

EXECUTIVE SUMMARY

ACCO: THE FALL AND POSSIBLE
RESCUE OF A CITY

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Acco: The Fall and Possible Rescue of a City

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Recommendations:

- Acco has the potential to be one of the leading tourist sites in Israel, and tourism is the key to reversing the long, steady decline of the city
- The most effective way to realize this potential is to incentivize the private sector to develop the port, historical sites and adjacent areas as Business Improvement Districts (BIDs) and with Tax Increment Financing (TIFs).
- Acco should learn from successful examples of renewal worldwide and utilize local expertise and resources, such as from Western Galilee College, to achieve these goals.

Introduction

Acco has not always been a poor city rife with crime and violence. Acco was not long ago the business center of the Western Galilee, and its well-preserved historical sites can be one of Israel's greatest potential tourist attractions.¹

Acco faces three main problems: (1) a shrinking population; (2) a shrinking business sector; and (3) for many years unemployment levels far above the national and regional averages. National policymakers have not been unaware of these problems; in November 2000, Acco was included as one of eleven economically depressed cities in Prime Minister Ehud Barak's "Ofek" plan for economic and social development.²

In 2002, Prime Minister Ariel Sharon "adopted" Acco (and Lod) and the city received NIS 300 million in new funding.³ From this allocation, NIS 88 million was invested in Acco's Old City, NIS 28 million was used to repair the Acco Prison Museum, the Bahai community was granted tax benefits totaling hundreds of millions of shekels, businesses relocating to Acco received various benefits and 31 policemen were added to the local force.⁴

Also in 2002, Acco was included as an "A" area in the Law for the Encouragement of Capital Investment's "National Priority Regions", thus redressing an economic distortion created earlier, when Acco's neighbors – and business competitors – were granted "A" level status while Acco had not – a move that encouraged businesses and residents to leave Acco.⁵ In 2003, the Ministry of Industry promised businesses relocating to Acco a reimbursement of 50% of their relocation expenses.⁶

Despite all of these allocations, preferences and commitments, Acco remains a troubled city. Consider the following facts:

- Acco's population was 46,000 individuals in 2004, of which 16,800 were in the work force; of these, 12,700 were employed and 4,200 unemployed. Over half the employed population of Acco works outside the city.⁷
- Acco's population is 68% Jewish (approximately 25% are recent immigrants), 26%

Arab and 6% of other backgrounds.⁸ With the exception of the 1990s boom in immigration, population growth has been almost always negative. Acco ranks in the bottom fifth of Israeli cities in terms of where it is considered worthwhile to open a business. Thirty-four percent of Acco's small businesses and 28% of its medium-sized businesses are in danger of closing, the worst rating of any city surveyed.⁹

- The economy of Acco was once based on large flagship industries such as Tambour (paints), metal and tube factories; when such industries began a nationwide decline about 15 years ago, Acco was especially hard hit. Table 1 shows how Acco rates in comparison with nearby cities; Acco has fewer factories, and the ones it has are smaller, than its neighbors. In 2003, 40.9% of the employees in Acco earned the minimum wage or less.¹⁰

Table 1
Employment and Factories in Acco and Environs (2002)

CITY	Factories	Employed (Total)	Employed per Factory (Average)	No. of Residents per factory
Acco	67	2,800	41	683
Nahariya	75	5,900	78	632
Carmiel-Shefaram	225	11,000	49	188
Yechiam	84	5,300	63	NA

Source: Based on Central Bureau of Statistics, Establishments and Employed Persons, by District, Sub-district and Natural Region, http://www1.cbs.gov.il/shnaton56/st20_10.pdf (14 March 2006)

- At the end of 2005, slightly more than 1,000 businesses operated in Acco, of which 814 are registered legally; of these, 80% are small businesses. Half of these legal businesses are in the food or restaurant sector.¹¹
- Businesses wishing to operate in Old Acco face a number of bureaucratic obstacles unique to this area, in addition to the normal bureaucratic obstacles of doing business in Israel. Within the boundaries of the historic section of the city, businesses must deal with the Antiquities Authority, the Ministry of Tourism, the Acco Development Company and occasionally Amidar. One local businessman estimated the time it took him 18 months to wade through this bureaucracy quagmire.
- Though many thousands of tourists pass through the city annually, only one hotel with 125 rooms and two hostels with 180 beds are available. For purposes of comparison, in nearby Nahariya seven hotels operate with 580 rooms, in addition to various hostels and inns.¹² Tourists visiting Acco assume they cannot and should not stay there.
- Undoubtedly one of the reasons for Acco's continued demise has been a poorly functioning municipality. A 2004 survey rated the Acco City Hall the fourth least efficient in the country when it came to budget, tax collection, bureaucracy, and provision of services.¹³ In 2004, only 36% of industrial property taxes due were actually collected, down from 81.6% in 1999.¹⁴

- State agencies such as The Israel Lands Authority (ILA), the Amidar housing corporation, and government ministries have also contributed to Acco's decline. When the government chose to promote nearby Carmiel and Nahariya in the 1990s, residents left Acco to obtain such benefits as a 15% reduction in income tax in Nahariya. When the ILA did not release land for sale in Acco, the local housing market became dominated by Amidar public housing. Amidar maintains about 2,000 apartments in Acco's New City and 20 buildings in the older part of the city, out of a total 16,000 units in the city.¹⁵ Those who could afford to relocate out of the city did so, and a poorer population moved in.¹⁶

In 2004, the municipality realized that if it did not work to stem the tide, the city would be lost. A new emphasis was placed on labor intensive rather than space-intensive industry. The municipality asked the Interior Ministry for permission to reduce "arnona" property tax rates and the zoning bureaucracy was streamlined. But even with the best of intentions, these actions cannot alone stem the decline and the municipality continues to face a daunting task.

International Experience

Acco is not the only distressed city in the world. Others have successfully overcome economic and social hardships. Two of many examples are:

Newark: Between 1960 and 2000, Newark, New Jersey in the United States suffered great difficulties: business declined, unemployment rose; education declined, crime rose; and the population declined. In 2004, the "Opportunity Newark" project was initiated based on work by Harvard's Michael E. Porter. Porter developed plans to treat inner cities with unemployment levels over 20% by emphasizing the use of private in place of public funds. Instead of fighting poverty, the project focused on creating jobs and wealth; instead of focusing on the problems, the project focused on opportunities; and instead of providing welfare services, opportunities for entrepreneurship were provided.

Branson: Another city that can serve as an example for Acco is Branson, Missouri, which developed its tourist industry as a response to its problems. This small city prides itself on being 300 miles from 20 million people, and on its friendly local residents.¹⁷ Three private consulting groups analyzed the city's strengths and weaknesses. The municipality decided to turn the city into a convention center and develop various family-oriented tourist sites. Financing was based on issuing municipal bonds and on Tax Increment Financing (TIF), wherein a particular area is designated such that all income from it is reinvested within its borders.

Recommendations

The approaches and methods prescribed by Michael Porter and implemented by the City of Branson are appropriate for Acco, which is characterized by many distressed areas, long-term economic problems, a welfare-dependent populace and untapped tourism potential.

First, city officials need to sit with consultants, entrepreneurs and local residents and businessmen in order to determine the city's relative advantages and develop a concrete plan for social and economic development. While it is not appropriate to prejudge the conclusions,

it seems very apparent that Acco offers few if any advantages in the area of industry, while it seems clear that tourism holds the greatest potential for economic growth and employment opportunity..

Second, continued dependence on government funding (state and local), planning and management that time and again has proven to be “a dollar short” and highly inefficient is a formula for continued failure, Success depends on providing the opportunity for the private sector to lead the development effort.

In the U.S., the private sector is able to take part in urban revitalization by means of financial tools such as Business Improvement Districts (BID) and Tax Increment Financing (TIF). BIDs allow the public sector to collect the taxes and fees in a specified area and transfer these payments, along with various municipal authorities and responsibilities, to a private sector organization charged with managing the area. TIFs allow for all income from a particular area to be reinvested in that area. Clearly, Acco could use these tools, as they focus on revitalizing an area based on its human and urban characteristics and involve local residents and businesses in the process of revitalization.

But for Acco to have any realistic chance to realize its potential, cardinal initiatives need to be launched in order to have his recommendations have any relevance:

1. Crime needs to be reduced and a feeling of progress needs to be created, for example, by increasing the size and presence of the police force:
2. The coastal areas need to be cleaned, the port developed and the boardwalk completed.
3. Additional quality hotel rooms need to be built.
4. New attractions need to be created such as amusement parks, sailing, and so forth.
5. The entire city, and existing tourist sites in particular, need a facelift.
6. Bureaucracy needs to be streamlined and the municipal chain of command be made clear.
7. Reductions need to be made in the arnona property tax for new or expanding businesses.
8. In order to reduce the inflow of the poor, public housing needs to be curtailed by means of the sale of public apartments to their residents.
9. A name for Acco as a tourist site and desirable residential city needs to be created and marketed in Israel.
10. Israel's Michael Porters including resources from the Western Galilee College should be recruited to contribute to empowering the city.

Acco is one of Israel's unique cities with a rich history of more than 2,500 years. The decline of this precious resource and impact on the city is both frustrating and sad. It is time to let those primarily from the private sector who know how to tap this potential, with the support of the municipality and available local resources, to deploy well-established tools to save Acco from itself.

¹ Acco was named a World Heritage site by UNESCO, <http://whc.unesco.org/en/statesparties/il> (30 January 2006).

² Prime Minister's Office, Division for Coordination, Follow-Up and Control, *The Ofek Plan: Final*

- Report* (Jerusalem: Prime Minister's Office, 2004).
- ³ Avishai Cohen), Prime Minister's Office, interview with the author, 19 March 2006
- ⁴ Sixteenth Knesset, Interior Committee, Protocol 8494, <http://knesset.gov.il/protocols/data/rtf/pnim/2004-06-29-02.rtf> (19 February 2006).
- ⁵ Ministry of Industry, Trade and Labor, Law for the Encouragement of Capital Investment, Directive, <http://www.tamas.gov.il/NR/exeres/F197B5E2-8980-4835-940C-32EA22C80BD9.htm> (21 March 2006).
- ⁶ Ministry of Industry, Trade and Labor, Press Release, "Finance and Trade Ministers Agree on Aid for Acco Factories," <http://www.tamas.gov.il/NR/exeres/B22F9E46-72E4-44AA-B73A-5BCFEEBA7D19.htm> (2 March 2006).
- ⁷ Ibid.
- ⁸ Ibid.
- ⁹ Prestige, <http://www.prestige.co.il/article.aspx?ID=444> (19 December 2005).
- ¹⁰ The National Insurance Institute, Statistics by Settlement: Acco, http://www.btl.gov.il/btl_indx.asp?name=BTL&type=m (19 December 2005).
- ¹¹ Gabby Ben Yair, Registrar of Business, Acco, interview with author, 16 January 2006.
- ¹² Central Bureau of Statistics, Tourist Hotels, Rooms, Occupancy, Person-Nights, Revenue and Employed Persons in Tourist Hotels in Selected Localities, http://www1.cbs.gov.il/shnaton56/st23_12.pdf (19 March 2006).
- ¹³ Ynet, <http://www.ynet.co.il/articles/0,7340,L-2864560,00.htm> (6 January 2006).
- ¹⁴ Acco Municipality, presentation prepared for MK Eitan Cabel, 14 April 2005.
- ¹⁵ David Kashani, chairman of Public Housing Forum, interview with author, 13 June 2006.
- ¹⁶ ,MK David Azoulay, interview with author, 11 January 2006. <http://cityofbranson.org/Landing/images/pt1.pdf> ¹⁷ Branson,

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