

**What is the range of impacts federally mandated special economic zones impose on the
socioeconomic conditions of low-income New Yorkers?**

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Abstract

This thesis explores the overall impact of New York City's Empowerment Zone initiative and concludes whether or not the policy promoted a significant rise in local employment.

Moreover, it expands on data collected from the beginning of the program in 1993 to the present day alongside first-person interviews and obtains a conclusion which reflects on the planning implications set forth by the existing Federal Opportunity Zone program enacted under the 2017 *Tax Cuts and Jobs Act*. By reflecting on the history and motivations that served as a foundation for these programs existence, quantifying the complete extent at which it affected low-income residents of Central Harlem and the South Bronx, and placing its impact on contemporary policy, this thesis posits a balanced conclusion addressing the exact planning implications Special Economic Zones (SEZs) place on impoverished neighborhoods throughout New York City.

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Preface:

Why is it important to examine special economic zones and their impact on low-income communities?

The United States has the fourth highest total poverty rate of all OECD countries, (36 total member nations.)¹ While America remains a global superpower with the world's most dynamic economy in 2017, approximately 45.6 million (14.6%) of its people were stuck below the poverty line. That same year the Central Harlem and Mott Haven/South Bronx neighborhoods in New York City experienced a significantly higher total poverty rate at 23.5%² and 44.2%³ respectively, compared to 17.9% citywide. New York City's 2017 economic performance placed it just roughly \$90 billion under the entire country of Canada (\$1.5 trillion compared to \$1.59 trillion), cementing it as a global economic giant. However, the majority of its wealth remains concentrated and while the city overall continues to prosper, many residents are increasingly left behind amidst a predominantly flourishing economic landscape. In order to combat hyper-localized poverty rates, in 1993 local policymakers reflecting on recent events that occurred during the 1992 LA riots sought to promote a new place-based strategy (Empowerment Zones) which encouraged private market intervention into low-income communities. This program sought to improve local employment opportunities through direct subsidy of private industries. This strategy was based on the enterprise zone formula outlined by British geographer Peter Hall who proposed "the absence of government constraints on capital, immigration, and labor in a handful of zones thrown open to all kinds of initiative, with minimal control."⁴

¹OECD (2019), Poverty rate (indicator). doi: 10.1787/0fe1315d-en (Accessed on 08 December 2019)

²"Central Harlem Neighborhood Profile." *NYU Furman Center*, NYU Furman Center, 10 Dec. 2019.

³"Mott Haven/South Bronx Neighborhood Profile." *NYU Furman Center*, NYU Furman Center, 10 Dec. 2019.

⁴Zuckerman, Mortimer, et al. "Where's the Power in the Empowerment Zone?" *City Journal*, The Manhattan Institute For Policy.

Accordingly, this thesis explores the history, implementation and outcomes of the federally mandated Empowerment Zone initiative implemented by the Clinton Administration in the early 1990s set in contrast to the assumptions described by Peter Hall, to understand if this experiment in place-based community development had a significant impact on increasing overall local job creation.

The Clinton Empowerment Zone Program was signed into law under the Federal *Empowerment Zones and Enterprise Communities Act of 1993*. As the U.S. economy was beginning to emerge from a downturn, President Bill Clinton with the approval of Congress, placed the reinvigoration of inner cities at the heart of his strategy to stimulate growth in the economy. New York City was allocated two separate Empowerment Zones located respectively in the South Bronx and Central Harlem, and each was allocated significant economic inducements coupled with strict guidelines for private investment. While the main congressional sponsor of the 1993 federal legislation was the influential New York Congressman Charles B. Rangel, his efforts were preceded by several bipartisan attempts to implement Enterprise Zones throughout other low-income geographies during the presidencies of Ronald Reagan and George H.W. Bush. Republican Congressman Jack Kemp, from New York's rural 31st District and Democratic Congressman Robert Garcia, represented the entire borough of the Bronx from 1978-1990. In 1980, these two legislators authored the federal Kemp-Garcia Enterprise law which failed to be passed in the U.S. Congress. However, as Jack Kemp entered the executive cabinet of President George H.W. Bush in 1989, he continued to lobby for federally mandated Enterprise Zones, a goal that was not solidified until the policy was adopted in a bipartisan vote influenced by traumatic events of the 1992 LA Riots and signed into law by President Bill Clinton in 1993.

This thesis identifies the overall impact of New York City's Empowerment Zone initiative culminating in a conclusion that reveals whether or not the policy produced a significant rise in local employment. Furthermore, it will expand on data collected from the beginning of the program in 1993 to the present day alongside first-person interviews and conclude on the planning implications of the existing Federal Opportunity Zone program enacted under the 2017 *Tax Cuts and Jobs Act* by the Trump administration. By reflecting on the history and motivations that served as a foundational platform for the program's existence, quantifying the complete extent at which it affected low-income residents of Central Harlem and the South Bronx, and placing its impact on contemporary policy, this thesis will impart a balanced conclusion addressing the exact planning implications special economic zones place on impoverished neighborhoods.

Going forward, it is the intention of this thesis to accurately depict the direct impacts these place-based federal initiatives may have on isolated low-income communities and establishes a conclusion which suggests alternative actions to uplift the urban poor. Top-down, dislocated initiatives do not accurately deploy a precautionary principle which suggests the total range of impacts they may produce on marginal communities. Therefore, applying deliberate precision, this thesis will highlight the range of debilitating influences that these policies have produced within New York City as a clarion call to prevent further mishandling of future policies aimed at encouraging equitable investment within America's most vulnerable communities.

1- Introduction

The 1980s brought with it a new vision of governance throughout the western world. Beginning with British Prime Minister Margaret Thatcher and eventually crossing the pond to President Ronald Reagan, politicians departed from Keynesian intervention policies of the past and turned towards a greater number of ‘market-oriented solutions’ in order to catalyze urban development. The basic notion of special economic urban zones relies on theories promulgated by neoclassical supply side economics, which posit that decreased government regulation and increased tax incentives will boost investor confidence, increase the pace of development and reinvigorate ‘blighted’ communities. It is important to recognize that this approach is non-partisan and has remained popular since the Reagan administration. While these programs have different names Enterprise Zones, Empowerment Zones, Promise Zones and Opportunity Zones, they share a common foundation. Leverage private equity in a way that boosts investment in underserved and low-income communities in both rural and urban neighborhoods across the nation. The major incentive that attracts private investors to these underserved communities are the generous tax breaks that they are provided. While the main political message behind the introduction of these programs is to increase overall municipal tax revenue and expand job opportunities for low-income residents, the programs have been criticized for their high barriers of entry and lack of due diligence in reporting on the performance of these various developments. For example, the most recent iteration of the program under President Donald Trump (Opportunity Zones) does not impose any “requirements that people participating in the potentially lucrative economic development program detail what they are doing, where they are doing it and why they are doing it.”⁵

⁵Faler, Brian. “Treasury Wrestles with How to Measure Success in Opportunity Zones.” POLITICO, 12 July 2019, <https://www.politico.com/story/2019/07/12/treasury-wrestles-with-how-to-measure-success-in-opportunity-zones-1586993>.

In 2001, Bill Clinton designated his Clinton Foundation Headquarters in Harlem which was met with widespread fanfare from the local community and politicians alike. At the ribbon cutting ceremony captured by CSPAN President Clinton shared the following message:

“People ask me now well Bill what did you do for Harlem when you were President? And I say when I came here to Harlem in 1992 I said that if you vote for me I’ll turn this economy around, and I’ll create Empowerment Zones for poor communities that have been left behind and we turned the economy around created Empowerment Zones and invested \$600 million of private investment years later in the Harlem Empowerment Zone, unemployment cut in half welfare cut in half, record amounts of investment in new police on the streets, new housing, new transportation I think I kept my word to Harlem and the best is yet to be.”⁶

Therefore, this thesis will produce an analysis of the two Empowerment Zones located in New York City (Upper Manhattan - Central Harlem EZ and South Bronx EZ) in order to determine in an objective manner the extent at which these special economic zones have affected the lives of low-income New Yorkers. By examining local job creation the objective of this thesis is to track and map this trend since its inception in 1993 to the year 2016, and conclude if the current reality reflects the goals stated in the original mission of the federal Empowerment Zone initiative. While the majority of the research for this thesis will focus on the urban development agenda of President Bill Clinton, this thesis will also reflect on the impact of the Empowerment Zone program and outline the variety of planning implications which remain present in today’s Opportunity Zone program spearheaded by the Trump administration.

⁶*Local Politicians, Celebrities, and Supporters Welcomed Former President Clinton as He Opened His Office in the Manhattan Neighborhood of Harlem.*, CSPAN, 30 July 2001, www.c-span.org/video/?165419-1/president-clintons-office-opening.

2 - History and Location of New York City's Empowerment Zones

The New York Empowerment Zone (NYEZ) includes the Upper Manhattan Empowerment Zone Development Corporation (UMEZDC) and the Bronx Overall Economic Development Corporation (BOEDC). It was established in the early 1990s as a place-based revitalization strategy relying on public-private partnerships to promote sustained private investments within the NYEZ alongside “a public investment pool of \$300 million equally contributed from the city, state and federal governments.”⁷ While the initiative brought with it unprecedented investment from a tripartite-entity (municipal, state and federal governments) the NYEZ functions as a corporate entity. This corporate structure meant that both the UMEZDC and BOEDC were responsible for producing balanced budgets and also functioned as self-financing revenue generators. This unique paradox where both entities (UMEZDC and BOEDC) are nonprofit organizations but at the same time must produce balanced and pro-growth budgets has led many critics to point out the contrarian nature of these community development initiatives. However, this unique and unprecedented corporate structuring of both organizations has allowed them to continue as profitable entities that “expand the range and scope of economic activity, enhance capital opportunity for local businesses and institutions and improve the quality of life for residents, workers and visitors. Businesses of all sizes in the Empowerment Zone can benefit from the available resources.”⁸ Going forward, this thesis will identify if generous tax incentives, direct subsidies and public investment into these economic development initiatives did in fact lead to a significant increase in local employment at small business establishments within the boundaries of the NYEZ.

⁷City of New York, et al. *New York Empowerment Zone*. New York Empowerment Zone, 1995.

⁸City of New York, et al. *New York Empowerment Zone*. New York Empowerment Zone, 1995.

New York Empowerment Zone & Corresponding New York State Economic Development Zones

Upper Manhattan & The South Bronx

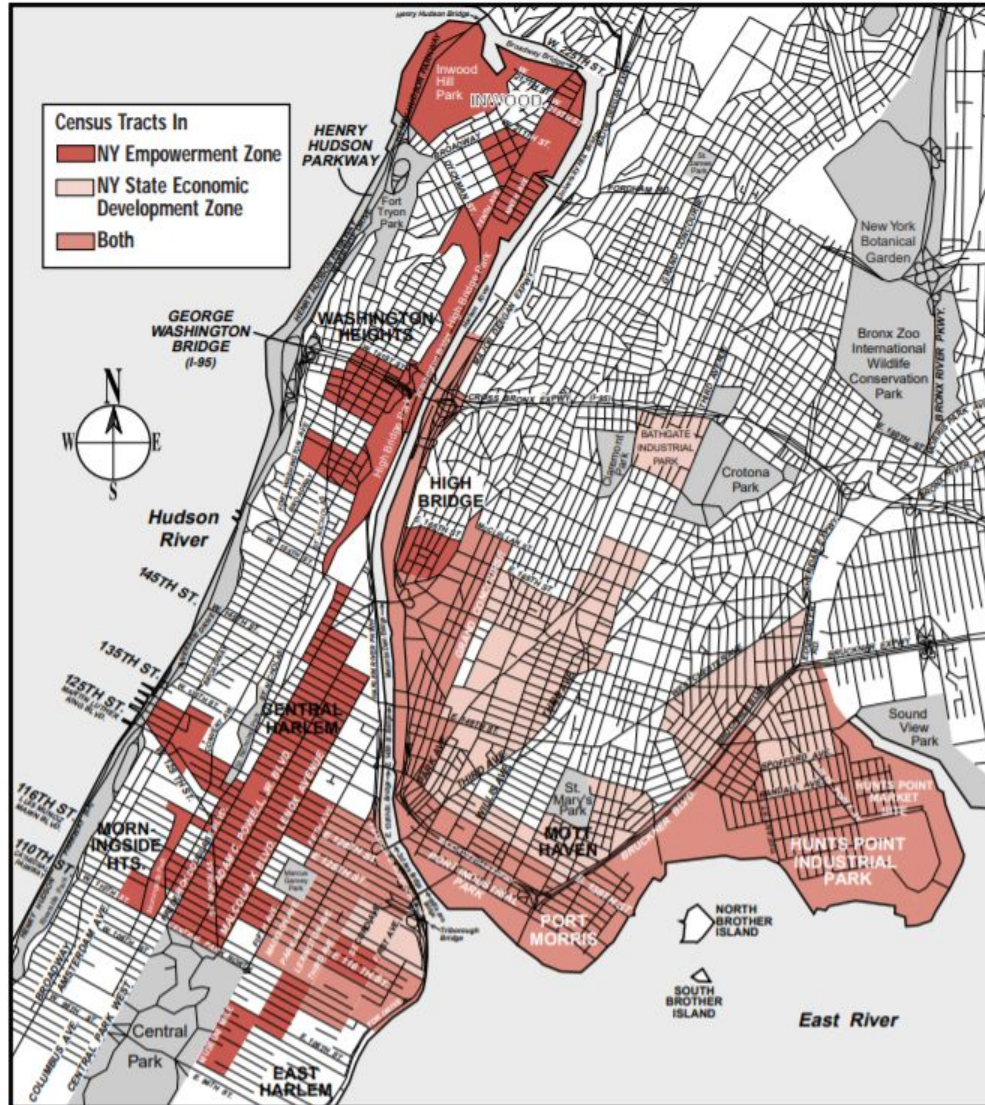


Figure 1: Boundaries of the New York Empowerment Zone (NYEZ) established in 1993 comprised of 44 individual census tracts

Source: New York Empowerment Zone Corporation

The boundaries of the NYEZ include 44 individual census tracts based on the 1990 decennial census. There are 9 census tracts located in the South Bronx and 35 located in Harlem, Washington Heights and Inwood neighborhoods of Manhattan.

At the time the NYEZ was officially established in 1993 unemployment in the Bronx peaked at approximately 14.2% in January 1993⁹. The 9 census tracts within the BOECD that enjoyed several of the aforementioned public and private incentives experienced a sharp decline in unemployment from 2006-2017 falling from 9%-6.5% over this period.¹⁰ As of 2018, unemployment in the Bronx has dropped from 14.2% to approximately 5.7% producing the most drastic decline in local unemployment compared to all other boroughs of New York City. According to Marlene Cintron the President of the BOEDC “more than 120,000 Bronx residents are employed as of 2017 than in 2010.”¹¹ This drastic drop in unemployment is nothing short of an economic miracle for an area that was infamously described in the 1977 Major League Baseball World Series as “Ladies and Gentleman, the Bronx is Burning.” In 1992 unemployment in Manhattan peaked at 9.4%¹², a higher rate than even at the peak of the 2008 financial crisis. The 9 census tracts within the UMEZDC similar to their counterparts within the BOEDC experienced a fall of 11%-7.8% in local unemployment from 2006-2017¹³, compared to the 3.7% of unemployed within Manhattan overall in 2018¹⁴. At first glance, it would seem that the rate of local employment was outpaced by a greater decline in overall unemployment within the greater boundaries of the Bronx and Manhattan. However, both SEZs in the Bronx and Manhattan produced a steeper drop in unemployment from their inception in 1993 compared to their greater boroughs over the same period of time.

⁹Economic Research, Federal Reserve Bank of St. Louis.

¹⁰NYC Population FactFinder, South Bronx Economic Profile.

¹¹Cintron, Marlene. “Bronx Overall Economic Development Corporation.” *Marlene Cintron*.

¹²NY State Department of Labor. “Department of Labor.” *Local Area Unemployment Statistics Program - New York State Department of Labor*.

¹³NYC Population FactFinder, Upper Manhattan Economic Profile.

¹⁴NY State Department of Labor. “Department of Labor.” *Local Area Unemployment Statistics Program - New York State Department of Labor*.

While it is clear that the creation of the NYEZ has produced sharp declines in overall unemployment, it is unclear whether these jobs are being produced locally by small business establishments or if the majority of new jobs are going towards non-local resident employees. Understanding the basic truth that employment has significantly fallen within the boundaries of the NYEZ this thesis will produce a methodology which clearly defines local employment and produces an analysis that concludes whether or not local employment significantly increased overtime within the clearly outlined boundaries of the 44 individual census tracts of the NYEZ.

2 - Literature Review

Purpose for Evaluating Impacts of Local SEZs

SEZs Have Always Been a Contentious Issue How Have Recent Studies Evaluated its Impacts?

After completing preliminary research on the connection between special economic zones and their impact on local neighborhood employment in New York City, a variety of sources revealed themselves to be heavily invested in research and commentary on this issue. The majority of literature on this issue suggests that the implementation of Empowerment Zones within underserved communities experiencing high rates of unemployment, would not significantly increase local and gainful employment. Researchers formed this conclusion by developing several complex econometric models that addressed the following guiding questions:

Do business incentives actually cause states or localities to grow more rapidly than they would have otherwise?

If so, is the growth targeted so as to provide net gains to poorer communities or poorer people, or is it merely a zero-sum game?

How costly to government is the provision of these incentives compared to alternative policies?¹⁵

Therefore, this literature review will draw on key sources and examine their varying methodologies in order to provide further insight into how previous academic professionals have sought to measure the impacts of SEZs throughout the United States of America. Accordingly, the precedent formed by these investigations will inform the research of this thesis going forward in order to compare the rate of growth of SEZs here in New York City compared to the examples included within past research outlined in this chapter.

¹⁵ Alan Peters & Peter Fisher (2004) The Failures of Economic Development Incentives, Journal of the American Planning Association, 70:1, 27-37, DOI: [10.1080/01944360408976336](https://doi.org/10.1080/01944360408976336)

Purpose of Comparative Research Analysis

In their 2007 JAPA (Journal of the American Planning Association) article titled *The Failures of Economic Development Incentives*, co-authors Alan Peters and Peter Fisher developed a complex econometric model which evaluates the outcomes of local employment within the Enterprise Zones of New Jersey and several other SEZs located in California, Texas, Florida and New York. They concluded on the topic of local and gainful employment that:

“workers in most enterprise zones had longer commutes—even when standardized by mode and income—than workers who do not work in zones. The vast majority of workers in enterprise zones did not live in an enterprise zone; moreover, the vast majority of those who lived in these zones did not work in them. Thus the local employment gains derived from bringing jobs to poor neighborhoods are greatly diluted— a majority of the jobs will go to non-zone residents.”

Furthermore, apart from their own research methods (which took place in 2002), they also reviewed the general outcomes of an additional nine other econometrically guided studies dating back to 1961 with the majority concluding that SEZs produced “ambiguous to no discernable impacts” on the local employment outcomes of these place-based initiatives. The authors conclude in context to the three aforementioned guiding questions above that “after decades of policy experimentation and literally hundreds of scholarly studies, none of these claims (SEZs improve local employment) is clearly substantiated. Indeed, as we have argued in this article, there is a good chance that all of these claims are false.”¹⁶ Although both of these authors agree that SEZs of the past produced ambiguous results, their publication did not take into account the nationwide Empowerment Zone Program implemented under the Clinton administration. Therefore, it is the goal of this thesis to produce a sophisticated time series which tracks the outcomes of local employment within the two EZ geographies of New York City over a two-decade period.

¹⁶Alan Peters & Peter Fisher (2004) *The Failures of Economic Development Incentives*, Journal of the American Planning Association, 70:1, 27-37, DOI: [10.1080/01944360408976336](https://doi.org/10.1080/01944360408976336)

Past Examples of SEZ Reports and Articles

Apart from the foundational piece of literature outlined above the nine other research reports all implement a similar form of economic data analysis in order to deduce the various impacts SEZs have on local neighborhood employment. All of these reports track the progress of several place-based SEZ initiatives in order to produce a detailed and measured conclusion on whether they produced ambiguous or clear results. Beginning with Economist John F. Due who in 1961 published a report in the *National Tax Journal* titled, *Studies of State-Local Tax Influences on Location of Industry* which concluded that the effect of SEZs on increasing local employment was “minor at best.”¹⁷ Fellow economist William Oakland produced identical results in his 1974 article, *Local taxes and intra-urban industrial location: A survey*.¹⁸ The first major study to outline Enterprise Zones specifically, was the 1996 Wilder and Rubin article published in the *Journal of the American Planning Association* titled, *Rhetoric versus reality: A review of studies on state enterprise zone programs* and produced a conclusion that described the programs as producing “a variable impact on employment growth.”¹⁹ While a recurring theme of a majority of existing literature is the use of econometric analyses, this thesis narrows the research lens by focusing on a particular urban geography (Upper Manhattan EZ and South Bronx EZ) and instead of econometric modelling, will produce a sophisticated time series and regression analysis of both local employment and small business growth to assess the various impacts that the Empowerment Zone program has had on the local neighborhood employment.

¹⁷DUE, J. (1961). STUDIES OF STATE-LOCAL TAX INFLUENCES ON LOCATION OF INDUSTRY. *National Tax Journal*, 14(2), 163-173. Retrieved February 15, 2020, from www.jstor.org/stable/41790839

¹⁸Oakland, W. H. (1978). Local taxes and intra-urban industrial location: A survey. In G. F. Break (Ed.), *Metropolitan financing and growth management policies* (pp. 13-30). Madison: University of Wisconsin Press.

¹⁹Wilder, M., & Rubin, B. (1996). Rhetoric versus reality: A review of studies on state enterprise zone programs. *Journal of the American Planning Association*, 473 – 491.

3 - Case Studies: Upper Manhattan Empowerment Zone

The Upper Manhattan Empowerment Zone Development Corporation (UMEZDC) was founded in 1994 and officially designated after the passing of H.R. 1414 - Empowerment Zone and Job Creation Act.²⁰ A federal piece of legislation introduced and passed with the sponsorship of New York Congressman Charles B. Rangel. According to officials at the UMEZ, “the borders of the empowerment zone were created to assist residents that had the highest concentration of poverty as indicated by the 1990 federal Census.”²¹ It was the vision of local officials and President Clinton at the time to facilitate local economic development and employment of impoverished individuals through a one time federal grant which would then initiate a greater influx of local private investment within these communities. As of 2017, local UMEZ officials calculated that the total amount of dollars attributed to public funds totalled \$250 million for investment in Upper Manhattan’s impoverished communities. Investment in the local community from UMEZDC has continued on an annual basis. From 1994 to 2018, the UMEZDC invested approximately \$242 million (\$87 million in loans to mixed-use real estate developments, commercial businesses and small businesses, \$57 million in tax-exempt bonds for real estate developments and \$98 million focused on local arts and culture initiatives and workforce development) was provided in the form of direct investments to the local community.²² Since completing its first round of direct grants and loans in October 1996 the UMEZ claims that it has leveraged over \$1.1 billion in private investments within the local community contributing to the development of over 10,000 new local jobs.

²⁰ H.R. 1414 *Empowerment Zone Job Creation Act of 1995*
<https://www.congress.gov/bill/104th-congress/house-bill/1414?r=5&s=7>

²¹“*Sustaining the Economic Revitalization of All Communities in Upper Manhattan.*” Upper Manhattan Empowerment Zone, Upper Manhattan Empowerment Zone Development Corporation

²²H.R. 1414 *Empowerment Zone Job Creation Act of 1995*

The UMEZDC has a six-pronged diversified approach to local investment which includes: the issuance of commercial business loans to stimulate local small business growth and employment, distribution of commercial real estate development loans which act as junior subordinate loans which can be accompanied by other municipal loans in order to promote targeted development of local large-scale commercial real estate projects, a real estate fast track loan program (REFT) which provides local residents who own property the ability to redevelop their land, a Cultural Investment Fund (CIF) which provides significant funding towards local arts and cultural events, a Workforce Development Fund also exists and the UMEZDC also provides a significant annual allotment of microloans of up to \$50,000 for local residents in order to encourage and facilitate local entrepreneurship.

In terms of governance, the UMEZDC functions as a local autonomous Community Development Financial Institution (CDFI) and therefore acts independently in terms of the pursuit and approval of local community development and investment strategies. In the past, the UMEZDC has financed a variety of projects including the redevelopment of Harlem's Victoria Theater. In 2015, they provided a \$10 million junior loan helping to finance this redevelopment project and claim that it will produce "approximately 575 construction jobs and 373 full-time positions."²³ In 2018 they issued a \$5 million loan towards the redevelopment of the George Washington Bridge Bus Terminal in an effort to modernize the local bus facility believing this project would produce increased job opportunities in terms of new and expanded retail as well as expanding the space for local small businesses.

²³"*Sustaining the Economic Revitalization of All Communities in Upper Manhattan.*" Upper Manhattan Empowerment Zone, Upper Manhattan Empowerment Zone Development Corporation

I interviewed the former General Counsel and Chief of Staff at the UMEZDC Lucille McEwen, and we discussed the various challenges as well as successes that the UMEZDC has faced since its inception. Under her tenure, congressional approval was granted to the local UMEZDC which allowed for the allocation of federal spending from the USHUD (United States Department of Housing and Urban Development) headed at the time by current New York State Governor Andrew Cuomo. However, according to Ms. McEwen this special relationship was temporary and “relied on formal federal congressional approval, state approval as well as municipal approval every 10 years.”²⁴ Ms. McEwen explained that before she departed the UMEZ in 2002, she had lobbied local, state and federal officials to formally designate the corporation as a Community Development Financial Institution. This process successfully took place in 2017, and the UMEZDC is now monitored under the authority of the federal Department of the Treasury instead of HUD. The corporation now no longer requires tripartite approval from municipal, state and federal authorities and is self-governing as well as self-financed. According to Ms. McEwen, because it now operates as a CDFI the UMEZ “is able to distribute, repay and redistribute loans to local small businesses as well as grant funding to local nonprofits to stimulate workforce development, the loans allow for a viable future to continue allowing the UMEZDC to operate beyond the EZ lifetime formerly restricted by HUD and continue as a comprehensive self-financing CDFI.”²⁵ This produced a significant step towards promoting longevity and self-reliance which the UMEZDC continues to rely on today in order to support various aforementioned operations and business investments within the local community.

²⁴Lucille McEwen Interview

²⁵Lucille McEwen Interview

On the topic of long term challenges, the former Chief of Staff explained that “in Harlem, in many ways we were a victim of our own success. Many of the long-term residents can no longer afford to live there. Even though more entry level jobs were created, restaurant rows for example for small businesses, and many other local business owners benefited, housing costs escalated exponentially, because they’ve increased around 50% since the inception of the Empowerment Zone.”²⁶ Although, this SEZ introduced several high level investments in local small businesses like the Apollo Theater (200+ employees, the Victoria Theater Redevelopment Project (400+ employees), Baldor Specialty Foods, Inc. (400+ employees), Dance Theater of Harlem (100+ employees), George Washington Bridge Bus Terminal Redevelopment, Studio Museum of Harlem (100+ employees) and Harlem USA Shopping Complex (200+ employees).²⁷ However, Ms. McEwen explained that not enough attention was paid towards preserving affordability for local businesses as well as residents. Going forward, this thesis will explore the extent at which local employment within Harlem has changed over time in context to greater citywide trends to determine whether or not local employment within the South Bronx and Upper Manhattan Empowerment Zones is proportional to citywide trends over time, or if the rate of change was significantly greater.

²⁶Lucille McEwen Interview

²⁷“*Sustaining the Economic Revitalization of All Communities in Upper Manhattan.*” Upper Manhattan Empowerment Zone, Upper Manhattan Empowerment Zone Development Corporation

Case Studies: South Bronx Empowerment Zone

In the case of the South Bronx, the Bronx Overall Economic Development Corporation (BOEDC) was founded in 1987 and functions in a similar role to the UMEZDC as the administrator of the Bronx Empowerment Zone, and is responsible for the majority of economic development strategies throughout the borough. The BOEDC facilitates public-private partnerships, technical assistance to small businesses, finances loans for local real estate developments and spearheaded the founding of the Bronx Initiative for Energy and Environment (BIEE).²⁸ According to the BOEDC their mission “is to assist existing Bronx based businesses to expand and to encourage additional businesses to start-up in or relocate to Bronx County. In fulfilling this mission BOEDC seeks to maximize employment opportunities for Bronx residents.” Through a variety of services which include site selection, procurement assistance, liaison services with government agencies, job development and capacity building the BOEDC successfully secured the Mott Haven neighborhood of the Bronx for the development of a 400,000 square foot warehouse and packaging facility for grocery delivery service Fresh Direct. This allowed for the development of over 1000 new local jobs. This wave of investment stemming from the BOEDC was said to have been a major factor in dropping unemployment in the Bronx from 14.2% in 2010 to approximately 5% in 2020. According to the current President of the BOEDC, Marlene Cintron “more than 120,000 more Bronx residents are employed today than in 2010.”²⁹

²⁸Cintron, Marlene. “Bronx Overall Economic Development Corporation.” *Marlene Cintron*.

²⁹Cintron, Marlene. “Bronx Overall Economic Development Corporation.” *Marlene Cintron*.

The OBEDC has a narrower focus compared to the UMDC. By focusing on providing low-interest loans and personalized assistance in the form of acting as a liaison in forming successful public-private partnerships, the OBEDC seeks to address local community needs by encouraging private investment. According to their President, Marlene Cintron “every year, we welcome new companies to our borough with business-friendly incentives, low-interest loans and personalized assistance from our staff to meet employment needs.”³⁰ This is unlike the UMEZDC which has more rigidity in terms of guiding definitions which place clearer barriers on the eligibility for loans or small business services. Since its inception this investment approach has guided the OBEDC to pursue projects that encourage green investments, brownfield real estate development strategies as part of the South Bronx Brownfield Opportunity Area (BOA) and resilient waterfront redevelopment programs such as the 4.95-acre Harlem River Promenade Project.

In terms of governance, the BOEDC serves as the direct economic development arm of the Office of the Bronx Borough President, Ruben Diaz Jr. This designation serves as the largest distinction between the makeup of the BOEDC compared to the UMEZDC. While the UMEZDC remains an autonomous and self-financing CDFI, the BOEDC remains tied directly to the local government. As previously mentioned, this requires tripartite (city, state and federal) recertification of the BOEDC on a ten year continuous basis. While the threat of this recertification being revoked is relatively low in times of productive citywide economic activity, the everyday functions of this Empowerment Zone may be threatened if it is not approved by all necessary levels of government.

³⁰Cintron, Marlene. “Bronx Overall Economic Development Corporation.” *Marlene Cintron*.

Understanding that these case studies have garnered an abundance of anecdotal evidence recovered from primary sources, it is important to expand the understanding of these two Empowerment Zones into a geographic boundary that includes both the neighborhood and citywide perspective as well. In order to establish this lens, I gathered local unemployment data over an eleven year period 2006-2017 geographically isolated within the respective EZ, neighborhood and citywide boundaries (see figures 2 and 3 below). In terms of the largest decrease in unemployment, assumptions from primary sources seem to fit the raw data. The largest decrease in overall unemployment dropped within the boundaries of both Empowerment Zone designated geographies, dropping 1.5% from 2006-2017. While the city experienced just 0.06% drop in unemployment from 2006-2017. The Empowerment Zone boundaries also experienced a greater drop in unemployment compared to the greater neighborhood area which was limited to a 1.4% decrease in unemployment over the same period of time. This initial investigation seems to produce a conclusion in favor of the establishment of SEZs in terms of encouraging local and efficient place-based community development practices. Where a bottom-up relationship is formed in the words of Lucille McEwen where local community needs are established and tripartite approval is garnered from all necessary levels of government in order to promote even and equitable development practices. However, utilizing general unemployment standards as a measurement does not establish where the location of employment is for local EZ residents. Therefore, the final methodology of this thesis establishes a more rigid standard for defining local employment and measures this standard over the same period of time (2006-2017) in order to narrow the lens and produce detailed findings which conclude whether or not EZs are significantly increasing local employment compared to city employment overall.

Preliminary Findings - Local, Neighborhood and Municipal Employment Rates

Empowerment Zone Boundaries - Rate of Unemployment 2006-2017

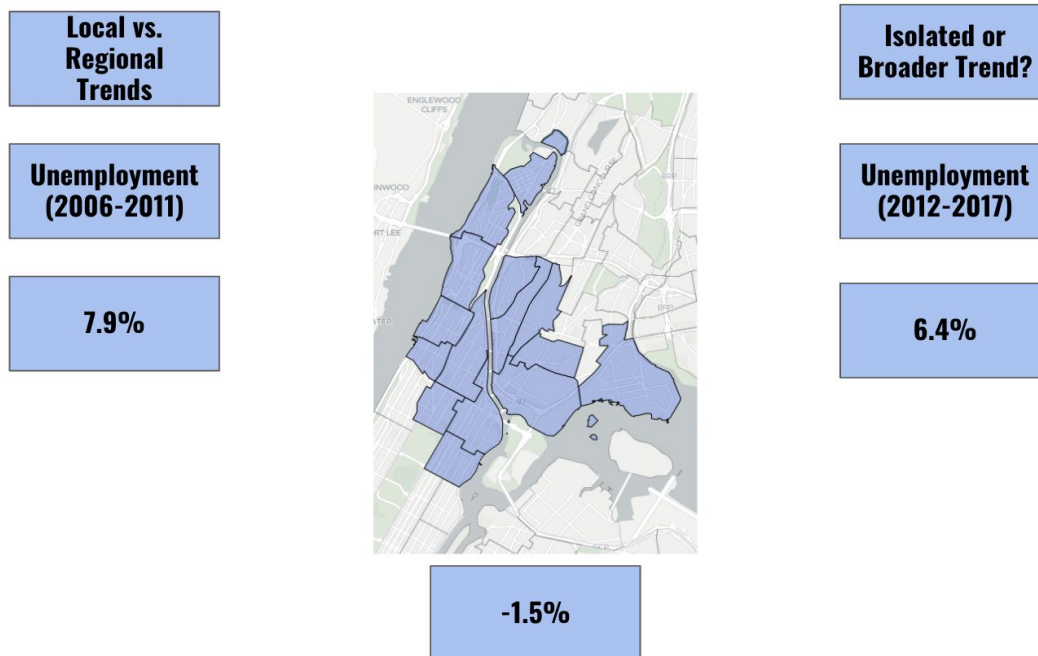


Figure 2: Rate of Unemployment within Central Harlem and South Bronx EZs from 2006-2017

Surrounding Neighborhood Boundaries - Rate of Unemployment 2006-2017

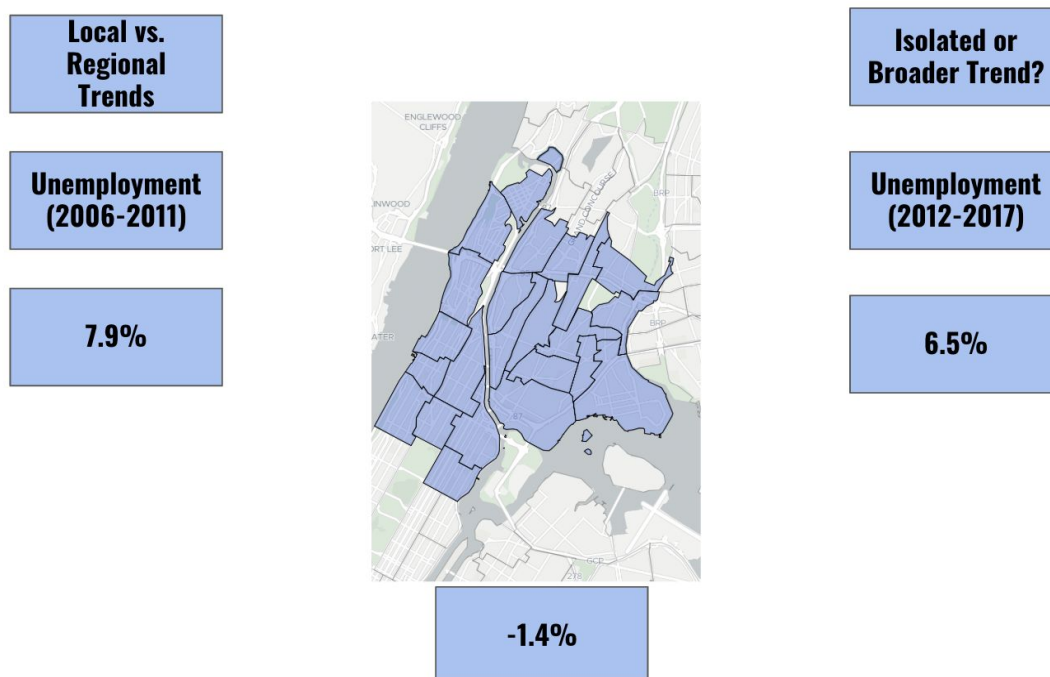


Figure 3: Rate of Unemployment in Neighborhoods surrounding EZs (includes EZ boundaries as well)

New York City as a Whole - Rate of Unemployment 2006-2017

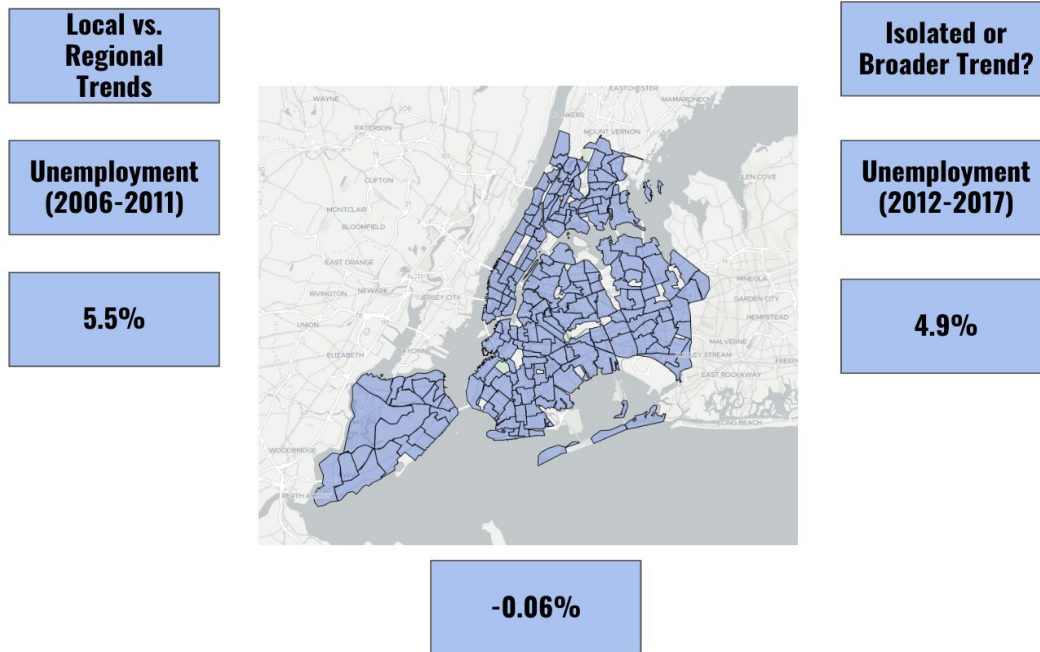


Figure 4: Rate of Unemployment in New York City as a Whole (includes EZ boundaries as well)

While the diagrams above suggest that employment within New York City EZs has increased over time, it does not provide a conclusion as to if this employment is within local commuting distance or to other locations within the city. The goal of these federally mandated EZs was to promote long term economic development for local underserved communities with a particular emphasis on increasing local employment. While we have established that overall employment has increased relative to the greater neighborhood and city respectively, it can not be said at this time whether or not local employment of formally unemployed residents increased at a significant rate. Many critics of SEZs specify that one of their failures is the establishment of local employment opportunities and therefore the core of my methodology defines local employment measurements here in New York City and concludes whether or not it increased significantly within local EZ boundaries compared to the city as a whole.

4 - Methodology

This thesis methodology employs a two-pronged quantitative approach towards examining local employment trends compared to the change in the number of local small business establishments over time. As previously mentioned, a major priority of this federal initiative was to implement autonomous development corporations which would serve as stewards of their local community utilizing federal funding in order to promote stable and even local economic development and job growth. By observing the proportional changes of local employment and small business creation over time, an accurate model can be developed which compares and contrasts the changes in local EZ employment and small business growth compared to the same standards citywide. Therefore, this thesis methodology is guided by the following hypothesis:

Empowerment Zones implemented under the Clinton Presidency which sought to increase overall job creation and local employment in low-income urban neighborhoods, instead, produced a negligible increase in local job growth compared to non-EZ communities.

By the formation of a clear and concise GIS analysis this guiding supposition is answered with the formation of a sophisticated time series from the early 2000s in order to observe whether or not there is a significant difference between local employment and small business growth within established Empowerment Zones compared to New York City as a whole. This hypothesis posits that Empowerment Zones do not create sufficient local job growth based on the findings outlined within the literature review. It is therefore a null hypothesis which recognizes that the impositions of SEZs does not promote a significant difference in local job growth.

GIS Methodology #1 - Spatial Analysis Defining Local Employment Measurements

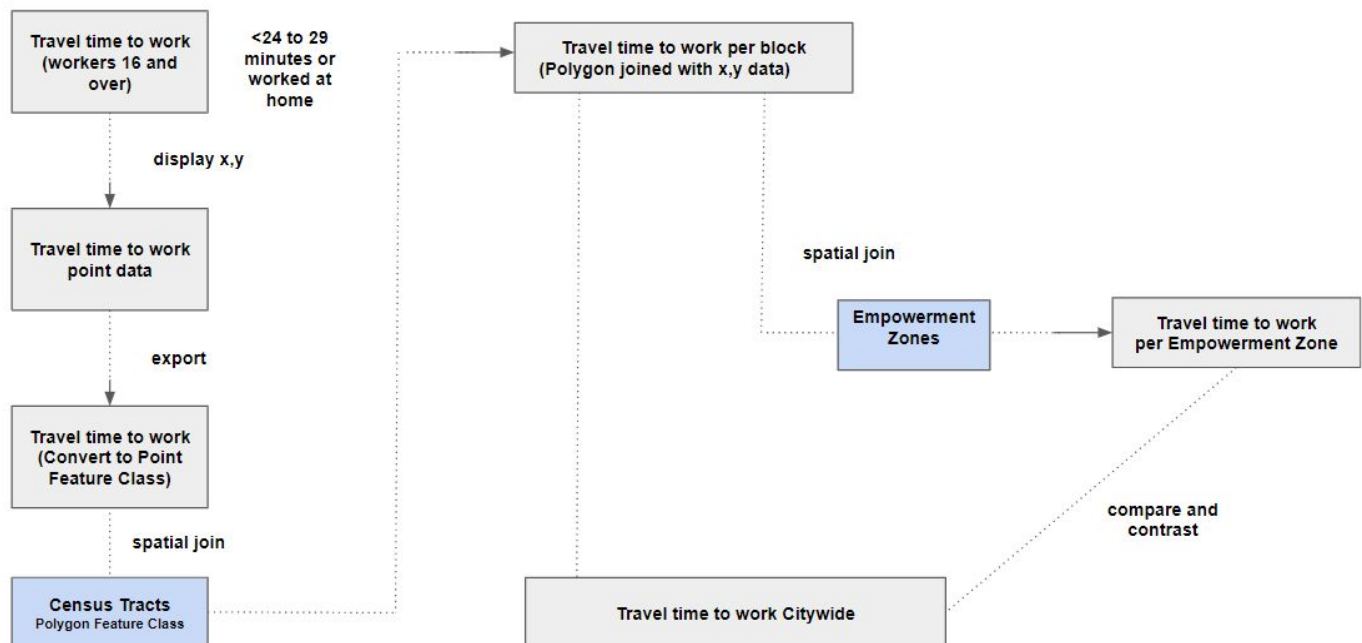


Figure 5: GIS Methodology which explains the unit of measurement (Travel time to work) from census figures spatially joined to the Empowerment Zone boundaries of Central Harlem and the South Bronx.

The first step of this methodology compares and contrasts local employment numbers within the two different Empowerment Zones compared to their citywide counterparts from the years 2010-2016. Using ACS (American Community Survey) datasets acquired from American FactFinder and exported from excel to ArcMap the data was spatially joined to the boundaries of both the UMEZDC and BOEDC. Local area employment in this case is defined within the time of 24-29 minutes in terms of an individual's round trip commute to his or her work. This unit was established based on 50% of the New York Citywide 2017 average commute of 57.92 minutes.³¹

³¹Zwirn, Ed. "New Yorkers Have One of the Worst Commutes, Survey Says." *New York Post*, New York Post, 13 Nov. 2017.

GIS Methodology #2 - Spatial Analysis Defining Local Small Business Measurements

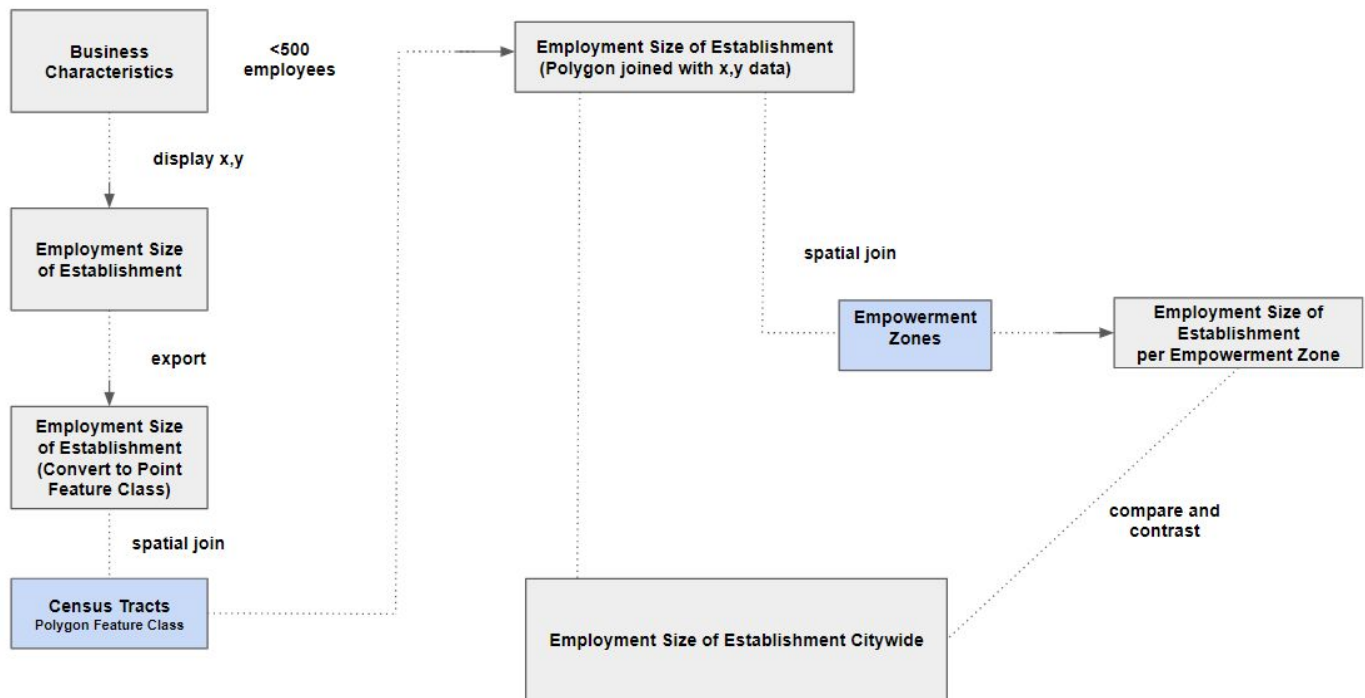


Figure 6: GIS Methodology which explains the unit of measurement (Small business growth) from census figures spatially joined to the Empowerment Zone boundaries of Central Harlem and the South Bronx.

The second step of this methodology compares and contrasts small business growth within the two differing Empowerment Zones compared to the citywide average from the years 2010-2016. Also, utilizing ACS (American Community Survey) datasets acquired from American FactFinder and exported from excel to ArcMap spatially joining the x,y data components to the boundaries of each respective Empowerment Zone. Small businesses in this case are defined as established firms with 500 employees or less. This definition is recognized as an industry standard and defined by the United States Small Business Administration as an industry standard.

This research method is unlike any former study outlined within the literature review. While other investigations into the net effect of SEZs employed sophisticated econometric research methods or detailed survey analysis, they did not perform their analysis in a retrospective manner. All previous studies used existing economic data at the time in order to forecast future trends. Therefore this GIS analysis plays a different role because it produces sophisticated time series analysis of past economic performance to examine current data as it pertains to local employment and small business within the strict boundaries of established SEZs. As former research states “Enterprise Zones offer a particularly interesting study of the effects of incentives on local growth. In theory, enterprise zones should be one of the best forms of economic development, since they involve targeting generous incentives at small places.”³² However, with the use of econometric modeling and various other methods researchers concluded that “the econometric, survey, and case study research we reviewed found small or no effects in all but a few instances.”³³ While their analysis did not focus on a retrospective approach to measuring local SEZ outcomes, this thesis performs just that. Therefore, this detailed time series and linear regression analysis will offer a wider lens towards examining both the significant challenges and successes that New York City’s Empowerment Zone neighborhoods have experienced over the past several decades. It also employs a mixed-method approach that establishes the viewpoints of decision making stakeholders on the ground and provides a detailed summation of the various impacts that their various programs have had on specific urban areas lying within federally mandated Empowerment Zones.

³²Alan Peters & Peter Fisher (2004) The Failures of Economic Development Incentives, Journal of the American Planning Association, 70:1, 27-37, DOI: [10.1080/01944360408976336](https://doi.org/10.1080/01944360408976336)

³³Alan Peters & Peter Fisher (2004) The Failures of Economic Development Incentives, Journal of the American Planning Association, 70:1, 27-37, DOI: [10.1080/01944360408976336](https://doi.org/10.1080/01944360408976336)

Examining the Results - Changes in Local Employment and Small Businesses Over Time

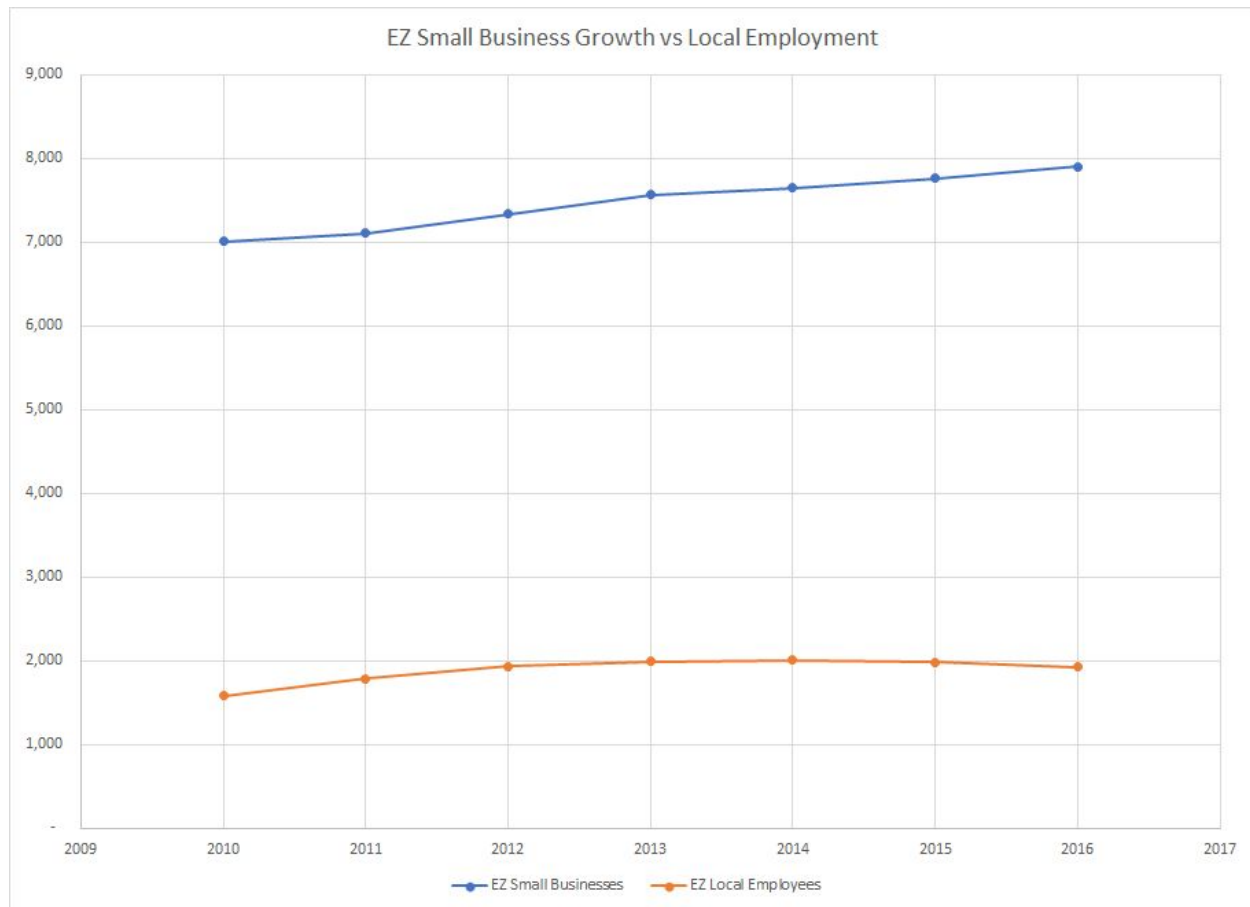


Figure 7: Time series (2010-2016) comparing the change in small business growth compared to the change in local employment within New York City's Empowerment Zones

In terms of small business growth, New York's Empowerment Zones experienced an increase of nearly one-thousand new local small businesses over just a seven-year period. This raw data reflects the testimony of both BOEDC President Marlene Cintron and former Chief of Staff to the UMEZDC both of whom outlined the success of their small business loan initiatives. However, this significant rise in small business growth did not raise overall local employment numbers. In fact, over the same seven-year period local employment plateaued and began to fall peaking in 2014 at approximately 2,000 individuals.

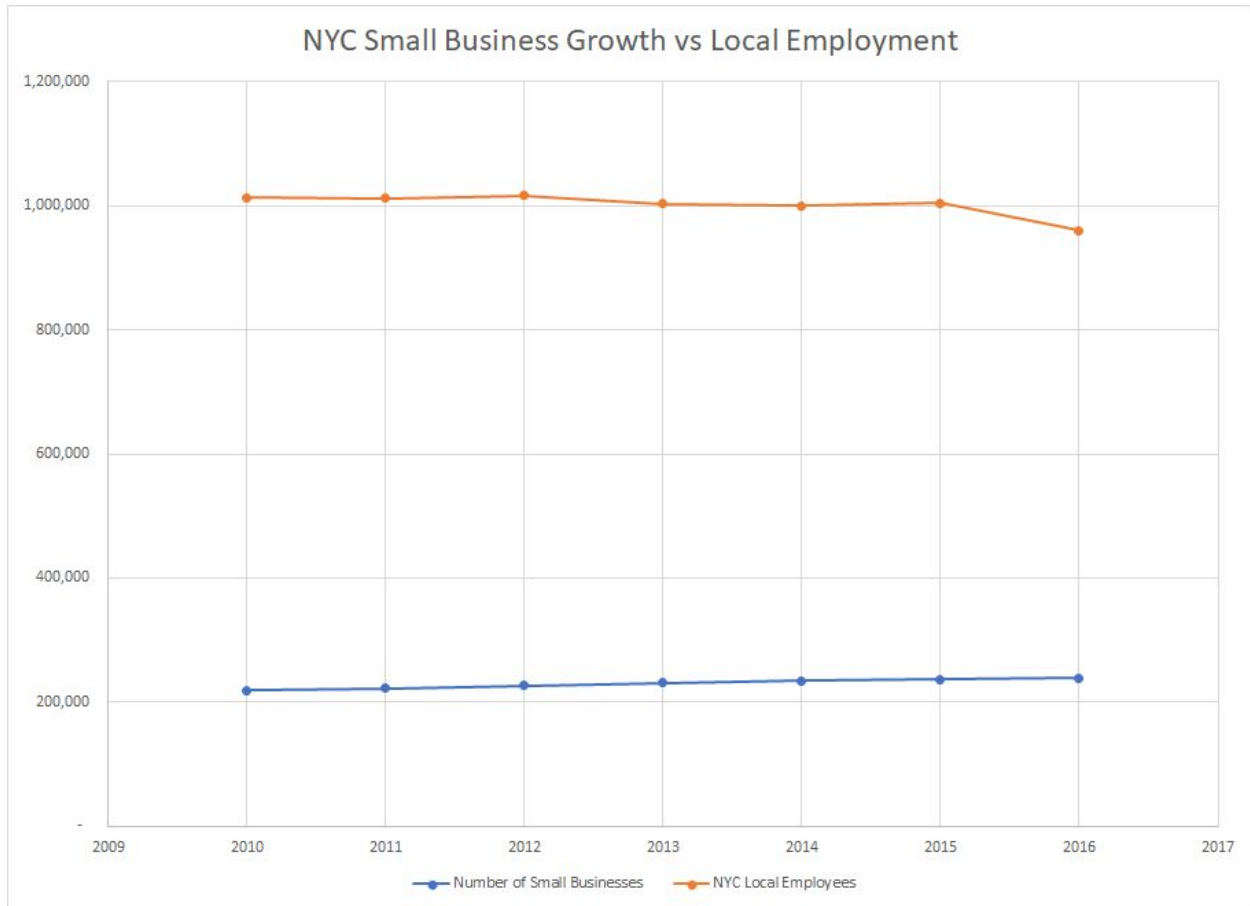


Figure 8: Time series (2010-2016) comparing the change in small business growth compared to the change in local employment within New York City overall

While small businesses grew at a rate of approximately 14.2% within the city’s local Empowerment Zone boundaries, over this same seven-period, citywide small businesses grew by approximately 8.1%. However, the most significant difference is the drastic fall in local employment which occurred in 2016 citywide. Where local employment fell by approximately 5.24% from 2010. While this may seem a drastic drop in local employment from the graphic illustration the same trend of local employment within New York’s Empowerment Zones actually fell at a much more significant rate, at approximately 17.9% over the same seven-year period.

Interpreting the Results - While Small Businesses Grew Local Employment Fell

From census data it is clear that small business growth within local SEZ boundaries outpaced the city average in a significant manner however, the evidence also suggests that local employment did not significantly increase as a result of this place-based growth strategy.

Testimony from Marlene Cintron, the former President of the BOEDC claims that she helped bring jobs and opportunities to “the Bronx by supporting and financing local businesses...using her expertise to make Fresh Direct see the Bronx the way she sees it: a diverse collection of hardworking, determined individuals. After Fresh Direct saw what a special place the Bronx is, they moved their operations and over 3000 jobs in order to expand their business. Over 1000 Bronx residents now work there. Marlene also helped the Mall of Bay Plaza’s 69 stores hire locally. Over 70% of the 1600 jobs there belong to Bronx residents.”³⁴ While it is true as previously mentioned, that the local unemployment rate within the SEZ boundaries fell at a faster pace than the surrounding area as well as the city overall, these place-based strategies did not significantly increase local employment of neighborhood workers. A similar trend was present in the UMEZDC boundaries in Manhattan, where small business loans expanded on a growing local restaurant industry and rebranded 110th to 125th streets on Frederick Douglass Boulevard as ‘restaurant row’ significantly improving the welfare of local small businesses but not significantly improving local neighborhood employment. In order to provide a more accurate analysis of whether the aforementioned null hypothesis of my research methods could be accepted or rejected I performed a regression analysis over the same seven-year period comparing the change in small business growth relative to local employment.

³⁴Cintron, Marlene. “Bronx Overall Economic Development Corporation.” *Marlene Cintron*.

Change in EZ Small Business Growth Relative to Local Employment - Regression Analysis

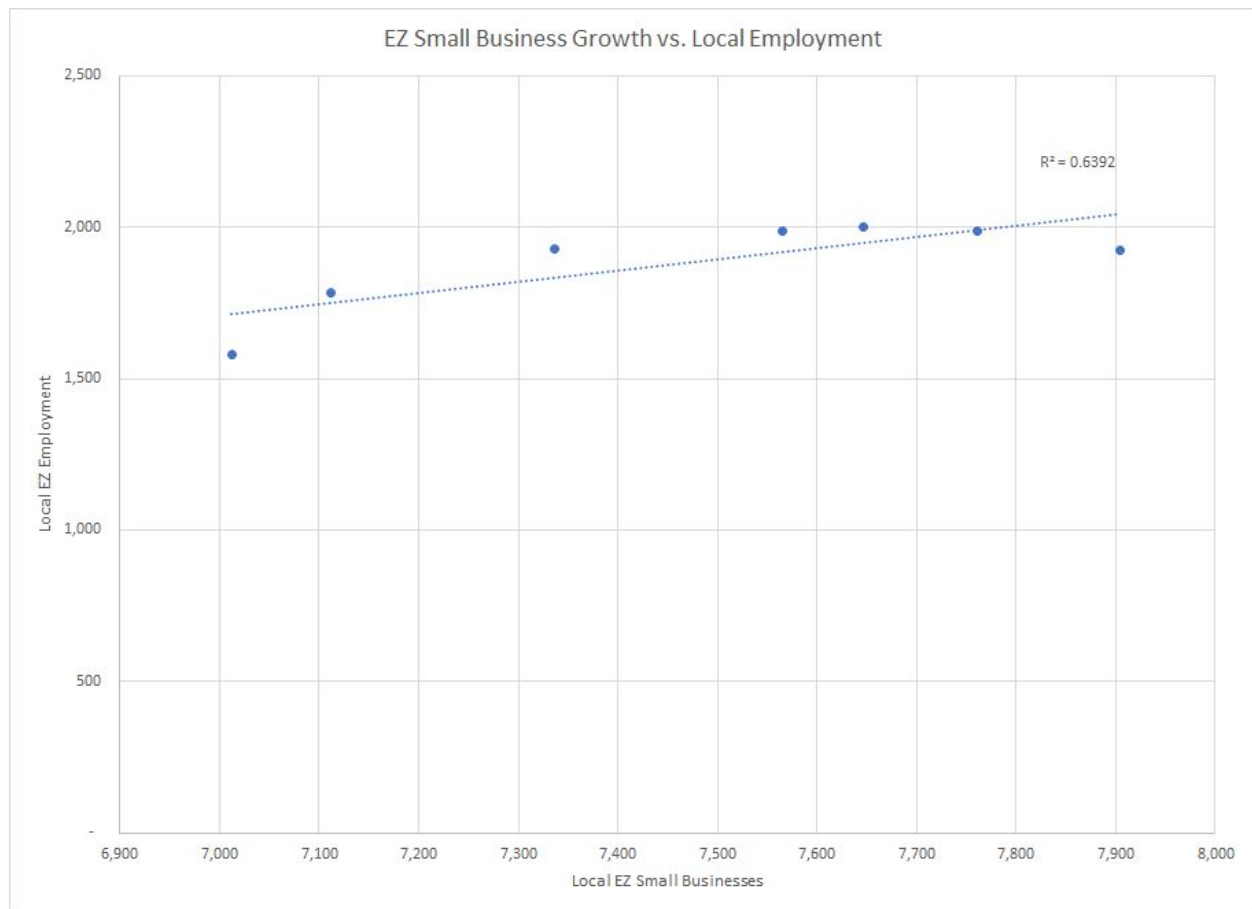


Figure 9: Time series (2010-2016) Regression analysis of changes in Local Empowerment Zone employment relative to local Small Business growth

As the data suggests because the r-squared value between the two variables local EZ employment (independent variable) and change in EZ small businesses (dependent variable) is below 0.95, it would seem conclusive that there is not a significant relationship between the two variables. Furthermore, with a p-value of 0.317 we cannot reject the aforementioned null hypothesis, and can conclude based on the data that the establishment of local Empowerment Zones within New York City did not significantly increase local employment compared to the rest of the city boundaries overall.

5 - Planning Implications of SEZs Going Forward: Opportunity Zones

The *Tax Cuts and Jobs Act* was officially signed into law by President Donald Trump on December 22, 2017 and included a new Opportunity Zone (OZ) community development strategy. Unlike the aforementioned Empowerment Zone initiative which brought with it complex guidelines incentivizing local employment programs for jobless residents, the OZ initiative does not abide by the same rigorous application criteria. According to the Executive Office of the President of the United States, “Under the TCJA, investors can get tax benefits by investing in communities designated as Opportunity Zones. Investors receive tax benefits on capital gains that they reinvest into Opportunity Zones through investment vehicles called Qualified Opportunity Funds. These benefits are structured to promote long-term investment that will help these communities recover and thrive.”³⁵ However, an in-depth investigative project coordinated by the *New York Times* concluded that, “billions of untaxed investment profits are beginning to pour into high-end apartment buildings and hotels, storage facilities that employ only a handful of workers, and student housing in bustling college towns, among other projects.”³⁶ In October of 2019, Democratic Senator from New Jersey Cory Booker, who co-sponsored the original OZ legislation called on the “Treasury Inspector General for a “Complete Review” of the Department of the Treasury’s implementation of Opportunity Zones.”³⁷ This chapter will identify the similarities and differences between the OZ and EZ programs examining historical data as well as primary interviews with professionals, and provide a conclusion on the various planning implications that the Opportunity Zone program presents compared to its Empowerment Zone counterpart.

³⁵Office of the White House. “The Tax Cuts and Jobs Act Is Generating An Economic Resurgence in Communities Across the Country.” *The White House*, The United States Government.

³⁶Drucker, Jesse, and Eric Lipton. “How a Trump Tax Break to Help Poor Communities Became a Windfall for the Rich.” *The New York Times*, The New York Times, 31 Aug. 2019.

³⁷Senator Cory Booker. “Following Allegations of Misconduct, Booker, Cleaver, Kind Urge Treasury Inspector General for ‘Complete Review’ of Treasury’s Implementation of Opportunity Zones.” *Cory Booker | U.S. Senator for New Jersey*, 31 Oct. 2019.

What is an Opportunity Zone and where are they located throughout New York City?

While the Opportunity Zone program was enacted through federal law, it is administered at the state level with each state designating its individual portfolio of QOZs (qualified opportunity zones). According to the NYU Furman Center for Real Estate and Urban Policy, “an Opportunity Zone is a low-income census tract with an individual poverty rate of at least 20 percent and median family income no greater than 80 percent of the Area Median Income (AMI). The program provides three types of tax incentives for investors: temporary deferral, step-up in basis, and permanent exclusion. All types reduce or defer the amount of taxes investors must pay for their capital gains.”³⁸ Unlike Empowerment Zones, which were administered by local non-profit entities, Opportunity Zones encourage infusion of private capital through the formation of QOFs (Qualified Opportunity Funds). Opportunity Funds lever private equity through targeted investment within these low-income communities. Investors can include HNIs (High Net Worth Individuals), Private Equity Firms, Investment Banks (i.e. Goldman Sachs Urban Investment Group), and Hedge Funds that raise capital through tightly formed investment Schedules designated by the Federal Department of the Treasury which identify various locations for permissible investment. In New York State there are 514 recommended Census Tracts, which represent a quarter of all federally qualified Opportunity Zones throughout the country. They “were selected based on recommendations from the Regional Economic Development Councils, local input, prior public investment and their ability to attract private investment.” In fact, the two aforementioned New York City Empowerment Zones are also designated as QOZs, with the city containing 307 of the entire state’s 514 Opportunity Zones. (see figure 10)

³⁸“Opportunity Zones – Directory of NYC Housing Programs.” *NYU Furman Center*.

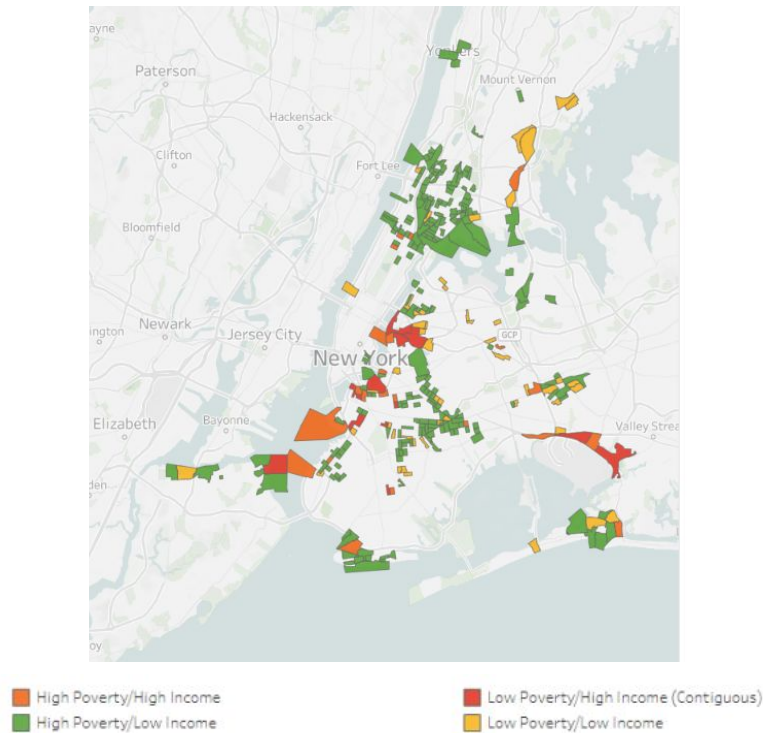


Figure 10: New York City Opportunity Zones Located in 307 Census Tracts

Source: Citizens Budget Commission (CBC)

While New York City remains one of the major economic engines for the United States as well as the State of New York, approximately 14.2% of its 2,168 census tracts have been designated as Opportunity Zones. My interview with General Counsel and COO of the New York City Housing Development Corporation, Richard Froehlich, revealed that the OZ program adopted a quantity not quality approach “Opportunity Zones today have almost zero regulation and have a high upside which are favorable tax incentives for investors. They consist mainly of shovel ready projects without community needs brought into the equation; these projects therefore do not necessarily focus emphasis on local job creation or increased local employment.” With the majority of OZ projects already approved ‘shovel ready’ (approved for development) they did not require the same discretionary approval of projects which took place within the boundaries of the BOEDC or UMEZDC.

Apart from lacking the same discretionary precedent set by both New York City designated Empowerment Zones, the OZ program also produces a much steeper budgetary burden as well. In terms of overall costs, the Empowerment Zone Program in New York cost the federal, state and local city government \$100 million respectively for a total one-time grant of \$300 million. However, in 2019 the Citizens Budget Commission (CBC) produced a report titled *Opportunity Zones in New York State and City* which concluded that the the Opportunity Zone program is estimated to cost the “federal government \$2 billion annually, with \$1.5 billion claimed by corporations and \$500 million claimed by individuals, for a total cost of \$9.4 billion for federal tax years 2018 to 2022. This would make it the costliest federal community development tax expenditure program, and one-third more expensive than the annual cost of the New Markets Tax Credit program, another federal program that allocates tax credits to encourage investment in businesses and real estate projects in low-income communities.”³⁹ It is important to note that the New Markets Tax Credit (NMTC) Program was specifically enacted to bolster direct funding of local CDFIs one of which is the UMEZDC which continues to abide by strict guidelines which prioritize the funding of local businesses, real estate projects and community workforce development programs within low-income communities. While Empowerment Zones focused narrowly on localized community development programs according to Richard Froehlich, “the main focus of governmental actors in the case of Opportunity Zones is on inducing overall economic activity.” Such laxity in program design fails to impose strict community development priorities as enforced by NMTCs and carried out by CDFIs like the Upper Manhattan Empowerment Zone Development Corporation.

³⁹Campion, Sean. “Opportunity Zones In New York State and City.” *Citizens Budget Commission of New York*, 20 Aug. 2019.

What is the Most Pressing Planning Concern: The Vast Majority OZ Developments Occur in Wealthy Neighborhoods

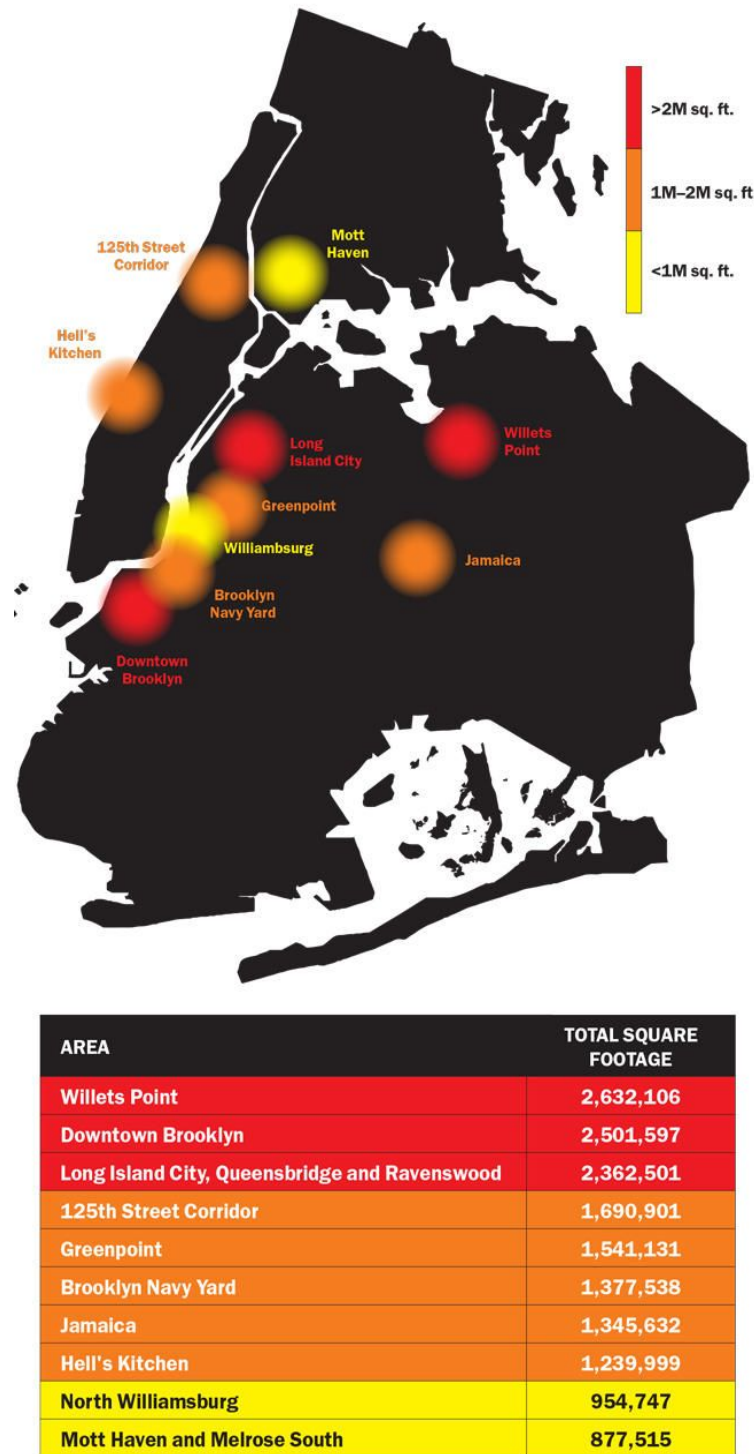


Figure 11: The Ten Most Active OZ-eligible in New York City Total of **16,523,667** square feet of New Construction

Source: The Real Deal

While OZ-eligible developments are located in four of the five boroughs of New York City, they constitute only 9% of all active construction citywide (March 2020). Additionally, 15.5% of all OZ-eligible development sites are located within Empowerment Zone communities in Central Harlem and the South Bronx. Most striking though, is the fact that roughly 70-percent of all OZ-eligible projects operate within New York Community Districts with median annual incomes far above the 2017 citywide average of \$62,040 per annum (see table 1 below). With Hell's Kitchen the highest, registering annual median income for neighborhood residents of \$103,926, roughly 68-percent higher than the citywide average. Jamaica, Queens falls the closest to the citywide average with an annual median income of \$62,846, roughly 1-percent higher than the citywide average. Out of all ten neighborhoods, only three fall below the citywide average (Willets Point, Central Harlem and the South Bronx). The neighborhoods with lowest annual median incomes represent approximately 30% of all OZ-eligible sites. Accordingly, Willets Point ranked the second highest among all neighborhoods with an approximate 15.9% of all eligible sites, and Central Harlem as well as the South Bronx falling closer to the bottom at 10.2% and 5.3% respectively. Therefore, there is a notable discrepancy between the most active OZ-eligible neighborhoods when we compare median household income as well as local neighborhood poverty rates. South Bronx neighborhoods of Mott Haven and Melrose South exhibit the highest poverty rate citywide of 44.2%. They also exhibit a median annual household income of \$21,366 per annum, roughly 66-percent lower than the citywide average. While it is significantly larger than its most distinct counterpart Hell's Kitchen in terms of geographic size (2.2 sq miles vs. 0.841 sq miles), it remains in a state of severe disinvestment even with its Empowerment Zone designation accompanied by the new development incentives allocated from the Opportunity Zone initiative.

Table 1: Ten most active OZ-eligible Developments sorted by NYC Community Districts⁴⁰

Community District	Percentage of OZ-eligible projects	Poverty Rate	Borough-wide/ Poverty Rate	Median Income
Brooklyn CD1 Navy Yard Greenpoint Williamsburg	23.4%	23.3%	19.8%	\$78,069
Queens CD7 Willeys Point	15.9%	16.2%	12.1%	\$52,262
Brooklyn CD2 Downtown Brooklyn	15.1%	14.9%	19.8%	\$94,327
Queens CD2 Long Island City	14.3%	9.3%	12.1%	\$68,644
*Manhattan CD10 125th Street Corridor	10.2%	23.5%	16.2%	\$49,995
Queens CD12 Jamaica	8.14%	11.3%	12.1%	\$62,846
Manhattan CD4 Hell's Kitchen	7.5%	13.8%	16.2%	\$103,926
*Bronx CD1 Mott Haven and Melrose South	5.3%	44.2%	28%	\$21,366
New York City	**9%	18%	N/A	\$62,040

* Existing Empowerment Zones

** Calculated from DOB Active Major Construction March 2020 Total of 183,396,610

⁴⁰All Data From 2017 ACS (American Community Survey)

It would seem that the aforementioned claims made by the New York Times that “billions of untaxed investment profits are beginning to pour into high-end apartment buildings and hotels”, is in fact a reality. This is exemplified by OZ-eligible NY Census Tract 135, in the Hell’s Kitchen portion of Manhattan Community District 4. The poverty rate in CD4 was 13.8% in 2017 compared to 17.9% citywide.⁴¹ While this area was formally designated as a low-income and low-poverty census tract by the United States Department of the Treasury, it is located on the same street (57th Street) as Manhattan’s infamous ‘Billionaire’s Row’. The Max, a new 1,028 market rate mixed-use rental building developed by TF Cornerstone was recently completed within this tract with rental prices as high as \$8,000-plus for a single rental apartment unit. While this particular development was financed before the establishment of the Opportunity Zone program it sets a precedent for future lucrative market rate developments which will be constructed within the OZ boundaries and would qualify for lucrative tax relief. This exemplifies how the decentralized nature of the Opportunity Zone program prioritizes quantity over quality, and produces a variety of undesirable planning implications such as lack of affordability standards, exclusion of workforce development standards as well as the lack of inclusion of local small businesses or trades in the policymaking process. While the precedent set by the Empowerment Zone program fostered some constraints in terms of its scope and rigid guidelines, its priority for place-based developments and inclusion of local small businesses in the planning process allowed for greater neighborhood input into what programs could be targeted for direct investment. The Opportunity Zone program does not include these same strict guidelines, and as seen in table 1 above permits the majority of its benefits to materialize within neighborhoods that are already well off.

⁴¹“Clinton/Chelsea Neighborhood Profile.” *NYU Furman Center*.

While reflecting on the planning implications of OZ-eligible development projects in New York City, I am reminded of my interview with former General Counsel to the UMEZDC Lucille McEwen, who described the Opportunity Zone program as a policy that “was done to encourage investment but it was not as targeted as Empowerment Zones were and it doesn’t have any sort of grant opportunities and therefore, does not have the same impact on small business counselling, and home-ownership counselling. Basically all of the benefits of Opportunity Zones are focused on attracting investors whereas Empowerment Zones were shaped through community based, grassroots and non-profit input in each of the communities across the country that were awarded an Empowerment Zone.” Thus, major planning implications of current SEZ initiatives in the United States include a conspicuous absence of neighborhood input, and as we can see from the current pool of development sites the majority of these private developments are taking place outside of the census tracts that are in most need of direct investment. While local community input through the Empowerment Zone initiative allowed for direct investment in local establishments like the Apollo Theater, the Victoria Theater Redevelopment Project, Baldor Specialty Foods, Inc, Dance Theater of Harlem, George Washington Bridge Bus Terminal Redevelopment, Studio Museum of Harlem and Harlem USA Shopping Complex and workforce development strategies, the current landscape of OZ-eligible development does not include any community development standards.

6 - Conclusion

This thesis posited two salient conclusions. While community development strategies of the Empowerment Zone program inordinately improved overall employment in Central Harlem and the South Bronx, local unemployment fell at a sharper rate than the citywide average. Additionally, the current priority of SEZs set by the federal government prioritizes quantity rather than quality of local community development and does not institute a precautionary principle which promotes a landscape of even urban development. Therefore, through a mixed-method analysis this thesis is in agreement with the aforementioned 2007 JAPA (Journal of the American Planning Association) which concluded in a similar manner that “workers in most Enterprise Zones had longer commutes—even when standardized by mode and income—than workers who do not work in zones. The vast majority of workers in Enterprise Zones did not live in an Enterprise Zone; moreover, the vast majority of those who lived in these zones did not work in them. Thus, the local employment gains derived from bringing jobs to poor neighborhoods are greatly diluted— a majority of the jobs will go to non-zone residents.”⁴² The same planning implications are true for the recently implemented Opportunity Zone initiative which produced a striking imbalance of 70/30, 70-percent of OZ-eligible projects occurring in neighborhoods with median incomes above the citywide average compared to just 30-percent of OZ-eligible projects occurring in neighborhoods below the citywide average. A striking pattern shared by both of these initiatives reveals that the majority of employment benefits granted to non-Empowerment Zone residents and the majority of tax incentives were attributable to more lucrative investments situated in wealthier Opportunity Zone census tracts.

⁴² Alan Peters & Peter Fisher (2004) The Failures of Economic Development Incentives, Journal of the American Planning Association, 70:1, 27-37, DOI: [10.1080/01944360408976336](https://doi.org/10.1080/01944360408976336)

Placed based initiatives (PBIs) are efficient in terms of overall targeted investment into a particular geographic area. However, almost every PBI produces a significant share of negative externalities and unwarranted side effects. In the case of SEZs the goal of a PBI on this scale is to provide greater investment in goods and services located in underserved urban communities. The various drawbacks of these initiatives were clearly outlined by Lucille McEwen who recalled that “Harlem was a victim of its own success.” Direct investment into the community even by local nonprofits, raised the cost of living and did not substantially increase local employment. Even though the initiative was executed from the bottom-up, including local community leaders, small business owners and local residents, in the opinion of some local community members this experiment in community development produced an irreparable outcome for the local community.

Therefore, going forward policymakers must make meaningful efforts to employ a precautionary principle that takes into account the uneven impacts that these SEZs contribute towards urban development. It is not mere coincidence that a growing number of elected officials from both sides of the political aisle are voicing such concerns and following the lead of legislators like Senators Cory Booker and Tim Scott, imploring the Treasury Inspector General to execute a rigorous audit to identify who is profiting the most from Opportunity Zone incentives. Overall, the range of consequences imposed on low-income New Yorkers arising from these two specific Special Economic Zone programs appear to categorically favor those with means over those who find themselves residing and working in some of the city’s lowest income census tracts.

This is most evident considering the fact that although two existing Empowerment Zone neighborhoods are OZ-eligible due to the presence of some of the lowest median household incomes, paradoxically they continue to attract a modest share of private investment compared to their wealthier OZ-eligible counterparts. This thesis has provided a variety of evidence that suggests that SEZs confer disproportionate economic benefits on wealthier areas of New York City compared to their lower-income counterparts. Accordingly, the foundational goal of these initiatives to improve local employment and overall investment within these low-income communities has yet to be accomplished.

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