



Ending Concentrated Poverty: New Directions After Hurricane Katrina
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Introduction

Just as Hurricane Katrina destroyed lives and communities, it also demolished the illusion that the challenges facing poor families and neighborhoods are “somebody else’s” problems. The extraordinary outpouring of compassion, assistance and financial support from citizens across the country for Katrina’s survivors suggests many Americans may recognize a new reality: poverty must be our entire nation’s concern. Some may even understand in a new way that their own hometowns face similar challenges as those that Katrina laid bare in the Gulf Region.

It is less clear whether our elected leaders in Washington have fully absorbed this lesson. Few are asking what government, at all levels, can and must do to help recover and rebuild in the many places where the “unnatural disaster” of concentrated poverty drowns opportunity for families.

To help policymakers answer that question, Enterprise recommends the following principles, backed below by more specific policy proposals that have proven track records: 1) enhance access to opportunity for low-income families; 2) rebuild and reinvest in a smart, sustainable way; and 3) ensure meaningful decision-making roles for low-income people.

Enterprise is a national nonprofit organization that provides capital and expertise to community-based organizations serving low-income areas. Since 1982, Enterprise has invested \$6 billion to create 175,000 affordable homes and helped strengthen hundreds of low-income communities and local organizations nationwide.

What We Know About Concentrated Poverty

The current poverty rate is 12.7 percent. This means that 37 million Americans are considered poor, four million more than in 2001. The current poverty level for a family of three is an annual income of \$16,090 (slightly different figures apply in Alaska and Hawaii). “Concentrated poverty” most commonly refers to the share of poor people

living in “high poverty” neighborhoods, those with poverty rates of 40 percent or greater (although the negative effects of concentrated poverty can appear at much lower levels). As of 2000, 3.5 million poor people lived in census tracts with concentrated poverty.ⁱ Before Katrina, New Orleans had the fifth highest concentration of poverty among the 100 largest metropolitan areas.

The consequences of concentrated poverty, amply documented in scholarly research that spans the ideological spectrum, can be devastating for families, neighborhoods and regional economies. Fundamentally, communities of concentrated poverty are isolated from job opportunity, better schools, private investment and support systems that can provide steady example and encouragement to struggling families. We all have a stake in these neighborhoods, whether we are animated by our own conscience or concerns about our hometown’s competitiveness in the global economy.

The number of people living in high poverty areas doubled between 1970 and 1990. Among the main reasons were the eroding job base in many cities, compounded by rising deindustrialization and globalization, and longstanding suburban development policies that excluded poor and minority families.

During the 1990s, however, the number of people living in high poverty neighborhoods dropped by 24 percent (2.5 million people) and the share of poor people living in concentrated poverty declined as well.ⁱⁱ Other indicators were not as encouraging; in fact concentrated poverty actually increased during the 1990s in a number of older “inner ring” suburbs. But headway against high poverty in recent years at least shows us that more progress is possible, which is an important place to start. The following are core principles and specific policies that recent experience has shown can help poor people and very poor communities succeed.

What Government Can Do to Help End Concentrated Poverty

Enhance access to opportunity for low-income families. Research and recent experience have shown the effectiveness of federal Housing Choice Vouchers, which help low-income families pay rent for private apartments in communities of their choice. Vouchers can also help families pay mortgages on homes they own. Vouchers serve two million families today, only a fraction of those eligible.

Vouchers can be especially effective when combined with counseling to families and outreach to apartment owners. Recent research has shown vouchers’ capacity to help increase employment for adults, with especially encouraging results for people moving from welfare to work. Vouchers also have been shown to improve children’s school performance and reduce juvenile delinquency. And vouchers have contributed to poverty de-concentration and racial and ethnic integration.ⁱⁱⁱ Vouchers do not provide these benefits across the board. Program administration could be improved to align vouchers with the metropolitan realities of housing markets.

Congress should expand housing vouchers and authorize a limited number of pilot programs to test alternative approaches, such as metropolitan or regional administration of the program, including by state housing finance agencies and qualified nongovernmental entities. The federal government also should put resources into support services for voucher holders and educational efforts for local landlords. Fair housing enforcement against discrimination in housing should be strengthened as well.

State and local government have important roles to play in expanding access to opportunity. Too often state and local zoning policies, land use regulations and development priorities exacerbate concentrated poverty by limiting or preventing the development of affordable homes in suburban areas closer to better jobs and schools. An especially effective alternative for local communities is “inclusionary zoning,” which encourages or requires developers to provide affordable homes as part of market-rate developments.

It is estimated that 250 – 400 communities have adopted inclusionary zoning policies and that this approach has produced 80,000 affordable homes. One of the signature strengths of inclusionary zoning is its reliance on the private sector and market forces (albeit under governmental direction) to provide a solution that helps create mixed-income communities. One of the most successful examples is Montgomery County, Maryland. Since the early 1970s, this economically prosperous and growing region has helped meet rising demands for affordable housing through inclusionary zoning. The program currently generates 250 affordable homes each year and has garnered the support and participation of leading developers.^{iv}

Rebuild and reinvest in a smart, sustainable way. News accounts have captured the strong sentiment among many Katrina evacuees to return to their communities. These feelings seem especially strong among former residents of neighborhoods hit hardest by the storm, many of which, such as New Orleans’ Ninth Ward, suffered from serious neglect even before Katrina hit. In spite of it all, people want to go home.

Very low-income communities can be functional neighborhoods of choice and springboards to broader opportunity; in fact, many are. Efforts to end concentrated poverty cannot simply end at assisting families who want to move to more stable neighborhoods. They must also involve investing in places that would otherwise be left behind. The private sector can and should be involved. Community- and faith-based groups have a critical role to play. But government leadership is essential.

Federal housing programs – from mortgage insurance that discriminated against minorities to public housing programs that clustered the very poor – have been major culprits in concentrating poverty in the past. More recent approaches have shown that federal initiatives can help turn around troubled neighborhoods. A prime example is HOPE VI, which enables local jurisdictions to form private-public partnerships to turn dysfunctional environments into healthier communities. HOPE VI was specifically designed to engage the private sector and local communities in precisely the kind of large-scale, mixed-income redevelopment the Gulf Coast and other distressed areas need.

The results to date are good. HOPE VI developments have been associated with lower crime rates and higher incomes, education levels and employment rates than existed before redevelopment. HOPE VI also has spurred increased private investment in low-income communities.^v

For residents of public housing demolished as part of HOPE VI redevelopments, the program's results are more mixed. The majority of residents live in better housing in lower poverty neighborhoods as a result of HOPE VI. Many more are employed now than before redevelopment, although the vast majority of residents still have very low incomes. Regrettably, a significant percentage of former residents still have housing problems or are simply unaccounted for.^{vi} HOPE VI should be expanded and improved to provide greater protections and opportunities to public housing residents and connect redevelopment projects to local public school reform efforts.

Other approaches that rely on the private sector and community- and faith-based organizations have been shown to strengthen low-income communities. There is emerging evidence that locally led community revitalization activities can substantially increase property values, widely regarded as the best measure of neighborhood improvement, since they typically “capitalize” other indicators such as poverty, safety, schools and amenities.^{vii} Expanding this progress means increasing support for programs that build community capacity and effective tax incentives that leverage private investment, such as the Low Income Housing and New Markets tax credits.

Long-term sustainability must guide the redevelopment of the Gulf Region and other distressed areas. Here, state and local governments already are leading. Across the country, governors like Mitt Romney in Massachusetts, mayors like John Hickenlooper in Denver, and broad-based coalitions of developers, environmentalists and others are pioneering innovative approaches to create jobs, expand housing opportunity and protect the environment. Solutions showing real promise include investing in previously polluted sites; connecting housing and commercial development to transportation and existing infrastructure; and incorporating healthy, high performance and energy efficient practices into all new development. The complex economic, environmental and equity issues that the Gulf Region rebuilding must address simply demand such approaches.

Concentrated poverty is the result of interconnected factors. Solutions to help end it need to address multiple problems simultaneously. Building smart and sustainably is a win-win-win situation: it can expand economic opportunity, reduce energy consumption and protect the environment. States and local leaders should use all the tools at their disposal to reward and encourage the right kind of rebuilding and reinvestment. The federal government should support the innovators by reducing regulatory burdens.

Ensure meaningful decision-making roles for low-income people. Expanding housing opportunity through vouchers and inclusionary zoning, as well as sustainably rebuilding and reinvesting in mixed-income communities, are proven, effective strategies for reducing concentrated poverty. Their ultimate *efficacy* depends on their *equity*, meaning the extent to which low-income people lead the efforts to put them into practice on the

ground. This means more than a “voice in the process” or a “seat at the table.” It means a serious commitment on the part of government officials at all levels to engage low-income communities as equal partners in all aspects of ending concentrated poverty where it persists in the Gulf Region and the other parts of our nation.

ⁱ Turner and Rawlings, *Overcoming Concentrated Poverty and Isolation: Lessons from Three HUD Demonstration Initiatives*, The Urban Institute, July 2005, p.5.

ⁱⁱ See Jargowsky, *Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s*, The Brookings Institution, May 2003.

ⁱⁱⁱ See Katz and Turner, *Rethinking Local Affordable Housing Strategies: Lessons from 70 Years of Policy and Practice*, The Brookings Institution and The Urban Institute, December 2003, pp. 23-32.

^{iv} Porter, *Inclusionary Zoning for Affordable Housing*, Urban Land Institute, 2004, pp. 40 – 47.

^v Zielenbach, *The Economic Impact of HOPE VI on Neighborhoods*, Housing Research Foundation, 2002, p. 3.

^{vi} See Popkin, et. al., *HOPE VI Panel Study: Baseline Report and HOPE VI Resident Tracking Study*, The Urban Institute, 2002.

^{vii} See Galster et. al., *The Impact of Community Development Corporations on Urban Neighborhoods*, Urban Institute, June 2005.