenues and reduce tax rates.

Tax incentives: Benefits, beneficiaries, and limitations

The proponents of government programs based on different business incentives, including tax incentives, use two major arguments to defend such policies. Firstly, they argue that incentives will lead to new investment "and thus new jobs, producing an increase in the local demand for goods and services, giving rise to further rounds of economic growth" (Peters & Fisher, 2004, 28). Additionally, it has been argued that businesses and new employment would increase tax revenues for the locality and/or for the state. In turn, that would contribute to the reduction of the tax rates for the broader population. Thus, the beneficiaries from policies and programs of tax incentives, according to this philosophy, include the local governments who collect the revenues; the businesses that enjoy the tax privileges; and the people for whom the jobs are intended. Additionally, the assumption that new businesses will bring development further extends the benefits almost automatically to the broader community.

Many empirical studies have not found conclusive evidence for the anticipated positive influence of the taxation policies on new investments and local economic development (Brace, 1997). Some studies argued that the impact of the tax incentives on the employment of poor people have been neutralized or even diverted by the newcomers in the places where the new businesses flourished. Consequently, the problem with the unemployment of community residents remained. In the words of Peters & Fisher, poor population would remain in miserable conditions and without full time or well-paid jobs. They assume mobility of the work force, which, according to Peters and Fisher, is “slow and sticky” (2004, p. 28). Brace (1997) claimed that although tax incentives could urge governments to spend more on welfare services and building of infrastructure, they may choose not to invest these funds for this particular purpose.

The critics also contended that even when an industry or a company decides to move to a certain location, this could easily be at the cost of the place that was left behind. Put differently, if one company relocates from one place to another, the newer community would be the winner, but the older community that loses the company would be disadvantaged (Blair & Kumar, 1997; Shaffer, 1997). Overall, the impact from the intrametropolitan competition among localities for “winning” companies could result in “zero-sum game” (Peters & Fisher, 2004) because the size of the market is fixed (Blair & Kimar, 1997, p. 14; Brace, 1997).

The studies of tax incentives and business incentives in general have reported mixed results. Peters and Fisher (2004) analyzing the literature on tax incentives estimated that at the very best, about ten percent of the total growth in new jobs could be attributed to the tax incentives, although the amount of incentives may cover for 10 out of 10 new employees. They asserted that the attribution of new jobs creation solely from tax incentives is not known. "The upshot of all of this is that on this most basic question of all—whether incentives induce significant new investment or jobs—we simply do not know the answer" (Peters & Fisher, 2004, p. 32). With regard to the fiscal impact that incentives are believed to have, Peters and Fisher in a 2002 study found that each induced job costs the state and the local government approximately $42,000. Almost two decades ago, Brace (1997) warned us that the short term economic growth could come at the expense of the long-run economic development.

Assessing the results of government programs: Traditional models

The traditional methods used for assessment of the impact of government programs involve experimental or quasi-experimental designs. In the case of experimental design, the evaluation begins with the introduction of the intervention and ends with the ending of the intervention (Cook & Campbell, 1979).Typically, the evaluator collects data from the 'treated group' and the 'control group' that does not receive the intervention, and then these data are analyzed by using statistical methods or econometric models. The quasi-experimental design incorporates inclusion of comparison groups in order to determine the counterfactual. The evaluator begins the process of assessment by choosing a unit of analysis and then choosing a comparable unit to isolate the impact from the program. Typically, this analysis includes control variables such as demographic or socio-economic or macro-economic, which are suspected (theoretically) to have an influence on the policy implementation or policy outcome. The sample is not randomly chosen. These methods are used to find whether there is a statistically significant difference between the samples treated with the intervention (the program) and the comparable/control sample. Therefore, based on the values of the statistical tests, the evaluator rejects or fails to reject the null hypothesis.

The results that incorporate estimates of numbers and probabilities tend to be more persuasive than assessments that do not necessarily rely on statistical test and/or econometric models. However, isolating what would have happened in the absence of the program initiative can sometimes be tricky, especially in programs that are referred as comprehensive. Communities change due to other factors that could not easily be captured with the pre-post tests and comparison groups because they "may not represent well what the community would have looked like in the absence of the program" (Robinson & Hill, 1995, p. 128). While the numbers could be very informative for some aspects of the program, using multiple methods to analyze multiple sources of data becomes more acceptable. As the next part reveals, the other extreme in evaluating government programs incorporate using the community to assess the performance, which is a method that may or may not include numbers during the analysis. Using community in evaluating the performance of a federal program, potentially popular has also been criticized for the reasons described in the next part of this chapter.

Community Economic Development, Participation and Community Empowerment

Using tax incentives along with other types of local, state, or federal incentives to lure businesses to invest in less attractive communities and/or business has long been a dominating strategy for stimulating economic growth and development on local level (Anglin, 2011; Shragge & Toye, 2006). Some of the widely accepted justifications were summarized by Kemp (1995) almost two decades ago:

> The direct and indirect economic benefits of private development to a community may be substantial—especially for larger projects. The increased amount of taxes and user fees generated as well as the number of jobs created during these times of high unemployment and even higher underemployment, have served to strengthen the political philosophy of using economic development incentives as a tool to generate additional revenues and balance local budgets without having to resort to either increase taxation or undesirable service reduction (p.2).

The perceived benefits from government incentives, even when the incentives are provided by higher level of government such as the federal, promote partnerships between the municipal government and many business investors. The power of the market-based forces to remedy for the social problems and especially the problems of unemployment and poverty, according to Shragge and Toye (2006), has been emphasized in the design of many federal government strategies. Following the neoliberal ideology in politics and in the policy making processes, the welfare state in North America (the U.S. and Canada) has pushed the poor into labor market, even though it could have sometimes been for the worse of the individual or his/her family (Levy, 2006). The neoliberal inspired welfare policies, according to Shragge and Toye (2006), "act to put increased pressure on individuals to remedy their own situation." (p. 13).

Community economic development emerged as an alternative to the traditional economic development practices. It has its roots in the community development paradigm, but “focuses primarily on economic and material improvements in the lives of community members” (Loxley, 2007, p. 8). Although it has been used to contrast the neoliberal ideology of economic growth, community economic development, according to Loxley & Lamb (2006), still remains, “under-theorized in economic, political and sociological terms.” (p. 42). Defining community economic development is even more difficult than defining local economic development as it incorporates elements of “a community” which is somewhat ambiguous (Loxley, 2007; Anglin, 2011; Shragge & Toye, 2006). It could incorporate elements such as locality, social capital, network, empowerment, capacity, and so on, which are essential to accentuate the social aspect of the economic development in addition to the localism and community based economic activities.

Before describing the main assumptions and problems associated with community economic development, it is essential to clear the clouds around the terms community, community needs, and community economic development (Loxley, 2007). The term community is frequently used to denote either same locality or aspired fellowship and commonality of interests. The former refers to the livelihood of the people living in the same geographic area that incorporates “spatial, social, cultural, or psycho-cultural dimension” (Loxley, 2007, p. 10). Another problem defining community and community economic development has to do with the assumption of homogeneity (Loxley & Lamb, 2006). Community may incorporate different groups of people coming from varying degrees of wealth and power and with different sets of needs. Therefore, it is unclear what would be the goal of the community economic development if the main definition says that the goal of the community economic development is to “help meet the needs of the community" (Loxley, 2007, p. 12). It assumes homogenous needs. Power relations between community members and 'outsides', including the federal, the state, or the local government experts, are important to be considered, especially from aspect of an outside power authority of the government agencies. Power relations are differentiated on multiple bases, including gender, race, kinship, and other bases, and should be considered not only from an outsider perspective, but from an inside perspective, i.e., in terms of the relations among the members of community. As Ghorayshi et al. (2007) put it, "CED is not only about addressing poverty alleviation and providing services to marginalized groups, it is about promoting an alternative way of operating economically, socially, and politically" (p. 51).

Community economic development seen through the lenses of these elements represents an important people and place revitalization tool (Anglin, 2011). Conceptually, it relies on community assets and abilities to "make collective decisions (social capital), stock development experience, and access to external assets that can augment their own time." (Anglin, 2011, p. 1).

There are many theories for community economic development that accentuate different elements and rely on slightly different or even significantly different assumptions. And, yet, community and community economic development have been idealized under the assumption that "local development is universally better than what is regarded non-local" (Ghorayshi, et al., 2007, p. 42). Loxley and Lamb classify the CED theories into two extreme traditions and all others are fitted within the range of these two extremes.

> The first, associated with a more radical, communal tradition, sees CED as an alternative form of social organization to capitalism. The second has a more limited vision, seeing CED as a desirable and workable approach to dealing with particular problems facing communities, such as 'unemployment, poverty, job loss, environmental degradation and loss of community control'. (2006, p. 43)

The theories in between these two extremes deal with economies of scale, limited resources, and government interventions for development of the economically degraded communities. Some of the common assumptions behind these theories will be described in the next few paragraphs.

One very important assumption of CED strategies is *self-sufficiency* (Lamb, 2007; Loxley & Lamb, 2006; Anglin, 2011; Shragge, 1997; Shragge & Toye, 2006). One way to achieve self-sufficiency is through creation of Community Economic Development Institutions [CEDI] (Howard, 2002) such as Community Development Corporations (CDCs), Community Development Intermediaries, Community Development Financial Institutions, and Community Colleges as catalysts for financing community economic development initiatives (Anglin, 2011). The goals of CEDs are not very different from the goals of the local economic development—improvement of the well-being of community residents; however, they are significantly different in the methods and the underlying assumptions. The legal framework that allowed establishment of CDCs in the U.S. to finance community development projects is founded in the 1960s. But during the 1970s, it gained significance as the number of newly formed CDCs flourishes. During that period, the role of CDCs for affordable housing became increasingly important. Recent studies express caveats for the role of CDCs, as some authors find that CDCs are likely to support projects that do not necessarily comply with the conditionality of helping poor communities.

Formation of *partnerships* with businesses and non-profit organizations is another assumption associated with CED. Local government, neighborhood organizations, businesses, and chambers of commerce should all come together to improve the economy of the community. Small businesses are essential for sustainable growth; therefore, the governments need to tailor their initiatives to stimulate economic activities in favor of small businesses.

Another central assumption behind the CED strategies is related to *community participation and empowerment*. This requires development of institutions, spaces, and methods that will best fit the needs of the community to deliver meaningful participation. Transformation of the community is possible only if the residents of the community are involved in the business that impacts their lives. The Empowerment Zones, along with many other incentives-based federal initiatives incorporates this condition for inclusion of the community in the application process. Communities in order to have meaningful impact need to be included in every stage of the intervention from the time of setting up priorities to the time of evaluating whether the initiative was successful.

A Special Case of Participation and Community Empowerment: Community Involvement in Measuring and Evaluating Performance

After the World War II, one of the most important goals of economic development on local level has been producing "vibrant communities" and revitalizing economically distressed neighborhoods by addressing the needs of the residents. Since the early 1960s, the U.S. Federal Government has recognized that empowerment of the people who live in economically deprived communities could potentially result in workable and sustainable solutions that could improve the lives of their citizens. Broad-based participation in urban development has also been rightfully criticized on numerous grounds, among which, the NIMBY (not in my back yard) principle, for example provides a legitimate rationale as to why participation sometimes could produce just the opposite results. McFarlane (2000-2001) also warned on the potential pitfalls associated with the practice of more direct forms of democracy. Participation in community/urban economic development assumes that people with different racial, educational, and socioeconomic background have to work together. Moreover, business and non-business representatives are requested to reconcile their opposing interests and views. "At a minimum, a participatory development process envisioned as collaborative, synergistic, and inclusive can also potentially mean delay, disruption, and perceptions of wasted time." (McFarlane, 2000-2001, p. 364)

Epstein, Coates, Wray, and Swain (2006) suggested that measuring and evaluating local government performance through indicators of results could potentially serve nobody if this information is not used to improve the quality of life in the community. They favored citizen involvement in the process of making decisions about what 'get(s) things done'. Community plans, as Epstein et al (2006) claimed, should deal with local problems and should address these problems at local level. Therefore, committing resources for advancing community capacity became a necessary condition. Epstein et al. (2006) proposed a model, called "The Advance Governance Practice" which included four "advance practices." The first advanced practice, according to the authors, represented the interception of two imagined circles: engaging citizens and getting things done. This phase is characterized by robust citizen engagement and a tendency of incorporating a significant citizen input in “what gets done”. This practice, as Epstein et al claimed, guarantees that citizens will have information about the results, but because results will not be systematically measured, there will be no systematic performance feedback.

The second advanced practice, “Organizations managing for results”, aligns the measurement of results with getting things done (interception of these two circles). This practice is more organization oriented and performance feedback goes to the organization. The role of the citizen is basically a stakeholder with very limited, if any, influence over the solution of the (community) problem. The second practice may appear effective in terms of achieving measurable results; however, the results do not necessarily address citizens’ problems and concerns because citizens typically do not participate in the establishment of the priorities. The third advanced practice is what the authors call “Citizens reaching for results”, which represents the interception of the ‘engaging citizens’ and ‘measuring the results’ circles. This practice, as Epstein et al suggest, puts citizens in almost all roles, including monitoring and evaluation. The downfall is that these results could not be put in a systematic use because they are not necessarily related to the resources.

Finally, the last advanced practice, called “Communities governing for results,” aligns all three practices of engaging citizens, measuring results and getting things done. This approach, ideally, assumes citizens to hold almost all roles, including decisions on what gets measured and how things get measured. Performance information is regularly fed back to the organization, thus allowing for a process of continuous improvement.

This practice also assumes commitment to resources and assignment of clear-cut organizational responsibility. Collaboration among citizens, organizations and local government, therefore, becomes necessary.

Dewar (2002, 2004), presents four participatory styles of local initiatives evaluation: contractual, consultative, collaborative and collegial (p. 2). The contractual style of evaluation, as Dewar (2002) explained, relies on bringing people together to conduct research by contract. For instance, in an already designed research project, the participants take part in an experiment, survey, or interview. They have no other role in any part of the evaluation process. The consultative research style, according to Dewar (2002, 2004), assumes that the researcher will ask the participants about their views and experiences before constructing questionnaires, surveys, or interviews. Typically, the evaluator will utilize focus groups to learn more about the subject of interest. When the third, collaborative style is used, the evaluation is initiated by the researcher and it is further carried out in collaboration between the local people and the researcher. An example could be that the researcher has a committee of residents to comment on questionnaire and to provide feedback about the findings. Finally, in the collegial style, the researcher and the community work together as colleagues, and all involved parties bring different skills and knowledge in the process. According to Dewar, the four research styles are complemented with three types of evaluation processes: a) formative process of evaluation that concentrates on program implementation, and monitors program results and operations often associated with data provision; b) summative, which practically assesses whether the program has achieved the desired goals; and c) efficiency processes of evaluation, which compares them with the alternatives in addition to the achievement of the program goals in order to make sure that there is no better model applicable (2002, p. 4).

Participatory monitoring and evaluation (PM&E) is a special case of community involvement. According to the UN, this method is used as a bridge to overcome the problems of strategic planning, monitoring and evaluating as a highly technical and donor oriented method by introducing more “client” oriented model that is responsive to the needs of the targeted group (UNFPA, 2004). Among the immediate benefits contributed to this method is the learning potential, or the possibilities that open to the poor to learn how to participate and to actually make an impact through participation. Learning and capacity development is the first set of principles, which, according to UNFPA, distinguished participatory M&E from the more ‘conventional’ (or fact oriented) M&E (Holte-McKenzie, Estrella & Gaventa, 1998; Forde, & Theobald, 2006; UNFPA, 2004; Vernooy, Qiu & Jianchu 2006). Given some early positive experiences of selected international development initiatives, Participation Monitoring and Evaluation has been promoted by the United Nation as a best practice for residents, community and stakeholders in the community economic development.

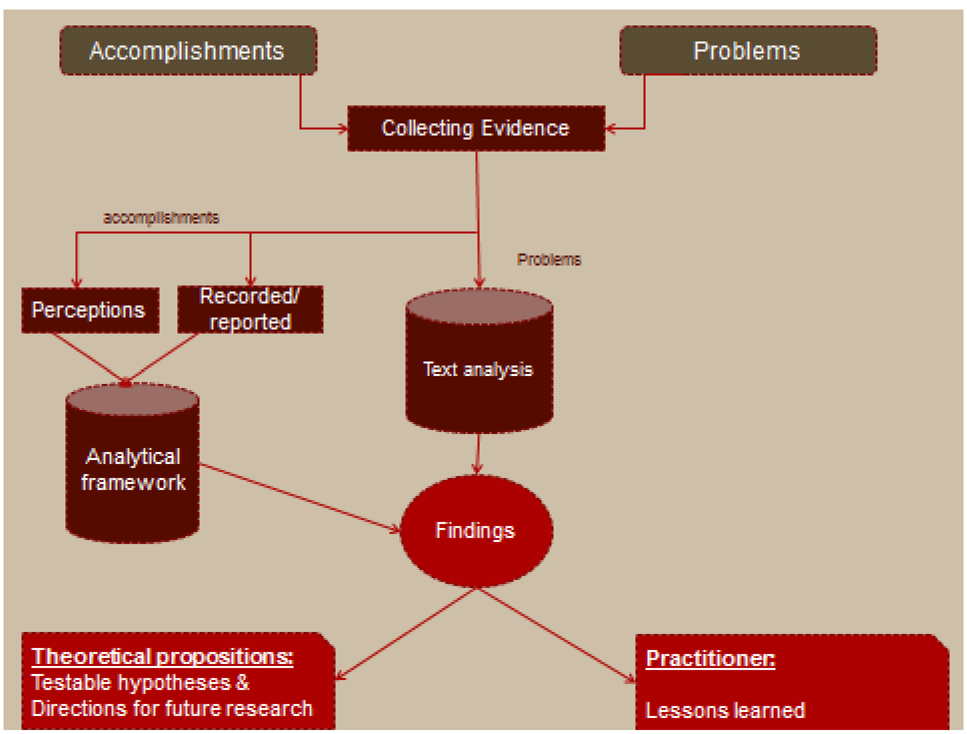
While stakeholders’ participation in the evaluation of the achievements of centrally mandated programs on local level is becoming increasingly popular both in the U.S. and other countries, it is not yet a dominant model in practice. Public policy assessment has traditionally been considered as a field where nothing but objective methods of calculation would predict one’s opinion and action.

In evaluating federal development initiatives that target specific places and groups (indigenous), there is a tension between the language used by the practitioner “with its fluidity, instability, and subjectivity" and that of scholarship "with its precision, boundedness, and objectivity" (Jenkins & Bennett, 1999, p. 24). This tension between the practitioner and the researcher could also be extended beyond program and policy evaluation. "Community development is a process that seeks to enhance both the human capital of the residents of the target community and the community's physical assets." (Jenkins & Bennett, 1999, p. 25).

Conceptual Frames for Evaluation Studies

The choice of conceptual frames to assess the accomplishments and the problems of the Tucson EZ was made after a careful examination of the models that could answer to the task on hand.

Figure 3.1: *Conceptualizing the study*



Namely, the EZ program was widely considered as a comprehensive one, which implied that the traditional statistical analysis would not be a possibility. Therefore, I looked at frames that incorporated tools for collecting data and allowed for analysis of the evidence on a broader scale, i.e., that included investigations of products deriving from the policy processes such as the Strategic Plan, the Application, the internal agency documentation, and so on. Data collection and data analysis followed the procedures conceptualized in the framework provided in Figure 3.1. Based on the two questions, I collected evidence by using multiple sources described in Chapter Four.

Assessing the Results of Comprehensive Programs: Theory-Based Evaluation and Logic Models

The analysis followed a framework that borrows elements from the theory-based evaluation (TBE) and partially, the logic models (see appendix 2). Theory-based evaluation (TBE), according to Birkcmayer and Weiss (2000), has the benefit to go beyond the findings of the traditional evaluation practices because it dips into the questions of how and why a program is a success or a failure (or often in between success and failure). Theory-based evaluation has been used for assessment of social programs, and especially in clinical psychology; however, as proposed by Weiss and her colleagues about two decades ago, it can be used for evaluating what they called the comprehensive community initiatives, which although is different in design and scope, "all have the goal of promoting positive change in individual, family, and community circumstances in disadvantaged neighborhoods by improving physical, economic, and social conditions" (Kubisch, Weiss, Lisbethb & Connell, 1995, p. 1).

Some of the basic characteristics peculiar to comprehensive community initiatives (CCIs) as described by Kubisch et. al. (1995, pp. 4-5) include:

a) Horizontal complexity, which indicates that these initiatives cross the lines of one sector/system and work across sectors/systems. The assessment of the “synergy” impact across different sectors becomes a great challenge for the scholars and evaluators who need to assess the impacts from all these programs.

b) Vertical complexity, meaning that CCIs target different units of analysis. Namely, CCIs could aim to improve the conditions of the individual, the family, and the community.

c) Contextual issues, which translate into a circumstance where a community-focused initiative depends on factors outside of community control that have direct impact on the success or the failure of the initiative. These factors include acquisition of political, technical, and financial resources that “lie outside of the community”. (p. 4).

d) Flexible and evolving intervention ─meaning that the community targeted intervention adopts changes over time to suit the needs of the community.

e) Broad range of outcomes ─ based on their vertical and horizontal complexity dimensions, the CCIs tend to have outcomes that incorporate participation, empowerment, community building, economic development, institutional changes within and outside of the government organization, and so on. As the authors conclude, “operationalizing those concepts, and then measuring their effects, is difficult” (p. 5).

f) Absence of comparison community or control group. One of the most important elements in the traditional evaluation studies, as discussed earlier in this chapter, is recognition of comparison group(s) that approximate(s) the possibility to measure the ‘counterfactual’ or what would have happened had the initiative been absent.

Theory-based evaluation seeks to determine the main assumptions behind the initiative. More often than not, more than one theory could describe the initiative. "When the theory on which the evaluation is based is fine grained, the evaluation can track each link in the chains of assumptions" (Birkmayer & Weiss, 2000, p. 409). The data collected from the assessment will either confirm or break the links of the chains of assumptions. The results of such an analysis could potentially be generalized to a broader audience as the goal is to generate knowledge about the key theories of change used in the model (Weiss, 1995, p. 70). In cases of the Empowerment Zones, as Weiss emphasizes, it is "challenging, if not impossible, to spell out theories of change that apply across the board" (1995, p. 72). In these cases, it is very important to define the main assumptions behind the program itself. Based on the assumptions, the links will be established and then certain variables will be assessed.

Another benefit from the application of a theory-based assessment is that it actually asks the practitioners to make explicit their assumptions for the program and to define the goals of the program explicitly. Ideally, the assessment embedded in theories of change would have an impact on the public policy (Weiss, 1995, p. 70-1).

The latter presents one of the challenges associated with this type of evaluation. It cannot be assumed that the beliefs and assumptions held by the program stakeholders are in agreement. What the designer of the program may think is essential, the local government administrator may dismiss as irrelevant. In extreme cases, this conflict could potentially be resolved by organizing meetings with the program stakeholders. These meetings could utilize dialogues to align the views between groups to be affected by the program and the administrators (Weiss, 2004). If consensus is not reached, it will be possible to include multiple theories of change, so that all kinds of links are accounted for. Another 'source' of theories of change, as Weiss (2000, 1995) points out, is the social literature. The advantage of choosing theories from pertinent literatures is that these theories rely on "body of evidence that has been systematically collected and analyzed. The main disadvantage is that available social science theory may not match the program under review,…nevertheless, when social science provides theories and concepts that ground and support local formulations, it can be of great evaluative value" (Weiss, 2000, p. 38).

The main proposition made by the proponents of theory-based evaluation is that comprehensive community initiatives are difficult, next to impossible, to be evaluated based on traditional quantitative models. However, an assessment that relies on the theories that served as a basis for the community initiatives could provide insights not only to the results, but also to questions that go beyond such as why and how.

Other problems associated with this model are inherently related to the problem of measurement. In addition to quantitative methods, which are preferred by the sponsors, qualitative methods are also desirable. Then, the problem of interpretation is emphasized. Although generalizability is highly desirable, it is questionable whether the conditions described in one community would follow the same logic in another.

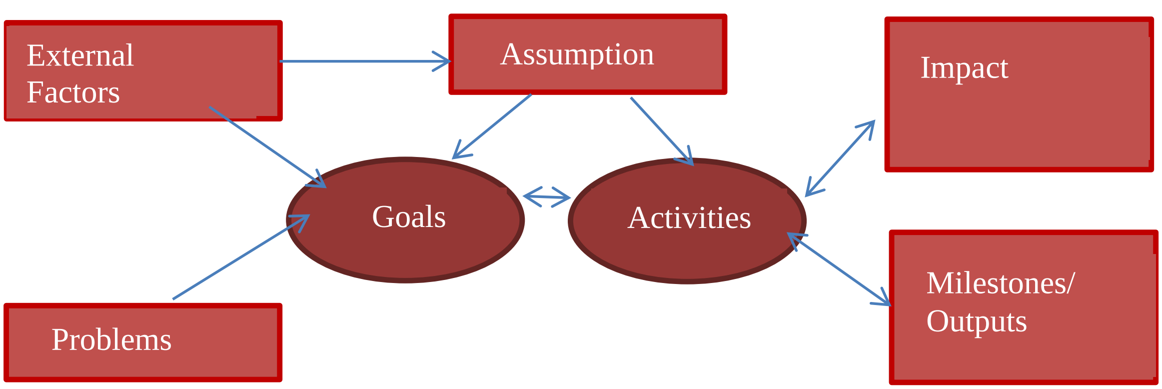
This study makes a limited use of this model for the challenges described. Given the first goal of the study, to find out what happened in the round three EZ program, the questions that will help meet this goal are the questions of "what". Therefore, when building the theoretical framework that was used for analytical purposes, critical elements and assumptions of the model were used, but others were omitted.

The Federal Empowerment Zones program has frequently been termed as a comprehensive community initiative (Mossberger, 2009; Jennings, 2011; Rubin, 1994). Based on the list of characteristics described above, at least several of them could easily be fitted within the EZ initiative. For example, as designed, the federal Empowerment Zone was intended to have multiple goals that spread across sectors. This is especially relevant for the first two rounds, which also had a cash amount attached to the designation in addition to the rhetoric.

The change of the policy contributed to the weakening if not eliminating the horizontal and vertical complexity dimension of the EZ program. In the case of Tucson, the application document incorporated several goals that added to the horizontal and vertical complexity of the program. However, the evidence from the interviews and the local newspaper articles did not support the comprehensive nature of the program. Instead, it points out to overemphasis of activities that involve market-based mechanisms for the goal of increasing employment and investment. Another characteristic of comprehensiveness that was incorporated in the design of the EZ program was a broad range of outcomes and absence of comparison groups. The broad range of outcomes was especially emphasized in the round one designated communities, where the social component of the grants provided a real opportunity for the community to extend the range of services offered in the community, either directly through the city, or indirectly through non-profit organizations. This dimension was almost eliminated in the round three designated communities, as the only source for introducing changes in the range and quality of services provided was either tax incentives for employment or tax-free bond instruments, and interest free bonds for schools. Without the grant money to support these services, the assumed leverage with the private and non-profit sector funds did not occur, at least not to the extent that was both promised by the local governments and expected by HUD. With regard to the requirement for flexibility of the community intervention, the EZs program is considered flexible across rounds and within one round. Namely, Rich and Stoker (2007), trying to depict the versatility of the program, claimed that the “Empowerment Zone initiative … was a set of local programs that were sponsored by the same federal grants and made use of the same market-oriented tools” (p. 2). If this is true, then it is obvious that the EZ provides a necessary degree of flexibility to ‘qualify’ for a comprehensive community initiative.

With regard to the accomplishments, two conceptual frames are used. The first frame used for analysis is based on elements of the logic and theory based models. This frame is used to determine the differences between what has been planned in the strategic plan and what has been reported in various documents, primarily the internet based performance system, established by HUD. The model also locates the potential problems with each phase of the EZ program (see Figure 3.2).

Figure 3.2: *Basic theory based logic model*



The use of the theory-based logic model is justified for at least three reasons. Firstly, the three local governments involved in the application stage and the two organizations (City of Tucson and TREO) responsible for preparation of the PERMS reports followed an established framework that incorporated elements from the logic and the theory-based models. Secondly, the comprehensive character of the EZ program along with all data limitation is invited for a "non-traditional" assessment. And, lastly, the purpose of this dissertation is to provide a broad understanding about what has been accomplished and what kind of problems have been encountered during the implementation phase.

The second model is a matrix of accomplishments as perceived by the respondents of the study on the one hand and the data available in official reports on the other hand (see Figure 3.3). The matrix has two dimensions. The first dimension incorporates the perceptions of the people who are either directly involved in the program as administrators and/or beneficiaries, or have knowledge about the program based on their job positions. The matrix accounts for two values of the first dimension, identified as *highly perceived* and *not perceived*. The highly perceived value denotes that the people involved in the program when asked could identify the program's achievements and were able to express their opinions about what they personally recognized about the program. The not perceived value indicates that people involved in the program were not aware of the program's accomplishments.

The second dimension refers to the availability of valid and accurate data in the official reports and/or other government documents. When the value of this dimension is "yes", that indicates that data were collected and made available to the administrators. When the value is "no", this indicates that data were not collected by or made available to the administrators of the program.

The matrix is divided into four quadrants. The first quadrant is Q1, which is termed as “informed”. It indicates that the accomplishments for the program were highly perceived and the data were collected and made available to the administrators. The second quadrant, Q2 is named “hidden”. It indicates that the results were not perceived (or very little perceived) by the administrators but the data were available, sometimes from more than one source. The third quadrant Q3 is named “anecdotal/speculation”. It denotes that participants perceive some positive movements and accomplishments, but the actual data are either not collected or was not made available to the administrators of the program. Finally, the fourth quadrant Q4 is titled “blind spots”. It indicates that the data have not been collected to measure the accomplishments of the program and at the same time people did not consider them at all. Minimal or no efforts are made to meet any of the goals in this quadrant.

Figure 3.3: *Data Availability/ Perceptions Matrix*

		Perceptions	
Data Availability		Highly perceived	Not perceived
	Yes	***Q1 Informed***	***Q2 Hidden***
	No	**Q3: Anecdotal/ Speculation**	**Q4 Blind Spots**

Chapter 4

THE EMPOWERMENT ZONES PROGRAM

This chapter introduces the conditions and results associated with the Empowerment Zones Program. In the beginning, it provides a chronology of the federal EZs program development by using earlier reports and literature. It then presents the findings from the previous studies. The findings are classified in two main categories: accomplishments and challenges.

The Federal EZ Program and Earlier Findings

Hyman (1998) describes the Empowerment Zones /Enterprise Communities initiative as President Clinton's incarnation of the Enterprise Zones idea, which was introduced by the U.S. Congress during the 1980s and supported by President Reagan. The Empowerment Zones and Enterprise Communities (EZ/EC) initiative was originally enacted in 1993 by the Federal Government as a response to the 1992 riots in Los Angeles (Andranovich, Modarres, and Riposa, 2005).

Using Ladd's classification of government strategies, discussed in Chapter Two, the Empowerment Zones and Enterprise Communities (EZs/ECs) initiative could be described as an attempt to pursue a "place-based people strategy" (Ladd, 1993, p. 197). In other words, as envisioned by Clinton's administration, this program used elements of place-based strategies while trying to achieve people-based goals. The purpose of the Empowerment Zones was "to encourage economic development strategies aimed at revitalizing distressed communities" (Jennings, 2011, p. 64). The Federal EZ program also was intended to incorporate elements of a comprehensive program, which focuses heavily on empowerment and reinventing government in addition to economic growth (Osborne & Gaebler, 1992).

The designation of the communities of the round one empowerment zones was in January 1994 by announcing the nomination procedures. Three federal departments were included in the procedure: the U.S. Department of Health and Human Services (HHS), the U.S. Department of Housing and Urban Development (HUD), and the U.S. Department of Agriculture (USDA) (Mulock, 2002). Some of the specific criteria for application included framing the space that applied to most economically distressed communities, such as population between 50,000 and 200,000, or 10 percent of the population of the most populated city, high rates of unemployment and poverty levels, should not exceed 20 square miles in total land area; and poverty rate is higher than 20 percent in each census tract within the zone, or 25 percent in 90 percent of the census tract, or 35 percent in at least 50 percent of the census tracts (Oakley & Tsao, 2006; 2007a; HUD web site). The applicants were required to submit the application with a strategic plan, demonstrating collaboration and input from each of the potential stakeholders, including residents, community organizations' leaders/representatives, businesses, financial institutions, service providers, and state and local governments. From more than 500 nominations, HUD (in charge of the urban EZ/EC) and USDA (in charge of the rural EZ/EC) announced 9 EZs (6 urban and 3 rural) and 95 ECs (65 urban and 30 rural). In addition, two areas were designated as supplemental Empowerment Zones and four areas were designated as Enhanced Zones.

The differences across rounds could be found in the provision of federal benefits. For example, only Round one Empowerment Zones and Enterprise Communities could use the Social Security Federal Block Grant (SSBG, administered by the Department of Health and Human Services), while the rest of the designated communities were eligible to use other types of incentives such as employment credit, Enterprise Zone facility bonds, regulatory waivers, preference points and earmarked grants (GAO, 1999, 2004; 2006). Round two nomination process attracted 279 communities to compete under the same eligibility criteria, of which 20 were designated as EZs (15 urban and 5 rural) and 20 were designated as rural ECs. Round III process added 10 EZs (8 urban and 2 rural) and 40 Renewal Communities (28 urban and 12 rural). While the third round of designated communities did not receive any community development block grant, tax incentives and employment incentives were further extended (wage credits, tax-deductions, capital gains, and bond financing).

With regard to the criteria used for designating particular areas into Empowerment Zones or Enterprise Community, Wallace (2003) expresses skepticism. The author asked whether presidential preferences were reflected in the choice of urban empowerment community ultimately made by the director of the U.S. Department of Housing and Urban Development (HUD). Using principal-agent theory to explain the choice of an urban Empowerment Zone or an Enterprise Community, Wallace (2003) did not find a significant relationship between the political preference of the president and the actual choice. Stated differently, Wallace found some evidence that President Clinton's influence in the outcome (the community chosen by the HUD Secretary) was minimal. This study contradicted some of the critics' arguments that "cities had been designated or not designated for political purposes" (p. 565).

Major sources of financial support for the round three designated EZs included: 1) wage credits (EZ employment credit an annual tax credit up to $3,000 per employee; work opportunity tax credit-up to $2,400 for each 18-39 year-old new employee; in both cases employees should live within EZ borders); 2) Deductions (which increased 179 deduction-increase in deductions up to $35,000 of eligible purchases), and 3) Investment Incentives (partial gross income exclusion of capital gains, EZ facility bonds and Qualified zone academy bonds). According to Ham, Swenson, İmrohoroğlu, and Song (2011, p. 781-782),

> The most prevalent incentives given in these federal programs are hiring tax credits (on firms' federal income tax returns) for hiring residents of the Zones. Both ENTCs and EMPZs provide employers a work opportunity tax credit of up to $2400 for hiring 18–24 year olds who live in the areas. They also allow states to issue tax exempt bonds to finance certain investments in these areas. In addition, EMPZs have a credit of $3000 per EMPZ resident per year, and also have increased Sec. 179 expensing. In contrast, ENTCs do not feature the latter two tax benefits enjoyed by EMPZs. As noted above, the annual cost of these programs combined was estimated to be $1.21 billion in 2006.

Round I EZ/EC were initially planned as a ten year federal program. However, while federal incentives for economic communities ended in 2004, the Empowerment Zones' incentives for Round I were extended until the end of 2009. In the meantime, round one and two were designated and their federal incentives were also planned to end by the end of 2009, but HUD requested another extension of the benefits until the end of 2011.

The total estimated financial impact of the EZ/EC/RC program is far from negligible; the impact was initially projected to about $11 billion for the whole period. The initiative at the beginning targeted approximately $2.5 billion in tax incentives and $1.3 billion in grants for a period of one decade (for Round I designees) (source: HUD, Office of Policy Development and Research, 1995). The Tax Policy Center, which is a joint venture of the Urban Institute and Brookings Institution, estimates over $700 million per year in tax incentives for the EZs and RCs for the Fiscal Year of 2010 and over $500 million for FY2011. According to a 2011 HUD Report,

> 15 EZ designees received a total of $385 million in appropriations between fiscal years 1999 and 2005 … for 426 EZ projects completed to date, EZs have leveraged $103 million in HUD grant funds to attract $515 million in funds from other public and private sources. The 15 EZ grantees will continue to complete grant funded activities and HUD will close out the grants in fiscal year 2010 (HUD, 2011 Summary Statement and Initiatives, p. AA-2).

Round one designated EZ/EC, for the initial period of ten years, received a total of $1 billion in Social Security Community Development Block Grants (CDBG), of which, each designated Round one urban EZ unit received a $100 million, each Round one rural EZ received $40 million, and each round one Economic Communities received $2.95 million. In addition to the grant money, round one was also eligible for tax and employment incentives. In addition, designated round one Empowerment Communities also received grant money. Round two designated communities received smaller amounts, ranging from $2 million to $22 million for rural and urban EZs, and approximately $250,000 in rural economic communities for the period between 1999 and

2003. These grants came from the Economic Development Initiative Program (EDI) (GAO, 2004). Rounds one and two designees, according to 2004, 2006, and 2010 GAO Reports, received administrative support from HUD and USDA, which is not the case for Round three designees (urban and rural). Round III designated communities did not receive grant money, but were eligible for extended tax and employment incentives to promote business development and employment opportunities for the EZ residents, and thus making poverty reduction and business development the major priorities.

Round three EZs and RCs, although operating with significantly reduced federal resources and without funds to support the administrative functions of the zone(s), still incorporated over $600 million per year in the types of benefits already enumerated. The impacts of the federal program on the targeted regions and populations with regard to economic and non-economic variables, to the best of my knowledge have not been assessed.

Table 4.1: *Empowerment Zones Background Information*

	Round 1 Designation	**Round 2 Designation**	**Round 3 Designation**
Legislation	Omnibus Budget Reconciliation Act of 1993	Taxpayer Relief Act of 1997 & Omnibus Consolidated Emergency Supplemental Appropriations Act of 1999	Community Renewal Tax Relief Act of 2000 American Jobs Creation Act of 2004 American Taxpayer Relief Act of 2012
Leading principles (HUD)	1) Strategic vision for change 2) Community based partnership 3) Economic Opportunity 4) Sustainable community development		
Administration	- Health and Human	HUD	HUD

(Urban EZs)	Services (HHS) - Housing and Urban Development (HUD) - Internal Revenue Services (IRS)	IRS	IRS
Timeline	1994-2011(2013)	1998-2011 (2013)	2002-2011 (2013)
List of Urban EZs	<u>6 +2 urban EZs</u>	<u>15 urban EZs</u>	<u>8 urban EZs</u>
<u>Federal Benefits</u>			
<u>Federal Grants</u>: financed community development projects	6 received $100 million Social Service Block Grants per designated zone for a period of 10 years Cleveland received $87 and Los Angeles $125	$25.6 million per zone	No grant money available
$11 billion worth EZ Tax Incentives and Renewal Community tax incentives for all three rounds			
I) Wage Credits			
EZ Employment credit	$3,000 per year for each employee who lives in the zone.		
Work opportunity tax credit	$2,400 for 1st year for employees 18-39 year-old.		
New Work Opportunity Tax Credit for Hurricane Katrina Area	$2,400 for 1st year for employees who lived in the Gulf Opportunity Zone.		
II) Deductions			
Increased 179 Deduction	$35,000 per business		
III) Investment Incentives			
Partial Gross Income Exclusion of Capital Gains	Excludes from gross income 60% of the capital gains from qualified small business stock sale.		
Enterprise Zone Facility Bonds	State or local governments can issue bonds in the EZs at lower rates.		
Qualified Zone Academy impact	State or local governments are able to issue bonds in EZs at no interest to finance public school programs		

The Impact of the Empowerment Zones

Earlier studies have looked at different elements of the federal EZs program and have measured multiple dimensions and variables. These studies have found that the empowerment zones have encountered a number of problems. However, the literature on the earlier rounds one and two has also identified accomplishments that, although with inconclusive evidence, still give hope that the program had the potential to revitalize the socio-economically deprived communities.

Challenges

According to a study by Rubin (1994), the EZ program was built in a way to overcome some of the major challenges typically for two earlier state and federal programs (the Enterprise Zone which was intended as a federal program but did not gather enough support and the Model Cities). Some of the lessons for Clinton's administration with regard to Empowerment Zones and economic communities, according to Rubin, included gaining bi-partisan support, support from the Ways and Means Committee, and minority community support, promoting the economic potential, measuring success, fostering inter-departmental coordination, setting-up designation criteria, and conducting program evaluation. Rubin concluded that Empowerment Zones and Enterprise Communities program administration blended free-market initiatives with community empowerment rhetoric, "based upon lessons learned from history, and its own vision of serving distressed communities as a program" (Rubin, 1994, p. 167).

However, the EZ program encountered its own problems that tended to increase with each round. The academic literature and various governments with audit reports and evaluations discussed four common problems associated with the EZ/EC/RC program:

1) Lack of coordination among the three agencies responsible for data collection.

GAO reports (1999, 2004, 2006, 2010) warned that the U.S. Department for Internal Revenue Office (IRS), The U.S. Department of Housing and Development (HUD), and the U.S. Department of Agriculture (USDA) did not synchronize their activities regarding data collection procedures. It was problematic because these agencies failed to generate information that could connect specific program elements to program's results. Stated differently, there are no adequate data available about the extent to which the federal incentives have been utilized (GAO 1999, 2004, 2010; Oakley & Tsao, 2006). The IRS has also failed to collect data for the use of the federal incentives by project and by program, thus blurring the picture about the amounts that have been used for program implementation. One potential consequence may be that program accomplishments and successes could not be attributed to the EZ/EC program alone. This certainly reduces GAO's as well as other agencies' ability to assess EZ program's results. As noted in the 2006 GAO Report, "Data were not collected on program benefits for specific activities, limiting the ability of federal agencies to oversee the program, and the monitoring performed at the state and local levels varied. According to our Standards for Internal Control in the Federal Government, federal agencies should oversee the use of public resources and ensure… ongoing monitoring" (GAO, 2006, p.3). In response to GAO's recommendations, the two federal agencies, HUD's Office of Community Renewal and the IRS, made efforts to establish a partnership with the goal to improve the collaboration and to produce timely information about the level of EZ/EC program implementation. As stated on the archived HUD's web page "OCR and the members of the IRS team agreed to study other means to collect local data on tax incentive claims" (HUD webpage, para

3). This partnership certainly improved some aspects of data collection, such as the overall use of job generating credits in the Empowerment Zones and the Renewal Communities. However, as emphasized in the GAO's 2010 Report on Empowerment Zones and Renewal Communities, "the agencies are not yet able to tie the use of employment credits to particular communities, making it difficult to begin assessing the impacts of these tax benefits" (p. 5).

2) Inaccurate data.

GAO has consistently warned HUD that the data provided by HUD (USDA, and HHS for the rural zones in Rounds I and II) are not completely reliable. Similar caution came from the 1999 and 2004 Office of Inspector General (OIG) audits, according to which HUD has failed to establish an adequate framework to measure the performance accurately. HUD's Performance Measurement System (PERMS system), which has certain reporting requirements from the EZ designees, according to OIG audit, is incorrect. Moreover, OIG audits also address the inadequacy of sufficient controls and procedures to ensure availability of corrective actions should problems be identified along the process.

3) Inconsistent resident, community and business participations.

The third problem relates to inconsistent resident, community and business participation throughout the whole process, from designation to monitoring and implementation. The federal government requirements for resident and community participation, which were an important part of the application procedures, fostered community participation in the application phase. The participation component, however, waned in the implementation and was almost inexistent in the evaluation phase (Mossberger, 2009; Gittell et al., 2001).

4) Political and institutional obstacles.

It is common for many government initiatives to overlook important political and institutional obstacles. The EZs program was not an exception to this rule. Virtually all parties involved in the program underestimated the length of time necessary to complete the formation of a governance structure. Moreover, it was also underestimated the level of difficulty associated with the identification of programs to operationalize the implementation of the strategic plans submitted during the application phase (Chaskin & Peters, 1997, p. 9).

A related problem was the choice of the organization that would represent a formal auspice of the EZ. Gittell, Newman, & Pierre-Louis (2001, pp. 16-17), recognized that Community Development Organizations (CDOs) in charge of the implementation of the project might has brought new challenges. Namely, as CDOs became informally co-opted with the state and federal requirements, they were more inclined to serve business interest rather than the interests of community residents. Jennings (2011) enumerated a number of political challenges, some of which became visible in the initiation phase. One example was the determination of zone boundaries. Furthermore, organizing an appropriate governance body was also problematic. Questions involving size, scope and representation were among the most prominent.

The institutional and political factors, according to the academic literature and the federal government reports reviewed, were also critical for the success of the program itself. GAO's four reports (1999, 2004, 2006, 2010) as well as other studies (Krupka &

Noonan, 2009; Oakley & Tsao, 2006, 2007a, 2007b; Rich & Stoker, 2007) emphasized that there was a variation in the degree of the program accomplishments within and among the EZs communities. They indicated that favorable political and institutional climates could foster better results. McCarthy (1998) in his analysis of the urban Empowerment Zones in the first designation round found that conflict and a history of antagonism among various departments and groups used to be dominating derogative factor for the success of the Chicago EZ. In order to overcome the problems, the EZ Governing body was overrepresented from community members who succeeded in channeling this antagonism into a constructive force.

Rich and Stoker (2007, 2010), in their analysis of 18 empowerment sites, find that market-based mechanisms such as tax incentives are more likely to work when an appropriate governance structure supports the program. The authors claim that the difference among zones could be attributed to the different (more or less effective) governing structures. In the case of rounds one and two EZ, grant funds, according to the authors, proceed to bring positive achievements. Rich and Stoker refer to the EZ program as “wrongheaded” precisely for the high level of expectations that future (market-based) government actions should be complemented with public service delivery. Another reason attached to the institutional and political factors is related to the high political promises and expectations, which accelerated project implementation according to McCarthy, and which sometimes exacerbated an already poor performance.

Accomplishments

Some of the major achievements reported in the literature are somewhat overshadowed with the limited scope of program influence as follows.

1) Economic Development.

Economic development is a central concept to both LED and CED strategies. Fostering economic activities within economically deprived communities could have very positive impact on the community dynamics. While CED strategies acknowledge that economic development will not solve all community problems, it still holds that new investment have the potential to decrease high unemployment rates and extreme poverty. The federal Empowerment Zones program was designed in a way to enable economic revitalization of the communities by fostering activities to stimulate economic growth and development.

- *Business climate and creation of business opportunities*. Rockefeller Institute conducted one of the first studies that assessed the accomplishments of the EZs program for the government. This study that was published in 1997, reported that the EZ communities have experienced an economic growth and job creation. However, the success of the program could not be determined clearly because the period of the 1990s (during the first round designation) is known for the high rate of economic growth that on national level reaches 5.8 percent annual growth rate and an unemployment rate below 5 percent. More recent studies also present mixed findings and limited success of the program in terms of the actual achievements.

Turnham and Bonjorni (2004), in their overview of different federal initiatives, claimed that the business climate has improved significantly in the 18 zones under investigation. Hyman (1998), on the other hand, found that while the overall business climate may have experienced limited improvement, minority business ownership, which comprised the most important segment in distressed communities, had not changed significantly.

- *Use of tax and unemployment incentives*. Tax deductions and various unemployment incentives are important elements of the EZ program design. In fact, for round three designated zones, these incentives along with few other market-based tools (such as development bonds) are the only financial incentives that drive the program. The U.S. Government Accountability Office (GAO) expressed concerns that private businesses have made only very limited use of the tax incentives (GAO, 1999). In the 1999 Report, GAO states that large businesses were more likely to have used tax incentives when compared to small urban businesses. Represented in numbers, while only about 6 percent of the small businesses have used federal benefits, 32 percent of the large businesses have been able to utilize the benefits of this program. A more interesting finding of this report was the claim that tax incentives have not been a significant, but rather a "somewhat important" factor in the investment decision. The businesses that failed to claim tax deductions, generally, reported that they were either unaware of the benefit or did not qualify for the benefit (GAO, 1999, 2004). Burton (n.d.), referring to GAO's reports on lack of data to evaluate the program, expresses concerns that tax incentives from the one hand have only limited value because practice has shown that tax incentives are not necessarily related to opening of new business. Lack of data, according to Burton, could potentially lead to tax fraud.

- *Job training and workforce development, unemployment and poverty*. Busso, Gregory, and Kline (2010), using confidential geocoded micro-data from the U.S. Bureau Decennial Census and the Longitudinal Business Database, analyzed the differences between the communities that received the status of designated EZ communities in the first Round, and those that did not receive the status. Busso et al. (2010) performed an economic assessment of the impact of the EZ on various variables including employment rates, wage increases, and population increases along with the trends of affordable housing decline and rental price increases in distressed areas. In their attempt to find a causal relationship between the designation of the zone and the actual improvement, Busso et al. reviewed both accepted and rejected applications. The authors found convincing evidence that the zones, on average, had their employment rates increased by 13-19 percent when compared to their rejected counterparts. The salaries were also increased, although the raise went beyond the EZ boundaries, affecting not only the residents coming from the distressed communities, but also many commuters who found jobs in the designated EZs. Similarly, Turham and Bonjorni (2001) reported that in the 18 sites investigated, approximately 16,000 EZ/EC residents could find new jobs because of intensive workforce activities.

In a Chicago case study that explored the socioeconomic benefits associated with the Chicago EZ, Oakley and Tsao (2007) presented mixed findings. Oakley and Tsao investigated the nature of a total of 210 projects financed by EZ mandates, and found that over 67 percent of the projects were concerned with sustainable development, over 30 percent are concerned with economic development initiatives, and only about 2 percent fostered community partnership (and participation). Matching the EZ communities with other (poor) Chicago communities, and using propensity score matching statistical methods, the authors found some evidence that poverty and unemployment rates have decreased and the average income level per household has increased. The authors also report spillover of the positive effects on neighborhoods adjacent to the zone communities. In another study, Oakley and Tsao (2007b) found that the workforce training programs in the Chicago EZ communities have had some positive trends. When compared to economically deprived communities which were not part of the program, the results were confirmed in terms of poverty and unemployment reduction.

Ham et al. (2011) conducted a comparative evaluation that incorporated the first round federal Empowerment Zones and Enterprise Communities and state Enterprise Zones. They found conclusive statistical evidence that the Empowerment Zones and Enterprise Communities had a very positive impact on local employment. Hyman (1998), on the other hand, explores the impact of the federally designated Empowerment Zones and Enterprise Communities, and found that they had limited impact on employment, especially on the employment of minorities (black business and unemployment). Hyman (1998) found that while the zone contributed to an increase of employment, there was a further potential for investment if more incentives for education and free-of-charge transportation were provided for the neighborhood residents. Hyman also recommended provision of incentives to businesses outside of the zone when they employ EZ residents.

Jennings (2011), in a study of Boston's Empowerment Zone for the period 1999-2009, concluded that the project was successful. Emphasizing primarily program's social benefits, the author claimed that the EZ project revitalized some of the poorest neighborhoods in Boston's most distressed areas. The success was measured through the initiation and completion of major capital projects, development of small and neighborhood-based businesses, and expansion of the capacity of the local nonprofits. Jennings estimated that over the decade of the Boston EZ, "approximately 350 small businesses received some form of technical assistance, including small business loans" (Jennings, 2011, p. 69). Citing an interviewee, the author accentuated that the expansion of small business, especially family-based businesses, also had a psychological impact on the population living within the boundaries of the zone.

2) Community empowerment.

A second area of achievements relates to stakeholders' participation and empowerment, capacity building and community development. Participation and community partnership has been established as one of the four principles upon which the EZ/EC program was built. Reporting the findings from a HUD sponsored evaluation of 71 EZ/EC sites, Turham and Bonjorni found that "extensive private and state and local government resources were leveraged as part of local EZ/EC initiatives" (2001, p. 11). In a study of 15 Empowerment Zone communities from round one, Chaskin & Peters (1997, p. 9), identified issues concerning "participation and community involvement, including the meaning of participation and the challenge of maintaining it." In particular, the authors classified these challenges in three categories: ambiguity regarding the meaning and the nature of citizen and resident representation, along with ambiguity of roles; conflict of interest among various stakeholders, including ethical considerations, especially for those who have direct benefits from the decisions made; and recruiting participants and maintaining the level of involvement beyond the application phase (Chaskin and Peters, 1997; Gittell, Newman, & Pierre-Louis, 2001). While in the application phase recruiting participants did not appear difficult because of the enthusiasm attached to the amount of grant money, the later phases faced difficulties retaining the participants or recruiting more participants (Gittell, Newman, & Pierre-Louis, 2001).

Becher (2010) in a case study on one EZ site in Philadelphia (American Street EZ), founds that although participation had the potential to bring substantial benefits, the conflict among participants in some instances had a detrimental impact on the final outcome from a deliberative and participatory process. Deliberation within community boards has allowed participants to "reach agreement on solutions to different problems; deliberation helped parties to learn from each other and reach agreements that would have been unthinkable prior to the communication…But cooperation and common reason were not always the norm…differences in opinion were strong" (Becher, 2010, p. 502). The author introduced the term intermediator to better explain the role of those participants who, in theory, represented a group such of residents or a community, but in reality communicated with both the government and the residents. Community leaders fitted this description. The intermediators typically participate in government boards and speak on behalf of the community. However, when talking about participation, what is often overlooked, as Becher (2010) pointed out, is the fact that conflict is a part of the deal. Community leaders, for example, may have conflicting relations with government officials or with business representatives, and not less frequently, among themselves.

As this review of the earlier literature on the Empowerment Zones shows, the problems associated with the program appeared in the early stages of program implementation. It became obvious that the program needed some changes, especially with regard to the implementation and data collection. Community empowerment was fading in the process and it seemed that nobody cared. The assumption that community will be developed by using federal funds and support was gradually replaced with the neoliberal assumption that prefers competition, efficiency, and effectiveness. The insufficient use of the assigned grant money contributed to the elimination of the grant component, which, some could argue, influenced the course of implementation.

The next chapter revisits the research questions and the methodology that lead the research on the Empowerment Zone in Tucson.

Chapter 5

METHODOLOGY

This chapter describes the research design and the theoretical frames applied to this dissertation. In the beginning, the purpose and the significance of the study are elaborated. Next, the two central questions that guide this dissertation are posed. Additionally, the set of sub questions are presented. And then, the methods and the theoretical frames used for data collection and analysis are described. And, finally, some of the main limitations associated with this study are discussed, and the steps that were taken to overcome or to reduce these limitations are also described.

Questions, Purpose, and Significance of the Study

A simple search on the term “Empowerment Zones” generated a little over 106,000 results. When looking only at academic publications through Google Scholar, I found around 3,200 results. Some of the links were attached to articles that made an “honorary mention” of the program, in which the program is described as one of the many federal initiatives aimed to foster community economic development. With the exception of round one, which is fairly well investigated, it comes as a real surprise that the academic literature is scarce on round two and especially on round three of EZ designated communities. Indeed, when contrasted to the initial expectations of the federal policy makers along with the enthusiasm expressed in the written documents and the press conferences of the elected officials, one may infer that the Empowerment Zones program in round three has received a very little attention from the academic community. The interest for the round one of EZ designated communities was somewhat predictable because, as has already been discussed in the previous chapter, these communities were entitled to federal grants in the amount of a $100 million per zone. Therefore, many scholars investigated several aspects of the program, ranging from how the money was spent to whether the initial goals were met. One particular area of interest was community empowerment. The term *empowerment* was emphasized in the federal government selection criteria, which emphasized the need for empowerment beyond rhetoric. The community that received the status of an Empowerment Zone community, by the time of designation, had more than just a hope—it had a strategic plan to transform itself into an empowered community. Therefore, many authors were interested in studying whether and to what degree the empowerment of the communities was on the zone's implementation agenda.

The grant money was evaporating from round one to round three, although other federal incentives such as wage and tax credits remained available. The program, however, despite the significant reduction in federal funding, seemed to maintain its place. Initially scheduled for a period of 10 years, the EZ was extended several times, until it was finally terminated in December 2011. Just when the program was pronounced dead, the new fiscal cliff deal signed by President Obama, somewhat surprisingly gave the program another chance for an additional two year period. The EZ tax incentives were once again extended for additional two years retroactively (expiration end of December 2013) with the American Taxpayer Relief Act of 2012, which is widely known as the Washington D.C. last minute fiscal cliff deal. The extension of the EZ incentives has been estimated to cost almost a half a billion dollars in the next 10 years. According to Jennifer DePaul from the January 9, 2013 edition of *The Bond Bayer*, "hidden away in the fiscal cliff" is the extension of the EZ incentives, including the bond finance authority for enterprise bonds. It is important to notice that as of March 2013, HUD has not acknowledged this extension and HUD's web site still indicates that the program ended in December of 2011.

The Federal EZs, in the beginning, was frequently described as a *comprehensive* program that tackles complex issues such as alleviating poverty, reducing unemployment, training the workforce, attracting businesses and developing communities. Therefore, finding the appropriate place of this program in the academic literature for me was somewhat a complicated task. As a program that incorporated multiple goals such as community revitalization and employment of its residents, the Empowerment Zone can additionally be classified as a mixture of people- and place-oriented strategies. Some of the questions that emerged were related to the nature of the program itself. Could it be treated as a "clear-cut" local economic development program? Was it a clear community development program? Where is the place, and, what is the role of the empowerment concept, a concept, which according to the title of this program, (one would assume) was central to this program?

As stated in Chapter 1, this study addresses two central questions:

1) What have been the main accomplishments of the round three federal Empowerment Zones program in Tucson?

2) What have been the main problems associated with the round three federal Empowerment Zones program in Tucson?

At this point, we should also revisit the three main goals of this study. First, and foremost, I wanted to learn more about what happened with the Empowerment Zones program in round three. Were there any major problems or obstacles that hindered the effectiveness of the program? I have not seen studies that concentrate on round three designated communities and this designation round is different from the previous two in that it relies exclusively on tax incentives. The second one has a theoretical value. By using the theory and the evidence, I develop a theoretical framework that has a generic use. This framework accounts for the perceptions of the administrators and the data availability as dimensions for determining the results from a complex government program. I hope to see this framework or its variations in other studies, especially the ones that assess the results from comprehensive programs. And, finally, I hope to provide utility for practitioners who may find it informative as the lessons learned in the last chapter derived from the evidence collected with this research.

Therefore, the significance of this study could be seen in two communities: the academic and the practitioner community. The data and the theories used have been triangulated, and the code system was built on the basis of the field evidence with the two main questions in mind. During any stage of the preparation of this dissertation study, there was no political or any other type of pressure that could have potentially biased or in any way affected the research. Given that this research has been funded by a Graduate College fellowship only, and has neither been funded by an agency in charge of the program nor by other sponsors with any vested interest, I can say that my interactions with the interviewees as well as my interpretation of the documents have not been altered or intentionally compromised to meet a third party interest.

The academic community should be benefited because the Empowerment Zones, especially round three EZ, have not being investigated in a scholarly manner. Exploring the field is important from at least two reasons. The results of the program, as the previous literature findings suggest, are somewhat mixed, ranging from success stories (especially in the first few years of the program), to yet another tale of disaster. This investigation should point to some of the obvious problems and benefits. For example, most data sources indicate that the change of the institution in charge of the EZs administration was critical to the change of priorities. Next, round three designated communities had only so called "market-based incentives" such as tax and wage credits, or bond's relaxations. The traditional string of local economic development makes claims that market-based mechanism foster local economic development. This study assumes that the amount of money allocated to the EZ had a significant impact on the implementation of the program and consequently on the achievements and the perceived failures. The classification and the criteria for classification, which are empirically built and theoretically supported, are also in accordance to what Yin refers as "generalization to theoretical prepositions".

Assumptions and Expectations

One of the obvious assumptions made by the local government officials is that there is an almost natural relationship between job creation and community development. In my view, this assumption is problematic for three reasons. The first reason is that there is little empirical evidence for this relationship to be confirmed. The second reason is directly related to what one of my informants addressed, namely, the idea that job creation meets the needs of the community. However, as she pointed out, even when both the community and the government(s) agree that job creation is a priority for the community to be served, there may be differences in how job creation is understood. In many instances, local governments strive to bring new businesses which will bring better paid jobs, and therefore will increase the median income of the community. The community, on the other hand, often takes a more pragmatic approach of dealing with the problem of unemployment. The community looks for small business support and lower level paid job positions that would suit their own skills and educational background. The third reason is that if job creation was the sole goal of the program, it would not have been possible to develop a community that has consistently high criminal rates, or educational institutions that do not meet basic educational standards.

In this study, I was looking for evidence for any change that has happened due to the presence of the EZ designation in Tucson. Based on the traditional economic development literature, new employments are the main target of programs that rely heavily (if not exclusively) on employment tax credits. In particular, I was looking at whether new employment has occurred as a result of the federal program. However, I did not assume that the new employments could directly be related to the economic development of the community. I expected that new employments could be a factor that contributed to the well-being of the community, but unless certain conditions such as institutional or infrastructural were met, there was a little probability that the community would blossom even if the rate of unemployment was significantly reduced. The need to create additional city services to meet the special needs of the poor neighborhoods was clearly requested with the legal framework, as it was the need to establish relationships with stakeholders that would participate in the provision of the social-service component.

Research Design: A Case Study Approach

The research design used for this study is a case study, in particular, the Tucson Empowerment Zones designated in 2002. The choice for conducting a case study research strategy was logical. Yin outlined three main conditions related to a case study research design: "(a) the type of research question posed, (b) the extent of control that an investigator has over actual behavioral events, and (c) the degree of focus on contemporary as opposed to historical events" (Yin, 2003, p. 5). With regard to the first condition, the type of question posed, the choice of a case study is justified because my questions of "what" aimed to provide understanding beyond enumeration of achievements and problems. Regarding the second condition, I had no control on the program implementation at al. And, with regard to the third condition (Yin, 2009), the study is not historic, but rather a contemporary one. The actors who were involved in the program were instrumental in collecting data and field evidence.

Although, as Yin (2009) emphasized, case studies have traditionally been conducted with regard to "process evaluation", "the method has also been and can be used to document and analyze the outcomes of public or privately supported interventions, such as programs sponsored by federal agencies or the initiatives supported by private foundations" (Yin, 2003, p. xi). The case study design, as conceptualized by Yin (2009), includes several phases: plan, design, preparation, data collection, data analysis, and reporting (or share as Yin terms it). These phases overlap and do not follow a linear path. The case study research process, as Yin explained, is an iterative process. Similarly, Eisenhardt (2002) emphasized that the overlapping of at least two phases—data collection, and data analysis—gives the researcher a certain amount of flexibility and "freedom to make adjustments during the data collection process" (p. 16).

The selection of Tucson as a case study site was preceded by a pre-screening of three round designated Empowerment Zones' communities from round three: Fresno, CA; San Antonio, TX, and Tucson, AZ. For all three cases, success stories have been posted on the HUD's website; all three looked typical. The final choice was determined on the basis of proximity, time, and financial limitations. In the words of Maxwell, this was a convenient and purposeful sample.

This case study is used to develop a descriptive account of the case, or what is commonly known as a "thick description of the case" incorporating goals, and objectives as perceived by various actors or portrayed in documents. And then, based on the empirical evidence, theoretical prepositions are developed regarding local and community economic development programs that are federally initiated and/or supported.

Qualitative Methods

Although case study research designs could incorporate both qualitative and quantitative techniques, this study utilizes primarily qualitative techniques to obtain evidence (Yin, 2009; Gillham 2000). Qualitative methods, as Gillham pointed out, help the researcher to "investigate situations where little is known about what is there…[m]ore formal research may come later" (2000, p. 11). Although, as Krippendorf put it, "[t]he respect for numbers has a long history, and facts that could be quantified were considered irrefutable" (2004, p. 5), qualitative methods, are also concerned with both evidence and theory.

Creswell (2007) enumerates nine characteristics that capture the meaning of the qualitative research (p.37-39): natural setting—the researcher is a key instrument; use of multiple sources of data and data triangulation; inductive data analysis—themes developed from data; more abstract and theoretical concepts developed; participants meaning; emergent design (ever-changing design); theoretical lenses; interpretative inquiry; and holistic account. Most of these characteristics are pertinent to this study.

Data collection and analysis

The sources of data utilized in this research study were the following:

1) 24 interviews.

2) Over 60 local newspaper articles.

3) RC/EZ Initiative Performance Measurement System (PERMS)—HUD Office of Community Planning and Development.

4) Empowerment Zone Application (Condensed Version) prepared in collaboration and sponsored by The City of Tucson, The City of Southern Tucson, and Pima County.

5) IRS databases, Statistics of Income Division:

Form 4562, for the period 2002-2009 Section 179 data (Corporation Depreciation);

Corporation Complete Reports, 2002-2009 data by industry sector;

Form 8844-Empowerment Zone and Renewal Community Employment Credit (2008 and 2009).

6) U.S. Census data. Census 2000 and 2010, tract level (EZ tracts, data for the City of South Tucson, Pima County, and the City of Tucson)—population, school achievement, housing, poverty level, linguistically isolated, ethnicity/ race, and unemployment rate.

7) Empowerment Zone first meeting—agenda and conclusions, August 1, 2002; document prepared by Pima County administration.

8) Data provided by Business Development Finance Corporation (BDFC).

9) GAO reports on the Empowerment Zones 2004, 2006, and 2010.

10) Review of Relevant texts from EZ Laws and Regulations: Omnibus Budget Reconciliation Act of 1993 (OBRA 1993, P.L. 103-66); Taxpayer Relief Act of 1997; Congress passes the Community Renewal Tax Relief Act of 2000; HUD Interim rule governs the designation of Round III Urban Empowerment Zones (EZs); Renewal Communities (RCs) (07/09/2001); Department of the Treasury/ Internal Revenue Service (June, 2001); and, Tax Incentives for Empowerment Zones and Other Distressed Communities. Publication 954.

The sampling for the 24 interviewees was purposeful (Yin, 2003; Maxwell, 2005). According to Maxwell, "selecting those times, settings, and individuals that can provide you with the information that you need in order to answer your research questions is the most important consideration in qualitative selection decisions." (Maxwell, 2005, p. 88) The main purpose of the interview, Seidman (2006) pointed out, is "an interest in other individuals' stories because they are of worth" for the study. Therefore, random sampling of interviewees was neither desired nor feasible for this study.

The 24 semi-structured interviews were conducted in the following manner: 9 in-person, 1 structured questionnaire (HUD-Washington D.C.), and 14 conducted by phone for a total of 15 hours and 6 minutes recorded conversations. The longest interview was 1:32 minutes, conducted by phone with the former City of Tucson Director of Economic Development and later Senior Vice President for Regional Competitiveness at TREO, Mr. Bert. The shortest interview was 20 minutes, conducted by phone with the former Governance Board Member and the former Town of Oro Valley Mayor, Paul H. Loomis.

All interviews (except for the HUD's already received in writing) were recorded; however, in two occasions, either the technology failed or I failed to record the interview. Either way, all recorded interviews were transcribed; fortunately, I was taking notes while conducting the interviews, so that in the cases that the transcripts were missing (2 cases), the notes are used for analysis. Given that the technological failure was recognized immediately after the interview, with the help of my notes, I was able to retrieve the main points of the 2 interviews, in some cases including quotes that were taken as notes. The respondents who gave written permission to use their real names are referred under their names and actual positions. All other respondents are referred under their pseudonyms and their positions with the organizations are concealed in order to secure anonymity.

Table 5. 1: Interviewees-former and current position

	Former position	***Current position***
1	Governance Board (GB) (2008-09) Mayor Oro Valley	Retired
2	GB (2008-09) Private sector representative	Undisclosed
3	GB (2003-07) Private sector representative	Undisclosed
4	GB (2003-07) Chamber of Commerce Rep.	Undisclosed
5	GB (2003-07) Governor's Office Representative/ AZ Department of Commerce	Economic Development Manager/ Pinal County
6	City of Tucson Assistant City Manager/ Director of Community Services	President/COO at Alliance for Innovation

7	EZ Administrator	Pima County
8	EZ administrator	Pima County
9	City of Tucson Director for Economic Development	Retired, works in family business
10	City of Tucson Director for Housing and Community Development Department	City of Tucson Housing and Community Development Department
11	City of Tucson Office of Economic Development administrator—key administrator and project manager (commercial revitalization program manager)	AZ House of Representatives
12	U.S. Dept. of HUD Office of Community Renewal	U.S. Dept. of HUD Office of Community Renewal
13	HUD-Phoenix	Retired
14	City of Tucson, Department of	Retired
15	Pima County EZ administrator	Pima County Housing Program Manager
16	City Consultant	Pima County One Stop Center Specialist
17	Deputy County Administrator Pima County	Deputy County Administrator Pima County
18	TREO Senior Vice President for Business Development	Unknown
19	Tucson neighborhood representative	Retired
20	Director, Business Development Finance Corporation, Tucson	Director, Business Development Finance Corporation, Tucson
21	City of Tucson administrator	President, Tucson Southern Arizona Black Chamber of Commerce
22	City of Tucson IDA representative	Attorney at a Law company (name undisclosed)
23	Associate Vice President for University Research Parks	Associate Vice President for University Research Parks
24	EZ administrator	Pima County

During the process of data collection, more than 50 people were contacted. The rate of response was around 50 percent. However, it must be noted that three former Governance Board members did not participate because they said that they were not very familiar with the Empowerment Zones. This was somewhat surprising because they were expected to be the leaders and the ones who would give advice to the administrators and propose courses of actions.

However, this goes along the same lines with the statements made by respondents in this study who said that in 2007, the former GB members were simply replaced with the new members, who were members of the TREO Governance Board.

Data analysis techniques

With regard to the analysis of the semi-structured interviews, Schmidt (2004) proposed an analytical strategy with five stages. The first stage incorporates formation of analytical categories based on the collected material. This step assumes multiple readings of literally transcribed (and cleansed from transfer errors) interviews and taking notes. While it is time consuming, this stage is essential to avoid bias in the process of relating the analytical categories to the theoretical assumptions made by the researcher. As Schmidt (2004, p. 255) put it:

> What is important in reading and note-taking, is not to tailor the material to one's own theoretical assumptions by reducing the analysis to a search for locations in the text that are suitable as a proof or illustration of these assumptions.

The second stage includes the gathering of the analytical categories into a guide for coding (Schmidt, 2004, p. 255). This phase also assumes the testing and revisiting of the categories, presumably by different people. The third phase incorporates coding of the material, which is in fact the application of the coding scheme to the transcript. This phase, according to Schmidt, assumes acceptance of a loss of information which, according to Schmidt (2004, p. 256), is “correspondingly less” with more details of analytical categories.

Once coding is completed, the next recommended stage is what Schmidt called “quantifying surveys of material” (p. 257). By providing simple table of frequencies, this is in fact providing description of information that the researcher has in her database. In addition, presenting an overview of the coding process contributes to the “transparency and verifiability of a qualitative study” (Schmidt, 2004, p. 257). The last phase of the analysis includes “detailed case interpretations” that have various goals such as discovering new hypotheses, testing hypotheses and so on (see Schmidt, 2004, p. 257).

There are many approaches to coding data that researchers can apply, but the awareness that “codes will change and develop as field experience continues” is important because the new knowledge gained from the research needs to be incorporated in the researcher’s analysis.

Some codes will decay, others will flourish, and new ones will emerge.

The level of detail in this study was determined to a paragraph. Although some would argue that every sentence needs to be coded, and in some cases this may hold true. In the first phases of data collection, it became clear that this type of coding would take time while it may in fact not add to the effectiveness of the process and accomplishing the purpose of it. At times, multiple codes were used in a single paragraph.

Potential Research Limitations

A critical objection to the case study method, according to Yin (2009), is the time and the amount of work required for conducting the research. This objection alone may discourage the researchers who are new to the field. However, Yin observes that the choice of the method for data collection should not be confused with the case study strategy. From this perspective, this study was not an overwhelmingly time consuming endeavor.

The potential research limitations related to qualitative case studies could be presented twofold. From the one hand, there is the potential bias that is directly related to the subjective views and experiences of the researcher (Creswell, 2007; Gillham, 2000; Guba, 1990), and from the other hand, the limits could originate from the procedures that the researcher is employing during the conducted research.

Subjective factors: Personal philosophical assumptions and experiences

> In qualitative studies, the researcher is the instrument of the research, and the research relationships are the means by which the research gets done...[I]n particular, the research relationships you establish can facilitate or hinder other components of the research design, such as participant selection and data collection (Maxwell, 2005, p. 83).

The subjective set of factors that could skew the outcome from a qualitative case study, according to many scholars relates to the personal philosophies and assumptions as well as the personal experiences of the researcher. The questions that she asks, and her choice of a method to investigate the research problem, according to Creswell (2007), reflect the stance that the researcher makes when conducting a qualitative study. The basic set of beliefs and assumptions that guide the researcher's actions and choices (Guba, 1990), known as a paradigm or a worldview (Creswell, 2007, p. 19), also determines his relationship with the participants as well as the language that the researcher uses to acquire knowledge and to report findings. In addition, as researchers, we all bring previous scholarship and life experiences to our studies, which could potentially hinder our research abilities because of our familiarity with the analytical concepts we come across during the conducted research. In the words of Gillham (2000), the "conceptual baggage" we bring into our quest for new knowledge, could have counterproductive effect on our study. Gillham, therefore, suggested an open mind when using a method to do case study:

> This familiarity can blind us and close our minds… A basic limitation of human cognition is that we feel impelled to understand, to make sense of what we are experiencing. New knowledge is mainly interpreted in terms of what we already know, until it proves so inadequate that our 'knowledge framework' undergoes a radical reorganization (Gillham, 2000, p. 18-19).

Therefore, positioning oneself based on his or her philosophical assumptions (ontology, epistemology, and methodology), becomes not only desirable, but also necessary. Self-awareness or reflexivity helps the researcher to situate his or her research in the field. Therefore, clarifying to the reader how the potential for personal bias has been handled.

In order to avoid the potential subjective bias, during the whole period of this research process, I am reflecting upon my own thoughts and philosophical assumptions. When analyzing the basic postulates that define each of the common social-science paradigms, I see myself somewhere between the positivist and the pragmatist researchers who tends to “take a scientific” (Creswell, 2007) or “hard-nosed” (Yin, 2003) approach to research. However, while the focus on the appropriate method (typical for the post-positivist) applied with this research has occupied perhaps more time and energy than needed, I would also like to emphasize my on-going concern with the application of “what works”, and what could provide “a solution to the problem” (Creswell, 2007, p. 22-23). The freedom to choose among many scientific methods posed a separate problem for me, leading me from the idea of applying mixed methods for a multiple case study design to the more realistic qualitative single case study design.

Once situated in my core “worldview” (which I believe it corresponds to pragmatism), I strongly embrace the notion made by Creswell, who emphasizes that “pragmatism is not committed to any one system of philosophy and reality” (p. 22). I believe that there is an outside world that exists independently, but at the same time I think that each individual lives in his or her reality (multiple realities). Therefore, I see my role as a researcher who needs to apply the chosen methods rigorously and to report as objectively as possible. Using Creswell’s words,

> [post-positivists] believe in multiple perspectives from participants rather than a single reality, and espouse rigorous methods of qualitative data collection and analysis…They will use multiple levels of data analysis for rigor, employ computer programs to assist in their analysis, encourage the use of validity approaches, and write their qualitative studies in the form of scientific reports, with a structure resembling quantitative approaches (2007, p. 2000).

This sentence resonates with my earlier academic training and job experience. Holding a bachelor degree in economics, and experience in central government budgeting, it is somewhat expected that I put more weight to the quantitative dimension. By positioning myself as an eclectic post-positivist and pragmatist with a professional experience in macroeconomics and budgeting, I do not make any claims for perfection. On the contrary, the only reason I transparently self-reflect upon these philosophical assumptions and personal experiences is to become attentive to them and to try to avoid the traps of familiarity along the way. In other words, I am trying to “open my mind” to the new findings coming with this “dissertation journey.”

Procedural Factors: Rigor, Validity, Generalizability

The next set of potential limits to this is the study that I refer to as “procedural factors”. Creswell refers to them as “standards for validation and evaluation” (2007, pp. 201-221). In a quantitative research these standards are identified as validity (external and internal), reliability, and objectivity (Creswell, 2007).

The potential for *generalizability i*s one of the most frequently criticized aspects related to qualitative case studies. The potential of the case study to produce knowledge of significance beyond the idiosyncratic contingencies has been continuously questioned by scholars from many social science disciplines since Cook and Campbell’s critique from 1979. Although Cook and Campbell have retracted their claim, the notion for non-generalizability is still influential in the academic community. Case studies have been criticized for the obvious limitation of the small sample size where N=1 in a single case study and N>1 in multiple case studies are designed; the later N remains small enough to allow for generalization of the findings on a larger population (Stoecker, 1991). The difficulty to meet the criteria of fallibility, typical to the quantitative methods, poses another problem for attaining the grounds for generalization. The question that is asked, as Yin (2009) pointed out, was "How can you generalize from a single case" (p. 15)? Yin went a step further to provide the answer to his question: "The short answer is that case studies, like experiments, are generalizable to theoretical prepositions and not to populations or universes. In that sense, the case study, like the experiment, does not represent a "sample" and in doing a case study, your goal will be to expand and generalize theories (or analytic generalization)" (p. 15). Following Yin's advice, I am not making generalization of the findings with other populations, but rather to theoretical assumptions that could be tested by other scholars.

The case study method, as Yin (2003, 2009) pointed out, has been avoided and even disdained by many researchers. One of the main concerns, according to the author, is "*the lack of rigor.*" Yin recognized that the influence could come from the frequent application of the case study as a teaching resource. The confusion between case study research and case study teaching should be clearly addressed. One pitfall is that the case study teacher sometimes deliberately alters the case study material to "demonstrate a point more effectively". Unlike the teacher, the case study researcher should give every effort to present every piece of evidence accordingly (Yin, 2009, p. 15). In order to attain rigor in my study, I made every effort to present the evidence after being carefully transcribed (in the cases of interviews), read several times, coded, and reduced to analytical constructs. There was not a single incidence of altering the evidence in a fashion that would withhold important aspects of the study or for the purpose of demonstrating a single point. The points expressed are the ones to which the researcher has come in a time-consuming process of data analysis.

Validity is a term frequently used in quantitative research studies. However, more qualitative and case study researchers also make attempts to adopt the concept. Validity, according to Maxwell (2005), “depends on the relationship of your [the researcher’s] conclusions to reality, and there are no methods that can completely assure that you have captured this” (p. 105). Furthermore, Maxwell (2005) proposed several approaches to address the question of validity, among which triangulation of sources, methods, and theories, search for discrepant evidence and negative cases, and comparison with other programs in the literature, are most frequently applied (see Maxwell, 2005, p. 105-116).

With regarding my study, one important limitation concerning validity was the overlaps of local, state, and federal programs. The overlaps make it difficult to isolate the results from the Empowerment Zone designation of those deriving from any other designation such as the state Enterprise Zone or the federal free-trade zone. Rich and Stoker (2010) emphasized that the intersection of multiple programs in one territory also indicated a possibility to “attack” numerous related (but not same) problems. On the achievements side, “local interventions were expected to be synergetic”, implying that one event may trigger or multiply the likelihood for another event (Rich & Stoker, 2010, p. 782). To avoid this pitfall, with the interview questions, I asked the respondents to try to identify the achievements and the problems related to this program only. If they could not distinguish, then this was how I presented the findings. In fact, one of the major problems associated not only to this federal, but also to other federal programs, is lack of control mechanisms to identify the results from one program. Some would claim that this is not the point; as long as the community benefits, it does not really matter if this is an isolated program effect or a synergetic effect. My thoughts are diverging in the direction that efforts should be made to collect records for every single program whenever possible.

In addition to asking questions from my informants, I also triangulate the sources of data with the theories. Triangulation, according to Flick (2004), could be used "as a validation strategy, as an approach to the generalization of discoveries, and as a route to additional knowledge." (p. 183). The use of logic model as an analytic tool, as Cooksy, Gill, and Kelly (2001) argue, facilitate triangulation and pattern matching.

The analysis of the evidence was based on the theoretical models described in Chapter Three.The next chapter presents the findings of this study. In the beginning, it introduces the case study, the Tucson Empowerment Zone. And then, it includes two sections that correspond to the two research questions, i.e., accomplishments and problems.

Chapter 6

FINDINGS

This chapter presents the results from the analysis of the evidence collected from multiple sources, including 24 interviews, over 60 newspaper articles, relevant contents from the laws and statutes that regulate the program, the HUD internet-based performance system reports (PERMS), the Youth Opportunity grant report, the Business Development Finance Corporation (BDFC) data on Small Business Administration 504 loans (SBA 504 loans), the U.S. Census data, IRS statistical reports, and other relevant sources. In order to protect the anonymity of the respondents of this study, pseudonyms have been used except in the cases when written (by email) permissions have been granted by the interviewees. In addition, when using citations or implied meanings, unless explicit permission has been granted, the former and the current positions of my respondents have not been revealed.

The chapter is organized in three sections. In the first section, the Tucson Empowerment Zone is introduced by capturing its general characteristics and idiosyncrasies as presented in the EZ Application document, TREO's 2011-12 report, Tucson and Pima websites, and the U.S. Census data. This section incorporates three sub-sections, i.e., the Introduction of the Tucson Empowerment Zone, the Strategic Model, and the External Factors Influencing the Zone. The second and the third sections incorporate discussions on the findings about the main accomplishments and the problems respectively.

Introduction of the Tucson Empowerment Zone

The City of Tucson applied twice for an Empowerment Zone designation. The first time, the City submitted a joint application with the City of South Tucson, and the City of Eloy. This application was not selected. This rejection made the local officials and the potential beneficiaries skeptical about the results from its second application. While the hopes for getting a designation in the third round were not high, the dedicated administrators from the City of Tucson, the City of South Tucson, and Pima County continued to share the common bright vision about the neighborhoods that have been experiencing socio-economic decline for decades. They sought the opportunity to act together in the goal to revitalize the community by concentrating their efforts in what they called a "holistic approach" that incorporated "fostering healthy business climate, revitalizing poverty through creation and retention of high-wage jobs; linking neighborhoods with job creation and commercial revitalization initiatives; designing and implementing joint public/private sector partnerships aimed at revitalization; addressing workforce development needs by connecting employers, educators, and people in need of skill-specific training; expanding commercial relationships with foreign markets, with an emphasis on the Mexican state of Sonora" (EZ Application, 2001, p. 2).

The second application, as most of the respondents of this study agreed, was carefully designed to reach all qualifying criteria, including those for poverty and unemployment. The selection of census tracts was an important step in the application phase. When describing his experience in the application phase, Kendall Bert, the former Director of Tucson Economic Development Department said:

> I also was heavily involved in identifying the boundaries; I did a lot of statistical work. I did a lot of the analysis,… we've got to make certain that we meet [all criteria], poverty rate in particular.

In February 2002, HUD announced the Tucson EZ designation. Tucson was not initially designated as a round three zone, but received its status after the EZ in Atlanta, GA was terminated because of census tracts overlap with the newly designated (Atlanta) Enterprise Community. The Tucson officials, however, took pride for this designation which was highly publicized. The local newspaper, *The Tucson Citizen*, was covering this event on a daily basis. Some of the most notable opening lines in these articles :

> Given the competitive nature of the Empowerment Zone application process, the staff of the city OED [Office of Economic Development] should be credited with outpacing the other cities (Grabo, in *Tucson Citizen*).

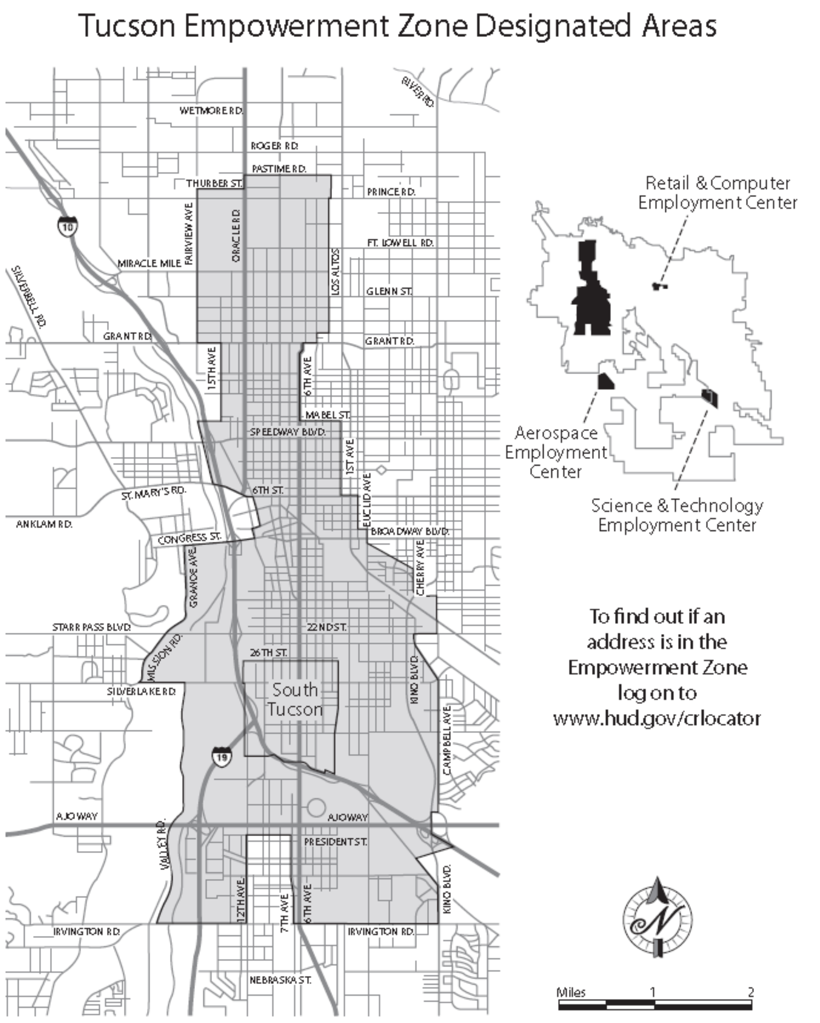
The City of Tucson Director for Economic Development was in favor of the designation holding high hopes for the future of Tucson's least developed communities.

> This is a watershed event for economic development here," Kendall Bert, Director of economic development for the city of Tucson, said this morning. "It will provide leverage for all of the programs we're pursuing to make them much more effective (*Tucson Citizen*).

The Tucson Empowerment Zone incorporated an area of 15.64 square miles that captured all of South Tucson and stretched roughly from Irvington Road to Prince Road and from Interstate 10 to Euclid Avenue (please see the map on the other page). The Tucson zone also included three developable sites: Site 1, Park Place/ Williams Center (an information technology industry cluster), Site 2, University of Arizona Technology

Park (Bio-technology, optics retail); and Site 3, Bombardier Aerospace and Raytheon Defense Industries (Aerospace industry cluster). With a population of about 48,000, the area was known for its gruesome socio-economic statistics: poverty rate of almost 41 percent, unemployment rate of over 15 percent, low income population of over 70 percent, households' homeownership of only 38 percent, high school achievement of 53 percent, and roughly half of the population linguistically isolated. (Source: Application document).

Picture 6.1: *Tucson EZ map*



Therefore, targeted by many other federal, state, and local programs, the designated area became once again a focus for a federal program that aimed to make things better. At the time of the application, there were at least ten other federal, state, and/or local initiatives and designations in Tucson and Pima County in addition to multiple state tax incentives incorporated in the Arizona tax code. These programs were operated parallel to the EZ for most of the time and had goals that covered at least one aspect of the EZ federal program. These initiatives included:

1) Rio Nuevo (local/cities)—a district formed in July 1999 through an Intergovernmental Agreement (IGA) by and among three local governments: the City of Tucson, the Town of Sahuarita, and the City of South Tucson. The status of a District allowed for establishing a State transaction privilege tax (TPT) (known as Tax Increment Financing or TIF). The TIF funding did not begin until 2003, when the district met the "statutory requirements for acquisition and commencement of the constriction of improvements." Rio Nuevo's plan incorporated "centers for finance, culture and government while incorporating adjacent historic residential neighborhood planning", which conceptually "aligns directly with the EZ model of integrated systems development that work" (Application, p. 34). Based on the current legislation, the revenue distribution will continue until July 1, 2025. In addition to TIFs, there are other sources of revenues, including bonds, COPS, City loan, city contribution and business income. As an illustration of the magnitude of this initiative, the revenues for the FY 2010 reached over a quarter billion and the expenditures for the same period reached over $232 million.[i]

2) Pima County One Stop System (a local/county initiative)—includes satellite centers and Virtual One Stop Stations within the zone. This system offers various training programs and one-on-one consultation with the goal to prepare and to place residents in job positions. They have a special emphasis on youth job placement program.

3) HOPE VI—a federal grant program that provides housing for low-income individuals and families; includes community development activities in addition to housing. Tucson has received three HOPE VI grants: in 1996 in the amount of $14.6 million, in 2000 in the amount of $12.7 million, and in 2005 in the amount of $9.9 million (for a total amount of 37.2 million grant money). The 2004 grant was aimed for building residential housing within the borders of the designated federal empowerment program (HUD web archives).

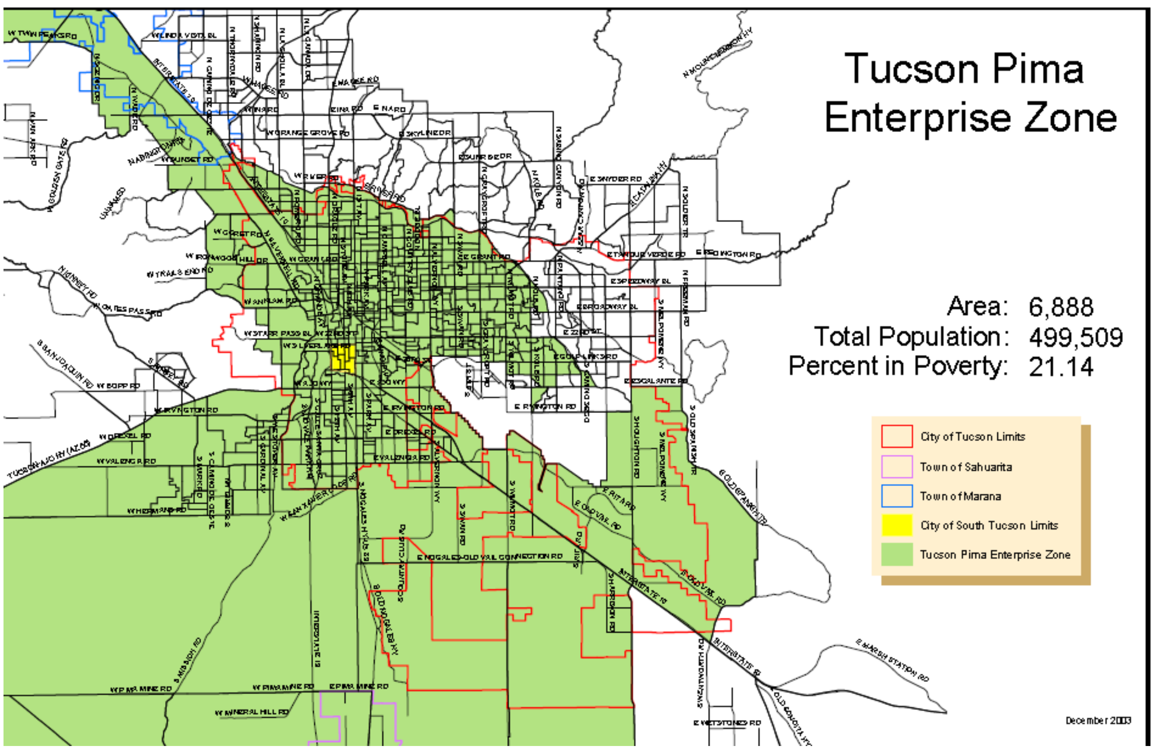
4) Stone Avenue Corridor—"redevelopment projects funded by state and local tax dollars. Encompasses economic and community development goals." (Application, 2001 p. 34)

5) MRB Program—a program for assisting low-income (minorities) homebuyers in the zone area.

6) Enterprise Zones—a state development initiative, which was conceptually developed by the federal government, especially during President Reagan's term; the State of Arizona designated the first zones in 1990, offering only tax credits. The program was revised number of times, introducing new benefits and extending the designation period. The latest extension was announced by the Arizona Department of Commerce (ADOC) in February 2009 with an expiration date of 2013. This state program offers a State Corporate Income Tax Credit up to $3,000 over a three-year

period per new employee for businesses located within the three state EZ designated areas. The job had to meet certain criteria. In addition, it offers a Property Reclassification to minority- or women- owned businesses, or to small manufacturing businesses. Property reclassification reduces in effect the property tax, and was in effect for five years (Application document). Most of the Empowerment Zone was covered by the Tucson/Pima state Enterprise Zone. This state zone was established in 1991 and has been around for the whole period of the Empowerment Zones. The main goal of the state Enterprise Zone is attraction of capital investment and job creation.

Picture 6.2: *The map of the Pima County State Enterprise Zone*



7) Foreign trade zones (a federal program) —the whole territory of Pima County is designated a Foreign Trade Zone. The designation indicates that the businesses are eligible for tax privileges. They must apply to receive the status of a Foreign Trade Zone.

The program, according to the TREO's web site is "designed to stimulate international trade, create jobs and promote investment in the United States." (TREO website). At the time of application, the City of Tucson, in conjunction with the Foreign Trade Zone "offers a government property lease excise tax relief incentives to developers" (Application, 2001, p. 132).

8) Youth Opportunity grants initiative, a federal program under the U.S. Department of Labor, was launched in 2000, and had the mission to train and to find employment for the youth in traditionally underserved regions. The program was ended in 2007 with great mark of success of almost 2,000 young people placed in various job positions. This program, according to my respondent worked completely correlated to the EZ program.

9) Income Tax Credits for IT Worker Training—this program gives tax credits to encourage employers to provide training to their employees in order to advance their technology skills. After meeting certain condition for certification, the company is eligible to apply for the credit, which covers up to 50 percent of the amount spent for training or no more than $1,500 per trained employee for a maximum of 20 employees per company.

10) Government Property Lease Excise Tax (GPLET)—"gives cities the ability to reduce property tax on new projects. This benefit is increased when coupled with the Central Business District designation and in Redevelopment Zones" (Application, 2001, p. 133).

In addition to these programs, some notable aspects of the Arizona tax code included: no corporate franchise tax, no business inventory tax, no income tax on dividends from out-of-state subsidiaries, no worldwide unitary tax, aggressive acceleration schedules, and virtually all services being exempt from sales tax.

All these programs and incentives were located completely within the borders of the least developed and most needy communities in Tucson and Pima County. The administration of the three local governments hoped that this program would boost the implementation of the other programs and will consequently contribute to better the overall impact.

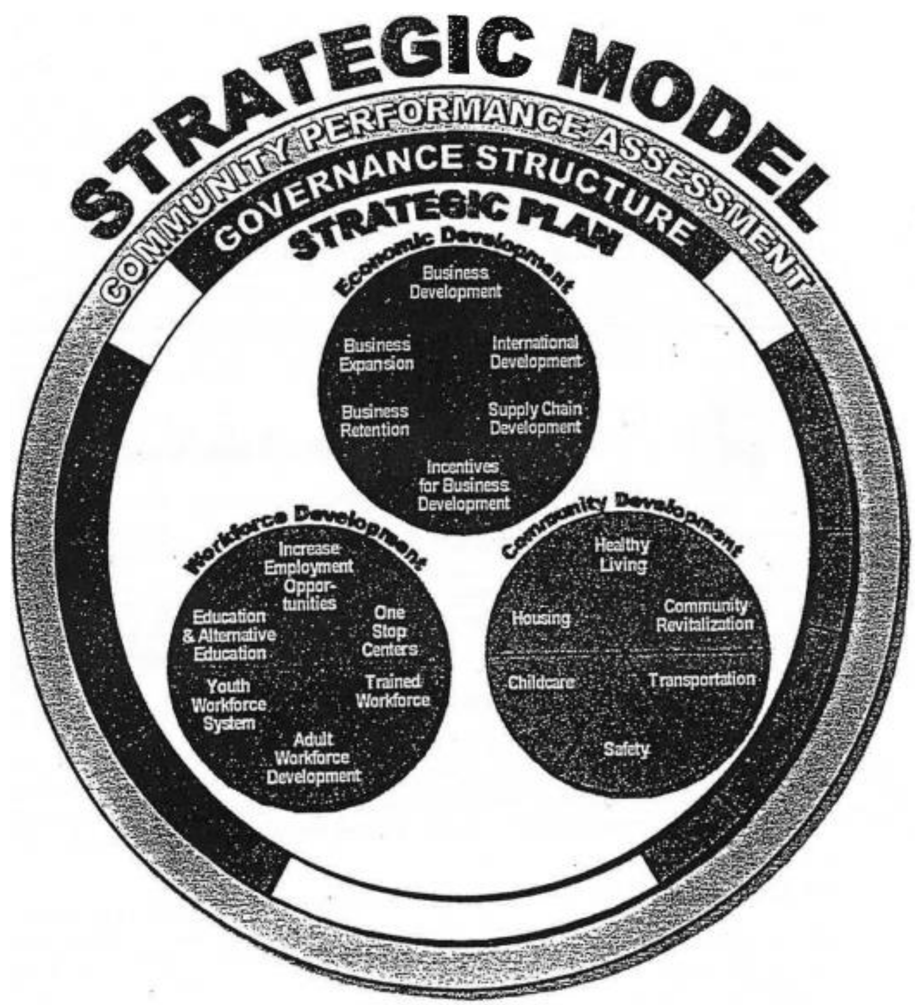
Strategic Model

Following the requirements specified in the federal laws and sub laws, the three local governments (the City of Tucson, the City of South Tucson, and Pima County), with the involvement of multiple stakeholders from the business community and neighborhood organizations, developed a strategic model that encompassed a strategic plan, a governance structure (Governance Board and local agencies leadership), and a community performance assessment. The strategic plan included three pillars: business development, workforce development, and community development, each of them having 6 goals to be fulfilled as part of the empowerment zone program. The strategic plan evolved around the four basic principles established by the federal government: economic opportunity, community-based partnerships, sustainable community development, and a strategic vision for change. The performance assessment was based on indicators, which ideally were to be developed with the inclusion of all parties.

The strategic plan also included an implementation plan that outlined not only the goals, but also the strategies and the steps that needed to be undertaken, the parties to carry out each activity, and the measurements that will be used to measure the results. Additionally, it provided a 2-year budget for each of the total of 18 goals (see Table 6.1).

The Strategic plan together with the instruments for implementation that complemented this plan provided a very strong case for Tucson to become one of the eighth nationwide designated urban Empowerment Zone communities in Round three.

Figure 6.1: *Tucson EZ Strategic Model*



Source: Tucson EZ Application (A collaboration sponsored by The City of Tucson, The City of South Tucson, and Pima County)

Table 6.1: *Overview Implementation Plan and 2-Year Budget*

	Budget (2 year)
I) Economic Development (ED)	
Goal 1: Business development (facilities purchase not included)	$925,000
Goal 2: International development (construction not included)	$540,000
Goal 3: Supply chain development.	$275,000
Goal 4: Incentives for Business Development (some venture capital included)	$750,000
Goal 5: Business retention	$340,000
Goal 6: Business expansion	$100,000
Total ED	*$2,930,000*
II) Workforce Development (WD)	
Goal 1: Increase employment opportunities	$750,000
Goal 2: One stop centers	$250,000
Goal 3: Trained workforce	$350,000
Goal 4: Adult workforce development	$310,000
Goal 5: Youth workforce system	$190,000
Goal 6: Education and alternative education	$265,000
Total WD	*$2,115,000*
Community Development (CD)	
Goal 1: Healthy living	$490,000
Goal 2: Community revitalization	$230,000
Goal 3: Transportation	$180,000
Goal 4: Safety	$240,000
Goal 5: Childcare	$415,000
Goal 6: Housing	$2,500,000
Total CD	*$4,055,000*
Total ALL for 2 years	***$9,100,000***

Source: Compiled by the author, based on the Tucson EZ Application, pp. 121-128

The beginning of the implementation, according to the 24 interviewees, was accompanied with an enthusiasm, overemphasized expectations, and publicity. The enthusiasm is well captured in the local daily press. *The Tucson Citizen*, a local newspaper featured over 20 articles covering the Tucson Empowerment Zone designation in the first 3 days (February 20-February 22, 2002). A press conference was also organized for the good news to be spread. The number of $17 billion as a shared pool among the eight designees was repeatedly emphasized. All tax, wage, and bond incentives (described in Chapter Two), were presented as benefits for the businesses, for the residents, and for the communities.

But this enthusiasm was not sustained on the long run; only a few months later it was tempered with real problems and challenges that followed the implementation of the program that seemed flawless on paper.

Tucson Empowerment Zone Governance Board

One of the central elements incorporated with the Strategic Model was the Governance Structure. At the core of this structure, according to the model, was the Tucson Empowerment Zone Governance Board (GB). The GB had its first meeting on August 1, 2002, a little over five months after the zone was officially designated. The Board, according to the official Pima County compiled document deriving from the first meeting "is composed of leaders who…are committed to our community." The GB initially had 9 members, including Robert Walkup, City of Tucson Mayor; Shirley Villegas, the City of South Tucson Mayor; Sharon Bronson, Pima County Board of Supervisors; Jack Camper, Tucson Metropolitan Chambers of Commerce; Bob Hagen, South Arizona Tech Council; Steve Juliver, Workforce Investment Board; Steve Weathers, Greater Tucson Economic Council (GTEC, later TREO); and Don Semro, South Tucson Neighborhood Representative. By the end of 2003, when the first PERMS report was submitted to HUD, Fred Oronzo, representative from the Hispanic Chamber of Commerce; Eugene Carter, a representative from the Black Chamber of Commerce; Robert Suarez, representative from Rio Nuevo Board; Tim Kanavel, a representative from AZ Department of Commerce; and Roberta Ann Martinez from the City of Tucson Neighborhood Association, were additionally appointed members of Tucson GB. With exception of Mr. Walkup and Ms. Bronson, all members were replaced in 2008. While the reasons for the replacement are not completely clear, some of my respondents indicated that the members were replaced with the members of the GB of the newly formed public-private partnership who may or may not had been informed about the empowerment zone program. Robert Shelton, President of the University of Arizona; Roy Flores, President of Pima Community College; Jim Kolbe, Member of Congress; Paul Loomis, Mayor of Oro Valley; Lisa Lovallo, VP and System Manager, AZ Cox Communication; Christopher Sheafe, President of Sheafe Co.; Richard Imwalle, Chairman of Bak of Tucson; Robert Cashdollar, President & CEO of Aache Nitrogen Products, Inc.; Steve Lynn, VP Communications of Tucson Electric Power; Bonnie Allin, Chair of Metropolitan Chamber of Commerce; Frances McLane, a VP Wealth Strategies Group, Northern Trust; and Sarah Brown, President of Brown Family Foundations were newly appointed members of the Tucson EZ Governance Board Members.

The structure of the Governance Board was created during the application phase and it consisted of two layers. A Project Manager appointed by the City of Tucson City Manager was planned to be responsible to facilitate the implementation process and to provide daily management routine. The Project Manager was going to be helped by a Project Management Team consisting of two members appointed by the South Tucson City Manager and Pima County Manager.

The GB was envisioned to include an Executive Committee, an Implementation Team, and a Project Management Team. The executive Committee had the authority to approve allocation of tax-exempt bonds, to approve annual implementation plans and changes to the plan, to appoint standing and special committees as needed, and to appoint new members to the Implementation team as needed (Application & Internal Document). The Implementation Team had the authority to recommend changes to the Strategic Plan to the Executive Committee, to add members to the Implementation Team as indicated by the Executive Committee, and to appoint standing and special committees as needed to support implementation efforts. The Project Management Team and the Project Manager had the authority to manage daily operations, track progress and report to Executive Committee and Implementation Team, and to implement tax incentives utilization plan.

The GB structure was carefully planned in the Strategic Plan, and as emphasized in the Application document, it included members who had decision-making power or had access to decision-makers, along with an administrative support. According to the PERMS reports, for the period 2003-2009, the main governance body met 47 times and subcommittees met 31 times. The main committee, (which would correspond to the Executive Committee described earlier), met at least 4 times on an annual basis reaching 10 meetings in 2009. The subcommittees met 8 times in 2003 and on average 4 times annually thereafter.

In reality, the Governance Board did not have decision-making power, or at least it did not appear to have any decision-making power. The program was already five months into the implementation phase, when the Board held the first meeting. When asked about their roles, only one member of the Governance Board felt that their work was important and had impact. Even he, when asked how he would describe his role with the Tucson EZ Board, answered that “it would be more from an observatory standpoint with some involvement or opinions” (Campbell).

Paul Loomis (GB, 2008/9), during the interview, had recollections about conversations concerning potential extension of the EZ benefits, the EZ designation period, and the EZ map. Swite (GB, 2002/7), when asked to describe his role with regard to Tucson EZ, answered that “probably non- productive. We did not do anything, we had 3 board meetings and we accomplished nothing.” Smith, who was a GB member in 2008 and 2009 according to the PERMS reports, described his role as an accessory that helped the Application to be approved by the federal government. Smith said the following:

> I was not very instrumental in figuring out the exact venture. That was done more by the administrative staff. But, once they figured it out where the EZ was going by following federal guidelines, I was one of the people who was trying to ensure that these things were approved by the federal government.

He further confirmed that his role was more emphasized in the application phase. It involved provision of political support for the process, but did not go beyond that.

According to Tim Kanavel, a representative for the State of Arizona (GB 2002/07), the Board was supposed to provide leadership, but as he puts it, this was one of the major problems associated with the zones: “My biggest disappointment was that there was not enough political will power behind it. Here was an opportunity to do something and it went down, people did not understand it.”

The governance board, according to Ethan Orr and Kendall Bert, did not have decision-making power, but the members had the authority to propose suggestions.

Based on the data collected from the interviews and the responses of the three board members who did not provide an opportunity for interview, it could be implied that the GB was envisioned to have decision-making power, but most of the activities were done at the administrative level. The administrative level, according to the governance structure in the Application, is represented by the Project Management Team. In the absence of complete documentation from all or most of the GB meetings it is difficult to judge, but there are serious indications that the GB did not make decisions that could have guided the process of implementation. The respondents from this study, who were directly involved with the implementation of the program, agreed that the leadership for the implementation was more likely to have derived from the City of Tucson administration. This is confirmed by the interviews of the other administrators who would not even mention the GB as a governance body if not explicitly asked about their opinion.

External Factors Influencing the Zone

At the time of the application, the businesses in Pima County, including those in the City of Tucson and the City of South Tucson, were small or medium sized, providing employment to a range of 50 to 500 employees. From about 6,000 businesses, about 90 percent met the definition of small business[ii]. According to the Application document, approximately 65 to 80 percent of the new jobs were coming from existing business retention and business expansion. The small business development was planned to be used as leverage and something that has a long tradition in Tucson. Building on a base that has built cultural tradition could prove easier for all involved participants in the process of revitalization of economically depressed communities.

The Empowerment Zone comprehensiveness in Tucson was seen in different lights that emphasized business development; it incorporated regional development, economic diversification, and international trade, especially with Mexico. Job creation, as emphasized in the Application document was about to shift from the low-wage averages in service delivery, to high-level salaries in the clean manufacturing and high-tech cluster industries that among others assume training programs for the current unskilled labor.

The vision of workforce development, which represented one of the three EZ strategies in the strategic plan, incorporated the idea that workforce development could be used as a strategy to reduce poverty. As written in the strategic plan, a “highly literate, motivated and technologically competent [workforce]…the development of such a workforce will eliminate poverty, create prosperity and contribute to a positive personal and community image” (Application, 2001, p. 13). The reality, however, was significantly different from the vision. Over 20 percent of the residents from the Tucson metropolitan area lived in poverty, most of whom lived in the EZ designated area. Some of the census tracts had approximately half of their population living in poverty (census tract 1.00) and most of them had 20.7 percent or more of the population living in poverty (source: the U.S. Census Bureau). Tucson local governments hoped to develop a program that would increase the level of educational success and would allow a transition from low paid jobs to higher-level jobs and at the same time would reduce the unemployment rate.

The three local governments had a vision to improve some of the social components such as community safety, housing, childcare and transportation. According to the Application document, developing a linkage between the job places with the place of living, schools, and childcare is an essential step forward to support community development. In addition, addressing housing issues for a community where almost two thirds are renters was also an important factor considered in the Application document.

Accomplishments of the Tucson Empowerment Zone

The Empowerment Zone in Tucson was based on three main pillars that reflected the substance of the four leading EZ principles: economic development (ED), workforce development (WD), and community development (CD). Each of these three pillars had six goals, summing up to a total of eighteen strategic goals.

Each of the goals was described in detail by the strategies to be accomplished and the processes and outcome measurements to enable keeping track of the program performance. While the details typically give us a guarantee that the program will be implemented, it must be emphasized that all 18 goals in the three strategic areas accounted for a total of 128 measurements. This reflected a significant drawback for the administrators because, according to the plan, they were required to collect and analyze data for 128 variables in addition to the 80 benchmarks set up in the plan for reporting program's success or failure.

Table 6.2 *Tucson Empowerment Zone Strategic Areas and Goals*

Strategic Areas and Goals		
Economic Development	Workforce Development	Community Development
ED1 Business Development ED2 International Development ED3 Business Expansion ED4 Supply Chain Development ED5 Incentives for Business Development ED6 Business Retention	WD1 Increase Employment Opportunities WD 2 One Stop Centers WD3 Trained Workforce WD4 Adult Workforce Development WD5 Youth Workforce System WD6 Ed. & Alternative Ed.	CD1 Healthy Living CD2 Community Revitalization CD3 Transportation CD4 Safety CD5 Childcare CD6 Housing

Source: Empowerment Zone Application

PERMS Reports and the Strategic Plan

The Internet Based Performance Reporting System, known as PERMS reporting system, was conceptualized by HUD as an instrument to assure implementation of the activities as determined with the designee's Strategic Plan. PERMS followed the four program's main principles and requested information about the Governance Board of each designated community along with an implementation plan that included milestones, outputs and outcomes necessary for the implementation of the program. Ideally, the implementation plan would follow the plan developed in the Strategic Plan which was a part of the Application document. However, when the Strategic Plan was compared to the PERMS reports, the analysis showed that the performance information was not presented in a way to completely correspond to the initial plan. However, efforts were made in the implementation section of the PERMS reports to relate the actual project to the initial goal in the Application document. The codes used in these reports allowed them to make this relation.

The report followed the four guiding principles around which the Empowerment Zone program evolved: 1) strategic vision for change, 2) community based partnerships; 3) economic opportunity, and 4) sustainable community development. Following the description of each part, the PERMS reports for Tucson provided information about the Tax Utilization plan and about other accomplishments. The Report also included information about the Governance Board, enumerated the members of the Governance Board, and provided information about the number of meetings held during the reporting period. The final part of the report included implementation plans that provided details about the projects and programs that were implemented, along with the milestones and the projected outcomes and the projected and implemented outputs. These plans were expected to summarize the activities that the designee was undertaking to assure proper implementation of the planned activities.

Based on the implementation plans presented in the PERMS reports (total 7 reports for the period covered 2002-2009), the main accomplishments reported by Tucson EZ administration are reported in the Table 6.3.

Table 6.3: *Accomplishments of Tucson EZ as reported in PERMS's Implementation Plans*

Accomplishments/ PERMS Implementation Plans (period covered 2002-2009)	Planned	Reported
Number of projects	N/A	16
Number of GB meetings (according to the project in the Implementation plan)	4	5
Number of board members trained	12	13
Number of EZ businesses contacted or assisted	7,112	10,485
Number of non EZ businesses assisted	50	73
Number of job training programs	4	10
Number of agencies trained	49	55
Number of organizational programs supported	134	143
Number of residents trained	257	565
Number of EZ residents placed in jobs/ or retained	925	1,520
Number of non EZ residents placed in jobs/ or retained	250	312
Number of job fairs	2	5
Number of loans closed	37	46
$ Amount of loans	$3,586,520	$5,700,000
Number of EZ residents placed in jobs/ or retained (because of loans)	168	207
Number of non EZ residents placed in jobs/ or retained (because of loans)	64	137
Budget spent	N/A	$7,202,660

Compiled by the author, based on PERMS reports

The amounts planned in the implementation plan were compared to the amounts reported in the PERMS reports. Significant variations were identified. As an illustration of the differences between what was planned and what was reported, I examined their two-year budget plan, which was a little over 9 million dollars. This planned amount for a period of two years is larger than the actual amount spent during the 8 reported years of Tucson EZ implementation.

It should also be mentioned that the Application document had a list of organizations, which had committed matching resources for the zones. The 45 partners that according to the document had signed commitment letters, and pledged political or monetary support, had collectively agreed to match an impressive amount of $1,761,316,321. This amount was never reported in the PERMS reports and none of my respondents was aware that Tucson EZ partners have committed to support the EZ designated community financially.

The Implementation Plans incorporated in the seven PERMS reports provided information for 16 projects that were related to two out of the four basic principles established by HUD: community partnerships and economic opportunity. Please see table A1 in Appendix 1 for details about the milestones and the planned and actual outputs from each project. The plan outlined the expected outcome from each project, but did not provide any further information as to whether it has been achieved. Not one of the projects included in the Implementation Plan Milestones was a capital investment. Some of them were pure operational plans. For example, the first project reported in the 2003 PERMS report (for the period February 2002-June 30, 2003) was "Board and Committee meetings". It was connected to the second HUD principle: "Community-based partnership" within the category of Governance Board. This "project", which was a mere operationalization of a typical activity of the GB, was related to one of the four principles, but was not connected to the Tucson's strategic plan incorporated in the Application. Put differently, Tucson PERMS report obeyed the rules set up by HUD, but did not necessarily relate their own goals with the projects and the outcomes. The four pillar principles were described in the PERMS by using narratives. Regarding the first principle, strategic vision for change, it is indicative that the same text was used in all or almost all PERMS reports. It is even more indicative that nobody really had noticed it or paid any attention. This is consistent with HUD's responses in the electronic interview, according to which HUD did not monitor the implementation of the round three Empowerment Zones because there was no grant component included in the program.

The other three principles, i.e., the community-based partnerships, the economic opportunity, and the sustainable development were also reported by using narratives. The text analysis of the narratives incorporated in the PERMS reports revealed that the same pattern of text repetition persisted in all seven reports. The text was almost the same in every report, most of the times to the choice of words. Some parts in appeared to have been copy-pasted from the first PERMS report for the period February 2002-July 2003. Moreover, the analysis of the PERMS reports indicated that the accomplishments reported in the narratives were unreliable because they incorporated accomplishments of other programs. In fact, under the second principle, Economic Opportunity, many projects could be found, from brownfields to Rio Nuevo accomplishments, anything but the accomplishments of the Empowerment Zones. This is by itself uncanny, and even more is the reaction from HUD, which is completely absent. These narratives incorporated every single action that the localities have done in the Tucson region, which was not necessarily related to the federally designated Empowerment Zone. There is no straightforward connection between the projects reported and the EZ accomplishment.

The only part of the PERMS reports that could have been used for analysis, even though with caution, is the report on the Implementation Milestones Plans (see tables 6.3 and table A1 in Appendix 1). And only those sections from the narratives that passed the data triangulation test by applying the information obtained from the interviews and an internal documentation (Agenda for Governance Board meeting) were used in the analysis.

The main program achievements were first analyzed in two categories: perceived and data driven. As explained in Chapter Three, the perceived achievements refer to the results which according to the respondents of this study were considered positive. The perceptions of the interviewees did not have to correspond to the actual data. Data driven achievements refer to the results reported in the official documents and/or census data. The most important set of the documents represent the PERMS' Milestone Implementation Plans and the overall reports with the caveats elaborated earlier.

The first quadrant (informed) represents the accomplishments that were highly perceived and there was data available. For example, marketing activities were perceived as accomplishments and that is how they were presented. Although, the marketing of the program was in fact an input or an activity that leads to an output, it could be used as a process indicator which provides a signal as to whether the program is active or not.

The most notable accomplishment was the synergy between the EZ as a program and other programs. For example, the Drachman Institute with the University of Arizona received two grants in the amount of $800,000. These grants were used by the students of the UA to design affordable housing projects for sites that belonged in the zones. The location of the site was incorporated as a main element in these two grants' proposals. The Youth Opportunity Grant is an even better example for the synergetic impact. Over 2000 young people were trained and placed in jobs due to the Youth Opportunity Grant. It is important to notice that the zone was a valuable program to locate youths in need. As informed by a former administrator, if the young unemployed person resided in the empowerment zone, it was a default condition for qualification for a training and job placement. The administrations of the two programs worked together in the goal to provide employment for this population group.

The second quadrant (hidden accomplishments) includes the accomplishments or the benefits from the program that were not perceived by most of the respondents. The zone designation typically brought extra points for other programs. For some cases, as with HOPE VI in 2004, these extra points may mean getting advantage to get the grant.

The anecdotal accomplishments are included in the third quadrant. It refers to the accomplishments that are perceived but not necessarily confirmed with data. Although the PERMS reports indicated numbers of people placed in job positions, this information was not confirmed by any of my informants. When data reported for Tucson EZ were compared to the data collected from the interviews, there were inconsistencies.

All of the interviewees said that not getting access to the IRS numbers was a real problem during the implementation phase, they were not sure if their estimates were close to the actual ones. Therefore these numbers represent rough estimates based on business self-reports and/or estimates based on the estimated number of eligible people to get the incentives.

Another accomplishment that was reported but not confirmed was about the small business development (SBA 504) loans. The PERMS implementation plans reported 21 closed loans with the BDFC (Business Development Finance Corporation) in the amount of $700,000, but this information was not confirmed by McDonald and his personnel who administer and approve these loans. When asked if the use of SBA 504 loans in the zones was increased with the marketing activities about the EZ program, he said the following:

> Marginally at most, I don't think it really drove capital to the zone because you could get a 504 loan anywhere you wanted so you could take the location that best suited your business.

McDonald's claims are consistent with the data for SBA 504 loans. The chart below shows the trend of approved SBA 504 loans for the period from 1980 to 2009. The dark blue line represents the amount approved for EZ located businesses. The numbers seem to follow the overall trend of increase rather than the designation itself. While no statistical analysis is done, this trend is indicative at the least.

The last quadrant (blind spots) indicates the areas that were completely neglected. No activities to promote healthy living, community revitalization, housing, childcare, transportation, or safety were taken as part of the EZ program implementation. The changes, if any, cannot be contributed to the EZ program. All reported activities in the PERMS reports either belong to other programs such as Brownfields, or represent regular local government activities.

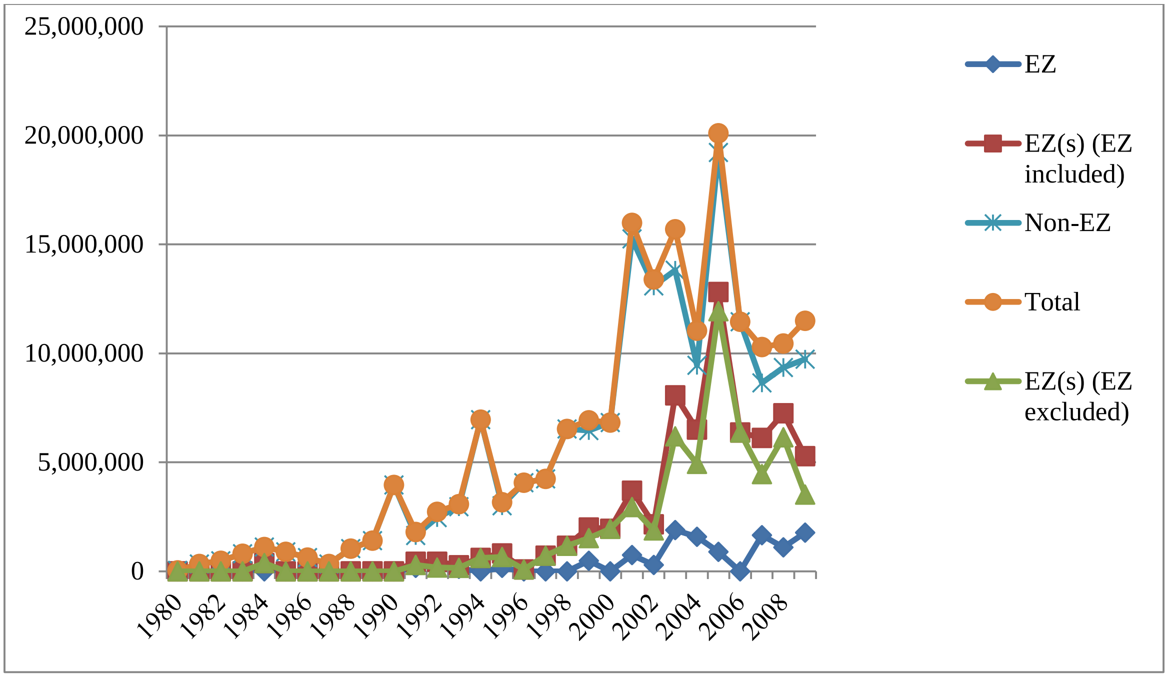
Figure 6.2: *Perceptions/ Data Availability Matrix*

		Perceptions	
Av aila		Highly perceived	Not perceived

	Yes (data available and reliable)	Q1 (informed) - The leadership of one person - Partnerships: 17-23 (PERMS, interviews) - Marketing the incentives: number of businesses contacted or assisted; 10,485 (PERMS, interviews) - Training: seminars and training programs organized by the City of Tucson and partnership organizations (PERMS, interviews): over 500 residents trained - Synergy: *HUD grants to University of AZ (2 grants $800,000): (Drachman Institute) *Youth Opportunity Grant: 23 million (Pima One Stop report)	Q2 (hidden) Program support: added 5 points in each state and federal grant applications. Helped in getting HOPE VI 2004 to build affordable units in the downtown area
	No (data not available or not reliable at all)	Q3 (anecdotal) Economic Development: - Use of Tax incentives - Employment and retention - Business expansion - Synergy: Small Business Administration (SBA) 504 loan	Q4 (blind sopts) Community Development: - Healthy living - Community revitalization - Housing - Childcare - Safety

My respondents did not mention community development as a goal of the program. In fact, all of them, when asked what the goals of the EZ in Tucson were, gave similar responses. They emphasized either business attraction or creation of employment opportunities, and in most cases, both.

Chart 6.1: *SBA 504 Loans in Tucson Metropolitan area (1980-2009)*



The assumption that new business investments and new employments will solve community problems is built in the theory based logic models presented in Appendix 2. The first theory based logic model (planned) incorporates the main elements from the Tucson EZ Strategic Plan. The second theory based logic model (observed) incorporates elements from various sources that describe the actual implementation stages. When the two models are compared, the changes between the planned and observed implementation could be identified.

The models clearly indicate that the implementation of the goals failed way too short. The activities that were planned in the strategic plan did not correspond to those that were implemented. In fact, many of the marketing activities were incorporated in the plan, but most of the activities in the plan were not implemented at all. This leads us to the second question of this study, the question about the main problems associated with the Round three Empowerment Zones.

Challenges

The data collected from the 24 interviews provided information about the challenges that were encountered during each stage of the EZ program in Tucson, including the application, the implementation, and the monitoring/evaluation phases. The local newspaper articles also represented a valuable source for identifying the problems with program in Tucson. In addition, a relevant documentation was reviewed to identify some of the drawbacks. The transcripts and the newspaper articles were coded and re-coded.[iii]. The codes were then grouped into families. Code families were then grouped into four main groups of challenges:

1) Challenges *related to the design* of the EZ program in Tucson: diminishing federal resources, stringent conditions and complexity imposed by the regulation, and lack of mechanisms to ensure administrative accountability.
2) Challenges *related to the program application and implementation*. Challenges with the application process involved the choice of territory and unrealistic Strategic Plan. Challenges with the implementation phase include limited community participation and declining stakeholder participation, public management and human resources, plummeting enthusiasm, and losing the community development perspective.
3) Challenges *related to the program monitoring and evaluation*; and,
4) Challenges involving *institutional and political factors*: lack of political support, Tucson Regional Economic Opportunities (TREO), and too many tax breaks and other local, state, and federal business incentives.

1) Challenges related to the design of the EZ program in Tucson

a) Diminishing federal resources

One of the central problems associated with the previous EZ rounds was the insufficient use of program funds, especially grant funds. As reported in the local newspapers, in 2002, HUD officials estimated that almost $250 million in grant money remained unspent by the urban Empowerment Zones. The Washington D.C. administration took this argument to defend the complete elimination of the grant component. Nancy Segerdahl, a HUD spokeswoman during the time when the third designation was announced, was cited in the local media. She said that the president's budget favored "programs that demonstrate results." In addition, she said the following:

> It's clear that many of these Empowerment Zones are not spending their existing grant funds, so this budget request will shift the focus toward providing tax incentives as a more effective vehicle to promote economic development and job growth in these communities (*Tucson Citizen,* Feb. 22, 2002).

While cutting the grant component had a rationale, at least political, it was seen as one of the major program obstacles by most of the respondents. The local media also recognized this problem early in the process. Since the time of Tucson EZ designation (February 22, 2002), the *Tucson Citizen* reported the benefits from the program with a special emphasis on the absence of the grant component. Karen Thoreson, a former Assistant City (of Tucson) Manager and Director of Community Services, identified grant cuts as the leading problem for the program's ineffectiveness. She said that the tax incentives were not significant enough to motivate the businesses to make an allocation decision. This, in fact, is consistent with the literature on tax incentives (Bondonio & Greenbaum, 2006; Peters & Fisher, 2002). Business allocation decisions depend on myriad factors. Tax incentives could influence the decision if they are large enough to exceed the potential risks.

Kendall Bert, the former City of Tucson Economic Development Director, did not necessarily object to the cuts according to the daily press; but during our interview, he indicated that the grant money could have been of use. He said:

> In the first round, they gave out $100 million; by the time they got to the third round, they were giving out only incentives. I mean, we were excited about that and we pushed it hard, but it would have been nice to have the actual money.

From all respondents, only Ethan Orr, the first and most enthusiastic city administrator thought that the program had excellent benefits because it could concentrate on taking advantages from the tax incentives. Mr. Orr said:

> The beautiful thing about round three was that because there was no limit on the tax credit, you can have many people on the table. When you have 100 million, you want to share it with less people. Having tax credits for everybody who is eligible, you get as many people as possible.

b) Stringent conditions and program complexity.

The Federal Empowerment Zones program is not very different from most of federal programs designed to combat difficult socio-economic problems. It offers incentives that are conditioned with meeting a particular set of criteria. The empowerment zone legislation also regulated the conditions upon which the incentives could have been distributed. One of the principle conditions was related to employment of EZ residents. At least 35 percent of the employees needed to reside within the zone limits during the whole period of the incentive. The last part is especially restrictive because it assumes that the people who get a job will not move outside of the zone. However, people are free to choose the location of their residence; therefore, once their means for livelihood increase, they can afford to find a better place (Tiebout, 1956). Their choices for exit could exacerbate the living conditions in an already exhausted community (Hirschman, 1970).

The City of Tucson administrators, especially Ethan Orr and Kendall Bert were aware of this disadvantage, and made every attempt possible to promote the market-based incentives as tools that could be used for employee-retention. According to their idea, a portion from the tax credit could be used by the private sector companies to offer fringe benefits to their employees or even to offer a down-payment for buying a house in the qualifying designated community. However, even with these options in hand, the role of the private business was only to stimulate their employees to remain in the same community, whereas the ultimate choice remains to the employee.

A very similar problem was present for the companies that wanted to utilize tax-exempt bonds. Moreover, when being an expensive instrument for financing private companies, and not allowing multiple small firms to apply together, the bonds were almost exclusively intended for larger companies that could have afforded large transaction costs. The result was that during the whole period, there were no bonds issued. Regarding the bond issuance, Mr. Bert said the following:

> One thing we could use was a $130 million in tax exempt loans. We had planned on using that, but as it came down to it that the restrictions were so extensive that it made it almost impossible to use them for the program. They had a requirement to hire a certain number or percentage of workers in the zone for an ongoing basis

> and when they got the loan they were trying to prevent someone living in the zone from moving out. If the percentage dropped below the requirement, the loan became taxable all of a sudden. There was probably a serious penalty so it made it very difficult to sell that.

Maggio, who was representing Tucson Development Authority (IDA) at that time, described the limits that Tucson EZ companies faced when they wanted to issue bonds with tax-free interest. She said:

> One of the criteria was that you had to have at least 35% of your employees both living and working in the zone. The zone does not have a lot of housing within it, and also in order to do the transaction, the cost of doing the transaction is very high, …, back then it might have taken 2 or 3 million project to make it worthwhile, so it had to be a large project in order to make it financially worthwhile. …We talked to several different potential buyers and none of them were going to be able to meet the requirements, so I don't remember any entitlement bonds being issued at all.

The high cost of transaction clearly favored larger businesses, which were able to support projects worth at least 2 million dollars. With regard to the potential to reduce the cost of transactions, Maggio suggested the possibility for a pool transaction which was made impossible by the IRS.

Another problem with the design of the program was the complexity in the use of tax incentives. As one of my respondents pointed out, filing for tax returns and wage returns is complicated. The process becomes more complicated when tax and wage returns are related to obtaining prior certification of eligibility. In the case of the Tucson empowerment zone, before filing for a tax return, the eligible company had to obtain a certification from the State of Arizona in the beginning of the year to provide an evidence of eligibility for their employees. A former EZ program administrator, pointed out that the business owners and the accountants were confused and they did not know who and when to contact in order to meet the criteria for tax employment credits. She stated the following:

> So, when they were hiring from the EZ, they did not know who were the entities that needed to check that box of yes, ... No one really knew who puts that stamp. ... Businesses do not have that time to run down the right person. …So, we had companies waiting until it was too late in the tax years, because they have this 10 day period to do filing. If they do not do it within these 10 days of hiring the individual, they were unable to take the tax credit.

c) Lack of mechanisms to ensure administrative accountability

Lack of mechanisms to ensure administrative accountability was one of the central problems associated with the round three EZ in general. HUD was responsible for collecting performance information and there were criteria set with regard to how and what kind of information was going to be collected. HUD had established an electronic performance system (PERMS), which enabled all EZ designated communities to enter their annual reports. The reports were structured around the four main program principles (strategic vision for change, community based partnership, economic opportunity, and sustainable community development) and the administrative organization (typically the local government) responsible for preparing and submitting the report was expected to follow these guidelines. In addition, PERMS had certain requirements for the kinds of information that needed to be reported, which roughly followed the logic models. Namely, each project needed to include: 1) baseline, which would generally describe the project; 2) sources of program funds, whether it was based on federal or non EZ/EC grant funds (for round three all funds were non-EZ funds); 3) Uses of program funds; 4) Status of projected milestones that indicated the milestone and the percentage of implementation; and 5) progress toward projected outputs.

The problem with the lack of accountability mechanisms was that the PERMS system was not monitored by HUD or any other agency, and unless access to internal documentation for each EZ community and each project within that community was made available, there is virtually no possible way to confirm or deny the data in the reports. Based on the electronic interview with a HUD Washington D.C. representative, the following information was provided: “Round three has no federal money tied to it at all, therefore HUD did not monitor the EZ’s.”

This problem has potentially larger consequences, because it may well apply to other programs that rely on federal tax incentives only. The implications from this problem are discussed in the last chapter.

2) Challenges Related to Application and Program Implementation Phases

Tucson, as already discussed earlier, before applying for round three, already had a rejected application for an empowerment zone designation. Even in the third round, when it actually received a designation, Tucson had to wait in line for another community to be dismissed. Therefore, the personnel working on the application and on the Strategic plan, was very careful in any possible way. As Ethan Orr, Kendall Bert (City of Tucson), and Ms. Brittany (Pima County) pointed out, many factors were considered, including the territory, which had to be determined based on adjacent census tracts that complied with the legally established criteria plus up to three locations for development that did not have to meet the criteria. As one of the former administrators said:

> So it was a matter of balancing and coming up with an application that would be accepted or would be competitive, and then trying to figure out the plans for moving forward that would make that application look attractive.

a) The choice of territory was somewhat challenging because there were streets that belonged to the same community but not to the same census tract. Therefore, some communities were not included in the empowerment zone because it was technically impossible to include communities, which belonged to census tracts that did not meet the legal criteria (poverty, unemployment, and others) for EZ selection. Karen Thoreson also implied that the size of the designated community was a problem. She believes that if the empowerment zone was smaller, than more concentrated efforts could have been possible. There were opposite perceptions as well. Paul Loomis, a former governance board member, emphasized that one of the things they did for the EZ was discussing the possibility to extend the EZ map.

b) An unrealistic Strategic Plan was another problem associated with the Tucson application phase. The Empowerment Zone program was flexible in terms of what the local governments would include in their strategic plans. Adherence to the four guiding program, principles was required, but once the applicant was able to demonstrate that these have been incorporated in their strategic plan, the locality had the flexibility to decide the specific goals and methods. The diversity of goals and methods was so evident that Stoecker (1997) considered the Empowerment Zones as many local interventions financed by one umbrella federal program.

The strategic plan needs to be realistic and achievable. The results should come either from the efforts and the resources spent for the particular program or they should be reflect achievements that occur because of the program. Put simply, the Strategic Plan for the Tucson Empowerment Zones should have reflected the activities that need to be implemented and the resources that need to be used in order to meet the goals of the EZ program. Even on the first glance, the Strategic Plan used in the Tucson Application seemed unrealistic in many regards. For example, the *Overview Community Assessment* incorporated 37 issues to be addressed within the Empowerment Zone and 18 strategic goals to be achieved. Along the same line, the performance assessment included 80 benchmarks to be reached in the first three years. At least half of them were not explicitly (or even implicitly) related to the Empowerment Zones. One example could be the benchmark number 37 on p. 140 in the Tucson EZ Application (enumeration of the benchmarks done by the author), "incorporate high tech/high wage into SAIAT [Southern Arizona Institute of Advanced Technology]. Expand to 300 if industry dictates." Another example is the benchmark number 43 "Develop forecasting model that has short term (6 months) forecasting capability." While both benchmarks may be important for the three localities (City of Tucson, City of South Tucson, and pima County), it is not obvious how achieving these two mid-project goals would help the success of the EZ program. The relationships between some of the benchmarks and the Tucson empowerment zone goal are not at all clear.

Implementation

The implementation of public programs and policies at times could pose unexpected challenges. As reported in the literature, some of the main problems associated with rounds one and two of the Empowerment Zones included declining participation, declining enthusiasm, and human resources factors.

c) Limited community participation and declining stakeholder participation. The problem of insufficient community participation was evident from the very beginning. While the community, meaning the residents or their neighborhood organizations, as confirmed by the City of Tucson program administrators, was somewhat involved in the process of application, the actual participation from Tucson EZ residents and community was never really massive. A former city administrator associated who had the knowledge about the program but was not directly involved expressed skepticism about the need to involve the community in every single federal program. While she agreed that the community needs to be involved in the process and the administrators need to know what kind of problems were going to be solved, she emphasized that the government had to be respectful of residents' extremely limited time and use it effectively, especially when these same residents are called over and over again for multiple government programs and projects. Ms. Neilson said:

> Everybody wants you to have huge citizen participation. Well, how many times do you have to be told that they want safe neighborhoods, like the street lights, and homeownership? We know what they want. They know what they want. When you have a grant process that has the ability to deliver some of that, then it makes sense to involve people… And, what we want them in a citizen meeting to say? Ask them to dream some more with something that we can't deliver to them?

When it comes to participation, one of the critical activities that needed to be done was outreach to the business community. All participants in this study were unanimous that in the beginning the many local Chambers of Commerce was included in the implementation phase. The Metropolitan Chamber of Commerce, for example, organized training programs for the companies to educate them about the use of the federal incentives. The Hispanic Chamber of Commerce in Tucson was involved in marketing campaigns to reach Hispanic business owners and to educate them for the availability of the incentives. This cooperation among the local governments, the chambers of commerce, and the business community, however, declined substantially after Ethan Orr had left. Even HUD had noticed that the implementation had stagnated with his departure from the city.

d) Public management and human resources. Although the strategic plan included statements for responsibilities, in reality, the implementation went in another direction. The implementation began with one administrator, Ethan Orr, who, according to almost all participants in this study, had "the passion and the heart in the right place". He was the key person who was organizing, coordinating, and implementing many activities, including the networking with multiple stakeholders, organizing training programs, and so forth. However, Orr was offered a position outside of the City, and he left the city in 2004. While Orr's story is remarkable in many regards and in relation to the empowerment zones, his departure from the City of Tucson Economic Department reveals many problems associated with the administration and the overall management of the empowerment zone's program in Tucson. After Mr. Orr left, his position remained unfulfilled for about ten months. The City of Tucson Director of Economic Development, Bert, who was encouraged by the EZ program and a great support to Ethan, made every effort to market the program or “to sell the program”. His daily schedules, however, hardly permitted dedication to a high level of program productivity because of the other programs and projects that were of higher priority for the City of Tucson. The other respondents in this study, who also worked on the program, were assigned to work on many other programs and had very little time to the EZs.

The turnover was followed by an institutional change. The Tucson Regional Economic Opportunity (TREO) took over the economic activities in July 2005. However, as described by a former City of Tucson and TREO employee, the EZ was not a priority for the newly established public-private partnership. The only part that kept TREO’s attention was the attraction of new businesses, which was described as a chief mission of the former Greater Tucson Economic Opportunities (GTEC). And, even the marketing activity was limited for at least two reasons: 1) the employees who took over Tucson programs were not well informed about the programs, and 2) their work was overloaded with many other programs. With regard to the first challenge, a former EZ administrator said that she was literally forced to ask Ethan Orr, who was no longer with the City of Tucson or TREO, about the implementation of the program.

In addition, the administrators were overwhelmed with other programs and could not concentrate their efforts on the Empowerment Zones. As one of my respondents put it:

> … I was doing all the administrations of foreign trade zone, EZ, Enterprise Zone, workforce job, tax credits, everything that was called an incentive was on my lap.

Two of my respondents also emphasized that TREO was responsible for programs that were previously run and administered by the City of Tucson Economic Development. But, according to my interviewees, the programs were run only for a limited time and then were either left with no particular activity to be done, or were completely eliminated.

e) Plummeting enthusiasm. The program started with great expectations on behalf of the people who were involved in the application phase. Once Tucson received the designation, the "event" was well publicized and followed by a press conference attended by the leaders of the three localities accompanied by HUD Washington D.C. representatives and a U.S. Senator.

The implementation was marked with a great enthusiasm and eagerness on behalf of all directly involved parties to make the program work. Even HUD had recognized the success of the Tucson EZ leaders, who were singled out in their Success Book and on the HUD's website. The local press widely publicized the invitation that Tucson EZ leaders received from HUD to present the success of the program before the administrators of all other EZs.

This enthusiasm for the program could have been easily recognized. The Tucson empowerment zone administrators invested an enormous amount of work hours that included literally knocking on the doors of EZ businesses, explaining the program to them, and partnering with business and neighborhood organizations. These activities helped create the image of a successful story for the Tucson EZ. Tucson EZ administrators were also recognized as innovators in the implementation of the program. One innovation proposed and marketed by Orr and Bert was about using the tax incentives as a retention policy of firms. Another success was the vigorous involvement of non-government partners, especially Chambers of Commerce to participate in the program. They sponsored many training sessions and also were actively involved in the marketing of the EZ program's incentives. This success was captured by the local press:

> After first year, Tucson is 'at the front of the pack' in making use of Empowerment Zone advantages. A community working together was the success story that Tucson shared yesterday with fellow Empowerment Zone officials from across the country (*Tucson Citizen,* May 14, 2003).

However, a number of factors had negative influences on the administrators' enthusiasm, among which were the personnel turnover and lack of political support (the latter is discussed under institutional and political factors). The initial energy was further affected by the change of the institutional constellation, which in a way reduced the meaning of the program to a level of "another tool" rather than a leading comprehensive program as it was once considered. "My observation is that the city lost interest in it somehow," said Beth Walkup, a neighborhood activist and a wife of Bob Walkup, the City of Tucson Mayor and a President of the Governance Board.

f) Losing the Community Development perspective. The Federal Empowerment Zones Program was grounded in the four basic principles, discussed earlier in this study. They provided a balance between business and community development. However, community development emphasized in the application documents was completely missing in the implementation phase. The interviews with all 24 respondents clearly pointed out the business development component. When asked about who was empowered by the program, most respondents answered that businesses were empowered. None of the respondents saw the main goals of the program in light of community development. This parallels Bartik's conception of political perspective of economic development:

> To most politicians, economic development means more jobs. More jobs are expected to bring many benefits: lower unemployment, higher wages, greater property values, increased profits for local businesses, more tax revenues, and reelection for the politician who can take credit for these boons. Politicians usually emphasize most the benefit of providing jobs for the unemployed (Bartik, 1991, p. 1).

The finding that community development was completely forgotten and only the business perspective was fostered is to some degree surprising for this particular program, as the very name of the program incorporates the empowerment component. As Beth Walkup said:

> I don't think the community was empowered because not many people understood it. I think that what was behind it was good. The part on finding more work for the people in the low income area and part of that would be more companies move into the Empowerment Zone so that more jobs were more accessible to those in that area.

Community development was considered a product from the economic development and it was not considered as an isolated policy outcome. When businesses come, new jobs will be offered, and that will further improve the conditions for all citizens. This assumption, however, has not been confirmed firmly in empirical studies.

3) Monitoring and program evaluation

One of the greatest problems that the three local governments have experienced regarding the Tucson EZ was related to monitoring and evaluation of the outputs and the outcomes from the program. During the first year and to a lesser degree, and during the second year, the Tucson Empowerment Zone administration and management had some evidence that the implementation was going in the right direction. As several of my correspondents confirmed, the firms were providing limited feedback and the administration was asking the businesses about the results from their marketing activities. The primary interest was whether and to what degree had tax incentives for employment and wages been utilized. The main expected benefit from the program was the utilization of tax and wage credits in a way to foster new employments and improved business dynamics. However, neither the City of Tucson, which was administering the program, nor the other participating governments (Pima County and City of South Tucson) had comprehensive information as to whether the companies were utilizing the incentives, and if so to what extent.

There were multiple reasons attached to this problem. According to the former City of Tucson administrators, even upon request, the U.S. Internal Revenue Service did not provide aggregate information for any of the three localities. Classified as private information, there was virtually no way for the localities to provide information about the exact number of companies utilizing these incentives, and the exact number of claims per company. This study confirmed the difficulty of obtaining evidence of the utilization of tax incentives by asking the information directly from IRS. After contacting the IRS's Statistics of Income Division by phone, I was instructed to send my request for information by mail (conversation recorded). The response to my request provided information for the kinds of reports that could be used. However, the information from these reports, again, does not go to the level of governmental jurisdictions, but rather provides national totals and aggregates.

> All of these data are available for National totals only and does not include pass-through entities (Forms 1120S, 1120REIT, and 1120RIC). (Barry Johnson, IRS, Chief, Special Studies Brunch, SID; mail correspondence)

This confirms the problem my correspondents reported in getting to provide exact data for the number of firms that utilized the incentives, and the number of employees that found employment based on these incentives. Even if these numbers were known, these would not necessarily have reflected the success of the program as some of the employments could have occurred without the provision of tax incentives.

The other problem with regard to monitoring and evaluation of the EZ implementation in Tucson was the inability to make a distinction between those who were eligible for the tax incentives and those newly hired. Put differently, existing employees could also qualify for tax benefits, thus making the task of measuring the employment due to the program almost impossible for the city administrators, unless, of course, companies were willing to provide complete data and permissions for documentation review voluntarily. As Bert pointed out, businesses were not always giving them the information:

> But then we would not get a report from them [businesses]. It was a good tool but it would have been much more valuable if we knew what the impact was."

> "We have no idea how many companies went to the seminars, saw it in a newspaper, or learned about it from our website. We don't know how many got the tax credits and they didn't say anything to anybody.

Therefore, what was left to the city administrators was really a little more than pure speculations. Almost all of this study's informants suspected that there "must have been" companies that utilized the wage credits, but the actual impact has not been systematically measured. The evidence was more anecdotal than one collected on a regular basis. And not having timely or any exact information about how well the program was doing, for Tucson administration, meant two things at the least. The personnel and the leadership engaged with the program was losing its energy, therefore reducing the dynamic of implementation of the program. And with other priorities coming along, the EZ was gradually disregarded as an important component of Tucson economic development. The second reason was the reservations that the City Council members held with regard to the program. While the program was supported by the Mayor and the administration, especially until July 2005 when TREO took effect, the political support of the Empowerment Zones was not warranted. Given that the City of Tucson has not a strong mayor form of government, the appropriations that were committed with the Application to support investment in the infrastructure and to provide better services did not live up to the promises.

4) Institutional and political factors

a) Lack of political support

The EZ program, as discussed earlier, was producing some results, especially in the beginning. The local newspaper *Tucson Citizen* regularly conducted interviews with small business owners who had intentions to use the program incentives or who were already taking advantage of them. But, as the vigor for the program was plummeting, the articles covering success stories from the Tucson EZ were less frequent. And, so did the political support. Revisiting Bartik's argument (1991), politicians see economic development through the creation of new jobs and allocation of new business or new investment in certain localities. Neither of these was visible in Tucson. The results, as one of my respondents emphasized, were not direct and visible, but rather, they had more of an indirect impact. As Ms. Neilson said:

> So, it was not a bad thing, it was a good thing, but you could not tie it to any visible improvements or achievements. So, it's hard to say what was done or not. And, part of the problem, I think is that when you can't articulate the results, it is difficult to keep that program alive. So, I think that was HUD, how did they guide this program.

The City of Tucson administrators and TREO's administrators could not 'justify' the time and the efforts spent on this program as there was no readily available information about how many companies used the incentives, how many new employees were hired, which companies relocated because of the program and so on. Absence of this information meant lack of persuasive power on behalf of the administrators. Without the numbers, as Bert emphasized, it was difficult to ask for additional funds from the Council. He said:

> If we could have gone back to the mayor or others in this program and said here is the impact, I think we could have had more money implemented towards the program… I think they would have funded us better. I tried each year to get more

> money allocated to the programs so we could get out there and implement it, and we were turned down every year. So we basically just did it with what resources we had.

Similarly, Ethan Orr also thought that the City Council did not "buy" the program from the beginning, so the program was generally sustained by the people who were willing to work on it. The lack of political support, which was not offset by the lack of information, had a significant contribution to the decline in the administrators' enthusiasm.

b) Public-private partnership: Tucson Regional Economic Opportunities (TREO)

Tucson had a particular set of institutional arrangements that did not necessarily work in favor of the Empowerment Zone. The Empowerment Zone was under the jurisdiction of three local governments, Pima County, the City of South Tucson, and the City of Tucson. In addition, as emphasized in the Application, the Chambers of Commerce along with other business associations had great influence. That was, in fact, a part of what the program needed to work.

One of the organizations that had strong influence on all economic activities in the Tucson area at the time when the implementation of the EZ began was Greater Tucson Economic Council (GTEC). Operating as a business association, GTEC had the mission to recruit businesses and to provide job opportunities for the citizens of the City of Tucson and the greater area. In July 2005, the economic departments from the City of Tucson and Pima County were merged with GTEC by creating a unique partnership called Tucson Regional Economic Opportunities (TREO). TREO incorporated the programs that the City of Tucson was administering local, state, and federal programs for economic development, including the Empowerment Zone. It also incorporated the community development and tourism component from Pima County. Pima County soon thereafter took its own functions and people back; however, the City of Tucson released most of the economic development activities by allowing a transitional period. This, according to one of the participants in this study, did not work in favor of most of the programs: “What did not work was the transfer of that program out of the hands of the City of Tucson into the hands in the organization that had its own mission.”

A critical challenge associated with the new partnership was related to the EZ Governance Board. While the Board had not had decision-making power since the beginning and only served to consult the administration, its function was almost completely eliminated when the previously elected members were replaced by the newly selected members. As one of my respondents pointed out, the new management of TREO replaced the GB members with the Governance Board of TREO who had limited knowledge about the Empowerment Zone. Her claims were confirmed in this study with a personal communication with the newly elected GB members. In an attempt to secure interviews with two newly elected members, they refused to participate stating that their knowledge about the Tucson empowerment zone is very limited. One of them went further by stating that he does not believe that he was a GB member of the Tucson EZ.

Given that the GB, according to the PERMS reports, met at least four times a year and that for the period of 2008 and 2009 should have met at least 8 times, it was really surprising that he was not involved. Similarly, Paul Loomis said that the GB occasionally discussed the EZ, but only as an opportunity to be extended and for the need to extend the EZ map in Tucson.

Another problem referred to how TREO was collecting and disseminating data about the EZ projects and the program in general. While the personnel that I was able to make contacts with were very kind, they were not able to provide any documentation that could be informative in terms of results. From my contacts with them, I was able to collect only plain tax forms and marketing material. No data were made available for research purposes and was not going to be made available upon formal request. During a telephone conversation, I was told that TREO had signed confidentiality agreements with their clients, meaning that this information is no longer public. TREO is not a government entity, therefore is not obliged to provide any data.

Another problem related to TREO's program takeover was the turnover of the personnel administering and implementing the program. The program was transitioned from the City of Tucson Economic Department to TREO. The people who were responsible for this program were also transferred into the new partnership. This transition for some people was not going smoothly as the new entity was changing the priorities. TREO was greatly influenced by its predecessor's mission (GTEC). While the newly formed partnership inherited the people from the City of Tucson's Economic Department, the priorities remained centered around business attraction and creation of new employment opportunities. The new people who replaced the people from the City of Tucson were interested in carrying out the program, but they did not have relevant information about how the program was working. It is important to note that personnel turnover was not peculiar to TREO only. As discussed earlier in this chapter, the City of

Tucson, with the principal responsibility to administer the program, kept the key administrator's position unfulfilled for about ten months.

c) Too many tax privileges and other government incentives

Including the Arizona Tax code and the incentives offered with the many other programs in the same area, there were too many tax incentives offered in that particular area. As the literature on the tax incentives points out, the marginal value of the federal tax incentives may not have been significant for a company to make a decision (Bondonio & Greenbaum, 2006). This was also emphasized by most of my respondents, who believe that the EZ tax and wage incentives when contrasted to the stringent criteria were not strong enough to attract new businesses. From the 24 respondents, 20 replied that businesses decide on business logic which is not always aligned with the federal programs available to them. A former Governance Board member even emphasized that the federal government should not try to lure businesses in particular localities because according to him "this never works."

Karen Thoreson also thought that the incentives were not strong enough to attract businesses in a particular location that is not attractive. According to her, it was not about the tax credits, but other kinds of incentives that worked better. One example is the zone relocation of a community college and several departments from the City of Tucson to a zone's location. But, as she pointed out, the first two entities that moved into the zones were tax exempt anyway; therefore the tax incentives were not critical for their decisions. It was after these two relocations when the businesses started to make decisions to build/locate in the same area. Therefore, she rightfully expressed her concern that tax incentives may be "number 10 out of 10 reasons to make a business decision".

Similarly, a former Governance Board Member recognized that business location decisions are determined by many other factors, and not just the tax incentives. He said:

> But that was not the fault of the EZ, it was more the fault of many other factors affecting business decisions. The EZ did not attract the people to be willing to come in that area. So, I don't think is the incentive of the EZ itself, if that means to be recognized than the EZ alone will not do the trick. It has to be a number of factors in order to attract businesses.

Another participant in this study, who was a former administrator, believed that businesses would try to avoid any interaction with the government unless the incentives were worthwhile. She said:

> But, I can tell you that businesses, they feel that they have to jump through a lot of moves, or that the federal government is going to stick their nose into the business more than they already are. They say it is not worth. They would hand it to us, saying, thank you very much, but we are out of this.

When the state and local government already offer incentives in form of tax breaks, the additional tax breaks from the Empowerment Zones could be seen more of a burden than a benefit.

Chapter 7

CONCLUSIONS AND RECOMMENDATIONS

The federal Empowerment Zones program, which was initiated during the Clinton administration, was distinct from the state enterprise zones because it was comprehensive in nature (Mossberger, 2009; Rubin, 1994; Weiss, 2000). While this program was identified as a place-based people strategy by Ladd, (1993), other authors, including Krupka and Noonan (2009), and Abravanel, Pindus, and Theodos (2010), perceived it as a place-oriented initiative. The latter view could be relevant especially for round three designated communities that were not able to support additional social services to foster people-oriented development agenda. Moreover, targets in the round three were the businesses but not the individuals, and the tax incentives were distributed directly to them.

Once identified as a program that fostered community and local economic development strategies, it became clear that the assessment of the program could not rely only on pre-posttest designs, numbers and statistical calculations (Robinson & Hill, 1995). The community development component was added to the complexity of the program assessment among others because sometimes measuring indicators for the sake of measurement could miss important elements such as accounting for the problems peculiar to the communities (Epstein et al., 2006).

This dissertation raised two research questions: what have been the main accomplishments and what have been the main problems associated with the round three Empowerment Zones in Tucson? The research design has been carefully developed to address all aspects of the research questions and to incorporate the concept of comprehensiveness. As a consequence, a case study research has been conducted for the Tucson Empowerment Zone. This study utilized every single source of information that was either available through various search engines or was made available by the local administration upon request. It also utilized semi-structured interviews that were instrumental in the assessments of both the accomplishments and the challenges of the Tucson Empowerment Zone.

The findings from this study are consistent with the findings from the previous studies on the Empowerment Zones, especially regarding the problems associated with the zones. For example, I found that the data with the PERMS reports at times relied on estimations rather than on actual data. Moreover, I found that the PERMS reports also incorporated data on other programs and local initiatives instead of concentrating on the EZ's results only. These findings correspond with the GAO's reports and OIG's audits that warned about the unreliability of the data and the inability of HUD to establish an adequate framework for performance measurement.

My findings on community participation are somewhat close to what Gittell et al. (2001) found in their study. My study finds that community and businesses were involved during that application phase, but two years of the process of implementation community participation was completely absent. Gitell at al. (2001) also reported that among the six case studies that they have reviewed, community participation was fading in the implementation stage.

With regard to the effectiveness of the market-based tax incentives, while this study did not have a statistical analysis to measure the impact, it collected convincing evidence that the incentives, even if they worked, had a very limited impact on the socio-economic well-being of the community. The evidence from this research are clear that after year two in the implementation process, the administration responsible for the program did not do much more than cursory marketing of the incentives on routine basis. This finding could certainly be related to the implementation failure literature, Moreover, once the EZ program was taken over by TREO, it was no longer a priority, thus leaving it with almost no organizational support. The changed role of the EZ Governance Board was another factor that impacted the program aversely. This is consistent with studies from Rich and Stoeker (2007, 2010) that found a direct correlation between the organizational support, governance structures and the effectiveness of the tax incentives.

In addition, my study found some problems associated with the program complexity, the unrealistic strategic plans, and the motivation of the people who implemented the program.

Some of these problems are specific to the Tucson Empowerment Zone, while others can be generalized to other programs as well. As Table 7.1 demonstrates, most challenges associated with the design of the program are generalizable to other designated empowerment zones, especially the urban empowerment zones that received their status in round three. The chronology of neighborhood initiatives, presented in chapter two, provides evidence that the programs financed by the federal government such as the Model Cities and the Urban Development Action Grant (UDAG) have faced the problem of diminishing federal resources. Program complexity is also one of the common problems associated with the programs that involve federal grants and tax incentives.

The third group of problems, institutional and political factors, is specific to Tucson.

Table 7.1: Challenges specific to Tucson and potentially generalizable

	Tucson EZ Specific	Generalizable to the program	Generalizable to other federal tax incentives programs
Challenge			
1) Challenges related to the design of the EZ program in Tucson			
a) Diminishing federal resources		Yes	Possibly yes
b) Difficulties to follow because of stringent conditions and program complexity		Yes	Possibly yes
c) Lack of mechanisms to ensure administrative accountability		Yes, for round 3	
2) Challenges related to application and program implementation			
a) The choice of territory	Yes		
b) An unrealistic strategic plan	Yes	Possibly yes	Possibly yes
c) Limited community participation and declining stakeholder participation.	Yes	Possibly yes	
d) Public management and human resources.	Yes	Possibly yes	
e) Plummeting enthusiasm.	Yes	Possibly yes	Possibly yes
f) Losing the community development perspective	Yes	Possibly, for round 3	
3) Monitoring and program evaluation	Yes	Possibly yes	Possibly yes
4) Institutional and political factors			
a) Lack of political support	Yes		
b) Public-private partnership: Tucson Regional Economic Opportunities (TREO)	Yes		
c) Too many tax privileges and other government incentives	Yes	Possibly yes	Possibly yes

The challenges related to the process of application and program implementation are mostly applicable to the Tucson empowerment zone. Based on the review of the empowerment zones literature in chapter four, it could be inferred that some of these problems have been identified in other designated communities.

On the achievement side, as already discussed above, my study did not find evidence that market-based incentives worked. This, in fact, corresponds with the literature that frames the use of tax incentives as a controversy (Peters & Fiser, 2004; Story, 2012). Story (2012) found that it is very difficult to estimate the cost-effectiveness of the tax incentives because data are not available. And, in cases when data are available, it is still difficult to judge whether the tax incentive was a factor for making a business relocation decision. This goes along the same lines with the findings of my research.

One important finding that is not emphasized in the literature is the synergy impact. The EZ was instrumental for other programs. One example is the Youth Development Grant discussed in Chapter Six. The EZ designation was also used as "another tool" that broadened the scope of the localities to make additional intervention in the communities that have been poor for decades.

Conclusions

Tucson Empowerment Zone designation was an event by itself, and it was celebrated as a success for the public servants from the three local governments that put countless numbers of hours in researches and calculations in order to prepare an application document that later was rewarded with a designation. The Project Manager Ethan Orr and his immediate supervisor, the City of Tucson Director of Economic Development, and Kendall Bert, worked tirelessly to reach every company, every local chamber of commerce, and numerous neighborhood organizations in order to 'spread the word' for the obvious benefits associated with the potential employment of the residents in these communities. The marketing of the program was in full swing during the first two years. Close collaboration and frequent contacts took place among the three city government agencies as well as outside the community partners. The idea that the companies located within the borders of the designated EZ community in Tucson could use the incentives for more than just employment was an innovation that emphasized the entrepreneurial spirit of the public servants from the City of Tucson, the City of South Tucson, and Pima County. Later on, when the resources and time became limited, the people assigned to the program did not lose their commitment to the program. However, they could not sustain their enthusiasm either.

What happened that turned the path of the program from success to ambivalence? The problematic areas were discussed in Chapter Six, and this chapter will only reflect upon them to dip into the consequences that occurred due to the limitations of the program in each stage.

From program performance to muddling through the program

The program's major disadvantage was the absence of a meaningful and reliable performance data for the most important program outcome variables. The EZ application submitted by the three local governments incorporated 80 benchmarks, 58 strategies, and 128 measurements; however, the PERMS reports present clear data for less than 20 indicators. Of those 20 indicators, the interviews revealed that the data on the number of zone residents and non-zone residents placed in job positions are based on estimates. Data were not systematically collected, and could not have been collected reliably because of several reasons. Firstly, the local administrators attempted to collect data by contacting businesses, but as Bert said, even if you ask every business, unless they give you their documents, you cannot be sure whether the information is accurate. Secondly, data on tax returns, including the returns for employment tax credits and wage credits were not accessible to the local administrators. And the data on tax returns were collected by the IRS and it was only after the GAO 2006 report criticized the inaccessibility to data, that IRS and HUD made efforts to provide information about the amounts of tax dollars claimed for returns based on this program. Finally, detailed information about the number of companies in a locality and number of employees who are eligible for the credits who actually received the tax credit was never released to the public.

With regarding the data that could have been collected by the three local governments and their partners, the procedures were either not set up in a timely manner or were never set up. For example, when data were collected for SBA 504 loans, there were no specific codes assigned for the loans given to the customers who fulfilled the requirements of the zone. Unless data are collected during the implementation, the assessment of the results of the program is almost impossible. After talking to Gregory who was involved with the approval of SBA 504 loans, I learned that the data were never coded to differentiate between zone residents and the rest of the Pima County population. Therefore, it was virtually impossible to distinguish whether the loan was approved because of the designation. As my responded said:

> We never coded the loans, …, it is going to be difficult to come up with data and I don’t think it would be very accurate, it wasn’t part of our coding system with the Empowerment Zone.

The lack of performance information was subsequently reflected in the declining political support and the lack of political willingness to financially support the program although the funds were committed through a signed agreement sent to HUD (Application, 2001). Left with only anecdotal evidence and no clear cut numbers to substantiate the success of the program, the people who gained success in the program were not able to win a case to warrant its continuation beyond the marketing of the tax incentives. The performance information, according to Moynihan (2008), has a mission of making government programs and agencies more efficient and more productive, and ultimately, more accountable to the general public. Moynihan (2008) defined performance management "as a system that generates performance information through strategic planning and performance measurement routines and that connects this information to decision venues, where, ideally, the information influences a range of possible decisions" (p. 5).

Despite the compulsory PERMS system, information about the degree to which the main incentives were utilized was missing. Most of the results were estimates, and the information about the performance of the program was mixed with the performance of many other programs that were active in the designated communities.

The perceptions of the administrators and the people who participated in the implementation changed from positive to ambivalent. Beginning in July of 2005, the people who administered the program had very little institutional support and yet, they continued to do as much as they could, although the resources and the organizational support for the program were clearly not sufficient to sustain activities beyond marketing. The change in personnel who administered the program as well as the institutional change in the program administering and controlling had a major influence in the level of enthusiasm during program's implementation phase.

The decline in enthusiasm led to program exhaustion, which in turn was the reason for an increase in the general ambivalence toward the program. The failure to report employment, or entrance of new companies as a result of program’s tax incentives, along with the declining political support completely exhausted the resources and to some degree the partnerships, therefore leaving less room for improvements of the program performance. And, yet, this program was extended a couple of times by the Congress, but the actual benefits were never reported.

From a Comprehensive Program That Employed Both CED and LED Strategies to a Program That Relied only on Limited LED Resources and Strategies

The Empowerment Zone initially was envisioned as a comprehensive program that was intended to tackle more than one problem in the designated communities. By most regards, it incorporated elements of the community economic development strategies that coexisted together with the goals typical for LED strategies (see Appendix 2). The early studies about the Empowerment Zones explored the concept of empowerment and the improvements that the program brought to the community and the residents. As discussed in Chapter Four, some of the major assumptions related to comprehensive community initiatives include horizontal and vertical complexities, flexibilities, and a broad range of outcomes. With regard to the last two assumptions, flexible and broad range of outcomes, the EZ of Tucson deviated quite markedly. While Tucson EZ had 18 goals in the Strategic Plan, the actual activities, especially after the first year, were mostly concentrated around new employment and business attraction or retention. To use Argyris's terminology, there was a difference between the espoused theories of action and the theory-in-use (1976).

The theory-in-use was reflected in the main assumptions behind the implementation. The assumptions for the Tucson EZ, which were clearly articulated in the 24 interviews, can be summarized in the following groups (Appendix 2):

- business decisions are affected by the tax incentives offered with the program

- federal tax incentives outweigh other local and state programs

- new businesses indicate new employment while new employment indicates better, safer communities.

Clearly, the assumptions related to economic development in Tucson EZ mirror Kantor's American Model of Urban Development that is based on the premises of market-based neoliberal and competition-driven local economic development. One big factor that contributed to this shift was the absence of grant money. The first round designated communities were especially fortunate to receive at least $10 million annually in the period of 10 year; the grant money could have been used for multiple purposes that promoted the community wellbeing. By taking out the money component, the program lost its power to generate social programs such as day care services or others. The problem, again, was in the theory-in-use, which deviated from the espoused theory of action (Argyris, 1976)

The purpose of the tax incentives as a type of business incentives is to foster employment and to attract businesses (Bartik, 1993, 2010). Therefore, along with the decision to remove the money, the federal government made a major shift in the expectations as well. This was not so much reflected in the application stage as it was in the program implementation stage.

From a High Stakes Policy to an Ambivalent Federal Policy

Based on the evidence from this study and the literature on the federal initiatives, I propose a classification of the programs by using two dimensions: resources availability and stakeholders' enthusiasm towards the program. The later dimension, stakeholders' enthusiasm, is an important component of program implementation. It relates to the motivation to implement activities, which will ultimately determine the success or the failure of the program. Depending on the character of the program, the "stakeholders" could incorporate various groups who have vested interest in the program. For example, in the case of the Tucson EZ, the administrators who were directly involved with the implementation were the City of Tucson employees.

The first type of program is a "high-stakes", or a program that both the government and the community considers important. Typically these programs have resources, including funds, institutional, and political support. The enthusiasm of the people who implement the program is high and remains relatively steady throughout the life of the program. The second type is "ambivalent". These programs typically start as a high-stake, but soon after the implementation fails to deliver the anticipated results, it becomes a program that "does not hurt." It may be supported rhetorically by the political elite, but in reality, it loses funds and other resources to support further implementation. The enthusiasm of the people involved in the program plummets soon after its introduction.

The last type is called “unpopular.” Soon after the program is introduced, it becomes unpopular among the administrators, the politicians and the general public. One example would be the programs under the Great Society.

Table 7.2: Program types

Dimensions	High-stake	Ambivalent	Unpopular
I) Resource Availability	High and remains steady or increases on long run	High and declines over time	High/low and quickly disappears
II) Enthusiasm	High in the beginning and remains high or average over time	High in the beginning, drops over time	High or low but quickly disappears

The evidence collected in this study suggests that in Tucson the initial enthusiasm toward the program dropped almost immediately. The program that gained popularity in the beginning went from high-stakes program that promised revitalization of the community to just another program tool that could be used with the other tools for economic development. Some of the reasons for this change indicated problems with personnel turnout, institutional change, and lack of performance feedback.

Policy Implications

In the following section, four major policy implications are discussed: define clear roles in data provision and data collection; the goals should correspond with the nature of the means available for achieving these goals; some program flexibility is necessary, but changing the level of resources could have detrimental impact for the program; and the commitments made by partners need to be ensured with periodic reports.

Define clear roles in data provision and data collection

One of the major problems associated with the Empowerment Zone in Tucson was lack of adequate and timely information about the achievement of the goals or any other achievement. The main reason was found in the way, and even more, whether the information was collected by the administration that was responsible for the implementation of the program. Therefore, as in the case of Tucson, the administration continued to operate the program without adequate knowledge on the level to which the tax incentives have been utilized. This problem, as discussed in Chapter Six, was recognized in the earlier rounds by numerous studies and reports. The three GAO reports (2004, 2006, and 2010) also acknowledged the difficulty in assigning particular accomplishments to the program, especially about whether and to what degree the program has meet its main goal—to generate new employment for the people who lived in the zones. This problem calls for a change in the design of the program as well as an application of changes in the implementation mechanisms of the program.

In order to secure measurement of the performance, the program that relies on federal tax incentives should include IRS as a program player. The IRS, in the case of the EZ used separate forms for tax returns—however, did not provide critical information to the localities.

The important lesson to be learned is that if we are to measure the performance, there should be a reasonable number of relevant benchmarks and measures that could realistically be measured. It is critical that everybody who has a role in data generation or data collection should be identified in the strategic plan. There should be commitment and communication not only in the initial phases but in the later stages as well.

The goals should correspond with the nature of the means available for achieving these goals

It is often implied that market-based incentives are more effective than all other types of incentives, and are often attached to governmental programs that support or are intended to foster economic development. The development of the Federal Empowerment Zones Program from round one to round three followed exactly the same logic. The program was first designed to revitalize socially and economically obliterated communities across the U.S. and the only means available were market-driven business incentives. The commitments from the partners to support the social and community development components faded as soon as they were made, thus eliminating the option for a broader community impact. For a tax incentives based program, it was over the limit to ask a comprehensive strategic plan to incorporate dimensions beyond the extent and the nature of the incentives themselves. In the absence of mandates, it is virtually impossible to enforce rules that ask for non-appropriated money, sometimes outside of the government domain. For the EZ, it was the grant component that had mechanisms to ensure compliance with the Strategic Plan. In addition, the federal grant funds allowed for a financial support of the projects that fostered a community development. The only expected change associated with the tax incentives as instruments for a local economic development are the opening of new employment opportunities for the residents, or in the words of Bartik (1991, 2010), bringing the jobs to the people. Therefore, without collecting consistent evidence that employment improves the livelihood in the community, we cannot really assume that. The lives of the residents in the EZ community have not been changed for the better, according to the census data. In fact, the poverty rates have increased as did the unemployment. This does not mean that the program did not work. Meanwhile, the economy had experienced the worse crisis since the Great Depression, which certainly had a very negative impact on most socio-economic variables. However, based on the evidence collected in this study, we could infer that the impact of the EZ in Tucson, if any, has been rather small and indirect. Even for the market-oriented component, which included expectations for employment and business attraction, this study did not find any evidence that it ever happened.

Some program flexibility is necessary, but changing the level of resources could have detrimental impact for the program

The flexibility of the program needs to be balanced with the stability of the incentives. Many programs have failed to deliver the promises, either because of unrealistic promises or poor implementation. Nevertheless, when the program starts to fail, before terminating it or before reducing the resources, a process analysis is necessary. The problem may be a simple resolvable issue that, if addressed in a timely manner, could contribute to reaching the potential of the program. The previous studies of the EZ have revealed that each community is different and some communities succeeded while others failed. Those that failed might need to revise the program, and if flexible enough, they could have introduced timely changes.

The commitments made by partners need to be ensured with a memorandum of cooperation, periodic reports, and continuous collaboration

Inclusion of multiple partners in different stages of program implementation assumes that each partner's commitment is taken seriously. In cases like Tucson EZ, where partners promise political support and financial assets to support the program, the acknowledgement of this participation could be done through a memorandum of collaboration. Furthermore, preparation of periodic reports could serve to identify whether the partners have implemented the actions that were committed. Periodic assessment and follow-up reports become essential. In the case of Tucson, the $1.7 billion seemed and proved unrealistic.

Recommendations for Future Research

This study has raised concerns that need to be addressed with further research. One of them is related to the impact of some behavioral variables over the implementation and the final outcome of the program.

Potential research questions that could be explored in future studies could include the following: What is the connection, if any, between the availability of timely and appropriate performance information and the enthusiasm (motivation) of the public administrators to implement the program? What kind of factors lead to program exhaustion? More specifically, what is the connection between program exhaustion and factors such as decreasing enthusiasm, general ambivalence and dissatisfaction from the program? What are the main factors that explain the reduced enthusiasm for an incentive-based program?

Additionally, a survey design for a cross sectional study could build on the findings from this study. It could investigate the influence of three sets of factors that could potentially change the course of program implementation: institutional, political, and administrative.

Other studies could bring the research on a broader level, to investigate the role of tax incentives in various federal programs. When are tax incentives used, what kind of goals are these programs aimed to fulfill, and what we know about their cost-effectiveness, these could be some of the research questions to guide the studies.

Final Words

The history of the federal and neighborhood initiatives teaches us that many times these government interventions have failed to deliver the promised results. For the poor communities, the failure of government programs has at least two important consequences. The first consequence is obvious, if a government program (at any level) fails, which means that the community still faces the same problems of poverty, unemployment, crime, and so on. The second one deals with the trust in government. The more government interventions fail to live up to its promises, the lower the trust in the governments' ability and/or willingness to take serious actions to deal with hard problems.

While this case study could not claim failure of all round three communities, it does point out important fallacies that surpass the Tucson EZ. These fallacies have been discussed earlier in this chapter. If the program continued to deliver positive results in most designated communities, then these results would have been known. However, even when the story turns out in a neutral direction, it still offers the experiences and the lessons that could serve for the good of the academic community and the practitioner.

This research seems to have generated more questions than having provided answers. This is especially true about the question on the accomplishments, which are partially documented with substantial caveats. Even when documented properly, it begs the questions to whether we would like to have programs that soon become ambivalent, or programs that "do not hurt", but do not really help either.

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APPENDIX 1

Table A1: Implementation Plan Milestones reported in PERMS Reports (2003-2009)

Project Milestone	Proposed outcome	Related to Strategic Goal	Budget	Timeline	Lead Agency	Milestones/ Outputs	Planned	Actual
Board and Committee Meetings (P1)	Provide direction and leadership in implementing the EZ Strategic Plan	Community-Based Partnership (G2) Governance Board (C1)	$50	07/01/02-06/30/03	City of Tucson	**Milestones:** Hold first board meeting, adopt strategic and marketing outreach plans; develop process for allocation of EZ bond capacity; issue first EZ bond **Output:** Governance board 1.number of public meetings	 4	 5
Board Member Training (P2)	Develop greater community awareness about the EZ benefits	Community-Based Partnership (G2) Governance Board (C1)	$150	07/01/02-06/30/02	City of Tucson	**Milestones:** Hold Board Training Classes **Output:** *A. Governance board* 1.# of public meetings *B. Other unique output measurement:* 1.# of EZ board members trained 2. # of EZ residents trained	 2 12 7	 13 13 15
Youth Training and Employment (P2)	Place EZ youth into new jobs	Economic Opportunity (G3)	$50,000	05/01/02-12/01/08	Pima County Workforce Investment Board	**Milestones:** Place Empowerment Zone youth into full or part time employment **Output:** *A. Job training* 1.# of job training programs 2. # of EZ resident trainees in jobs *B. Job Match* 1.# of EZ residents participating 2. # of EZ residents placed in jobs *C. Number of job fairs* 1. Number of job fairs	7/1/ 02 1 250 250 250 2	6/30/ 03 8 500 550 350 5

						D. Other Workforce Development Programs		
Tucson's Money Loan Program (P1)	Increase the number of businesses, services, and jobs available to EZ	Economic Opportunity (G3) Access To Capital (C3)	$515,000	04/01/03-06/30/08	Business Development Finance Corporation (BDFC)	**Milestones:** Establish Loan Program; Fund first expansion loan in EZ; Leverage 100,000 in financing into 1,000,000 in SBA Loans; Complete 10 loans to empowerment zone businesses using SBA and City Revolving Loan funds **Output:** *A. Loan Pools* 1. Dollar size of loan pools established 2. # of loans closed 3. # of EZ resident jobs created or retained from loans 4. # of non EZ resident jobs created or retained from loans *B. Other Capital/ Credit Access Programs*	7/1/ 02 2.9 mill 19 84 56	6/30/ 03 5 mill 25 110 125
BDFC Small Loan Program (P2)	Increase the number of businesses, jobs, and services available to EZ residents	Economic Opportunity (G3) Access To Capital (C3)	$1,005,000	06/01/02-12/01/08	Business Development Finance Corporation (BDFC)	**Milestones:** Make first loan to EZ business; continue supporting EZ financing **Output:** *A. Loan Pools* 1. Dollar size of loan pools established 2. # of loans closed 3. # of EZ resident jobs created or retained from loans 4. # of non EZ resident jobs created or retained from loans *B. Other Capital/ Credit Access Programs*	07/01/02 686,520 10+8 30+54 3+5	6/30/ 03 700,000 15+6 35+62 4+8
In-Depth Business Tax Training (P1)	To educate the business community regarding the tax credits and increase the level of	Economic Opportunity (G3) Tax Incentives Utilization (C4)	$5,300,000	05/01/02-12/01/08	Metropolitian Chamber of Commerce	**Milestones:** Hold first in depth training class; hold up to 8 training sessions annually **Output:** *A. Using EZ Wage Credits* 1. Estimated number of businesses contacted by the EZ regarding the availability of EZ Wage Credits *B. Using Work Opportunity Tax Credits* *C. Using Increased Section 179 Deductions*	07/01/02 350	6/30/ 03 04/05/06 428+396 +420

	broad based awareness of the program					*D. Using Enterprise Zone Facility Bonds* *E. Using the Non-recognition of Gain on Sale of EZ Assets* *F. Using the Partial Exclusion of Gain on Sale of EZ Stock*		
Spanish Tax Training Classes (P2)	More Hispanic owned businesses will claim the tax credit and hire EZ residents.	Economic Opportunity (G3) Tax Incentives Utilization (C4)	$300	05/03/03-12/01/08	Beach Flieschman Accountant; City of South Tucson; City of Tucson; Hispanic Chamber of Commerce; Mirco Business Assistence Center; Pima County	**Milestones:** Provide tax training for 50 businesses in the Spanish language; continue with 4 Spanish seminars annually **Output:** *A. Using EZ Wage Credits* 1. Estimated number of businesses contacted by the EZ regarding the availability of EZ Wage Credits *B. Using Work Opportunity Tax Credits* *C. Using Increased Section 179 Deductions* *D. Using Enterprise Zone Facility Bonds* *E. Using the Non-recognition of Gain on Sale of EZ Assets* *F. Using the Partial Exclusion of Gain on Sale of EZ Stock*	07/01/02 500	06/30/03 3,850
Business Mailings and Outreach (P3)	Increased awareness of tax benefits and increase employme nt opportuniti es for youth living in the Empowerm ent Zone.	Economic Opportunity (G3) Tax Incentives Utilization (C4)	$11,50 0	07/01/02-03/01/03	City of South Tucson; City of Tucson; Pima County	**Milestones:** Mail information to all businesses in the zone; Continue outreach efforts and mailings; Produce Spanish Information **Output:** *A. Using EZ Wage Credits* 1. Estimated number of businesses contacted by the EZ regarding the availability of EZ Wage Credits *B. Using Work Opportunity Tax Credits* *C. Using Increased Section 179 Deductions* *D. Using Enterprise Zone Facility Bonds* *E. Using the Non-recognition of Gain on Sale of EZ Assets* *F. Using the Partial Exclusion of Gain on Sale of EZ Stock*	7/1/ 02 5,000	6/30/ 03 3,850
Economic Blueprint	Develop a community	Community-Based	$250,0 00	08/01/05-08/01/06	Tucson Electric Power	**Milestones:** Establish blue-ribbon working committee of stakeholders; Develop		

for the Tucson Region	recognized and supported regional economic development blueprint and action plan for the Tucson region.	Partnership (G2) Capacity Building (C2)			Company	community/ stakeholder engagement strategy; Implement engagement process, collect & analyze data, establish roadmap. **Output:** A. Business assistance programs 1. Number of implementing agencies trained	14	16
Business Educational Events (P2)	Facilitate awareness of available incentive programs and solicit comments pertaining to needs and issues important to local area businesses.	Economic Opportunity (G3) Businesses Assisted (C2)	$1,000	10/01/06-12/31/07	TREO	**<u>Milestones:</u>** Complete 18 workshops and roundtables to 100 local area business **Output:** *A. Business assistance programs* 1 # of EZ businesses receiving technical assistance 2. # of non EZ businesses receiving technical assistance B. Jobs created or retained from businesses assisted C. Other Business Assistance Programs	07/01/02 70 30	06/30/07 0+93 0+46
Small Business Hotline	Improved regional competitiveness through rapid response (24 Hour turnaround).	Economic Opportunity (G3) Businesses Assisted (C2)	$2,000	07/01/06-12/31/07	TREO	**<u>Milestones:</u>** Provide 24 turnaround to 650 information/referral assistance calls **Output:** *A. Business assistance programs* *B. Jobs created or retained from businesses assisted* *C. Other Business Assistance Programs* *D. Other unique output measurement:* 1. 650 inquiries for business assistance/referrals addressed within 24 hours	07/01/05 650	06/30/07 0+877
Business Outreach	Develop action	Economic Opportunity	$54,160	10/01/06-12/31/08	TREO/ Implementatio	**<u>Milestones:</u>** Attend monthly Business Outreach/Assessment meetings at TREO;	07/01/ 2006	06/30/ 2007/08

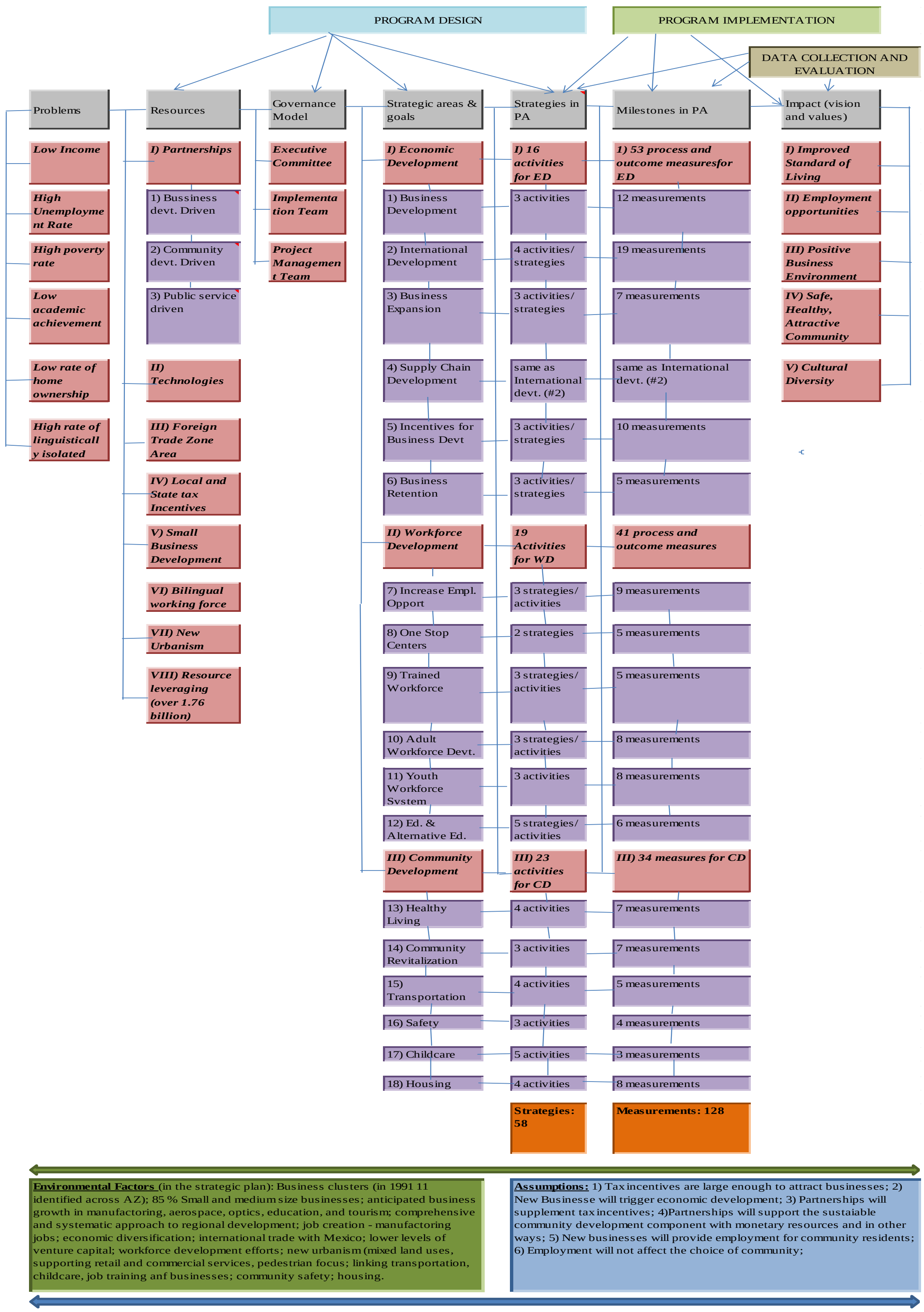
	plans in response to requests for assistance.	(G3) Businesses Assisted (C2)			n entities: Aerospace, Manufacturing & Information Technology Cluster (AMIT); . Arizona Small Business Association; . Marana Chamber of Commerce;. Microbusiness Advancement Center (MAC); Northern Pima County Chamber of Commerce; Southern Arizona Institute of Advanced Training (SAIAT); Tucson Black Chamber of Commerce; Tucson GLBT Chamber of Commerce; Tucson Hispanic Chamber of Commerce	Personally visit 500 local area businesses **Output:** *A. Business assistance programs* *B. Jobs created or retained from businesses assisted* *C. Other Business Assistance Programs* *D. Other unique output measurement:* 1. 650 inquiries for business assistance/referrals addressed within 24 hours	532	447+ 106

Business Development	Increase high-skilled/high-wage jobs for the region as outlined in TREO's Economic Blueprint	Economic Opportunity (G3) Workforce Development (C1)	$3,000	07/01/06-12/31/08	TREO	**<u>Milestones:</u>** Develop targeted industry leads, enhance regional coordination, Develop Indland Port Initiaitive; Create Industry Advisory Councils to identify and contact companies for relocation; collaborate with job fulfillment organizations to provide training for targeted industry sectors **Output:** *A. Job Training* *B. Job Match* *C. Job Fairs* *D. Other Workforce Development Programs* 1. # of other workforce development programs 2. # of EZ residents placed in jobs 3. # of non EZ residents placed in jobs	07/01/06 3 175 250	06/30/07 2 96+88 128+ 184
Annual Community Report Card (P2)	Develop a detailed and inclusive plan for engaging economic development stakeholders and partner organization experts to develop action plans for the Blueprint's Power of Five.	Community-Based Partnership (G2) Capacity Building (C2)	$5,000	07/01/07-01/01/08	TREO	**<u>Milestones:</u>** More than 35 Organizations Endorse Mobilization Plan; Mobilization Council To Develop Action Plans; 30 Community Leaders and Investors Agree to Serve; TREO Engages University of Arizona (UA) in Development of Community Report Card, Measures of Progres **Output:** *A. Capacity Building* 1. # of implementing agencies trained development programs 2. # of organizations supported	07/01/06 35 69	06/30/07/08 39 72

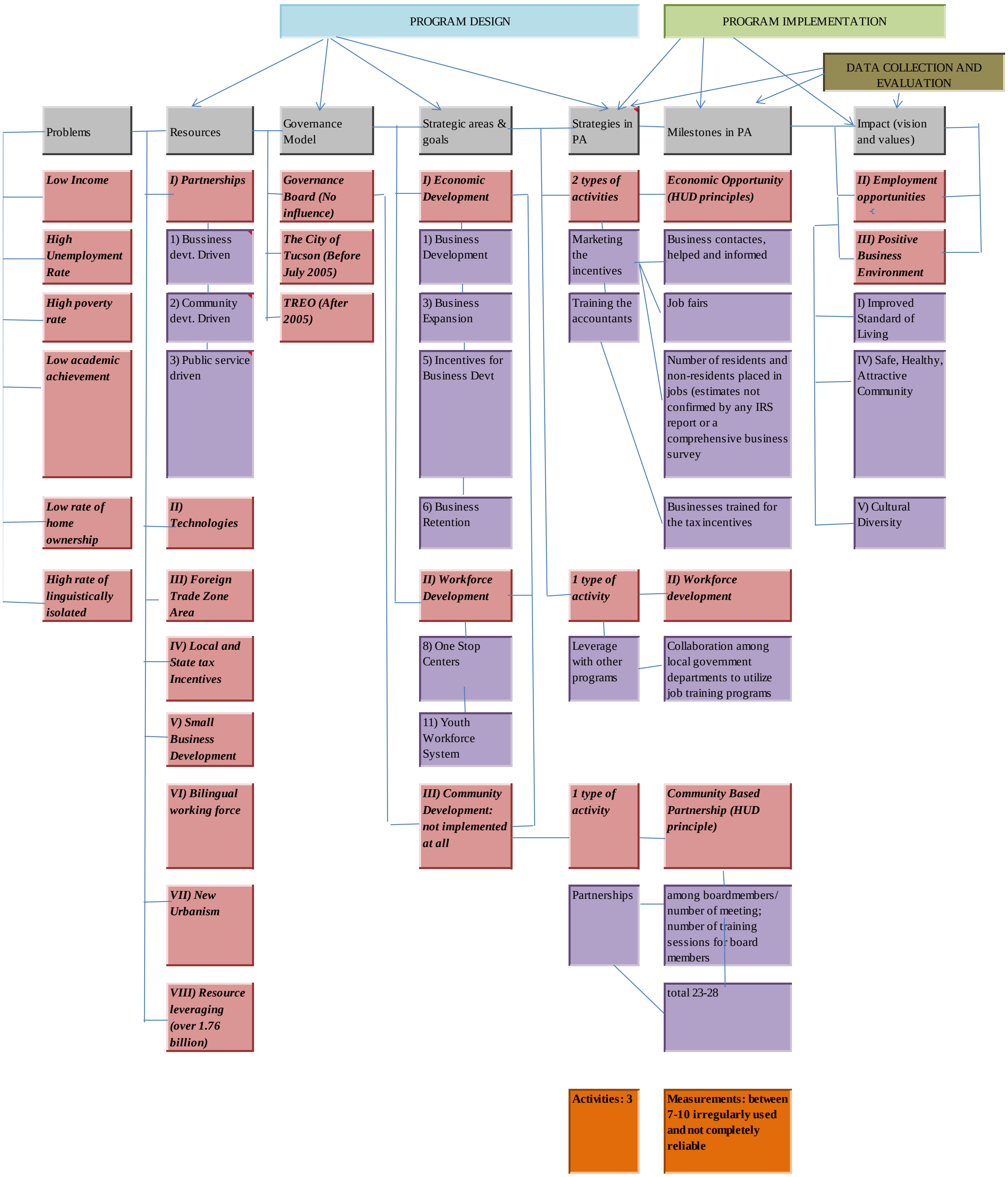
Regional Competitiveness (P3)	Strategically match assets to company needs and fill vacant properties.	Community-Based Partnership (G2) Capacity Building (C2)	$3,000	07/01/06-06/30/07	TREO	**<u>Milestones:</u>** Address the shortage of available sites, facilities & business parks within the region; Enhance the image of the I-10 corridor; Promote adoption of statewide economic development legislation to improve business climate **Output:** *A. Capacity Building* 1. # of organizations supported	07/01/2006 65	06/30/2007/08 71
Industry Advisory Councils		Economic Opportunity (G3) Businesses Assisted (C2	$2,500	07/01/06-07/01/08	TREO	**<u>Milestones:</u>** Establish Advisory Council membership; Develop meeting agenda & membership participation expectations; Develop marketing strategies and collateral material **Output:** *A. Business assistance programs* 1. # of EZ businesses receiving technical assistance 2. # of EZ businesses receiving technical assistance *B. Jobs created or retained from businesses assisted* 1. Number of resident jobs created or retained *C. Other Business Assistance Programs*	07/01/2006 10 20 500	06/30/2007/08 16+2 24+3 0+986

Appendix 2: Theory-Based Logic Models

THEORY BASED LOGIC MODEL: STRATEGIC PLAN AND PLANNED PERFORMANCE ASSESSMENT



THEORY BASED LOGIC MODEL: ACTUAL



__Environmental Factors__ (in the strategic plan): Business clusters (in 1991 11 identified across AZ); 85 % Small and medium size businesses; anticipated business growth in manufacturing, aerospace, optics, education, and tourism; comprehensive and systematic approach to regional development; job creation - manufacturing jobs; economic diversification; international trade with Mexico; lower levels of venture capital; workforce development efforts; new urbanism (mixed land uses, supporting retail and commercial services, pedestrian focus; linking transportation, childcare, job training anf businesses; community safety; housing.

__Assumptions:__ 1) business decisions are affected by the tax incentives offered with the program
2) federal tax incentives overweight other local and state programs
3) new businesses mean new employments and new employments mean better, safer communities.

Appendix 3

IRB Permission

ASU Knowledge Enterprise Development

Office of Research Integrity and Assurance

To: Daniel Schugurensky

fr **From:** Mark Roosa, Chair SM
Soc Beh IRB

Date: 02/27/2012

Committee Action: **Exemption Granted**

IRB Action Date: 02/27/2012

IRB Protocol #: 1202007501

Study Title: Accomplishments and challenges of the Federal Empowerment Zone Program: The case of Tucson

The above-referenced protocol is considered exempt after review by the Institutional Review Board pursuant to Federal regulations, 45 CFR Part 46.101(b)(2) .

This part of the federal regulations requires that the information be recorded by investigators in such a manner that subjects cannot be identified, directly or through identifiers linked to the subjects. It is necessary that the information obtained not be such that if disclosed outside the research, it could reasonably place the subjects at risk of criminal or civil liability, or be damaging to the subjects' financial standing, employability, or reputation.

You should retain a copy of this letter for your records.

[i] Source, the City of Tucson: http://cms3.tucsonaz.gov/rionuevo-quick-facts

[ii] According to the U.S. Small Business Administration, there are many "size standards" for all for-profit industries. "Size standards represent the largest size that a business (including its subsidiaries and affiliates) may be to remain classified as a small business concern. In determining what constitutes a small business, the definition will vary to reflect industry differences. These size standards are used to determine eligibility for SBA's financial assistance and to its other programs, as well as to Federal government procurement programs designed to help small businesses. Also, the Small Business Act states that unless specifically authorized by statute, no other Federal department or agency may prescribe a size standard for categorizing a business concern as a small business concern, unless such proposed size standard meets certain criteria and is approved by the Administrator of SBA." (source: http://www.sba.gov/category/navigation-structure/contracting/contracting-officials/eligibility-size-standards)

[iii] The coding, recoding and code agglomeration were done by using the computer software Atlas.ti 7.0