Evaluation in Economic Development

Current practice, Current trends, Recommendations for improvement

Jamie Buss
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Why evaluate economic development programs?

A tremendous amount of money is spent on programs aimed to develop the economy – ostensibly to provide well-paying jobs for residents; to prepare residents to get and retain jobs; to attract, retain and develop new and existing businesses, so that these businesses may provide a source of income for residents as well as pay taxes to support public services. Most levels of government undertake some combination of economic development programs focused on the advancement of their particular jurisdiction. Many other organizations also run such programs, including philanthropic foundations, community development organizations (some of which are based in neighborhoods), and other nonprofit groups. How effective are these programs? For a large number of economic development programs, the answer is "Nobody knows."

When one endeavors to answer this question, the process and the resulting report are called a program evaluation. In the course of doing a program evaluation, an evaluator might gather background information on the project, perhaps administrative information related to the processes used in carrying out the process, perhaps the political context in which the program was created, almost always the stated goals of the program, and quite importantly the results achieved by the program. A key component of an evaluation is the gathering, measuring, and analyzing data that reveal the impact the program may have had. The term "evaluation" is extremely broad. The goal can be to simply decide whether to continue the program or not, program improvement, [needed]. Evaluations can take place during the course of the program's operation, usually with the intent of program

improvement; or they can take place at the conclusion of the program, in which case the point is often to guide a decision about continuation or repetition of the program. Some evaluations focus on the process involved in carrying out the program, while others concern themselves only with the demonstrable results, sometimes using sophisticated statistical techniques. People conducting evaluations can be internal or external to the project. Internal evaluators have the advantages of greater understanding of the context and history, relationships with program staff, and often greater access to information needed to perform an evaluation. However, external evaluators often have greater freedom from political pressures, can be more objective, and can be selected for technical or other expertise on a consulting basis.

Among all these dimensions of evaluations, the focus of this report is on the scope of concern. Bartik (1997) developed the following continuum of evaluation, with each type identified by the typical scope of concern (most local and internal on the left end, most broad and external on the right end). The further left on the scale, the more the questions take the program as a given, and ask if you're administering it well. The further to the right one goes, the more the questions become "Is this the program we should be doing? What is the point, and is this program really having an impact?"

Process / Formative Evaluation		Outcome / Summative Evaluation			
Monitor daily tasks	Assess program activities	Enumerate outcomes	Measure effectiveness	Compare costs and benefits	Assess impact on the problem

(Source: Bartik, 1997, p. 248)

Most "evaluation" performed in economic development would be classified in the first three steps of the above continuum. There is a lot of measuring program outcomes, often call "performance measures." Most programs report the number of loans they made, the

number of workers they placed in jobs, the number of square feet of retail space they added to the market. The right-hand questions with a broader scope are not asked very often. The evaluations on the right get at deeper questions about the longer-term impact.

My bias going in to this study was that economic development programs ought to be subject to study, scrutiny, and investigation of their effectiveness and net value. Since vast sums are spent, it seems only fair to expect demonstration of results. There are many important uses to which government and nonprofit resources can be put. We need to know which are the most effective and efficient programs in which to invest.

My intent in this report is to give a general sense of what sorts of evaluations are commonly undertaken, what sorts of evaluation would be most valuable, and why high quality evaluation is not more common in the field of economic development. This report aims to sample these areas in order to generate some insights, rather than to provide an exhaustive review.

Methodology

I began by pursuing information from the academic and research communities. Various academic institutions train people in economic development as well as program evaluation, and so these fields are ripe with advice about what should be done. I interviewed two researchers and studied a handful of published articles from the academic literature.

I endeavored to explore practices of several government entities. I combed the web for evaluations, focusing on cities and counties in Minnesota as well as the State of Minnesota. I interviewed several staff members to gain a better understanding of the

context in which they worked, the pressures that influence their work, and the choices they have made.

Much of the interesting work in evaluation is done by community development intermediaries such as Local Initiatives Support Corporation (LISC), the Enterprise Foundation, and others. These groups have enough money that they can afford complicated and extensive evaluations; they are insulated from political pressures that limit their counterparts in government from doing more serious evaluation; and they have a culture of testing new approaches, then studying what works in order to create "best practices." I interviewed a program officer at LISC Twin Cities, who is in the throes of developing performance measures and an approach to evaluation that can be used by that office and its grantees. I studied several evaluations produced by LISC offices around the country. One of these is analyzed in depth below.

Sampling the Field

Evaluation in State and Local Government

A sampling of evaluations provided by state and local government economic development programs confirms what Bartik (2002) reports: they report their numbers, their program activities and graduates of various trainings, but rarely get to produce any systematic studies that look at community impact.

City of Minneapolis' department of Community Planning and Economic Development conforms to this pattern. When I asked a department spokesman what sort of evaluation they did, he referred me to their annual report. (Christiansen, 2005) This report is a list of accomplishments and priorities, including a detailed chart of numbers reporting performance in a wide variety of countable topical areas. The Economic Development portion of the department's chart is representative:

PERFORMANCE MEASUREMENT RESULTS

	2002 Actual	2003 Actual	2004 Projected	2004 Actual	Comments
Economic Development					
Estimated increase in property taxes due to Economic Development projects	$1.3 million	$3.2 million	$0.8 million	$0.4 million	Lower amount due to delay in completion of certain projects
# of new jobs projected by assisted projects	1,441	1,554	585	378	
# of small business loans	151	170	185	115	
# of businesses assisted by market advocates/case managers	n/a	n/a	5	7	
Real estate marketing contacts	n/a	571	500	522	
$ of contamination grants secured	$4.3 million	$4.7 million	$1.5 million	$4.2 million	

(Source: Minneapolis CPED 2004 Performance Review Summary Form, p 7)

Seattle has a reputation, along with Minneapolis, as a progressive city with a tradition of responsible government. I looked at Seattle hoping to find sophisticated evaluation but I found a repeat of what other cities provide: counts of outcomes and activities. I provide two representative samples here: "Established $50M Community Development Fund to support Rainier Valley businesses displaced/impacted by light rail construction, with $6.2M disbursed to date. ... Provided $11.4M in low interest financing to rehabilitate earthquake damaged historic buildings in Pioneer Square." (City of Seattle, June 28, 2005)

Although not focused on economic development, evaluation at Ramsey County Community Human Services Department is interesting and relevant. In addition to counting, evaluators do get at impact sometimes. For example, one of the department's goals is to ensure the safety of vulnerable adults and children. One measure of the department's success is what percentage of families assessed for maltreatment did not have a subsequent child protection assessment in the year after the initial assessment. If

one accepts the county's assessment as a valid proxy for levels of safety, then this measure tells us something about the impact of the program with respect to that goal. A further step, not yet taken in this measure or others in the source material, might be to attempt to isolate the program's impact from other factors that might cause the same result. (Ramsey County, 2004)

These reports are very important and useful. Taxpayers and management want to know what we're getting, and these reports begin to tell us that. More complex questions are also important: Are programs effective – do they produce the intended results? Are they efficient – how does the cost of the program compare with costs of other programs that might have been implemented? Under what circumstances are programs most or least effective and/or efficient? Do programs have a measurable, demonstrable impact on the problems they attempt to fix? Such evaluations are far more expensive, complicated, and rare. Cities and counties almost never sponsor this sort of work. States or federal agencies only rarely do. When such studies are done, they are often sponsored by philanthropic foundations or academic institutions, for reasons that I share in the concluding section.

Urban Institute: Clarify goals, develop metrics, establish standards

Urban Institute released a paper earlier this year on small business and microenterprise programs containing some very interesting findings which are applicable more generally within economic development programs. First, they found that a considerable barrier to effective evaluation lies in confusion over program goals. In this particular field, many programs claim to pursue two very different goals: economic development and self-sufficiency. Programs aimed at self-sufficiency target low-income entrepreneurs (or would-be entrepreneurs), whereas programs whose aim is economic development may do

well to serve successful small business owners with a viable plan to create new jobs. A second point was a call to develop metrics:

> Metrics for measuring success should also be assessed to improve evaluation. Metrics such as the number of business start-ups, for example, need to be considered carefully. Perhaps the best possible outcome for training is learning that one should not start a business or should close a business. Metrics are also needed to assess community effects, which are especially important when economic development is an objective. Community effects, such as increased employment in the community, may appear only over time and can be difficult to measure. Broad, consistent metrics (for example, measures of self-sufficiency or economic development), in addition to program-specific ones, will allow for better comparison across programs. (p. 7)

As a third finding, the report urges the establishment of standards and accreditation:

> Foundations and policymakers can improve evaluation by creating standards and accreditation, and requiring that grantees collect data for evaluation by outside evaluators. For instance, donors could require that microenterprise programs participate in Microtest—a national data collection system that would ensure comparability of data quality and availability across programs. Currently, few programs report data and often those that do report are the most successful, creating additional selection bias. As a second example, evaluation data could be collected through trade associations or from programs seeking accreditation. (p. 6-7)

Such clarification of goals would be helpful across the field of economic development.

Academics: growth vs. development

Academic work within economics and economic development often makes a distinction between economic *development* and economic *growth*. Malizia and Fazer (1999) differentiate economic development from economic growth in ways that are analogous to the distinction between lesser and greater levels of "evaluation" of economic development programs. Growth is quite simple, fairly immediate, and is relatively easy to measure – did tax base / employment / gross sales grow, or did they not? Development, in contrast, looks for structural change and is concerned with the longer term. Development seeks greater impact, but may be difficult to measure or prove. Wilbur Thompson's work defines development as a process leading to greater welfare, defined as a combination of income levels, income distribution, and income stability. It is plain to see that

demonstrating development, defined as such, is far more complicated than demonstrating growth. Yet there is tremendous value in knowing how one's program will pan out in the long-run. (Malizia and Fazer, 1999)

Focus on Several Interesting Evaluations

Evaluations by the State of Minnesota

Department of Employment and Economic Development

Performance measures are often the most important elements involved in an evaluation. The 2004 Strategic Action Plan for DEED lists six goals and "possible measures" for each. The majority of these simply count program output (e.g. number of participants, jobs touched / created, etc.). Some suggest satisfaction surveys. There is no attempt to measure (or suggestion that there would be any value in measuring) the community impact of any of these investments. (State of Minnesota, 2004, http://www.deed.state.mn.us/planning/strat_action_plan.htm)

I also examined a web site listing Department Results, which was more impressive. The four goals given for the department did not agree with the six goals from the 2004 Strategic Action Plan, and there was no date provided for the Results page, yet it included some more meaningful results than were suggested above: This report examines Minnesota's unemployment rate, comparing it with nation, and it also compares rates of growth in exports from the state vs. the nation's growth in exports. These seem to be meaningful comparisons, helpful in understanding how the state is doing, but they do nothing to connect these impacts with any activity of the department. Similarly, the report counts jobs created or retained through JOBZ, claiming credit for them all. Surely many of those jobs would have been created even without the program, but there's no attempt to dig into the specific impact of JOBZ. Similarly, the report counts private investment "leveraged" by these funds, but given the lack of complexity that is apparent in the JOBZ

job creation claim, it seems likely that the claim of causation remains unproven. The site lists levels of satisfaction with services through Workforce Centers on the part of both job seekers and employers, presumably the result of surveys. It also shows us placement rates and wage of placement. (State of Minnesota DEED, date unknown) These are all good things to know, and they can be classified as outcomes of the program. They leave for another analysis the questions: How effective were these programs in bringing about economic development? Were the programs we chose the best use of our resources?

Office of the Legislative Auditor

The Minnesota Legislature has established an independent office to conduct evaluations of programs throughout the state government, and this is quite common at the state level. Office of the Legislative Auditor (OLA) has two divisions: a Financial Audit Division, and a Program Evaluation Division. The program evaluations that come out of this latter group are well-written reports incorporating a wide variety of analysis of program operation, with process-centered concerns including efficiency, coordination, and best practices. They include many suggestions for improvement in the operation of these programs, all of which seem well-advised and sound. In scanning a dozen or more evaluations released within the past 3 years, it is clear that the Program Evaluation Division focuses on process, procedures, checking actual process with intended process and with legal requirements as well as proper reporting. They generally suggest changes that seem powerful and appropriate. However, I found no attempt to measure impact any programs may be having. The only cost-benefit analysis I found was limited to a review of that provided by other entities connected with the CIP program. (http://www.auditor.leg.state.mn.us/, accessed July 24, 2005)

An OLA evaluation of DEED's workforce development programs deserves a closer inspection. The scope of this report, released in February 2005, was mostly procedural.

The authors appear knowledgable about best practices, advising better coordination between WFD and vocational education programs, as well as focus of WFD efforts in occupations in demand. Many services cannot be "evaluated" in the sense I'm pursuing in this paper. In some cases, this is due to lack of data (many system users are self-service, and no effort is made to understand whether the services helped these folks find employment). The report suggests the use of surveys on samples of these users. Even counts of number of users (of in-person help by employment counselors) is incomplete and unreliable. "Some programs have performance measures, but the measures are flawed. Many measurements rely on an unemployment database that lacks timely data, preventing the development of current information on performance. Plus, measures designed for particular programs do not allow evaluating a workforce center's overall performance in providing workforce development services." (State of Minnesota OLA, p. 3-4).

The concern of my work is impact evaluation – how big is the impact of the program on the problem? This OLA report doesn't come close to answering this question, but it does lay groundwork toward better evaluations in the future. It points out that in order to get at the impact question, the workforce centers need to collect data, and that there are no established measures of success for several programs. Seems to me the evaluators might decide on their own ways to measure success, but this would indeed be bold and out of the ordinary for a legislative auditor's office. (State of Minnesota OLA, Feb 2005)

The size of these programs justifies far greater efforts in evaluation. I am stunned at the lack of accountability evidenced here by DEED, that the workforce centers have so far gotten away without collecting data or establishing measures of success.

LISC Chicago evaluation

Local Initiatives Support Corporation (LISC) is one of the two largest community development intermediaries in the USA. Its purpose is to support nonprofit CDCs in revitalizing urban and rural neighborhoods across the country, working through locally based affiliates who direct resources to meet the most pressing and relevant needs of host communities. LISC "mobilizes corporate, government and philanthropic support" to provide capital and access to capital, to offer technical and management assistance, and to advance public policy in the area of community development. Since 1980 it has marshaled over $6 billion from 3,100 investors, donors, and lenders. Its impact is felt most through building housing units, with substantial activity in economic development. Its board of directors has a majority from private financial institutions, a handful of folks working at CDCs as well as foundations and other nonprofit community development entities (Local Initiatives Support Corporation, 2005).

LISC is extremely interested in using its money in the ways which are likely to have greatest impact, and in proving the impact of its programs in order to continue and grow. Since it operates in over 300 communities, it has a big stake in understanding what sorts of programs work well and which don't. Programs developed for one location are often substantially replicated in others, so getting the design right has a huge impact. As mentioned above, the philanthropic community has a culture that values both experimentation and critical assessment; they are willing to try new things if then they can study the results in order to inform future grant-making and program design.

LISC seeks to transform the lives of people living in its target neighborhoods. It seeks to bring about structural changes so that neighborhoods in decline become greater places.

The task of measuring impact of its programs, rather than just the activities or outputs, is therefore both critical and extremely difficult.

The Chicago office of LISC recently developed and proposed a methodology for measuring community impact of LISC (and other neighborhood-focused) efforts. They propose three measurements, all composite indices derived from readily available data. Since data compatibility and availability are serious impediments to implementation of some ways organizations might measure community impact, ready availability is a very valuable feature of these indices. The first of these is the "Decennial Change Index," measuring long-term change, tracked by decade from 1970 Census to most recent. The second is an annual community development performance index, one for business and one for the residential sphere. The third is a "Challenge score," again one for business and one residential, which adds building permit data to the annual indices in order to get at the level of bricks-and-mortar investment taking place. (Proscio, 2004)

LISC points out that this proposal is a breakthrough in several ways. As composite indices, the proposed measurements capture many layers and aspects with a short list of data. The data used are available by census tract, giving users the ability to disaggregate easily. Further, since most of the data is from the federal government, and the data that is from the state of Illinois would normally also be available in a similar format from other states, communities can compare their scores on these indices across time, and/or across distance (against other locations). Since the suggested data is available publicly starting with the year 1970, these indices allow communities to establish a baseline level of need against which growth can be compared.

The components of the indices include some of the major indices of community development and economic health. The advantages of availability, disaggregation, comparability across time and location are substantial and should make these indices useful. However, a couple of shortcomings are worth mention. The indices fail to include any indication of racial composition or dynamics of neighborhoods. Racial dimensions of neighborhoods are really critical, and often fragile. Racial dynamics are key to development in every neighborhood I have studied, and the lack of any information on those dynamics leaves a big hole. This lack leaves room for future refinement of the system.

Also, on a related note, the annual indices rely heavily on the use of bank loans to measure economic activity for both business and housing spheres. Access to traditional credit has historically been far more challenging to new Americans, people of color, and economically poor people. These are often the very groups targetted by CDCs as potential entrepreneurs and homeowners, the folks whose investment (of money, confidence, and presence) is needed to revitalize run-down neighborhoods. In Minneapolis, religious principles keep many Muslim entrepreneurs from using such financing, yet they continue to start and operate important businesses. Many startups in these communities are financed by pooling resources from among family and friends rather than bank financing, and otherwise operate on shoestring budgets without enhancements provided by outside financing. The percentage of economic activity missed by using the bank-loans measure as a proxy for economic activity must be substantial – does it capture 20% of the activity that occurs in these neighborhoods, or 80%, or somewhere in between? Perhaps a more important question: does the percentage vary between types of neighborhoods? If the percent-captured figure were fairly constant between neighborhoods despite being low, that would still be a meaningful way to

compare neighborhoods. But if the figures measured aren't correlated consistently with the real level of investment, then they don't tell us much. This is another area for future research and development.

The methodology proposed by Chicago LISC aims to compare performance of neighborhoods with active CDCs against those without CDCs. In this way, it seeks to prove the value of CDCs in general terms, rather than the value of any particular program (of one or many CDCs). Perhaps it could be used to evaluate the performance of individual CDCs, taken as a summary of the programs of the CDC. Therefore, use of these indices should be considered supplemental to efforts at evaluating programs themselves. Within each index, the figures used are growth of each measure against the same figure for the earlier period, or against the same figure for the city as a whole. In this way, the result is to show relative change (in time, and with respect to the city).

In developing measures of success for any community development program, there is a tradeoff between measuring precisely what you want, and being practical. The set of indices developed for Chicago LISC represents a tradeoff that seems balanced. Given that so few programs currently measure much of any impact, this proposal seems like a reasonable next step. If CDCs, intermediaries, or others find this approach promising, they may refine it further to address the above concerns or others that arise.

Goals of particular programs need to be kept in mind as groups develop ways to measure impact. For example, many community development programs would find an increase in average sale price of homes to be proof of success, but not so if the goal is to preserve affordability in a neighborhood for existing residents.

Quasi-experimental analysis of programs in Florida

Rogers and Tao (2004) used sophisticated statistical techniques to analyze programs in Florida looking for efficacy (do the programs make a difference?), being mindful of endogeneity bias which calls into question the results of other studies that have sought to prove efficacy (or more commonly, the absence of efficacy) of various economic development programs.

The researchers analyzed outcome measures including population, median property values, median household income, and the unemployed-to-population ratio. These measures are even more barebones than the LISC-Chicago measures. However, the reason this study is included in the present analysis is for what the researchers did with those measures. The analysis techniques they utilized could presumably be used on other measures as needed. And they added an analysis of the endogeneity factors that can be useful in design of other studies.

Rogers and Tao used quasi-experimental analysis, in which they match cities running programs (treatment group) with similar cities without the programs (control group), and then compare performance of the cities and/or the groups. If there is little difference between the groups before treatment, then any difference after treatment is attributed to program impact.

The three sources of endogeneity bias normally present:

- preexisting differences in zones – only distressed ones qualify, and thse would normally (w/ or w/o treatment) experience slower growth
- process of selection among applicants – administrators may "cream" according to chances of success, or political factors, or they may choose those in most need.
- Less recognized: decision to apply for a program. Perhaps cities which are better administered are more likely to succeed w/ or w/o treatment. Does the application itself serve as a proxy for fit administration?

In this study, the first two potential complications were eliminated due to the situation. Before the program began operation, the state of Florida determined all eligible areas that were eligible. From this group, the researchers either designated cities to be in the control or treatment groups. Also, the state granted the applications of all small cities that applied. The researchers focused on this group, because in this way they could eliminate the second potential source of endogeneity bias. Unfortunately, an analysis of the larger cities is not included in the report, since it was less clean. Here the practical and the academic diverge.

Because the researchers eliminated first two forms of endogeneity bias through design of the study (choosing to look only at small cities), their statistical techniques produced a result which is more valid in scientific terms than other studies that don't account for endogeneity biases.

In the end, the researchers found no differences in economic performance between these groups that were statistically significant. They used four different statistical techniques looking for evidence that the programs could be correlated with better economic performance. They employed a log change specification for each of the outcome measures as well as ordinary least squares (OLS) observations on all cities that qualified for the program (including both treatment and control groups), and others.

A limitation on this study is the low number of observations – only 31 small cities qualified for the programs, 9 of which received designation. The small size of the data population means that differences would indeed have to be great in order to prove impact at an acceptable level of statistical significance.

Other interesting initiatives:

Success Measures

Success Measures Data System (SMDS) (www.successmeasures.org) is a web-based system for evaluating community development programs and strategies. It involves an elaborate process for designing and carrying participatory, outcome-based evaluations that are closely tied with specific program goals within the specific context of the neighborhood / area in which the program operates. It was developed over the course of many years through the both the Development Leadership Network and the McAuley Institute, and moved to Neighborhood Reinvestment Corporation in 2004. Recently NeighborWorks America embraced it as a recommended evaluation system for its member organizations. Organizations buy subscriptions to the service and receive "everything needed, from start-to-finish, to do credible, useful evaluation, including:

- "Step-by-step instructions on how to design and complete a participatory outcome-based evaluation
- "Community development outcome indicators
- "Data collection instruments for all indicators such as surveys, interview guides, and forms for tracking administrative and other records
- "Directions and helpful tips on how to best use each data collection instrument
- "A secure place for you to enter, manage and store all the data collected for an evaluation
- "A reporting function that tabulates your data
- "Guidance on how to integrate your learning into programs and advocacy" (KnowledgePlex, 2005)

For a couple of years, staff members at Twin Cities LISC and its CDC grantee organizations have been working to develop a more satisfactory system of evaluating their economic development programs. They have paid much attention to trying to get at community impact – not just counting activities or simple outputs. Since different programs have different objectives, and since they are all concerned, to a lesser or greater

extent, at forging stronger economic and social relationships within neighborhoods, standard measures of economic success fail to capture the impact of their work to the satisfaction of these groups or their funders. Average housing price, per capita income, tax base are parts of a neighborhood's story, but leave many CDCs wanting more.

Much of the focus in this paper has been an analysis of the level of sophistication of various measures of success, and whether various evaluations have examined impacts of programs, or whether, instead, their scope has been limited to either process-oriented evaluations or reporting of outcomes of projects. The SMDS addresses this concern by providing ways to measure community impact. It also raises other issues and concerns: the processes by which community organizations (including CDCs) both decide how to evaluate their work and then proceed to do so, are important and difficult. Both these processes can be used as a community-building exercise themselves, and generally deserve (and are improved by) participation from many constituencies. Further, following on the recognition that goals of programs differ significantly, SMDS recognizes that not all programs need the same data. Some programs will need survey data and/or focus groups; and SMDS provides expert guidance around design and implementation of surveys and focus groups for these purposes, and similar guidance on collection and analysis of existing data from government or other sources, when needed.

Another body of work deserves at least a mention here. NGOs active in microenterprise development in so-called developing countries (in Asia, especially India, and perhaps especially among rural women) have developed rich participatory methods for planning and evaluation. Methods used by these groups are infused with "the values of listening to the voices of the poor and excluded / vulnerable groups and empowering them to be partners in sustainable development" (Noponen, 2005). There seems substantial overlap

between this body of work and seemingly US-focused SMDS. Further research on these planning and evaluation methods is certainly indicated.

MN 3-D project

Minnesota 3-D is a promising project that will combine many areas of data into one GIS-savvy and internet-based source, for use in community planning and development decisions. It will combine labor market origin-destination data on Minnesota jobs and workers with data on housing and transportation. Project partners and intended users include government agencies and community organizations, including CDCs and of course intermediaries like LISC that serve them. (http://www.npcr.org/M3D/M3D.html, accessed June 2005)

It will combine statewide data on employment and demographics supplied by US Bureau of Labor Statistics, Social Security Administration, and the Census Bureau, and it will integrate parcel-level housing data available within this region. Tax assessment information from the state's Department of Revenue, small business loans through Minneapolis Consortium of Community Developers, and public transit routes from the Metropolitan Council will supplement the federal data. Information will be provided linking job-seekers with appropriate resources. It has three features that set it apart: it operates with a philosophy of open access, it provides integration of many sources of disparate data, and it is based on effective partnerships on many levels. Interestingly for this report, evaluation of the project is built into the plan, to be provided by the well-respected Wilder Foundation.

I find this project to hold tremendous promise to inform and guide planning and development work directly. While it does not itself provide any new data or analysis, it should make existing data available to far more people; and the data it makes available

will be linked intelligently with relevant data from other sources. Simultaneously it will allow for improved evaluation of all those efforts. If all goes according to plan, it will provide useful, connected data with which to measure many, many aspects of economic and other characteristics of communities. Lack of data, data incompatibility, and expense of collecting and analyzing data are cited often as barriers to better evaluation (Cervero, 2005). This project promises to produce an important tool for the improvement of evaluation in economic and community development.

Conclusions

I have found in my survey of current practice that counting program activities is ubiquitous; counting outcomes (for example, jobs "created") is common; and evaluations of process and efficiency are also common, especially at the state level. However, evaluation of impact is rare and very difficult. When it is done, it is most often sponsored by academic researchers, philanthropic foundations, or community development intermediaries. It is good and appropriate that counting of inputs and activities is extremely common. It makes sense that the next most common activity on this continuum would be process-oriented evaluation. More of it would be a good idea. There is much to learn by comparing one's program against other programs, and subjecting a program to scrutiny by people with some expertise in sound program operation.

Further, I would advocate for a far greater level of program evaluation at the high end of the sophistication continuum. Given the tremendous level of investment that is regular made in community and economic development programs, it just makes sense to invest substantial sums in serious evaluation of the long-term impacts of those programs against the purposes for which they were established. I would propose that between one and three percent of program budgets should go toward evaluation. The small amount of research that has been done in this area repeatedly demonstrates questionable levels of return on

investment (Rogers and Tao, 2004), adding to the urgency for better evaluation that improves practice and focuses resources on programs that work.

Other useful tools for evaluating programs deserving mention. Cost-benefit analysis (CBA) is a powerful tool for evaluating a program's efficiency in monetary terms, for use in deciding whether to undertake a program, or perhaps which of several potential programs to undertake. As mentioned before, the impact of economic and community development programs does not ALL boil down to money; yet since money is a critical and limited resource, a financial analysis would be an important way to evaluate programs. Social cost-benefit analysis (SCBA) is a modification on straight-forward CBA that include impacts on society; where a CBA is done from the perspective of a particular investor, an SCBA is done from the perspective of society in an attempt to seek the greater good. A result of both these forms of analysis is a figure representing return on investment in the form of an interest rate. This allows potential programs to be compared with each other in an effort to find the most efficient use of finite resources. In all my research for this paper, I found only one reference to a cost-benefit analysis. Even if the details of CBA or SCBA are too technical to be interesting or even comprehensible to most people, their results should be extremely persuasive arguments for or against various programs.

The discrepancy in accountability requirements between the economic development industry and the education industry is striking–schools spend a large amount of time and effort teaching directly to tests, measuring and reporting student progress, several times each year. Yet in economic development, there is little political pressure to prove results. This discrepancy may be attributable primarily to sexism. Education is a field whose workers are primarily women, where economic development (but not so much other areas

of community development) is dominated by men. Less powerful groups consistently are required to work harder for less and to justify their actions. Proving or disproving this theory would be an interesting area for further research. Regardless of the cause, the fact that this industry is subject to very low accountability requirements should be readily apparent.

A supplementary explanation for the dearth of evaluation in economic development might be simply that it is generally not in the interests of those with political power. Most beneficiaries of economic development programs are relatively politically powerful individuals and groups. To the extent that rigorous evaluation of these programs might diminish this flow of resources, the beneficiaries do not support such evaluation. In the case of economic development, these beneficiaries are in a position to exert influence. In contrast, labor and welfare programs have been subject to intense scrutiny over the last few decades in the form of evaluation, without push-back from politically powerful groups.

Forces against the practice of evaluation in community and economic development are powerful. Political pressure to not evaluate is strong. Evaluations in government are frequently used to close programs, far less often for improvement of programs. Substantial instability is an important feature in the field of economic development, in terms of policies and programs and even in the administrative structures in place, often featuring a sea change whenever a different political party takes leadership of the leadership of a city, county, state or nation. Collection of data is difficult and expensive. Skills in data analysis are not the most common among community development professionals. Excellent program evaluation tells us the difference the program has made, and thereby requires an analysis of what development or economic or social growth

would have happened even without the program. Answers to this question require sophisticated methods of data analysis which are again uncommon and expensive.

However, forces for improvement of evaluation are also strong, and I believe they are more compelling. In the current environment of declining interest on the part of government toward community-building programs, programs that do receive scarce financing are subject to increasing financial and political pressure to demonstrate results.

Development of standards within evaluation of community and economic development is a strong possibility. Success Measures and MicroTest are two examples of systems that experts have developed and made available to their colleagues in other jurisdictions. These systems will help programs demonstrate results, and identify and strengthen those programs that work. Further, if they are used well, they promise to help these industries better demonstrate their value on an industry-wide basis, within the context of the national debate on the effectiveness of government and nonprofit interventions.

Political savvy is critical in the field of community and economic development, no less in program evaluation than in other functions within the industry. Evaluation is often used as a political tool strictly for the purpose of closing down programs. Political considerations often mean that government programs are not and cannot be implemented in alignment with their initial intended purposes. Benefits of economic development programs are often used by elected politicians to reward supporters, regardless of the guidelines that are supposed to govern decisions about how benefits are distributed. Due to the volatile and political nature of government funding for economic development programs, program staff must be well aware of the politics involved in their programs, the political purposes for which the programs are used, the necessity of implementing

programs in ways that nurture political support. In a very real way, for long-term success, these dimensions must be considered along with specific programs goals, guidelines, and original authorizing legislation in the calculus of program staff (Dewar, 1998).

The last point I want to make is that a substantial limitation on the practice of evaluation in CED is a cultural one: we live in a culture where criticism is very often seen as destructive. When an evaluation identifies weaknesses, that is often seen as a death blow, rather than as a call to change the parts of the program that aren't working and incorporate recommendations to improve the program. What is called for here is a cultural change so that criticism is offered and utilized in a constructive way. This change would go a long way towards enabling more and better evaluations. It is my belief that the vast majority of people involved in community and economic development, whether at the policy, implementation, or authorization levels, do indeed want to support programs that change people's lives – in other words, programs that are effective. Better evaluation could make the programs themselves more effective if we could change the culture surrounding constructive criticism, including evaluations.

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Appendix A: Components of the LISC Chicago indices

Decennial Change Index: Indicators of ong-term dynamics (p. 7)

Statistic	Source	Concept
Adjusted Fmily Income	US Census for 1970, 80, 90, 2000	Buying Power, Disposable Income
Number of Owner-Occupied Homes	US Census, same years	Nbhd confidence; climate of investment
Population	US Census, same years	Nbhd confidence; commercial vitatlity; size of market
Employment in the nbhd	IL Dept of Econ Sec, 72, 81, 90, 99	Nbhd confidence; commercial vitality; size of market

Annual Performance Index: Residential

Statistic	Source	Concept
Home-Purchase Loans per 1,000 Households	FFIEC(2) – Home Mortgage Disclosure Act raw data for 97 and annually thereafter	Resident Investment/ Commitemtnt to Neighborhood
Low-or Mod- Income Borrowers per 1,000 Households	HMDA raw data, same years	Econ Part'n by LI Hhs / Econ Equity
Home Imprvt Loans per 1,000 HH	HMDA raw data	Resident Investment / Physical Improvement
Price of Home Purchase on Avg tract, per $10K	Mult LS of No IL, same years	Resident Investment / Prop value

Annual Performance Index: Business

Statistic	Source	Concept
Small Business Loans per census Tract	FFIEC(2) – Cmty Reinvt Act Aggregate and Disclosure Reports for 97 and annually thereafter	Business Environment / Small business activity
New Business startups per tract	IL Department of Commerce and Community Affairs, same years	Business investment / new activity

Challenge Score:
Include bldg permit data, divide the nbhd's score by city's.

Appendix B: Success Measures Indicators

Information from the web site seems appropriate to help readers understand the system:

"The Success Measures Data System (SMDS) offers 44 indicators to measure the impacts of housing, economic development, and community-building programs at the individual, organization, and community level. There are currently over 100 data collection tools corresponding to these indicators on SMDS. These data collection tools include surveys, interviews, observational protocols, focus groups and formats for analyzing program administrative data or public records and data sources.

I. Affordable Housing Indicators

Set 1. Measuring Benefits to Residents of New and Rehabilitated Housing

- H 1. Monthly Housing Cost and Affordability
- H 2. Quality of Housing
- H 3. Wealth Creation through Homeownership
- H 4. Environmentally Sustainable Design and Construction
- H 5. Personal Effectiveness and Stability

Set 2. Measuring Benefits to Community

- H 6. Sense of Community
- H 7. Visual Attractiveness of the Neighborhood
- H 8. Community Use of Public Space
- H 9. Neighborhood Security
- H10. Property Values -- Residential
- H11. Share of Owner-Occupied Homes

Set 3. Measuring Benefits to Municipality and Society

- H12. Local Economic Impact
- H13. Duration of Residency and Resident Stability
- H14. Diversity of Incomes and of Housing Values and Types

II. Economic Development Indicators

Set 1. Measuring Benefits of Neighborhood-Based Business Support Programs

- E 1. Business Size, Type and Profitability
- E 2. Job Creation and Preservation

Set 2. Measuring Benefits of Job Training Programs

- E 3. Employment and Income from Job Training
- E 4. Trainee Evaluation of Job Training and Placement
- E 5. Skills Acquisition – Basic Job Readiness

Set 3. Measuring Contributions to Community

- E 6. Attractiveness of Business District
- E 7. Extent to Which Basic Community Needs Are Met By Local Businesses
- E 8. Local Business Support of and Participation in Community

III. Community Building Indicators

Set 1. Community and Organizational Capacity

C 1. Awareness of Community and Organization's Effort
C 2. Participation in Community Organizations
C 3. Organizational Capacity for Developing Community Leaders
C 4. Organizations Involved in Community Building Initiatives and Resources Committed
C 5. Accountability to the Community
C 6. Awareness and Understanding of Community Issues
C 7. Capacity for Collective Action
C 8. Collaboration Achieving Economies of Scale and Scope

Set 2. Social Relationships and Networks

C 9. Resident Satisfaction with Neighborhood
C10. Sense of Social Cohesion
C11. Personal and Social Networks
C12. Links Across Race and Ethnicity
C13. Constructive Working Relationships among Individuals/Organizations in Community Building
C14. Collaboration Promoting Shared Values

Set 3. Community Economic and Political Influence

C15. Evidence of Community Power
C16. Voting Rates
C17. Leadership for Change: Extent of Leadership
C18. External Perception of Neighborhood
C19. Public Services
C20. Private Investment
C21. Healthy Environment
C22. Racial Equity