URBAN REVITALIZATION IN CLEVELAND:
A CASE STUDY ON CLEVELAND’S EMPOWERMENT ZONE INITIATIVE
1994-2004

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Urban Revitalization in Cleveland: A Case Study on Cleveland’s Empowerment Zone Initiative 1994-2004

Abstract

By

BENJAMIN ELI DEMKO

This paper offers a detailed case study of Cleveland’s 1994-2004 Empowerment Zone initiative (EZ), by examining how the program fit with the prevailing “urban poverty debate” narratives which sought to explain the emergence of concentrated poverty in America’s older industrial centers. Records show that while Cleveland’s Empowerment Zone proposal appeared to address certain aspects of the “urban poverty debate,” many important features of these narratives were either left out or not considered. In the end, the majority of funds available to Cleveland’s Empowerment Zone neighborhoods were used mainly for real estate development, as well as a few varied workforce development programs, and support for already-existing Community Development Corporations (CDCs). Data suggests that these efforts may have improved unemployment and poverty rates significantly; however they likely did little to alter the economic status of disadvantaged residents in relation to the region or decrease racial segregation.
CHAPTER 1
INTRODUCTION

On May 2, 1992, Governor Bill Clinton delivered a lectern-pounding address to the Democratic Leadership Council in New Orleans, while 1,800 miles away Los Angeles burned. “Thomas Jefferson,” he proclaimed, “once warned that the crisis of slavery was a fire bell in the night. The crisis in Los Angeles is now our fire bell in the night.” He went on to suggest that while the Los Angeles riots were sparked by a single incident, namely the Rodney King verdict, they illuminated the breakdown of economic opportunity in the inner-city, and the isolation of residents, whom he called “the other America.”

We have made a great deal of progress for those of us who live in the mainstream of America, but what has happened beneath that? Beneath that, there are those who are not part of our community, where values have been shredded by the hard knife of experience, where there is the disintegration of family and neighborhood and jobs and the rise of drugs and guns and gangs. People . . . are looting because they are not part of the system at all anymore. They do not share our values, and their children are growing up in a culture alien from ours, without family, without neighborhood, without church, without support.

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3 Brownstein, "Clinton: Parties Fail to Attack Race Divisions."
A Special Committee of the California Legislature seemed to agree with Clinton’s assessment that a certain segment of America’s urban population had become dangerously alienated from the “mainstream.” In a report entitled “To Rebuild is Not Enough,” they concluded that the riots stemmed in large part from inner-city segregation, lack of educational and employment opportunities, poverty, police abuse and unequal consumer services, all of which were “aggravated by a highly visible increasing concentration of wealth at the top of the income scale and a decreasing Federal and State commitment to urban programs serving those at the bottom of the income scale.” These conditions they argued, had led to a “cycle of despair” in which many inner-city residents found themselves trapped.4

When interviewed, residents themselves expressed feelings of isolation and alienation, fueled by what they perceived as racial and economic injustices. For example, a middle-aged woman interviewed by the L.A. Times stated, "It seems like no matter what you try to do, it's just in vain. Your color is your calling card. Out there, I'm just black."5 A 23-year-old interviewed by the New York Times stated, “Yeah, it’s madness, but it's also understandable. And if the social conditions don't change, it will happen again and again and not just in L.A. The way the whole entire system is structured, the rich get richer, the poor get poorer. It provides almost no hope for most folks, especially black folks.”6 Ramona Ripston, executive director of the American Civil Liberties Union of Southern California stated, “I don't think it's very difficult to figure out why the riots

happened so intensely. As far as I can see, we have a lot of young people, 15, 16 years old, no programs to keep them in school, no jobs, no health care, no stake in society. It's a form of civil war. America had better wake up.”

What academic narratives have sought to explain the concentration of poverty in America’s older industrial centers? How have policy makers and city leaders responded to these? Have their efforts been at all successful? These are very difficult questions that undoubtedly have unclear answers. However they are worth pursuing. If policymakers hope to craft effective urban revitalization programs, they must first strive to understand the forces that have plunged a segment of our urban population into extreme poverty, and then closely examine the design and outcomes of past programs meant to assist them.

**Statement of Purpose**

This paper attempts to explore these questions by offering a case study of Cleveland’s Empowerment Zone initiative (EZ) from 1994 through 2004. To accomplish this, I offer a short review of Cleveland’s economic history in the first part of this paper, and delve into a body of literature on three narratives (described here as “the urban poverty debate”) which seek to explain the twentieth-century emergence of concentrated poverty in America’s older industrial centers, and which, I argue, implicitly shaped in certain ways, much of the Empowerment Zone framework.

These narratives have tended to move in three distinct directions. The first has been promoted by an often-controversial group which I term “behaviorists,” who have

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7 Ibid.
8 An “Empowerment Zone” is an economically distressed American community that received tax incentives and grants from the federal government under the Empowerment Zones and Enterprise Communities Act of 1993.
argued that the culture, behavior, and values of the urban poor tend to perpetuate poverty. A second group, which I term “structuralists,” have concentrated on structural explanations for urban poverty, such as structural unemployment (through the process of deindustrialization), and the process of “ghettoization” (through spatial segregation based on structural racism). A third group, which I term “political marginalists,” have focused on the marginalization of the urban poor in American politics, arguing that white, middle-class suburbanization, and the rise of an anti-urban social (and often racial) conservatism has sidelined the interests of the urban poor.

In Part II, I offer a comprehensive evaluation of Cleveland’s Empowerment Zone initiative, including a discussion on strategy, implementation, and outcomes. Records show that while Cleveland’s Empowerment Zone proposal appeared to reflect certain aspects of all three of the “urban poverty debate” narratives I explored, many important aspects of these narratives were either left out or not considered. In the end, the majority of funds available to Cleveland’s Empowerment Zone neighborhoods were used mainly for real estate development, as well as a few varied workforce development programs, and support for already-existing Community Development Corporations (CDCs). Data suggests that these efforts may have improved unemployment and poverty rates significantly; however they likely did little to alter the economic status of disadvantaged residents in relation to the region or decrease racial segregation.
CHAPTER 2

THE CONCENTRATION OF POVERTY IN AMERICA’S INDUSTRIAL CENTERS

Cleveland, A Short Economic History

Cleveland’s is a classic rust belt story; with the fortunes of its residents tied largely to manufacturing. Fogarty, Garofalo and Hammack have proposed that the city’s economic history can be divided into three broad periods - Startup (1840-1880), Buildup (1880-1930), and Transition (WWII-1980s).⁹ During startup, they argue that economic growth was based largely on the city’s access to important markets and natural resources. Completion of the Erie Canal in 1825 (linking Lake Erie to New York’s Hudson River) opened eastern markets to Northern Ohio’s wares, and facilitated population and capital flows into the region. By 1832 the Ohio & Erie Canal linked Cleveland to Akron and Cincinnati, and by 1840, to the Mahoning Valley coal fields. As the northern terminus to the canal, and with a steady flow of coal into the city, Cleveland became the largest fueling station on the Great Lakes, and an important shipbuilding and repair center. By the 1850s the city had a thriving business services sector, with insurance companies, banks, brokers, and lawyers, all clustering near the mouth of the Cuyahoga River to facilitate a growing number of business transactions.¹⁰

They go on to describe how the railroad boom of the 1850s accelerated Cleveland’s growth, as the city first became an important center for the building of

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⁹ Michael S. Fogarty, Gasper S. Garofalo, and David C. Hammack, “Cleveland From Startup to the Present: Innovation and Entrepreneurship in the 19th and Early 20th Century,” a report of the Center for Regional Economic Issues, Weatherhead School of Management, Case Western Reserve University.

railroads, and then saw an agglomeration of iron, steel, machine, and chemical industries. The city’s first railroad was completed in 1851, and connected Cleveland to Cincinnati. In 1863 the first through-train arrived from New York City, and by 1870 six lines converged on the city. According to the Encyclopedia of Cleveland History, Scotsman Henry Chisholm (who arrived in Cleveland from Montreal to assist with railroad construction efforts in 1850), and his partners in Cleveland Rolling Mill Co, built the country’s second Bessemer steel works in Cleveland in 1865. Annual output eventually reached 150,000 tons, and included steel rails as well as tire, merchant, and spring steel. They soon diversified operations, recruiting skilled iron and steel workers from outside of the region, purchased the Cleveland Wire Mill Company in 1868, and organized the American Sheet & Boiler Company in 1866, the Union Steel Screw Company in 1872, and the H.P. Horse Nail Works Company in 1877.\(^{11}\)

During this same period, Samuel Mather, Marcus Hanna, and other captains of industry, gained control of iron ore mining operations in Michigan’s Upper Peninsula and Minnesota’s Mesabi Iron Range. They built and operated fleets of Great Lakes freighters to transport the ore to Cleveland (and nearby Lorain, Canton, and Youngstown), which, due to extensive rail service and proximity to Appalachian coal fields, proved to have a distinct cost advantage over other locales for the manufacture of steel. In 1870 John D. Rockefeller capitalized on Cleveland’s manufacturing and transportation infrastructure, forming Standard Oil of Ohio to bring crude oil to the city from Pennsylvania, making the city, for a time, the world’s largest oil-refining center.\(^{12}\)

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\(^{11}\)“The Encyclopedia of Cleveland History,” Case Western Reserve University, http://ech.case.edu/cgi/article.pl?id=CH8 ((accessed October 7, 2013)).

\(^{12}\)Hammack, “The Encyclopedia of Cleveland History.”
With steel and fuel in abundant supply, and a large number of skilled workers in residence, an agglomeration of manufacturing industries arose in Cleveland over the next fifty years, providing a high level of innovation (as measured by patents per capita) and spurring what Fogarty, Garofalo and Hammack have termed the city’s “buildup stage.” These first included suppliers of industrial materials (such as chemicals, lubricants, coatings, abrasives, ores, and metals), as well as fabricators (of such products as bicycles, sewing machines, and machine tools). Later agglomerations included fabricators of automobile components (engines, axles and transmissions, valves and other key moving parts), and electronics (light bulbs, coffeemakers, toasters, range tops, refrigerators, vacuum cleaners, washing machines, dryers and radios). Hammack has estimated that in 1929 the value of the city's manufacturers was nearly 120 times what it had been in 1860 (stated in dollars of constant purchasing power), while population had grown from fewer than 48,000 to over 1.2 million. Prior to WWI, this population boom was fueled largely by immigrants from Europe. However, when the flow of European immigrants was halted during WWI by the federal government, Cleveland industries recruited southern blacks to man their machines. The city’s black population grew from approximately 10,000 immediately before WWI, to 34,451 in 1920, and to 85,000 by the eve of WWII.

In the second half of the century, Cleveland’s manufacturing sector experienced a rapid decline. Fogarty, Garofalo and Hammack have hypothesized that this occurred when “innovation associated with established industries became insufficient to offset rising costs (including social costs associated with environmental pollution and deteriorating infrastructure as well as relatively high labor costs) and the region

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13 Ibid.
experienced diminished entrepreneurial activity.” Innovation may have declined they speculate, because Cleveland’s role as a major location for corporate manufacturing R&D in the 1920s, reinforced the city’s rate of innovation within declining industries (particularly industries related to steel manufacturing), while diminishing the role of entrepreneurial activity, and constraining the development of new emerging industries (such as technology) after WWII.15

Economic decline was rapid and severe. In 1950 Cleveland was the seventh largest city in the nation with a population of 914,808. By 2000 that population had fallen by 48 percent to 478,403, and Cleveland was ranked 33rd in the nation.16 More than 200,000 jobs were lost between 1950 and 2000, and the manufacturing sector was hit particularly hard. The city lost 96,540 manufacturing jobs between 1970 and 2000 (a 33 percent decrease), while manufacturing jobs as a percentage of all jobs in the city fell from 33 to 17 percent.17

This rapid decline did not affect all groups equally. An exodus of jobs, deteriorating infrastructure, and civil unrest - in the form of racially-charged riots in Cleveland’s Hough neighborhood in 1966, and another in Glenville in 1968 - convinced those with the economic means, to flee for the suburbs. Between 1960 and 1970 the city lost 25 percent of its residents with incomes over the metropolitan median.18 Whites fled the city at a much higher rate than blacks. Between 1950 and 1990 white residents as a percentage of Cleveland's total population fell from 84 to 50 percent, while the

15 Fogarty, Garofalo, and Hammack, “Cleveland From Startup to the Present,” 18.
percentage of black residents rose from 16 to 47 percent.\textsuperscript{19} As whites fled, Cleveland’s unemployment and poverty rates skyrocketed. In 1990 unemployment stood at 14 percent (nearly double that of Cuyahoga County’s 7.5 percent), and 29 percent of the city’s residents lived in poverty (compared to 14 percent for the County). In majority black neighborhoods, these numbers were much worse. For example unemployment and poverty rates in Glenville (which was 98 percent black) were a whopping 24 and 39 percent respectively. By 1990 Massey and Denton estimated that Cleveland had the second highest rate of racial segregation of any large city in the United States (behind Chicago); a condition so severe, they labeled the city “hypersegregated.” \textsuperscript{20}

\textbf{“The Urban Poverty Debate”}

For policymakers seeking to combat concentrated poverty in America’s older industrial centers, an understanding of the competing theories related to its emergence, and how these theories have shaped past policies, is essential. This paper explores three narratives that are often seen as opposed or distinct (and sometimes controversial), which appear to have influenced the architects of the Empowerment Zone framework.

The first narrative explored here has been put forth by an often-controversial group which I term “behaviorists.” These have tended to focus on the \textit{culture, behavior, and values} of the urban poor. Certain “behaviorists” have emphasized the role of family structure (particularly female-headed households) in perpetuating urban poverty, while others have argued that expansion of federal social welfare programs since the 1960s has


fostered a culture of joblessness and dependency. A second group, here termed “structuralists,” has concentrated on structural explanations for urban poverty, with some emphasizing the rise of structural unemployment (through the process of deindustrialization), and others emphasizing the process of “ghettoization” (largely through spatial segregation based on race). A third group, here termed “political marginalists,” has focused on the marginalization of the urban poor in American politics. Proponents have argued that “intrusive” federal interventions (in the form of affirmative action, bussing, etc.) in the 1960s, and the “excesses” of Black Power, have fueled white, middle-class suburbanization, and the rise of an anti-urban social (and often racial) conservatism. This has led to the advancement of policies which ignore, or are detrimental to, the socioeconomic welfare of inner-city residents. A detailed review of select writings on these three narratives follows, along with a quick summary table on Page 36.

Focus on the Culture, Behaviors, and Values of the Poor:

Talk of hypersegregation and concentrated poverty in “rust-belt” cities such as Cleveland has often led to discussion on the supposed emergence of what certain authors call an “urban underclass” during the second half of the twentieth century. 21 Writing in 1963, economist Gunnar Myrdal described a “class of unemployed, unemployables, and underemployed who are more and more hopelessly set apart from the nation at large and do not share in its life, its ambitions and its achievements.” 22 Kenneth Clark, a

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21 The notion of an underclass in America’s cities has been heavily debated, and the term often has embedded moral and often “pathological” connotations (see page 13 below). Therefore throughout this paper, the word underclass is italicized, except when referencing an outside author.

psychologist, and Richard Nathan, a political scientist, have suggested that, “It is possible to stipulate a number of characteristics associated with underclass status. The people in the group generally lack education, experience in the labor market, literacy skills, mobility options and stable family relationships.” Similarly, William J. Wilson, a sociologist, has described an underclass as “Individuals who lack training and skills and either experience long-term unemployment or are not a part of the labor force, individuals who engage in street criminal activity and other aberrant behavior, and families who experience long-term spells of poverty and/or welfare dependency.” Sociologist Elijah Anderson argued that:

The underclass…is made up of people who have failed to keep up with their brethren, both in employment and sociability. Essentially they can be seen as victims of the economic and social system. They make up the unemployed, the underskilled, and the poorly educated, even though some hold high-school diplomas. Many are intelligent, but they are demoralized by racism and the wall of social resistance facing them. In this context they lose perspective and lack an outlook and sensibility that would allow them to negotiate the wider system of employment and society in general.

In their study, “Defining and Measuring the Underclass,” Ricketts and Sawhill attempted to quantify a supposed underclass by measuring the populations of census tracts with high proportions of the following indicators: high school dropouts, prime-age

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males not regularly attached to the labor force, welfare recipients, and female headed households. Their data suggests that virtually all underclass tracts were in urban areas, generally located in the older industrial cities of the Northeast and Midwest (such as Cleveland), and that the population averaged 59 percent black and 10 percent Hispanic. They placed the number of supposed underclass individuals at roughly 2.5 million in 1980, which was a 230 percent increase from 1970.\textsuperscript{26}

This notion of an urban underclass in America’s cities has been heavily debated, and the term often has embedded moral and often "pathological" connotations related to the culture, behaviors, and values of the poor. In \textit{The Underclass Debate: Views From History}, Michael B. Katz describes the danger in attempting to divide poor people into categories, noting that “critics of the term worry that arguments for the existence of a new underclass represent a resurgence of old images of the undeserving poor, an attempt to mask recurrent poverty with an argument that blames the victim.”\textsuperscript{27} He notes that the authors in his edited volume “do not accept the word underclass as an appropriate description of the conditions about which they write, and that they are approaching the word as an object of analysis as well as a subject of history.”\textsuperscript{28}

I share their sentiments. However an understanding of the authors who describe an alleged underclass, and those that have focused on the culture, behaviors, and values

\begin{itemize}
  \item Erol Ricketts and Isabel Sawhill, "Defining and Measuring the Underclass," \textit{Journal of Policy Analysis and Management} 27: 316–325. In their study, “high proportion” is defined as a value that is at least one standard deviation above the average value for all Census tracts in the nation in 1980. The following definitions also apply: “high school dropouts” are defined as 16 to 19 year olds who are not enrolled in school and are not high school graduates, “prime-age males not regularly attached to the labor force” are defined as males 16 years old and over who are not working regularly where working regularly was defined as having a full or part-time job for more than 26 weeks in 1979, “welfare recipients” are defined as households receiving public assistance income, and “female heads” are defined as households headed by women, with children.
  \item Ibid, 22.
\end{itemize}
of the poor, is essential to understanding and evaluating Cleveland’s Empowerment Zone approach. Influential proponents of the Empowerment Zone program were clearly familiar with the concept of an “underclass,” and used it as a descriptive term. For example in his address to the Democratic Leadership Council in New Orleans in 1992, Governor Clinton berated Republicans for stoking racial tensions to “cover for their senseless economic strategy that is driving income down for most American families,” and argued that “the development of this massive group of the permanent underclass - people who live in a different culture” - had rendered obsolete the Democratic vision that urban problems could be attacked primarily through top-down government initiatives.29

Similarly, in explaining the Empowerment Zone concept in a 1994 L.A. Times interview, California Rep. Howard Berman (D) stated that, “the most important gulf in America today is between the majority that is making it and the underclass that has very little hope of making it in our society. They have very little stake in society. There is no opportunity, no education. Hopefully, empowerment zones will be something to turn that around.”30 It is therefore important that this narrative is explored here.

An early strand of this narrative emerged in the 1930s and emphasized the breakdown of family structure, drawing a distinction between “rural” and “urban” values. E. Franklin Frazier, argued, in The Negro Family in the United States (1939) that as southern blacks migrated from the rural South to the industrial North (the first Great Migration 1910-1930), “the community of interests and bonds of sympathy that created strong family ties in rural communities [were] unable to withstand the disintegrating

29 Ibid.
forces of the city.”31 Poverty, ignorance, and color, he argued, combined with fierce economic competition from unskilled whites, forced black families to seek homes in isolated and deteriorated slums, which lacked strong communal support structures (such as extended families and large church communities). The result he argued was an epidemic of transiency, paternal desertion, out of wedlock childbirth, and juvenile delinquency. He concluded that hope for poor urban blacks lies in assimilation and acculturation, which “will be limited by the extent to which the Negro becomes integrated into the economic organization and participates in the life of the [broader] community.”32

In a similar vein, Daniel Patrick Moynihan, Assistant Secretary of Labor during the Kennedy and Johnson administrations, argued in “The Negro Family: The Case for National Action” (widely known as “The Moynihan Report”), that “in every index of family pathology- divorce, separation and desertion, female family head, children in broken homes, and illegitimacy- the contrast between the urban and rural environment for Negro families was unmistakable.”33 He described how the process of black urbanization produced an oversupply of unskilled black laborers in American cities, which in turn drove down wages, and hindered the ability of black men to support their families. As a result, black men in the inner-city became alienated from work and family life, and despaired of ever achieving economic stability. This led to their withdrawal from “mainstream society,” and had caused many to pursue lives of crime and drug abuse. Particularly detrimental Moynihan argued, had been “the failure of youth.” In the

32 Ibid, 488.
absence of strong male role models, black children do not learn strong habits of work and discipline. As such, they exhibit higher rates of crime and delinquency, fare worse in school, and tend to drop out earlier than white children who have fathers to guide them. This he claimed, has resulted in the perpetuation of urban poverty over generations. Thus the policy of the United States he argued should be to “bring the Negro American to full and equal sharing in the responsibilities and rewards of citizenship” by “enhancing the stability and resources of the Negro American family.”

It is widely accepted that Moynihan’s work was influential during President Johnson’s “War on Poverty” in the 1960s, which saw an increased emphasis on federal intervention in the form of social welfare programs. This intervention has resulted in a substantial body of scholarship arguing that expansion of federal social welfare programs since the 1960s has fostered a culture of joblessness and dependency among the urban poor.

One of the original proponents of this narrative was Edward C. Banfield. In The Unheavenly City (1970), he argued that while income and education levels among the urban poor have steadily risen over the twentieth century, progress has not kept pace with rising middle-class expectations. This has led to feelings of liberal guilt towards “social failures,” and a sense of social responsibility for inner-city problems that “in some cases could not have been prevented and cannot be cured.” This liberal tendency to blame society for all inner-city ills Banfield argued, has “excused” the urban poor from taking responsibility for their condition, and has resulted in the implementation of “ill-

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34 Ibid, 48.
35 Edward C. Banfield, The Unheavenly City Revisited, (Prospect Heights, IL: Waveland Press, 1990), 76. Although the reference here is from The Unheavenly City Revisited, Banfield originally proposed many of his ideas in The Unheavenly City, 1970.
conceived” social policies (such as increased welfare eligibility, food stamps, and federal and state housing benefits) which, he feels, have had little, or adverse effects on their condition. In turn he argues, many have concluded that they are powerless to improve their status, and that a “guilty society” is one for which they can have no respect, and in which they can place no trust. Thus perceiving themselves as hopeless victims of social injustice, Banfield claimed that many have largely withdrawn from “mainstream society,” become totally “present-oriented,” and are unconcerned or cynical about their future. As such, they make no preparations for it, and therefore condemn themselves to continued poverty.\(^{36}\)

While Banfield claimed that liberal ideology and social policies since the 1960s have discouraged economic participation by promoting a “victim mentality,” others have argued that these same forces have worked to reward idleness. For example George Gilder, who was often quoted by Ronald Reagan, argued in *Wealth and Poverty*, that welfare and other subsidy programs have broken the psychological link between sacrifice and reward in the minds of the urban poor. The result he claimed, has been the development of an “easy come easy go” attitude among recipients of public assistance,\(^{36}\)

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\(^{36}\) See also Myron Magnet, *The Dream and the Nightmare: The Sixties Legacy to the Underclass*, (New York: William Morrow and Company, 1993). Magnet contends that in the 1960s, “liberal elites” argued that a racially oppressive society prevented many black individuals from earning an adequate living, and therefore the government should provide it instead. As such, they not only demanded equality for blacks, but “reparations” in the form of welfare and affirmative action. He argued that this has instilled feelings of victimization among the urban poor, and produced the mindset that if an able-bodied non-worker takes welfare, he should not be stigmatized because it is his right. With this Magnet claims, “the very thing that gives a hardworking poor person his decisive moral superiority over the nonworking poor person starts to dissolve,” and a sense of responsibility for becoming a productive member of society is lost (143). The result he suggested, has been widespread idleness among the urban poor, their withdrawal from “productive society,” and the rapid deterioration of their neighborhoods and institutions.
which has caused many to choose leisure and short-term gratification over societal responsibility, “because they are paid to do so.”

On a related note, Lawrence Mead (whose ideas were influential in American welfare reform during the 1990s), argued, in The New Politics of Poverty: The Nonworking Poor in America, that a welfare boom between 1965 and 1975 - characterized by higher benefit levels and a relaxation of eligibly - led to a breakdown in the stigma against non-work in inner-city neighborhoods. As such he argued that a considerable number of able-bodied men and women in urban neighborhoods readily rejected the jobs available to them as inadequate in pay or conditions, and refused to “work their way up” through entry-level positions as previous generations had done before them. The social and economic isolation of “the ghetto” and “black culture” he claimed, have allowed these attitudes to be readily passed from one generation to the next. Thus, despite efforts to produce social equity, concentrated pockets of urban poverty persisted because social welfare programs that provided economic subsidies to poor people did not oblige them to seek and accept jobs. This leniency he argued, rendered them incapable of coping with mainstream social demands.

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38 Lawrence M. Mead, The New Politics of Poverty, (New York: Basic Books, 1992), 150. See also, Christopher Jencks, Rethinking Social Policy: Race, Poverty, and the Underclass, (Cambridge, MA.: Harvard University Press, 1992). Jencks acknowledges that deindustrialization has contributed to black joblessness, but states that “this alone cannot possibly explain the entire change in black American’s behavior since 1965” (22). Rather he concentrates on culture, and argues that acceptance of divorce and out of wedlock birth was popularized in the 1960s throughout all levels of American culture via mass media, the law, and in the widely publicized activities of celebrities. Once the two-parent norm lost elite support Jencks argues, many institutions which served poor urban blacks (government agencies, nonprofits, churches, etc.), along with policymakers on the left, began to accept single-parenthood as a normal part of black life. As such, they have since supported it through a social safety net that has undermined the motivation to work, and fostered the emergence of a separate “ghetto culture,” which “tolerates a degree of selfishness and irresponsibility, especially on the part of males” (16). Under these circumstances Jencks claims, “assimilation” into middle-class society is likely to be extraordinarily difficult for poor urban blacks. For an alternative perspective, see Ken Auletta, The Underclass, (New York: The Overlook Press, 1999). Auletta has attributed a “poor mentality” and low self-esteem to underclass development. For
Focus on Structural Explanations:

Unlike the “behaviorists” described above, “structuralists” have tended to focus on explanations largely beyond the control of the urban poor, such as deindustrialization and racism. For example in *When Work Disappears: The World of the New Urban Poor*, William Julius Wilson, argued, that prior to the 1960s, the United States possessed a labor-intensive industrial economy that provided adequate opportunity for “unskilled” individuals. Gainfully employed, working-class blacks reinforced the traditional patterns of work, family, and education in urban neighborhoods that prepared younger generations for success in the workplace. However, he argued, that when demand for unskilled jobs fell due to deindustrialization, chronic joblessness severely disrupted these historic patterns, and led to a series of social ills that are “not conducive to healthy child development or intellectual growth.”

According to Wilson two trends have been particularly disruptive- the breakdown of the traditional family, and the suburbanization of the middle class. In regard to the first, he described how prior to the 1960s, unskilled men generally enjoyed a hiring and wage advantage over unskilled women (who did not possess equal physical strength). This made marriage particularly attractive to women, because husbands could presumably earn more and better-provide for families through their labor. However with example in *The Underclass*, he conducted 250 interviews with social service recipients in an effort to better understand “the folks lurking beyond the bulging crime, welfare, drugs, and the all-too visible rise in anti-social behavior that frightens citizens” (11). He found throughout his interviews that certain striking similarities arose. Most of his subjects were raised in households where there was little exposure to the world of work, no male role models, and excessive violence. Second, a majority of the poor mothers he interviewed found participation in the welfare system extremely demeaning. These conditions he suggested, have resulted in a “poor mentality” whereby most *underclass* individuals simply believe “this is the way they are supposed to live,” possess a negative self-image, and feel they are simply not a part of “the mainstream” (11). Thus he concludes that with no self-confidence and expecting to fail, members of the *underclass* are simply unable to grasp social and economic opportunities when they arise.

deindustrialization the economic advantage held by unskilled men evaporated, because in the new service economy brawn holds little value. This has made marriage much less attractive he claims, because an unemployed man is an economic hindrance to a family with limited resources. Thus single mothers, saddled with child care responsibilities, but without husbands as providers, have tended to accept welfare over low wage service employment in order to prevent a deeper slide into poverty (especially if such employment is not covered by health insurance). Youngsters who grow up in these households without a productive worker to serve as a role-model, and in neighborhoods that are not organized around work, see little opportunity in “mainstream society,” and are more likely to engage in behavior (i.e. crime, early pregnancies, etc.) that jeopardize their chances for social and economic mobility.

What has made matters worse he argued, is that the employed black middle class has fled these inner-city neighborhoods, seeking escape from rapidly-deteriorating conditions. With the middle-class gone, jobseekers in the ghetto now have fewer employed neighbors to help them find jobs, or to serve as role models to the young. Further, their leaving has contributed to a loss of revenues, which in turn has worsened the condition of inner-city schools, led to business closings, and a rapid decline in basic services such as law enforcement. The result he claimed, has been a downward spiral of economic isolation, concentrated poverty, and deteriorating neighborhoods.

On the other hand Douglas Massey and Nancy Denton, argued, in American Apartheid: Segregation and the Making of the Underclass, that “racial segregation-and its characteristic institutional form, the black ghetto-are the key structural factors responsible
for the perpetuation of black poverty in the United States.\textsuperscript{40} They first found that working class whites in northern industrial centers feared economic competition from migrating blacks during the first Great Migration (1910-1930), and attempted to re-affirm their “whiteness” by hardening the color line in employment, education, and especially housing. They described how this was often accomplished through workplace discrimination, violence, restrictive covenants, “redlining” by Home Owner’s Loan Corporation (HOLC) underwriters, and “white flight” to the suburbs. Thus by the outbreak of WWII they argued, the outline and form of “all-black” neighborhoods were firmly in place, characterized by extremely high densities of residents with little formal education, who relied on unskilled labor to support their families.

They then argued that as the process of deindustrialization unfolded, a disproportionate number of residents in these highly-concentrated black neighborhoods (due to their lack of education and skills) were displaced from jobs that paid relatively high wages, and thrust into our current two-tiered service economy which generates a large number of menial, low-paying jobs for people without education or training. This they claimed has resulted in a sharp decline in demand density within urban black neighborhoods, the collapse of the retail sector, loss of revenues, and elimination of most nonessential goods and services. Trapped in deteriorating ghettos, the “underclass,” they argued, has suffered isolation from mainstream working society, crime, family breakdown, and the formation of an oppositional culture which is rejected by employers.\textsuperscript{41}


\textsuperscript{41} Ibid, 183-184.
On a similar note, Gary Orfield, argued, in “Ghettoization and Its Alternatives,” that residential segregation has been a key institution for creating and maintaining urban poverty, because residence profoundly determines accessibility to education and employment. Through a detailed examination of metropolitan Chicago, he found that the historical process of “ghettoization” (as described by Massey and Denton) has resulted in a spatial redistribution of taxable wealth, jobs, and educational opportunities in ways that make them virtually inaccessible to minorities confined to parts of the central city. For example he found that public schools in Chicago’s majority black neighborhoods had larger classes, teachers from the least selective colleges, fewer counselors, much higher dropout rates, fewer graduates attending four year colleges, and much lower achievement scores. The result he claimed is that schools serving students with the greatest need often have educational programs that simply cannot prepare them for college.

Orfield also found that inner-city residents have a separate and unequal set of occupational opportunities. The 1981-83 recession, he claimed, showed that when Chicago firms were confronted with decisions on layoffs and plant closings, they typically chose to eliminate capacity in the inner-city and later expand, if necessary, in the suburbs or smaller towns, which often had more “business-friendly” tax environments, and were aesthetically preferred by middle-and upper-class employees. As this occurred, poor inner-city residents tended to be excluded from these jobs because they are disproportionately reliant on public transportation which does a poor job of efficiently moving people from the inner-city to affluent suburbs.

Focus on Politics:

Unlike the “behaviorists” or “structuralists” described above, “political marginalists” have tended to focus on the political marginalization of inner-city communities, characterized by a shift in allegiance from the Democratic to Republican Parties among certain white voting blocs, the rise of anti-urban social and racial conservatism, and the advancement of policies which ignore (or are detrimental to) the economic welfare of inner-city residents.

For example, in Canarsie: The Jews and Italians of Brooklyn Against Liberalism sociologist Jonathan Rieder, argued, that white ethnic culture in America is inherently conservative, because it is “provincial in nature, rooted in the experience of communally-bound individuals who look with suspicion upon outsiders’ abstract ideas and principles, and the formal remedies of strangers, including those of the state.”\(^{43}\) However in the “racially-unthreatening” atmosphere of 1940s and 1950s Canarsie (prior to black encroachment), he argued that this provincial ethos fit with the Democratic Party, because local Brooklyn bosses shielded residents from many of the more socially-liberal policies of the party’s left wing. However he found that this association began to change in the 1960s, when upper-class outsiders (which he termed “limousine liberals”), began implementing policies which Canarsians felt were economically “unfair” (such as affirmative action and welfare), and intrusive (such as public housing, and forced bussing). Shortly thereafter, an influx of black residents into Canarsie coincided with a rise in neighborhood crime, and decline in economic conditions (generally attributed to stagflation of the 1970s). Economically-bound to Canarsie, and perceiving their

tentative hold on middle-class status threatened, Rieder described how Canarsie’s Jews
and Italians responded to these developments through anti-bussing demonstrations,
v violence and intimidation against blacks, and the shifting of their political allegiance to
the Republican Party- which they understood to be tougher on crime, and much less
inclined to intervene in local affairs.

On a similar note, Jim Sleeper, argued, in The Closest of Strangers: Liberalism
and the Politics of Race in New York City, that in the early 1960s, New York’s civic
culture was based on a certain level of civility, fair play, and reciprocity among various
racial and political groups. He found that this began to change however, when white
liberals (mostly Jewish activists concerned with civil rights in the South) pushed social
engineering schemes on white-ethnic and middle-class neighborhoods (such as forced
busing, and scatter-site, low-income housing). Most offensive to white residents Sleeper
argued, was not the intermingling of race per se, but the top-down way in which these
schemes were implemented, and the flouting of any spirit of social reciprocity. He
claimed this prompted working and middle-class whites “who hadn’t given race much
thought,” to “see resistance to integration as a physical and economic necessity.”

Sleeper claimed that upper-class liberals were stunned by white-ethnic resistance
to their integration schemes, and in turn sympathized with the likes of Eldridge Cleaver
and other members of the Black Panther Party who further alienated middle and working-
class whites by “casting New York as another Johannesburg or ‘Up South,’ whose
implacable racism needed to be bared.” This tension worsened in the 1980s, as the
emergence of a new group, which he calls “professional blacks,” (not to be confused with

44 Jim Sleeper, The Closest of Strangers: Liberalism and the Politics of Race in New York, (New
York: W.W. Norton & Company, 1990), 32.
black professionals) such as Al Sharpton, Alton Maddox, Jr., and C. Vernon Mason
“reached a new low in racial trust” by refusing to condemn Tawana Brawley, who falsely
accused a group of white men (including law enforcement officers) of raping her.

The result of these “excesses” he argued, has been that many working and middle-
class whites have fled racially-mixed neighborhoods, become more conservative-minded,
and have less sympathy for the plight of poor urban blacks. He also claims that these
excesses have caused “principled black radicals and politically-moderate black
churchgoers to withdraw from a civic culture that seemed scarcely worth joining except
to hustle it for all it was worth.”

Left largely with antagonistic and polarizing
“professional blacks” to represent them, Sleeper claimed that the interests of poor inner-
city residents became increasingly marginalized by more well-off voters who found their
methods distasteful.

Examining similar issues at the national level, Edward G. Carmines and James A.
Stimson, argued, in Issue Evolution: Race and the Transformation of American Politics,
that prior to the early 1960s, advocates of racial liberalism could be found equally among
northern Democrats and Republicans. Neither party found it very constructive to stake
out activist positions on race they claimed, because Republicans had a racially-
progressive heritage, while liberal Democrats were cautious of angering Southern
Democrats, who were a key element in their New Deal Democratic coalition. However,
they found that with the electoral successes of racially-liberal Democrats between 1958
and 1962 this equilibrium was disrupted as the Democrats’ southern wing lost its
traditional congressional dominance, and its moderate leadership lost the ability to keep
race off the agenda.

46 Ibid, 34.
They described how Barry Goldwater attempted to exploit this Democratic schism in 1964, by introducing racial conservatism onto the Republican platform, “predicated on the strategic assertion of a very large supply of ‘hidden’ conservative, and potentially Republican, voters” within the Democratic Party. These, according to the authors, were mainly white southerners, and “the means to move them from their established [Democratic] loyalty was, and could only be, racial conservatism.” They argued that this strategy was particularly suited to the 1964 election (and not before) because the civil rights movement brought racial conflict to the center of political consciousness, and threatened strong federal intervention in local affairs. In this environment they argued, racial conservatism appealed to both Southern Democrats (who they assumed harbored racist sentiments), as well as to “traditional republicans” whose main concern was to oppose federal intervention at the local level.

While the introduction of racial conservatism onto the Republican platform did not lead to a Goldwater victory in 1964, they argued that it has had vast repercussions. For example they claimed it was decisive in Ronald Reagan’s Presidential campaign, allowing him to score a landslide victory against Walter Mondale in the South (despite receiving the lowest percentage of black votes of any Republican before him). The result the authors argued was further marginalization of the urban poor, as the Reagan administration “put hundreds of school desegregation cases on hold, tried to weaken the Voting Rights Act, supported tax breaks for segregated schools, and molded the Civil Rights Commission, formerly a bastion of racial liberalism, into an opponent of it.”

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48 Ibid, 54.
On the other hand, John H. Mollenkopf, argued, in *The Contested City*, that by attempting to appease diverse constituencies through federal intervention, Democratic programs facilitated the displacement of industry away from central cities, and led to a rise in conservative sentiment. For example, he described how a whole series of post-war Democratic actions designed to curry favor among white middle class voters encouraged suburbanization. These included federal spending on the interstate highway system, standardization and insurance of home mortgages through the VA and FHA programs, and favorable tax treatment of homeowner interest payments. As the middle-class fled to the suburbs, Mollenkopf argued, the isolation and economic stagnation of inner-city residents resulted in an explosion of minority protest and community activism during the mid-1960s.

To then appease their angry minority constituencies, Democrats supported rent control programs and expansion of public housing schemes, community action, citizen participation, social service programs, and the growth in spending and taxes required to support them. He found that the heads of large corporations headquartered in central cities reacted strongly against these efforts, by shifting investment away from central cities and towards more conservative areas. The result he argued has been “political dealignment” whereby constituencies which have conservative perspectives and interests which are different than those of the urban poor, have quickly grown in power and influence (particularly in the suburbs and Sun-Belt). Largely ignored or disdained by these powerful and well-funded groups, Mollenkopf feels the nation’s inner-cities face a problematic future.49

Sugrue

Finally, historian Thomas J. Sugrue has written one of the more widely-read studies on the development of urban poverty in recent years, titled *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit*. In it he argues that inner-city Detroit’s poverty problem emerged between 1940 and 1960, “as the consequence of two of the most important, interrelated, and unresolved problems in American history: that capitalism generates economic inequality, and that African Americans have disproportionately borne the impact of that inequality.”\(^{50}\) His work draws on many of the narratives described above, and therefore can be viewed as a kind of rough summary of the material covered.

For example much like certain structuralists and political marginalists, he found that the formation of Detroit’s “underclass” had much to do with post-war industrial location policy. Spurred by state and local expressway initiatives in the 1940s, and federally-funded highway construction after 1956, post-war highway construction facilitated the distribution of goods and labor over longer-distances. Free to expand outside of the central city, managers built new, sprawling, *automated* plants in the *suburbs* (where land was plentiful and less costly to develop), and shifted production to non-union states in the South and West, in an effort to lower labor and production costs.\(^{51}\)

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\(^{51}\) Sugrue also claimed that federal actors exacerbated this exodus of inner-city jobs by encouraging post-war military industrial development over widespread suburban areas (to reduce the effects of potential air attacks), subsidizing new plant construction on green-field sites, and channeling a disproportionate amount of Cold War funding to California and the South (a function of the growing influence of Sun Belt politicians in Congress).
The net result he claimed was the drastic and rapid de-concentration of industrial activity in and away from northern urban centers from the 1950s onward.\textsuperscript{52}

Sugrue went on to argue that due to ethnic solidarity among white tradesmen and union members, blacks were unable to gain any sort of foothold in most Detroit plants until at least the mid-1940s, well after large numbers of white workers had established themselves. Thus, as deindustrialization brought mass layoffs to the city in the 1950s, blacks were less likely to have enough seniority to protect their jobs or gain a transfer to new facilities in the suburbs. Further, he found (much like Wilson), that because Detroit’s black workers were largely relegated to the unskilled jobs most affected by automation, they often found their positions had been eliminated altogether. In this way he contends, a seemingly permanent class of underemployed and jobless individuals emerged by the early 1960s- a group that came to be called the “long-term unemployed.”\textsuperscript{53}

With deindustrialization firmly underway, Sugrue (much like Massey and Denton) claimed that racism among working class whites drove a process of black “ghettoization.” As the city’s fiscal base declined, infrastructure deteriorated, and property values fell, black families began buying homes in ethnic enclaves to escape worsening conditions in majority black neighborhoods. Perceiving themselves as “under attack,” second and third generation eastern and southern Europeans “found a new identity in their whiteness,” and vigorously opposed black encroachment through restrictive covenants, intimidation and violence, enforced by neighborhood improvement

\textsuperscript{52} Sugrue, \textit{The Origins of the Urban Crisis}, 128.

\textsuperscript{53} Ibid, 144.
associations. When these methods failed, they quickly broke for the suburbs, further isolating black families in an increasingly crowded and deteriorating central city.\(^{54}\)

Rather than attempt remediation, Sugrue, argued (in the vein of political marginalists), that elected city officials contributed to the process of ghettoization through a series of urban development projects designed to placate angry white constituents. For example he described how beginning in the late 1940s, city planners undertook highway construction projects to “bolster the economy,” and in so doing isolated entire black neighborhoods from the city, leaving behind “a no man’s land of deterioration and abandonment.”\(^{55}\) He also described how white politicians such as Mayor Albert Cobo (an ally of white homeowner groups) ran “urban renewal” campaigns in the 1950s, promising to level “blighted areas,” and rejected all attempts to build public housing near white neighborhoods. As Detroit’s poor black population became ever-more isolated in central-city neighborhoods Sugrue described how feelings of frustration and despair led to riots, arson, and crime in the 1960s and beyond. Recalling the “behaviorist” narratives described above, Sugrue contends that many whites have viewed this behavior as a reflection of weak or dangerous values, which in turn has perpetuated a downward cycle of mistrust, racism, isolation, and crippling poverty for urban blacks, not only in Detroit, but in declining industrial centers such as Cleveland and Chicago.

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\(^{54}\) Ibid, 22. This whole process of “ghettoization” Sugrue argues, was fueled by a web of interlocking real estate interests—brokers, speculators, developers, and banks—who tapped into economic and status anxiety “to perpetuate racial divisions in the housing market.” Most guilty he argues, were Federal Home Loan Bank Board (FHLBB) officials, and the Home Owners’ Loan Corporation (HOLC), who created “residential security maps.” These maps, based heavily on racial assumptions, were used by banks to determine the level of risk for real-estate investments in each neighborhood, and by real estate agents to determine buyer eligibility. The entire city of Detroit was divided into sections which were given grades of “A” through “D.” Sugrue points out that every neighborhood in which even a small black population resided received a grade of “D,” and was redlined as a “hazardous” investment environment.

\(^{55}\) Ibid, 144.
The following table attempts to broadly summarize the three narratives described above:

**Table 1: “The Urban Poverty Debate” Summary**

<table>
<thead>
<tr>
<th>Group</th>
<th>General Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behaviorists</td>
<td>Some argue that social disruptions caused by urbanization during the first Great Migration worked to erode “rural values” and traditional institutions (such as marriage), while others argue that the rise of a liberal ideology in the 1960s, and subsequent implementation of federal “entitlement programs,” have fostered a culture of dependency and created disincentives to work. The result has been a widespread withdrawal from “productive society” - characterized by steady employment.</td>
</tr>
<tr>
<td>Structuralists</td>
<td>Generally argue that the process of deindustrialization since the 1950s has resulted in a high level of joblessness among urban black populations, and that racial discrimination and segregation (particularly in housing) have led to extreme social and spatial isolation. These conditions have severely disrupted certain historical social patterns - such as a “culture of work” - and have led to the rapid deterioration of neighborhoods (ghettoization).</td>
</tr>
<tr>
<td>Political Marginalists</td>
<td>Argue that intrusive federal intervention at the local level (in the form of affirmative action, bussing, etc.) and the “excesses” of Black Power during the 1960s, fueled white middle-class suburbanization, and the rise of an anti-urban socially (and often racially) “conservative” agenda, which has led to the political marginalization of poor inner-city residents, and the advancement of policies that ignore or are detrimental to their interests.</td>
</tr>
</tbody>
</table>

**The “Urban Poverty Debate” in the Application of Urban Policy**

In contemplating “the urban poverty debate” an inevitable question arises. How have recent urban revitalization initiatives fit within their frameworks? In many cases it would seem extraordinarily difficult. As William Julius Wilson points out in his conclusion, reversing the fallout of structural unemployment caused by the historical process of deindustrialization would seem to require a herculean national and politically-unfeasible effort, far outside the influence of municipalities. As Wilson emphasizes, such an effort would have to engage macroeconomic policy to generate a tight labor market and economic growth; fiscal and monetary policy to increase the competitiveness of
American goods on both the domestic and international markets; and a comprehensive national labor market strategy to make the labor force more adequate to changing economic opportunities.\textsuperscript{56} Alleviating the historical process of “ghettoization,” described by Massey, Denton, and Orfield, would seem to require convincing middle and upper-class families, as well as businesses, to relocate from their more affluent suburbs, into a city’s most deteriorated neighborhoods (while not displacing poorer residents), along with the wholesale integration of exclusive (and often unwelcoming) white suburbs. Repairing the political marginalization of inner-city residents, as described by Mollenkopf and others, would seem to require unlikely political reconciliation and consensus between conservative suburban and liberal urban elected officials, and cooperation between their entrenched urban and suburban, poor and middle-class constituencies.

However, different paths might be taken in attempting to address the narratives described. It is possible to identify four broad “approaches” taken by the architects of Cleveland’s 1994-2004 Empowerment Zone program which, in limited ways, are implicitly related to the narratives reviewed. These were: 1) attract inflows of capital and human resources into deteriorated neighborhoods, 2) provide “escape mechanisms” for residents to access opportunities in the broader metropolitan area, 3) promote “self-sufficiency” among individuals and families, and 4) facilitate “political empowerment” among residents. A proposed description of these is as follows, along with their limitations:

\textsuperscript{56} William Julius Wilson, \textit{The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy}, (Chicago, IL: University of Chicago Press, 1987) 163.
### Table 2: EZ Approaches to Revitalize Distressed Neighborhoods

<table>
<thead>
<tr>
<th>Approach</th>
<th>Proposed EZ Strategies</th>
<th>Possible Concerns Addressed</th>
<th>Limitations/Concerns Not Addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attract Inflows of Capital and Human Resources</td>
<td>Policies and programs designed to attract outside firms, residents, and capital into inner-city neighborhoods, in order to provide jobs, revenue, better access to goods and services, as well as increase property values</td>
<td>May address some of the conditions described by structuralists, who write about real estate/business disinvestment in certain neighborhoods, loss of tax revenues, middle-class abandonment, the “disappearance of work” and subsequent collapse of demand density.</td>
<td>While attracting inflows of capital and human resources may improve the infrastructure, taxbase, and job prospects of certain neighborhoods, it could also be argued that the largest beneficiaries of these strategies are outside firms who receive access to capital (not necessarily neighborhood residents who gain low-paying retail jobs). Further, this type of activity does little to address the underlying cause of “ghettoization” which many argue is structural racism.</td>
</tr>
<tr>
<td>Structuralists</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide “Escape Mechanisms”</td>
<td>Policies and programs designed to connect inner-city residents with opportunities (vocational, educational, social, residential, etc.) within the broader metropolitan area and suburbs</td>
<td>May also address some of the conditions described by structuralists, who lament the spatial and economic isolation/segregation of inner-city residents.</td>
<td>Policies and programs designed to connect inner-city residents with opportunities in the broader metropolitan area and suburbs could 1) exacerbate the exodus of qualified or middle-class residents away from troubled areas, 2) simply shuttle unqualified residents to low-paying jobs in the suburbs that do not offer a living wage, and 3) still does little to address the underlying causes of resident joblessness such as structural racism and deindustrialization.</td>
</tr>
<tr>
<td>Behavioralists</td>
<td>Efforts at welfare reform, as well as efforts to remove barriers to employment and encourage strong families (by providing case managers, child care workers, drug treatment options, mental health professionals, job coaches, life-skills coaches, outreach workers, etc.)</td>
<td>May address certain concerns of behavioralists, who argue that a “culture of dependency,” a breakdown of traditional family structure, etc., have contributed to inner-city poverty, as well as the concerns of certain structuralists such as Wilson, who would seek to promote a “culture of work.”</td>
<td>Efforts at welfare reform assume there are jobs which pay living wages available for people who want them. While these types of programs may work to reduce public assistance, they do little to address many of the larger issues residents face such as joblessness through deindustrialization or structural racism, poor public schooling, etc.</td>
</tr>
<tr>
<td>Political Marginalists</td>
<td>Efforts that allow inner-city residents to have greater influence in the formation and oversight of policies and programs meant to serve them</td>
<td>May address certain concerns of political marginalists who describe the marginalization of the urban poor within established and emerging power structures, as white and middle-class constituencies suburbanized and adopted more conservative agendas.</td>
<td>While this may provide more program transparency, a sense of ownership among residents, and foster a better working relationship between residents and other stakeholders, it would seemingly do little to better align the interests of liberal urban and (conservative) suburban constituencies outside of the targeted neighborhoods.</td>
</tr>
</tbody>
</table>

Pursuit of these approaches during the 1994-2004 Empowerment Zone initiative is the focus of the second part of this paper. Before continuing however, it is important to note that my identification and evaluation of these four broad approaches within the EZ framework is not meant as an endorsement of any particular narrative described in “the urban poverty debate.” Rather, my goal is to evaluate a program that was clearly based on limited aspects of these narratives.
CHAPTER 3

THE FEDERAL EMPOWERMENT ZONE

Background

In August of 1993 Congress passed, and President Clinton signed into law the Omnibus Budget Reconciliation Act of 1993, which established the Federal Empowerment Zone/Enterprise Community program. The stated goal of the program was to “empower American communities and their residents to create jobs and opportunity, take effective action to solve difficult and pressing economic, human, community and physical development challenges of today, and build for tomorrow as part of a Federal-State-Local and private sector partnership.” Congress determined that areas within six cities would be awarded “Round 1 EZ Designation,” and asked the U.S. Department of Housing and Urban Development (HUD) to oversee the selection process.

On the heels of the L.A. Riots, the EZ effort was clearly designed to provide a hand-up to some of the nation’s most depressed urban neighborhoods. To be eligible for designation, an area had to 1) have a maximum population which was less than 200,000 but greater than 50,000, or comprise ten percent of the population of the most populous city located within the nominated area; 2) be one of pervasive poverty, unemployment, and general distress; 3) not exceed twenty square miles in total land area; 4) demonstrate a poverty rate which was not less than 20 percent in each nominated census tract, 25 percent in 90 percent of the population census tracts within the nominated area, and 35 percent for at least 50 percent of the population census tracts within the nominated area;

5) have a continuous boundary, or consist of not more than three noncontiguous parcels;
6) be located entirely within the jurisdiction of the unit or units of general local
government making the nomination, and 7) not be located in more than two contiguous
states and not include any portion of a central business district.\(^5\)

From a broad concept perspective, the federal EZ initiative was particularly
interesting in that it was designed, to some degree, to attempt to empower local
communities and residents to have greater control over the planning and oversight of
revitalization efforts (facilitate political empowerment as described in table 2). The
following features of the program were noteworthy in this regard:

- **Local Design:** The EZ program gave individual cities wide discretion in defining the
  activities they wished to pursue in order to accomplish economic development.
  Unlike many federal grant programs, the EZ program did not involve a standard
  application form. Instead, the cornerstone of the application was a locally-generated,
  custom, strategic plan.

- **Community Participation:** Applicants were required to demonstrate that their
  planning process involved broad participation from all segments of the community –
  most importantly, residents of the areas to be assisted. In fact the term
  “Empowerment Zone” was chosen to emphasize the notion that “communities can
  design local solutions that empower residents to participate in the revitalization of
  their neighborhoods.”\(^5\) As HUD’s website explained:

\(^{58}\) Ibid.
\(^{59}\) U.S. Department of Housing and Urban Development, “Introduction to the RC/EZ Initiative”,
http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/about/ezecinit.cfm (accessed on March
12, 2012).
Successful and sustained revitalization in these areas starts with residents. Residents of the EZs must be involved in identifying the Strategic Vision for Change, developing specific goals, and crafting solutions. Residents must also play an active role in implementing and monitoring their plan for revitalization through governance structures that provide them with a real voice in decision-making. 60

- **Building Community Capacity:** Through encouraging community participation and the development of local partnerships, the EZ initiative sought to increase local capacity for implementing revitalization activities, and foster the kinds of relationships and institutions that would be able to sustain the revitalization process over the long term. 61

**Resources Available for Designated EZ Sites**

Also, to facilitate revitalization efforts in chosen communities, the federal government offered a standard set of resources and benefits that aligned with certain efforts to provide “escape mechanisms” and promote “self-sufficiency” as described in table 2. For example the centerpiece of the EZ package was $100 million in *Title XX Social Services Block Grant (SSBG) Funds* for each chosen city. The following types of activities were eligible for these funds:

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• Community and economic development services which focused on resident skills training, transportation, and counseling relative to housing, employment, and business/financial management

• Promotion of homeownership, education or other routes to economic independence

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

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

• Assistance with emergency and transitional housing

Other available resources encouraged some efforts to attract the inflow of capital and human resources into EZ neighborhoods as described in table 2. These included:

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

- **Increased Section 179 Expensing** - As another mechanism designed to encourage business firms to locate within a designated zone, EZ businesses could deduct up to $38,000 against federal tax liabilities for depreciable, tangible property. This was $20,000 more than the standard deduction available to non-EZ businesses.

- **Tax-Exempt Bond Financing** - Tax-exempt bond financing was also designed to encourage business and real estate investment in an EZ by offering lower interest rates than conventional financing. Qualified businesses could use the low interest loans to finance property, land acquisition, new facilities, or renew or expand existing facilities in an EZ.

- **Economic Development Initiative (EDI) Grants** - EDI grant funds could be used for any CDBG-eligible activities and had to be used in conjunction with a Section 108 guaranteed loan. Through the use of these EDI grant funds, projects could be made more financially viable and therefore more likely to generate sufficient funds to repay the Section 108 loan. This makes it easier for the designated communities to use the Section 108 loan guarantee program, which can provide resources up to five times the community’s annual CDBG allocation, as part of the local zone activities.\(^{62}\)

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\(^{62}\) Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. This makes it one of the most potent and important public investment tools that HUD offers to local governments. It allows them to transform a small portion of their CDBG funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects that can renew entire neighborhoods. It is often implied that such public investment is often needed to inspire private economic activity, providing the initial resources or simply the confidence that private firms and individuals may need to invest in distressed areas. Section 108 loans are not risk-free, however; local governments
• **Priority in Other Federal Programs** - Qualified EZ areas were also given priority in other Federal assistance programs. This potentially allowed EZ communities to secure additional federal resources to complement their EZ resources.\(^{63}\)

**The EZ’s “Key Principles”**

To assist local communities who wished to apply for these funds, HUD prepared a guidebook on community strategic planning which encouraged cities to concentrate on three “key principles” in their strategic plan applications: 1) Economic Opportunity, 2) Sustainable Community Development, and 3) Community-Based Partnerships.\(^{64}\) These principles were also heavily geared towards the approaches outlined in table 2.

For example the first principle, **Economic Opportunity**, stressed apparent efforts to *provide escape mechanisms, attract inflows of capital and human resources, and promote self-sufficiency*. As stated in the guidebook, Economic Opportunity included:

Creating jobs within the designated EZ communities and linking residents to jobs throughout the region; providing entrepreneurs with technical assistance; providing greater access to capital and credit for businesses so they can expand and create job opportunities for residents; and providing residents with access to job training and job placement services, including those associated with the Welfare-to-Work initiative.\(^{65}\)

The second key principle, **sustainable community development** also seemed to promote the notion of *self-sufficiency* in certain ways, by seeking to “nurture a civic

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\(^{63}\) Hebert, Vidal, Mills, James, and Gruenstein, “Interim Assessment of the Empowerment Zones and Enterprise Communities (EZ/EC) Program.” It is important to note that apart from the resources described here, access to private and local funds varied widely among EZ applicant cities.

\(^{64}\) U.S. Department of Housing and Urban Development, “Key Principles.”

\(^{65}\) Ibid.
spirit,” as applicants were asked to craft strategies which fostered “an environment where human initiative, work and stable families can flourish.” Recommended, were plans which improved the quality of child care, health care, and human services. This key principle also emphasized efforts to encourage "brownfield" redevelopment, promote affordable housing, and better public safety services (inflows of capital and human resources), as well as better access to education and transportation (escape mechanisms).66

The third key principle directly encouraged the facilitation of empowerment as described in table 2, through the proposition that “successful development or revitalization efforts are planned and implemented by community-based partnerships which include all segments of target communities.” By specifically noting that partnerships should be fostered between civic groups (including residents, local city leaders, community development corporations, local public health and social service departments, and faith-based organizations) and local, state, and federal governments, as well as regional planning organizations, unions, environmental groups, schools and universities, EZ architects seemed to acknowledge some of the concerns of political marginalists such as Mollenkopf, who are troubled by “political dealignment” between inner-city residents on one hand, and suburban, state, and federal actors on the other.67

66 Ibid
67 Ibid. In addition to the principles described, it was assumed that public resources alone would likely be insufficient for achieving the wholesale transformation of severely distressed communities, and that the mobilization of private support in the form of business investment was critical to the success of local revitalization efforts.
CHAPTER 4

CLEVELAND’S EZ APPLICATION AND ECONOMIC DEVELOPMENT STRATEGY

While applicant cities were encouraged to consider these “key principles” in their strategic plans, each locale was to propose a customized plan for federal consideration, which played to their subject neighborhoods’ particular strengths and weaknesses. Here we shift to a description of Cleveland’s unique EZ strategic plan. It too seemed to follow certain aspects of the approaches noted in table 2, which in some ways responded to the three “urban poverty debate” narratives previously described.

Background

Prior to the EZ program, Cleveland Mayor Michael R. White pursued a number of strategies in the early 1990s to improve the city’s weakest neighborhoods. These included:

- **Neighborhood Development Investment Fund** - which offered gap financing for large-scale housing and economic development projects

- **Housing Trust Fund** - which provided capital for housing development projects

- **Neighborhood Bond Program** - which provided funding to support infrastructure improvements

- **Land Reutilization Program** - which made vacant lots available for redevelopment
- **Neighborhood Development Program** - which provided grants and loans for projects undertaken by neighborhood-based nonprofit organizations

- **Small Business Revolving Loan Program** - which helped businesses renovate or acquire facilities and fixed assets, and finance new construction

Although a detailed description of these programs is beyond the scope of this paper, their main focus was the development of new housing and neighborhood town centers, and efforts to assist residents in maintaining older homes. Despite these strategies, Mayor White felt that the City lacked sufficient resources to prevent a further decline of its neighborhoods, and appointed an Empowerment Zone Advisory Board (which consisted of representatives from: neighborhood organizations (CDCs), City Council, Cuyahoga County, major housing development groups and business organizations, the State of Ohio, and the area’s Congressional Office) to apply for EZ designation with HUD.68

In deciding which neighborhoods to include in their proposal, the Empowerment Zone Advisory Board settled on three contiguous residential neighborhoods on the city’s east side - Glenville, Fairfax, and Hough, along with a commercial zone known as the MidTown Corridor. Cleveland’s total proposed EZ covered approximately six square miles, and had a population of about fifty thousand. Although there was an estimated one thousand employers operating within the proposed zone, these ran the gamut from very small “mom and pop” storefronts to the Cleveland Clinic, the city’s largest employer.

According to Krumholz and Berry, the proposed EZ neighborhoods were chosen specifically for their long-established and well-supported CDCs (Glenville Development Corporation, Fairfax Renaissance Development Corporation, Hough Area Partners, and MidTown Cleveland), which “were in a good position to serve as the foundation for the

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city’s EZ application because they could expand their roles to undertake the more extensive activities the EZ initiative required.69 The decision to include these neighborhoods was not without conflict however. According to Cleveland’s Empowerment Zone Application, Advisory Board members who favored other neighborhoods were appeased by the supposition that lessons learned in these “pilot” neighborhoods could be extended throughout the city at a later date. 70

A brief examination of social and economic indicators in these neighborhoods on the eve of EZ designation reveals hypersegregation, concentrated poverty, high unemployment, and crime. Population in the proposed neighborhoods had shrunk dramatically since the turbulent sixties, when unbearable conditions erupted in the Hough and Glenville Riots, both of which saw National Guard troops brought in to restore order. 1990 Census data reveals that the proposed zone was hyper-segregated by race, with 98 percent of all residents identifying as black, compared to 46 percent in the City as a whole, and 25 percent in Cuyahoga County. The poverty rate was very high at 47 percent (compared to 28 percent citywide, and 14 percent for Cuyahoga County), and median household income ranged from $12,452 in Glenville, to $6,719 in Hough (compared to $17,821 and $28,595 for the City and County respectively). The unemployment rate in the proposed Zone stood at 26 percent (compared to 14 and 8 percent for the City and County), while the labor force participation rate stood at only 42 percent (compared to 56 and 62 percent respectively). At the time, nearly 70 percent of all families with children under 18 were headed by a female, compared to 44 and 27 percent for the City and

69 Ibid, 140.
County. These neighborhoods were also at a disadvantage in regard to educational attainment. In 1990, only 26 percent of their population held a high school diploma (compared to 31 percent for both the City and County), while only 3 percent held a bachelor’s degree or higher (compared to 5 and 13 percent). Crime was rampant as well. In 1990 the proposed EZ neighborhoods saw 2,940 violent crimes per 100,000 people, versus 1,817 for Cleveland as a whole.71

Cleveland’s Plan

In the spirit of “empowerment,” Cleveland’s EZ Advisory Board consulted with various resident groups during the EZ planning process. The Cleveland Empowerment Zone Application asserted that the framework for the City’s EZ strategy grew largely out of a retreat held at Olivet Baptist Church in Fairfax, in early May of 1994, which was attended by representatives from neighborhood CDCs that were already actively working on revitalization projects, job creation, housing, and related matters in these neighborhoods.72

The City also relied on these CDCs to engage residents. For example in May and June of 1994, a series of six community meetings were held at four different locations in Glenville, Fairfax, and Hough to elicit input from residents of those communities. Records show that before each meeting, representatives from the respective neighborhoods’ CDC produced a worksheet listing 35-40 “community issues and priorities for discussion.” At the community meetings CDC members distributed these sheets to residents, led a discussion on the issues and priorities listed, and invited

71 All data presented here was sourced from the NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (http://neocando.case.edu).
72 “Cleveland Empowerment Zone Application, Volume I,” 125-127.
questions and comments from the resident audience. At the end of each meeting, residents were asked to prioritize the discussed issues on worksheets that were then reviewed by Cleveland’s Empowerment Zone Advisory Board prior to finalizing their strategic plan. Follow-up meetings were then held in each neighborhood for the purpose of detailing the finalized strategic plan to residents, and explaining how their concerns had been incorporated.\textsuperscript{73}

While surviving records are vague, it appears that the main concern among residents during these meetings was access to jobs and job training. However, not all residents agreed on the best approach. Comments such as “Immediate jobs that provide flexible hours are greatly desired because they decrease the need to take time off work for personal responsibilities,” and “Encourage new employers to locate within the neighborhood” suggested that some residents saw the most urgent need as immediate, flexible, and easily accessible jobs within (or in close proximity to) the EZ. Others seemed to feel strongly that the main effort should be devoted to preparing people over the long-term for “up and coming” fields. For example, one resident stated, “Apprenticeships should be innovative…not just the same old thing…and oriented towards the high paying fields of the future.” Another category that featured prominently was public safety (particularly issues dealing with gang activity) reflected in comments such as, “efforts should begin at an early age to eliminate gangs,” and “a gang elimination component should be a clear and distinct part of the EZ proposal for Glenville.” Comments related to what might be described as “human services” (the welfare of children, the disabled, elderly, and homeless) also featured prominently, seen

\textsuperscript{73} For all records related to EZ citizen planning meetings, see “Cleveland Empowerment Zone Application, Volume 2”, Appendix K.
in such comments as, “There is a need for more senior facilities” and “Drug treatment should be available for both drug dealers and users.”

In its final proposal (submitted to HUD in June, 1994), the City claimed that it relied heavily on information gathered at these resident meetings to form its final strategic plan, which emphasized four broad “thrusts”: 1) **Economic Development**, 2) **Public Transportation and Accessibility**, 3) **Labor Force Development**, and 4) **Community Building**. Although the city did not offer a detailed accounting of how it proposed to allocate funds, their proposal did include a rather detailed description of the main efforts that would be included in these four thrusts. A description of these efforts and how they relate to the “urban poverty debate” approaches outlined in table 2 follows.

**Economic Development**

To *encourage inflows of capital and human resources* as described in table 2, the City’s Economic Development thrust suggested: 1) hiring two full-time real estate development specialists at each CDC to attract developers to the EZ and assist in construction projects, 2) offering grants to developers to help build or restore single family housing and rental units within the EZ, and 3) offering financing assistance to developers who would undertake retail development projects within the EZ. Through

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74 170 people attended meetings in Fairfax, 160 in Glenville, and about 70 in Hough. Several pamphlets advertising these meetings were included in “Cleveland Empowerment Zone Application Volume 2”, Appendix K. Authored by Hough Community Council and Hough Area Partners in Progress, and titled “Empowerment Zone Status- Getting the Facts: What You Should Know” one of these documents gave a broad overview of the EZ concept, explained neighborhood eligibility, and stated how Hough residents would benefit if Cleveland won its bid. The importance of resident participation was emphasized throughout, with statements such as: “Because you as the resident will benefit as well as be affected by this proposal…your input and what you see as priority will play a large part in this process,” and “Your attendance at the planning sessions is vital. Without your help and involvement this program and so many others are useless.” A separate one-page flyer, also used to advertise Hough’s meeting, was stamped across the front “HOUGH AREA RESIDENTS MUST BE A PART OF THE COMMUNITY PLANNING” and featured a cartoon graphic of a large finger pointing directly at the reader to emphasize this point. However the method and extent to which these pamphlets were distributed is unknown.
this support, the City estimated that the potential existed to build over 1,000 new homes and 2,250 rental units in the EZ over the program’s 10 year period, along with an unspecified volume of commercial development.\footnote{75}{City of Cleveland, “Cleveland Empowerment Zone Application: A Comprehensive Strategy for Economic Development in a Context of Community Building Volume 1,” (Submitted by City of Cleveland, Ohio Michael R. White Mayor, June 1994), 62.}

Also related to \textit{inflows of capital and human resources}, the City’s Economic Development thrust proposed the creation of five “business organizer” positions to be housed at neighborhood CDCs.\footnote{76}{The CDCs emphasized throughout the city’s plan were: MidTown Corridor Inc., Hough Area Partners in Progress, Glenville Development Corporation, Fairfax Renaissance Development Corporation, and the Cleveland Enterprise Group.} As envisioned, these individuals would facilitate business growth within the EZ by identifying the needs of new or prospective businesses within the zone, matching businesses with appropriate capital and technical resources, assisting with security problems, and helping EZ businesses find qualified employees.\footnote{77}{Of duties ascribed to Business Organizers in Cleveland’s proposal, “matching businesses with appropriate capital” was clearly emphasized. This included 1) \textbf{public-sector financing programs} such as Section 108 Business Loans for companies to undertake development that results in retention or creation of jobs for Zone residents, Acquisition and Development Loans to finance the site assembly and site development costs of large real estate projects, City Small Business Revolving Loans, City Small Business Micro Loans, City Tax Abatement, County Enterprise Zone Facility Bonds to make low-interest, tax exempt financing available for private property improvements within the Zone, and 2) \textbf{private sector capital resources} through The Cleveland Development Bancorporation (a branch of Chicago’s ShoreBank, which was a community development bank founded and headquartered in Chicago) which included SBA Guaranteed Loans, Risk Capital to finance existing businesses during growth phases that impose cash flow constraints, and Short-term Working Capital to finance short-term contracts for small production firms that are too young to obtain bank financing.}

\textbf{Public Transportation and Accessibility}

In an effort to connect residents to opportunities outside of EZ neighborhoods and alleviate spatial isolation (i.e. \textit{provide escape mechanisms as described in table 2}), the city’s Public Transportation and Accessibility thrust proposed two broad goals. The first was to develop and carry out a 10-year comprehensive thoroughfare plan for the improvement and development of major roads within the zone. Much of this included the
prospect of providing easier access to I-90, from which residents could more quickly reach opportunities in Cleveland’s eastern and western suburbs, as well as I-71 and I-77, which provide access to southern suburbs. The second goal was to improve bus and rail service within the EZ. The 1990 U.S. Census found that 27 percent of zone residents used bus transportation as their means of getting to work, compared with 13 percent for the City of Cleveland. With this in mind, the city hoped to improve routes and levels of service for existing bus service and create new service through the development of transit centers and community circular routes. They also proposed a feasibility study related to light rail. The City’s existing rail service was limited, and concentrated on the southern edge of the EZ. For example the City’s Blue and Green Lines were designed in the 1950s to primarily transport well-off residents of the suburb of Shaker Heights to downtown Cleveland, while the Red Line was developed to serve University Circle. The potential to extend or relocate one or more of these lines to make them more accessible to EZ residents was the main topic to be studied.78

Labor Force Development

Also in an effort to connect residents to opportunities in the broader metropolitan area (provide escape mechanisms), the City’s Labor Force Development thrust proposed the creation of a new zone-based entity called the Alliance for Economic Opportunity. This organization was to be governed by a board of representatives from neighborhood CDCs, family resource centers, institutional and other stakeholders in the EZ, who had intimate knowledge of both the current and future needs of businesses. Their proposed

mission was to seek out opportunities to train and prepare EZ residents for anticipated job
growth in *emerging industries* within Northeast Ohio. If appropriate training programs
did not exist, the Alliance would bring key players to the table to design new ones. The
Alliance would also serve as a resource for neighborhood residents or groups interested
in undertaking various development projects in their neighborhoods, linking them to
resources or expertise in the broader metropolitan area needed to pursue these objectives.

Related to the notion of “self sufficiency” as described in table 2 (particularly the
arguments of certain “behaviorists”), the City’s Labor Force Development thrust also
sought to reduce disincentives to employment among EZ residents. This was to be
addressed by two pilot programs. One of these was a wage supplementation project
which would be available to employers who hire zone residents who were receiving
assistance, and the other was an income disregard initiative that would apply to all Aid to
Dependent Children (ADC) recipients residing in the zone (about 2,500 families). Under
this plan, recipients could earn $500 per month through employment without losing any
ADC ($341) or food stamp ($299) benefits.79

In the style of William J. Wilson’s argument, the City’s Labor Force
Development thrust also proposed a network of community service projects designed to
“initiate EZ youth into the world of work.” Under this strategy, both CDCs and
neighborhood-based service institutions would be encouraged to submit proposals for
community service projects to the city’s Department of Community Development.
Approximately 500 paid slots, averaging 20 hours/week, and designed for younger
residents, would be awarded annually on a competitive basis to these projects.80

79 Ibid, 117.
80 Ibid, 113.
Community Building

Also related to the notion of “self-sufficiency,” the City’s Community Building thrust operated under the assumption that “Economic development will not be successful unless equal emphasis is given to strengthening the family unit- both enabling the female-headed family to be less vulnerable and more effective and increasing the ability of males to become full and visible participants in family life.” This was to be accomplished through the organization of three neighborhood Family Resource Centers governed by a board of neighborhood residents and staffed with “Family Coaches.” The job of the Family Coach would be to connect Zone families to available services (such as crisis intervention, foster care, health care, and substance abuse services, as well as parenting skills classes and assistance with charter school enrollment) and to provide ongoing counseling “as the family worked toward achieving self-sufficiency.”81

A second Community Building initiative sought to assist homeless individuals through the funding of service-intensive shelters which could accommodate 300 single men, and the rehab of 500-600 new rental units affordable to low income households.82

While not covered under any of the specific thrusts described above, the City stated in its strategic plan that while its EZ initiative would be administered through the Department of Community Development, a fifteen member Governance Board would be in place to “provide program oversight, and review and approve all annual work plans, budgets, and program modifications.” It was noted that in order to facilitate

81 Ibid, 12.
82 Ibid, 147.
empowerment, neighborhood involvement on this Board would be ensured largely through the participation of CDC members and residents.\textsuperscript{83}

**Cleveland’s SEZ Designation**

After having received more than 500 EZ applications, the Secretary of HUD announced the designation of six urban Empowerment Zones on December 21, 1994. Despite demonstration of “bottom-up” resident participation in its planning process, and a strong tradition of CDC involvement in social and political issues, Cleveland was not among them. Winners included Atlanta, Baltimore, Chicago, Detroit, New York, and Philadelphia. However, Cleveland’s longtime congressman, Louis Stokes, was able to leverage his considerable influence with the Clinton Administration to win “Supplemental Empowerment Zone (SEZ)” status for his hometown.\textsuperscript{84} Rather than the full array of benefits outlined above, as an SEZ Cleveland received access to $87 million in below market capital for businesses and neighborhood development through HUD’s Section 108 Loan Program, an $87 million Economic Development Initiative (EDI) grant, a $3 million Title XX Social Services Block Grant, and special consideration when applying for other forms of federal assistance.

Unlike the flexible $100 million Title XX Social Services Block Grant (SSBG) Funds awarded to full EZ designees, Cleveland’s main award, Section 108 loans, were federally-guaranteed loans which provided a source of financing for businesses, economic development projects, housing rehabilitation, public facilities, and large-scale

\textsuperscript{83} Ibid, 214.
\textsuperscript{84} W. Dennis Keating, “Cleveland Ohio (USA): The Tale of a Supplementary Empowerment Zone”, Paper presented at the conference “Area-based initiatives in contemporary urban policy”, (Danish Building and Urban Research Institute and European Urban Research Association, Copenhagen, Denmark 17-19 May 2001).
physical development projects. Local governments were usually required to pledge their current and future Community Development Block Grant (CDBG) allocations as collateral for these loans. The awarded $87 million in EDI grants offered Cleveland a way to decrease its level of risk when allocating these loans, because it could use EDI grants to provide additional security for their Section 108 loans, thereby reducing the exposure of CDBG funds in the event of a default. Cleveland could also use its $87 million EDI Grants to make projects more feasible by paying some of the project costs with grant funds, or by offsetting interests rates owed on loans. The main principle behind Section 108 Loans and EDI grants is largely to encourage *inflows of capital and human resources*, in the sense that the investment they facilitate is often needed to inspire private economic activity, providing the initial resources or simply the confidence that private firms and individuals may need to invest in distressed areas.

**CHAPTER 5**

**IMPLEMENTATION**

Without access to the $100 million in flexible Title XX Social Services Block Grant (SSBG) Funds, and forced to rely upon limited economic resources that mostly required businesses to take out loans rather than receive grants only, Cleveland’s proposed strategic plan was severely compromised. The City noted in a brief “revised plan” submitted to HUD, that given these restrictions its main effort would be to offer Section 108 loans (backed by EDI grants) to companies which undertook development in the SEZ that would result in the retention or creation of jobs for residents, and improve the housing, infrastructure and safety of the area to make it more attractive to both
businesses and residents. Also, largely without the ability to fund new initiatives, it emphasized support for existing organizations and programs already operating within and around the SEZ.85

So how did the implementation of Cleveland’s SEZ initiative unfold? Evaluation of Cleveland’s SEZ progress over the years is difficult. In “Cleveland Ohio (USA): The Tale of a Supplementary Empowerment Zone” Dennis Keating observed at the program’s midway point, that an impediment to progress and measurement had been a regular turnover in leadership. He found that between 1995 and 2000, Cleveland’s SEZ program had four different directors. Further, all four of the Zone’s CDCs which the City had hoped to rely heavily on for program implementation had undergone changes in leadership. In particular, Hough Area Partners in Progress had several directors, and was suspended several times by the city’s Department of Community Development for

85 City of Cleveland, “City of Cleveland Economic Development Initiative: A Proposal to the U.S. Department of Housing and Urban Development,” (April 1, 1995). The City of Cleveland noted in its revised plan that Cleveland will offer Section 108 loans not to exceed 90 percent of the financing needed for a company to undertake development that results in the retention or creation of jobs for Zone residents. It was estimated that $72 million in business loans would be made in the Zone during the 10 year program. Activities eligible for Section 108 financing included: economic development activities eligible under CDBG; acquisition of real property; rehabilitation of publicly owned real property; housing rehabilitation eligible under CDBG; construction, reconstruction, or installation of public facilities (including street, sidewalk, and other site improvements); related relocation, clearance, and site improvements; payment of interest on the guaranteed loan and issuance costs of public offerings; debt service reserves; public works and site improvements; and in limited circumstances, housing construction as part of community economic development, Housing Development Grant, or Nehemiah Housing Opportunity Grant programs. Support for existing organizations included funding expansion and enhancement of an existing JOB-MATCH model in collaboration with Vocational Guidance Services- which matched qualified and trained residents to specific job commitments made by area employers; expansion of “School to Work” Programs- an effort that was underway to help middle school students explore career options; funding for existing Job Readiness Programs- which provided support services such as adult literacy programs, child care, transportation services, and GED tutoring to residents. These included Cleveland Works (an existing resource center that sought to place welfare recipients in full-time jobs with health benefits) and Head Start (an existing early childhood education program). To accelerate the formation of new business enterprises by Zone residents, planners proposed funding the expansion of an existing Cleveland Enterprise Group (CEG) Enterprise Development Program, which provided mentoring services to potential EZ entrepreneurs, along with exhibit space, clerical help, equipment, security, and reception amenities, as well as legal, accounting, data processing, and marketing services. Of particular interest to Zone planners was the support and attraction of housing sector entrepreneurs, including rehabbers, contractors, and property managers.
alleged financial irregularities. He also noted in regard to ancillary programs, that the director of the city’s One Stop job training center had been fired, ShoreBank in Glenville went through several leadership changes, and the SEZ’s Citizen Advisory Council (CAC) had several vacancies and did not play a very active role in either program direction or monitoring. He postulated that this turnover in leadership at all levels likely did not make for a smooth path to implementation, and found that the EZ office had failed to develop detailed, measurable goals, as required by HUD.86

In the absence of clear goals with measurable outcomes, this paper tracks the reported flow of program funds in an attempt to shed some light on program implementation. HUD required EZ cities to document their development activities and uses of funding on an internet-based performance measurement system known as “PERMS.” Progress was reported yearly in comprehensive annual reports which categorized funds under the EZ’s “Key Principles” previously described (pages 37-38) - Economic Opportunity, Sustainable Community Development, and Community-Based Partnerships. For record keeping purposes, these were further divided into the “PERMS Categories” seen in table 3 below.

Table 3: Funding of Cleveland’s SEZ Reported by Key Principle and Category

<table>
<thead>
<tr>
<th>Key Principle</th>
<th>Description</th>
<th>PERMS Category</th>
<th>Amount Spent</th>
<th>Residents Trained</th>
<th>Residents Placed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Opportunity</td>
<td>Meant to: 1) Create jobs within the designated EZ communities and link residents to jobs throughout the region, provide entrepreneurs with technical assistance; provide greater access to capital and credit for businesses so they can expand and create job opportunities for residents; and provide residents with access to job training and job placement services, including those associated with the Welfare-to-Work initiative.</td>
<td>Access to Capital</td>
<td>$79,852,824</td>
<td>0</td>
<td>243</td>
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<td></td>
<td></td>
<td>Workforce Development</td>
<td>$44,581,762</td>
<td>6,510</td>
<td>3,170</td>
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<td></td>
<td></td>
<td>Businesses Assisted</td>
<td>$67,487</td>
<td>86</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tax Incentive Utilization</td>
<td>$290</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>$125,109,273</td>
<td>8,596</td>
<td>3,613</td>
</tr>
<tr>
<td>Sustainable Community Development</td>
<td>Meant to foster “an environment where human initiative, work and stable families can flourish.” This dealt largely with improving the quality of and/or access to child care, health care and human services, as well as environmental issues, such as “brownfield” redevelopment.</td>
<td>Housing</td>
<td>$0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Public Safety</td>
<td>$0</td>
<td>0</td>
<td>0</td>
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<tr>
<td></td>
<td></td>
<td>Infrastructure</td>
<td>$0</td>
<td>0</td>
<td>0</td>
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<tr>
<td></td>
<td></td>
<td>Health Education</td>
<td>$0</td>
<td>0</td>
<td>0</td>
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<tr>
<td></td>
<td></td>
<td>Human Services</td>
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<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>$0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Community-Based Partnership</td>
<td>Meant to encourage cooperation between all community stakeholders including residents, CDCs, local, state, and federal leaders, and businesses.</td>
<td>Capacity Building</td>
<td>$20,355,806</td>
<td>116</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Governance Board</td>
<td>$22,781</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>$22,781</td>
<td>133</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Grand Totals</td>
<td></td>
<td>$145,487,860</td>
<td>8,729</td>
<td>3,643</td>
</tr>
</tbody>
</table>


An analysis of these numbers reveals that the City of Cleveland’s SEZ spent $145.5 million of the $174 million available in public funds. Of this amount, the vast majority, $125.1 million (86 percent), was allocated to programs and projects dealing with Economic Opportunity. Without access to the $100 million in Title XX Social Services Block Grant (SSBG) Funds, $0 was recorded for programs and projects related to Sustainable Community Development. $20.4 million (14 percent) went to programs and projects which fell under Community-Based Partnerships.

Further analysis by PERMS Category reveals that the majority of SEZ funds ($79.9 million in “Access to Capital”) were ultimately spent on attempts to attract inflows of capital and human resources (as described in table 2) by providing businesses with below-market financing and grants for real estate development within the Zone.

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87 The SEZ loaned $63 million of the $87 million available in below market capital available through HUD’s Section 108 Loan Program. These loans were matched with $55 million of the $87 million available in Economic Development Initiative (EDI) grants.
This of course was a function of Cleveland’s restricted award ($87 million through HUD’s Section 108 Loan Program, and $87 million in Economic Development Initiative grants). At $62 million, the largest program within the “Access to Capital” PERMS Category was a “Real Estate Loan Program,” which, according to records, funded 35 organizations by an average amount of $1.6 million each. The largest single funding in this program ($6.5 million) went to the development of Glenville Towne Center, a 44,000 square foot retail outlet which was home to 14 stores when it opened in 2000. The second and third largest amounts (both around $6.3 million) were awarded for improvements to the Cleveland Health Education Museum (which has since merged with the Cleveland Museum of Natural History), and Eliza Bryant Nursing Home (which used the funds to expand from a 100 to 175 bed facility). Other significant programs in the “Access to Capital” PERMS Category included $8 million in “New or Restored Housing Development Loans” which provided short-term financing to developers for new construction and rehabilitation of housing within the Zone, and $5 million for the “Acquisition and Development Loan Program” which provided short-term, low-interest financing for the acquisition, demolition, and environmental remediation of land for redevelopment.88

The city also recorded a substantial $44.6 million in programs and projects under the “workforce development” PERMS Category, much of which can be linked to efforts toward providing escape mechanisms as described in table 2 in the form of jobs or training either within or outside of the SEZ. These included $6.6 million in funding for a

well-established and respected organization, Vocational Guidance Services (VGS), to operate three “job match” offices housed at local CDCs. The goal of these offices was to simply match residents with available jobs throughout Northeast Ohio. While data on the types of positions and wages paid to placed residents is unavailable, it may be that most of the recorded 1,696 jobs matched were lower-skilled, lower-wage slots, given that there was no training component to the program. However it is also possible that some relatively well-qualified residents got better jobs this way than they might otherwise have gotten; perhaps because this agency recognized their full qualifications, or was effective in persuading potential employers that they were better qualified than the employers might have thought. $2.8 million was spent on funding for a One Stop Career Center which did offer occupational skills training, however, here too, information is limited on the types of positions residents were trained for, and the wages paid to those who were placed. Krumholz and Berry suggest that alleged improprieties and staff turnover at the Center created serious discontinuities in service, and that “the EZ one-stop center was a serious bottleneck in serving EZ residents.”$2.7 million was awarded to Towards Employment, which provided SEZ residents with supportive services while transitioning into the workplace (such as helping with the cost of uniforms and supplies). Smaller amounts funded other programs which offered training in lower-skilled areas, such as the Center for Employment Training (CET) which provided vocational training in shipping and receiving, printing, and welding, the Urban League of Greater Cleveland which provided training and certification for low-paying but in-demand Home Health Care Aid positions, and a job readiness program which was designed to achieve employment for EZ residents who have been incarcerated. Such positions could over time, have led to

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better opportunities in higher-skilled or supervisory work for some residents. Two small computer learning programs funded with $700K appear to have addressed the need for more “forward-looking” information-based training.90

Also under Workforce Development, $28 million was recorded for a youth opportunity program known as YO! Cleveland. These funds were awarded in 2000 (four years after initial SEZ designation) under a separate U.S. Department of Labor grant. The goal of the program was to assist adults aged fourteen through twenty-one in the SEZ, most of whom came from households below the poverty level and as many as 75 percent of whom had left high school. Operated through Vocational Guidance Services (VGS), YO! Cleveland attempted to form partnerships with social service providers, schools, community colleges, etc., to provide education, employment, leadership development, and support services to those enrolled in the program. The City recorded that this program served 2,800 youth, and placed 432 in various (often part-time) jobs.91

Of the remaining $675K spent on Economic Opportunity, $674.8K went to “Businesses Assisted” in the form of Kent State University’s Entrepreneurial Academy, which provided start-up business classes to 86 SEZ residents who were trained in the basic knowledge and principles of entrepreneurship. An additional $200 was spent on publicizing the availability of the Federal Business Tax Incentives to various businesses in the SEZ and the surrounding community.92

Without access to the $100 million in flexible Title XX Social Services Block Grant (SSBG) Funds, $0 was recorded for programs and projects related to Sustainable

91 Ibid, 150.
Community Development (loosely linked to notions of “self-sufficiency” in table 2). However it appears that other programs carried out some of these services. For example the YO! Cleveland program described above provided case managers, mental health professionals, life-skills coaches, etc. to program participants.

Of the remaining $20 million spent on Community Based Partnerships, nearly all went to “capacity building,” to support the administration of an empowerment zone office and various CDCs already located within the SEZ. The following is a summary of these funds:

**Table 4: Funding Community Based Partnerships**

<table>
<thead>
<tr>
<th>CDC</th>
<th>Neighborhood</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration of the Empowerment Zone Office</td>
<td>N/A</td>
<td>$8,972,339</td>
</tr>
<tr>
<td>Fairfax Renaissance Development Corporation</td>
<td>Fairfax</td>
<td>$3,322,355</td>
</tr>
<tr>
<td>Glenville Development Corporation</td>
<td>Glenville</td>
<td>$2,901,144</td>
</tr>
<tr>
<td>Midtown Cleveland</td>
<td>Midtown</td>
<td>$1,596,113</td>
</tr>
<tr>
<td>Famics Foundation</td>
<td>Hough</td>
<td>$1,391,939</td>
</tr>
<tr>
<td>Hough Area Partners in Progress</td>
<td>Hough</td>
<td>$1,014,932</td>
</tr>
<tr>
<td>Consortium for Economic and Community Development</td>
<td>Hough</td>
<td>$833,762</td>
</tr>
<tr>
<td>Northeast Ohio Neighborhood Development Corporation</td>
<td>Glenville</td>
<td>$165,860</td>
</tr>
<tr>
<td>Burton, Bell, Carr Development Corporation</td>
<td>Fairfax</td>
<td>$157,360</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$20,355,804</strong></td>
</tr>
</tbody>
</table>


The largest single amount, $9 million, was spent on administration of an Empowerment Zone Office run by 16 staff members, including an attorney, controller and fiscal staff, economic development specialist, and contract compliance officer. Stated duties of this office included tasks related to both the administration and promotion of zone programs:
• Develop on-going labor force programs to recruit, train and place EZ residents in jobs
• Conduct everyday activities of loan structuring and disbursement of funding
• Conduct everyday activities of fiscal and compliance monitoring of loan contracts and repayments
• Host and/or participate in at least 2 EZ business events per year
• Publish at least four (4) community newsletters per year
• Host at least 16 seminars for EZ businesses
• Conduct 6 EZ staff walk arounds to promote EZ programs and job training opportunities

The balance of capacity building dollars ($11 million) went towards the ongoing administration and staffing of eight CDCs, which generally offer the following services:

• Real Estate Development and Management- CDCs often provide full real estate development services for single family housing, multifamily, and retail projects, and serve as real estate managing agencies.

• Community Organizing- Organizing staff work with partner agencies, neighborhood residents and stakeholders to address neighborhood concerns such as crime and safety, youth, housing conditions and foreclosures.

• Homeowner Assistance- CDCs often counsel and assist families that are in danger of losing their home to foreclosure, and offer housing improvement programs such as weatherization, electrical efficiency upgrades, and heating assistance.
• Youth and Family Services- These include programs such as youth community gardens, tutoring services, financial literacy training, nutritious after-school snacks/summer lunches, arts and culture workshops and environmental awareness and education, stipend for participation in life skills and education programming, and computer and information technology training.

• Senior and Adult Services- These include case management for special needs adults, food delivery, managing senior apartments, and providing transportation services to senior residents.

In addition, a very small amount ($23K) was spent on an EZ Governance Board, in the form of a Citizen Advisory Council (CAC). While membership changed over time, it was generally comprised of the Directors of Zone CDCs, residents of the four EZ neighborhoods, and various community stakeholders including representatives from FirstMerit Bank, Key Bank, the President of Vantage Point Marketing, the Deputy County Administrator of Cuyahoga County, the District Director from Congresswoman Stephanie Tubb-Jones Office, and a representative from the Ohio Department of Development.93

CHAPTER 6
OUTCOMES

So, given 1) restricted resources, 2) a funding emphasis on attracting inflows of capital and human resources by providing capital to businesses for real estate development, 3) a lesser but still significant amount allocated to (seemingly less-innovative) workforce development programs loosely connected to providing “escape mechanisms” and 4) attempts to facilitate some sort of “political empowerment” through

93 Ibid.
the support of CDCs and a Governance Board, what type of progress (if any) was made in Cleveland’s SEZ? A key aspect of EZ design makes rudimentary evaluation feasible. Federal guidelines required each EZ to be designated by census tract. Comparing census data on Cleveland’s SEZ neighborhoods to comparable Cleveland neighborhoods outside the SEZ, can offer some indication as to whether or not progress was made in Cleveland’s SEZ neighborhoods.

In 2006 the U.S. Government Accountability Office (GAO) published a report titled “Empowerment Zone and Enterprise Community Program: Improvements Occurred in Communities, but the Effect of the Program Is Unclear.” To examine the program’s effect on poverty, unemployment, and economic growth, GAO researchers first calculated changes in the poverty and unemployment rates (as recorded in the U.S. Census) from 1990 to 2000 in designated EZs, and compared these numbers to those from areas which possessed similar characteristics to EZ-designated communities in 1990. They also gathered testimonial information during site visits to “help put these changes in context.”

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94 General Accounting Office, “Empowerment Zone and Enterprise Community Program: Improvements Occurred in Communities, but the Effect of the Program Is Unclear.” Report #06-727, 2006, 19. The Community Renewal Tax Relief Act of 2000 mandated that the U.S. Government Accountability Office (GAO) audit and report on the EZ initiative and its effect on poverty, unemployment, and economic growth. The main focus of this report was to: (1) describe how EZ-designated communities implemented their programs, (2) evaluate the extent of federal, state, and local oversight of the program, (3) examine the extent to which data are available to assess the use of program tax benefits, and (4) analyze the effects that the EZ initiatives had on poverty, unemployment, and economic growth. In so doing, GAO researchers made site visits to all 11 Round I EZs to interview stakeholders and review documentation. Because the states distributed federal EZ funding to EZ communities, GAO researchers also conducted telephone interviews with state officials. In addition, they interviewed officials from the federal agencies with primary responsibility for the program such as HUD, the Department of Health and Human Services (HHS), and the Internal Revenue Service (IRS). They concluded: (1) By 2006 round I EZs had expended 85 percent of their public grant funds on a variety of projects, mostly involving businesses assisted and workforce development. Reliable data on the extent of private investment within EZs were not available. (2) While the extent of federal monitoring varied across EZ sites, Federal agencies responsible for program oversight (including HUD) generally did a poor job of accounting for amounts actually spent on specific activities. Also, (3) Detailed IRS data on the use of EZ program tax benefits were not available. (4) Although improvements in poverty, unemployment, and economic growth had occurred across most EZs,
They concluded that Cleveland’s SEZ “had one of the sharpest reductions in both poverty and unemployment of the urban EZs.” A weakness in this report however is that GAO researchers restricted their analysis to poverty and unemployment, and that they aggregated census data on Glenville, Fairfax, and Hough, thereby excluding individual neighborhood analysis. Further, the neighborhoods they measured Cleveland’s SEZ against are not defined. This thesis represents an effort to go well beyond the GAO’s study by presenting more comprehensive data from each individual SEZ neighborhood, and by comparing each of the three SEZ neighborhoods to three other Cleveland neighborhoods which in 1990 displayed similar demographic, geographic, and socioeconomic characteristics.

The comparison neighborhoods used here are Kinsman, Mt. Pleasant, and Union Miles. The combined population of these comparison neighborhoods in 1990 was 44,503 to the EZ’s combined population of 47,270, while racial makeup in both areas was ninety-eight percent black. Unemployment rates averaged twenty percent in the comparison neighborhoods vs. twenty-six percent in the EZ. Poverty rates averaged thirty-six percent in the comparison neighborhoods to forty-seven percent in the EZ. Both areas are located within the eastern portion of Cleveland proper.95

The numerical outcomes generated through the SEZ suggests that SEZ efforts may have improved unemployment and poverty rates significantly; however they likely did little to alter the economic status of disadvantaged residents in relation to the region or decrease racial segregation.

95 NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (http://neocando.case.edu).
As noted above, the lion share of funds ($79.9 million) was used to provide access to capital in the form of below-market financing and grants for real estate development within the SEZ. As noted in table 2, while attracting inflows of capital and human resources may improve the infrastructure, tax base, and job prospects of certain neighborhoods, it could also be argued that the largest benefactors of these strategies are outside firms who receive access to capital (not necessarily neighborhood residents who gain low-paying retail jobs).

For example while it might be assumed that real estate development would provide residents with access to temporary jobs during the construction phase, and permanent jobs after the completion of retail projects such as Glenville Towne Center, evidence suggests a rather modest outcome. The City reported that the $79.9 million spent on access to capital resulted in the training of zero residents and placement of only 243 residents in jobs. On this basis, $328,612 was spent for each resident placed in a (likely temporary or low-paying construction or retail/service-sector) job.

Admittedly, a positive aspect of these 243 jobs is that a large percentage of them were likely located at retail establishments within the SEZ. Also, it could be argued that as a result of real estate development in these neighborhoods, residents may have seen more productive economic activity tied to the rest of northeast Ohio. For example the City also reported a total of $235 million in private funds employed in the SEZ (leading to over 3,000 jobs), under the assumption that improvements made through the use of these public funds attracted private investment. The SEZ operated under the assumption that this would happen. For example they included in their $235 million, $26.4 million for the building of The Intercontinental Suites Hotel at The Cleveland Clinic. The Clinic
certainly had opportunities to shift some of its high-profile work out of the SEZ if it thought the area would become more destitute and crime-ridden.96

Another argument may be had that real estate development raises housing values, and thereby increases the overall wealth of residents. However, evidence supporting this assumption is mixed. For example between 2000 (the earliest year data is available by neighborhood) and 2004 (the end of the program), housing values within the SEZ rose 39 percent (thanks to a 72 percent increase in Hough), compared to 38 percent for the comparable neighborhoods which received no SEZ development dollars. However it must be noted that during this same period, values within the City of Cleveland as a whole rose only 20 percent, and values in Cuyahoga County rose only 18 percent (albeit from a much higher base). Thereafter, between 2005 and 2012 (in the wake of the housing crisis), values in the SEZ plunged 47 percent (led by Fairfax which was down 72 percent), compared to -48 percent for the City, but only -24 percent for the County (however this was better than the -70 percent decline experienced in the SEZ’s comparable neighborhoods). This data suggests that while the absolute housing value gap between some parts of the SEZ and other areas of Cleveland improved (particularly in Hough), the SEZ’s lower ranking order in the regional hierarchy remained relatively unchanged.97

97 NEO CANDO.
Also as noted in table 2, providing access to capital in the form of below-market financing and grants for real estate development within the SEZ would likely do little to address the underlying cause of "ghettoization" (which many “structuralists” argue is structural racism) and the subsequent spatial and economic isolation/segregation of inner-city residents. This appears to be the case here. Whatever gains were realized from attracting inflows of capital and human resources appeared to do little in the way of alleviating the segregated nature of Cleveland’s SEZ neighborhoods. For example the percentage of population which identified as black remained virtually unchanged between 1990 and 2010 in both the SEZ and comparable neighborhoods. This suggests that little
headway was made in attracting inflows of new residents from the suburbs, and that the assumed social “isolation” of these neighborhoods remains largely intact.  

**Table 5: Change in Black Population, SEZ and Comparable Neighborhoods, 1990-2000**

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Black, percent, 1990</th>
<th>Black, percent, 2000</th>
<th>Black, percent, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairfax</td>
<td>98%</td>
<td>97%</td>
<td>97%</td>
</tr>
<tr>
<td>Glenville</td>
<td>98%</td>
<td>98%</td>
<td>97%</td>
</tr>
<tr>
<td>Hough</td>
<td>97%</td>
<td>97%</td>
<td>94%</td>
</tr>
<tr>
<td>TOTAL SEZ</td>
<td>98%</td>
<td>97%</td>
<td>96%</td>
</tr>
<tr>
<td>Kinsman</td>
<td>98%</td>
<td>97%</td>
<td>97%</td>
</tr>
<tr>
<td>Mt. Pleasant</td>
<td>99%</td>
<td>98%</td>
<td>98%</td>
</tr>
<tr>
<td>Union-Miles</td>
<td>95%</td>
<td>96%</td>
<td>96%</td>
</tr>
<tr>
<td>TOTAL COMP. AREA</td>
<td>97%</td>
<td>98%</td>
<td>97%</td>
</tr>
<tr>
<td>CLEVELAND CITY</td>
<td>47%</td>
<td>51%</td>
<td>53%</td>
</tr>
<tr>
<td>CUYAHOGA COUNTY</td>
<td>25%</td>
<td>28%</td>
<td>30%</td>
</tr>
</tbody>
</table>

*Source: NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (http://neocando.case.edu).*

While the effectiveness of “access to capital” dollars on raising real estate values and alleviating the segregated nature of Cleveland’s SEZ neighborhoods remains in doubt, evidence suggest that funds spent on “workforce development” may have alleviated some of the joblessness experienced by residents. For example the City reported that the $44.6 million spent on “workforce development” resulted in the training of 8,510 residents and placement of 3,370 residents in jobs (on this basis, only $13,229 was spent for each resident placed in a job). These claims are bolstered by Census data. Between 1990 and 2000 the unemployment rate in Cleveland’s SEZ fell from 26 percent to 15 percent, an 11 percentage point drop. During the same period, the unemployment rate in the comparable neighborhoods fell only 4 percentage points (from 20 to 16 percent), while unemployment in the City and County fell only 3 percentage points (from 14 to 11 percent), and 2 percentage points (from 8 to 6 percent) respectively. While this

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98 Ibid.
development appears quite promising, it should also be remembered that at 15 percent in 2000, the SEZ’s aggregate unemployment rate was still well above both the City’s and County’s averages, and nearly equal to the aggregate of comparable neighborhoods.  

### Table 6: Change in Unemployment Rate, SEZ and Comparable Neighborhoods, 1990-2000

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Unemployment rate, 1990</th>
<th>Unemployment rate, 2000</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairfax</td>
<td>26%</td>
<td>17%</td>
<td>-9%</td>
</tr>
<tr>
<td>Glenville</td>
<td>24%</td>
<td>13%</td>
<td>-11%</td>
</tr>
<tr>
<td>Hough</td>
<td>30%</td>
<td>18%</td>
<td>-12%</td>
</tr>
<tr>
<td>TOTAL SEZ</td>
<td>26%</td>
<td>15%</td>
<td>-11%</td>
</tr>
<tr>
<td>Kinsman</td>
<td>28%</td>
<td>25%</td>
<td>-3%</td>
</tr>
<tr>
<td>Mt. Pleasant</td>
<td>18%</td>
<td>13%</td>
<td>-5%</td>
</tr>
<tr>
<td>Union-Miles</td>
<td>20%</td>
<td>16%</td>
<td>-4%</td>
</tr>
<tr>
<td>TOTAL COMP. AREA</td>
<td>20%</td>
<td>16%</td>
<td>-4%</td>
</tr>
<tr>
<td>CLEVELAND CITY</td>
<td>14%</td>
<td>11%</td>
<td>-3%</td>
</tr>
<tr>
<td>CUYAHOGA COUNTY</td>
<td>8%</td>
<td>6%</td>
<td>-2%</td>
</tr>
</tbody>
</table>

Source: NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (http://neocando.case.edu).

Also, it must be noted that some improvement in these employment numbers may have been due to “welfare reform” efforts undertaken during this time. In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act changed the structure of welfare payments, and added new criteria for states that received welfare funding. For example a new program called Temporary Assistance for Needy Families (TANF) encouraged states to require some sort of employment search in exchange for providing funds to individuals, and imposed a five-year lifetime limit on cash assistance. Census data reveals that the percentage of households receiving public assistance in SEZ neighborhoods in 1989 (41 percent) was higher than in comparable neighborhoods (32 percent). This suggests that TANF would likely have disproportionately affected Cleveland’s SEZ. Between 1989 and 1999, the percentage of households receiving

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99 Ibid.
public assistance in Cleveland’s SEZ fell by 24 percentage points, compared to a drop of 18 percentage points in comparable neighborhoods. How much of this was attributable to the implementation of TANF versus the SEZ’s workforce development efforts is difficult to say, however things seemed to be moving in the right direction, particularly when we examine the accompanying change in household income and poverty rates.  

Table 7: Change in Households Receiving Public Assistance, SEZ and Comparable Neighborhoods, 1989-1999

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>% Households w/public assistance income 1989</th>
<th>% Households w/public assistance income 1999</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairfax</td>
<td>37.9%</td>
<td>16.9%</td>
<td>-21.0%</td>
</tr>
<tr>
<td>Glenville</td>
<td>34.6%</td>
<td>14.1%</td>
<td>-20.5%</td>
</tr>
<tr>
<td>Hough</td>
<td>48.8%</td>
<td>20.2%</td>
<td>-28.5%</td>
</tr>
<tr>
<td>TOTAL SEZ</td>
<td>40.6%</td>
<td>16.8%</td>
<td>-23.8%</td>
</tr>
<tr>
<td>Kinsman</td>
<td>53.2%</td>
<td>30.9%</td>
<td>-22.4%</td>
</tr>
<tr>
<td>Mt. Pleasant</td>
<td>27.0%</td>
<td>10.7%</td>
<td>-16.3%</td>
</tr>
<tr>
<td>Union-Miles</td>
<td>30.0%</td>
<td>14.1%</td>
<td>-15.9%</td>
</tr>
<tr>
<td>TOTAL COMP AREA</td>
<td>32.0%</td>
<td>14.4%</td>
<td>-17.5%</td>
</tr>
<tr>
<td>CLEVELAND CITY</td>
<td>21.9%</td>
<td>11.2%</td>
<td>-10.7%</td>
</tr>
<tr>
<td>COUNTY</td>
<td>10.4%</td>
<td>5.3%</td>
<td>-5.2%</td>
</tr>
</tbody>
</table>

Source: NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (http://neocando.case.edu).

Data suggests that between 1989 and 1999 households in the SEZ experienced an impressive 87 percent average increase in income. This was a much higher rate than comparable neighborhoods, the City, or County, particularly in Fairfax and Hough which saw 100 and 98 percent increases.

100 Ibid.
Table 8: Change in Household Income, SEZ and Comparable Neighborhoods, 1989-1999

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Median household income, 1989</th>
<th>Median household income, 1999</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairfax</td>
<td>$8,260</td>
<td>$16,549</td>
<td>100%</td>
</tr>
<tr>
<td>Glenville</td>
<td>$12,452</td>
<td>$21,471</td>
<td>72%</td>
</tr>
<tr>
<td>Hough</td>
<td>$6,719</td>
<td>$13,305</td>
<td>98%</td>
</tr>
<tr>
<td>SEZ AVG.</td>
<td>$9,144</td>
<td>$17,108</td>
<td>87%</td>
</tr>
<tr>
<td>Kinsman</td>
<td>$7,156</td>
<td>$12,093</td>
<td>69%</td>
</tr>
<tr>
<td>Mt. Pleasant</td>
<td>$16,409</td>
<td>$25,430</td>
<td>55%</td>
</tr>
<tr>
<td>Union-Miles</td>
<td>$16,896</td>
<td>$22,324</td>
<td>32%</td>
</tr>
<tr>
<td>TOTAL COMP. AREA AVG.</td>
<td>$13,487</td>
<td>$19,949</td>
<td>48%</td>
</tr>
<tr>
<td>CLEVELAND CITY</td>
<td>$17,821</td>
<td>$25,928</td>
<td>45%</td>
</tr>
<tr>
<td>CUYAHOGA COUNTY</td>
<td>$28,595</td>
<td>$39,168</td>
<td>37%</td>
</tr>
</tbody>
</table>

Source: NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (http://neocando.case.edu).

Further, during this same period the poverty rate in Cleveland’s SEZ neighborhoods fell 12 percentage points, from 47 percent in 1989 to 35 percent in 1999. Again, this was a much higher rate of improvement than was seen in comparable neighborhoods, the City, or County, especially in Fairfax (-17 percent) and Hough (-14 percent).\(^{101}\)

Table 9: Change in Poverty Rate, SEZ and Comparable Neighborhoods, 1989-1999

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Poverty rate, 1989</th>
<th>Poverty rate, 1999</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairfax</td>
<td>50%</td>
<td>33%</td>
<td>-17%</td>
</tr>
<tr>
<td>Glenville</td>
<td>39%</td>
<td>31%</td>
<td>-8%</td>
</tr>
<tr>
<td>Hough</td>
<td>55%</td>
<td>41%</td>
<td>-14%</td>
</tr>
<tr>
<td>TOTAL SEZ</td>
<td>47%</td>
<td>35%</td>
<td>-12%</td>
</tr>
<tr>
<td>Kinsman</td>
<td>61%</td>
<td>57%</td>
<td>-4%</td>
</tr>
<tr>
<td>Mt. Pleasant</td>
<td>31%</td>
<td>25%</td>
<td>-6%</td>
</tr>
<tr>
<td>Union-Miles</td>
<td>33%</td>
<td>32%</td>
<td>-1%</td>
</tr>
<tr>
<td>TOTAL COMP. AREA</td>
<td>36%</td>
<td>31%</td>
<td>-5%</td>
</tr>
<tr>
<td>CLEVELAND CITY</td>
<td>29%</td>
<td>26%</td>
<td>-3%</td>
</tr>
<tr>
<td>CUYAHOGA COUNTY</td>
<td>14%</td>
<td>13%</td>
<td>-1%</td>
</tr>
</tbody>
</table>

Source: NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (http://neocando.case.edu).

However, enthusiasm over these results must be somewhat tempered as well, by the recognition that despite improvements, the SEZ’s aggregate household income in 1999

\(^{101}\) Ibid.
still remained below all other aggregate areas examined, and poverty rates remained higher. Further, it is unknown whether improvements in these areas were attributable to the SEZ’s workforce development programs, the implementation of TANF, broad-based economic growth, or location-specific development not related to SEZ initiatives (i.e. expansion of the Cleveland Clinic in Fairfax displacing poorer residents).

In the GAO report mentioned above, researchers interviewed EZ officials, board members (including some EZ residents), representatives of subgrantee organizations, and Chamber of Commerce representatives or individuals able to provide the perspective of the business community. In Cleveland, they found that when asked about factors that had effected the positive changes observed in the Cleveland EZ, stakeholders felt that EZ training programs had helped prepare some residents for jobs, potentially affecting both poverty and unemployment, but they also stated changes in the zone population that had affected both factors, noting that as residents obtained jobs, they left the zone, and that some individuals with higher incomes had moved in. They also mentioned the beneficial effect of general economic trends on poverty and unemployment.  

As noted above $674.8K under the Key Principle of Economic Opportunity also went to “Businesses Assisted” in the form of Kent State University’s Entrepreneurial Academy, which provided start-up business classes to 86 SEZ residents who were trained in the basic knowledge and principles of entrepreneurship and an additional $200 was spent on broadening the awareness of the availability of the Federal Business Tax Incentives to various businesses in the SEZ and the surrounding community. Little progress seemed to occur in these areas. For example between 1989 and 1999 the percentage of households identifying as self-employed in Cleveland’s SEZ rose just 70

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basis points, in-line with Cleveland as a whole and below the 160 basis point improvement seen in comparable neighborhoods.

Table 10: Change in Households with Self Employment Income, SEZ and Comparable Neighborhoods, 1989-1999

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>% Households w/ self emp income 1989</th>
<th>% Households w/ self emp income 1999</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairfax</td>
<td>3.4%</td>
<td>4.0%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Glenville</td>
<td>3.6%</td>
<td>4.0%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Hough</td>
<td>2.2%</td>
<td>3.2%</td>
<td>1.1%</td>
</tr>
<tr>
<td>TOTAL SEZ</td>
<td>3.0%</td>
<td>3.7%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Kinsman</td>
<td>1.0%</td>
<td>4.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Mt. Pleasant</td>
<td>3.4%</td>
<td>4.9%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Union-Miles</td>
<td>2.8%</td>
<td>3.7%</td>
<td>0.9%</td>
</tr>
<tr>
<td>TOTAL COMP AREA</td>
<td>2.8%</td>
<td>4.4%</td>
<td>1.6%</td>
</tr>
<tr>
<td>CLEVELAND CITY</td>
<td>4.8%</td>
<td>5.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>CUYAHOGA COUNTY</td>
<td>8.7%</td>
<td>8.2%</td>
<td>-0.5%</td>
</tr>
</tbody>
</table>

Source: NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (http://neocando.case.edu).

Also, it is a difficult task to determine whether businesses have utilized the Federal Tax Incentives available in SEZ neighborhoods. The IRS would have access to this information, however it is confidential. According to PERMS records, in June of 2002 American Express Tax and Business Services held a tax incentive workshop in Cleveland’s SEZ. Several local businesses attended, including several borrowers of Empowerment Zone funding. Two businesses took advantage of the Employee Tax Credits, Dubick Fixture and Supply and Moskey Dental Laboratories. Several other participating businesses could not use the tax credits because they did not meet the tax credit guidelines. Between 2003-2004, American Express also provided a series of workshops with an emphasis on taxes and tax incentives. Records show that
approximately 35 SEZ businesses enrolled in the program; however the City was unsure whether any of the participants used the tax credits.\textsuperscript{103}

Outcomes related to “Community Based Partnerships,” and notions of empowerment are also hard to measure. The largest amount under this Key Principle, $9 million, was spent on “Capacity Building” in the form of administration of an Empowerment Zone Office. In the absence of detailed records and/or extensive participant interviews, evaluation of this office is extremely difficult. As noted previously, Dennis Keating observed that an impediment to progress in the SEZ had been a regular turnover in SEZ leadership, with four different directors between 1995 and 2000. This suggests that Cleveland’s Empowerment Zone Office was likely not as effective as City leaders had hoped.

The balance of capacity building dollars ($11 million) went towards the ongoing administration and staffing of eight CDCs. Here too, as mentioned earlier, Keating found worrisome trends. All four of the SEZ’s main CDCs had undergone changes in leadership, with Hough Area Partners in Progress changing several directors in the face of alleged financial irregularities. Further, the extent to which CDCs actually work to empower local communities is up for debate. For example Jordan Yin has argued that Cleveland’s CDCs had undergone an evolution prior to SEZ designation, whereby they evolved from organizations that worked largely outside of the established power structure.

\textsuperscript{103} U.S. Department of Housing and Urban Development, “Performance Measurement System Annual Report.” Also see Andrew Hanson and Shawn Rohlin, “Do Location Based Tax Incentives Attract New Businesses?,” \textit{Journal of Regional Science}, Vol. 51, no. 3 (2011): 427-449. While the use of Cleveland’s tax incentive programs are unknown, Hansin and Rohlin found that in the six cities awarded full EZ benefits, wage tax credits were responsible for attracting about 2.2 new establishments per 1,000 existing establishments, or a total of 20 new establishments in EZ areas. However they also found that new establishment growth was strongest in the low-paying retail and service sectors, and offset by declines or slower growth in other industries.
In addition to funds allocated towards an Empowerment Zone Office and the operating budgets of CDCs, a very small amount ($23K) was spent on an EZ Governance Board in the form of a Citizen Advisory Council (CAC). This was comprised of the Directors of Zone CDCs, residents of the four EZ neighborhoods, and various community stakeholders appointed by the Mayor and local EZ council members. In its final proposal to HUD, the city stated that while Cleveland’s EZ would be administered through the Department of Community Development, the CAC would provide program oversight, and:

- Assist and advise the Empowerment Zone staff on the implementation of the strategic plan.
- Assist and advise the EZ staff in its benchmarking process.

104 Yin, Jordan S., “The Community Development Industry System: A Case Study of Politics and Institutions in Cleveland, 1967-1997,” Journal of Urban Affairs, Volume 20, No.2, 1998, 137-157. Yin describes how early CDCs in Cleveland arose during the 1960s and 1970s as rather informal neighborhood-based relief and advocacy groups, whose members aggressively lobbied the City, its corporations, and foundations to provide more funding and resources to poor neighborhoods. In the 1980s however, the City (with the backing of powerful corporations and foundations) began pursuing what he calls a “government marketplace agenda,” engaging in a competition with other local governments to attract mobile capital. This led to a shift away from providing resources to address existing poverty, and towards development programs intended to enhance physical appearance and support real estate values, in hopes of capturing secondary investments by private capital. To further this “development agenda” Yin argues, corporate, philanthropic, and municipal leaders established the Cleveland Neighborhood Partnership (later Neighborhood Progress Inc.) which served to oversee corporate efforts directed towards neighborhood development, and consolidate and allocate the funds available to CDCs. In order to maintain funding in this environment, Yin argues that CDCs were forced to professionalize, tone down their organizing rhetoric, and focus on providing market rate housing (often geared toward middle-income families) and new commercial centers. By the 1990s he claims that “many CDCs not only became willing partners in developing projects toward the middle income attraction strategy, but also came to accept these developmental objectives as rational ends for neighborhood revitalization.” In short, he suggests that in the span of twenty years, Cleveland’s CDCs had undergone a massive change, from organizations that worked largely outside of the established power structure (lobbying to further the interests of the poor), to organizations that furthered the goals of the established power structure (real estate development).
• Assist and advise the EZ staff in its integration of additional public and private sector support for economic and labor force development initiatives as approved by HUD in Cleveland's Economic Development Initiative Program Proposal.

• Assist and advise the EZ staff in its implementation of the program activities approved by HUD in Cleveland's HUD 108 Loan Guarantee Program.

• Assist and advise the EZ staff in its efforts to have full participation of neighborhood advisory committees and the public.

To gain a thorough understanding of how this Governance Board actually operated and its role in facilitating the empowerment of residents, an examination of board minutes would be ideal. However these were not readily available. Patterns of Board membership can be determined however, through an examination of Cleveland’s final performance and implementation reports (PERMS). They identify the number of Governance Board meetings held each year and give some basic information, such as names and positions of Governance Board members.

These show an Advisory Board membership of between thirteen to nineteen individuals each year led by Dr. Jerry Sue Thornton, President of Cuyahoga Community College. Other non-resident members included the Director of Cleveland Municipal School District, employees of local banks, a Director from NASA Glenn Research Center, and representatives from Cuyahoga County and Congresswoman Stephanie Tubbs-Jones office. Importantly, residents of Glenville, Fairfax, and Hough appear to have held a substantial number of seats in each of the seven years records are available (Table 10). These appear to include non-CDC affiliated residents simply referred to as “Resident” as well as the Executive Directors of Glenville Development Corporation,
Fairfax Development Corporation, MidTown Cleveland, and Famicos Foundation (a CDC that represents residents of Glenville and Hough).105

Table 11: Resident Representation (as a percentage of Board Members) on Cleveland's EZ Advisory Board by Year:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of Board Members Identifying as Residents of the SEZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>50%</td>
</tr>
<tr>
<td>1999</td>
<td>60%</td>
</tr>
<tr>
<td>2000</td>
<td>50%</td>
</tr>
<tr>
<td>2001</td>
<td>50%</td>
</tr>
<tr>
<td>2002</td>
<td>47%</td>
</tr>
<tr>
<td>2003</td>
<td>40%</td>
</tr>
<tr>
<td>2004</td>
<td>37%</td>
</tr>
</tbody>
</table>


It is important to note that residents appear to have had control of the Board for only one year (1999), and that their participation seems to have tapered off after 2001, falling to 37% in 2004. Still, it appears that residents made up at least half of Board membership between 1998 and 2001. If they did not have control during that time, they could have at least forced a stalemate.

However, while efforts to support and engage CDCs and residents may have provided some program transparency, a certain sense of ownership among residents, and fostered a better working relationship between residents and other stakeholders, it would be a far cry to assume that these efforts have done much to alleviate the issues raised by political marginalists, such as the need for better-alignment between the interests of (liberal) urban and (conservative) suburban constituencies outside of the targeted neighborhoods, and better inclusion of poor urban residents in established and emerging regional power structures.  

CHAPTER 7
CONCLUSION

This paper presented a case study of Cleveland’s Empowerment Zone initiative (EZ) from 1994 through 2004. It described in detail a body of literature on three narratives (described here as “the urban poverty debate”) which seek to explain the twentieth-century emergence of concentrated poverty in America’s older industrial centers, and which, I argue, implicitly shaped much of the Empowerment Zone framework.

However a comprehensive evaluation of Cleveland’s Empowerment Zone initiative, including a discussion on strategy, implementation, and outcomes showed that while Cleveland’s Empowerment Zone proposal appeared to reflect certain aspects of all three of the “urban poverty debate” narratives I explored, many aspects were either left out or not considered. In the end, the majority of funds available to Cleveland’s Empowerment Zone neighborhoods were used mainly for real estate development, as well as a few varied workforce development programs, and support for already-existing Community Development Corporations (CDCs). Data suggests that these efforts may have improved unemployment and poverty rates significantly; however they likely did little to alter the economic status of disadvantaged residents in relation to the region or decrease racial segregation.

It is my hope that this paper not only provides a deeper understanding of Cleveland’s Empowerment Zone initiative but instills a mindset that in order for policymakers to combat poverty in America’s older industrial centers, they must 1) strive
to understand the competing narratives related to its emergence, 2) understand how past urban revitalization such as Cleveland’s Empowerment Zone initiative have incorporated aspects of these narratives, and then 3) try to understand and evaluate their outcomes.

It would be helpful for further studies in this area to explore the ideological debates that occurred at the federal level when crafting the initial framework for the Empowerment Zone initiative. It would also be interesting to understand why certain cities were awarded EZ designation by the federal government while others were not. The answers to these questions may further elucidate which of the “urban poverty debate” narratives were most influential to policymakers during the 1990s, and may help us better-understand the “across-the-aisle” negotiations which have helped launch important urban revitalization initiatives.
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U.S. Department of Housing and Urban Development. “Key Principles.”


