

# The Enduring Challenge of Concentrated Poverty in America:

Case Studies from Communities Across the U.S.



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A JOINT PROJECT OF THE COMMUNITY AFFAIRS OFFICES OF THE FEDERAL RESERVE SYSTEM AND THE METROPOLITAN POLICY PROGRAM AT THE BROOKINGS INSTITUTION



**COMMUNITY AFFAIRS**  
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at BROOKINGS



# The Enduring Challenge of Concentrated Poverty in America:

## Case Studies from Communities Across the U.S.

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# Message from Federal Reserve Chairman Ben Bernanke

I am pleased to present this report on concentrated poverty, which has been developed by the Community Affairs staff of the Federal Reserve System in collaboration with the Brookings Institution. The project combines data analysis with qualitative evaluations to provide texture to the understanding of economic and social dynamics in these communities. This in-depth exploration considers the interrelationships between public services and private investments, and provides important insights that will inform the work of the Federal Reserve in promoting economic growth. It also contributes to our understanding of the interplay between the broader economic context for private investments and public policy interventions in distressed communities.

This report was developed by staff from the Federal Reserve's Community Affairs function. Community Affairs brings together the System's strengths in research and data analysis, outreach, and convening with a regional presence in the 12 Federal Reserve Bank Districts. Since 1984, Community Affairs staffs at the Board of Governors and in the Reserve Banks have endeavored to identify barriers to capital and credit access, in order to better understand the challenges and identify pathways to potential solutions. This project provided an opportunity to expand that work. Several of the Reserve Banks that undertook these studies have continued efforts in these locations, working with partners to share their understanding to inform local policy, philanthropic investments, and community reinvestment programs.

This report is a collaborative effort by the 12 Banks and the Board of Governors. It builds upon outreach and relationships previously established through the Community Affairs programs in each of the 16 case study locations, leveraging the System's regional presence to develop a comparative analysis. This work makes an important contribution to the literature on understanding the dynamics of poor people living in poor communities, and what pathways exist to bring both into the economic mainstream. I am pleased that we were able to partner with the Brookings Institution, combining our staffs' knowledge of local communities with Brookings' previous work on this topic. I believe this project will stimulate future efforts to better understand these communities and link them to our national economy.

Sincerely,



Ben Bernanke

Chairman of the Board of Governors of the Federal Reserve System



# Message from The Brookings Institution Metropolitan Policy Program Director Bruce Katz

Concentrated poverty—poor people living in very poor places—presents some of the deepest economic and social challenges facing America today. The aftermath of Hurricane Katrina in 2005 reminded us that the severe isolation of very poor communities and their residents can have devastating consequences in the context of a disaster. Yet, as more than 20 years of research from scholars like William Julius Wilson has shown, concentrated poverty exacts a grave day-to-day toll on the people who continue to live in its midst, and threatens to perpetuate disadvantage across generations.

In the past, the problem of concentrated poverty seemed intractable. Paul Jargowsky first showed with data what a trip through many of America's inner cities in the late 20th century made evident: the population living in very high-poverty communities multiplied rapidly from 1970 to 1990. Economic and demographic changes played a role; so, too, did housing, transportation, and land-use policies that contributed to *de facto* racial and income segregation in so many metropolitan areas. In these communities, public safety deteriorated, access to jobs narrowed, schools failed to educate children, and wider areas were left without the fiscal or human capacity to meet these stark challenges head-on.

Yet the 1990s proved that concentrated poverty was not an immutable mark on the American landscape. A strong economy, new efforts to promote work and subsidized wages, and new directions in housing policy symbolized by programs like HOPE VI and the Housing Choice Voucher program helped to reduce the incidence of concentrated poverty across the United States. As the example of New Orleans showed, however, progress remains uneven, and may even have stalled during the current decade. Meanwhile, poverty is spreading and may be re-clustering in suburbs, where a majority of America's metropolitan poor now live.

In that light, this report—a joint effort of the Federal Reserve's Community Affairs function and the Brookings Institution's Metropolitan Policy Program—comes at a critical juncture. It shows that concentrated poverty is still very much with us, and that it can be found among a much more diverse set of communities and families than previous research has emphasized. Not only does concentrated poverty affect the big, older inner cities in the North that are the subject of so many classic studies, but it also exists within smaller cities of the South and West, immigrant gateways, struggling areas of Appalachia and the Delta, and Native American lands. While the case studies in this report point to unique factors that accompanied rising poverty in each of these communities, the negative consequences ring familiar across places big and small; urban and rural; industrial and agricultural; African American, white, Latino, and Native American.

We at Brookings have been grateful to partner with the Federal Reserve to produce this report, and hope that it contributes to renewed debate on how our society should confront and alleviate the substantial, pressing, and diverse challenges of concentrated poverty today. The 2008 presidential election presents a unique opportunity to have that discussion. The economic performance of our nation and its regions, the productive potential of our future workforce, and the promise of equal opportunity all depend on our collective response to the enduring problem of concentrated poverty in America.



Bruce Katz

Director, The Brookings Institution Metropolitan Policy Program



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# About This Study:

## A Letter from the Community Affairs Officers of the Federal Reserve System

In May of 2006, the Community Affairs Officers from the 12 Reserve Banks and the Board of Governors heard a presentation on concentrated poverty from Alan Berube of the Brookings Institution and Paul Jargowsky of the University of Texas at Dallas. The context for the discussion was the question of how to rebuild New Orleans after Hurricane Katrina, particularly given the devastation of the housing stock in the city's low-income neighborhoods. Yet, as quickly became apparent during the meeting, underlying the conversation on rebuilding the city was a less tangible and potentially more difficult challenge. The storm revealed that, for individuals who reside in impoverished communities, replacing physical infrastructure alone may not be enough to generate and sustain community development and well-being.

This need for a deeper understanding of the relationship between poverty, people, and place—not only in New Orleans but in communities across the country—struck a chord in us. The Community Affairs offices of the Federal Reserve System have a shared mission to support economic growth objectives by promoting community development and fair and impartial access to credit. Each of the 12 Reserve Banks establishes distinct programs and responds to local needs in its district. But as part of a nationwide entity, the Community Affairs offices also have the ability to collaborate on projects, to share information and resources, and to work together to support community development at regional and national levels. Given this unique structure, we saw an opportunity to study the issue of concentrated poverty in communities across the country—to draw on our local knowledge and, at the same time, pull the local stories together in a way that allowed us to share more broadly the commonalities and differences among places.

In this report, we profile 16 communities of concentrated poverty, in areas as diverse as Cleveland, Ohio, El Paso, Texas, and the Blackfeet Reservation in Montana. We want to state at the outset that it is not the intention of this publication to explain poverty causation. Poor people, and the communities they live in, have been the subject of serious study and debate for decades. Rather, our goal is to add texture to our understanding of where and how concentrated poverty exists, by studying new areas and by interviewing local stakeholders, including residents, community leaders, and government representatives, to understand how concentrated poverty affects both individuals and communities. We believe this report will contribute to the public conversation among policymakers and practitioners about the relationship between people and place, and ultimately to a comprehensive policy discussion on poverty alleviation and community reinvestment.

Most important for us in Community Affairs, conducting this research has helped us identify new ways we can collaborate with our government, nonprofit, and for-profit partners to help address challenges in high-poverty communities. As this report demonstrates, poverty did not appear overnight; it will likely take comprehensive strategies and many years to successfully address it. In the meantime, we will continue to identify and act on opportunities to support and collaborate with communities across our districts in fulfilling our mission to promote economic development along with fair and impartial access to credit.



# Concentrated Poverty in America: An Overview

**W**hat images does the phrase “poverty in America” conjure up? Some people might associate the phrase with hunger, homelessness, no work or low-paid work, perhaps even poor health. Some might envision specific populations that are more likely to live in poverty, such as children, racial and ethnic minorities, and single-parent families.

For most Americans, though, the view of poverty entails more than individual circumstances. It also elicits thoughts about inner cities, isolated rural areas, and Native American reservations. That is, poverty connotes places as well as people. Going further, poverty implies something about the local conditions faced by poor individuals and families in these places: unsafe neighborhoods, failing schools, substandard housing, inadequate private services, and diminished community hope.

“Concentrated poverty” represents the confluence of these two ideas of poverty in America. It concerns the tendency, in many corners of the United States, for poor populations to be clustered into very poor communities. A large body of research argues that these areas of concentrated poverty place additional burdens on poor families that live within them, beyond what the families’

own individual circumstances would dictate. In addition, concentrated poverty can have wider effects on surrounding areas that limit overall economic potential and social cohesion.

This overview chapter traces the recent history of research into the intersection of poverty and place in the United States and how the notion of concentrated poverty evolved. It also:

- sets forth an empirical framework for identifying areas of concentrated poverty and examines recent trends in its incidence;
- describes in broad outline the factors that research suggests contribute to concentrated poverty in America; and
- reviews research findings regarding the effects of concentrated poverty on individuals and families, their neighborhoods and communities, and their surrounding areas.

Motivating this project is a growing recognition—or perhaps a re-recognition—that the problems faced by many of the communities devastated by Hurricane

Katrina in 2005 were not unique to those locations. Indeed, concentrated poverty exists on a similar scale in a number of American cities.<sup>1</sup> Immigrant gateways such as Fresno, Miami, El Paso, and Long Beach, California, have significant rates of concentrated poverty, as do smaller cities like Albany, Georgia, and Columbia, South Carolina. Even suburban municipalities outside cities such as Palm Beach, Mobile, and St. Louis have begun to exhibit extreme levels of neighborhood poverty. These high levels of local poverty are also evident in rural counties in the Mississippi Delta, the Southwest Border, Appalachia, inland California, and Native American lands, some of which fit the definition of “persistent poverty counties,” where poverty rates have remained above 20 percent for more than three decades.<sup>2</sup>

## ■ BACKGROUND

Poor places have been with us for as long as poverty has been with us. Charles Booth’s surveys of life in London the late 1800s, published as *Life and Labour of the People*, demonstrated how poverty clustered in eastern sections of the city, while wealth concentrated in the west. Jacob Riis’s photographs of New York City’s Lower East Side in the early 1900s highlighted the stark conditions in which the area’s poor, mostly immigrant tenement dwellers lived. James Agee and Walker Evans’s *Let Us Now Praise Famous Men* painted an enduring portrait of entrenched rural poverty among sharecropper families in 1930s Alabama. In short, the tendency of poor people to live among other poor people is hardly a new phenomenon.

A vast literature examines the connections between place and poverty in America. A smaller, though significant, strand of the literature focuses on places of very high poverty and the problems these locales pose for individuals and society. This more recent focus on concentrated poverty grew largely out of concern about the nation’s inner cities in the wake of ongoing deindustrialization, civil unrest in the late 1960s, and the rapid suburbanization and out-migration that followed. In most cases, these poor inner-city locations were populated predominantly by minorities, and many featured large public housing developments.

Accounts of life in these neighborhoods lent support to the view that poor Americans, especially those in very poor inner-city locations, lived outside middle-class norms in what some authors termed a “culture of poverty.”<sup>3</sup> These accounts emphasized the role of

destructive individual behaviors in perpetuating poverty and disadvantage. These theories were echoed in subsequent work by scholars such as Charles Murray, who argued that government programs themselves engendered this purported culture of poverty.<sup>4</sup>

As violent crime, out-of-wedlock childbearing, and the crack cocaine epidemic peaked in American cities in the 1980s, a new body of scholarly research emerged to define and explain the workings of the so-called underclass, as the inhabitants of these neighborhoods came to be known. Journalists such as Ken Auletta, Nicholas Lemann, and Leon Dash chronicled the origins, lives, and locations of representative members of the underclass.<sup>5</sup> Research by Erol Ricketts and Isabel Sawhill, as well as that of Ronald Mincy and Susan Weiner, sought to define the underclass based on “the coincidence of a number of social ills”—including poverty, joblessness, crime, welfare dependency, single parenthood, and low levels of skills—in small geographic areas.<sup>6</sup> While this research tended to emphasize the role of individual behaviors, other researchers focused on the structural explanations for inner-city poverty, including industrial transition, employment suburbanization, and racial segregation.<sup>7</sup>

Amid these competing definitions and explanations, Harvard sociologist William Julius Wilson has argued that structural factors—especially the decline of manufacturing jobs for less-skilled inner-city workers—resulted in widespread joblessness, which in turn affected cultural norms and behaviors in poor neighborhoods.<sup>8</sup> His research examining Chicago’s South Side focused on neighborhood poverty as a proxy for a wider set of conditions that reflected and reinforced disadvantage. In this way, Wilson’s work served to bridge the gap between structural and behavioral explanations for concentrated poverty. He placed particular emphasis on the conditions present in “community areas” of Chicago (relatively large neighborhoods with identifiable boundaries) where at least 30 percent—and in some cases, 40 percent—of all individuals lived below the federal poverty line. This work helped to place a new focus on the role of very low-income neighborhoods in shaping the lives of the urban, mostly African-American poor.

The rural poor were rarely considered alongside their inner-city counterparts in the underclass debate. Research examining the causes of poverty in rural areas tends to focus on the role of structural community-level factors, as well as individual characteristics and behaviors. Those community-level factors often include the

decline of traditional industries (agriculture, manufacturing, etc.) coupled with low education levels and out-migration.<sup>9</sup> Counties, rather than neighborhoods, form the basis for most place-based poverty research in rural areas, though many remote rural counties have populations in the range of urban census tracts, and very poor counties tend to cluster in “pockets of poverty.”<sup>10</sup>

Journalistic and ethnographic studies have also portrayed the unique features of concentrated rural poverty, reflecting on both individual and structural factors that produce it. Janet Fitchen studied poor households in an upstate New York community, demonstrating that low incomes have persisted across generations and that contemporary families have been unable to adapt to economic shifts toward modernized agriculture.<sup>11</sup> Cynthia Duncan conducted in-depth case studies of poor communities in Appalachia, the Mississippi Delta, and northern New England, and found that social structures in these places can either promote or inhibit social mobility.<sup>12</sup> In the first two communities, she found that the poor (the “have-nots”) are socially isolated from the non-poor (the “haves”), despite their economic interdependence. In the northern New England community, however, she found more inclusive systems of hiring and governance and less evidence of multigenerational poverty.

Similarly, the literature on poverty on Native American reservations has rarely framed the issue as one of concentrated poverty; indeed, reservations such as the Navajo and Blackfeet are characterized more by remoteness and small populations spread across wide areas than by the densely populated urban neighborhoods that the phrase evokes. Yet on many reservations, the problem of poverty is one of both people and place, encapsulating the same patterns of geographic and economic isolation, social problems, and unemployment as in urban settings.<sup>13</sup> Both quantitative and qualitative research efforts have focused on the importance of human capital, the legacy of federal Native American policies, locational disadvantage, and cultural factors in explaining tribal poverty.<sup>14</sup> More recent research has highlighted the critical roles of self-determination and sovereignty on tribal economic development.<sup>15</sup>

## ■ DEFINITIONS AND TRENDS

### Definitions

Several studies have measured the incidence of high-poverty neighborhoods nationwide, using census

tracts—small areas of 2,500 to 8,000 people—to proxy neighborhoods.<sup>16</sup> A census tract is considered a high-poverty neighborhood if at least 40 percent of its residents live in families with incomes at or below the federal poverty line.<sup>17</sup> Though the term “neighborhood” has more currency as a place descriptor in urban than in rural environments, Paul Jargowsky and others nonetheless use the same census tract-based threshold to define rural areas of high poverty.<sup>18</sup>

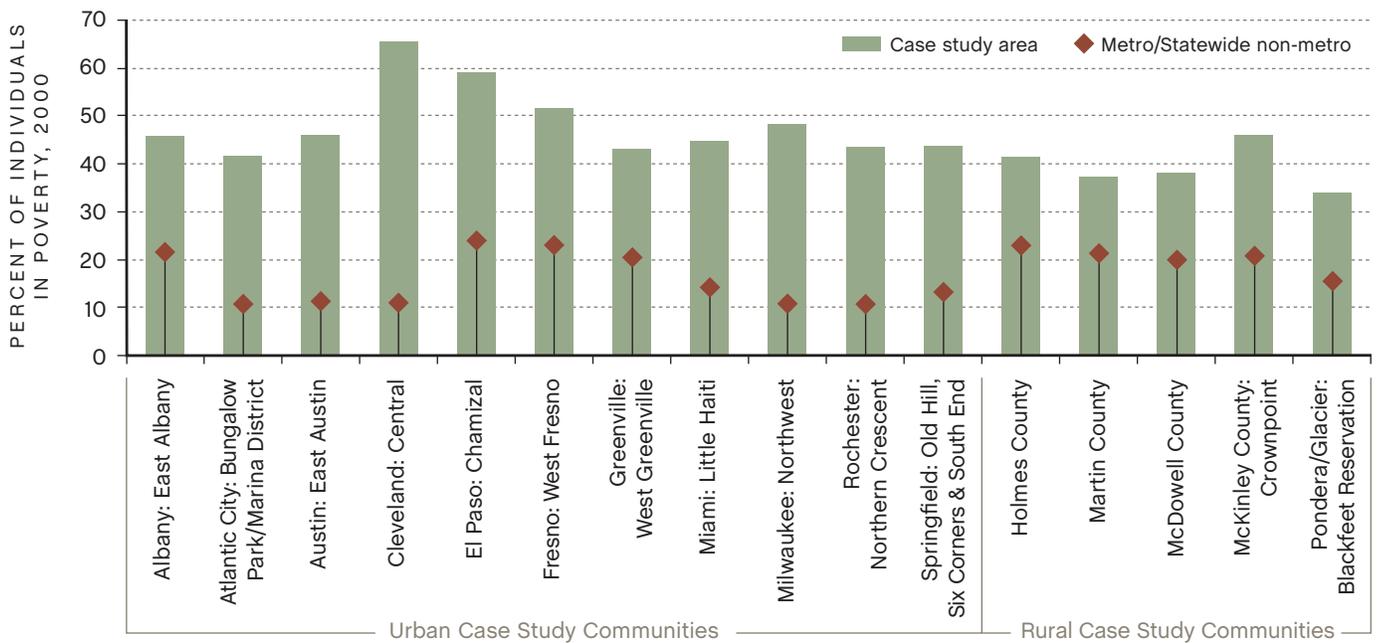
The concept of concentrated poverty developed by Jargowsky builds on the concept of high-poverty neighborhoods.<sup>19</sup> His concentrated poverty rate expresses the proportion of all poor individuals in a certain area (e.g., city, metropolitan region, or county) who live in neighborhoods of high poverty. Everyone who lives in a high-poverty area may confront the challenges that accompany day-to-day life there; however, those challenges may weigh most heavily on families who are themselves poor and who may have, or may perceive that they have, fewer options to live elsewhere. Thus, the concentrated poverty rate aims to capture the extent of a possible “double burden” imposed on poor families living in extremely poor communities.

This study borrows from both of these concepts—high poverty and concentrated poverty—to describe place and poverty in the United States today. The case studies in this report represent high-poverty communities, collections of census tracts where the poverty rate generally exceeds 40 percent. The 16 case study communities chosen for this report include Fresno’s West Fresno neighborhood; Cleveland’s Central neighborhood; Miami’s Little Haiti neighborhood; Martin County in Kentucky; the Blackfeet Reservation in Pondera and Glacier Counties, Montana; Greenville’s (North Carolina) West Greenville neighborhood; Atlantic City’s Bungalow Park/Marina District; Austin’s East Austin neighborhood; Crownpoint in McKinley County, New Mexico; McDowell County, West Virginia; Albany’s (Georgia) East Albany neighborhood; El Paso’s Chamizal neighborhood; Springfield’s (Massachusetts) Old Hill, Six Corners, and South End neighborhoods; Rochester’s (New York) Northern Crescent neighborhoods; Holmes County, Mississippi; and Milwaukee’s Northwest neighborhood. (See Introduction to the Case Studies, which follows this chapter, for a detailed explanation of the selection process for these communities along with a map showing their locations.)

As Figure 1A shows, poverty rates in the 16 case study communities are significantly higher than in either

FIGURE 1A

## Poverty rates in the case study communities and their comparison areas\*



SOURCE: U.S. Census Bureau, Census 2000

\*Comparison areas are metropolitan areas for urban case study communities, and statewide non-metropolitan areas for rural case study communities

their metropolitan regions (for the urban neighborhoods) or the other non-metropolitan counties in the state (for the rural areas). In addition, the poor are overwhelmingly concentrated in these high-poverty census tracts, as shown by the concentrated poverty rate of their surrounding areas, which are cities for the urban case study communities and counties for the rural case study communities. (See Figure 1B) By studying these communities of high poverty, we explore the degree to which, as Jargowsky describes, “the poor...not only have to cope with their own poverty, but also that of those around them.”<sup>20</sup>

### Trends

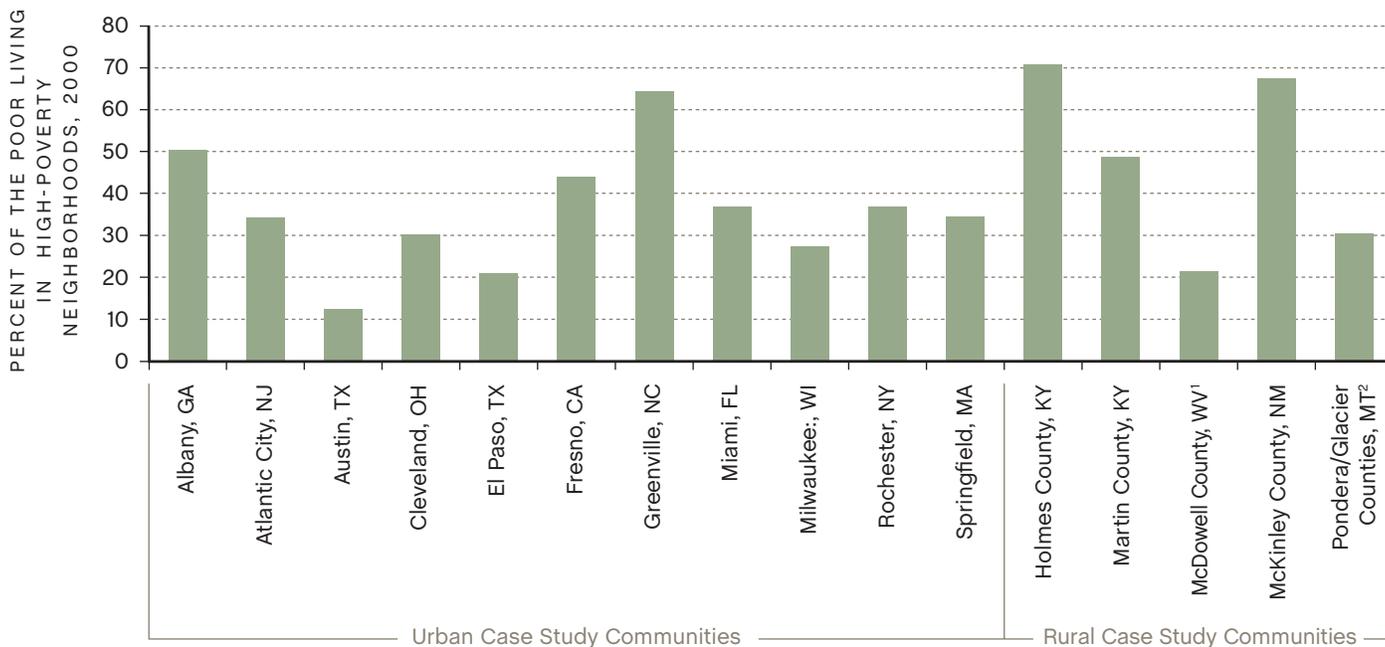
Jargowsky’s research reveals how neighborhood poverty has changed over the past few decades. In *Poverty and Place*, Jargowsky found that between 1970 and 1990, the number of poor people living in high-poverty neighborhoods in U.S. metropolitan areas nearly doubled, from 1.9 million to 3.7 million. The number of high-poverty census tracts in metropolitan areas also increased dramatically.<sup>21</sup> (See Figure 2) By 1990, almost 18 percent of the poor in

metropolitan areas lived in high-poverty neighborhoods, compared with just 12 percent in 1970. At a national level, neither individual nor family poverty rates increased substantially during this period.<sup>22</sup> As Jargowsky notes, while there was not a change in the poverty rates per se, there was a fundamental change in where the poor lived.

The concentration of poverty from 1970 to 1990 has been linked to many different factors, including de-industrialization, economic stagnation, and decline in cities of the Northeast and Midwest; the flight of white and black middle-class households to the suburbs; increased rates of single parenthood and welfare receipt among inner-city populations; and in some areas of the country, increased immigration from Latin America. As cities like Detroit, Cleveland, and St. Louis lost one-third of their populations in 20 years’ time, their inner-city areas essentially emptied out, leaving large swaths of vacant housing and neighborhoods troubled by crime and disorder. In metropolitan areas like Los Angeles, Mexican and Central-American immigration transformed some black and white neighborhoods into largely Hispanic barrios.<sup>23</sup>

FIGURE 1B

### Concentrated poverty in the case study communities' surrounding areas



SOURCE: Brookings Institution calculations of data from 2000 Census

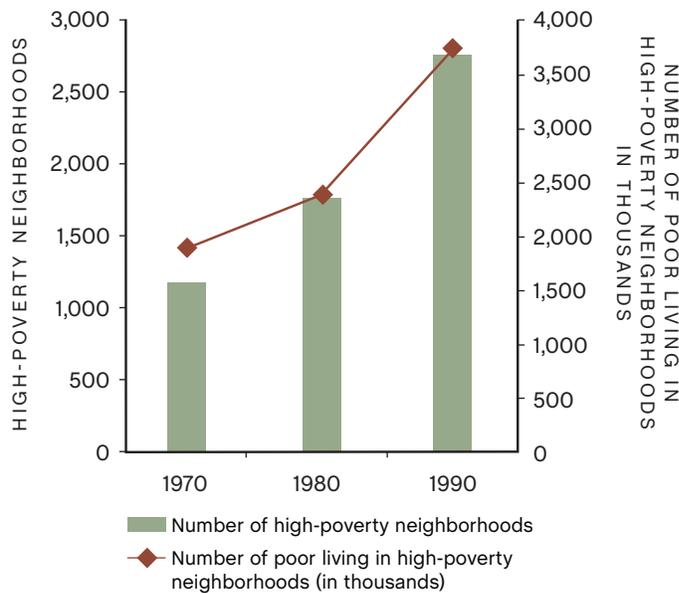
- 1 Of the 9 census tracts that comprise McDowell County, only 2 have poverty rates over 40 percent. An additional 5 tracts have poverty rates between 35 and 40 percent.
- 2 The Blackfeet Reservation case study spans 2 counties, Glacier and Pondera. Glacier County has no census tracts with a poverty rate over 40 percent.

Between 1990 and 2000, however, this national pattern reversed. Using data from the 2000 census, Jargowsky revisited his earlier question and examined changes in the concentration of poverty in both metropolitan and non-metropolitan areas.<sup>24</sup> What he found was that the total number of poor people living in high-poverty neighborhoods nationwide dropped by one-quarter over the decade, from 4.8 million to 3.5 million, or from 15 percent to just over 10 percent of the total U.S. poor population. Cities such as Detroit, Chicago, Houston, and Milwaukee saw widespread declines in extreme neighborhood poverty, as did many rural counties.<sup>25</sup> Moreover, all racial and ethnic groups benefited from the declines in the concentration of poverty during this time. (See Figure 3)

The factors that contributed to these declines are likely numerous, but the strong economic growth of the 1990s almost certainly ranks high among them. In April 2000, the nation's unemployment rate dipped below 4 percent for the first time in roughly 30 years. The tight labor market pulled in more workers and led to wage gains for those at the bottom of the skill distribution.<sup>26</sup>

FIGURE 2

### Trends in concentrated poverty in metropolitan areas between 1970 and 1990



SOURCE: Paul Jargowsky, *Poverty and Place* (New York: Russell Sage Foundation, 1997), 34.

Viewed against the backdrop of that economic growth, however, the fact that concentrated poverty in 2000 remained well above its levels in 1970 and 1980 remains of significant concern. As of 2000, several big U.S. cities still had more than one in four poor individuals—and more than one in three blacks and Hispanics—living in high-poverty neighborhoods.<sup>27</sup> Also notable were regional differences: while the South and Midwest saw substantial declines in the population living in high-poverty neighborhoods, the West actually saw a 26 percent increase.

Evidence suggests that the positive trends recorded during the 1990s were short-lived. More recent data indicate that increases in the overall U.S. poverty rate since 2000 have coincided with a re-concentration of poor households nationwide.<sup>28</sup> Poverty in rural communities also remains high, especially among minorities and children.<sup>29</sup> Child poverty is of particular concern in rural areas. Of the 50 counties with the highest child-poverty rates in America, 48 are rural, and the gap between urban and rural child poverty has widened since the late 1990s.<sup>30</sup> In Native American communities, those living on reservations remain among the poorest in the country despite the strong growth of reservation economies during the 1990s; in 2000, the Native American poverty rate on reservations was three times as high as that for the United States as a whole.<sup>31</sup>

## ■ THE DEVELOPMENT OF CONCENTRATED POVERTY

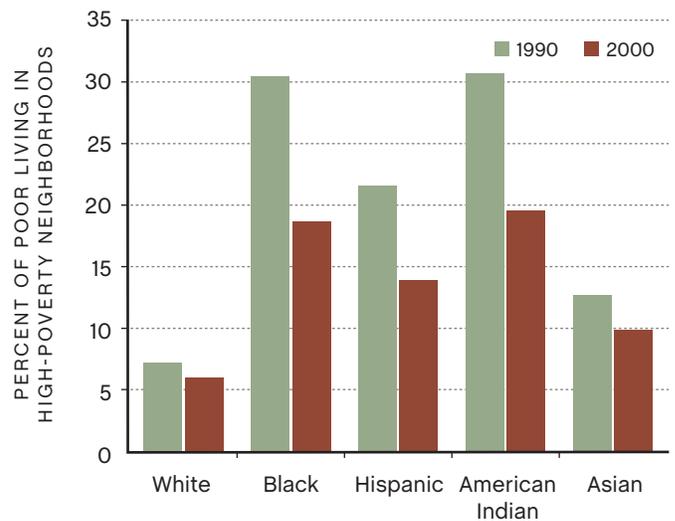
The phenomenon of concentrated poverty is, by definition, a local one: it has emerged along diverse paths and to varying degrees within cities, metropolitan areas, and rural areas. Thus, a wide range of economic and social forces have played a part in the creation of high-poverty communities. A review of the literature points to several factors as possible contributors to concentrated poverty in America over the past few decades.

### Economic Change

Secular changes in the structure and function of metropolitan economies have wrought disproportionate effects on less-skilled workers, particularly those located in urban neighborhoods. John Kasarda documented how the economic shift in U.S. cities from the production of goods to information processing served to disadvantage underclass populations with relatively few years of schooling.<sup>32</sup> He focused in particular on northern cities, finding dramatic declines between 1970 and 1990

FIGURE 3

## Concentrated poverty by race and ethnicity



SOURCE: Paul Jargowsky, "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s" (Washington, DC: Brookings Institution, 2003)

in blue-collar employment and a growing mismatch between the education levels of black males and the skill levels demanded in growth industries. Mark Alan Hughes reached a similar conclusion, finding strong relationships between deindustrialization and increases in extreme neighborhood poverty in northern metropolitan areas.<sup>33</sup> The reversal of the trend in big Midwestern cities in the 1990s may thus capture not just the effects of an improved overall employment picture, but also the rebirth of manufacturing employment during that decade.<sup>34</sup> More recent data, however, suggest that this rebirth was short-lived.<sup>35</sup>

The economic landscape of rural America has also shifted in significant ways. Over the past 30 years, agriculture's share of jobs in rural and small-town America has dropped by half. It is now only 6 percent of overall employment in non-metropolitan areas.<sup>36</sup> Employment in extractive industries like mining has also declined in many areas. Manufacturing jobs, which accounted for nearly 20 percent of jobs in rural counties in the late 1970s, comprised just 12 percent of jobs in 2005. These shifts are due in large part to global changes in the location of manufacturing plants and to increases in productivity in both farm-related and manufacturing industries.

### Suburbanization and Migration

Sociologists who studied the underclass and areas

of high poverty in the 1990s found that migration patterns contributed significantly to the shifting spatial concentration of poor city populations. Their research has found evidence that non-poor populations—both white and black—left mixed-income neighborhoods in the 1970s and 1980s, leaving behind poorer populations in the inner city.<sup>37</sup> In part, this out-migration reflected desegregation and the opening up of suburban housing opportunities for blacks during this period. Such opportunities were generally not available to poor households, however, thus limiting their residential mobility and leaving them confined to poor inner-city neighborhoods. The long-term effects of these migration patterns are reflected in the dramatic decline in the share of central-city neighborhoods that had a middle-income or mixed-income profile over the 1970–2000 period.<sup>38</sup>

Research has linked migration and the spatial concentration of poverty in rural America as well. Mark Nord found that more poor people moved into rather than out of high-poverty rural counties between 1985 and 1990, which reinforced preexisting spatial concentrations of poverty.<sup>39</sup> Nord posits that these in-migrants may have been drawn to communities with plentiful—albeit low-paying—entry-level positions that matched their own skills, as well as low costs of living.

### Racial and Economic Segregation

Since blacks (and in some cases, Hispanics) have traditionally constituted a disproportionate segment of the poor in areas of extreme neighborhood poverty, several scholars have pointed to racial segregation as a key contributor to concentrated poverty. In particular, Douglas Massey and Mitchell Eggers show how metropolitan areas with higher levels of racial or ethnic segregation in 1980 demonstrated higher levels of concentrated poverty, particularly affecting blacks in the North and South and Hispanics in the Northeast.<sup>40</sup> Considerable research suggests links between housing market discrimination and racial segregation, and ample evidence supports the hypothesis that a lack of coordinated land-use planning and localized fiscal structures have, over time, produced relatively fewer affordable housing opportunities in suburban jurisdictions, disproportionately affecting poorer households.<sup>41</sup> In rural and Native American areas, research shows that persistent poverty has been perpetuated by racial and income-based segregation and by the lack of inclusive political institutions.<sup>42</sup>

### Housing Policies

Historical policies concerning the location and targeting of affordable housing—particularly public housing—as well as discrimination in the mortgage and housing markets also served to concentrate poverty in many cities, and further contributed to patterns of racial and economic segregation. As Margery Austin Turner and colleagues note:

*The history of racial segregation and poverty concentration in distressed public housing is well documented (Massey and Kanaiaupuni 1993). In many cities, discrimination led to the deliberate siting of public housing in poor minority neighborhoods that lacked access to transportation and jobs (Bickford and Massey 1991). Over time, these developments were often allowed to deteriorate, due to the lack of political clout, deliberate neglect, and prejudice. Moreover, HUD policies targeting public housing assistance to households at the lowest income levels and giving priority to those in the most extreme distress exacerbated the concentration of profoundly poor households in these developments. In many cases, therefore, severely distressed developments increase the overall poverty rate in the surrounding neighborhood (Schill and Wachter 1995).<sup>43</sup>*

A recent investigation of concentrated poverty in New Orleans demonstrates how the location of large public housing developments served to worsen poverty in their surrounding neighborhoods over time.<sup>44</sup> Other, more recent programs to facilitate the production of affordable housing, such as the Low Income Housing Tax Credit, may also have reinforced the concentration of poverty in certain metropolitan areas.<sup>45</sup> Some scholars have noted that community-based affordable housing strategies present in many inner cities have too often proceeded without regard to the function of the broader metropolitan economy and housing market.<sup>46</sup>

Coupled with the location of affordable housing, the failure of the federal government in the mid-20th century to insure mortgages in inner-city neighborhoods and the coincident failure of private-sector lenders to extend mortgage credit in these neighborhoods served to worsen the economic isolation of these areas.<sup>47</sup> The Fair Housing Act of 1968, which prohibits discrimination on the basis of race, color, religion, and national origin, and the Community Reinvestment Act of 1977, which requires regulated

financial institutions to meet the credit needs of all communities within their market areas, were adopted to remedy the problems of “redlining” in these communities.

As with housing policies in the urban context, federal policy concerning Native Americans has also served to concentrate poverty on reservations. As Janet Kodras notes, “The historical choice of remote location has isolated the reservation from urban markets, and the legacy of federal neglect has left an infrastructure base insufficient for development.”<sup>48</sup> The trust status of many tribal lands has further impeded the development of a private land market on reservations. Land held in trust cannot be sold or encumbered by a lien unless first approved by the Bureau of Indian Affairs, which often entails a lengthy process. This, along with other factors, has limited the availability of capital and credit for both homeownership and business development in tribal areas.<sup>49</sup>

**Immigration**

The Immigration and Nationality Amendments of 1965 repealed immigration quotas based on nationality in the United States and opened up immigration from regions other than Europe. New immigrants began to arrive in large numbers, particularly from Latin America and Asia. Subsequently, the nation’s foreign-born population has more than tripled, to more than 35 million today.<sup>50</sup> Because many of these immigrants arrive with low levels of education, they are more likely to live in poverty than their native-born counterparts.<sup>51</sup> As a result, the foreign-born constitute a disproportionately large share of the poor, particularly in high-immigration regions like Los Angeles, New York, Miami, and Chicago. Immigration has also changed the face of many rural towns; while in 2003 the Hispanic population still constituted only 6 percent of the rural population, the Hispanic population increased dramatically in many rural areas in the 1990s (see Figure 4) and is the most rapidly growing group in non-metro areas.<sup>52</sup>

It does seem that immigration, then, has played some role in the emergence of concentrated poverty in certain parts of the country.<sup>53</sup> The successful incorporation of immigrants and their children into American society over multiple decades also raises questions about whether or not concentrations of impoverished and low-skilled

immigrants impact residents and the wider surrounding areas in ways similar to other forms of high area poverty.<sup>54</sup>

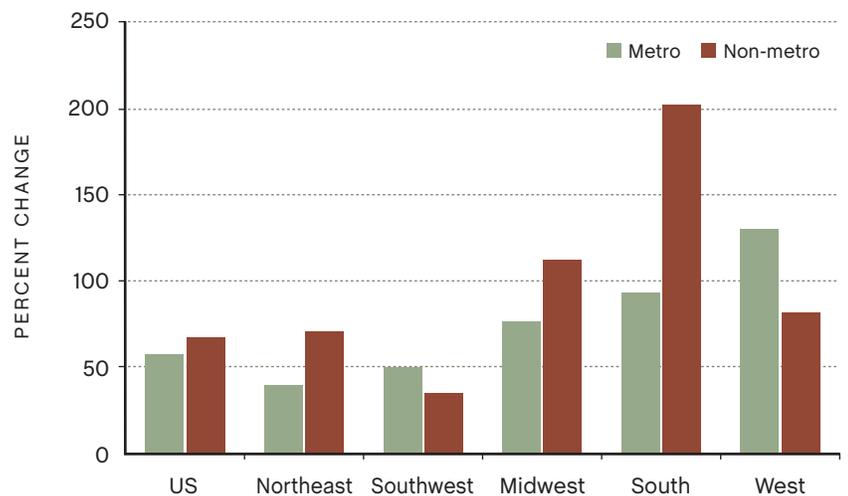
**Family Formation**

Amid the economic, housing, and migration shifts occurring in poor places in the late 20th century, secular trends in family formation affected the number of people—particularly children—in poverty. In 1965, 24 percent of black infants and 3 percent of white infants were born to unmarried mothers. By 1990, the rates were 64 percent and 18 percent, respectively.<sup>55</sup> The higher rates of single parenthood among black families, combined with high rates of black-white segregation in many metropolitan areas, contributed to elevated rates of concentrated poverty.

A complex mix of factors likely contributed to the long-term rise in births to unmarried mothers, including changing attitudes toward sex and single parenthood, changes in reproductive technology, and the improved economic position of women relative to men, especially young black men.<sup>56</sup> The rate of births to unmarried women leveled off after 1994, but in recent years it has begun to rise again.<sup>57</sup> Whatever the causes of these trends, research consistently demonstrates that children in single-parent families are much more likely to grow up poor because of their parents’ lower earnings.<sup>58</sup> Indeed, Wilson finds strong correlations between high neighborhood poverty in Chicago and never-married parents in those neighborhoods.<sup>59</sup>

FIGURE 4

**Growth in the Hispanic population by region, 1990–2000**



SOURCE: U.S. Census Bureau, Censuses 1990 and 2000

## Economic Mobility

These “headline” factors, however, do not account for whether the same individuals and families remain poor over time. Are these areas of concentrated poverty multigenerational poverty traps? Recent research on intergenerational economic mobility—the degree to which people move up and down the economic ladder from one generation to the next—finds that multigenerational economic mobility has declined in recent years.<sup>60</sup> While some groups, such as immigrants, seem to be doing well, others, such as African Americans, are losing ground. Yet research has revealed little about whether concentrated poverty has influenced economic mobility, either within individuals’ own lifetimes, or across generations.

Some research argues that greater economic mobility for whites can be explained by more developed skills, as measured by standardized tests. This finding, however, does not shed light on the underlying causes of these different skill levels. According to Debopam Bhattacharya and Bhashkar Mazumder, who have studied multigenerational economic mobility, more studies are needed to understand the formation of the black–white skills gap and its effects on mobility.<sup>61</sup> Similarly, and with specific regard to this study, there is a need for more research on the connection between economic mobility and living in areas of concentrated poverty.

The next section turns to the research evidence on how the spatial organization of poverty—particularly in areas where high poverty is concentrated—affects families, communities, and the wider areas in which it exists.

## ■ WHY CONCENTRATED POVERTY MATTERS

The economic segregation of poor populations, evident in many parts of the country today, exacts a toll from the inhabitants of these communities that may exacerbate their own personal challenges and limit their life choices. But the issues reach beyond these populations, since they also affect the wider areas in which poverty concentrates. A significant body of research literature, summarized here, has examined the effects of concentrated poverty across a variety of social and economic domains.

### Effects on Poor Individuals and Poor Neighborhoods

In studying the effects of concentrated poverty on families, it is difficult to disentangle the neighborhood effects from other factors that lead to the observed

outcomes, and even more difficult to understand the mechanisms by which various factors can influence one another. For example, is the limited academic achievement of a teenage youth the result of his family being poor, the result of being in a classroom where the majority of his classmates are also poor, or the result of limited academic achievement among his peers, regardless of their socioeconomic status?<sup>62</sup> It is also difficult to measure the extent to which families are “trapped” in poor neighborhoods, or whether they remain living there by choice. For example, the availability of affordable housing, as well as the presence of strong social networks and cultural assets, can provide powerful incentives for families to choose to live in these communities, despite high levels of poverty.<sup>63</sup> Other studies, however, have posited that the lack of affordable housing options in other parts of the city—as well as racially segmented housing markets—can constrain the ability of low-income families to move to lower-poverty neighborhoods, even when they express a desire to relocate.<sup>64</sup>

To answer these questions, researchers are increasingly turning to longitudinal and experimental research designs that can help to illuminate both the theoretical and empirical relationships between neighborhood effects and individual outcomes.<sup>65</sup> (See page 12, *Does Neighborhood Matter? Moving Out of Concentrated Poverty*) Although it is likely to be some time until the debate over the magnitude of those effects is laid to rest, the studies reviewed below have begun to explore the ways in which living in an area of concentrated poverty can limit options for an individual’s economic advancement.

### *Private-sector Investment*

Large numbers of low-income and low-skilled households living in the same place make a community less attractive to mainstream investors, employers, and business location advisers. In turn, this may limit local amenities, job opportunities, and quality housing options for residents and may create a “spatial mismatch” between neighborhood residents and employment centers.<sup>66</sup> A large proportion of low-income households in many metropolitan areas do not own private vehicles and also lack access to good public transit, further isolating them from job opportunities.<sup>67</sup> In some areas of the country, however, this spatial mismatch may actually disadvantage rural households more than urban ones.<sup>68</sup>

# Does Neighborhood Matter?

## Moving Out of Concentrated Poverty

A great deal of research has sought to compare outcomes for poor families living in areas of very high poverty against their counterparts living in less poor communities. Bedeviling these inquiries is the question of “selection effects”; that is, are poor families who live outside the very poorest communities different from concentrated-poverty dwellers in ways that researchers cannot detect in conventional data? Differences in these unobservable characteristics (such as motivation and parental skills) could account for differences in social and economic outcomes. Failing to account for these distinctions might cause researchers to ascribe too much importance to a family’s surroundings as a determinant of its members’ life chances.

Two programs have shed some light on the impacts that moving out of concentrated poverty might have on outcomes for poor families. The quasi-experimental Gautreaux program, initiated in the 1970s in response to a court order to remedy segregation in the Chicago Housing Authority, has helped thousands of low-income, mostly black families relocate from public housing developments in inner-city Chicago to predominantly white or racially mixed neighborhoods in the Chicago suburbs.<sup>69</sup> Moving to Opportunity (MTO) was a five-city demonstration program that assisted families living in high-poverty public housing to move to private rental housing in low-poverty neighborhoods elsewhere in their metropolitan areas, with more rigorous experimental controls than were present in the Gautreaux program.<sup>70</sup> With each program, researchers compared outcomes along several dimensions for families who moved (or were offered the opportunity to move) to families who remained in public housing.

Results from the Gautreaux program were quite positive. Movers to suburbs were more likely to be employed and less likely to receive public assistance than those who stayed in the city. Their children were more likely to enroll in college preparatory classes at school, and to subsequently enroll in post-secondary education.<sup>71</sup>

Results from the MTO program were decidedly more mixed. Families offered the chance to move to low-poverty neighborhoods (the experimental group) experienced no greater gains in employment than the control group, and researchers detected no significant effects on student test scores or behavior problems for their children.<sup>72</sup> More

positively, girls in experimental-group families were less likely to become involved in crime; boys were less likely to engage in violent crime but more likely to engage in property crime.<sup>73</sup> Health effects were very positive for the experimental group, however.

These mixed results have led to significant academic discussion on the limitations of MTO and other mobility programs for addressing poverty, and have spurred additional experimental and non-experimental research on the possible impacts of poor neighborhoods on individual and family outcomes.<sup>74</sup> Some of this research has argued that place doesn’t matter very much for poverty. Brian Jacob, for example, found little change in student outcomes before and after moving out of public housing in Chicago.<sup>75</sup> A study using the Panel Study of Income Dynamics for similarly situated neighboring children likewise found only small effects on educational attainment that could be attributed to disparities in neighborhood quality.<sup>76</sup>

Other researchers, however, have argued that the moves undertaken by MTO participants were not sufficient to yield detectable effects on their employment.<sup>77</sup> Similarly, researchers have speculated that MTO children performed no better in school because their moves often left them attending the same or only marginally better schools than in their old neighborhoods.<sup>78</sup> Moreover, neither MTO nor Gautreaux is able to account for the possible historical impacts of concentrated poverty on families, which may have modified their attitudes, behaviors, and parenting skills in ways that frustrate upward mobility. Families never exposed to such deprived neighborhoods in the first place might have fared quite differently. In addition, both programs focused on large inner cities and metropolitan areas, and on African-American families. It is not clear that the results are generalizable to smaller cities and rural places or to other racial or ethnic groups.

Most researchers agree that individual and family characteristics matter more for outcomes than do characteristics of their surrounding areas.<sup>79</sup> In addition, researchers are exploring the roles that social networks and peer effects play in determining economic outcomes.<sup>80</sup> The research outlined here and throughout this chapter suggests that the dynamics of concentrated poverty and its effects on families deserve further study.

### **Prices for Goods and Services**

David Caplovitz's pioneering work on consumer practices among low-income families, and the relatively lower availability and quality of goods and services in inner-city neighborhoods, was among the first to suggest that being poor in a poor area might place additional financial burdens on these families.<sup>81</sup> More recent work has examined how a lack of business competition, gaps in market information, and higher costs for doing business in poor neighborhoods can raise the prices charged for basic goods and services, such as food, car insurance, utilities, and financial services, in low-income neighborhoods.<sup>82</sup> As a result, poor residents may end up paying more than families in middle-income neighborhoods for the same goods and services. With less room in their budgets, residents of very poor areas might go without certain necessities (e.g., utilities), take on unsustainable debt, or forgo investments (e.g., a reliable car) that could improve their long-term economic situation.

### **Employment Networks and Ambitions**

Low levels of labor force participation in distressed neighborhoods may effectively cut off these places from the informal networks crucial to helping workers find good jobs and advance their careers.<sup>83</sup> Recent research finds that high-poverty locations may disadvantage both blacks and Hispanics in their job search activities.<sup>84</sup> Employers may also attach a stigma to extremely poor neighborhoods that discourages them from hiring local residents; this may be rooted in racial as well as neighborhood discrimination.<sup>85</sup>

Based on his interviews of residents in high-poverty neighborhoods in Chicago, Wilson further argues that high local levels of joblessness may change the social norms around work.<sup>86</sup> These norms may be absorbed by children as well, such that chronic unemployment among adults in the community may cause children to underinvest in the education and training necessary for future success in the labor market.<sup>87</sup>

### **Educational Opportunity**

Highly segregated communities (either racial or economic) can have a significant influence on the quality of the neighborhood schools. Even with the expanded school choice available today, children who live in extremely poor urban neighborhoods generally attend

neighborhood schools where nearly all of the students are poor and at greater risk for failure, as expressed by low standardized test results, grade retention, and high dropout rates.<sup>88</sup> James Ainsworth finds that children who grow up in poor areas face reduced educational expectations and homework demands, which in turn diminish their educational outcomes.<sup>89</sup>

Concentrated poverty can also inhibit actions designed to increase low-income students' access to more economically integrated schools. It appears that communities can become segregated quickly when the percent of minority residents reaches a certain "tipping point," making the successful integration of low-income students into surrounding wealthier school districts difficult.<sup>90</sup> Even under favorable conditions (e.g., motivated students and willing recipient districts), the academic benefits to the integrated students can fade.<sup>91</sup> Also, efforts to move students to new schools often suffer because students are sent to similarly poor schools.<sup>92</sup>

High-poverty neighborhoods also exert "downward pressure" on school processes and quality. Schools in these areas endure high rates of student mobility that frustrate classroom stability, are often unable to attract the best personnel, and must operate additional systems to cope with disorder and the social welfare of their students.<sup>93</sup> Moreover, living in an area of concentrated poverty may increase the risk of premarital childbearing among young women, thereby limiting their educational opportunities.<sup>94</sup> Finally, there is growing evidence that there are significant additional social benefits from higher graduation rates, especially with regard to reduced incarceration costs.<sup>95</sup>

### **Crime**

In general, high-poverty inner-city neighborhoods exhibit higher crime rates, especially for violent crime.<sup>96</sup> One team of researchers found that neighborhood poverty is a significant predictor of local crime.<sup>97</sup> In another study, Anne Case and Lawrence Katz show that neighborhood peer groups influence adolescents' propensity to engage in criminal behavior or drug use.<sup>98</sup> In these neighborhoods, the social penalties for criminal activity may be lower, and reduced access to jobs and quality schools may further reduce the opportunity costs of crime. Conversely, adults who participated in the Moving to Opportunity demonstration, in which they were offered the chance to move from a high-poverty public housing

project to a low-poverty suburban neighborhood, reported significant improvements in neighborhood safety and crime victimization compared with control groups not offered the opportunity to move.<sup>99</sup>

### **Health**

Residents of high-poverty areas experience negative health outcomes at much higher rates, owing partly to the stress of being poor and marginalized and partly to living in an environment with dilapidated housing and high crime. There may also be higher risk of exposure to other environmental hazards, such as lead-based paint, cigarette smoke, and pollution from heavily trafficked roads nearby. Researchers have associated the incidence of depression, asthma, diabetes, and heart ailments with living in these neighborhoods.<sup>100</sup> Even when the residents of high-poverty areas seek medical attention, they may find that the quality of care available at local providers is inferior to the quality of care available to most residents of wealthier areas.

As evidence of these neighborhood effects, adult participants in the Moving to Opportunity demonstration who relocated experienced significant improvement in mental health, an outcome that may be attributable to lower levels of stress associated with reduced violence and disorder, to improved community resources (such as schools, housing, and parks) or to both.<sup>101</sup> Moreover, researchers found that the larger the increase in neighborhood quality, the larger the mental health improvement. Overall, they liken the magnitude of the effect to that found in “some of the most effective clinical and pharmacological mental health interventions.”<sup>102</sup>

### **Wealth**

Many residents of high-poverty areas own their homes; in 2000, 29 percent of households in high-poverty census tracts were owners.<sup>103</sup> But local conditions in these distressed areas are associated with market devaluation of those assets, and lack of house-price appreciation precludes residents and their progeny from the same wealth accumulation enjoyed by owners in other parts of the metropolis.<sup>104</sup> Recent research by George Galster and colleagues suggests that the presence of high-poverty neighborhoods within large metropolitan areas depresses values for owner-occupied properties in those areas by 13 percent.<sup>105</sup>

### **Effects on Wider Areas**

The negative outcomes just described affect not only very poor neighborhoods and their poor residents, but may extend to surrounding neighborhoods and residents as well. For instance, the failure of high-poverty areas to attract market investment reduces housing and retail options for populations over a wider area. Crime may have spillover effects into surrounding areas. The existence of high-poverty schools may cause middle-class parents who are able to exercise choice to opt out of public school systems, or to leave jurisdictions with high-poverty schools altogether. And as the research on wealth indicates, diminished housing value as a result of concentrated poverty affects wider private economic well-being and public fiscal capacity. Beyond these hypothesized and, in some cases, observed effects, the research literature points to additional costs imposed on the wider society by concentrated poverty.

### **Local Government Services**

Concentrations of poverty generate high costs for local government—for elevated welfare case loads, for high loads of indigent patients at hospitals and public health clinics, for extra policing—that can divert resources from the provision of other public services and can lead to increased tax burdens on local businesses and non-poor residents.<sup>106</sup> Consequently, wealthier households may migrate outward, which can further erode local fiscal capacity to address the problems facing vulnerable populations and may redirect state spending away from increasingly poor areas.<sup>107</sup> The resulting inability of the public sector to make strategic investments in physical infrastructure and human capital may constrain future economic growth in cities and regions with high levels of concentrated poverty.

### **Political and Societal Divisions**

Research in a number of disciplines has explored how concentrated poverty is both caused by and can lead to political and societal divisions between a community’s “haves” and “have-nots.”<sup>108</sup> The spatial divide between segregated poor neighborhoods and their wealthier counterparts can also sow misunderstanding, distrust, and negative assumptions among both groups, especially where racial divisions also exist.

These political and societal divisions erode civic capacity by limiting the ability to find common ground,

and they often undermine efforts to address the problems associated with concentrated poverty. In a detailed study of the Gautreaux and Moving to Opportunity programs, for example, Edward Goetz finds that the political opposition to these types of mobility initiatives has restricted their scope and limited their effectiveness at changing the dynamics of regional housing markets.<sup>109</sup> Moreover, some researchers argue that despite efforts to encourage participation in planning and development efforts, low-income residents are often given only token seats at the table, without any real decision-making authority or ability to influence the processes that affect their lives.<sup>110</sup>

## ■ IMPLICATIONS FOR THIS PROJECT

In light of the voluminous research examining concentrated poverty in America, what new information can we hope to learn from this study?

This study reflects a desire to ground a new understanding of concentrated poverty in the historical and contemporary experiences of a more diverse set of places and people. As this short literature review reveals, much of the research into the problem of concentrated poverty emanates from large inner cities in the Northeast and Midwest. This is easy to understand in light of the devastating effects that high poverty has had on families from places like Chicago's South Side, North Philadelphia, and the east side of Cleveland. This type of inner-city community still figures prominently on the national map of concentrated poverty, and the experiences of several such communities—including one of Cleveland's neighborhoods—are reflected in this report.

But the existence and spread of high-poverty neighborhoods into places like southern California, southern Texas, cities throughout the Southeast, and smaller cities and suburbs in the North provide the impetus for this new inquiry. Moreover, research and policy dialogue have generally failed to associate the dynamics of extremely poor urban communities with their rural counterparts.

The following section of this report includes case studies, undertaken by the Federal Reserve System's Community Affairs Offices, of 16 high-poverty communities across the United States. These areas ranged from new urban immigrant portals (Fresno) to older northern industrial cities (Milwaukee) to small communities in the South (East Albany, Georgia) to Native American reservations in the West (Blackfeet Reservation, Montana). Looking across this diverse landscape of concentrated

poverty in America today, this study asks a few central questions relevant to each of these locales:

- What factors are associated with the development and persistence of concentrated poverty?
- What challenges does concentrated poverty pose for affected families and communities?
- What is the capacity of local organizations to address the issues associated with concentrated poverty?
- What strategies are the public and private sectors employing to ameliorate concentrated poverty and its effects?

This report shows that, despite the unique circumstances that produced these pockets of high poverty across the nation, these case study communities share many common challenges and opportunities. As a result, public and private leaders may well benefit from exchanging information and perspectives on addressing concentrated poverty across diverse places. At the same time, the case studies also demonstrate that the varying social and economic contexts in which concentrated poverty occurs imply the need for more than one-size-fits-all strategies to ensure a better future for these communities and their residents.

In addition to bridging the geographic divides in the existing research on concentrated poverty, this study bridges disciplinary approaches by combining descriptive quantitative information with qualitative research in each of the 16 case study communities. It explores their respective histories, challenges, assets, and outlooks through analysis of national and local data, interviews with community leaders and local residents, and the Federal Reserve's long-standing experience in many of these communities.

*This literature review was written by Alan Berube, research director of the Brookings Metropolitan Policy Program.*

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## Endnotes

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- 17 Some researchers refer to neighborhoods above the threshold of 40-percent poverty as extreme-poverty neighborhoods. We use the term high-poverty neighborhoods in this report. In 2006, the federal poverty threshold for a family of three was about \$16,100 and \$20,600 for a family of four (U.S. Census Bureau).
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- 20 *Ibid.*, 21.
- 21 Jargowsky, *Poverty and Place* and "Stunning Progress, Hidden Problems."
- 22 Between 1970 and 1990, the poverty rate for families in the United States fluctuated between 9.7 percent and 13.9 percent. During this

- same period, the poverty rate for individuals in the United States fluctuated between 11.1 percent and 15.2 percent. See U.S. Census, Table 2, "Poverty Status of People by Family Relationship, Race, and Hispanic Origin: 1959 to 2006," available online at <http://www.census.gov/hhes/www/poverty/histpov/hstpv2.html>
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  - 26 Testimony of Jared Bernstein before the Committee on Education and the Workforce, U.S. House of Representatives, March 11, 2004.
  - 27 Berube and Katz, "Katrina's Window."
  - 28 Elizabeth Kneebone and Alan Berube, "Reversal of Fortune: A New Look at Concentrated Poverty in the 2000s" (Washington, DC: Brookings Institution, 2008).
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  - 30 Kenneth Johnson, "Demographic Trends in Rural and Small Town America," *Reports on Rural America* 1(1) (2006).
  - 31 Jonathan B. Taylor and Joseph P. Kalt, *American Indians on Reservations: A Databook of Socioeconomic Change Between the 1990 and 2000 Censuses* (Cambridge, MA: Harvard Project on American Indian Economic Development, 2005).
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  - 33 Mark Alan Hughes, "Misspeaking Truth to Power: A Geographic Perspective on the 'Underclass' Fallacy," *Economic Geography* 65(3) (1989): 187–207. Jargowsky (1997) notes that these effects may hold in northern, but not southern, metropolitan areas because northern manufacturing jobs may have paid better to begin with and thus served to lift more workers and families out of poverty and out of high-poverty neighborhoods.
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  - 40 Massey and Eggers, "The Ecology of Inequality."
  - 41 John Yinger, *Closed Doors, Opportunities Lost: The Continuing Costs of Housing Discrimination* (New York: Russell Sage Foundation, 1995). Rolf Pendall, Robert Puentes, and Jonathan Martin, "From Traditional to Reformed: A Review of Land-Use Regulations in the Nation's 50 Largest Metropolitan Areas" (Washington, DC: Brookings Institution, 2006). Research has not generally associated racial segregation per se with concentrated rural poverty, since in many high-poverty rural communities, one racial group predominates (e.g., whites in Appalachia, blacks in the Mississippi Delta, Native Americans on reservations, Hispanics along the Southwest Border). However, the predominance of single-race groups in these communities itself often owes to historically segregationist policies (e.g., sharecropping, land transfers).
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- of Indian tribes imposes additional constraints that are unique to housing on reservations. As sovereign governments, tribes have the right to form their own government; the power to make and enforce both civil and criminal laws; the power to tax; the power to establish membership; the right to license, zone, and regulate activities; the power to engage in commercial activity; and the power to exclude persons (Indian and non-Indian) from tribal territories. Lenders are therefore often hesitant to lend on tribal lands, since lenders seeking to act on their leasehold collateral must work with the tribal judiciaries for the administration of foreclosure, eviction, and priority of lien procedures. In addition, fractionated land in some tribal areas requires that the multiple owners must all agree on its use before the land can be leased, sold, or developed.
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# Introduction to the Case Studies

In 2007, the Federal Reserve System's Community Affairs Offices undertook 16 case studies to add texture to our understanding of concentrated poverty. The case study approach capitalized on the strength and regional nature of the Community Affairs function to understand what is happening in high-poverty communities at the local level, not only by analyzing socioeconomic data, but also by drawing on the perspectives of residents, small business owners, government agencies, and community development organizations. As Federal Reserve Chairman Ben Bernanke has noted, "Knowledge bearing on community economic development has both qualitative and quantitative aspects, and it can be gained through diverse channels, from talking to people in a neighborhood to performing a regression analysis."<sup>1</sup> This introduction describes how the case study communities were selected and explains the methodology used in compiling the quantitative and qualitative data for each of the case study reports.

## ■ THE CASE STUDY COMMUNITIES

Selecting the case study communities for this report entailed two steps. First, the Brookings Institution identified high-poverty areas across the United States based on a quantitative analysis of Census 2000 data. High-poverty census tracts were defined as those in which at least 40 percent of individuals live in families with incomes below the federal poverty threshold.<sup>2</sup>

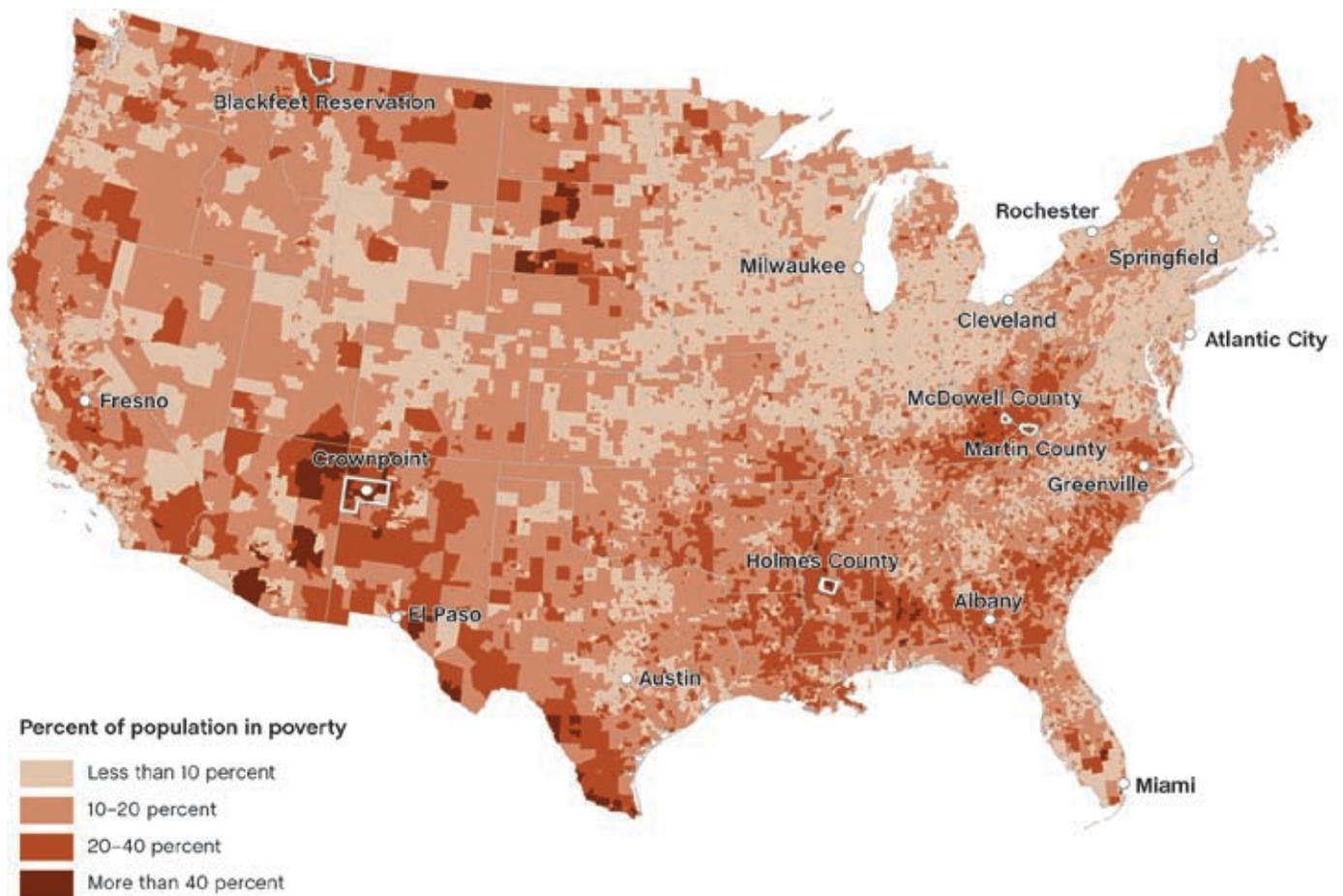
The analysis identified 157 cities and counties across the United States that contained significant areas with

high levels of poverty;<sup>3</sup> these locales were then aligned by Federal Reserve District. They included large cities in the Northeast—such as Chicago, Cleveland, and Detroit—that have traditionally been studied in the literature on concentrated poverty. But the analysis also highlighted the existence and spread of high-poverty neighborhoods into places like California's Central Valley, southern Texas, cities throughout the Southeast, and smaller cities and suburbs in the North.

From this list of cities and counties, each of the 12 Federal Reserve Banks selected one or two high-poverty communities within its district to study. The goal was to select a diverse set of communities that would reflect the broad range of geographies where concentrated poverty exists. With their twin goals of research and outreach in mind, each of the Reserve Banks selected specific high-poverty communities that had relevance for their community development activities. The Federal Reserve Bank of Cleveland and the Federal Reserve Bank of Richmond, for example, both selected counties in Appalachia to bolster their understanding of the issues facing poor rural communities. Minneapolis and Kansas City, districts that include a significant number of Native American reservations, have had a longstanding interest in helping to address barriers to credit on tribal lands. These two Banks selected Native American areas to study as part of this project. The Federal Reserve Bank of San Francisco selected Fresno as its case study community, partly because it is the city with the highest concentration of

FIGURE 1

## Concentrated poverty case study communities



poverty in the country and partly because of the Bank's commitment to building community development capacity in the rapidly growing metropolitan areas of California's Central Valley.

For case studies in urban areas, the research focused on discrete neighborhoods, or contiguous neighborhoods, within the cities listed above. For example, the Federal Reserve Bank of Atlanta selected the Little Haiti neighborhood in Miami as one of its case study communities, versus other high-poverty areas within the city's borders. In rural areas, the county was the focus of the research, with the exception of the tribal areas, which do not conform neatly to county boundaries. In the case of the Blackfeet Reservation in Montana and the Crownpoint area of New Mexico, the case study areas were delineated using census tracts. The resulting 16 case study communities included in this report are Fresno, CA's West Fresno neighborhood; Cleveland, OH's Central neighborhood; Miami, FL's Little Haiti neighborhood; Martin County in Kentucky; the Blackfeet Reservation

in Pondera and Glacier Counties, MT; Greenville, NC's West Greenville neighborhood; Atlantic City, NJ's Bungalow Park/Marina District; Austin, TX's East Austin neighborhood; Crownpoint in McKinley County, NM; McDowell County, WV; Albany, GA's East Albany neighborhood; El Paso, TX's Chamizal neighborhood; Springfield, MA's Old Hill, Six Corners, and South End neighborhoods; Rochester, NY's Northern Crescent neighborhoods; Holmes County, MS; and Milwaukee, WI's Northwest neighborhood. (See Figure 1)

### ■ CASE STUDY METHODOLOGY

This report uses a case study approach that employs both quantitative and qualitative data to paint a portrait of the community and to explore questions raised in the literature on concentrated poverty. For each case study community, an initial profile of the study area was developed using publicly accessible state and national quantitative data sources. The data profile was then used

in conjunction with a review of relevant literature to guide on-site interviews with local individuals in professional and leadership positions at key institutions. Each of these steps is described in more detail below.

The quantitative analysis used in the case studies relies primarily on data from the U.S. Census in 2000, since this is the only source of data available at the census tract level that covers a wide range of demographic, economic, and social indicators relevant to a study of concentrated poverty. For the purpose of convention, all references in this report to data from the decennial U.S. Census refer to the year of reporting (e.g., 1990, 2000) rather than the year for which the data were collected (1989, 1999). Other sources of data analyzed for each of

the case study communities included Home Mortgage Disclosure Act (HMDA) data, data on academic achievement from the scores of state-administered tests, crime data from the U.S. Department of Justice, and data on subsidized housing from the U.S. Department of Housing and Urban Development.<sup>4</sup> For urban areas and Native American reservations, community boundaries were aligned with census tract boundaries to calculate descriptive statistics for the case study area. For each urban case study, the same data were calculated for the city and the Metropolitan Statistical Area to serve as points of comparison. County-level data were used for rural communities, and were then compared to data for the non-metropolitan areas of the state.

TABLE 1

## Numbers of interviews conducted in each of the case study communities

	Local and Federal Government <sup>1</sup>	Nonprofits, Community Organizations, and Foundations	Research Institutions <sup>2</sup>	Schools, the Arts, and Health Organizations <sup>3</sup>	Financial Institutions and Businesses <sup>4</sup>	Residents <sup>5</sup>
Albany, GA	7	3	n/a	2	1	2
Atlantic City, NJ	2	16	2	n/a	18	40
Austin, TX	34	9	4	7	11	5
Blackfeet, MT	14	1	n/a	17	6	3
Cleveland, OH	4	4	2	1	3	10
Crownpoint, NM	14	5	2	2	5	5
El Paso, TX	8	6	4	n/a	5	7
Fresno, CA	9	7	4	4	7	4
Greenville, NC	8	3	1	n/a	1	3
Holmes County, MS	5	3	1	3	5	5
Martin County, KY	4	4	n/a	4	2	11
McDowell County, WV	5	5	2	3	8	12
Miami, FL	7	9	3	2	10	40
Milwaukee, WI	3	5	2	n/a	8	2
Rochester, NY	21	10	5	6	9	26
Springfield, MA	5	3	n/a	1	2	6

<sup>1</sup> Includes a wide range of local and federal governmental agencies, including housing, community development, transportation, and environmental agencies; police departments; the Small Business Administration; Health and Human Services; and elected officials. In tribal areas it can include members of the tribal council, land use planning committees, or other tribal government committees and functions.

<sup>2</sup> Includes academic and think tank organizations, newspapers, and local historians and folklorists.

<sup>3</sup> Includes early childhood education providers and school boards, as well as recreation organizations.

<sup>4</sup> Includes large companies, small business owners, real estate agents, for-profit housing developers, and legal institutions.

<sup>5</sup> Some residents interviewed overlap with other categories in this table, for example, "small business owner" or staff at a local nonprofit. In those cases, they have been counted in the column that reflects their broader role in the community, not in the resident column.

For the qualitative component of the research, case study authors conducted interviews and focus groups with a wide range of residents and community stakeholders in the case study area and its surrounding region. A research field guide was developed to provide a research framework for the case studies. The research field guide identified the types of community stakeholders that were to be interviewed and also made detailed and specific recommendations on what questions had to be asked and how the interviews should be conducted (the research field guide is available online at <http://www.frbsf.org/cpreport>). For each case study, authors conducted a minimum of 15 interviews. While many case study authors conducted additional interviews, the field of applied qualitative research has identified 15 as the number of interviews needed to reveal the key themes or significant issues in a community.<sup>5</sup> Interviews were conducted based on the open-ended questions contained in the research field guide, giving researchers the opportunity to tailor the interview to the respondents' expertise. Most interviews lasted between one and two hours. In addition, case study authors often accompanied respondents on tours of the case study area, and observed community meetings or other community events.

Respondents were selected based on their positions and on the recommendations of other community stakeholders. The exact composition of respondents differed depending on the case study community. Interviews were conducted with social services, housing or redevelopment agency officials, directors and employees of local community development corporations or non-profits, researchers at local universities or think tanks, business executives, tribal leaders, and representatives from financial institutions or local community development financial institutions. (See Table 1)

Following the interviews, transcripts of the conversations were analyzed and coded to group respondent comments into general themes or issues. Those issues or themes that were mentioned most frequently, and across multiple stakeholders, were considered to be significant, and elaborated upon using the quantitative data as well as secondary sources of information such as research articles, newspapers, local reports, and books. While this methodology does not purport to illuminate the most important factors contributing to concentrated poverty from a quantitative perspective, it does highlight which issues are of significant concern to community stakeholders. In addition, while only a few issues are

highlighted for each case study in this report, many of the Reserve Banks are planning to publish lengthier reports that can delve more deeply into these and other themes raised during the case study research process.<sup>6</sup> This work also has already inspired new quantitative research projects and Reserve Bank outreach efforts.

The following 16 case studies represent the first time that one study has analyzed a truly diverse group of high-poverty areas across the United States. While the portraits painted of any one community are necessarily incomplete, taken together they show that concentrated poverty persists in many different forms across the country, and that the factors contributing to the persistence of concentrated poverty are complicated and intertwined.

*This introduction was written by Carolina Reid, community development research manager, Federal Reserve Bank of San Francisco.*

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## Endnotes

- 1 Chairman Ben Bernanke, Speech to the Greenlining Institute, April 20, 2006.
- 2 For more information on the definition of high poverty and its use in social science research, please see the discussion in the Overview. Because of the dispersed nature of the county geography, the overall poverty level for some of the counties in this report falls below the 40-percent threshold, although each of the counties selected contains at least one census tract with a poverty rate of 40 percent or greater.
- 3 In the first step, we limited the analysis to areas with populations greater than 10,000 to ensure that they were of sufficient scale to contain distinct areas of concentrated poverty. The lower-bound population for rural high-poverty communities, however, is 5,000, in recognition of their more spread-out character. We also excluded tracts that had high poverty rates based on a high number of college and university students. Subsequent discussions led us to revise our population thresholds, and Greenville, Atlantic City and East Austin were included despite having less than 10,000 residents.
- 4 For a complete list of indicators and data sources, see Appendix A.
- 5 Purposive samples—in which respondents are chosen based on their expertise or position within a community—are the most commonly used form of non-probabilistic sampling, and their size typically relies on the concept of “saturation,” or the point at which no new information or themes are observed in the data. Qualitative researchers have estimated that for non-probabilistic samples, saturation can occur within the first 12 interviews, although basic elements for major themes are present as early as six interviews. See Greg Guest, Arwen Bunce, and Laura Johnson, “How Many Interviews Are Enough? An Experiment with Data Saturation and Variability,” *Field Methods* 18(1) (2006): 59–82.
- 6 Longer case studies will be posted online along with the final synthesis report.



# Fresno, California:

the West Fresno neighborhood

## ■ OVERVIEW

In 1977, the Fresno City Council approved a community plan for West Fresno, then a neighborhood of just over 15,000 people in the largest city in California’s San Joaquin Valley. The plan noted that the neighborhood, at that time called Edison, “has always been a unique community with a rich heritage,” but warned somewhat presciently that “the social and economic viability

which once existed has been damaged by forces which threaten to transform racial segregation into economic segregation.” Out-migration of the middle class was a trend that, if “allowed to continue, will eventually transform an ethnic community into a low-income ghetto.”<sup>1</sup>

Nearly 30 years later, an article in the *Fresno Bee* grimly described West Fresno as “the neighborhood where dreams go to die” and “a forgotten corner of a sprawling city.”<sup>2</sup> While these characterizations may be journalistic hyperbole, West Fresno has in fact followed a different trajectory than other areas in the city. Physically cut off from the rest of the city by Highway 99, West Fresno appears to be increasingly isolated socially and

economically as well. It was one of the neighborhoods that accounted for Fresno’s 2005 ranking as home to the highest concentration of poverty in the nation.<sup>3</sup> This statistic was particularly startling because of Fresno’s location—not in the Rust Belt or Appalachia, but in the richest farming region of a state that at the time had the world’s eighth-largest economy.<sup>4</sup>

## ■ BACKGROUND

The San Joaquin Valley (“the Valley”) is by all accounts an “agricultural paradise,” a fact that has shaped the regional character in considerable ways.<sup>5</sup> With year-round employment in farming and related industries, the Valley

TABLE 1

## Comparison Statistics

		West Fresno	Fresno MSA
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	43.5	18.9
	Poverty rate 2000 <sup>b</sup>	51.1	22.9
<b>Income</b>	Median household income <sup>c</sup>	\$18,257	\$34,725
<b>Demographics</b>	Population 2000 <sup>d</sup>	16,875	799,407
	% Population change, 1970 - 2000 <sup>e</sup>	6.8	93.5
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	2.2	39.7
	% Hispanic/Latino	45.1	44.0
	% Black/African-American	38.0	5.0
	% Residents under age 18 <sup>g</sup>	39.7	32.1
	% Single-parent households <sup>h</sup>	30.1	12.7
	% Foreign born, 2000 <sup>i</sup>	29.3	21.1
	% Population in same house as five years ago <sup>j</sup>	55.0	51.0
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	62.7	32.5
	% Adults with a college degree, 2000 <sup>l</sup>	3.1	17.5
	% Students proficient in reading, 2005 <sup>m</sup>	45.5	38.0
	% Students proficient in math, 2005 <sup>n</sup>	48.1	42.8
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	22.7	11.8
	% Adults in the labor force <sup>p</sup>	45.3	59.9
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	39.5	56.5
	% Renters with a housing cost burden <sup>r</sup>	58.7	47.6
	% Rental units that are HUD subsidized <sup>rr</sup>	42.0	11.6
	Median value for owner-occupied units <sup>s</sup>	\$57,540	\$104,900
	Median year structure built <sup>t</sup>	1964	1974
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	50.6	31.0
	% Credit files with high credit scores <sup>v</sup>	28.2	51.4
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	55.4	33.0
	Mortgage denial rate, 2005 <sup>x</sup>	24.9	17.1

has historically drawn, and continues to attract, migrant and immigrant labor, with the largest group in recent years arriving from Central America.<sup>6</sup> In addition, thousands of Hmong refugees have resettled in the Valley over the past 20 years.<sup>7</sup> Thus, the region's population diversified and grew significantly during the 20<sup>th</sup> century. The Valley's population has also become markedly more urbanized.<sup>8</sup> The population in the Fresno metropolitan statistical area (MSA) grew by nearly 113 percent between 1970 and 2005 to just over 877,000 residents.<sup>9</sup>

Although there has been some industrial diversification and job growth over the past few decades, agriculture

and related services still represent a disproportionately large share of the region's economy relative to the state's.<sup>10</sup> Overall, earnings are lower in the Valley than in California; this holds true even in the Fresno metropolitan area. Since 1990, the average wage per job in the Fresno MSA has been only 65 to 75 percent of the state's.<sup>11</sup> Unemployment has been a perennial issue in the Valley, and while unemployment figures have improved recently, unemployment rates in both the Valley and Fresno have stood at nearly twice the state figures for the past 10 years.<sup>12</sup> In addition, the relatively low level of educational attainment has been a persistent issue; in 2000, nearly 33 percent of those 18

and older in the Valley had less than a high school education, compared with 24 percent in the state.<sup>13</sup>

The industrial and wage structures of the Valley, as well as limited skill and educational levels—particularly within the newly arrived immigrant population—have had significant implications for the overall economic health of the region. One measure of this is the Valley’s poverty rate, which in 2000 exceeded that of every other region in California. In the Fresno MSA, the poverty rate was just over 23 percent, over one and a half times that of the state.<sup>14</sup>

But Fresno is not just a uniformly poor city in a poor region. Data from the 2000 census show stark socioeconomic contrasts between West Fresno and the rest of the metropolitan area. (See Table 1) Indeed, the neighborhood of West Fresno, located on the city’s southwestern-most edge, is by a number of measures one of its most distressed areas, reflecting a distinct pattern of geographic separation and isolation. (See Figure 1)

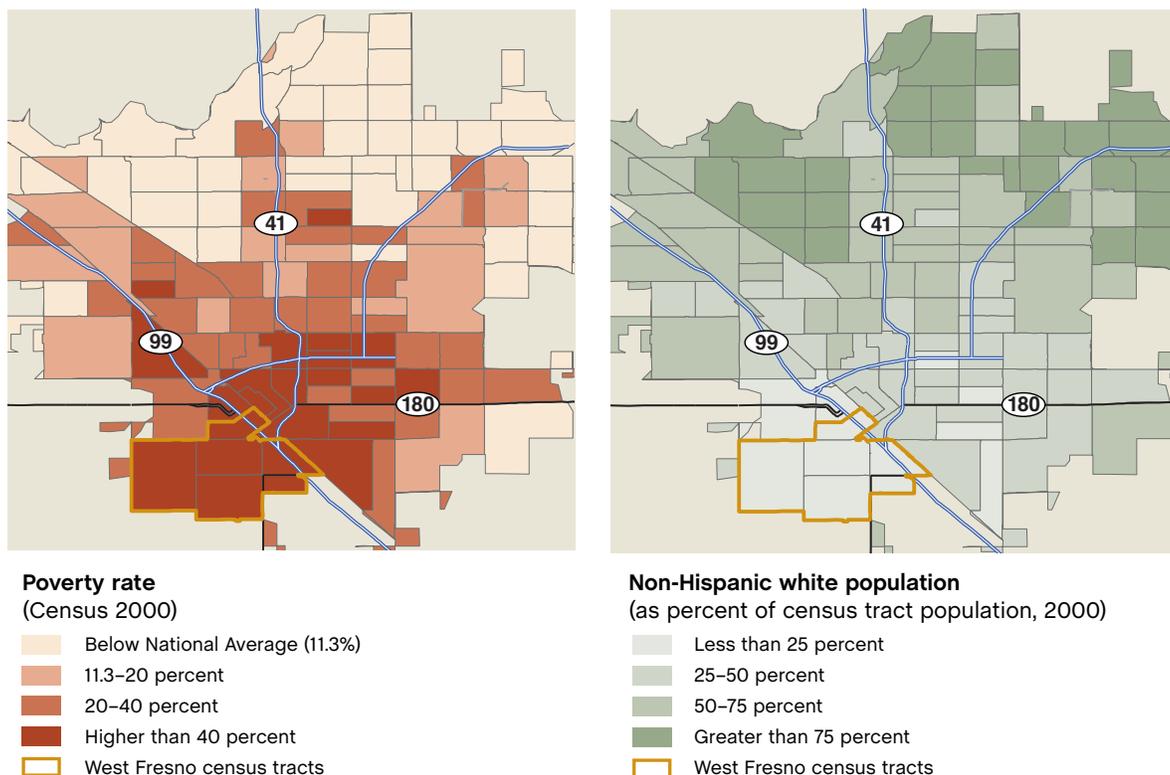
The neighborhood of West Fresno, historically called “the Westside,” dates back to the 1880s. Since its beginnings, it has hosted successive waves of immigrant and minority settlers for reasons including its relatively low housing costs, discrimination in Fresno’s housing market, and proximity to outlying agricultural employment

opportunities.<sup>15</sup> Historical records indicate that the neighborhood’s early business ventures and community gatherings centered on nearby Chinatown. However, the 1950s and 1960s saw the construction of Highway 99 on the edge of the neighborhood and a downtown urban renewal program, both of which demolished homes and businesses in and around Chinatown and physically cut off the neighborhood from the northeasterly growth in Fresno that was to occur over the next several decades.

Historical records of the neighborhood’s economic conditions compared to the rest of Fresno are mixed, but they point to an economic disconnect from the city. One researcher noted that in the years following World War II, disparities in education and skill levels, along with labor market discrimination, largely limited the predominantly black and Hispanic residents of the Westside to low-wage positions such as farm workers, janitors, and housekeepers.<sup>16</sup> But other historical records and personal accounts paint a more nuanced picture of neighborhood conditions. The city’s 1977 Edison Plan, for instance, noted that “although the neighborhood’s housing market may have been discriminatory, the local economic market was not.”<sup>17</sup> Longtime Fresno residents indicate that Westside residents historically engaged in a variety of professions

FIGURE 1

### Geographic patterns of isolation in Fresno



and achieved varying levels of economic success.<sup>18</sup> Prosperity in the neighborhood is most evident in the stretch of large homes built along Kearney Boulevard in the mid-1960s by black professionals committed to living in and improving the community.<sup>19</sup>

Today, the neighborhood is composed primarily of minority racial and ethnic groups that struggle with low wages, high unemployment, and limited educational attainment.<sup>20</sup> The immigrant population is higher in the neighborhood than in the city as a whole. In 2000 nearly 30 percent of neighborhood residents were foreign-born; of those, almost half had not arrived in the United States until the 1990s.<sup>21</sup> In 2000, neighborhood residents were significantly more likely to be employed in farming and production than in managerial jobs. (See Figure 2) All of these factors contribute to the neighborhood's extremely high concentration of poverty; the poverty rate in West Fresno has hovered around 40 percent for much of the past several decades, rising to 51 percent in 2000.<sup>22</sup>

Interviews and data point to a number of other issues that are linked to the neighborhood's high levels of poverty. Housing-related factors have played a role in fostering economic segregation, as publicly subsidized low-income housing units were historically concentrated in West Fresno<sup>23</sup> and continue to be built there. Between 2000 and 2004, nearly 40 percent of all Low Income Housing Tax Credit units built in the city of Fresno as set-asides for low-income households were located in West Fresno.<sup>24</sup> Other poverty-related issues in the neighborhood

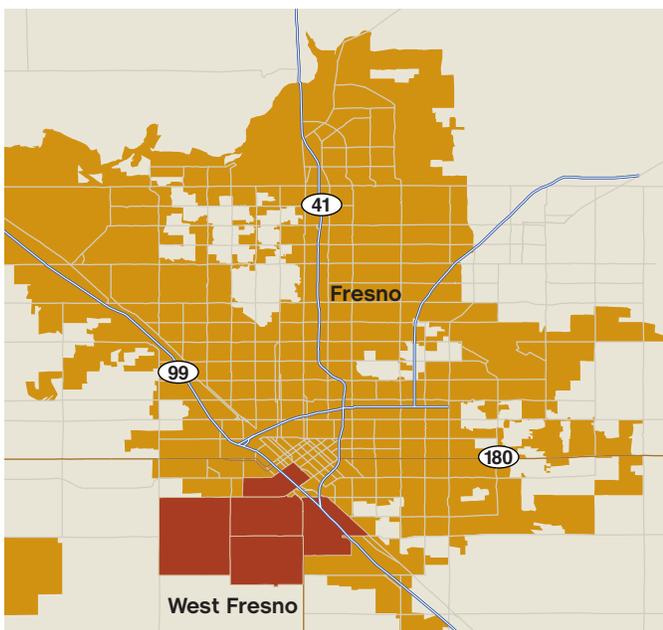
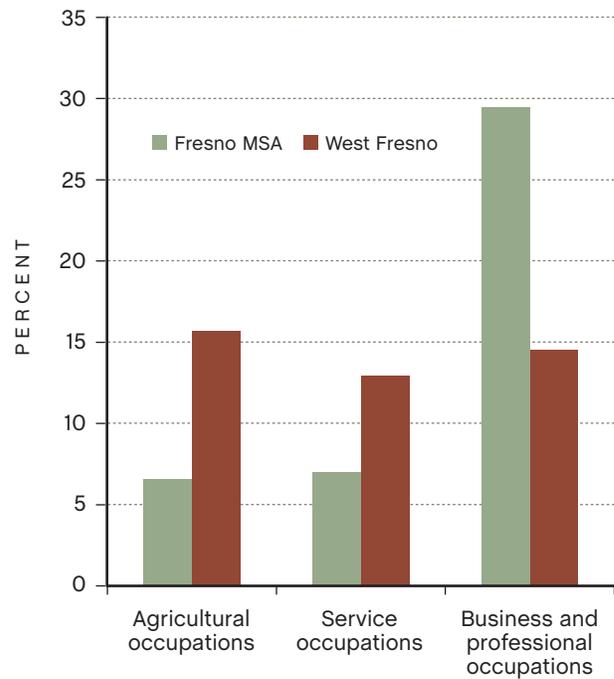


FIGURE 2

**Workforce in selected occupations, 2000**



SOURCE: U.S. Census Bureau, Census 2000

include the weak skills of its working-age adults;<sup>25</sup> large numbers of both documented and undocumented immigrants;<sup>26</sup> high rates of teen pregnancy and the prevalence of single-parent households;<sup>27</sup> poor physical and mental health;<sup>28</sup> inadequate supportive services for homeless people;<sup>29</sup> and increased gang activity and violent crime.<sup>30</sup>

In addition, while those who grew up on the West-side recall its vitality and general feeling of community cohesion, the residents and community advocates interviewed for this report indicated that these elements have to some extent disappeared. “There used to be businesses—there used to be a sense of community,” said one advocate. “Neighbors knew one another and would look out for one another’s kids. Now, we can’t say that. I don’t know how to get that back.”<sup>31</sup>

**ISSUES TO CONSIDER**

Each of the factors noted in the preceding section are interrelated and contribute to high levels of poverty in West Fresno. But community leaders and residents interviewed for this case study consistently highlighted three issues that are particularly challenging for the community. First, for a number of reasons, the investment environment—for commercial development as well as for

market-rate and mixed-income housing development—in the neighborhood is weak. Second, neighborhood youth are not being provided quality education and skill development opportunities, leading to difficulties in overcoming generational poverty. Third, community organizations' capacity to address the range of factors contributing to concentrated poverty is limited.

### Investment Environment

Starting in the 1970s, most private and public investments were made in the areas northwest of downtown Fresno. According to one community leader, this signaled “the beginning of the demise of the downtown area, which also directly impacted West Fresno.”<sup>32</sup> Businesses that existed in West Fresno before the implementation of the urban renewal plans were not rebuilt,<sup>33</sup> and community leaders noted that for many years, traditional market analysis deemed the neighborhood an area that could not support new commercial and retail offerings.<sup>34</sup>

In 1999, however, following extensive community organizing efforts and lobbying by community advocates, a new shopping center opened on the edge of the Westside.<sup>35</sup> Kearney Palms, the first major commercial

construction project in the neighborhood in decades, includes West Fresno's first supermarket. Obtaining financing for the development from both the city and banks was a challenge because the project was perceived as an overly risky venture. Contrary to that perception, Kearney Palms is thriving, and its anchor supermarket outperforms the chain's other regional stores.<sup>36</sup>

This type of project, though, has yet to be replicated in the neighborhood. In response, Fresno West Coalition for Economic Development (FWCED), a community development corporation (CDC) that grew from the activism surrounding the development of Kearney Palms and which remains the neighborhood's only CDC, has advocated a re-examination of residents' purchasing power.<sup>37</sup> “We are not looking at anything radical here,” said the coalition's director. “We're looking to demonstrate the business-case argument that this neighborhood can support more projects like Kearney Palms.”

Community advocates noted that the neighborhood's lack of banking services ties into its lack of commercial development and other reinvestment activities. According to neighborhood advocates, the Community Reinvestment Act is “not talked about or understood here [in Fresno].” The difficulties in obtaining financing for development projects like Kearney Palms, they added, reflect the rule rather than an exception.<sup>38</sup> Financial institutions have historically not located bank branches in the neighborhood. Indeed, until 2006, the neighborhood was without even an automated teller machine.<sup>39</sup> According to some interviewees, the lack of bank services hinders not only large-scale investment activities, but also the abilities of individuals and households to build wealth.<sup>40</sup> Residents have limited access to financial education services that might help them repair damaged credit histories and gain a better understanding of the long-term costs of using payday lenders and rent-to-own shops.<sup>41</sup>

Interviewees also believe that the perception and reality of criminal activity—particularly gang and drug-related crime—in the neighborhood have contributed to diminished investment and development. Although West Fresno is widely considered to be a high-crime area, police department data indicate that its overall levels of crime are not significantly higher than in other areas of the city. Crimes in this neighborhood are more frequently violent, however, and tend to generate wide community concern, according to the district police captain.<sup>42</sup> Residents say that criminal and gang-related activity is a serious issue in the neighborhood and that many forbid their children



Kearney Palms, which opened in 1999, was the first major commercial project in West Fresno in decades.



The Boys and Girls Club in West Fresno provides a safe, positive environment for area youth, offering a range of activities from sports and games to after-school tutoring.

to play outside because of safety concerns.<sup>43</sup> Community leaders point out that these factors have contributed to the neighborhood's struggles in attracting new businesses and housing development.<sup>44</sup>

### Youth and Education

West Fresno faces significant issues concerning its young people. Neighborhood advocates note that generational cycles of poverty seem to be fed in part by the limited range of constructive educational and leadership-building activities for children and youth.<sup>45</sup> "Our youth have so much talent," said one community advocate, "but they are not being nurtured in a positive way. They all have skills, but someone needs to help bring those out."<sup>46</sup>

This issue has a number of facets. For starters, the West Fresno school district is in a period of transition after mismanagement triggered a state government takeover in 2003.<sup>47</sup> While improvement plans are under way,<sup>48</sup> some interviewees pointed out that the district schools still struggle to provide basic materials, such as textbooks, and to attract and retain qualified teachers.<sup>49</sup> "The education piece is very complicated," said one community leader. "But not enough resources are being put into [West Fresno] schools from Fresno Unified, and they don't have good leadership...or enough recruitment of good teachers—perhaps through an incentive program—to get them to teach there and stay there."<sup>50</sup>

Academic achievement in local schools diverges notably from city and state averages. In 2000, only

14 percent of West Fresno Elementary students were reading at grade level, compared with 29 percent in the Fresno Unified School District and 45 percent in California. District data indicate that both math and reading proficiency levels have increased somewhat over the past few years, but West Fresno Elementary still lags considerably behind the city and the state.<sup>51</sup> Limitations in English language skills, which affect one-fifth of West Fresno residents versus one-tenth of residents city-wide,<sup>52</sup> tie into school readiness and proficiency scores, as evidenced by some 40 percent of elementary schoolchildren who are learning English in school.<sup>53</sup>

In addition, student dropout rates are a problem in West Fresno, as they are throughout the Fresno Unified School District.<sup>54</sup> Interviewees suggested that West Fresno's high dropout rates are tied to both the prevalence of teen pregnancy and the lure of gang activity.<sup>55</sup> While both issues can have a lifelong impact on teens, the gang issue has extreme consequences: Advocates noted that not only do many of West Fresno's youth become gang members, but also that they often get caught—literally—in crossfire in the neighborhood.<sup>56</sup>

Outside of school, there are few places where neighborhood youth can engage in leadership and skill-building activities. The West Fresno unit of the Boys and Girls Club provides one of the few positive and safe environments for young people, offering after-school tutoring, sports, games, and life-skills classes for kids aged six to 18. Since reopening in late 2006 after a major renovation, the club operates at capacity and, on average, reaches 100 to 150 kids each day—a fraction of the number of children who are eligible to participate. There are few job opportunities in the neighborhood for youth to gain workforce-preparedness skills, and other social and recreational facilities—for example, libraries, malls, movie theaters, and swimming pools—are limited or non-existent.

### Organizational Capacity

Nearly all community leaders noted that capacity issues keep neighborhood organizations from increasing the scale and scope of their work. Interviewees commonly discussed one facet of this issue: lack of funding. "Fresno lacks visibility," said one. "We're subsumed under L.A. and the Bay Area and, along with the rest of the Valley, are left out of consideration for philanthropic funds as well as state and federal dollars. It's hard to change concentrated poverty with limited resources."<sup>57</sup> Indeed, a study of

philanthropic activity in the Valley, for instance, showed that while there has been some improvement since the mid-1990s, the region's grant dollars per capita in the region were just over \$17 in 2002, compared with \$47 statewide.<sup>58</sup>

Many stakeholders also said existing funds are not always effectively spent. "Funders often miss the mark," said one community advocate. "They pick the wrong entities to invest in or don't allow enough flexibility with their funding to fashion effective solutions."<sup>59</sup> Community Development Block Grant (CDBG) dollars are a particularly contested source of funding. Over the past decade, only a small fraction of CDBG dollars have been granted to agencies outside of city government, while a significant amount of funding has been allocated to the police department and other city agencies for crime suppression, code enforcement, and infrastructure improvements.<sup>60</sup> While they agreed that these services are important to the neighborhood, representatives of nonprofit organizations expressed frustration that CDBG funds were being directed in these ways.<sup>61</sup>

However, even if the neighborhood received a large infusion of capital, advocates indicated that there are a number of obstacles that might hamper its use toward addressing neighborhood challenges. "If Bill Gates wanted to give \$1 billion to the neighborhood, could we use it?" asked one community advocate. "Do we have a vision as far as how we'd use it for comprehensive development? Do we have an action plan?"<sup>62</sup> In addition to the lack of a clear strategy to improve current conditions, others noted that the neighborhood also faces challenges that have arisen from fragmented leadership and little political will to work on changing the status quo. The interviewees also noted the need for resource alignment and follow-through.<sup>63</sup>

Tied to the above, noted interviewees, are some shortcomings among nonprofits and community builders, including gaps in technical skills and the need for resources devoted to strategic planning as well as for sophisticated financial management and budgeting.<sup>64</sup> "There are all sorts of examples out there of well-intentioned groups that are good at delivering services on a day-to-day basis," said one community leader. "But to take it to the next level we need to help build their organizational capacity—build an ongoing training and mentoring program for these nonprofits. The problem is that nobody wants to fund that."<sup>65</sup>

The circular nature of the relationship between organizational capacity and the level of funding received

by community-based organizations was noted by other stakeholders. "Nonprofits here can't compete with [San Francisco] Bay Area organizations on funding proposals," one community advocate said. "The writing is not as sophisticated and the applications aren't as strong."<sup>66</sup> In a related vein, two community development financial institutions recently established in the Central Valley have indicated that, while they have interest in directing resources to support economic development in West Fresno, they have already experienced some difficulty finding loan- and investment-ready projects in the neighborhood.<sup>67</sup>

## ■ INTERVENTIONS

A number of efforts are under way at both regional and municipal levels to address some of the issues noted above. One major effort, the Regional Jobs Initiative, aims to further diversify the economy and better equip the region's workforce for advancement up the earnings ladder. Formed in 2004, the initiative is developing resources that support local industry clusters, such as manufacturing, energy, and health care, with a goal of creating 30,000 new jobs in the Fresno region by 2009. A sister project is the Human Investment Initiative, which is linked to the Fresno Business Council and aims to develop career and technical education and better align skill development with the needs of the region's employers.<sup>68</sup> Similarly, the Fresno Economic Development Corporation recently formed an alliance with the Workforce Investment Board to develop a strategy to enhance vocational training and help youth gain the knowledge and skills needed for the region's current and future job offerings.<sup>69</sup>

The mayor's office also recently launched a number of initiatives targeting low-income areas of Fresno. The "10 x 10" plan is aimed at improving and increasing the city's affordable housing stock. A gang prevention and intervention initiative seeks to address gang-related issues throughout the city. And a new Municipal Restoration Zone was established in late 2006 to help stimulate business development and job creation in low-income neighborhoods. Incentives offered through this program are added to those already offered through longstanding Enterprise and Empowerment Zones that encompass West Fresno.<sup>70</sup>

In addition, a number of entities, including the Office of Community and Economic Development at California State University, Fresno, and the newly formed Fresno

Works for Better Health Advocacy Center, are joining forces to develop an asset map of the neighborhood and its surroundings that will be used to design a strategic plan for West Fresno. Social Compact will provide a market analysis of Fresno for this project to help uncover hidden markets and promote investment opportunities.<sup>71</sup> The Advocacy Center will also serve to monitor local, state, and federal economic and community development policy, and aims to provide workshops and other training opportunities for community leaders and residents.<sup>72</sup>

In West Fresno, several housing and community development projects are in the planning and construction phases. These include a Hope VI development, other new housing from the Fresno West Coalition for Economic Development, and a charter school and recreational facility being developed by the Fresno County Economic Opportunities Commission. In addition, discussions are under way about a Family Resource Center to house a number of community amenities such as child care, health referral services, and workforce support.

## ■ CONCLUSION

These efforts demonstrate the growing interest in Fresno to work collaboratively to increase investment—in housing, commercial development, and human capital—both regionally and at the neighborhood level. Many community leaders are hopeful that Fresno has crossed the threshold for positively addressing community and economic development issues.<sup>73</sup> “Essentially what’s happening is that people are starting to go after the major systems—schools, human services, criminal justice—and really trying to transition them from being disabling to empowering, all for the sake of improving neighborhoods of concentrated poverty,” said one civic leader.<sup>74</sup>

The need to strengthen capacity to achieve these transformations, however, is still great. In addition, efforts must be made to ensure that West Fresno’s particular needs and interests are accounted for in emerging regional economic development initiatives. Resources directed toward such efforts can help build and sustain the momentum of residents and community-serving organizations seeking to tackle the host of interrelated challenges in the neighborhood and beyond.

*This case study was prepared by Naomi Cytron, senior research associate, Federal Reserve Bank of San Francisco*

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# Cleveland, Ohio:

## the Central neighborhood

### ■ OVERVIEW

In its heyday, Cleveland was a major industrial center with more than 900,000 residents. Today, plagued by a steady loss of manufacturing jobs and a subsequent outflow of its central city population, Cleveland is an example of both Rust Belt decline and suburbanization. The city's economic situation has been deteriorating since the 1950s and was probably most dramatized by the

city's high-profile bankruptcy in 1978—the first time a city had defaulted on its debt since the Great Depression.

While the loss of jobs and people has been a challenge, the city of Cleveland has had some success in diversifying its economy. A number of high-quality institutions—universities, medical centers, corporations, and foundations—have worked collaboratively toward and contributed significantly to revitalizing the city. As former mayor Michael R. White said, “This is a town of partnerships.”<sup>1</sup>

In Cleveland's Central neighborhood, the subject of this case study, many community development organizations have tried to turn the neighborhood around. In fact, Central is unique in this report in terms of its high

number of community development organizations.<sup>2</sup> The following case study discusses the history and current condition of this neighborhood along with the challenges facing its residents.

### ■ BACKGROUND

For well over a century, Cleveland's Central neighborhood has been a first stop for working-class people new to the area. Aptly named, Central, one of 36 neighborhoods in Cleveland, is located very close to downtown. The first settlers included German immigrants who farmed the land in the mid-1800s. As Cleveland evolved into a major industrial center, the area attracted Austro-Hungarian,

TABLE 1

## Comparison Statistics

		Central	Cleveland MSA
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	43.9	8.9
	Poverty rate 2000 <sup>b</sup>	65.1	10.8
<b>Income</b>	Median household income <sup>c</sup>	\$8,657	\$42,776
<b>Demographics</b>	Population 2000 <sup>d</sup>	12,208	2,148,143
	% Population change, 1970 - 2000 <sup>e</sup>	-54.8	-7.4
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	5.3	74.6
	% Hispanic/Latino	1.3	3.4
	% Black/African-American	91.9	19.1
	% Residents under age 18 <sup>g</sup>	40.9	25.4
	% Single-parent households <sup>h</sup>	69.7	9.5
	% Foreign born, 2000 <sup>i</sup>	1.3	5.3
	% Population in same house as five years ago <sup>j</sup>	45.5	60.2
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	45.2	17.0
	% Adults with a college degree, 2000 <sup>l</sup>	4.2	23.9
	% Students proficient in reading, 2005 <sup>m</sup>	50.7	78.3
	% Students proficient in math, 2005 <sup>n</sup>	34.2	70.5
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	28.6	5.3
	% Adults in the labor force <sup>p</sup>	50.0	64.3
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	8.2	68.1
	% Renters with a housing cost burden <sup>r</sup>	41.1	39.2
	% Rental units that are HUD subsidized <sup>r</sup>	40.0	14.5
	Median value for owner-occupied units <sup>s</sup>	\$76,346	\$120,844
	Median year structure built <sup>t</sup>	1952	1964
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	49.4	19.5
	% Credit files with high credit scores <sup>v</sup>	20.1	61.6
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	24.7	28.2
	Mortgage denial rate, 2005 <sup>x</sup>	43.3	23.7

Italian, Polish, Jewish, and Russian immigrants, many of whom found work at nearby steel mills and foundries. Cleveland, and Central in particular, was also a primary destination for many African Americans who migrated North in the early part of the 20th century. Central became the most populous neighborhood in Cleveland, numbering 62,367 residents in 1930.<sup>3</sup>

Today, the population is less than one-fifth of that, hovering around 12,000. (See Table 1) The population is primarily young, black, and poor, and families are dominated by single mothers.<sup>4</sup> Central's poverty rate in 2000 was a striking 65.1 percent—the highest among all of the

communities profiled in this report. Central's oldest and youngest residents are much poorer than their counterparts in surrounding Cleveland and the metro area. (See Figure 1)

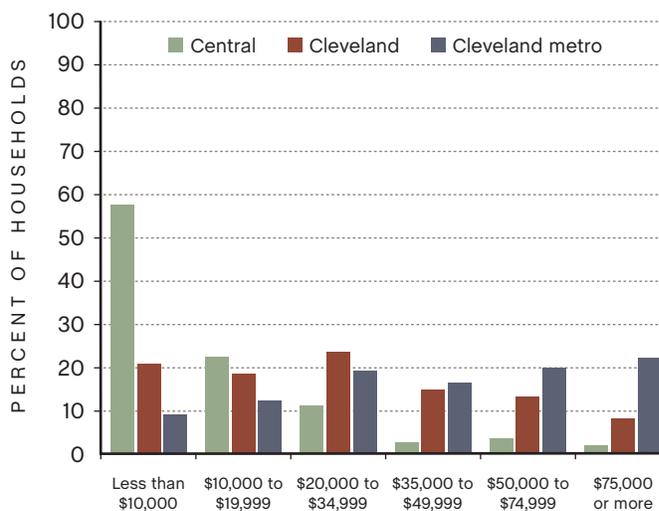
The high levels of poverty in Central are the result of a complicated mix of factors, but historical housing policies have clearly played an important role in shaping the geographic distribution of poverty. Like other immigrant neighborhoods at the turn of the 20th century, Central had substandard housing and poor living conditions.<sup>5</sup> In the 1930s, these overcrowded tenement-housing conditions led Cleveland City Councilman Ernest

Bohn to establish public housing as a replacement for unsafe, tumbledown structures.<sup>6</sup> In 1933, the state of Ohio chartered Cuyahoga Metropolitan Housing Authority (CMHA) as the first public housing authority in the nation. The CMHA located more than half of the county's public housing units within the Central neighborhood.<sup>7</sup> Slum clearance in the 1950s and 1960s resulted in further physical changes to the neighborhood, as did freeway construction and the razing of older housing and commercial structures to make room for Cuyahoga Community College and other institutions.<sup>8</sup>

The legacy of these policies continues to this day.<sup>9</sup> As of February 2007, Central is still home to the largest concentration of public housing in Cuyahoga County; in 2000, 40 percent of Central's rental housing units were publicly subsidized. This concentration of subsidized housing goes a long way toward explaining why Central has such a high percentage of low-income households. In 2000, 80 percent of households in Central had incomes of less than \$20,000, compared with just 20 percent in the Cleveland metro area. Indeed, the majority of Central's households—60 percent—had incomes of less than \$10,000. And there is very little economic integration. Only 6 percent of the households in Central are considered middle class—defined as those earning between \$35,000 and \$75,000—compared with 38 percent in the metro area. (See Figure 2)

FIGURE 2

### Income distribution, 2000



SOURCE: U.S. Census Bureau, Census 2000

### ISSUES TO CONSIDER

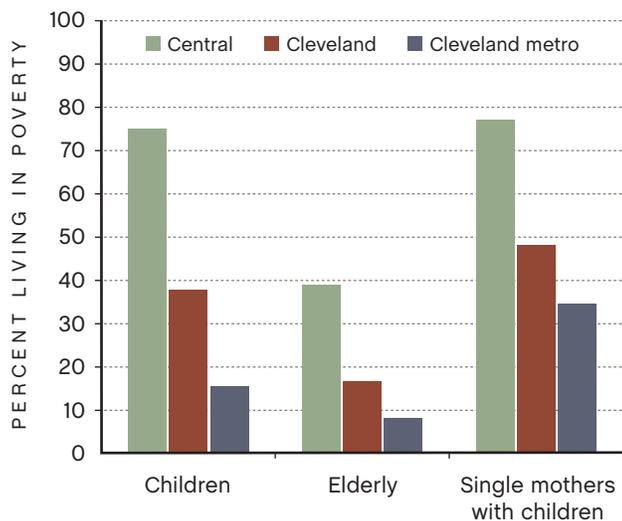
Central faces a complex and intertwined set of challenges related to these high levels of poverty. These challenges range from low levels of educational achievement and employment to a lack of affordable housing, high rates of crime and drug activity, poor health, and limited access to financial services. Interviews with residents and stakeholders, alongside an analysis of publicly available data, point to the link between educational achievement and job readiness as critically important to understanding the high levels of poverty in the neighborhood.

#### Education

Educational attainment in Central is very low.<sup>10</sup> Only one in two adults in Central has graduated from high school, and levels of academic achievement are substandard at all but one of the neighborhood's schools. Central stakeholders and residents alike voiced grave concerns about the issue of education, citing its insufficient quality in the community as well as the critical role it plays in helping people move out of poverty. In particular, interviewees expressed their frustration with a system that seems to be failing at multiple levels. "How does a kid keep moving from grade to grade and no one has noticed that he can't read or write or do math?" asked Larry Wonzo, recreation center director and Central resident. "Someone has been lacking in their job, whether it's the parents, the teachers, or...the kids."

FIGURE 1

### Poverty rates, 2000



SOURCE: U.S. Census Bureau, Census 2000

The Cleveland Metropolitan School District faces many challenges in educating the city's schoolchildren—challenges that are magnified in the high-poverty Central community.<sup>11</sup> District-wide, 100 percent of students are considered economically disadvantaged.<sup>12</sup> Children in Cleveland's public schools also experience high rates of mobility, with mobility among students in Central schools higher than in the district.<sup>13</sup> Data from a 2004 study show that mobile students scored, on average, 51.2 points lower than their less-mobile counterparts.<sup>14</sup> These high rates of student mobility—coupled with having to address the needs of socioeconomically disadvantaged children—have affected schools' ability to focus on the curriculum.<sup>15</sup> Schools are also overwhelmed by the varied roles they must play in the community. "Schools are being asked to deal with things they shouldn't have to," noted Councilwoman Phyllis Cleveland.<sup>16</sup> "It's a restaurant, it's a social service agency, it's a disciplinarian...teachers are busy simply trying to keep order. They can't focus on their basic job of educating and teaching children."

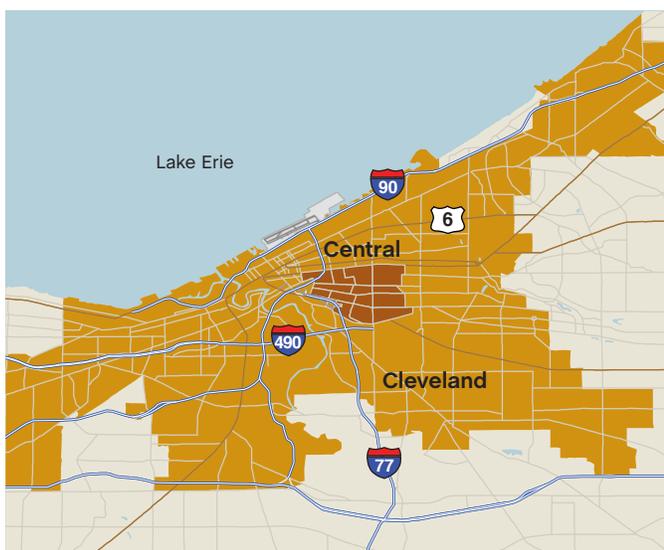
These challenges likely result in low academic achievement. As a district, Cleveland Metropolitan fails to meet federal average yearly progress (AYP) standards.<sup>17</sup> The Cleveland Metropolitan School District was put on "academic watch" after the 2005–2006 testing cycle for its index score of 71 out of 120, well short of the goal of at least 100.<sup>18</sup> Central's schools mirror the district's overall poor performance. Of the four elementary schools in Central, none met AYP minimums in math or reading. Under state standards, three of the elementary schools are in "academic emergency," with the fourth

on academic watch.<sup>19</sup> Central's two high schools—East Technical High School, currently in "academic emergency," and Jane Addams Business High School, designated "effective"—show markedly different results from each other, presumably because Jane Addams enrolls students from across the district who must meet admission criteria and maintain academic and attendance standards.<sup>20</sup>

The lack of access to a high-quality public education means that many of Central's children lack basic skills. "Kids aren't trying and parents aren't reinforcing that education is important, that you need to learn...to compete in this flat world," noted Councilwoman Cleveland. The end result is children who "don't read and write very well," she added. "They don't have basic computational skills. These are just the basics that you need to function in society." Even those with a high school diploma are seen as having insufficient skills to be successful in the labor market. Robin Smalley, director of placement services at Vocational Guidance Services (VGS), a local nonprofit that provides job training, said that many Central adults with high school diplomas test at third-grade levels in math and reading. As a result, they require remedial training before they can obtain even entry-level employment.<sup>21</sup>

Other indicators point to additional educational challenges facing Central's youth. For instance, children in single-parent families or whose mothers have less than a high school education are far more likely to lack readiness for kindergarten.<sup>22</sup> In the early 1990s, over half of Central's birth mothers had not finished high school. By the early 2000s, this figure had improved slightly to 46 percent.<sup>23</sup>

Efforts are under way to reform Cleveland's public schools and to help schools and children meet academic achievement levels. In 2006, the new CEO of the Cleveland Metropolitan School District, Dr. Eugene Sanders, introduced a proposal for the next five years that includes uniforms, single-gender schools, an academy geared toward at-risk males, and summer school for low-performing students in the district. While not specific to Central, the community stands to gain from the proposal's success. In addition, Cuyahoga Community College has partnered with the CMSD and East Technical High School on several initiatives aimed at encouraging post-secondary education.<sup>24</sup> In 2004, more than 900 of the district's 2,300 graduates (41 percent) continued on to post-secondary education.<sup>25</sup> Nearly half of those who continued their education attended the community college.



## Employment and Job Readiness

Low levels of educational attainment seem to explain part of another issue in Central: a disconnect between employment opportunities and the job readiness of many of Central's working-age residents. In 2000, just half of the Central population age 16 and older was in the labor force, compared with two-thirds of the population in the Cleveland metro area. Unemployment in Central was nearly 29 percent, almost six times the rate of the Cleveland metro area (5.3 percent). Disability rates in the community are also high.<sup>26</sup>

Northeastern Ohio has suffered from the well-documented move away from manufacturing toward a more service-oriented economy. Manufacturing jobs in Cuyahoga County dropped from 265,000 in 1970 to about 132,000 in 2000.<sup>27</sup> At the same time, service-sector jobs increased from 167,000 jobs to 338,000 jobs. A notable by-product of this change is a greater share of jobs that pay considerably less: In 2000, a manufacturing job in Cuyahoga County paid an average annual wage of \$65,000, while a service-sector job paid approximately \$38,000.<sup>28</sup>

Manufacturing is not the only industry to experience job losses in the region. Cuyahoga County saw job losses in every major industry sector between 2000 and 2005, except for education and health services, where there was an increase of 11 percent, or nearly 13,000 jobs.<sup>29</sup> In Central, Zip Business Pattern data show that between 2000 and 2004, there was a loss of 5,885 jobs and 147 establishments, among them retail, manufacturing, finance, and insurance establishments.<sup>30</sup>

Still, jobs are available. The Midtown Corridor, which overlaps the north end of the Central neighborhood, is home to nearly 250 companies. At the south end, the Maingate district houses many industrial and manufacturing businesses, including the largest center of wholesale food distributors in Ohio. The county's two largest employers—the Cleveland Clinic and University Hospitals—employ almost 45,000 and are located less than two miles from the neighborhood.<sup>31</sup> In fact, demand for workers in the healthcare industry within the Cleveland metro area is projected to increase by more than 23,000 jobs between 2004 and 2014.<sup>32</sup> The Center for Health Affairs notes that the need for healthcare workers in the Cleveland area continues to outpace supply.<sup>33</sup>

The challenge, however, is that many of Central's residents lack the necessary skills for these job opportunities. Many nonprofits and service agencies have been

working to bridge this gap. VGS, located in the Central community, is a 116-year-old nonprofit that provides job-readiness training, transitional employment, and job placement for both disabled and economically disadvantaged individuals.<sup>34</sup> According to Smalley, individuals in impoverished communities don't lack the desire to work; instead, they lack some of the basic job-readiness skills—such as appropriate communication skills in the interview process, punctuality, and proper attire—necessary for successful employment.<sup>35</sup>

Smalley added that many Central residents entering job training programs have never held a steady job, resulting in some anxiety over getting and maintaining a job. She likened the process of acclimating to the culture of work to being dropped into China: "I don't know how to speak the language; I don't know anything about the culture. I don't know where to go to try and get a job and communicate that I'm capable of doing something." Transportation and child care are additional barriers, according to both Smalley and a study that examined welfare reform and access to job opportunities in the Cleveland area.<sup>36</sup>

Other organizations and agencies have also launched programs aimed at helping Central residents find jobs.<sup>37</sup> The city of Cleveland and Cuyahoga County operate Employment Connections, which provides workforce development services to job seekers and employers.<sup>38</sup> In addition, Cuyahoga Community College designs programs for individuals to continue building job skills and aim for long-term careers.<sup>39</sup> These programs are important to help residents move into jobs that pay a living wage. "Even if you graduate from high school now, most of the jobs that are available are not going to get you above poverty," noted the Friendly Inn's Gerri Burns, who has worked in the Central community for 29 years. "So until we get people into training beyond high school—real, meaningful training programs that will lead to guaranteed employment that pays over \$12 an hour—they're going to be poor."<sup>40</sup>

## Affordable Housing

In addition to quality education and job readiness, affordable housing is a pressing need in Central. Nearly everyone living in Central (92 percent) rents, compared with 32 percent in the Cleveland metropolitan area. More than 41 percent of the renters in Central have a housing cost burden, and 24 percent have an extreme housing cost burden.<sup>41</sup> Vacancy rates in Central's public and



Through HOPE IV, some of Central's most deteriorated public housing high-rises were demolished and rebuilt into residences that resemble townhomes.

subsidized housing are very low. In the county, applicants on the waiting list for public housing numbered nearly 8,800 as of February 2007.<sup>42</sup> The issue of affordable housing appears to be more related to residents' low levels of income than to the rental costs. The City of Cleveland's Consolidated Plan for 2005–2010 states that "housing costs in Cleveland are lower than in most other major cities." However, the report continues, there are "thousands of households in Cleveland whose incomes are insufficient to pay the basic cost of decent housing."<sup>43</sup> According to Central's councilwoman, even with the amount of public and subsidized housing in the area, she gets calls "all the time" from constituents looking for affordable housing.

Coupled with this high demand for affordable housing is the problem of vacant and abandoned properties. Nearly one in five (18.7 percent) of the neighborhood's housing units were vacant in 2000, with the vacancy rate in some census tracts within Central hitting 30 percent. Instead of providing much-needed housing options for residents, these vacant properties are instead attracting criminal activity such as drugs and prostitution, noted Central's councilwoman. "No one wants to live next door to these properties," she commented, "and eventually people, when they can, they get away." Vacant homes affect more than the property values of remaining properties, she continued: "People see that [vacancy] as a sign that

their neighborhood is going down." Vacant properties also provide a powerful disincentive to real estate developers, since vacant properties signify weak market demand.

However, Central is starting to see an increase in private residential development, spurred in part by policies designed to remedy the unintended consequences of concentrated subsidized housing. Through the HOPE VI program, some of the oldest and most deteriorated public housing complexes in the neighborhood were demolished and rebuilt, transforming the high-rise brick buildings into residences that resemble townhomes.<sup>44</sup> In addition, Cleveland was one of six cities nationwide that received federal funding from the Homeownership Zone Initiative (HOZ). This \$18.6 million grant is contributing to the construction of 465 market-rate single-family homes—the largest market-rate construction project in the city since the 1940s.<sup>45</sup> This joint effort among Burten, Bell, Carr Development, Inc., HUD, the city of Cleveland, and the Cuyahoga Metropolitan Housing Authority (CMHA) is effectively leveraging public and private dollars for new investment in housing in Central.

The new housing is also fostering some optimism among Central's residents and stakeholders. Local funder India Pierce Lee observed, "You drive through there and it's like a new city being reborn quietly."<sup>46</sup> It is also bringing a more diverse mix of income levels into the community, as well as helping retain some of Central's residents who would otherwise leave the community. "When they started building the houses, that helped," stated Gerri Burns. "A number of people who lived in public housing actually bought houses in the community and stayed."

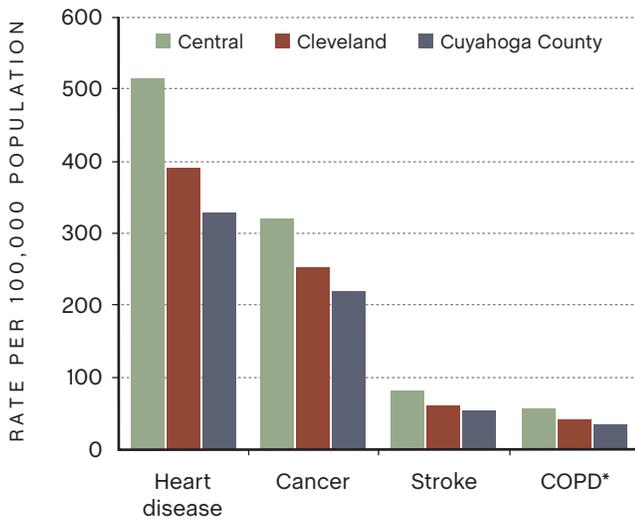
### Crime and Health

Maintaining this momentum of private investment will require overcoming the obstacles of crime and drug activity. Central has one of the highest rates of violent crime in the city of Cleveland, though it has decreased since 1990.<sup>47</sup> Youth living in the Central community are twice as likely as their counterparts in the city of Cleveland and three times as likely as Cuyahoga County youth to be involved in the juvenile justice system.<sup>48</sup>

When asked how crime has changed over time, recreation center director Larry Wonzon, who grew up in Central, remarked that crime has always been higher in this neighborhood, but the accessibility to guns has made the crimes more violent. "It used to be fistfights," he said,

FIGURE 3

### Causes of death, 2003



SOURCE: Social Indicators 2003: Community Health (Center for Community Solutions)

\*Chronic obstructive pulmonary disease

“and then came crack cocaine and people started picking up guns.”<sup>49</sup> Another resident added, “Nowadays kids can get weapons anywhere...it’s like one phone call away.”

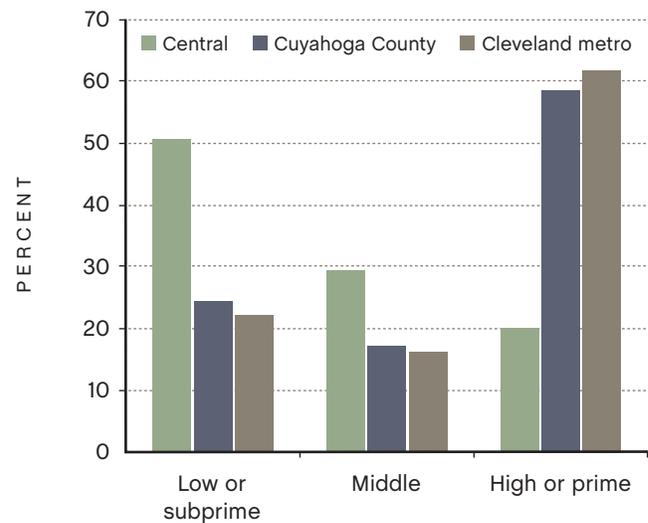
Drug activity is also an issue. In 2005 the drug arrest rate in Central was twice the rate in Cleveland as a whole.<sup>50</sup> A major turning point in this community came with the rise of crack cocaine use. Councilwoman Cleveland, who like Wonzo grew up in Central, noted, “When crack cocaine hit our community it had an effect like nothing else. Unlike other drugs like heroin, it took the mothers out of the homes, [leaving] their children unattended for hours or days.” Babies themselves are often born addicted; their mothers are unable to adequately nurture them; and, in the words of the Councilwoman, as “young adults and teenagers [they] struggle with challenges—intellectually, behaviorally, and emotionally.”

Councilwoman Cleveland indicated it is a challenge for her to develop programs or initiatives for youth because of the influence of gangs in the area. “You’ve got to deal with each group where they are, first of all, because you can’t mix them no matter how well intended you are,” she said. “I don’t feel like I’m making enough headway in [developing programs], but it’s really important.”<sup>51</sup> Funding these programs is an issue as well. “One of the really hard things is to find the money to do things.”

Health issues represent still another challenge for Central residents, who report poorer overall health and

FIGURE 4

### Credit ratings of files with credit scores, 2004



SOURCE: Federal Reserve Board of Governors

less access to health insurance than county residents as a whole. Four out of every 10 Central adults rated their health as poor or fair, compared with two out of every 10 county adults.<sup>52</sup> Central residents also have higher rates of death from common diseases than residents of Cleveland and Cuyahoga County.<sup>53</sup> (See Figure 3) Health insurance coverage is also limited. In 2001, the percentage of adults who were uninsured in the Central community was over 25 percent, compared with less than 10 percent in Cuyahoga County.<sup>54</sup> Uninsured adults were far more likely to use the hospital’s emergency department for routine care and less likely to have visited a doctor in the past year.<sup>55</sup>

#### Financial Services

Access to credit also remains difficult for many living in Central. Almost 50 percent of the credit files in Central had too little credit history, or were too thin, to receive a credit score. Of those with credit scores, a majority of Central residents have low or subprime scores, as shown in the chart. (See Figure 4) In 2005, the denial rate for mortgages in Central was 43 percent, almost double the rate for the Cleveland MSA (23.7 percent). Yet for borrowers who qualified for a mortgage, the Home Mortgage Disclosure Act (HMDA) data provide some indication that lenders are extending loans to Central homeowners: Three-fourths of the loan applications in Central were

made by those with low to moderate incomes, and more than half (52 percent) of those loans were approved.<sup>56</sup> In addition, borrowers purchasing a home in Central in 2005 were slightly less likely than Cleveland borrowers to receive a high-priced loan.<sup>57</sup>

Residents have local access to financial services primarily through a KeyBank branch that opened in 2005 and a U.S. Bank branch that has served the neighborhood for 25 years.<sup>58</sup> Breaking from traditional banking practices, KeyBank developed a checking account with no maintenance fees or minimum balance requirements, catering to clients who are on Chex Systems or who frequently use check-cashing facilities.<sup>59</sup> Representatives of U.S. Bank acknowledged the difficulty of providing products and services in a neighborhood with such low incomes.<sup>60</sup> The lack of financial knowledge among residents also contributes to this challenge.<sup>61</sup> While payday and check-cashing establishments do not number among Central businesses, several corner convenience stores provide check-cashing services.

## ■ CONCLUSION

As this case study demonstrates, Central faces many challenges. Even though it has a community development infrastructure with engaged nonprofits, local government, and banks, there has been relatively little progress in tackling the challenges associated with poverty in Central over the past 30 years. Central has seen many programs and initiatives implemented to address issues related to poverty both in Central and in the broader community. Most no longer exist; some have recently begun.<sup>62</sup> As one Central resident stated, “I’ve been in this community, actually living on this property, for 29 years now. I haven’t seen a program that’s still in existence or been consistent in this community because they start a lot of programs.”

Yet the neighborhood seems to be gaining some traction recently with new housing construction (both affordable and market-rate); retail revitalization, including Arbor Park Place, which includes the first grocery store in the community in more than 40 years; and promising reforms in job training and education. There is also optimism in the Central community, both for new initiatives under way and for the abundant job, educational, and cultural opportunities available nearby. Several interviewees feel quite positive about Central’s future. One young male college student who grew up and still lives

in Central said, “The neighborhood has definitely gotten better over the years. The crime rate has definitely [gone] down. The drug rate has definitely [gone] down. And it seems that a lot of kids are going to school more now than at previous times.” In the end, however, those trying to improve the economic conditions in Central will have to contend with the fact that this neighborhood’s economic fate is intertwined with the wider regional economy that continues to struggle.<sup>63</sup>

*This case study was prepared by Lisa Nelson, senior policy analyst, Federal Reserve Bank of Cleveland.*

## Endnotes

- 1 Bruce Adams and John Parr, *Boundary Crossers: Case Studies of How Ten of America’s Metropolitan Regions Work* (College Park, MD: The James MacGregor Burns Academy of Leadership Press, 1997).
- 2 Chief among these institutions are St. Vincent Charity Hospital, a safety-net provider that has been in the community for 140 years; Vocational Guidance Services (VGS), a vocational training and job placement services organization; Friendly Inn, a social services agency active in the area for more than 100 years; two youth-oriented recreation centers; Burten, Bell, Carr Development Inc., a major driver of local retail and residential development; Cuyahoga Community College; and several long-standing places of worship, including St. John AME (African Methodist Episcopal) Church, the first African American church in the city of Cleveland (*The Encyclopedia of Cleveland History*, May 22, 2007).
- 3 See the Welcome to Central section of the Living in Cleveland Center’s website, and Howard Whipple Green, “Census Tract Street Index for Cleveland Metropolitan District and Cuyahoga County,” Fourth Edition, 1944.
- 4 According to the 2000 census, 40 percent of Central’s residents are younger than 18; 94 percent are African American; and 65 percent are impoverished. Among families with children under the age of 18, fully 88 percent are headed by single mothers. Married-couple households comprise only 7 percent of the households in Central, compared with almost 29 percent in Cleveland and nearly 50 percent in the metro area.
- 5 In 1904 the Chamber of Commerce issued a report highlighting Central’s poor living conditions. Available at <http://www.nhlink.net/neighborhoodtour/central/ntour.htm>.
- 6 Information on CMHA history available at <http://cmha.net/information/cmhahistory.aspx>.
- 7 Christopher G. Wye, “The New Deal and the Negro Community: Toward a Broader Conceptualization,” *Journal of American History* 59(3) (1972): 621–39.
- 8 Available at <http://www.nhlink.net/neighborhoodtour/central/ntour.htm>.
- 9 Wye, “The New Deal and the Negro Community.”
- 10 Just 54 percent of those age 25 and older in Central have a high school diploma, compared with 69 percent in the city of Cleveland

- and 83 percent in the Cleveland metro area. A mere 4 percent of this age group in Central has a bachelor's degree, compared with 11 percent in the city and nearly 24 percent in the Cleveland metro area.
- 11 The district changed its name from Cleveland Municipal School District to Cleveland Metropolitan School District in April 2007.
  - 12 Ohio Department of Education, 2005–2006 School Year Report Card. Available at <http://www.ode.state.oh.us/reportcardfiles/2005-2006/DIST/043786.pdf>. The 2006–2007 report cards released in August 2007 show the Cleveland Metropolitan School District has moved up to the “Continuous Improvement” designation.
  - 13 Mobility refers to students who change schools at least once during an academic year. Mobility data were taken from the Ohio Department of Education’s iLRC Power Users Report available at [http://ilrc.ode.state.oh.us/Power\\_Users.asp](http://ilrc.ode.state.oh.us/Power_Users.asp) (accessed March 2007). The mobility rate for the district for 2005–2006 school year was 18 percent. With the exception of Jane Addams students, who had a mobility rate of 9 percent, mobility among students in Central schools was higher than in the district, ranging from 23 percent to nearly 30 percent.
  - 14 Sandra Clark, “Mobile Students Score Lower on State Test,” *Catalyst Cleveland*, March/April 2001, 4–5.
  - 15 Research has shown that high levels of residential mobility can have a negative impact on children’s academic achievement and can disrupt teaching in the classroom. Doris R. Entwisle, Karl L. Alexander, and Linda Steffel Olson, *Children, Schools, and Inequality* (Boulder: Westview, 1997).
  - 16 Phyllis Cleveland, Councilwoman for Ward 5, which includes the Central neighborhood. Personal interview in Cleveland, February 1, 2007.
  - 17 Standards are set by the federal government through the No Child Left Behind Act. Specific percentages of students in 10 student groups are required to meet proficiency goals in reading and mathematics. If any goal is missed, the school does not meet AYP.
  - 18 Ohio Department of Education, 2005–2006 School Year Report Card. Available at <http://www.ode.state.oh.us/reportcard>.
  - 19 “Academic emergency” indicates that the school met eight or fewer of the 14 state indicators, scored less than 70 on the Performance index, and failed AYP requirements.
  - 20 Ohio Department of Education, 2005–2006 School Year Report Card. Available at <http://www.ode.state.oh.us/reportcard>. According to data provided by the Cleveland Metropolitan School District, approximately 50 (or 9.8 percent) of the 509 students enrolled in Jane Addams during the 2006–2007 school year lived in the Central neighborhood. The 2006–2007 report card shows that the designation for Jane Addams fell from Effective to Continuous Improvement.
  - 21 Robin Smalley, Division Director, Placement Services, Vocational Guidance Services. Personal interview in Cleveland, February 2, 2007.
  - 22 Sharon Vandivere, et al., “Indicators of Early School Success and Child Well-Being,” *CrossCurrents*, 3, October 2004.
  - 23 NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University. Available at <http://neocando.case.edu/cando/index.jsp> (accessed April 10, 2007).
  - 24 TRI-C has several initiatives to engage students in post-secondary education, including High Tech Academy, which is geared to developing both academic and technical skills of select CMSD high school students. Students take college-level courses while still in high school. Tech Prep is a program that assists high school students in gaining skills and training for future careers in technology. The Education Talent Search is a program that encourages high school students to continue in school, to graduate, and to continue on to vocational programs.
  - 25 Information provided by Dr. Jennifer A. Spielvogel, Vice President, Planning and Institutional Effectiveness, Cuyahoga Community College.
  - 26 According to the 2000 census, over one-third (34.1 percent) of working-age males in Central had a disability, compared with 26 percent in Cleveland and 17 percent in the metro area. Women and elderly residents of Central also experience higher rates of disability than their counterparts in Cleveland and the metro area.
  - 27 Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce, Table CA25. Available at <http://www.bea.gov/bea/regional/reis> (accessed April 19, 2007).
  - 28 Data extracted from the Regional Economic Information System, Bureau of Economic Analysis (BEA), U.S. Department of Commerce, Tables CA25 and CA05 Available at <http://www.bea.gov/bea/regional/reis> (accessed April 19, 2007). It should be noted the figures reported include both full- and part-time employment. According to BEA, the service sector includes industries primarily engaged in providing a wide variety of services for individuals, business and government establishments, and other organizations. Hotels and other lodging places; establishments providing personal, business, repair, and amusement services; health, legal, engineering, and other professional services; educational institutions; membership organizations, and other miscellaneous services, are included.
  - 29 “Workforce Analysis, Employment Connection.” Available at <http://lmi.state.oh.us/wia/archive/2007/EmploymentConnection.pdf> (accessed April 2007).
  - 30 Three zip codes (44103, 44104, and 44115) cover all of the Central neighborhood and parts of adjoining neighborhoods. Zip Business Pattern data available from the U.S. Census Bureau.
  - 31 Crain’s Cleveland Business, “Largest Employers in Cuyahoga County,” 28(10), March 12–18, 2007, 22.
  - 32 Cleveland-Elyria-Mentor MSA Job Outlook to 2014 prepared by the Ohio Department of Job and Family Services, Bureau of Labor Market Information, Office of Workforce Development. Available at <http://lmi.state.oh.us/proj/projections/MSA/Cleveland.pdf> (accessed April 2007).
  - 33 The Center for Health Affairs, “Healthcare: The Heartbeat of Northeast Ohio,” *Policy Snapshot*, April 2007. Available at <http://www.chanet.org/NR/rdonlyres/864931C8-7CAF-4E0E-A9F4-86A7739A7FCC/357/HealthcareHeartbeatofNortheastOhio.pdf> (accessed August 2007).
  - 34 VGS offers training in retail, child care, computer skills, and custodial and building maintenance.
  - 35 Robin Smalley, Division Director, Placement Services, Vocational Guidance Services. Personal interview in Cleveland, February 2, 2007.
  - 36 A study examining welfare reform and access to job opportunities estimated that a majority (80.4 percent) of the entry-level job openings between 1995 and 2005 in the Cleveland metro area lay outside the city of Cleveland and nearly half were outside Cuyahoga County. Public transportation users would be at a disadvantage in reaching these jobs compared to those with automobiles.

- For example, this study found that those commuting by automobile had access to nearly six times as many jobs as public transit commuters. Only 35 percent of Central residents own a car, according to the 2000 census. See Neil Bania, Claudia Coulton, and Laura Leete, "Welfare Reform and Access to Job Opportunities in Cleveland Metropolitan Area," in *Multi-City Access to Opportunity Study*, Michael Rich, ed. (Atlanta: Emory University, 2000).
- 37 The Job Match Empowerment Zone (EZ) program operated for 10 years, until funding ended in January 2006. Funding for the Youth Opportunity Program was also eliminated after 10 years of assisting youth in the EZ to complete high school, develop job skills, and obtain and maintain employment.
  - 38 Information on this resource can be found at <http://www.workforce.cuyahogacounty.us/en-US/employment-connection.aspx>.
  - 39 TRI-C's Breaking Through: Health Care Career Pathway Program, for example, allows individuals with just sixth- and seventh-grade reading and math levels to enter the healthcare field through a state tested nursing assistant (STNA) prep course. Students gain basic skills and knowledge before taking the next steps to become a certified STNA. The Pathway program is designed to encourage individuals to successively build on their skills and education, enabling them to move from STNAs up to higher-paying positions in the healthcare industry.
  - 40 Gerri Burns, Executive Director, Friendly Inn, located in the Central neighborhood. Personal interview in Cleveland, January 23, 2007.
  - 41 Housing cost burden is defined as a household paying more than 30 percent of its income for housing. Extreme housing cost burden is a household paying more than 50 percent of its income for housing.
  - 42 Data provided by Scott Pollock, Director of Planning and Development, Cuyahoga Metropolitan Housing Authority (CMHA).
  - 43 The Consolidated Plan, 2005–2010. Housing and Community Development Needs Assessment & Five Year Strategic Plan for the City of Cleveland, Ohio, Approved by HUD – June 10, 2005.
  - 44 In partnership with CMHA, Burten, Bell, Carr encouraged the construction of single-family public housing units dispersed throughout the neighborhood and encouraged amenities atypical of public housing, such as designated parking spaces outside units and the inclusion of private patios.
  - 45 Cleveland was awarded the HOZ grant in 1997 and construction of the new homes began in 2000. This mixed-income development will be contained entirely within the Central neighborhood.
  - 46 India Pierce Lee, Program Officer, The Cleveland Foundation. Personal interview in Cleveland, March 9, 2007.
  - 47 NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University, available at <http://neocando.case.edu/cando/index.jsp> (accessed April 16, 2007). See methodology and caveats regarding crime data contained in NEO CANDO available at <http://neocando.case.edu/cando/pdf/ClevelandPoliceDataIndicators.pdf>. The violent crime rate dropped from 5,773 per 100,000 population in 1990 to 2,681 per 100,000 in 2005.
  - 48 The rate of juvenile delinquency in Central was 158 per 1,000 youth compared with 91 per 1,000 youth in Cleveland and 65 per 1,000 youth in Cuyahoga County. Juvenile delinquency data were extracted from the NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University, available at <http://neocando.case.edu/cando/index.jsp> (accessed April 16, 2007).
  - 49 Larry Wonzo, Director, Lonnie Burten Recreation Center, located in the Central neighborhood. Personal interview in Cleveland, February 9, 2007.
  - 50 NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University, available at <http://neocando.case.edu/cando/index.jsp> (accessed April 16, 2007). There were 2,871 drug arrests per 100,000 in Central compared with 1,369 per 100,000 in Cleveland.
  - 51 Phyllis Cleveland, Councilwoman, Ward 5. Personal interview in Cleveland, February 1, 2007.
  - 52 The Center for Community Solutions engaged the Gallup Organization to survey a sample of Cuyahoga County adults, ages 18 to 64, regarding a range of issues related to health and health care. Three neighborhoods were over-sampled, including Central. The survey is called the Cuyahoga Family Health Survey.
  - 53 The death rate data referenced here came from a report entitled "Social Indicators 2003: Community Health prepared by the Center for Community Solutions and the United Way." All rates are age-adjusted unless otherwise noted.
  - 54 Center for Community Solutions' analysis of the Cuyahoga Family Health Survey data.
  - 55 Ibid.
  - 56 Low- to moderate-income borrowers are those with incomes less than or equal to 80 percent of the Cleveland MSA's median income. High-income applicants are those with incomes greater than 80 percent of the metro area's median.
  - 57 Analysis of the 2005 Home Mortgage Disclosure Act (HMDA) showed that of the 56 home purchase originations in Central, only nine applicants (16 percent) received a high-priced loan compared with 55 percent for Cleveland applicants. High-cost loans were more likely for refinance loans in Central—52 percent, or 11 applicants, received a high-priced loan. In Cleveland, 44 percent of refinancing loans were high priced.
  - 58 In addition, there are five credit unions located within Central, three of which are affiliated with churches.
  - 59 Woody Allen, Urban Initiative Officer, Key Bank. Personal interview in Cleveland, March 16, 2007. Chex Systems, Inc. provides deposit account verification services to its financial institution members to aid them in identifying account applicants who may have a history of account mishandling (for example, people whose accounts were overdrawn and then closed by their bank). For more information regarding Chex Systems see <https://www.consumerdebit.com/consumerinfo/us/en/chexsystems/faqs.htm>.
  - 60 Patricia Ramsey, vice president, community development, U.S. Bank, and Carolyn Gamble, branch manager, U.S. Bank. Personal interviews in Cleveland, April 25, 2007.
  - 61 Both KeyBank and U.S. Bank offer financial literacy programs to Central residents and work with residents to raise their awareness of the earned income tax credit (EITC).
  - 62 Building Healthy Communities (BHC) is focused on addressing the needs of the residents in the Central community. Started in 2003, this resident-driven initiative focuses on three issues of concern to residents: cancer prevention and early detection; access to health care and transportation; and parental involvement with children. The Sisters of Charity Foundation of Cleveland recently introduced

a vision and plan of action that will place special emphasis on addressing the root causes and effects of poverty in the Central neighborhood. In 2005, Cleveland State University was awarded a \$1.3 million grant from the National Institutes of Health to fight obesity in the Central community and use findings to assist other poor communities; see <http://www.csuohio.edu/today/051129.html>.

- <sup>63</sup> Cleveland ranked as the lowest income city over 250,000 residents, according to the most recent census figures. The median household earns \$26,535 per year. Source: Census Bureau's American Community Survey.





## Miami, Florida: the Little Haiti neighborhood

### ■ OVERVIEW

Little Haiti owes its name to the concentration of Haitian immigrants who settled in this Miami neighborhood in the 1970s and 1980s. For Haitians in South Florida and throughout the United States, the neighborhood maintains great historical, cultural, and social significance, since it represents the heart of Haitian migration to the U.S.<sup>1</sup> Little Haiti's history is the story

of the thousands of Haitian immigrants who have established new lives in Miami-Dade County, especially those who arrived after 1980.<sup>2</sup> While residents of Little Haiti represent only a small portion of the estimated 189,000 Haitians and Haitian Americans living in South Florida, the enclave contains one of the largest concentrations of these populations living at or below the poverty line.<sup>3</sup> And, unlike other ethnic communities that have achieved greater integration in South Florida,<sup>4</sup> Little Haiti has remained socially and economically isolated from Miami's greater metropolitan area.<sup>5</sup>

### ■ BACKGROUND

The city of Miami, with a population of approximately 330,000, was ranked the poorest large city in the United States following the 2000 census, with a poverty rate of 28 percent.<sup>6</sup> Haitians are among the poorest demographic groups in the region. The poverty rate for Haitians in Miami-Dade County (30 percent) is almost twice the overall poverty rate in the county (18 percent). One-third of all Haitian households in Miami-Dade County are considered low income.<sup>7</sup>

TABLE 1

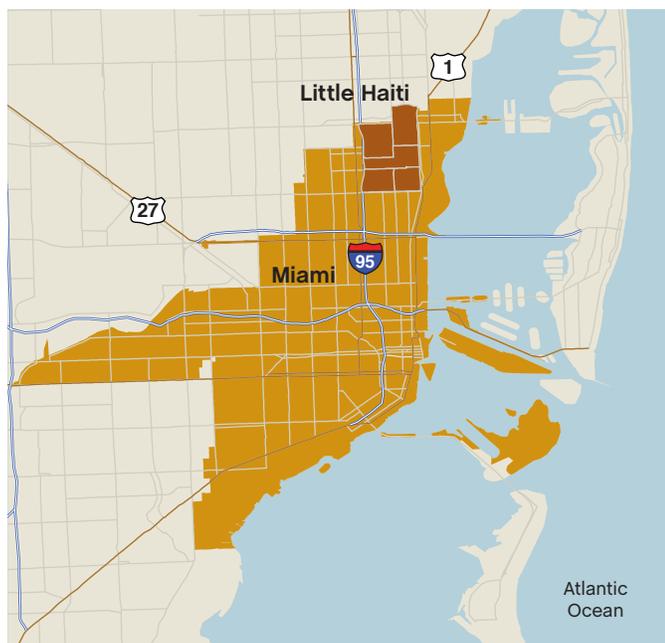
## Comparison Statistics

		Little Haiti	Miami MSA
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	23.6	13.3
	Poverty rate 2000 <sup>b</sup>	44.4	14.0
<b>Income</b>	Median household income <sup>c</sup>	\$15,277	\$40,320
<b>Demographics</b>	Population 2000 <sup>d</sup>	18,607	5,007,564
	% Population change, 1970 - 2000 <sup>e</sup>	8.4	123.9
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	2.4	44.1
	% Hispanic/Latino	13.7	34.0
	% Black/African-American	62.6	18.1
	% Residents under age 18 <sup>g</sup>	31.2	23.6
	% Single-parent households <sup>h</sup>	35.1	9.5
	% Foreign born, 2000 <sup>i</sup>	47.1	35.0
	% Population in same house as five years ago <sup>j</sup>	53.9	49.1
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	61.6	23.8
	% Adults with a college degree, 2000 <sup>l</sup>	3.8	24.1
	% Students proficient in reading, 2005 <sup>m</sup>	26.7	49.7
	% Students proficient in math, 2005 <sup>n</sup>	30.9	57.6
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	19.0	6.7
	% Adults in the labor force <sup>p</sup>	51.3	58.7
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	19.0	66.0
	% Renters with a housing cost burden <sup>r</sup>	56.8	48.5
	% Rental units that are HUD subsidized <sup>r</sup>	18.9	8.4
	Median value for owner-occupied units <sup>s</sup>	\$69,742	\$128,411
	Median year structure built <sup>t</sup>	1963	1977
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	44.1	24.5
	% Credit files with high credit scores <sup>v</sup>	33.4	58.6
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	64.4	40.8
	Mortgage denial rate, 2005 <sup>x</sup>	28.7	19.3

Little Haiti is a rather well-delineated neighborhood of some 19,000 residents on the northern boundary of Miami. It is difficult to obtain a precise demographic and economic profile of Little Haiti and the greater Miami-Dade County, however, for several reasons. First, Miami is a gateway city with a large transient population that is often difficult to capture in official statistics. Immigrants—in particular those who are undocumented—have been historically underrepresented in census data. Second, there is a strong informal economy throughout Miami-Dade County that is predominantly cash driven and therefore hard to measure. Third, the Haitian population

is not statistically distinguished from the greater Black or African-American population in census figures, so many demographics concerning the Haitian population are based on estimates that vary in accuracy.<sup>8</sup> That said, estimates suggest that 45 percent of Little Haiti's population is Haitian or Haitian-American.<sup>9</sup>

Little Haiti is much poorer than Miami as a whole. According to the 2000 U.S. census, the poverty rate in Little Haiti was over 44 percent, more than three times that of the Miami-Fort Lauderdale Metropolitan Statistical Area (MSA) (14 percent). The median household income in Little Haiti (\$15,277) was less than half the median household income



in the Miami–Fort Lauderdale MSA (\$40,320). The unemployment rate in the community is 19 percent, compared with 7 percent in the MSA. Sixty-two percent of adults over 25 in Little Haiti do not have a high school diploma; only 4 percent have a bachelor's degree.<sup>10</sup>

Housing costs have had a significant impact on low-income residents in Miami, with almost half (48 percent) spending more than 30 percent of their household income on housing costs in 2000.<sup>11</sup> Since then, the housing cost burden has increased because of real-estate appreciation throughout South Florida over the past five years.<sup>12</sup> (See Figure 1) In Little Haiti, these trends have a greater effect on housing affordability for its low-income residents. The vast majority of residents in Little Haiti are renters, and 57 percent of renters spent more than 30 percent of their income on housing.<sup>13</sup> Housing quality in the community is poor, and most of the homes are small (less than 1,200 square feet). In addition, many have been illegally subdivided and have un-permitted structures on the property. Overcrowding is a serious problem, with families pooling funds or sharing units in order to afford housing.

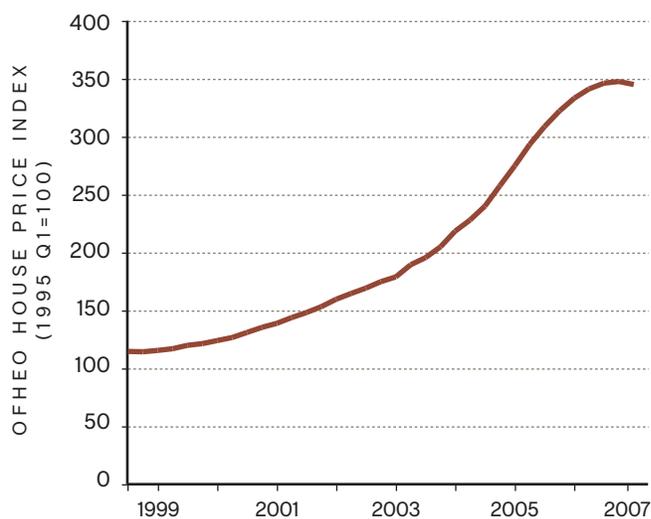
Housing affordability will likely worsen for Little Haiti's residents if gentrification pressures in the neighborhood intensify. Miami has been significantly transformed in the past five years by aggressive redevelopment of the city's urban neighborhoods. With very little undeveloped land remaining, developers are looking at older neighborhoods, such as Little Haiti, as new candidates for

development.<sup>14</sup> Interviewees expressed concerns about the displacement of Little Haiti's residents; according to Rasha Soray-Cameau, administrator for the City of Miami's Little Haiti Neighborhood Enhancement Team Office, residents who are pushed out of Little Haiti will find it very difficult to locate alternative housing.<sup>15</sup> Moreover, for Haitians dependent on the Creole-speaking services accessible only in Little Haiti, displacement from the neighborhood could have deeper consequences for their well-being.<sup>16</sup>

Addressing the issues facing Little Haiti is particularly challenging because of Haitians' unique perspective on poverty. Despite living close to or below the poverty line in South Florida, many Haitian immigrants do not consider themselves poor. Comparatively, many are better off in the United States than in their homeland, which has suffered decades of political and economic instability; Haiti is currently the poorest nation in the Western hemisphere. However, perhaps as a result of this more positive perception of their situations, Haitians are slow to seek services aimed at improving their social and economic standing. In a study of Haitian immigrants in Miami–Dade, a survey found that no more than 5 percent of the individuals surveyed applied for benefits, even though 80 percent of them were eligible.<sup>17</sup> Noted Jacques St. Louis, a homeownership counselor at the Little Haiti Housing Association, "They see that they are making \$12,000 a year, and they think that's good money."<sup>18</sup> In addition,

FIGURE 1

### House price appreciation in the Miami–Miami Beach–Kendall metropolitan area



SOURCE: OFHEO/Haver Analytics

Haitian immigrants are reluctant to accept charity unless their situation is dire.<sup>19</sup> According to Francoise Penha at the Human Services Coalition, accepting any form of assistance—especially services and programs aimed at helping the neediest, such as food stamps—is a cause for personal shame among the Haitian poor.<sup>20</sup>

## ■ ISSUES TO CONSIDER

A number of significant issues emerge when looking at poverty in Little Haiti. Chief among them are residents' isolation due to immigration policy, language, and culture; lack of jobs and economic development; low levels of civic engagement; poor financial management skills and knowledge; and concerns about youth, education, and health.

### **Isolation Due to Immigration Policy, Language, and Culture**

Barriers in the immigration process have made it harder for Haitian immigrants to establish themselves in the United States. U.S. immigration policy toward Haitian nationals has been more restrictive than policy toward the majority of other Caribbean immigrants.<sup>21</sup> Haitians are often challenged on their requests for residency and tend to remain undocumented, hiding from detection by immigration enforcement agencies.<sup>22</sup> Because of a heightened fear of deportation in the Haitian community, Little Haiti's immigrant residents are unlikely to seek assistance from outside organizations for fear of drawing attention to the immigration status either of themselves or family members living with them.<sup>23</sup> In addition, many Haitians eligible for public assistance will not apply because they fear that the U.S. Citizenship and Immigration Services will label them a "public charge" and, as such, they will be denied a future request for residency or citizenship.<sup>24</sup>

Language skills are another significant challenge both for Haitian immigrants and the organizations that serve them. Most community and social services agencies in the Miami area have bilingual staff fluent in Spanish and English, which greatly helps Spanish-speaking immigrants seeking assistance. Haitians' native language, however, is Creole, which is the only language many immigrants from Haiti speak when they arrive in the United States.<sup>25</sup> This creates a major barrier both for Haitians struggling to access services and find jobs and for non-Haitians seeking to help or employ them. Compounding the problem, low-income Haitian immigrants are frequently not literate in Creole, so English classes

often must begin with teaching Haitians how to read and write in their native language.<sup>26</sup> While much of everyday life in Little Haiti is transacted in Creole, outside Little Haiti and other communities with high Haitian concentrations there are very few businesses, service agencies, or healthcare providers with Creole-speaking staff. As a result, the majority of Haitian immigrants stay within Haitian social and economic circles in order to transact their daily business, a situation that restricts options for housing, employment, and transportation. In interviews, Little Haiti residents pointed to a perceived lack of information reaching residents about resources that exist outside of the community's boundaries. Likewise, those outside the Haitian community may not fully understand the needs of low- and moderate-income residents of the immigrant enclave and the challenges they face in accessing established assistance programs.

To aid with the language barrier, many Haitian adults rely on their children as translators when seeking assistance. However, children are not always knowledgeable enough to make the interpretation accurate or effective. Tessa Painson of Catholic Charities' Toussaint L'Ouverture Community Center observed that relying on interpreters to communicate personal information with service agencies is a significant barrier to assistance for Haitian immigrants. There is great potential for miscommunication between the agencies seeking to help Haitian immigrants and the individuals in need of such assistance.<sup>27</sup>

Poor language skills also restrict the opportunity for Haitian immigrants to earn a living and provide for their families. Studies show that immigrants who do not master the new language are perceived as less educated and intelligent and are therefore offered less favorable employment opportunities.<sup>28</sup> These findings are echoed by Leoni Hermantin, a representative of Sant La Haitian Neighborhood Center, who reported that Haitian applicants are often offered lower salaries and less opportunity for advancement because of this bias.<sup>29</sup>

In addition to language barriers, the Haitian immigrant community has cultural traits that contribute to its social isolation. Representatives from several community-based and social services organizations noted that many Haitians do not readily trust agencies or individuals providing assistance, and that, despite strong family networks, Haitians keep personal information very closely guarded, even from family and close friends.<sup>30</sup> Thus, Haitian immigrants are not likely to ask for assistance, even if they are eligible for it.<sup>31</sup>

Organizations that have had success reaching the Haitian community have used creative outreach strategies. One organization working to address domestic violence issues, for instance, used brochures and posters designed by a Haitian artist, as well as a color scheme and an art style that are distinctly Haitian, to educate the community.<sup>32</sup>

### Jobs and Economic Development

While the reported 2000 unemployment rate in Little Haiti was 19 percent,<sup>33</sup> the majority of the community agencies interviewed for this case study emphasized the additional underemployment in the area.<sup>34</sup> Many people, these individuals noted, work in very low-paying jobs, sometimes on a part-time or temporary basis, and are forced to work two or three jobs to manage the cost of living in Miami. Furthermore, many Haitian immigrants are employed in tourism-dependent industries, such as hotels and restaurants, that customarily lay off workers during slow business periods or seasons.<sup>35</sup> Thus, many of those living in poverty in Little Haiti are working poor. Budgeting, saving, and investing are far-off considerations for these individuals and families existing on a fraction of what is needed to live comfortably in the Miami-Dade area.

While focus-group participants identified access to jobs as a top priority,<sup>36</sup> significant barriers exist to adequate employment in the community, including limited English language skills, insufficient access to education and vocational training, and uncertainty over immigration status. Employees without documentation have found themselves taken advantage of by employers who demand unreasonable hours or maintain poor work conditions.<sup>37</sup> Finally, Haitian immigrants are frequently unfamiliar with U.S. labor laws and their rights as workers.<sup>38</sup>

One important avenue for creating jobs in Little Haiti is business growth within the community. Haitian immigrants have shown a strong entrepreneurial spirit, launching numerous businesses in Little Haiti. There is opportunity both to expand existing businesses in the community and to assist the many other immigrants who have expressed an interest in starting their own businesses. Because of a strong preference in Little Haiti for culturally oriented businesses, existing business owners believe that they can better meet the cultural and language needs of local consumers while also providing affordable goods and services for the community.<sup>39</sup> “Haitian businesses are closely held,” observed François Guillaume, director of the Haitian

American Chamber of Commerce, “so they can adapt and benefit from a cultural advantage that will allow them to respond quickly to developing market opportunities and offer niche services.”<sup>40</sup>

While opportunities to expand local business exist, there is also a significant need to educate and counsel entrepreneurs. According to Rasha Soray-Cameau, the lack of knowledge of U.S. business practices, including required financial reporting, tax payments, licenses, and permits, prevents Haitian immigrants from accessing needed credit as well as grants to start or expand their businesses.<sup>41</sup> The rising rents triggered by gentrification will also be an obstacle for new and existing businesses in Little Haiti.

### Civic Engagement

With its tradition of strong families, the Haitian community provides an important safety net for residents of Little Haiti. However, Haitians are also known for their reluctance to work together as a larger community.<sup>42</sup> Community service agencies cited this lack of community cohesiveness as an obstacle to their efforts to advocate collaboratively for resources and policy change to help improve the neighborhood.<sup>43</sup>

The organization that brings the community together most effectively is the Catholic Church, which provides many services to the Haitian community.<sup>44</sup> For example, the Catholic Charities branch of the Roman Catholic Archdiocese of Miami operates a day-care and pre-school center that serves more than 500 children. The old school building that houses this center also houses the Toussaint L’Ouverture Community Center, which provides a variety of social services and English language instruction to residents of Little Haiti.

Notre Dame d’Haiti Catholic Church, located adjacent to the old school building, is the heart of the South Florida Haitian Catholic community. According to Father Reginald Jean-Mary, the pastor of Notre Dame d’Haiti, weekend church services bring close to 4,000 congregants to Little Haiti from across South Florida, illustrating that multigenerational Haitian families still identify with the Little Haiti community.<sup>45</sup> Together, Notre Dame d’Haiti and the Toussaint L’Ouverture Center conduct outreach and offer programs that provide information, education, counseling, and other services to promote the social and economic well-being of individuals and families in the community. Father Jean-Mary pointed out

that, while more could be done by working with additional partners to attract resources to Little Haiti, the community is wary of outside organizations that do not understand it and may not act in its best interest. Consequently, he is very careful in choosing partners. “I guard the integrity of the church and the trust that our parishioners have in the church very carefully,” he said.<sup>46</sup>

### Managing Money and Credit

Although residents in Little Haiti value banking services, they feel they do not have access to or would not benefit from having a personal bank account. Residents appear to view bank accounts as a means of keeping their money, rather than managing it; in either case, their belief that substantial assets are needed to benefit from an account precludes many from even considering opening one. As one Haitian focus-group participant pointed out when asked about access to banking services, “Why does one need a bank account if one doesn’t have a job?” Most Haitian immigrants did not have access to banking in Haiti; thus, the use of banking services is not a part of family or community culture. Also, the structured banking system within the United States and the types of products and services offered by banks and credit unions are often viewed as complicated and cumbersome. The banking services Haitian immigrants reported needing most—remittances, for example—either aren’t provided by the local banks or can be procured more conveniently at local money transfer service outlets. Finally, there are very few Creole-speaking bank employees in Little Haiti.<sup>47</sup> Community residents expressed disappointment that a Bank of America branch in Little Haiti that had Creole-speaking staff has not reopened since being damaged in a 2005 hurricane.

While not all residents of Little Haiti make use of mainstream financial services, those interviewed for this case study report all agreed on the importance of savings and expressed an interest in a variety of investment goals, including homeownership, business start-up, and higher education.<sup>48</sup> Consumer Credit Counseling Services (CCCS) has partnered with Catholic Charities to offer budgeting and credit counseling in the Toussaint L’Ouverture Community Center. However, despite marketing efforts in Little Haiti, residents are still largely unaware that CCCS offers services in Creole, reported Carmel Mortimer of CCCS.<sup>49</sup>

Many Haitians also look outside formal financial institutions for access to credit. They regularly borrow

small amounts of money from family and friends, a credit activity that functions effectively because of Haitians’ strong commitment to family and the high value placed on personal honor. One community credit structure used by Haitian immigrants is a rotating savings pool called an *Eso*, a longstanding cultural practice that many Haitians consider sacred. In an *Eso*, a group of friends or family members in the community contributes a certain amount into a savings pool each week. Each member of the group then receives the entire amount in the pool in turn. Members can use the pool to make a down payment on a house, pay for a trip, or cover other expenses.<sup>50</sup>

### Youth, Education, and Health

A close family structure provides a solid safety net for Haitian youth. The stability of Haitian families is threatened, however, by the multigenerational process of adapting to a new culture and society. While foreign-born immigrants tend to hold on to their culture, their first-generation offspring acclimate quickly to American culture, largely in order to adapt during the school years.<sup>51</sup> Another threat to family stability is the growth of Haitian youth gangs, which form to protect members from non-Haitian youth.<sup>52</sup>

Education poses another challenge. Edison High School, the high school serving Little Haiti, has the worst graduation rate and performance record in the county.<sup>53</sup> A desire for better education leads many Haitian families to either leave Little Haiti or place their children in private schools. The Catholic Church provides access to private schools, often at reduced tuition or via scholarships to those less able to afford such an education. The church and other organizations in Little Haiti also offer after-school programs, youth groups, and volunteer activities.

The Miami-Dade public school system has made significant efforts to reach out to the Haitian community. The school system recently launched a community outreach initiative called the Parent Academy that provides information and workshops on a variety of family enrichment subjects designed to help struggling families and to improve the quality of life within the home. Many of these classes, as well as attendant informational materials, are offered in Creole. A goal of this initiative is to increase parental involvement in the schools, which is particularly important in an isolated community like Little Haiti. Schools with Haitian-American students now employ Creole-speaking teachers and are incorporating Haitian culture into lesson planning.

Health care is another particular concern among Haitian immigrants. Many lower-income individuals arrive in the United States with existing medical problems or without standard U.S. immunizations and preventive healthcare histories. Poverty also increases health risks triggered by overcrowded housing, unsanitary conditions in dilapidated homes or workplaces, poor nutrition, and lack of preventive health care. Moreover, a number of significant barriers thwart low-income individuals from accessing needed health care, including a lack of health insurance, documentation requirements, and high fees for healthcare services.<sup>54</sup>

## ■ CONCLUSION

Little Haiti is a microcosm of the Haitian immigrant experience in South Florida. The enclave provides a supportive environment for Haitian immigrants as they make their transition to the United States. While the neighborhood is closely aligned with the social and cultural preferences of its Haitian residents, this cultural supportiveness may also contribute to the economic isolation of these individuals, who find it easier to remain within the community than to learn to maneuver within the larger world. Programs and services aimed at helping Haitian immigrants increase their English language proficiency, improve their educational attainment, job skills, and employment opportunities, and strengthen their financial position will allow Little Haiti's residents to better acculturate and assimilate into the greater Miami economic and social community. The need for this assistance is even more critical as gentrification pressure on Little Haiti grows.

*This case study was prepared by Ana Cruz-Taura, senior project and communication supervisor, and Jessica LeVeon Farr, regional community development manager, Federal Reserve Bank of Atlanta.*

## Endnotes

1 South Florida includes Miami-Dade, Broward, and Palm Beach counties.

2 The 1980s exodus from Haiti coincided with the Mariel Boatlift from Cuba, when many Haitians tried to take advantage of the U.S. policy at the time, particularly in Miami, to blend in with the Cuban immigrants in camps set up to process families arriving by the thousands. This latest wave of immigrants from Haiti, like many since then, included Haiti's poorest, those unable to leave the island in previous years and desperate to escape the conditions they were living in. Shortly after Mariel, the political situation in

Haiti worsened, and boats full of Haitians kept arriving in Miami, the closest established enclave to the country. Hence, the study of Haitian enclaves in Miami begins, for the most part, with the 1980s.

- 3 Research Institute on Social and Economic Policy (RISEP).
- 4 For example, Little Havana, a neighborhood in West Miami established by Cuban immigrants to the United States.
- 5 Philip Kretsedemas, "Language Barriers and Perceptions of Bias: Ethnic Differences in Immigrant Encounters with the Welfare System," *Journal of Sociology and Social Welfare* 32(4) (2005): 109-23. Rebecca Sohmer, "The Haitian Community in Miami-Dade: A Growing the Middle Class Supplement" (Washington, DC: Brookings Institution, 2005).
- 6 U.S. Census Bureau, Census 2000.
- 7 Sohmer, "The Haitian Community in Miami-Dade: A Growing the Middle Class Supplement." Low-income refers to households earning less than \$18,000.
- 8 Leonie Hermantin, Director of Research and Strategic Planning, Sant La Haitian Neighborhood Center. Personal interview in Miami, March 1, 2007. Census information is problematic to use in determining accurate assessments of Haitian populations as there is no separate category for Haitians; they are typically categorized with African Americans.
- 9 Haitian American refers to second-generation individuals of Haitian descent born in the United States.
- 10 U.S. Census Bureau, Census 2000.
- 11 Ibid.
- 12 "According to the National Association of Realtors, some areas in South Florida have seen 46 percent price appreciation in the past year, compared with a national price appreciation of 9 percent for the same period. The average house price in the second quarter of 2005 in Miami was \$315,700, up 28 percent from a year prior," from John Bibish IV and Jesse M. Keenan, "Real Estate Market Fundamentals in South Florida," *Wharton Real Estate Review*, Fall 2005, available at <http://www.ruden.com/assets/attachments/44.pdf> (accessed June 2007).
- 13 U.S. Census Bureau, Census 2000.
- 14 *BusinessWeek* recently identified Little River, part of the Little Haiti neighborhood, as one of the top 10 "Most Up & Coming Neighborhoods" in the 10 biggest cities nationwide. *BusinessWeek* identified neighborhoods that had seen the most median house-value appreciation in the past five years to find the neighborhoods that are still affordable but have a recent history of significant appreciation. According to *BusinessWeek*, the Little Haiti neighborhood saw a five-year price change of 244 percent and, because of its proximity to the Design District and downtown Miami, is ripe for gentrification. Maya Roney, "America's Next Hot Neighborhoods," *BusinessWeek*, March 6, 2007, available at <http://www.businessweek.com> (accessed June 2007).
- 15 Rasha Soray-Cameau, Administrator, City of Miami Little Haiti Neighborhood Enhancement Team Office. Personal interview in Miami, April 19, 2007.
- 16 The majority of Haitians in Little Haiti speak Haitian Creole, which is a French-based dialect used by the majority of the island nation's population.

- 17 Philip Kretsedemas and Ana Aparicio, "Introduction," in *Immigrants, Welfare Reform, and the Poverty of Policy*, Philip Kretsedemas and Ana Aparicio, eds. (Westport, CT: Praeger, 2004).
- 18 Jacques St. Louis, Homeownership Counselor and Loan Administrator, Little Haiti Housing Association. Personal interview in Miami, May 7, 2007.
- 19 2005 per capita income in Haiti (\$1,680) is the lowest in the Western hemisphere, and 59.5 percent of the adult population has no formal education. Income Data: Population Reference Bureau, "World Population Sheet," available at [http://www.prb.org/pdf05/05WorldDataSheet\\_Eng.pdf](http://www.prb.org/pdf05/05WorldDataSheet_Eng.pdf). Education Data: UNESCO Institute for Statistics, available at <http://www.uis.unesco.org>.
- 20 Françoise Penha, Human Services Coalition. Personal interview in Miami, December 11, 2006.
- 21 According to Alex Stepick, Professor of Anthropology, Florida International University, the Cuban and Haitian experiences, overall, have been very different.
- 22 Alex Stepick, Carol Dutton Stepick, and Philip Kretsedemas, "Civic Engagement of Haitian Immigrants and Haitian Americans in Miami-Dade County" (Florida International University, 2001). Available at <http://www.wkkf.org/pubs/Devolution/Pub3670.pdf> (accessed February 2007).
- 23 The *Miami Herald* recently ran a series of articles focused on the increase in Haitian immigrant deportations and the impact of the sudden loss of family members on the children, spouses, and extended family that remain in Miami. "Haitian Activist Presses for Legal Remedy," *Miami Herald*, May 23, 2007, 1A. Additionally, Reverend Reginald Jean-Mary, pastor of the Notre Dame d'Haiti Catholic Church, says that his congregation makes regular collections to help support the children and families where a principal wage-earner or care-giver is hastily deported. Reginald Jean-Mary, Pastor, Notre Dame d'Haiti Catholic Church. Personal interview in Miami, March 14, 2007.
- 24 When residency and citizen applications are reviewed by U.S. Citizenship and Immigration Services, an applicant's dependence on certain subsidies and benefits may result in the applicant's being labeled a "public charge" and receiving less favorable consideration.
- 25 Haitian Creole is a French-based dialect used by the majority of the island nation's population.
- 26 Tessa Painsion, Program Administrator, Catholic Charities of the Archdiocese of Miami, Inc. Personal interview in Miami, April 9, 2007.
- 27 Ibid.
- 28 Alex Stepick, *Pride Against Prejudice: Haitians in the United States* (Upper Saddle River, NJ: Prentice-Hall, 1998). Available at <http://www.worldlanguage.com/Articles/60.htm>.
- 29 Leonie Hermantin, Director of Research and Strategic Planning, Sant La. Personal interview in Miami, March 1, 2007. Sant La is one of the many Haitian-American community organizations in South Florida that provide assistance to the Haitian immigrant community.
- 30 Community stakeholder interviews conducted in Miami, December 11, 2006.
- 31 In a study of Haitian immigrants in Miami-Dade, a survey found that no more than 5 percent of the individuals surveyed applied for benefits, even though 80 percent of the survey respondents were eligible. Kretsedemas and Aparicio, "Introduction."
- 32 Michel Sainvil, Executive Director, Center of Information and Orientation, Inc. Personal interview in Miami, May 7, 2007.
- 33 U.S. Census Bureau, Census 2000.
- 34 Interviews with several community agencies conducted at Human Services Coalition of Dade County, Inc. offices December 11, 2006.
- 35 Stepick, *Pride Against Prejudice: Haitians in the United States*.
- 36 Focus group meeting conducted April 17, 2007 at Catholic Charities of the Archdiocese of Miami, Inc., Pierre Toussaint Center.
- 37 Stepick, Dutton Stepick, and Kretsedemas, "Civic Engagement of Haitian Immigrants and Haitian Americans in Miami-Dade County."
- 38 Paola Pierre, Director of Administration, Human Services Coalition of Dade County, Inc. Personal interview in Miami, May 17, 2007.
- 39 Interviews with Little Haiti business owners on NE 2 Avenue in Little Haiti conducted during the week of February 19, 2007.
- 40 François Guillaume, Director, Haitian American Chamber of Commerce. Personal interview in Miami, May 29, 2007.
- 41 Rasha Soray-Cameau, Administrator, City of Miami Little Haiti Neighborhood Enhancement Team Office. Personal interview in Miami, April 19, 2007.
- 42 Stepick, Dutton Stepick, and Kretsedemas, "Civic Engagement of Haitian Immigrants and Haitian Americans in Miami-Dade County."
- 43 Tessa Painsion, Program Administrator, Catholic Charities of the Archdiocese of Miami, Inc. Personal Interview in Miami, April 16, 2007. Alex Stepick, Professor, Florida International University. Personal interview in Miami, February 14, 2007.
- 44 Stepick, Dutton Stepick, and Kretsedemas, "Civic Engagement of Haitian Immigrants and Haitian Americans in Miami-Dade County."
- 45 Reginald Jean-Mary, Pastor, Notre Dame d'Haiti Catholic Church. Personal interview in Miami, March 14, 2007.
- 46 Ibid.
- 47 Focus group meeting conducted April 17, 2007, at Catholic Charities of the Archdiocese of Miami, Inc., Pierre Toussaint Center.
- 48 Ibid.
- 49 Carmel Mortimer, Credit Counselor, Consumer Credit Counseling Services. Personal Interview, May 10, 2007.
- 50 Harriet Johnson Brackey, "Esos Based on Trust Benefit the Community," *Miami Herald*, May 1, 2005, E1.
- 51 Alejandro Portes and Min Zhou, "The New Second Generation: Segmented Assimilation and its Variants," *Annals of the American Academy of Political and Social Science* 530(1) (1993): 74-96.
- 52 Officer Nerrin, Little Haiti Neighborhood Enhancement Team. Personal interview in Miami, April 20, 2007.
- 53 Only 5.4 percent of the students at Miami Edison Senior High are considered proficient in reading, and only 24.6 percent are proficient in math. This is significantly lower than the statewide reading

proficiency rates for 10th graders (32 percent) and statewide math proficiency rate for 10th graders (65 percent). Source: School Matters, available at <http://www.schoolmatters.com>.

<sup>54</sup> Miami-Dade County Immigrant Access Task Force, May 2002.





# Martin County, Kentucky

## ■ OVERVIEW

On April 24, 1964, the day President Lyndon Johnson declared war on poverty, he was photographed with Tom Fletcher’s family on the porch of their home in Martin County.<sup>1</sup> That image, which appeared in newspapers across the country, became an icon of the 1960s’ efforts to eradicate poverty. In his declaration, Johnson stated that his administration was “just not willing to

accept the necessity of poverty.” They would fight poverty, he stated, “in all its forms, in all its causes, and we intend to drive it underground and win that war.”<sup>2</sup>

At the time, Martin County epitomized much of what indigent communities suffered from: isolation, poor education, lack of employment, and, of course, very low incomes. The county’s per capita personal income was about 35 percent of the national average.<sup>3</sup> Today, although its poverty rate is less extreme than it was in the 1960s, Martin County is still one of the poorest in the United States and continues to face many of its historical challenges.

## ■ BACKGROUND

In the early 1800s, settlers migrated from the Virginias and Carolinas to settle a remote, desolate wilderness in eastern Kentucky. They farmed the land and built schoolhouses in hopes of sustaining a prosperous life in the mountainous area. Traders ferried goods to the settlers by way of the Tug Fork of the Big Sandy River. In 1870, settlers lobbied the Kentucky state legislature to establish Martin County, named for Congressman James P. Martin, a native of Prestonsburg.<sup>4</sup>

TABLE 1

## Comparison Statistics

		Martin County	Kentucky non-metro
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	55.9	33.9
	Poverty rate 2000 <sup>b</sup>	37.0	21.1
<b>Income</b>	Median household income <sup>c</sup>	\$18,279	\$27,275
<b>Demographics</b>	Population 2000 <sup>d</sup>	12,578	1,756,697
	% Population change, 1970 - 2000 <sup>e</sup>	34.1	26.3
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	98.9	94.6
	% Hispanic/Latino	0.3	0.9
	% Black/African-American	0.1	3.3
	% Residents under age 18 <sup>g</sup>	28.1	24.1
	% Single-parent households <sup>h</sup>	13.6	8.1
	% Foreign born, 2000 <sup>i</sup>	0.1	0.9
	% Population in same house as five years ago <sup>j</sup>	69.2	60.8
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	46.0	34.2
	% Adults with a college degree, 2000 <sup>l</sup>	9.0	11.3
	% Students proficient in reading, 2005 <sup>m</sup>	22.5	57.0
	% Students proficient in math, 2005 <sup>n</sup>	29.1	71.9
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	12.8	7.0
	% Adults in the labor force <sup>p</sup>	37.4	54.6
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	79.4	75.2
	% Renters with a housing cost burden <sup>r</sup>	46.3	37.7
	Median value for owner-occupied units <sup>s</sup>	\$62,100	\$66,911
	Median year structure built <sup>t</sup>	1980	1977
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	22.8	19.6
	% Credit files with high credit scores <sup>v</sup>	48.3	53.0
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	46.9	32.4
	Mortgage denial rate, 2005 <sup>x</sup>	43.0	29.0

Located in far eastern Kentucky, Martin County is part of the federally designated Appalachian region; it is bordered by Johnson, Floyd, Pike, and Lawrence counties. The city of Inez is the current county seat. The county's remoteness, mountainous topography, and inadequate infrastructure isolate residents from each other and from the surrounding communities and resources. Though Martin County's elevation is not particularly high (it ranges from 550 to 1,606 feet above sea level), little flat land exists in the extremely rocky area, making development difficult.<sup>5</sup> Streams and tributaries of the Tug Fork River run through the narrow valleys, called "hollers," that mark the landscape in Martin County. Much of the lower-

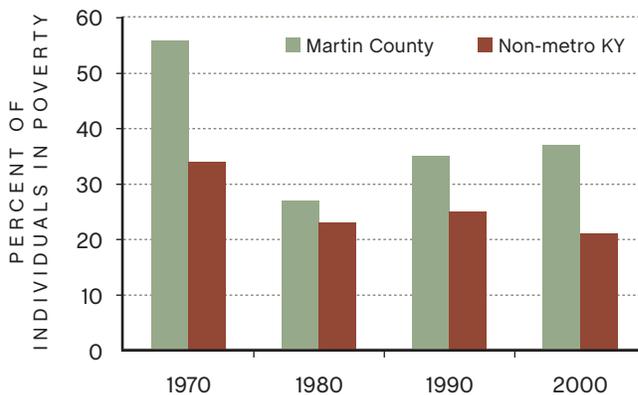
lying area, found mostly at the base of these narrow valleys, is prone to flooding.

Martin County's population of approximately 12,600 is clustered in many very small communities, each made up of several dozen to several hundred people. Unlike many rural counties, Martin County has not suffered significant population loss. (See Table 1) Between 1970 and 2000, its population grew from 9,377 to 12,578, although 2005 estimates show a slight decline, to 12,215, since 2000.<sup>6</sup> Racially, Martin County is almost entirely white (98.9 percent). While Martin County's racial composition changed very little between 1990 and 2000, other rural counties in Kentucky saw their Hispanic populations nearly triple



FIGURE 1

**Poverty rate in Martin County, 1970–2000**



SOURCE: Geolytics Neighborhood Change Database

over this period, albeit from a very small base (from 5,370 to 15,784).

Martin County flourished in the 1970s because of increased coal production and skyrocketing coal prices. By 1980, per capita personal income had increased to 80 percent of the national average, up 46 percent from 1970.<sup>7</sup> New businesses opened in Inez and roads were improved, accommodating greater travel into and out of the county. As a result, Martin County experienced a decline in its poverty rate from 56 percent in 1970 to 27 percent by 1980. (See Figure 1)

The county's relative prosperity was short-lived, however. Along with a national recession, the 1980s brought a near-collapse of the coal industry, undoing much of the previous decade's economic growth.

Businesses in Inez began to close, coal production slowed, and unemployment rose steadily.<sup>8</sup> By 2000, the county's per capita income had dropped to roughly 55 percent of the national average, and the poverty rate had risen to 37 percent. More than half (53.3 percent) of its households had incomes of less than \$20,000, and about 30 percent of its households had incomes of less than \$10,000.

Economically, Martin County still relies heavily on coal production. In 2004, 40 percent of the county's wage income came from mining.<sup>9</sup> As illustrated in Figure 2, the number of jobs and the total volume of coal production in eastern Kentucky have been decreasing steadily. In addition, advances in technology have led to greater coal production with less labor. As a result, the

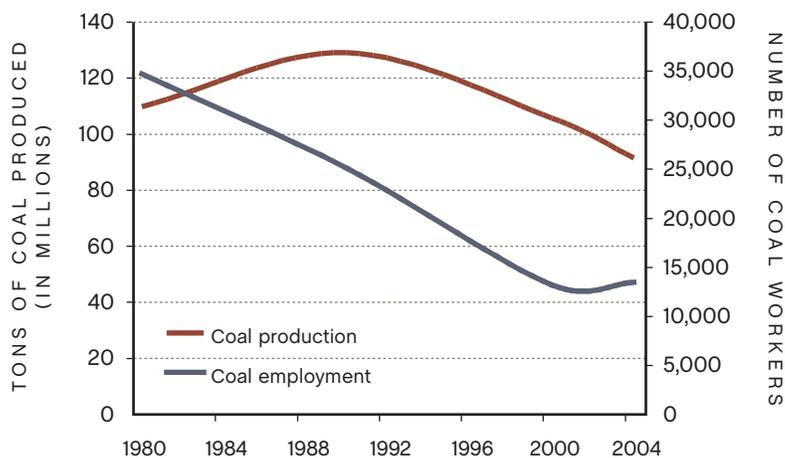
productivity of eastern Kentucky's mines reached an all-time high in 2000 of 3.86 tons per miner per hour, more than double the 1981 rate of 1.76 tons per miner per hour.<sup>10</sup>

**ISSUES TO CONSIDER**

A number of interconnected, complex issues affect Martin County residents' ability to move out of poverty. Apart from the declining coal industry, Martin County residents have extremely limited employment options, and many lack the skills and training to find and keep the jobs that are available. The effects of multigenerational poverty also loom large; many residents are the second or third

FIGURE 2

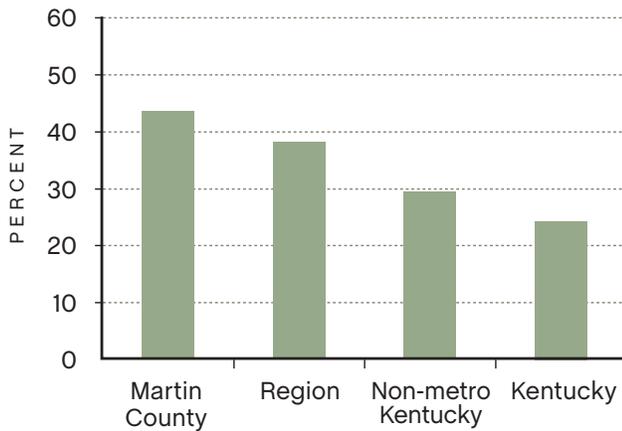
**Eastern Kentucky coal production and employment, 1980–2004**



SOURCE: Kentucky Office of Energy Policy, Kentucky Coal Facts: 2005–2006 Guide

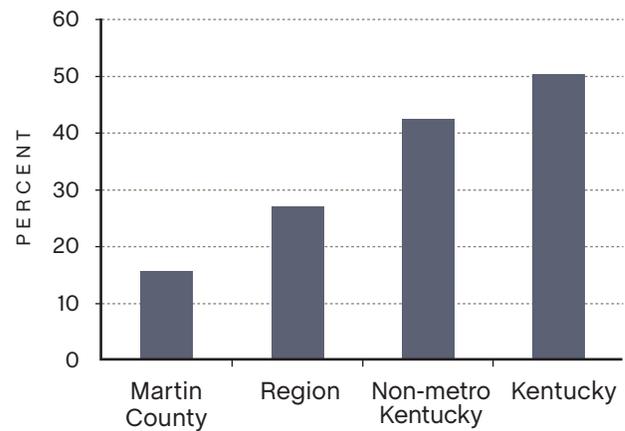
FIGURE 3

### Working-age males with a disability, 2000



SOURCE: U.S. Census Bureau, Census 2000

### Employment rates of disabled working-age males, 2000



SOURCE: U.S. Census Bureau, Census 2000

generation in their families to be on welfare. In addition, the county's remote location means that many residents feel cut off from opportunities that exist in the wider region.

#### The Scarcity of Good Full-Time Jobs

As noted earlier, Martin County's economy is still driven largely by coal production, yet today only 20 percent of employed residents work in the natural resources and mining sector. Consider that less than 30 years ago, in 1980, when mining employment peaked, half of the county's employed adults worked in that sector. Indeed, the county has experienced a decline of nearly 400 jobs since 2003, mostly in the natural resources and mining sector.<sup>11</sup> Only two areas, both service related, showed employment growth between 2001 and 2005.<sup>12</sup>

As the mining sector's share of jobs has decreased, jobs in service industries and in trade, transportation, and utilities have risen in prominence. In 2000, the largest proportion (27 percent) of employed county residents worked in schools, the home healthcare industry, clinics or doctors' offices, and child-care facilities, followed by 25 percent in trade, transportation, and utilities. This shift has meant a decline in average wages. In 2000, for example, mining jobs paid an average annual wage of about \$58,800, compared with \$16,140 for service-sector jobs.<sup>13</sup>

Unlike many other non-metropolitan Kentucky counties, where manufacturing accounts for nearly 20 percent of jobs, Martin County's manufacturing accounts for only about 4 percent of employment opportunities. In most cases, jobs lie outside Martin County. As one resident

said, "If you want a good [paying] job, you have to go somewhere else." The opening of a new federal prison in 2001 raised hopes for new jobs, but only a few of the prison's 400 positions went to county residents. Some were new hires who lived in the region, but many were already prison employees who were transferred from other facilities and settled in surrounding counties. "I'm sure less than 10 percent of all [prison] employees are actually from Martin County," noted one economic development stakeholder.

#### Ready and Able Workforce

Martin County unemployment rates are higher than in other parts of the state, reflecting in part the lack of a broad range of employment opportunities. In 2000, 13 percent of the labor force in Martin County was unemployed, compared with 7 percent unemployment in all of Kentucky's non-metro counties and 6 percent statewide.

Even more striking, however, is the extremely low labor-force participation rate in Martin County. In 2000, only 37 percent of the population age 16 and over participated in the labor force. This is significantly lower than the labor-force participation rates in non-metro counties in Kentucky (55 percent) and in the state (61 percent).

One reason for these low labor-force participation rates is the high rate of disability affecting the Martin County workforce. (See Figure 3) Although having a disability does not preclude individuals from holding a job, it does make them less likely to be employed or participate in the labor force and more likely to have lower incomes,

receive income through government assistance programs, and live in poverty.<sup>14</sup> In 2000, nearly 44 percent of the county's working-age males (16 to 64 years old) had a disability; of those, just 16 percent were employed. Thirty-five percent of the county's working-age females were disabled and, like their male counterparts, only 16 percent of the disabled were employed. Nationally, the counties with the highest disability rates were concentrated in the coal mining areas of Kentucky, West Virginia, and Virginia, according to a 2003 Census Bureau report.<sup>15</sup> Martin County also had a comparatively high number of workers' compensation claims from non-fatal occupational injuries (229), representing approximately 2 percent of its population, a higher rate than any of the surrounding counties and more than double Kentucky's rate (0.9 percent).<sup>16</sup>

Health issues are also a concern. Regional data show a high incidence of chronic disease as well as behavioral risk factors that contribute to the onset of illness.<sup>17</sup> Thirty-seven percent of residents in the Big Sandy Area Development District (BSADD)—composed of Martin and the nearby counties of Johnson, Floyd, Pike, and Magoffin—characterize their general health as fair or poor, compared with 24 percent in Kentucky and about 15 percent nationally. The incidence of some chronic illnesses is also higher for residents of the district. Approximately 13 percent of them report suffering from asthma and 10 percent with diabetes, higher than the percentages in Kentucky (9.5 percent asthma and 7 percent diabetes) and national figures (7.5 percent asthma and 6.8 percent diabetes).<sup>18</sup>

Overall educational attainment is lower in Martin County than in non-metro counties across Kentucky, further limiting employability. Nearly half of Martin County residents aged 25 and older lack a high school diploma, compared with 34 percent of the state's non-metro counties. Only 9 percent of Martin County residents hold a bachelor's degree. At the elementary and secondary levels, the county ranks at or below average on several tests: No Child Left Behind, Commonwealth Accountability Test, and national-norm-referenced instruments such as the California Test of Basic Skills. The county met only six of 13 goals under No Child Left Behind. All the surrounding counties met 11 or more goals.

Recent increases in drug activity in the county may be exacerbating employment difficulties. One stakeholder believes that greater emphasis on workplace drug testing in mining and the service sector has led to many job applicants failing the required tests. Drug arrests in

Martin County rose from three per 1,000 persons in 2003 to 14 per 1,000 persons in 2005.<sup>19</sup> Over this three-year period, the incidence of drug offenses increased more in Martin County than in the surrounding region. Although the increase in drug arrests may result from regional initiatives' tougher enforcement standards,<sup>20</sup> some of the county's residents perceive an escalating prescription drug problem. One resident commented, "Almost every week since January, somebody's died of a drug overdose in this county."

Efforts to help connect Martin County residents to jobs are under way, but their scale is limited. Training and development for the county's workforce is provided by two agencies: the Big Sandy Community Action Partnership and the Kentucky State Office of Employment and Training. The latter provides assistance through a program called Kentucky Works. As of April 2007, 60 residents were involved in that program, which engages individuals in group job searches and work-readiness activities. The success rate among the Martin County participants, however, has been low. Since 2005, just three of them have been placed in permanent employment.<sup>21</sup>

### Isolation and Multigenerational Poverty

The county's topography is partly responsible for its limited development opportunities. The mountains, coupled with the area's many streams and other waterways, make site preparation for facilities costly. Denise Thomas, a community and economic development associate with the Big Sandy Area Development District, noted that developable land is limited "just by the nature of the terrain."<sup>22</sup> In addition, much of the county is only indirectly accessible from the two main roadways and lies on land that cannot be reached by public water and sewage lines. The scarcity of developable land and the lack of infrastructure also hamper new housing construction. "One thing that's happened to us in Martin County [is that] access to utilities has prevented a lot of development," observed Eric Ratliff, a housing planner with Mountain Housing Corporation.<sup>23</sup>

The county's mountainous topography also serves to isolate residents physically. Few roads connect Martin County with surrounding communities, limiting the flow of people into and out of the county and contributing to residents' overall sense of disconnection from the world outside. "Kids grow up and they have not been out of Martin County to see what life is like," noted Phyllis

Vanhoose, community services coordinator for Big Sandy Community Action Program.<sup>24</sup> “They just grow up and follow in their parents’ footsteps. I see a lot of [families with] three generations coming in here for the same thing—they need more exposure to different ways of life.” Some residents believe the extension of State Route 645 across Martin County into West Virginia, currently under way, will help increase the county’s exposure and accessibility.

The county has few of the amenities that might attract outsiders. Its restaurants and small, locally owned retail business are mostly clustered in and around the towns of Inez and Warfield. Sit-down dining choices are extremely limited. The shopping landscape includes three grocery stores, a few convenience stores, dollar stores, a video store, and a hardware store; there are no department or clothing stores. Many residents said they use facilities and businesses outside the county for their shopping, entertainment, and recreational needs. “You have to go outside Martin...[we] go to Wal-Mart in Paintsville for stuff,” explained one married female resident. “We feel like we’re the forgotten county,” noted another resident. Community leaders hope that such feelings of

isolation may be mitigated by the amenities available in the new Roy F. Collier Community Center in Inez. The center, which provides a state-of-the-art movie theater, fitness center, children’s indoor play area, and a venue for residents’ entertainment, is also attracting regional users.

In 2000, roughly 70 percent of Martin County residents five years of age and older were living in the same house they’d occupied in 1995; 89 percent had been living in the county since then. This lack of mobility—coupled with the scarcity of jobs for lower-skill residents—has contributed to the perception that poverty is a “fact of life” in the county.

While little data exist to show how many successive generations are trapped in poverty, anecdotal evidence from stakeholders and residents indicates that multigenerational poverty is an important issue. “Growing up here there’s always been poverty,” noted Christi Kirk, executive director of the Martin County Economic Development Authority. “You’ll find there are certain families [where] nothing has changed.”<sup>25</sup>

“It’s generational,” added Phyllis Vanhoose. “[There’s a perception that] ‘Mommy and daddy got by without working so I can get by without working.’ We have a lot



Mountainous topography and a paucity of roads leading into and out of Martin County contribute to residents’ sense of isolation.

of people who come in here who are 18 to, let's say, 30 who have zero income, who receive food stamps. We give them assistance to heat their house; they just live like that."<sup>26</sup> Anecdotal information also suggests that members of extended families depend on each other for financial support. As one resident admitted, "My mama and [family] they do help pay my bills, but I feel guilty for what I take from them."

Dependency on social welfare programs is high in the county. Forty-eight percent of its households report no earned income, compared with 33 percent for rural Kentucky. Almost 13 percent of the county's households receive public assistance income and 19 percent receive supplemental security income (SSI). By comparison, just under 4 percent of all Kentucky households receive income from public assistance. Nearly 50 percent of county residents are eligible for Medicaid benefits, compared with about 21 percent in the state.<sup>27</sup> Thirty percent of county residents received food stamps in 2002, compared with 20 percent in the non-metro counties and 11 percent statewide.<sup>28</sup>

The issues of welfare dependency and overcoming multigenerational poverty were raised in interviews. "I think a lot of people are used to [poverty] and they're comfortable with it," observed Denise Stepp, coordinator of the Warfield Elementary School's Family Resource Center. "It's like they're comfortable where they're at. They're satisfied with drawing welfare. I don't know how to break that cycle."<sup>29</sup>

The combined lack of opportunity and hope also manifests itself in residents' limited participation in community activities. "Most people are just not active in the community. So how do you gauge what people want and what people need if they're not active, if they don't talk, if they don't look for options and all of these things? They just stay where they are and just continue down their little road and nothing ever changes," stated Kirk.<sup>30</sup> At least one resident saw a distressing lack of dreams and aspirations among the county's residents to live beyond what they have experienced their entire lives. "Where are Martin County's poets, writers, artisans, and musicians?" lamented longtime resident Linda Booth.<sup>31</sup> "I can't believe God distributed talent based on geography."

### Housing and Asset Development

Unlike several of the urban communities described in this report, Martin County's housing and credit issues

revolve around a preponderance of mobile housing units, rather than a high proportion of publicly subsidized rental housing. Indeed, most of the county's households (79.4 percent) own their homes—a larger percentage than the non-metro counties of Kentucky (75.2 percent) and the state (70.8 percent). Nearly 40 percent of these Martin County homes are mobile, or manufactured, homes.<sup>32</sup> Despite a longstanding negative perception, mobile homes can offer an affordable means of homeownership to many low-income rural families.<sup>33</sup>

In fact, most of the homeowners in Martin County do not carry a mortgage. According to the 2000 census, about 68 percent of the county's residents owned their homes outright, a substantially higher rate than that of the region (57 percent). According to HMDA data, Martin County residents who wish to finance the purchase of a home appear to have access to credit. They tend to request loans for mobile homes more often than residents in Kentucky's non-metro counties as a whole. In 2005, there were 458 home loan applications in the county: 59 percent of them for one- to four-family houses and 41 percent for manufactured housing. In contrast, 85 percent of the home loan applications in the non-metro counties of Kentucky were for one- to four-family houses and only 15 percent were for manufactured housing. In Martin County, more than half the applications for mortgage loans for manufactured housing (54 percent) were denied; of the loans that were originated, two-thirds were high cost.<sup>34</sup> (Results do not reflect lending activity for Martin County's two local financial institutions, since neither financed any loans reportable under the Home Mortgage Disclosure Act for this period.) Curiously, of the county's successful applicants for manufactured housing loans, almost 19 percent did not take the loans after being approved by the lending institutions.<sup>35</sup>

Martin County residents enjoy relatively good access to financial services. Two local financial institutions—Inez Deposit Bank and Family Savings Bank—provide Martin County residents with access to a range of additional financial services. H&R Block also operates a facility in Inez. No credit unions or check-cashing establishments are located in the county.

### ■ CONCLUSION

The ongoing challenge for Martin County is to find ways to expand its economy. Coal production, though declining overall, continues to drive the economy. "We try to expand,

but it's harder than you think," noted one business leader. "[We've] got the crutch of coal to rely upon."

The state government is using the coal severance and non-coal mineral reimbursement tax to try to redirect some coal income to projects that diversify Kentucky's economy. Under this program, a portion of tax dollars paid to the state for extracting coal and non-coal minerals is returned to the producing counties to help diversify their economies.<sup>36</sup> Martin County averages \$4.4 million a year in allocated coal and mineral tax dollars.<sup>37</sup> Its recent purchases and projects financed with coal severance tax dollars include new fire trucks, sewer improvements, and construction of a community center, public library, health-care clinic, and substance abuse center for women.

The Big Sandy Area Development District has also designed a comprehensive regional strategy for economic development in 2006. It includes several of Martin County's projects, such as sewer and water extensions, roadway improvements, office building construction, and fire safety enhancements.<sup>38</sup> The county has also received help from the Appalachian Regional Commission, which is charged with assisting economic and social development in the impoverished rural areas of Appalachia. From 1966 to 2006, the commission awarded Martin County \$2.3 million for development projects, most of which was spent on water and sewer infrastructure, followed by health, housing, and economic development.<sup>39</sup> More important, these funds leveraged an additional \$22.8 million for the county in federal, state, and local funds.

Still, a comprehensive strategy for economic development and alleviating poverty there remains elusive. As in President Johnson's day, Martin County remains one of the poorest areas in Appalachia and one of the poorest counties in the nation.

*This case study was prepared by Jeff Gatica, senior community affairs advisor, Federal Reserve Bank of Cleveland.*

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  - 32 By comparison, just over two-thirds (67.9 percent) of the housing stock is single-family homes in the other non-metro counties and nearly one-quarter (22.9 percent) is mobile homes. Similarly, single-family homes comprise 68 percent of the housing stock in the state of Kentucky, while mobile homes comprise a smaller percentage (14.1 percent) of the housing stock.
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# Blackfeet Reservation, Montana

## ■ OVERVIEW

Sweeping grasslands of the high plains dominate the eastern landscape of the Blackfeet Reservation in Montana. Rising westward into the rugged Rocky Mountains, the reservation's high plains reach elevations up to 9,000 feet. This breathtaking natural landscape provides an uncharacteristic backdrop for the reservation's impoverished communities. While the

reservation's remote, rural landscape is not typically associated with a geographic setting for concentrated poverty, its residents experience many of the same issues associated with concentrated poverty in urban communities, such as limited employment opportunities, high levels of welfare dependency, insufficient housing, and few services or community amenities. As one tribal housing official explained, the vast open spaces can be misleading. Some reservation neighborhoods, he said, "look like inner-city slums, just spread out over a much larger area."<sup>1</sup>

## ■ BACKGROUND

The Blackfeet Reservation—home to the largest of Montana's Native American tribes, the Southern Piegan Blackfeet—is located in a remote, sparsely populated region of northwestern Montana. The reservation, which covers nearly 1.5 million acres, is larger than the state of Delaware.<sup>2</sup> It is bordered by Canada to the north and Glacier National Park to the west and encompasses much of Glacier County and the northwestern portion of Pondera County. Slightly more than 10,000 people live there, of

TABLE 1

## Comparison Statistics

		Blackfeet Reservation	Montana non-metro
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	n/a	14.6
	Poverty rate 2000 <sup>b</sup>	33.8	15.3
<b>Income</b>	Median household income <sup>c</sup>	\$24,566	\$32,434
<b>Demographics</b>	Population 2000 <sup>d</sup>	10,115	573,885
	% Population change, 1970 - 2000 <sup>e</sup>	n/a	27.8
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	13.8	89.8
	% Hispanic/Latino	1.3	1.7
	% Native American	80.6	6.5
	% Residents under age 18 <sup>g</sup>	38.2	25.7
	% Single-parent households <sup>h</sup>	20.9	7.7
	% Foreign born, 2000 <sup>i</sup>	1.9	1.8
	% Population in same house as five years ago <sup>j</sup>	63.3	55.1
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	25.6	13.6
	% Adults with a college degree, 2000 <sup>l</sup>	13.5	23.2
	% Students proficient in reading, 2005 <sup>m</sup>	22.8	66.0
	% Students proficient in math, 2005 <sup>n</sup>	10.4	56.9
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	22.6	6.6
	% Adults in the labor force <sup>p</sup>	60.7	63.9
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	55.5	70.9
	% Renters with a housing cost burden <sup>r</sup>	31.0	48.6
	Median value for owner-occupied units <sup>s</sup>	\$61,518	\$94,737
	Median year structure built <sup>t</sup>	1976	1976
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	29.0	19.4
	% Credit files with high credit scores <sup>v</sup>	41.8	64.8
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	14.3	21.2
	Mortgage denial rate, 2005 <sup>x</sup>	41.3	18.9

whom approximately 8,500 are enrolled members of the Blackfeet tribe.<sup>3</sup> (See Table 1)

The main community on the reservation and the seat of the tribal government is the town of Browning, where roughly half of the reservation's population lives. Yet even Browning feels isolated, not only from the other communities on the reservation but also from the surrounding region. Cut Bank (population 3,000), the closest off-reservation town, is 35 miles away; Great Falls, the closest metropolitan area, is 142 miles southeast of Browning. While the reservation does boast some geographic advantages, specifically related to tourism and ranching, it remains distant from established urban centers and the

opportunities and amenities they provide. The region's weather can be inhospitable and contributes to the sense of isolation: temperatures during winter can drop to 40 degrees below zero Fahrenheit, and winds typically blow across the plains at 50 to 60 miles per hour.

Unlike many other remote rural areas that are losing residents, the reservation's population increased almost 20 percent between 1990 and 2000, adding just over 1,600 people. This growth was a product both of in-migration and a higher-than-average birth rate.<sup>4</sup> Overall, reservation residents are young, with nearly 40 percent of them under the age of 18, compared with 26 percent in Montana's non-metro areas as a whole.



In addition to having a younger population, the reservation has a poverty rate of 34 percent, significantly higher than the neighboring counties of Flathead (13 percent) and Pondera (19 percent). In the non-reservation portions of Glacier County, the poverty rate is roughly 14 percent. While the poverty rate on the reservation remains high, the 1990s saw a significant decline in the poverty rate, which was estimated at around 50 percent in 1989.<sup>5</sup>

The reservation's continuing high poverty rates are driven by a number of factors, not least of which is the lack of private-sector activity and jobs. The U.S. Department of Agriculture (USDA) described Glacier County's economy in 2004 as "government-dependent," with low levels of employment and significant housing stress.<sup>6</sup> Public program and census data from 2000 support this conclusion. In that year, the unemployment rate on the reservation was nearly 23 percent, compared with 7 percent in non-metro Montana.<sup>7</sup> Reservation households were also far more likely to receive public assistance (20 percent of households, compared with only 3 percent in non-metro Montana). Educational attainment on the reservation is also low. In 2000, one-quarter of the adult population lacked a high school diploma or equivalent, nearly double the 14 percent rate in rural Montana as a whole.

The Blackfoot Reservation also faces significant housing problems, similar to those in many other Native American communities.<sup>8</sup> The homeownership rate on the reservation was 56 percent in 2000, at least 15 percentage points lower than the state overall. Housing conditions are

also poor. According to the USDA, at least 30 percent of the reservation's households lived in housing that lacks complete plumbing and/or kitchen facilities.<sup>9</sup> Overcrowding is also prevalent on the reservation.<sup>10</sup>

## ■ ISSUES TO CONSIDER

Our analysis of publicly available data, along with interviews of residents and stakeholders, suggests that the reservation's remote location and institutional development—namely, the federal management of trust land and the tribe's governance structure—have impeded economic development there.<sup>11</sup> Inadequate housing is also an issue that many residents raised in interviews. These three issues—governance, economic development, and housing—are explored below.

### Governance

Federal policies and political reforms that sought to impose a governance structure on the reservation and manage reservation lands helped to shape the current poverty conditions there in two important ways.<sup>12</sup> First, the passage of the Indian Reorganization Act (IRA) in 1934 made significant changes in the tribal leadership structure.<sup>13</sup> The IRA established both a constitution and a tribal council, both of which were alien to the non-hierarchical, inclusive leadership models that the Blackfeet had traditionally followed. This tribal council structure, which remains in force today, bears responsibility for a significant share of reservation activities, serving as both the executive and legislative bodies of the tribe and overseeing all economic and social welfare programs.



The remote Blackfoot Reservation, encompassing an area larger than the state of Delaware, is home to some 8,500 members of the Southern Piegan Blackfeet tribe.

The tribe's IRA constitution may have been adequate when it was adopted, but its separation of powers is not strong enough to meet the complex responsibilities of the current tribal government and economy, according to many interviewees. This has limited economic development on the reservation by creating an uncertain business environment for private-sector investment. For example, policies that originated with a particular tribal council or council member are sometimes rescinded if that council is not re-elected. The council can also intervene in the tribal court's decisions because there is no official, mandated separation between the court and the council. Knowing that the council can influence or overturn the court's decisions makes lenders and investors wary. "Banks won't sign a contract that's made on the reservation," noted one tribal elected official. "The lenders believe it's better to sign contracts off the reservation because they are more protected; they're covered by state law and not tribal law."

Second, the compulsory system of reservation land and resource management, which has been in effect on the reservation since the late 1800s, gives management responsibilities to the Department of the Interior, which holds roughly two-thirds of the reservation's land in trust for the tribe or individual members. Land held in trust cannot be sold or encumbered by a lien unless the transaction is first approved by the Bureau of Indian Affairs (BIA), often a lengthy undertaking. This legacy of trust land management continues to influence the reservation's economy in many ways, including on land's availability as an asset for economic and housing development. One community development leader called it "an old dinosaur system that's supposed to be the guardian of Indian people." She stated that "all of our land and assets were given to the Department of the Interior to manage, and we had no access to our assets. People could not get any type of loan using the land as collateral." While opinion varies about how trust land should be managed, there is general agreement on the importance of protecting Indian land and sovereignty.

### **Economic Development**

The reservation's lack of economic development and limited employment opportunities are more recent challenges. Several residents interviewed recalled that, before the 1970s, the reservation had a viable and vibrant economy, with several grocery stores, two drugstores, hotels,

a car dealership, a skating rink, and numerous other small businesses. According to one tribal official, most of the businesses that the tribal government acquired following the passage in 1975 of the Indian Self-Determination and Education Assistance Act eventually failed or contracted partly because the tribe lacked the necessary financial resources and capacity to operate them.<sup>14</sup>

With so few businesses on the reservation today, residents have limited access to goods and services. Noted one, "It can take four hours round-trip to go grocery shopping." Interviewees described the modest grocery store in Browning—the only one located on the reservation—in less than favorable terms for its perceived high prices and mediocre food quality. Other retail businesses, such as automobile repair, clothing, and hardware stores, are few or non-existent. Some interviewees reported making round trips of nearly 300 miles to Great Falls to buy groceries and other goods at Wal-Mart and other discount stores.

The lack of private enterprise also limits job opportunities on the reservation. Interviewees described an economy where many employment opportunities stem from federal programs. Employment in government agencies—both tribal and federal—amounts to approximately 1,800 jobs on the reservation, with the tribal government providing 800 of them.<sup>15</sup> The largest private employer is the non-Indian-owned grocery store in Browning, which employs 49. The reservation has approximately 60 other privately owned businesses. In total, however, these businesses create too few job opportunities for residents, and many of the jobs that exist on the reservation pay low wages. Furthermore, some residents reported encountering additional barriers, including discrimination, when looking for off-reservation employment.

Interviewees expressed a number of reasons for the lack of private Indian-owned enterprises. One of the greatest barriers to establishing a business is the lack of access to credit and capital. In particular, interviewees noted that the trust status of tribal land hinders business development by making it difficult to mortgage land or buildings, to get business start-up capital, or to use equity in non-business property for financing.<sup>16</sup> One business owner said that after 33 years of running his business, he still cannot get an operating line of credit because he lacks collateral. Getting loans that require equity up front is especially difficult. "It's easier to not have to borrow at all," he stated. A local bank director pointed out that poor credit scores<sup>17</sup> are a major problem not only for consumers, but also for potential entrepreneurs on the reservation,

and that financial education and credit counseling could improve their creditworthiness.

Numerous other barriers to business development on the reservation also exist, ranging from inadequate infrastructure to the absence of zoning and building codes. For instance, the reservation lacks adequate buildings for commercial ventures, and the main street in Browning is a checkerboard of private and trust lots with a substantial number of vacant or underutilized buildings. The lack of viable commercial space is now being addressed through a new lot policy, which requires lot owners to establish a code-conforming business within three years; if nothing has been built within that period, another potential business may bid on the land. While this policy holds promise, a community member noted that it is essential that initiatives such as this remain in place beyond the expiration of a particular tribal council member's term.

Tribal institutions and community values also act as barriers to economic development, according to several interviewees. For example, some Native American business owners felt that they would be violating accepted social norms if they created independent sources of income or wealth. As one community development leader noted, "If you're a private business owner, you're seen as being rich." Another interviewee maintained that, at times, a conflict between the values of community sharing and those of individual wealth accumulation has influenced tribal bodies' decisions. She noted that in the past, the tribal council has sometimes intervened in tribal court rulings and other proceedings by deciding that those with greater means should provide goods or services to those with less, regardless of the material facts of the case. The resulting uncertainty has negatively affected prospective business opportunities. However, she acknowledged that in recent years, the tribe has been taking steps toward establishing a more consistent and business-friendly climate and promoting collaboration among agencies on the reservation. One such collaboration is Forward Blackfeet, an initiative driven by individuals and groups on the reservation that aims to advance the tribe economically in part through the creation of partnerships among Blackfeet's different development entities.

Efforts are also under way to increase job opportunities on the reservation. The recently established Blackfeet Manpower program, for example, is creating employment partnerships with employers and businesses both on and



Much of the reservation's housing is substandard, owing in part to residents' lower incomes, the region's harsh climate, and a complicated land-trust system that hampers housing development.

off the reservation. One of its projects involves Glacier National Park, a spectacular and hugely popular tourist destination that shares a border with the reservation. The U.S. Department of the Interior is the major federal government employer for the park; Glacier Park Industries (GPI) is a private, seasonal employer that operates all the hotels in the park on both the Canadian and Montana sides. In a turnaround from previous years, the Blackfeet Manpower program is now working with GPI and other private-sector employers to recruit employees from the reservation. The program director reported that as of March 2007, employers had already interviewed and hired 150 Blackfeet residents for positions at all levels for the year's tourist season, which runs from early April until mid-October.

## Housing

The reservation's weak economy, coupled with residents' low incomes, has had a negative impact on the number and quality of homes built on the reservation. A tribal housing official stated that residents' low income "prohibits development of housing at all levels and affects every aspect of life." As a result, the housing stock, both public and private, is generally substandard, and the many manufactured and mobile homes on the reservation do not hold up well in the harsh climate.

Several banks, located on or adjacent to the reservation, offer residents basic financial services.<sup>18</sup> One major factor affecting the quality and quantity of housing on the reservation has been a lack of mortgage financing. Residents and community leaders noted that residents' lower incomes and poorer credit files discourage lenders

from offering mortgages, as does the trust status of a significant portion of reservation land. Access to credit remains a significant challenge on the Blackfeet Reservation, limiting both homeownership and opportunities for housing development. According to a comprehensive study by the Fannie Mae Foundation, the volume of housing credit activity on the Blackfeet Reservation is low compared with the U.S. Nationwide, there were 367 mortgages per 1,000 occupied housing units in 2000; on the Blackfeet Reservation, the comparable figure was 122.<sup>19</sup> Moreover, denial rates for mortgage loans on the reservation were significantly higher than in rural Montana as a whole.

Housing maintenance and specific environmental problems are also concerns for the tribe. Some of the properties require environmental remediation because of past contamination. In addition to external environmental problems, a 2004 study by the U.S. Department of Housing and Urban Development (HUD) documented mold and moisture problems in the public housing stock on several reservations, including Blackfeet.<sup>20</sup> In 2004, substandard housing conditions combined with mold prompted several homeowners to file a civil suit against HUD and the Blackfeet Housing Authority (BHA) for damages.

Many of those interviewed identified both underutilization of public programs and federal funding cuts as important issues that further worsen the substandard housing situation. For example, programs that help borrowers finance homes, such as HUD's Section 184 Loan Guarantee Program,<sup>21</sup> are often underutilized because of a lack of qualified participants. Federal funding cuts caused a former tribal-sponsored down payment program to end. Similar cuts have also affected the BHA's ability to maintain its properties.<sup>22</sup>

There have been some recent signs of improvement in housing conditions on the reservation. The BHA recently completed four rental housing projects using low-income housing tax credits and has engaged several supportive financial partners to help develop a multimillion-dollar line of credit for the tribe for housing development. BHA expects to make the line of credit available for use in the next two years.

## ■ CONCLUSION

Recent poverty interventions on the reservation have focused on addressing key issues in tribal governance and land status, as well as the current shortage of jobs and

housing opportunities for residents. There are signs that the tribal government recognizes the need to address governance concerns. In 1999, the tribe chartered the Siyeh Corporation to independently manage some of its enterprises. The corporation's bylaws insulate it to a large degree from the influence of the tribal council. Several tribal members mentioned plans for a constitutional reform referendum in the near future. Nationally, discussions between tribes and the federal government have been under way for some time in an attempt to resolve the multifaceted issue of trust land management. In addition, Fannie Mae recently began to support leasehold mortgage lending on reservations as one way to address trust land concerns.

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## Endnotes

- 1 Interviews for this case study were conducted on the Blackfeet Reservation between February and March 2007. Because of the sensitive nature of many of the discussions, interviewees requested that their responses remain anonymous.
- 2 The Southern Piegans Blackfeet Tribe is historically one of four branches that make up the loose confederacy of the Blackfeet Nation. The other branches are now located on reservations in southern Alberta, Canada.
- 3 For more information on the Blackfeet Tribe, see John C. Jackson, *The Pikani Blackfeet: A Culture Under Siege* (Missoula: Mountain Press Publishing Company, 2000). Manataka American Indian Council, "The Blackfeet Nation," available at [http://www.blackfeetnation.com/Home%20Page/history\\_of\\_the\\_blackfeet.htm](http://www.blackfeetnation.com/Home%20Page/history_of_the_blackfeet.htm). "History of the Blackfeet Tribe," available at <http://www.neokistomi.com/aboutus.html>. Edward S. Curtis, "The North American Indian," Northwestern University Digital Library Collections, 2004, available at <http://curtis.library.northwestern.edu/>.
- 4 U.S. Census Bureau, Census 2000; and Montana Department of Public Health and Human Services, Vital Events Statistics by County, 2005, available at <http://www.dphhs.mt.gov/statisticalinformation/vitalstats/index.shtml>.
- 5 U.S. Census Bureau, Censuses 1990 and 2000.
- 6 U.S. Department of Agriculture, "Rural County Typologies 2004," available at [http://www.ers.usda.gov/Data/TypologyCodes/2004/all\\_final\\_codes.xls](http://www.ers.usda.gov/Data/TypologyCodes/2004/all_final_codes.xls) (accessed November 29, 2007).
- 7 A number of different data sources offer divergent statistics about employment conditions on the reservation. Each of these sources uses different definitions and techniques to calculate rates, making it more difficult to determine truly representative figures. What is clear, however, is that unemployment on the reservation is far higher than the 7 percent rate seen in Montana's non-metro areas overall.

- 8 See, for example, Housing Assistance Council, "Taking Stock: Rural People, Poverty, and Housing at the Turn of the 21st Century" (Washington, DC: Housing Assistance Council, 2002).
- 9 The USDA defines housing stress counties as those in which at least 30 percent of households had one or more of these housing conditions in 2000: lacked complete plumbing, lacked complete kitchen, paid 30 percent or more of income for owner costs or rent, or had more than one person per room.
- 10 David Listokin, Robin Leichenko, and Juliet King, *Housing and Economic Development in Indian Country: Challenge and Opportunity* (Washington, DC: Fannie Mae Foundation, 2004).
- 11 The barriers to economic development on reservations have been more broadly defined by scholars; see Stephen Cornell and Joseph Kalt, "Reloading the Dice: Improving the Chances for Economic Development in American Indian Reservations," Joint Occasional Papers on Native Affairs, No. 2003-02, The Harvard Project on American Indian Economic Development, John F. Kennedy School of Government, Harvard University. Stephen Cornell and Joseph Kalt, "Sovereignty and Nation-Building: The Development Challenge in Indian Country Today," PRS 98-225, The Harvard Project on American Indian Economic Development, Harvard University.
- 12 For more information about how federal policies have influenced Indians and Indian reservations, see Felix S. Cohen, *Handbook of Federal Indian Law* (Washington, DC: United States Government Printing Office, 2005), and *American Indian Policy: Self-Governance and Economic Development*, Lyman H. Legters and Fremont J. Lyden, eds. (Westport, CT: Greenwood Press, 1993).
- 13 One goal of the IRA was to establish an optional governance structure for the reservation that could make authoritative decisions on behalf of the tribe, particularly those decisions involving dealings with the U.S. government and those regarding the leasing of land and resources to non-Native people.
- 14 In 1975, Congress passed the Indian Self-Determination and Education Assistance Act, which allowed tribal governments to contract and compact with the federal government to directly administer services to its members, including law enforcement, social services, road maintenance, health services, education, and forestry, with federal funding that had previously been provided directly by federal agencies. The act empowered tribal governments effectively. As a result, some non-Indian business owners on the Blackfeet Reservation may have been reluctant to renew leases or to continue to do business there because of the uncertainty about possible land-use policies, preferences, and actions that might arise from the newly empowered tribal government.
- 15 The tribe owns and operates seven farms and ranches, a casino, and the Blackfeet Bison program. Other major employers on the reservation include the Browning public schools, the tribally owned Siyeh Corporation, Indian Health Services, Bureau of Indian Affairs, Blackfeet Housing Authority, and Blackfeet Community College.
- 16 While leasehold mortgages on trust property exist, the process, which requires federal government approval, is burdensome.
- 17 Credit score data for December 2004 obtained by the Federal Reserve Bank of Minneapolis support this claim. A sample of credit files for reservation residents reveals that close to one-third have a low credit score.
- 18 A branch of Native American Bank is located within the reservation in the town of Browning. Off the reservation, the First State Bank of Shelby, U.S. Bank, and Wells Fargo Bank are located 60 miles east of Browning in the town of Shelby. In addition, Bank of Glacier County and Stockman Bank of Montana are located in the border town of Cut Bank.
- 19 Listokin, Leichenko, and King, "Housing and Economic Development in Indian Country."
- 20 U.S. Department of Housing and Urban Development, "Mold and Moisture Problems in Native American Housing on Tribal Lands: A Report to Congress," 2004.
- 21 The Section 184 Indian Home Loan Guarantee program is a mortgage product specifically for American Indian and Alaska Native families, tribes, Alaska villages, or tribally designated housing entities. Congress established this program in 1992 to facilitate homeownership among Native Americans by reducing the credit and collateral risk on trust land compared with that on loans for properties located off reservations.
- 22 This focuses specifically on current cuts that the BHA's director identified for specific programs that he directs. For more information on this trend over time, see Paul Stuart, "Financing Self-Determination: Federal Indian Expenditures, 1975-1988," *American Indian Culture and Research Journal* 14(2) (1990): 1-18.





# Greenville, North Carolina:

the West Greenville neighborhood

## ■ OVERVIEW

Empty tobacco warehouses lining the streets of West Greenville are a tangible reminder of the challenges facing the city that once served as the major marketing and processing center for flue-cured tobacco in eastern North Carolina. Faced with declines in agricultural and manufacturing jobs, Greenville reinvented itself as a university town, emphasizing investments

in the education and healthcare sectors. This economic development strategy has had positive effects: Greenville experienced significant population and economic growth in the past 10 years. In this regard, the city has found a way to diversify its economic base and has avoided some of the problems facing other small rural towns in the South still coping with the loss of jobs due to the mechanization of agriculture.

However, this revitalization has not yet filtered to West Greenville, a neighborhood where the decline of the tobacco industry has yielded particularly negative effects, in part because of an over-reliance on jobs in the now-shuttered warehouses. The community continues to

struggle with deeply entrenched poverty, high rates of unemployment and crime, and low levels of educational achievement. In 2004, Greenville developed a comprehensive redevelopment and revitalization plan to address these issues in West Greenville, yet the challenges to redirecting investment to this community, along with overcoming generations of mistrust among community residents, are vast.

## ■ BACKGROUND

Greenville, once known as the “Queen City on the Tar,” is located in Pitt County, in the eastern part of North Carolina. Greenville’s history dates back to 1771 when Richard

TABLE 1

## Comparison Statistics

		West Greenville	Greenville MSA
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	n/a	36.2
	Poverty rate 2000 <sup>b</sup>	42.8	20.3
<b>Income</b>	Median household income <sup>c</sup>	\$17,418	\$33,189
<b>Demographics</b>	Population 2000 <sup>d</sup>	5,197	152,772
	% Population change, 1970 - 2000 <sup>e</sup>	n/a	71.9
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	11.1	59.6
	% Hispanic/Latino	0.5	3.7
	% Black/African-American	85.7	34.4
	% Residents under age 18 <sup>g</sup>	27.3	23.8
	% Single-parent households <sup>h</sup>	20.9	10.7
	% Foreign born, 2000 <sup>i</sup>	3.3	3.8
	% Population in same house as five years ago <sup>j</sup>	46.1	46.7
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	39.0	22.0
	% Adults with a college degree, 2000 <sup>l</sup>	15.9	23.9
	% Students proficient in reading, 2005 <sup>m</sup>	68.6	80.1
	% Students proficient in math, 2005 <sup>n</sup>	28.6	55.9
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	21.2	6.8
	% Adults in the labor force <sup>p</sup>	51.1	64.8
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	26.0	60.0
	% Renters with a housing cost burden <sup>r</sup>	45.6	45.6
	% Rental units that are HUD subsidized <sup>r</sup>	27.2	11.3
	Median value for owner-occupied units <sup>s</sup>	\$49,301	\$93,298
	Median year structure built <sup>t</sup>	1958	1983
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	55.6	32.1
	% Credit files with high credit scores <sup>v</sup>	27.2	52.0
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	71.4	24.2
	Mortgage denial rate, 2005 <sup>x</sup>	47.9	22.0

Evans, a Pitt County legislator, divided off his plantation to form an official town. Originally Martinsborough, the town's name was changed to Greenville in 1787 in honor of General Nathanael Greene, the Revolutionary War hero, and was later shortened to Greenville.<sup>1</sup>

Greenville's history is tightly intertwined with that of the cotton and tobacco industries. Its location on the Tar River, a major transportation corridor by the 1860s, led the city to prominence. Several established riverboat lines transported passengers and goods from the region's cotton plantations down to southern ports for shipping to northeastern and international markets. In 1890 Greenville built its first

tobacco warehouse, and the city quickly developed into the largest tobacco-processing center in North Carolina. The wealth generated by the tobacco plantations led to prosperous times for the small city, and large mansions were built to match the growing wealth in the community.<sup>2</sup>

The Great Depression put an end to the city's prosperity, and by the 1950s, new agricultural technologies were further threatening the city's economic base. While tobacco processing remains an important industry in eastern North Carolina, its scale has been greatly reduced. In 1950, the region produced nearly 25 percent of the world's flue-cured tobacco; by 2000, that figure

had dropped to just over 5 percent.<sup>3</sup> Yet unlike many cities hit by declines in agriculture and manufacturing, Greenville has been able to capitalize on its educational assets—in particular, East Carolina University—in redirecting and diversifying its economy toward knowledge- and health-based industries. Greenville has emerged as a major industrial and economic center for eastern North Carolina and is now home to companies such as DSM Pharmaceuticals, Rubbermaid, NACCO Materials Handling Group, and ASMO Manufacturing.<sup>4</sup> Non-farm employment earnings in the Greenville metropolitan statistical area (MSA) have risen steadily, although the region's economy was negatively affected by the 2001 recession and by Hurricane Floyd, which swept through Greenville in 1999 and damaged more than 1,800 structures to the tune of an estimated \$90 million.<sup>5</sup> (See Figure 1)

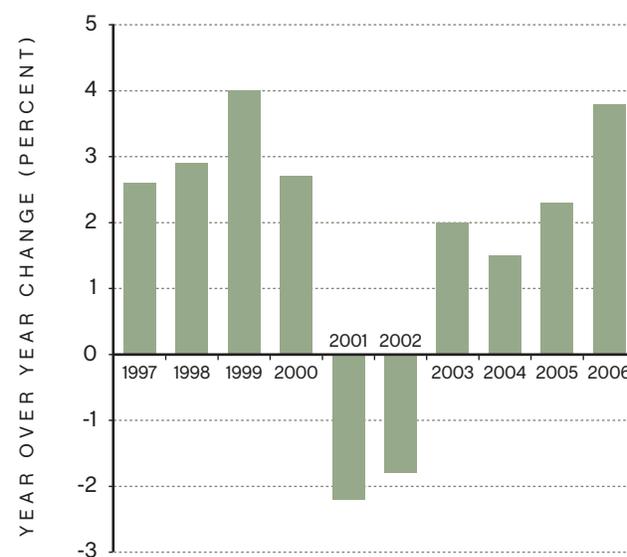
West Greenville, the case study community, is located south of the Tar River and west of the city's railroad tracks. The neighborhood of approximately 5,200 residents is predominantly African American, and the legacy of racial discrimination and the impact of urban renewal programs in the 1950s and 1960s still loom large. In 2000, the neighborhood poverty rate was more than 42 percent, twice as high as the poverty rate for the Greenville MSA. (See Table 1) One in five households was headed by a single parent, and nearly 60 percent of children in the community were living in poor households. Between 1990 and 2000, the population in the case study area grew a mere 2 percent, compared with about 35 percent for the city and 24 percent for the MSA.

The community faces significant challenges, not least of which is unemployment. In 2000, the unemployment rate in the community was 21 percent, more than three times the unemployment rate in the MSA (6.8 percent). Only half of the adults in West Greenville participate in the labor force. The community is bereft of services and amenities. Residents commented that the area lacks access to grocery stores, financial institutions, and healthcare facilities. More than half of all credit files sampled in the community in 2004 were thin, indicating insufficient credit histories that would likely preclude those residents from securing a loan.

Overcoming these challenges and reversing decades of disinvestment in this community are an enormous undertaking. Carl Rees, an urban planner with the city of Greenville, noted that the “price tag to effect comprehensive and lasting change in this community is extremely high.” Any successful efforts, he stressed, must address

FIGURE 1

## Growth in nonfarm employment earnings



SOURCE: Haver Analytics, U.S. Bureau of Economic Analysis: Table SA25, Total Full-time and Part-time Employment by Industry

not only the empty and dilapidated structures in the community, but also job growth and human capital development among the residents.<sup>6</sup>

## ISSUES TO CONSIDER

As in many other high-poverty communities, the issues facing West Greenville are complicated and interrelated. However, interviews with key stakeholders in the community consistently raised three central issues. First, the lack of educational attainment in West Greenville is a key factor that limits residents' ability to take advantage of job growth in the region. Second, crime levels in the community are high and serve as a major deterrent to private investment and community cohesion. Third, implementing change under the city's comprehensive redevelopment plan is difficult. Residents in the community are concerned that the planned changes will not benefit them, and government subsidies and private dollars fall far short of need. More capacity and collaboration across a wide variety of stakeholders will be necessary to address the issues that perpetuate the cycle of poverty in West Greenville.

### Educational Attainment

As Greenville has moved from an economy based on agriculture and tobacco processing to one focused on

education and health care, demands for higher skilled workers have increased. In 1970, 20 percent of jobs in the Greenville MSA were related to agriculture; in 2005, agricultural employment comprised just 2 percent of all jobs in the region. In contrast, the share of jobs in the education and health services field in the region doubled, from 14 to 33 percent between 1970 and 2005. According to Joyce Jones, the executive director of STRIVE (Support and Training Result in Valuable Employees), an employment training program in West Greenville, these jobs require advanced degrees and significant technical skills. Many residents in West Greenville, she noted, are unprepared to find and keep employment in these new industries.<sup>7</sup>

Educational achievement in the community is low, despite the presence of East Carolina University and Pitt Community College nearby. Thirty-nine percent of the residents in the case study community do not have a high school diploma. Only 16 percent of residents in the case study area have a bachelor's degree, compared with 38 percent for the city of Greenville.<sup>8</sup> Educational achievement in the Greenville MSA is somewhat lower, in part because of the rural nature of the region compared with the university-influenced city.

West Greenville's student proficiency levels on reading and math tests also fall below those of the MSA. Schools in the community face significant challenges in delivering high-quality education, including poor and crowded facilities, safety concerns, higher rates of teacher turnover, and difficulties attracting teachers with advanced degrees.<sup>9</sup> At the middle and high school levels, suspensions—especially short-term suspensions used for problems such as insubordination and chronic tardiness—have emerged as a key issue in West Greenville and in schools in Pitt County more generally.<sup>10</sup> In 2005, public schools in Pitt County recorded more than 400 suspensions per 1,000 students in each of the previous three years, a rate that is double that of North Carolina and almost 10 times the national suspension rate.<sup>11</sup> Eighty percent of the suspensions in Pitt County were among African-American students. This trend is troubling because students with multiple suspensions are more likely to perform poorly academically and to drop out of school.<sup>12</sup> In addition, according to Pitt County Schools Superintendent Beverly Reep, “The high suspension rate represents a community problem, not just a school problem, because students who are suspended long term often end up in the streets, creating other problems.”<sup>13</sup>

The district is analyzing its suspension policies and drawing on existing community resources to ensure that

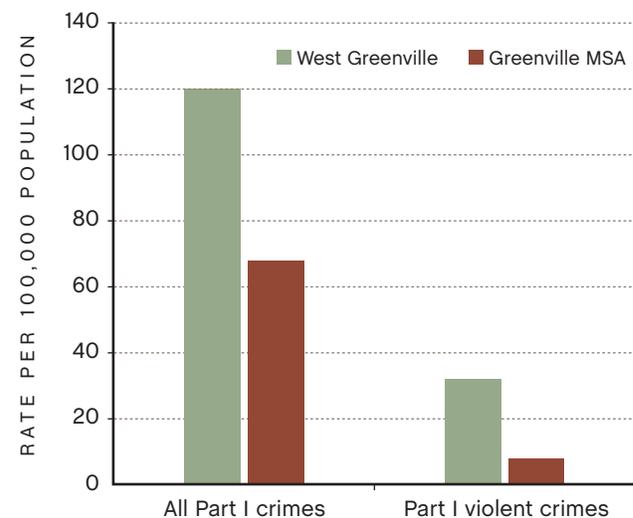
students are connected to youth programs and physical and mental health services. One innovative program in the community, Project Center Stage, a spin-off from STRIVE, focuses on youth between the ages of 11 and 17 who have been suspended from school or who are having disciplinary problems. Students in the program learn leadership and character skills through computer training and group exercises that build self-esteem and confidence.<sup>14</sup> “The kids in the community know where they want to go; they just don't know how to get there,” explains the program's coordinator. “We give them the tools to make better choices so that they can start taking tangible steps toward their goals.”<sup>15</sup>

## Crime

Interviews with residents in West Greenville highlighted the negative impact of crime on the community. Although violent crime rates have declined slightly and become more dispersed in recent years, crime rates in the police district that incorporates West Greenville are higher than those for the city as a whole.<sup>16</sup> (See Figure 2) Many residents stated that they do not go outside after dark for fear of being robbed or caught in a hostile situation. Evidence of crime and its impact on the community is evident throughout the case study area: Stores and houses have bars on the windows, and walls and sidewalks are

FIGURE 2

### Greenville crime data, 2006



Note: *Part I crimes* include murder, rape, robbery, aggravated assault, arson, burglary, larceny-theft, and motor vehicle theft. *Part I violent crimes* include murder, rape, robbery, and aggravated assault.

SOURCE: Greenville Police Department, 2006

covered in gang tags. Newspaper and television stories often graphically highlight the crimes committed in West Greenville, reporting on everything from robberies and shootings to drug deals and prostitution rings.<sup>17</sup>

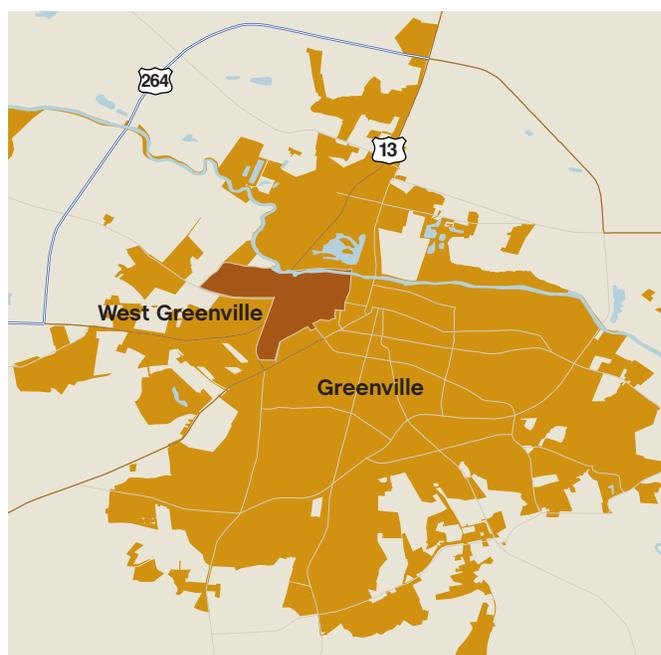
The high levels of crime in the community deter private investment. In stakeholder interviews, several small business owners noted that they moved out of the community because they felt that they could not safely keep their stores open in the evening. In the words of one stakeholder, crime has also contributed to the “break-down of the social structure.” Although churches remain a strong presence and have been an important partner in community development efforts in West Greenville, many of the African-American churches have left the neighborhood because of safety concerns, further limiting the community’s ability to rebuild its social fabric. As another stakeholder in the community noted, “There’s a lack of positive role models in the community, and not enough programs.”

In response to the significant rise in gang violence, the local police department has held town hall meetings to address residents’ questions and concerns. In 2006, the department participated in a joint grant application with four other agencies to prevent and reduce gang violence and was awarded \$185,000 to run two programs—Blue Print for Peace and Citizens United Against Violence—both of which work to address the root causes of youth violence and gang membership.<sup>18</sup>

### Urban Revitalization

In 2004, city voters passed a \$5 million bond for improvements in West Greenville, allowing the city to develop and implement a comprehensive revitalization plan for the community.<sup>19</sup> The plan recognizes West Greenville’s role as the “heart of the city’s African-American community” and seeks to address a wide range of neighborhood needs, from improving the physical infrastructure in the community to helping attract new small businesses to the area.<sup>20</sup> According to the plan, the goals for West Greenville include increasing the levels of homeownership in the community, removing blighting influences, improving the public infrastructure, creating programs with service providers to address the social issues of the community, and providing economic development and commercial opportunities in the area and for its residents.

The city has already begun to implement certain aspects of the plan. One of its key goals is to increase



homeownership opportunities in the community. Only 26 percent of the households in the case study community own their homes. There has been little new housing construction in the neighborhood in recent times; 75 percent of the housing stock in the case study area was constructed before 1980 compared with about 44 percent for Greenville as a whole.<sup>21</sup> Rees, Greenville’s urban planner, said that the city’s goal is to raise the homeownership rate in the community to 50 percent. The city is also looking for ways to address the abandoned and dilapidated buildings in the neighborhood. It is exploring, for example, the possibility of turning an abandoned tobacco warehouse into a small business incubator, as well as working to establish a revolving loan fund for small businesses in the community.

Implementing this comprehensive plan will be far from easy, however. Rees noted that the biggest challenge is a financial one and that developing comprehensive strategies will require significantly more government subsidies as well as private investment. “It’s still hard to bring private banks and investors into this community,” he stated. “It’s a tough market to work in, especially since we need to overturn decades of disinvestment.”

In addition, community residents have voiced opposition to the plan. Many of the residents remember Greenville’s earlier efforts at “urban renewal” and do not trust that contemporary efforts will produce positive change for them or their families. According to one small business owner in Greenville, D. D. Garrett, African

Americans in the 1930s lived in a thriving community along prime property on the Tar River.<sup>22</sup> Grocery stores, service stations, coin laundries, and restaurants owned by African Americans lined the streets.<sup>23</sup> In the 1960s, however, Greenville developed a series of urban renewal plans with the intent of stimulating new development.<sup>24</sup> Many African-American residents were relocated from the Tar River properties to West Greenville.<sup>25</sup> “As the city began to redevelop this part of town,” Garrett recounted, “many of the black businesses were forced to move and were unable to survive the relocation.”<sup>26</sup> Greenville thus has historically been a highly segregated town; as one interviewee noted, “It was obvious where the white communities started and where the black communities ended.”<sup>27</sup> This history plays a part in shaping the contemporary discussion of revitalization efforts.

Many of the current residents are the children and grandchildren of the families who lived through the city’s first relocation efforts.<sup>28</sup> For these residents, revitalization is synonymous with relocation, and they have expressed concern that they would once again not be able to take part in the anticipated appreciation and wealth of the area after redevelopment.<sup>29</sup> A prominent African-American leader has criticized the plan, writing, “The West Greenville Revitalization Plan is limited and does not significantly address major issues such as access to capital for job creation, attracting major employers, or a focused effort to improve income in the Black community.”<sup>30</sup>

The city has responded by working with residents to allay these concerns and developing a resident anti-displacement policy and relocation plan. Discussions about preserving the unique cultural heritage of the community have also helped to build trust among residents. “Residents realize that changes in the community are necessary,” noted Rees. “But change is difficult and people need to feel like they are part of the discussion about what to do.”

East Carolina University has also taken on a significant role in the community’s revitalization efforts. Early in the city’s redevelopment planning process, Karla Hughes, who at the time served as dean of the College of Human Ecology, met with Greenville Mayor Don Parrott and other city officials to discuss development of an intergenerational center in West Greenville, a place that would offer a wide variety of programs and services to community members. In 2007, the intergenerational center opened to the public in the former St. Gabriel’s Catholic Church and school.<sup>31</sup> At the groundbreaking ceremony, Hughes

explained the college’s motivation for this collaboration: “We in the College of Human Ecology are about communities. Because this is the neighboring community to the university...we felt that there was a natural partnership to be had.”

The center, which is run by Associate Professor Lessie Bass, offers tax preparation, counseling, home design, nutrition, and other services. Pitt Community College is also a key partner in the center. Its architectural technology program has developed a partnership program called “Hard Hats,” which has held student design competitions for energy-efficient, single-family dwellings to be located in West Greenville. Eventually, the center may expand to include a health clinic, employment services, and an after-school program sponsored by the Boys and Girls Club, along with a wider selection of adult education classes.<sup>32</sup> Residents have also been an important partner in shaping the scope of the center’s activities. Several residents as well as other local stakeholders have formed the Eppes Advisory Board, which will play a major advisory role as the project moves forward.<sup>33</sup>

## ■ CONCLUSION

The intergenerational center represents a promising strategy for the future of West Greenville, and demonstrates that tackling the issues associated with concentrated poverty often requires partnerships that link these once-isolated communities to institutional structures in the surrounding region. The city of Greenville is working to develop strategic partnerships with the local universities, the faith-based community, and local businesses to implement a wide range of initiatives in West Greenville, from expanding homeownership to stimulating small business development. Still, as noted by many stakeholders, the success of these initiatives depends on overcoming persistent challenges within the community, among them decades of distrust and disinvestment in the community.

*This case study was prepared by Carl Neely, regional community development manager, Federal Reserve Bank of Richmond.*

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## Endnotes

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- 11 In academic year 2005, Vance County had 614 suspensions for every 1,000 students; Edgecombe: 541; Hertford: 453; and Pitt: 441. "Short-Term Suspensions; Long-Term Consequences; Real Life Solutions," Action for Children North Carolina, Raleigh. See [http://www.ncchild.org/images/stories/Short-Term\\_Suspensions;\\_Long-Term\\_Consequences;\\_Real\\_Life\\_Solutions.pdf](http://www.ncchild.org/images/stories/Short-Term_Suspensions;_Long-Term_Consequences;_Real_Life_Solutions.pdf) (accessed February 2007).
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# Atlantic City, New Jersey:

## the Bungalow Park/Marina District area

### ■ INTRODUCTION

Atlantic City, located on a barrier island off the coast of New Jersey, emerged as a popular beach destination in the late 1800s. The resort was so popular that President Teddy Roosevelt once remarked, “A man would not be a good American citizen if he did not know of Atlantic City.”<sup>1</sup> After World War II, however, the city’s prominence as a vacation destination

declined. In 1976, hoping to breathe new economic life into Atlantic City, New Jersey voters legalized casino gambling there.

Thirty years later, there are clear signs that economic activity in Atlantic City has increased. There are more jobs, greater numbers of tourists, and a stronger real estate market. In 2005, the city attracted 35 million visitors, a number surpassed among U.S. cities only by Orlando, New York, and Las Vegas.<sup>2</sup> That year, casinos in Atlantic City provided approximately 46,000 jobs and \$5 billion in gross revenues.<sup>3</sup>

Yet despite the scale of the casino industry, Atlantic City continues to experience high poverty and unemployment rates.<sup>4</sup> According to the 2000 census, poverty in

Atlantic City was 24 percent, one point higher than in 1970, prior to the advent of gambling. The city’s unemployment rate was 13 percent, more than double that of New Jersey as a whole (5.8 percent). Research suggests that Atlantic City’s casinos have served as an engine of regional growth, but their impact has been uneven. And as the statistics on poverty and unemployment suggest, many of the city’s residents have been left out of the gambling boom. Casinos in Atlantic City have been described as “islands unto themselves,” disconnected from the city and its residents.<sup>5</sup> David Schwartz, a historian who studies the casino industry, has argued that, rather than revitalizing the neighborhoods around them, “casino resorts have further rent the urban fabric of Atlantic City.”<sup>6</sup>

TABLE 1

## Comparison Statistics

		Bungalow Park/ Marina District	Atlantic City MSA
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	27.0	13.0
	Poverty rate 2000 <sup>b</sup>	41.2	10.5
<b>Income</b>	Median household income <sup>c</sup>	\$14,114	\$44,082
<b>Demographics</b>	Population 2000 <sup>d</sup>	7,771	252,552
	% Population change, 1970 - 2000 <sup>e</sup>	-0.5	44.3
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	3.3	63.9
	% Hispanic/Latino	11.5	12.2
	% Black/African-American	83.8	16.9
	% Residents under age 18 <sup>g</sup>	35.6	25.3
	% Single-parent households <sup>h</sup>	48.2	10.1
	% Foreign born, 2000 <sup>i</sup>	2.2	11.8
	% Population in same house as five years ago <sup>j</sup>	58.0	57.6
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	43.8	21.8
	% Adults with a college degree, 2000 <sup>l</sup>	7.2	18.7
	% Students proficient in reading, 2005 <sup>m</sup>	30.4	73.4
	% Students proficient in math, 2005 <sup>n</sup>	50.0	77.2
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	17.5	7.5
	% Adults in the labor force <sup>p</sup>	48.9	64.7
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	15.9	66.4
	% Renters with a housing cost burden <sup>r</sup>	44.6	41.6
	% Rental units that are HUD subsidized <sup>r</sup>	63.4	16.2
	Median value for owner-occupied units <sup>s</sup>	\$56,236	\$122,005
	Median year structure built <sup>t</sup>	1965	1973
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	47.4	20.8
	% Credit files with high credit scores <sup>v</sup>	28.4	61.0
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	44.1	25.6
	Mortgage denial rate, 2005 <sup>x</sup>	23.9	18.1

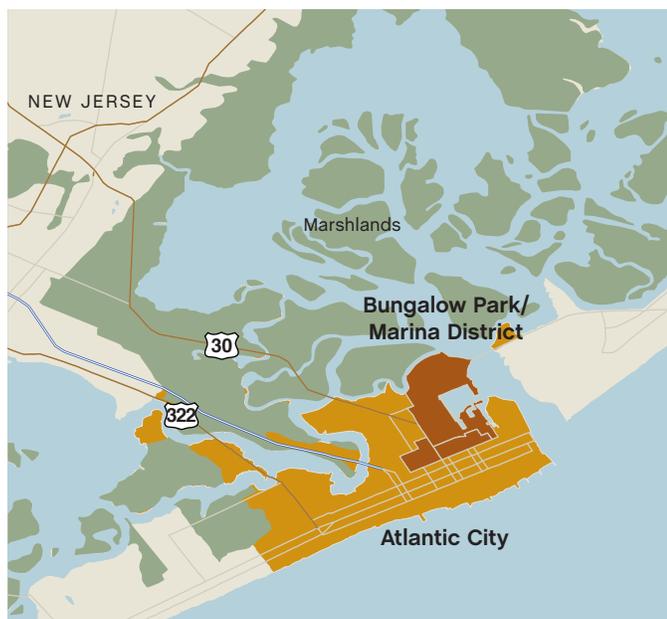
### ■ BACKGROUND

Atlantic City was developed as a beach resort in the middle of the 19<sup>th</sup> century, and its success in this role lasted until the middle of the 20<sup>th</sup> century. The city's location close to Northeastern metropolitan areas of the U.S. provided a major advantage to its tourist industry. In 1939, at the height of its popularity, almost 16 million tourists visited the resort.<sup>7</sup>

After World War II, however, more affordable airfare and the expansion of the interstate highway system greatly reduced Atlantic City's location advantage. By the

1960s, the city had lost its cachet as a tourist destination. Between 1960 and 1980, its population fell from 59,544 to 40,199. Most of the population outflow was white, with data suggesting that non-elderly white families were particularly likely to leave. As population fell and tourism declined, many restaurants, theaters, and other businesses closed. Much of the housing stock became dilapidated or was abandoned.<sup>8</sup>

In the 1970s, casino advocates maintained that gambling could revitalize Atlantic City's tourism and convention industry and bring new tax revenues to the state. In



1976, after a lengthy political process, New Jersey voters approved the establishment of commercial casinos in the city by referendum; in 1977, the state legislature passed the Casino Control Act, which set the framework for gambling. The city's first casino opened in 1978.

Gambling rejuvenated the tourist industry in Atlantic City. Between 1977 and 1988, the year when the last of 12 casinos opened,<sup>9</sup> the number of jobs there rose from 21,000 to 61,900, with almost 70 percent of them provided directly by the casino industry.<sup>10</sup> Today, casinos continue to provide the majority of jobs in Atlantic City, approximately 46,000 in 2005, although there have been modest declines in the total number of casino jobs in the past decade.<sup>11</sup> Expanding the tourism sector continues to dominate the city's economic development strategy, which includes numerous plans for the growth of casinos and new hotels.<sup>12</sup> In addition, market-rate housing is filling vacant lots, and restaurants and high-end retail stores are being added to the city's existing enterprises.

Since the advent of gambling, the city's population has stabilized at about 40,000. Although the city continued to lose white residents after 1980, the loss was offset by Hispanics and Asians drawn by the city's jobs. In 1984, the New Jersey legislature established the Casino Reinvestment Development Authority (CRDA) to use casino revenues to further urban redevelopment in Atlantic City and elsewhere in the state.<sup>13</sup> By 2004, 1,394 new housing units had been built in what had been some of the city's most blighted areas, with 20 percent of the units targeted to low- and moderate-income households.<sup>14</sup>

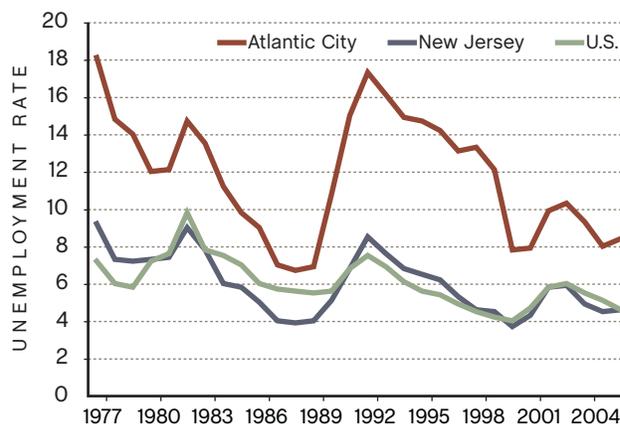
Nonetheless, significant problems remain. While casinos have created employment opportunities, many local residents have had difficulty finding jobs or making ends meet with the jobs they have. The poverty rate has changed very little since the casinos opened.<sup>15</sup> In 1970, Atlantic City's poverty rate was 22 percent, compared with a national rate of 13 percent. As of 2000, the city's poverty rate was 24 percent while the national rate was 11 percent, and, as Figure 1 indicates, Atlantic City's unemployment rate was also considerably higher than that of the nation in that year.<sup>16</sup>

Patterns of disinvestment in some areas of the city persist. In 1987, nine years after gambling was approved, the city's master plan<sup>17</sup> noted that it was commonplace for residents to travel outside the city to shop and find services. Even now, 20 years later, there is no large supermarket in the city.<sup>18</sup> At the same time, development pressures associated with expansion of the city's tourist areas have led to increasing concerns about housing affordability and have fueled fears of displacement among long-term residents. A number of interviewees indicated that much displacement has already occurred, with many households moving to other areas of Atlantic County.

This case study focuses on three contiguous high-poverty census tracts in Atlantic City, collectively referred to in this report as Bungalow Park/Marina District. The area is home to approximately 19 percent of Atlantic City's population, or about 7,800 residents. (See Table 1) In 2000, 84 percent of residents in the community were black and approximately 12 percent were Hispanic. The Hispanic share of the population in the case study area doubled during the 1990s. Study area residents tended

FIGURE 1

### Unemployment trends



SOURCE: Bureau of Labor Statistics



Collectively, the Atlantic City case study area contains close to half of the city's subsidized housing units along with three of its 12 casinos, including the Borgata (pictured above).

to be younger than those in the surrounding metropolitan area, and households were more likely to be headed by a single parent. Among family households, nearly half (48.2 percent) were single-parent households, compared with 10 percent in the Atlantic City metropolitan area. The poverty rate in the case study community in 2000 was 41 percent, almost double that of Atlantic City (23.6 percent) and four times as high as the Atlantic City metropolitan area (10.5 percent).

The case study area is home to a number of distinct neighborhoods, each with its own identity. Bungalow Park is a longtime, stable black neighborhood of modest single-family homes with many elderly homeowners and, increasingly, new residents buying high-priced waterfront properties. Another neighborhood is dominated by Stanley Holmes, a large public housing project that has a reputation for violence and drug activity.<sup>19</sup> Back Maryland, with a similar reputation for violence and drug activity, is characterized by a number of HUD-subsidized, privately owned housing projects. Other neighborhoods included in the case study area also have a high concentration

of public housing, some of which is being redeveloped under HUD's HOPE VI program.<sup>20</sup> One part of the case study area, lying adjacent to the city's marina, has never been developed residentially and is home to three of Atlantic City's casinos.

One striking aspect of the case study area is its concentration of subsidized housing. In 2000, the case study area had almost half (46 percent) of the city's entire portfolio of subsidized housing units, even though just 19 percent of the city's population lived there. Homeownership in the case study communities is low: in 2000, the rate stood at 16 percent. Indeed, the homeownership rate in Atlantic City as a whole, at 29 percent, is low. In comparison, the Atlantic City Metropolitan Statistical Area (MSA) has a homeownership rate of 66 percent.

Concerns over crime in the community emerged as an important issue.<sup>21</sup> In three focus groups, residents spoke repeatedly about crime and gang activity in their neighborhoods and the danger posed to neighborhood children.<sup>22</sup> One resident said that high crime rates in the community are fueled largely by frustration and a lack of

hope and opportunities. Focus group members stressed the need for more free youth activities and school-related programs, particularly within their neighborhoods, that would provide alternatives to gang membership and drug use. They also mentioned the need for drug rehabilitation facilities and therapeutic services for both adults and young people.

## ■ ISSUES TO CONSIDER

Residents and other interviewees pointed to a number of key issues associated with the high levels of poverty in their neighborhoods, including unemployment, low rates of labor-force participation, and low high school graduation rates. Residents also spoke about disinvestment in their community, noted the dual issues of gentrification and displacement, and expressed frustration at their perceived lack of political representation.

### Jobs

One of the paradoxes in Atlantic City is that, despite its abundance of employment opportunities, the city still suffers from a high unemployment rate. Estimates suggest that anywhere between 300 and 1,000 jobs in Atlantic City—many of them entry-level positions—go unfilled at any given time.<sup>23</sup> Data on worker characteristics in the casino industry, where most of the city's jobs are located, suggest that about half of casino jobs require only a high school diploma and that a substantial proportion of casino jobs do not have even that requirement.<sup>24</sup>

A lack of the critical skills necessary for employment was often cited as a reason why some area residents cannot obtain or keep a job. This lack of work skills is related to limited educational achievement. More than 40 percent of residents over 25 in the case study community lack a high school diploma, compared with 22 percent in the Atlantic City MSA, and high school graduation rates among the study area's youth are low. (Atlantic City's graduation rate is 15 percentage points lower than the state average, despite per-pupil spending that was about \$1,500 higher than the state average in 2005–2006.) Reasons cited for low graduation rates included tensions among different factions of Atlantic City's young people; the lure of selling drugs; and the stigma that often attaches to high-achieving students in low-income areas. In addition, one service provider commented that area students, who come directly from their neighborhood elementary schools to a high school

shared with students from more affluent communities outside Atlantic City, were unprepared for the competition they faced.<sup>25</sup>

Residents of the case study area face other barriers to finding and keeping employment that may be more specific to the casino industry. New Jersey laws barring applicants with criminal records from many casino jobs limit work opportunities for some.<sup>26</sup> Staff at a workforce development agency noted that many residents cannot pass the drug tests required for many casino positions. The round-the-clock nature of casino work may also make it difficult for employees with children, particularly single parents, to keep a job. Interviewees frequently cited an absence of inexpensive, safe child care that would make it easier for parents to work weekend and evening shifts.

Efforts are under way to help link local residents to casino jobs. One particularly large-scale example has been a job-training effort sponsored by the Borgata Casino. As part of a community benefit agreement, the Borgata committed to train and hire 2,000 unemployed or underemployed Atlantic City residents. It made an initial investment of \$1 million in the program. By 2003, the Borgata had renovated a building on Atlantic Avenue to house the training center, and by March 2007 the casino reported that it had trained and placed 2,100 residents, primarily in the gambling industry.<sup>27</sup> Many in the community hailed the program as a success. After more than fulfilling its initial obligation, the Borgata extended the training program to fill new positions created by the casino's recent expansion.

Success in increasing local employment in the gambling industry, however, may not be sufficient to help residents escape low-income status. As in Atlantic City's days as a beach resort, many of the jobs available to residents are low-skilled, low-paying positions. Average annual wages (including tips) in the leisure/hospitality industry in Atlantic County in 2004 were \$28,840, higher than the state average for that industry but lower than most of the other industries in the county, including construction, manufacturing, education, and business services.<sup>28</sup> Multiple interviewees noted that they or someone they knew held two or three jobs to make ends meet. In its beach resort days, Atlantic City was characterized by high seasonal unemployment, and that seasonality persists to some degree, although it is less severe than in pre-gambling decades.

## Community Development Efforts

In addition to the Borgata example, there have been other efforts to link the prosperity of the gambling industry with community residents. In its early years, the Casino Reinvestment Development Authority focused on improving the housing stock in Atlantic City and elsewhere in the state. It is also a participant in a HUD HOPE VI development, which is currently under way and is partly located in the case study area. The project calls for a one-for-one replacement of 214 public housing units as well as 300 units of new market-rate for-sale housing. Since the early 1990s, however, CRDA has increasingly turned its attention to economic development. Much of this activity is devoted to projects that will keep Atlantic City competitive as other U.S. communities and states allow gambling. Recent projects include hotel expansions, parking garages, and a retail shopping district.

Although such projects benefit the casino industry, many residents are concerned that needed capital and services are not reaching their neighborhoods. Furthermore, they do not believe that improvement efforts directed at local residents are well coordinated. Many organizations appear to be working independently; conversations with interviewees suggest a lack of collaboration between the city and nonprofits, among nonprofits, and among programs operated by the Atlantic City Housing Authority and private management companies.

In addition, despite the substantial revenues that Atlantic City's casinos generate for the city each year, the perception is that these revenues will not be spent in ways that best serve the interests of the city and its neighborhoods. This perception is supported by the city's ongoing corruption problems. A recent *Philadelphia Inquirer* article noted that "one third of last year's city council members are either in prison or on its [sic] way there. Four of the last eight mayors have been arrested on corruption charges."<sup>29</sup> In interviews, residents expressed frustration that their elected representative and city officials did not adequately represent their interests. Service providers, equally frustrated, were concerned that the dysfunction in city government was harming the city's residents.

## Dislocation and Gentrification

Residents of the case study area also expressed deep concern about their ability to keep living in Atlantic City in the face of casino-related development. Asked

what she thought her neighborhood would be like in 10 years, one area resident responded, "We'll all be moved out, and Atlantic City will be a mega resort."

Residents' fears have a number of sources. In the Back Maryland neighborhood, for example, where housing is HUD-subsidized but privately owned, interviewees expressed concern that when the owners' contractual obligations with HUD to maintain the housing for low-income households expire, the units will be removed from the low-income stock. Four projects, containing 375 units and owned by a single entity, had 2007 expiration dates.<sup>30</sup> In late 2006, these four projects were placed on the market. While no deal materialized, the possibility of the sale has raised serious concerns about displacement among Back Maryland residents. New Jersey's limited-dividend law has provisions requiring that low-income units built under the law's auspices be maintained as low-income housing after the HUD requirement expires. However, it is not yet clear whether steps taken under these provisions will be effective in preserving this stock. In addition, at least one privately owned low-income housing tax credit project has recently been sold and its units may be removed from the low-income housing stock, according to an interviewee.

Rapid house-price appreciation in Atlantic City in recent years has further contributed to area residents' fears that housing affordability will become an increasingly severe problem.<sup>31</sup> Moreover, affordability problems may also arise as a result of the state-mandated property tax revaluation scheduled for Atlantic City in 2008. The city has not undergone a revaluation in more than two decades, and homeowners, particularly elderly residents on fixed incomes, are deeply concerned that the revaluation will raise taxes so high that they will no longer be able to live in the city. While New Jersey has programs that may assist elderly and low-income homeowners affected by the revaluation, the programs' availability does not appear to be widely known, based on interviewees' comments.

## ■ CONCLUSION

Atlantic City presents a particular challenge. Despite the abundant low-skill jobs that casinos have created, the city's unemployment rate remains high, and it is still unclear how much of the casinos' economic benefits spill over into the case study area. Lack of worker readiness, casino hiring rules, and low educational levels continue

to keep many community residents from finding and maintaining employment. In addition, there is increasing concern that casino-led development pressures could lead to displacement of poor households.

Such development, along with new construction of market-rate housing in the HOPE VI project, would serve to reduce the concentration of poor households in the case study area, but not because of more job opportunities and rising incomes for the area's current residents. These types of change, even though they would lower the concentration of poverty in Atlantic City, would not resolve the conundrum of a city in which the gambling industry has created a large number of jobs, yet the unemployment rate remains high.

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- 18 Several supermarkets have opened and closed over the years. Many interviewees mentioned the lack of a supermarket (and other

important and desired services) in this city of over 40,000 residents. Food shopping entails a bus or car ride off the island. According to the 2000 census, 65 percent of households in the study area do not have a car.

- 19 Stanley Holmes is owned by the Atlantic City Housing Authority (ACHA) and consists of 419 units for families and the disabled.
  - 20 Of these units, 817 are in public housing owned by ACHA, primarily in family projects. The remaining 948 subsidized units in the study area are privately owned. Most of these privately-owned units are in Back Maryland and were built around the same time by a single developer on previously undeveloped land. The number of assisted units in place today may be somewhat lower as the result of HOPE VI redevelopment. Data available from U.S. Department of Housing and Urban Development, *A Picture of Subsidized Households, 2000*. Available at <http://www.huduser.org/picture2000/index.html>.
  - 21 Both violent and property crime rates in Atlantic City are significantly higher than they are in the surrounding metropolitan area. In part, this reflects the fact that, as a tourist destination, Atlantic City's daily population is much higher than its resident population. As noted in a 2000 GAO report examining gambling in Atlantic City, "Visitors become part of the pool who may both commit and become victims of crime and therefore should be added to the resident population when calculating the crime rate." See "Impact of Gambling: Economic Effects More Measurable Than Social Effects," GAO/GGD-00-78, 2000. Even when such an adjustment is made, Atlantic City's crime rate is higher than that of New Jersey as a whole.
  - 22 Interviews and focus groups for this case study were conducted in Atlantic City from March to May 2007. Because of the sensitive nature of many of the discussions, interviewees requested that their responses remain anonymous.
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  - 28 New Jersey Department of Labor and Workforce Development, "Southern Regional Community Fact Book: Atlantic County Edition."
- Report produced by the Division of Labor Market and Demographic Research, 2006.
- 29 Wayne Parry, "In Corruption, Atlantic City's No. 1, Ex-Council Prez Only the Latest to Fall," *Philadelphia Inquirer*, March 17, 2007.
  - 30 In general, in return for HUD subsidization of privately owned properties, their owners agree to maintain them as part of the low-income stock for a specified period, most often 30 years. According to the National Housing Trust, this affordability requirement was due to expire in 2007 for 375 units in the privately owned subsidized stock in Back Maryland. An additional 232 units in Atlantic City have a 2009 expiration date. Available at <http://www.nhtinc.org>.
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# Austin, Texas:

the East Austin neighborhood

## ■ OVERVIEW

Unlike most of the case study communities in this report, Austin, located in central Texas, is one of the fastest-growing cities in the United States. Between April 2000 and July 2006 the population of the Austin–Round Rock Metropolitan Statistical Area (MSA) rose 21 percent, to more than 1.5 million.<sup>1</sup> According to the *Austin Business Journal*, the MSA is one of the

hottest new job markets for young professionals, adding about a thousand jobs every month over the past five years.<sup>2</sup>

The region’s strengthening economy has contributed to a booming real estate market. As little as 10 years ago, Austin was recognized as an MSA with one of the best housing affordability indexes in the country.<sup>3</sup> Today, it has one of the most expensive housing markets in Texas.<sup>4</sup> Median house values in the city have increased from \$144,500 in 2000 to \$190,800 by June 2007.<sup>5</sup>

East Austin,<sup>6</sup> the focus of this case study, is just east of downtown and Interstate 35, the city’s major thoroughfare. Historically, East Austin has been perceived by some as a “no man’s land,” populated mostly by minority

residents and isolated economically, socially, and politically from the rest of the city. Since the late 1990s, however, the economic growth in the Austin MSA has led to significant gentrification in the community. What was once an area of concentrated poverty is now experiencing rapid investment and demographic and economic change, with affluence and poverty juxtaposed throughout East Austin.

Managing this rapid change while ensuring that long-term community residents benefit from the area’s economic upturn is an ongoing struggle. “We’re trying to reignite the economic and cultural life of this community without displacing the majority of the people who have lived and worked here for years,” said Byron Marshall,

TABLE 1

## Comparison Statistics

		East Austin	Austin MSA
Poverty Rate	Poverty rate 1970 <sup>a</sup>	37.5	20.7
	Poverty rate 2000 <sup>b</sup>	45.6	11.1
Income	Median household income <sup>c</sup>	\$15,678	\$48,950
Demographics	Population 2000 <sup>d</sup>	5,724	1,249,763
	% Population change, 1970 - 2000 <sup>e</sup>	-27.4	213.3
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	4.5	60.7
	% Hispanic/Latino	44.1	26.2
	% Black/African-American	50.7	7.7
	% Residents under age 18 <sup>g</sup>	36.6	25.4
	% Single-parent households <sup>h</sup>	34.1	8.0
	% Foreign born, 2000 <sup>i</sup>	16.5	12.2
	% Population in same house as five years ago <sup>j</sup>	57.4	39.4
Education	% Adults without a high school diploma, 2000 <sup>k</sup>	54.4	15.2
	% Adults with a college degree, 2000 <sup>l</sup>	11.6	36.7
	% Students proficient in reading, 2005 <sup>m</sup>	81.5	87.5
	% Students proficient in math, 2005 <sup>n</sup>	75.0	81.7
Labor Market	Unemployment rate, 2000 <sup>o</sup>	12.5	4.0
	% Adults in the labor force <sup>p</sup>	51.1	71.3
Housing	Homeownership rate, 2000 <sup>q</sup>	37.1	58.2
	% Renters with a housing cost burden <sup>r</sup>	41.0	42.4
	% Rental units that are HUD subsidized <sup>r</sup>	50.4	4.6
	Median value for owner-occupied units <sup>s</sup>	\$58,259	\$128,100
	Median year structure built <sup>t</sup>	1960	1983
Access to Credit	% Credit files that are thin, 2004 <sup>u</sup>	57.8	27.5
	% Credit files with high credit scores <sup>v</sup>	29.8	55.1
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	33.3	19.4
	Mortgage denial rate, 2005 <sup>x</sup>	24.1	17.0

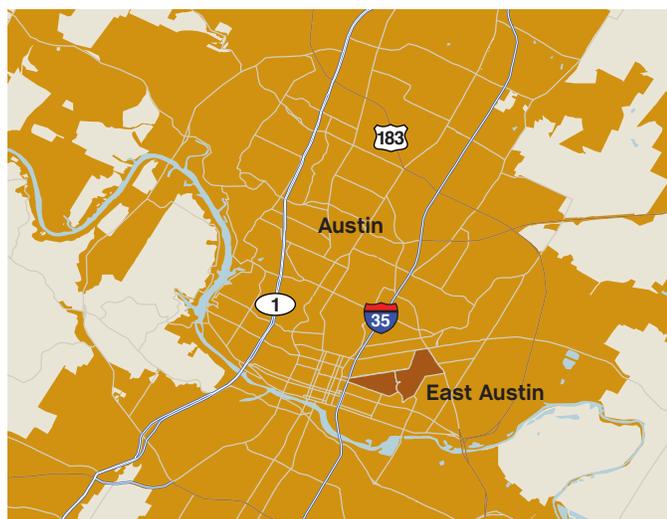
president and CEO of the Austin Revitalization Authority. “It’s a balancing act.”<sup>7</sup>

### ■ BACKGROUND

East Austin has long been economically and racially segregated from the rest of the city. In 1928, the city of Austin institutionalized segregation through its master plan. This plan forced minority residents to move to East Austin using such measures as cutting off utilities to blacks living in Freedmen settlements at the city’s periphery and in other parts of the city, as well as moving

their churches to East Austin and its neighboring communities. City leaders also pushed the relatively few Mexican immigrants out of downtown by relocating their churches and building Santa Rita Courts, the nation’s first federally funded housing project, in East Austin.<sup>8</sup>

Starting in the 1970s and 1980s, middle-class families who could afford to move out of the East Austin area often did, drawn by the suburbs’ better schools and amenities. Some kept their homes in East Austin and became landlords, while others cut their ties completely. Left behind were low- and moderate-income households, mostly black and Hispanic.<sup>9</sup> In 1970, the poverty rate in



the community stood at about 38 percent; by 1990 it had risen to 52 percent.<sup>10</sup>

By 2000, East Austin's poverty rate had dropped to 46 percent, yet census data show that its residents were still predominantly low-income, minority families. Historically African American, the neighborhood gained a large percentage of Hispanic households in the 1980s and 1990s. In 2000, 51 percent of East Austin's population was black and 44 percent Hispanic. Unemployment stood at 13 percent, triple the rate in the MSA (4 percent), and only half of the community's working-age population was in the labor force. The median household income was \$15,678, less than a third of the MSA's median household income. (See Table 1)

Since the census lacks more recent data available at the neighborhood level, it is hard to assess how these demographic and economic indicators have changed in the past seven years. Yet on the ground, evidence of economic change in East Austin is impossible to miss. Longtime residents' new neighbors have higher incomes and are moving into brand-new or renovated homes; high-end cafés, boutiques, and a new Wells Fargo bank branch have all followed them into the neighborhood.<sup>11</sup> No longer a "no man's land," East Austin is now perceived as cool, hip, and edgy, and its proximity to downtown only enhances its appeal.

One measure of these changes is the jump in property and land values in recent years. From 2000 to 2005, tax-assessed values of single-family properties increased by more than 100 percent in the zip code that encompasses East Austin.<sup>12</sup> According to Paul Hilgers, the City of Austin's director of neighborhood housing

and community development, a house bought in 1997 for \$100,000 sold in 2005 for \$300,000, and vacant lots that sold for \$4,000 to \$7,000 in 1998 now sell for \$80,000.

These changes are part of significant gentrification pressures in the neighborhood that threaten to displace many of the community's longtime residents. At the same time, the neighborhood is still struggling with many of the challenges common to areas with high poverty levels. Sixty percent of the school district's enrollees are economically disadvantaged, and educational attainment in the community remains low.<sup>13</sup>

Crime is an issue as well. According to Austin Police Department Gang Unit Director Sergeant Vanzura, there is more crime in East Austin than in other parts of the metropolitan area.<sup>14</sup> Gang members living east of I-35 often target immigrant day laborers, particularly on Fridays, said the sergeant. He explained that many day laborers receive their wages in cash on Fridays, making them vulnerable targets in part because many do not deposit their money in a financial institution.<sup>15</sup>

Efforts to address the crime in East Austin are hindered by a troubled relationship between the police department and East Austin's longtime residents, who feel police have historically ignored the neighborhood and that, when enforcement does occur, treatment of minorities is different from treatment of whites. Nelson Linder, president of the Austin branch of the National Association for the Advancement of Colored People (NAACP), stated, "The situation between the police and the minority communities is definitely worsening." A recent incident involving a white officer shooting and killing a black man in East Austin has led to "a lot of frustration," Linder said, and the situation is "close to boiling over."

Deterioration of race relations between the police department and minority communities has attracted the attention of the Civil Rights Division of the U.S. Department of Justice, which is investigating police use of force.<sup>16</sup> The city has taken steps to improve race relations through its African-American quality of life committees, whose initiatives focus on arts, culture, and entertainment; business and economic development; employment and education; health; neighborhood sustainability; and police and safety.<sup>17</sup>

Despite the recent proliferation of local cafés and restaurants in East Austin, access to supermarkets can be limited. Two of the neighborhoods share a single supermarket.<sup>18</sup> Fast food and convenience stores, which typically carry far fewer fresh food offerings than supermarkets, abound. Access to health care is also an issue.



A strong regional economy has led to significant changes in East Austin. Managing this rapid change while ensuring that long-term community residents benefit from the area's economic upturn is an ongoing struggle.

The U.S. Department of Health and Human Services (HHS) has designated East Austin as a medically underserved area, without enough primary care physicians to meet the needs of the local population.<sup>19</sup>

The neighborhood must also contend with its industrial legacy. Residents and community groups expressed serious concerns about the potential health effects of industrial pollution in the community. The East Austin environmental advocacy organization People Organized in Defense of Earth and Her Resources (PODER) highlights a number of environmental hazards in the neighborhood that still exist today, including pollution from a benzene-emitting fuel-storage facility that was closed in 1993, industrial plants located near elementary schools, and a number of small paint and body shops.<sup>20</sup>

## ■ ISSUES TO CONSIDER

East Austin faces major challenges—as well as opportunities—as it weathers changes in its housing market and business climate while maintaining the community that many impoverished residents call home. Interviews and an analysis of the data gathered for this case study revealed three key issues that are pivotal in the city's move forward: gentrification, challenges to small businesses, and civic engagement.

### Gentrification

Local residents saw gentrification coming 10 years ago, but it has accelerated over the past several years. “The market hit the east side of town like a hurricane,”

said Paul Hilgers. “There’s not much you can do to stop the market forces.” He pointed out the dilemma of gentrification—those moving have “great opportunities,” he noted, but longtime residents do not.<sup>21</sup>

Vacant lots and modest, run-down houses are selling at previously unheard-of prices, making them unaffordable for longtime residents. Locals see properties being flipped, and white-collar professionals without children are moving into expensive condos and houses that are newly renovated, expanded, or brand-new. What had been largely a one-story landscape is going vertical. These developments have driven up land and housing values exponentially.<sup>22</sup>

As the face of housing in East Austin changes, the increase in housing values has led to new affordability pressures, particularly among low-income residents who remain in the community.<sup>23</sup> Home values in East Austin have increased an estimated 117 percent from 1999 to 2005, compared with the city's increase of just 30 percent.<sup>24</sup> Increased property values are likely to affect renters, too. A 2007 report on East Austin published by the University of Texas School of Public Affairs states that “as property values increase, the problem [of affordability] for renters will only become worse.”<sup>25</sup>

The production and supply of affordable housing units fall far short of demand. In early 2007, 4,000 families were on the waiting list for public housing and 6,000 families were on the Section 8 waiting list.<sup>26</sup> Even for those who are able to get vouchers, it is becoming increasingly difficult to find housing options near downtown that will accept them, forcing residents to find affordable housing

farther away. As low- and moderate-income families move away from East Austin and become more dispersed, they are farther from the social services and social networks they depend on for their quality of life.<sup>27</sup>

Rising property values have also led to difficulties for low-income homeowners facing increased property taxes. One couple explained that for the past three years, their property taxes have risen approximately \$500 annually.<sup>28</sup> Although the associated house-price appreciation has increased homeowners' wealth on paper, their incomes have not increased at a commensurate rate that enables them to pay their property taxes, and moving elsewhere in the metropolitan area to "cash out" on their increased home equity is not always optimal. Other neighborhoods within Austin are also expensive, and cheaper locales are far from downtown and its employment opportunities and amenities.

Increased property taxes have also affected people who have inherited their families' homes.<sup>29</sup> Local resident M.H. Lopez recently inherited a house from her mother who had paid annual property taxes of \$900. When her mother died and the house was reassessed to reflect its current market value, the property tax bill rose to \$8,000.<sup>30</sup>

For people like Ms. Lopez, being unable to afford staying in East Austin where their relatives live and their lives are centered is an issue that goes beyond the pocketbook. In 2005, Amanda Anderson inherited the home she grew up in. "Like the homes of many black families in East Austin, it holds special significance because [my] parents sacrificed to buy it in an era when banks made few loans to minorities," she explained.<sup>31</sup>

### Challenges to Small Businesses

Small businesses in East Austin have shared residents' struggles to ride the wave of gentrification and socioeconomic changes in the community. Soaring rents are one of the main challenges.<sup>32</sup> From 2000 to 2005, the median value of commercial property rose approximately 60 percent on 11<sup>th</sup> Street and 53 percent on 12<sup>th</sup> Street, East Austin's major corridors for business development.<sup>33</sup> Higher rents have driven some businesses out of the neighborhood. According to a local funder, the mix of businesses has changed as a result of the community's demographic shifts. In particular, African American-owned businesses have been leaving East Austin for places such as Pflugerville, where rents are cheaper and a large number of African Americans are moving.<sup>34</sup>

Staff at PeopleFund, a microlender that works with more established micro- and small businesses in East Austin, reported that its clients would like to increase their ability to network with other local businesses and create an East Austin business district with a distinct identity that will draw customers. BiGAUSTIN, another microenterprise lender, noted that some owners of mom-and-pop shops are reluctant to ask for help when their businesses are flagging. The owners feel that would oblige them to share personal information with a stranger.<sup>35</sup> Others have sought technical assistance and improved their financial health to the point where they become "bankable." Still, some do not feel comfortable with banks, so they continue working with BiGAUSTIN, which has a loan ceiling of \$50,000.<sup>36</sup>

Jessica Flores, a longtime small business owner in East Austin, said there is resentment "because newcomers can access credit, and yet we had to go over hurdles to squeeze a penny." One difference between newcomers and longtime residents, she noted, is that "non-minorities have a better networking system—it extends beyond the neighborhood." She added, "The difficulty with East Austin is that you typically deal with individuals who aren't as educated and informed or trusting, and are therefore easily intimidated or ignored. It is those barriers that contribute to their hesitation in unifying and developing a strong voice."<sup>37</sup>

To help local businesses learn how to survive and thrive in this quickly changing environment, PeopleFund runs the Focus East Insight Forum Series, which informs East Austin small business owners about local economic and political trends. The city also has a program called Commercial Preservation and Revitalization that covers four zones, all in East Austin. It provides up to \$20,000 in loans to nonprofits and new and existing businesses that relocate to the neighborhood. The loans can be used for equipment, inventory, vehicles, predevelopment costs, leased property improvements, buildings, land, and other expenses.<sup>38</sup>

### Civic Engagement

Residents and business owners in East Austin reported that it is hard for them to get their voices heard by city government. Language, education, and trust can all be factors. For instance, some stakeholders noted that residents may not understand or trust what community and political leaders tell them, and they tend to be uncomfortable debating or raising issues because that

would reveal their lack of knowledge or understanding. A few groups have tried to help the community organize to approach the city as a unified voice, but these efforts have, in the words of one resident, “fizzled out.” The general feeling is that there is no use talking to City Hall because “it will do what it wants anyway,” said Flores.<sup>39</sup>

The lack of confidence in city government contributes to low voter turnout in the community.<sup>40</sup> Community leader Mark Rogers, executive director of Guadalupe Neighborhood Development Corporation, said, “There’s a sense that is instilled in longtime residents that the city is not there to serve you.”<sup>41</sup> Rogers also said that the community’s residents simply lack trust in local government.<sup>42</sup> He cited police shootings of minorities, along with the city’s inaction or delay in installing streetlights and paving streets and sidewalks in East Austin. “So residents think, ‘What’s the sense of participating?’”

Complicating the lack of civic engagement is Austin’s political structure. It does not have single-member City Council districts; instead, all members are elected at-large (citywide). As reported in the *Austin Chronicle*, since the 1970s there has been a “gentleman’s agreement” that, of the seven city council members, one will be black and one will be Hispanic.<sup>43</sup> As a result, impoverished neighborhoods do not necessarily have specifically designated representatives who can advocate for and address their community’s needs.<sup>44</sup>

To help integrate residents’ viewpoints into comprehensive neighborhood development plans, the City Council in 1997 approved a neighborhood planning process. Each neighborhood plan is a blueprint of local stakeholders’ shared vision for their community.<sup>45</sup> When developers want to invest in an Austin neighborhood, they must look at its plan; if the proposed development is at odds with the plan, they must confer with the neighborhood planning team, whose function is to represent the neighborhood.<sup>46</sup>

The neighborhood plan is developed by a team of local residents, who also approve or reject development proposals and present their perspective to city staff, who then make their own recommendation to the city planning commission. The commission, in turn, makes a recommendation to the City Council, which votes on the proposal. This is where community influence is weakest. Because the neighborhood plans are not legally enforceable, the planning team’s influence is limited, and their effectiveness varies across political landscapes, proposed developments, and time. However, the better

organized and the more vocal and eloquent a team is and the more people it represents, the more clout its recommendations have in presentations to the city’s staff, planning commission, and council members.

## ■ CONCLUSION

Austin’s city government has developed several strategies to increase the supply of affordable housing and to mitigate gentrification’s displacement of low- and moderate-income households in East Austin. One program, SMART Housing, allows the city to expedite reviews and waive fees for developers as incentives to create new single-family, multifamily, and mixed-use developments that include a percentage of reasonably priced units that meet the city’s standards for accessibility, transit-oriented design, and green building.<sup>47</sup> In addition, the city’s “McMansion” ordinance attempts to preserve the character of neighborhoods in the city core by requiring new construction to be compatible in scale with the existing neighborhood.<sup>48</sup> The city also has a \$55 million affordable-housing bond program to fund the financing, acquisition, development, or rehabilitation of safe, clean, and affordable housing.<sup>49</sup> Finally, a mixed-use redevelopment project at East Austin’s former Robert Mueller Municipal Airport will add 2,400 multifamily units and 2,200 single-family houses, 25 percent of which will be affordable.<sup>50</sup>

In addition, the creation of a Homestead Preservation District in East Austin will enable the city to use three tools to promote housing affordability: the Homestead Land Trust, Homestead Preservation Reinvestment Zone, and Homestead Land Bank. The land trust enables the city and nonprofit community development corporations to purchase and hold land for residential housing to maintain affordability in perpetuity via 99-year leases.<sup>51</sup> The Homestead Preservation Reinvestment Zone is a standard tax increment financing (TIF) zone with a few exceptions. The main distinction is that this zone has been created to encourage the development of owner-occupied affordable housing by improving infrastructure directly related to the affordable housing project.<sup>52</sup> The third tool is the land bank, which speeds up the process of clearing titles to abandoned or foreclosed lots. Once operational, this tool will allow the city to avoid holding a public foreclosure sale and instead directly transfer the lot to the land bank; a nonprofit community development corporation can then purchase the land to build affordable housing.<sup>53</sup>

As the volume of investment in East Austin climbs, however, a growing number of low- and moderate-income households are dispersed outside the city limits, farther from the service providers and social networks they have relied on for their quality of life.<sup>54</sup> For elderly and disabled individuals on fixed incomes and households that do not want to leave their family homes, gentrification has been an unwelcome change. At the same time, residents who are dispersing to the suburbs have access to other community assets, such as new schools and more vibrant employment opportunities. For East Austin, the question remains: Will government, the private sector, and community leaders be able to manage the community's changes in a way that gets the "balancing act" right?

*This case study was prepared by Elizabeth Sobel, community affairs specialist, Federal Reserve Bank of Dallas.*

## Endnotes

- 1 "Austin Among Top 20 Fastest Growing Regions in U.S.," *Austin Business Journal*, April 13, 2007. Available at <http://starkserious.wordpress.com/2007/04/13/east-austin-is-going-to-get-a-2-billion-development/>.
- 2 Ibid.
- 3 "The State of the Nation's Housing 2007," Joint Center for Housing Studies, Harvard University.
- 4 Only Collin County, which is outside of Dallas, had a higher median house value in 2007. Available at <http://recenter.tamu.edu/data/hs/trends4.html> (accessed December 11, 2007).
- 5 Data downloaded from the Real Estate Center at Texas A&M University. Available at <http://recenter.tamu.edu/data/hs/hs140b.htm> (accessed December 11, 2007).
- 6 The boundaries of East Austin are not defined in the same way by all people. For this case study area, we included the neighborhoods of Central East Austin and Rosewood. Quantitative data for East Austin are compiled from the U.S. Census and refer to either census tracts 48453000802 and 48453000804, or zip code 78702. Qualitative observations generally refer to the general area east of I-35.
- 7 K. Anoa Monsho, "From East Austin to East End, Gentrification in Motion," *The Good Life: A Monthly Journal of Austin Stories*, November 2004, 38–44.
- 8 Karen Riles, Austin History Center. Telephone and e-mail interviews.
- 9 Ibid.
- 10 Geolytics (2000). Neighborhood Change Database (NCDB) Tract Data from 1970–2000.
- 11 ATMs are rare in East Austin. Wells Fargo built a branch there about five years ago, but before that, there were none. One local organization surmised that while this situation may be attributable to the perceived security issues, it is likely to change because there is a lot of mixed-use development growing in East Austin, which is attracting banks to the area. In the meantime, the only ATM options are at a few convenience stores that charge high fees. In the second half of 2007, Wachovia Bank opened two branches in East Austin.
- 12 Data from Paul Frank and Ryan Robinson of the city of Austin. For details, see "Single Family Taxable Value, Percent Change: 2000 to 2005," Travis Central Appraisal District, June 2007, available at [http://www.ci.austin.tx.us/census/downloads/sf\\_tax\\_perc.pdf](http://www.ci.austin.tx.us/census/downloads/sf_tax_perc.pdf).
- 13 Austin ISD Community Demographics and Classroom Profile, available at <http://www.schoolmatters.com> (accessed November 2007).
- 14 Sergeant Vanzura, Austin Police Department. Telephone interview, April 17, 2007.
- 15 Ibid.
- 16 Tony Plohetski and Patrick George, "Feds Investigate Austin Police: Justice Department to Review Use of Force," *Austin American-Statesman*, June 2, 2007.
- 17 In 2005, City Manager Toby Hammett Futrell submitted the African American Quality of Life Scorecard to the mayor and City Council. The scorecard showed how the black community falls far behind the rest of Austin in business ownership, educational attainment, family income, homeownership, and social and cultural infrastructure and has higher rates of incarceration and poverty. Out of this report emerged community-based recommendations to address these problems. Six teams implement them. For details, see "African American Quality of Life Initiative," *Austin City Connection*, June 2007, available at <http://www.ci.austin.tx.us/aaql/>.
- 18 This refers to the neighborhoods of Central East Austin and Rosewood. A tour of Austin reveals that there are not many grocery stores downtown and those that do exist in the metropolitan area are not easily accessible or convenient without a car from East Austin.
- 19 The designation of medically underserved areas is based on the number of primary care physicians, the percentage of elderly and people below the poverty line, and the infant mortality rate. Rosewood and Central East Austin were specifically designated as medically underserved areas.
- 20 In the 1960s the Holly power plant was built in a Hispanic neighborhood of East Austin. PODER Executive Director Susana Almanza says that since then, area residents have developed cancer, tumors, respiratory conditions, learning disabilities, and hearing loss. In 1998 the city promised it would close the plant by 2005, but it was not until September 30, 2007, that it officially closed. According to PODER, some of the community's suggestions are to expand a nearby baseball field and park to the site or build an arts and community center there. PODER Board Member Daniel Llanes said, "Residents expect the city to do all of the follow-through associated with cleanup, including removing anything toxic or noxious that could affect the water or neighborhood." Austin Energy said that it expects it will take up to three years to take down the plant. Source: Daniel Mottola, "Holly Power Plant to Close, Really!" *Austin Chronicle*, July 13, 2007.
- 21 Paul Hilgers, Director of Neighborhood Housing and Community Development, City of Austin. Telephone interview, December 4, 2007.

- 22 In Travis County, from 2005 to 2007, the zip code with the highest percentage gain in appraised values was one that includes East Austin. The median home value increased 42 percent. Marty Toohey, "Home Value Jump Exacts Heavy Price: Travis Appraisals Hitting Some Especially Hard," *Austin American-Statesman*, June 17, 2007.
- 23 Lyndon B. Johnson School of Public Affairs, "Community Change in East Austin," Policy Research Project Report, Number 160, 2007. Available at <http://www.utexas.edu/lbj/pubs/isbn/0-89940-773-9/>.
- 24 These data are for Zip code 78702, which includes Central East Austin and Rosewood. "Community Change in East Austin," Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin, Policy Research Project Report, Number 160. Available at <http://www.utexas.edu/lbj/pubs/isbn/0-89940-773-9/>.
- 25 Lyndon B. Johnson School of Public Affairs, "Community Change in East Austin."
- 26 Note that these are families, not individuals, so they represent thousands more. Also, 4,000 and 6,000 should not be added together because some families may be on both lists.
- 27 To see how social services and community resources are disbursed throughout the Austin–Round Rock MSA, see the Central Texas Opportunity initiative, commonly referred to as "opportunity mapping," conducted by the Kirwan Institute for the Study of Race and Ethnicity, Ohio State University. John A. Powell, Jason Reece, and Samir Gambhir, "The Geography of Opportunity: Austin Region," March 2007, available at <http://kirwan.gripserver3.com/publicationspresentations/publications>.
- 28 Telephone interview with resident, May 24, 2007.
- 29 Increases in property taxes do not affect elderly homeowners or the disabled because they have access to a property tax deferral program.
- 30 M. H. Lopez, community resident. Telephone interview, June 21, 2007.
- 31 Marty Toohey, "Home Value Jump Exacts Heavy Price: Travis Appraisals Hitting Some Especially Hard," *Austin American-Statesman*, June 17, 2007.
- 32 PeopleFund explains the effects of rising real estate costs: "It is an established fact that rents have gone up. Basically, families have been cashing out and moving further out to buy bigger, newer homes. A lot of business owners have been following these migration patterns." Brad White, PeopleFund, e-mail, November 30, 2007.
- 33 "East Austin Development: Changing Corridors," East Austin Economic Summit 3, PeopleFund.
- 34 Brad White, PeopleFund, e-mail, November 30, 2007.
- 35 The "BiG" in "BiGAUSTIN" stands for "business investment growth." BiGAUSTIN is an East Austin nonprofit organization that provides training, technical assistance, and business loans. Its customer base is new and existing small businesses. Since its founding, it has served the low- and moderate-income minority market. According to its president Jeannette Peten, in the last years it has worked with more than 7,000 entrepreneurs, disbursed more than \$4.2 million in loans, and assisted in creating and sustaining more than 1,600 jobs in the local economy. The loan cap for new businesses is \$15,000 and for businesses one year or older it is \$50,000. For more information, see <http://www.bigAustin.org>.
- 36 Local microlenders report that they see clients throughout Austin who have been turned down by mainstream banks because of such problems as poor credit history, no steady or strong income, few or no assets for collateral, unrealistic sales projections, and a lack of knowledge about what it takes to make a business succeed.
- 37 Jessica Flores, Co-owner of an East Austin vehicle collision repair shop, Paint Care & Body, Inc. Telephone interview, May 24, 2007.
- 38 For details, see "City of Austin Program Guidelines CP&R Business Loan Program (CP&R BLP)," *Austin City Connection*, June 2007, available at <http://www.ci.austin.tx.us/housing/downloads/CP&R%20brochure.pdf>.
- 39 Jessica Flores, Co-owner of an East Austin vehicle collision repair shop, Paint Care & Body, Inc. Telephone interview, November 28, 2007.
- 40 Travis County election results. For specific examples of the percentage of registered voters who voted, go to [http://www.co.travis.tx.us/county\\_clerk/election/results.asp](http://www.co.travis.tx.us/county_clerk/election/results.asp). Precincts 124 and 126 are the precincts that most closely overlap East Austin.
- 41 Mark Rogers, Executive Director, Guadalupe Neighborhood Development Corp. Telephone interview, June 20, 2007.
- 42 Ibid.
- 43 This is commonly known. References to it are made in local publications, including Wells Dunbar, "Beside the Point: Redistricting Comes Home," *Austin Chronicle*, September 21, 2007, Michael King, "Point Austin: Gentlemen's Disagreement: Back to the Future at City Hall," *Austin Chronicle*, July 28, 2006, and Amy Smith, "Hispanic Chamber Honors Eastside Pioneer," *Austin Chronicle*, January 30, 2004. Michael Jim Harrington, director of the Texas Civil Rights Project, mentions this agreement in a recent article by John Moritz, "Police Shootings Worsen Racial Tensions in Austin," *Fort Worth Star-Telegram*, June 10, 2007.
- 44 Mark Rogers, Executive Director, Guadalupe Neighborhood Development Corp. Telephone interview, December 4, 2007.
- 45 Plans include formal amendments that focus on capital improvements, land use, transportation, urban design, zoning, and other aspects of development intended to complement and enhance neighborhood character.
- 46 By ordinance, the planning team has to consist of at least one property owner, business owner, renter, and representative from a neighborhood association. In the best-case scenario, this team is well-organized and cohesive, easy to contact, responsive, solicits community feedback, and represents the diversity of community voices when deciding to support or reject a developer's proposed amendment. For a more in-depth description of the entire process, see "Overview of Neighborhood Planning," *Austin City Connection*, June 2007, available at [http://www.ci.austin.tx.us/zoning/overview\\_np.htm](http://www.ci.austin.tx.us/zoning/overview_np.htm).
- 47 In this case, reasonably priced means that units are sold or rented to households with incomes at or below 80 percent of Austin's median family income; these households would spend no more than 30 percent of their income on housing. Since April 2000, builders and developers have constructed more than 8,000 new units of SMART housing in the city. Green Building Program, June 2007, available at <http://www.ci.austin.tx.us/ahfc/smart.htm>.
- 48 "Austin OKs Ban on Larger Homes in Certain Neighborhoods," *Austin Business Journal*, June 9, 2006. To see the ordinance and its boundaries, go to "Development Regulations," *Austin City Connection*, June 2007, available at [www.ci.austin.tx.us/zoning/sf\\_regs.htm](http://www.ci.austin.tx.us/zoning/sf_regs.htm). To get a sense of the location and intensity of the

first stage of tear-downs and rebuilds in Austin, see [http://www.ci.austin.tx.us/census/downloads/Demolits\\_moveoffs.pdf](http://www.ci.austin.tx.us/census/downloads/Demolits_moveoffs.pdf).

- 49 The city will issue general obligation bonds allocated over seven years to raise the \$55 million. Of this, \$33 million will be allocated to affordable housing for the elderly on fixed incomes, minimum-wage earners, people with special needs, and people making the transition out of homelessness. In this case, affordability means 30 to 50 percent of median family income, which is \$21,350 and \$35,550 for a family of four, respectively. The remaining \$22 million will be allocated for creating affordable homeownership for first-time home buyers and families earning 50 to 80 percent of the median family income and paying for home repairs for households with low incomes. For details, see “Bonds Mean More Affordable Housing for Austin Residents,” *Austin City Connection*, November 8, 2006, available at <http://www.ci.austin.tx.us/housing/2006/bonds.htm> (accessed June 2007); “Retooling Affordable Housing Strategies: Case Studies of Local Finance Options,” *Banking & Community Perspectives*, Issue 1, 2007, available at <http://www.dallasfed.org>.
- 50 In this case, affordable means that renters who earn 60 percent of the city’s median family income and homeowners who earn 80 percent of the city’s median family income qualify. For details, see “Mueller,” June 2007, available at <http://www.muelleraustin.com/overview.html>.
- 51 What is unique about community land trusts is that even though the family owns the house, the underlying land is owned by the nonprofit and leased to the family pursuant to a long-term lease, which is generally for \$1. All units would be sold to households with up to 70 percent of median family income. Forty percent of these units must be sold to families that have up to 50 percent of median family income. Of the remaining 60 percent of units, 10 percent of these units would be sold to families with up to 30 percent of median family income. The homeowner is responsible for paying taxes on the value of the structure but not the land. Gerardo Castillo, Chief of Staff, Office of State Representative Eddie Rodriguez. E-mail interview, June 28, 2007.
- 52 The city’s housing department or nonprofit community development corporations within the district boundaries would qualify for TIF funds for the purposes of constructing affordable housing if the units have at least a 30-year period of affordability: 25 percent of housing units would be occupied by families with incomes that are 30 percent of median family income and 50 percent of the units would be occupied by families with incomes 50 percent below median family income. Gerardo Castillo, Chief of Staff, Office of State Representative Eddie Rodriguez. E-mail interview, May 30, 2007.
- 53 Carlos Calle, Legislative Aide, Office of State Representative Eddie Rodriguez. Telephone and e-mail interviews. For more information, see <http://www.legis.state.tx.us/tlodocs/79R/billtext/doc/HB00525E.doc> (pages 18-23).
- 54 To see how social services and community resources are disbursed throughout the Austin–Round Rock MSA, see the Central Texas Opportunity initiative, commonly referred to as “opportunity mapping,” conducted by the Kirwan Institute for the Study of Race and Ethnicity, Ohio State University. John A. Powell, Jason Reece, and Samir Gambhir, “The Geography of Opportunity: Austin Region,” March 2007. Available at <http://kirwan.gripservers.com/publicationspresentations/publications>.





# McKinley County, New Mexico:

## Crownpoint

### ■ OVERVIEW

Crownpoint, located in a remote, rural county in northwestern New Mexico, is the largest community in two of the poorest census tracts in the state. Encompassing some 1,500 square miles between the Navajo Reservation to the west and the northeastern corner of McKinley County, Crownpoint covers sparse deserts, piñon-studded ridgelines, and high plains. This thinly

populated area has just over four people per square mile. While the views are open and free, the land itself is marked by a unique and complex land ownership pattern that is a legacy of U.S. and Native American policies.

The interaction of land policies and dispersed population shapes much of the area's economic life and opportunities. The nearly 6,500 people in the area rely on a lone grocery store with a single automated teller machine (ATM) for local retail and financial services. The nearest cities offering more than just basic provisions—Gallup, Grants, and Farmington, New Mexico, and Window Rock, Arizona—are all more than an hour's drive from Crownpoint. Nearly half of the population lives in poverty, the effects of which are compounded by

limited access to basic services such as reliable roads, electricity, and water.

### ■ BACKGROUND

An initial profile of the case study area was developed using publicly accessible state and national data, and augmented with personal interviews with nearly two dozen residents and stakeholders.<sup>1</sup> By a number of measures, the Crownpoint case study area, whose population is almost exclusively Native American, is more disadvantaged than the state's rural areas overall. (See Table 1) The median household income in Crownpoint in 2000 was \$18,736, almost 36 percent less than that

TABLE 1

## Comparison Statistics

		Crownpoint	New Mexico non-metro
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	n/a	26.0
	Poverty rate 2000 <sup>b</sup>	45.6	20.6
<b>Income</b>	Median household income <sup>c</sup>	\$18,736	\$29,322
<b>Demographics</b>	Population 2000 <sup>d</sup>	6,445	596,824
	% Population change, 1970 - 2000 <sup>e</sup>	n/a	42.9
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	4.4	48.0
	% Hispanic/Latino	0.9	44.0
	% Native American	93.4	4.3
	% Residents under age 18 <sup>g</sup>	40.2	28.0
	% Single-parent households <sup>h</sup>	20.3	11.1
	% Foreign born, 2000 <sup>i</sup>	0.1	7.2
	% Population in same house as five years ago <sup>j</sup>	75.5	57.3
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	38.6	24.4
	% Adults with a college degree, 2000 <sup>l</sup>	12.5	17.8
	% Students proficient in reading, 2005 <sup>m</sup>	30.7	48.9
	% Students proficient in math, 2005 <sup>n</sup>	23.9	27.6
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	23.5	8.1
	% Adults in the labor force <sup>p</sup>	45.8	56.8
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	64.6	72.4
	% Renters with a housing cost burden <sup>r</sup>	16.2	39.7
	Median value for owner-occupied units <sup>s</sup>	\$18,317	\$75,042
	Median year structure built <sup>t</sup>	1982	1975
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	16.6	19.3
	% Credit files with high credit scores <sup>v</sup>	20.7	36.0
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	33.3	27.6
	Mortgage denial rate, 2005 <sup>x</sup>	46.2	26.5

for non-metro New Mexico. Indeed, poverty is endemic in Crownpoint. In 2000, nearly half (45.6 percent) of all residents reported incomes below the poverty line. While this represents a slight decline in poverty since 1990 (47.8 percent), since 1970 the surrounding county has experienced poverty levels exceeding 35 percent. Children and the elderly in the case study area are especially affected by poverty. More than half of the case study area's children live in poverty, almost twice the number in non-metro New Mexico, along with more than a third of Crownpoint's elderly residents, compared with approximately 15 percent in non-metro areas of the state living in poverty. (See Figure 1)

Households in Crownpoint depend more on government assistance than in New Mexico's non-metro areas as a whole. The number of households in the case study area reporting wages as a source of income is actually slightly higher than in non-metro regions across the state, but more than one in five of Crownpoint's households receive public assistance. This rate is almost four times greater than the non-metro average. Finally, the number of households reporting self-employment income is barely a third of that for non-metro New Mexico.

Unemployment in the area is extremely high. Based on U.S. census data, the area's unemployment rate of 24 percent was nearly three times that of non-metro New

Mexico as a whole. Moreover, the unemployment rate for the area reported by the census may be a conservative estimate. A 2003 study by the Navajo Department of Economic Development estimated that unemployment in the case study area could be as high as 65 percent.<sup>2</sup> The difference can be accounted for in two ways. First, the census data treat discouraged, able-bodied adults who have quit looking for jobs as out of the workforce, and therefore they are not counted as unemployed. In contrast, the Navajo Department of Economic Development included discouraged, able-bodied adults as unemployed. Second, a study by the Bureau of Indian Affairs found that subsistence economic practices and the lack of telephones, permanent addresses, Social Security numbers, and English speaking skills inhibit an accurate employment count among Native American populations.<sup>3</sup>

Finally, the occupational and educational data for Crownpoint suggest that there may be a mismatch between the jobs available and the skills of the area's population. The number of professional jobs in the area is disproportionately large relative to non-metro New Mexico. Four of every 10 jobs, in fact, and two-thirds of local industries are in high-skill sectors such as education, health, social services, and public administration,<sup>4</sup> figures that are twice those in non-metro New Mexico overall. And while these positions generally pay well, they often require advanced education and, in many cases, work experience. Few residents in the case study area have the education or experience needed for these jobs. Well over a third of adults living in the case study area lack a high school diploma, and just over 5 percent of Navajos in Crownpoint have a bachelor's degree or higher. As a result, many of the area's high-skill jobs are

likely to be occupied by people who relocate to Crownpoint or by commuters from outside the case study area.

Industries that might employ such a large number of individuals with limited education are scarce. Retail trade, entertainment, and food services comprise just over 6 percent of all jobs in the case study area. This is less than one-third the average for non-metro New Mexico. The lack of low-skill employment opportunities may contribute to the area's low number of jobs per resident—39 jobs for every 100 adults—and high unemployment rate. This paucity of opportunities may also contribute to substantial commute times for the locals who do find jobs. Of the residents in the case study area who have jobs, almost one-quarter of them commute 60 minutes or more to work, compared to only 6 percent of non-metro New Mexicans overall who commute that far.

### ■ ISSUES TO CONSIDER

Issues underlying concentrated poverty and its effects in Crownpoint range from broad and systemic—including regulatory and procedural barriers in accessing services, coordination among government agencies and service providers, and limited locally available retail services and entry-level job opportunities—to those specific to individuals, among them dependence on government assistance, impaired health, low educational attainment, and limited financial stability.

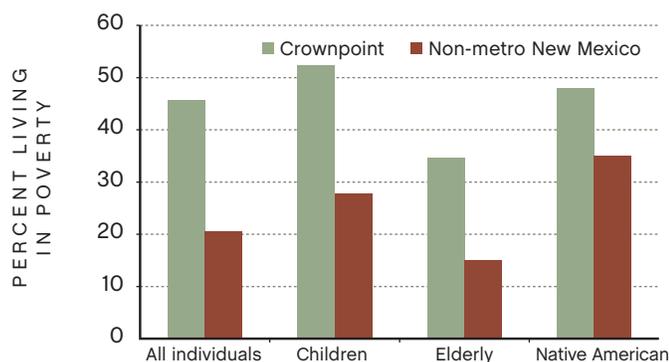
In particular, four dominant issues arose from interviews with Crownpoint residents and stakeholders: 1) the role of geographic isolation in limiting access to services and employment opportunities; 2) the effects of land status on economic development efforts; 3) poor housing conditions; and 4) the limited availability of financial services. Geographic isolation and land status, a combination somewhat unique to Crownpoint, appear to contribute to poor housing conditions and the limited availability of financial services in the region.

#### Isolation

Interviewees mentioned isolation as a key factor in perpetuating poverty in the case study area. Crownpoint is characterized by low population density, limited transportation and infrastructure for utilities, and remoteness. Taken together, these factors tend to limit access to basic social services and amenities, especially for residents living outside of the immediate Crownpoint area.

FIGURE 1

### Poverty rates in Crownpoint



SOURCE: U.S. Census Bureau, Census 2000

The high cost of transportation limits the trips that residents can make and reduces their ability to access needed services. A recent study of Navajo women and their children in the eastern part of the Crownpoint area found that a lack of transportation was the most common reason cited for missing an appointment to obtain benefits from the Special Supplemental Nutrition Program for Women, Infants, and Children.<sup>5</sup> Staff at the Indian Health Service (IHS) hospital in Crownpoint corroborated this finding, noting that many patients miss appointments because of transportation problems. Likewise, some service providers can have difficulty reaching their clients. IHS staff observed that it is often difficult, if not impossible, for emergency vehicles to reach remote residents because of poor road conditions.

The area's isolation is reinforced by limited access to basic utilities. Many basic services routinely available in less isolated areas, such as electricity, water, and telephones, are unavailable in large parts of Crownpoint because costs to extend these services are often prohibitive. Census data show that more than 50 percent of the area's households lack telephone access, compared with only 6 percent nationally. According to the Federal Communications Commission, the great distances combined with sparse population make extending wired telephone services "challenging, if not infeasible." These limitations are reinforced by residents' limited ability to pay for services.<sup>6</sup> Similarly, other studies suggest that one-third of households lack electricity<sup>7</sup> or easy access to safe drinking water.<sup>8</sup>

Finally, economic development specialists with the Navajo Eastern Business Development Office have noted that isolation limits the opportunity for additional retail services. In most rural areas in Navajo lands—including the Crownpoint area—only "necessity retail," such as laundries or gas stations, are likely to succeed.<sup>9</sup> The lack of opportunities to expand local retail trade beyond the basic necessities limits the population's ability to attain entry-level jobs or to create self-employment opportunities. The lack of local retail outlets also means that much of the local income is spent outside the Crownpoint area. A Navajo Nation report found that as much as 71 percent of all income in the case study area is spent in the distant market centers of Gallup, Grants, and Farmington.<sup>10</sup>

### Local Land Status and Checkerboarding

Land status is a key factor inhibiting economic

development in the case study area, according to members of the Crownpoint land use planning committee, the Navajo Eastern Business Development Office staff, and several financial institution representatives. Isolation and its associated costs are reinforced by a mixed pattern of land ownership referred to as "checkerboarding." Currently, land in Crownpoint is under the ownership and control of a wide range of institutions, including the Bureau of Land Management, the Bureau of Land Reclamation, the Department of Defense, the U.S. Postal Service, the National Park Service, the State of New Mexico, the Navajo Nation, individual Navajos, and private owners. This mix of owners results in land ownership maps of the region that look like a checkerboard—hence the term.

Individual Navajos acquired ownership through an allotment of tribal land, with ownership continuing from 1887 to 1934.<sup>11</sup> Today, these land allotments, along with land still owned communally by the Navajo Nation, are held in trust by the U.S. government. While the trust status was designed to protect tribal owners' rights to the land and its revenue, it has added another layer of complexity to any transaction involving trust land.<sup>12</sup>

Owing to Native Americans' traditionally limited use of wills, as well as to restrictions on the transfer of land held in trust, ownership rights to the allotted lands were commonly passed down equally from generation to generation by individuals to their heirs.<sup>13</sup> As a result of this ownership division, a parcel of land that at the time of allotment had one clear owner may now have more than 100 owners who hold the land as tenants in common. Each tenant has equal and undivided ownership interest in the full parcel.<sup>14</sup>

This checkerboard of land ownership has a negative effect on its economic value. According to the U.S. Department of the Interior, checkerboarding creates the following difficulties:

- Individual landholdings within the checkerboard are often too small or inaccessible to be economically useful.
- Land transactions are costly and time consuming, especially when they involve trust lands with large numbers of often unknown or untraceable owners.
- Obtaining rights-of-way to access "land-locked" parcels may require multiple permits from differing jurisdictions. This hindrance increases both the costs of

obtaining rights-of-way as well as the difficulties in enforcing them.

- Large-scale land use planning is effectively impossible given the number of federal, state, local, and tribal governments with responsibility over different parcels within the area. As a result of jurisdictional issues, each parcel may be affected by different or overlapping codes and regulations.<sup>15</sup>

Organizations working within the case study area reported similar difficulties caused by the land ownership status. Representatives from Crownpoint's Land Use Planning Committee cited it as a constraint on the planning of the town's growth and use of resources; much of the undeveloped land in and around Crownpoint, they reported, is out of the committee's control.<sup>16</sup> A representative of a financial institution also noted that investment in the area was constrained in part by the land status, which complicates lending for both business and personal uses because of the difficulties in obtaining clear titles and effective collateral. Finally, land allotted to individual families was done so for a particular use, often grazing. Changing the purpose of the land use—from grazing to, for example, retail or housing—triggers a regulatory process that can take months or even years to complete, significantly deterring investment, assuming all of the owners can even be located,

## Housing

Homeownership, often a driver of individual wealth, is much less pronounced as a means of asset accumulation in Crownpoint. Inadequate housing stock, limited financing options, and constraints on appreciation due to restrictions on the ownership and transfer of trust lands all act against housing's ability to generate significant wealth for households.

Crownpoint has a slightly lower homeownership rate than non-metro New Mexico, about 65 percent and 72 percent, respectively. More than four in five homeowners<sup>17</sup> in the case study area, compared with just under half of non-metro New Mexico, live in houses with significant problems, such as incomplete plumbing or kitchen facilities. Nearly one-quarter of housing units are overcrowded, more than 10 times the rate in non-metro New Mexico.



Poor housing conditions in the case study area affect both housing costs and housing values. Very few residents are burdened by housing costs in Crownpoint. Only about 15 percent of owners and 16 percent of renters pay more than 30 percent of their income toward housing. In comparison, 19 percent of owners and 40 percent of renters in non-metro New Mexico as a whole pay more than 30 percent of their income toward housing. However, 68 percent of Crownpoint's houses are valued at less than \$40,000, compared with only 19 percent in non-metro New Mexico. In fact, the median housing value in the Crownpoint area is just \$18,317, or one-quarter that of non-metro New Mexico.

The area's high percentage of manufactured housing also constrains wealth-building opportunities. Manufactured homes make up 30 percent of all owner-occupied units, compared with 20 percent in New Mexico as a whole.<sup>18</sup> From 1990 to 2000, manufactured housing in Crownpoint accounted for almost half of all new owner-occupied housing.

Land status and financing options contribute to the higher demand for manufactured housing in the case study area, according to interviewees. Simply put, it's often easier and requires less initial capital to secure a manufactured home than a site-built one. Approval of a home site lease on trust land requires a house to be in place within a certain period of time; while trust land can be used to secure a mortgage, the process can be difficult, lengthy, and more costly for inexperienced borrowers. Dealers of manufactured homes provide more accessible financing, albeit with higher interest rates,

and a pre-made house can be placed on a property more quickly than a site-built one. Research has found, however, that manufactured houses tend to lose value unless the owner can buy and sell the underlying land.<sup>19</sup> Since trust land cannot be bought or sold, residents who own manufactured housing on trust land are more likely to own an asset that loses value over time.

### Financial Services

A wide range of interviewees mentioned financial services as another important issue in the area. Of primary concern was the effect of high-cost financial services on individuals and families. Alternative financial services providers, such as payday lenders, title loan companies, and check cashers, are abundant in the major market towns closest to Crownpoint. A 2002 study found that these towns—Gallup, Grants, and Farmington—had the highest ratios of payday loan stores to residents in the state. On a per capita basis, the number of payday loan stores was six times greater in these communities than in the rest of the state.<sup>20</sup> In addition to the many payday and title lenders, other retail establishments have begun offering related financial services. Convenience stores, manufactured-home dealers, and used-car dealers now offer tax refund anticipation loans, which allow customers to purchase products by assigning their future tax refunds.<sup>21</sup>

Financial services representatives and social services providers involved with credit counseling noted that many residents are attracted to these vendors. Many individuals need quick cash to cover emergencies and shortages at the end of the month, and their financial needs can be met readily by vendors with prominent locations and convenient hours. The interviewees stressed, however, that interest rates are high and residents often find themselves struggling or unable to pay off burgeoning debts.

Traditional financial services are very limited. There are no bank branches in the case study area. The only ATM is located in Crownpoint's lone grocery store. Interviewees suggested that limited incomes may restrict area residents from qualifying for bank accounts. Poor credit scores may also restrict access to banking services. Almost 17 percent of all residents in the case study area have no credit score, while more than half with credit scores are classified as low or subprime.<sup>22</sup> In addition, several bank representatives and social services providers noted that financial literacy is extremely low. Residents may therefore be less able to understand and

compare the products and services offered by financial services providers. These combined challenges of limited access to traditional financial services, low credit scores and income, and limited financial literacy make it extremely difficult for Crownpoint residents to access the resources they need to build savings and wealth, which in turn makes it more difficult to escape poverty.

### ■ CONCLUSION

Each of the four dominant issues discussed herein— isolation, land status, housing, and financial services— present significant challenges for local development. They also make it more difficult to address poverty in Crownpoint.

Crownpoint's geographic isolation limits infrastructure, discourages retail services, and hampers the provision of social services. Residents must often go to other communities to seek employment or retail services. While some opportunities may be available for economic growth, the checkerboard land status complicates the development of these potential projects. Land trust status makes it arduous to transfer land from one use to another. Trust status further restricts residents from using property as collateral, reducing residents' ability to obtain mortgages and driving up the demand for manufactured housing. The area's inadequate housing stock, characterized by overcrowding and limited basic services such as water and electricity, constrains house values and further limits housing's value as a wealth-building asset for residents. Finally, the lack of mainstream financial services, poor credit scores, and limited financial literacy may cause residents to use alternative financial service providers. The interest rates on these products make it more expensive for residents to borrow, limiting their ability to save or improve their credit scores. Low credit scores contribute to an inability to get banking services and mortgages, further hindering asset development.

Any one of these four dominant issues could make it difficult to overcome poverty in a region. Together, they keep poverty in Crownpoint both intractable and concentrated.

*This case study was prepared by Steven Shepelwich, senior community affairs advisor, Federal Reserve Bank of Kansas City, and Roger Zalneraitis, research associate, formerly of the Federal Reserve Bank of Kansas City.*

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## Endnotes

- 1 Demographic statistics are from the U.S. Census Bureau unless otherwise noted. The data profile was then used in conjunction with a review of the relevant literature to guide on-site interviews with 23 local individuals in professional and leadership positions at key institutions. The interviewees worked in the fields of social service, education, housing, financial services, business development, and land use planning. They were selected based on their positions and on the recommendation of peers knowledgeable about the case study area.
- 2 Division of Economic Development, The Navajo Nation, "2002–2003 Comprehensive Economic Development Strategy of the Navajo Nation."
- 3 Bureau of Indian Affairs Labor Market Report (1997), cited in N. Pindus, W. Hillabrant, J. Earp, and M. Rhoades, "Overcoming Challenges to Business and Economic Development in Indian Country," Mathematica Policy Research, Inc., August 2004.
- 4 High-skilled industries are defined as public administration, education, social services, and health services. Low-skilled industries are defined as retail trade and arts, entertainment, and food services.
- 5 Joanne McCloskey and Melvatha Chee, "An Ethnographic Study of the Factors Affecting the Nutritional Patterns of Navajo Women and Their Children in the WIC Program," University of New Mexico, June 22, 2006.
- 6 Federal Register, Vol. 70, No. 80.
- 7 Cited in Craig Bain, Crystal Ballantine, Anil DeSouza, Lisa Majure, Dean H. Smith, and Jill Turek, "Economic and Social Development Stemming from the Electrification of the Housing Stock of the Navajo Nation," Working Paper 02-34, Northern Arizona University College of Business Administration, December 2002.
- 8 Governor Bill Richardson's 2007 State of the State Address, available at <http://www.governor.state.nm.us/MEDIA/PDF/StateoftheState2007.pdf>.
- 9 John Largo, economic development specialist, Navajo Nation Eastern Regional Business Development Office. Personal interview in Church Rock, February, 23, 2007.
- 10 Division of Economic Development, The Navajo Nation, "2002–2003 Comprehensive Economic Development Strategy of the Navajo Nation." Gallup and Farmington are even farther from the residents in census tract 9434.
- 11 This allotment occurred through the Dawes Act. In addition to individual allotments to Native Americans, some 60 million acres of tribal land were sold to non-Native Americans during this period.
- 12 EDS, Inc., "Trust Business Re-Engineering 'As-Is' Report," prepared for U.S. Department of the Interior, Office of the Special Trustee for American Indians, March 21, 2003.
- 13 Ibid.
- 14 An illustrative case cited by the U.S. Supreme Court in 1987 describes the effects of the fractionation of trust land on the value of interests held in land on the Sisseton–Wahpeton Lake Traverse Reservation: "Tract 1305 is 40 acres and produces \$1,080 in income annually. It is valued at \$8,000. It has 439 owners, one-third of whom receive less than \$.05 in annual rent and two-thirds of whom receive less than \$1. The largest interest holder receives \$82.85 annually. The common denominator used to compute fractional interests in the property is 3,394,923,840,000. The smallest heir receives \$.01 every 177 years. If the tract were sold (assuming the 439 owners could agree) for its estimated \$8,000 value, he would be entitled to \$.000418. The administrative costs of handling this tract are estimated by the Bureau of Indian Affairs at \$17,560 annually." *Hodel v. Irving*, 481 U.S. 704 (1987) 481 U.S. 704.
- 15 EDS, Inc., "Trust Business Re-Engineering 'As-Is' Report."
- 16 The McKinley County Land Use Plan noted the difficulty of land use planning given that five government agencies had developed their own institutional land use plans in the area. See Northwest New Mexico Council of Governments and Architectural Research Consultants, Inc. "McKinley County Comprehensive Plan, Phase 2," prepared for McKinley County Department of Planning, December 2005.
- 17 Figure refers to homeowners living below 80 percent of the median household income.
- 18 Data on manufactured housing for rural New Mexico by itself were not available.
- 19 Kevin Jewell, "Manufactured Housing Appreciation: Stereotypes and Data," prepared for Consumers Union Southwest Regional Office, Austin, April 2003. See also William Apgar, Allegra Calder, Michael Collins, and Mark Duda, "An Examination of Manufactured Housing as a Community- and Asset-Building Strategy," Report to the Ford Foundation by the Neighborhood Reinvestment Corporation in collaboration with the Joint Center for Housing Studies of Harvard University, September 2002.
- 20 Ray Prushnok, "Payday, Heyday! Measuring Growth in New Mexico's Small Loan Industry (1990–2001)," New Mexico Public Interest Research Group Education Fund, April 2002.
- 21 Rapid anticipation loans are short-term loans made using an expected tax refund as collateral.
- 22 Credit score data were obtained from the Federal Reserve Board of Governors and are drawn from a 10 percent sample of all credit records from a major credit bureau in December 2004. The cut-off for a high credit rating corresponds to the cut-off in the market for prime loans.





# McDowell County, West Virginia

## ■ OVERVIEW

Located in the southernmost portion of West Virginia, McDowell County—like Kentucky’s Martin County, another of the case studies in this report—was among the Appalachian counties targeted by President Johnson’s war on poverty.<sup>1</sup> Poverty in McDowell is not only concentrated but multigenerational as well, having been passed down since the region’s economy started

to decline in the 1950s. The problem of poverty here is compounded by McDowell’s remote location, its continued dependence on the coal industry, and depopulation of the middle class. Current residents value their region’s history, their strong family ties, their personal freedom provided by the region’s remoteness, and their ability to survive tough circumstances. Nevertheless, McDowell County continues to face many economic challenges, some of which are outlined below. To date, the community’s ongoing efforts have not fully surmounted them.

## ■ BACKGROUND

Part of the Cumberland Plateau and Mountain region, McDowell County is dominated by very steep mountains, heavily timbered hillsides, and sinewy roads. Elevations range from 875 to 3,400 feet above sea level. Narrow plains along some of the many streams that flow through McDowell support homes, commercial buildings, and a crowded tangle of roads and railways.<sup>2</sup>

The Virginia legislature carved McDowell County out of Tazewell County, Virginia, in 1858 and named it for

TABLE 1

## Comparison Statistics

		McDowell County	West Virginia non-metro
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	35.8	26.9
	Poverty rate 2000 <sup>b</sup>	37.7	19.8
<b>Income</b>	Median household income <sup>c</sup>	\$16,931	\$27,086
<b>Demographics</b>	Population 2000 <sup>d</sup>	27,329	797,741
	% Population change, 1970 - 2000 <sup>e</sup>	-46.1	2.4
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	87.3	95.4
	% Hispanic/Latino	0.4	0.6
	% Black/African-American	11.5	2.7
	% Residents under age 18 <sup>g</sup>	23.3	22.2
	% Single-parent households <sup>h</sup>	13.8	7.2
	% Foreign born, 2000 <sup>i</sup>	0.5	0.7
	% Population in same house as five years ago <sup>j</sup>	75.7	65.7
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	50.0	28.2
	% Adults with a college degree, 2000 <sup>l</sup>	5.6	11.8
	% Students proficient in reading, 2005 <sup>m</sup>	66.2	77.7
	% Students proficient in math, 2005 <sup>n</sup>	57.3	71.7
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	14.4	8.6
	% Adults in the labor force <sup>p</sup>	32.4	51.0
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	80.1	77.8
	% Renters with a housing cost burden <sup>r</sup>	48.2	41.4
	Median value for owner-occupied units <sup>s</sup>	\$22,600	\$64,195
	Median year structure built <sup>t</sup>	1954	1975
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	22.5	18.9
	% Credit files with high credit scores <sup>v</sup>	52.2	56.0
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	39.6	28.3
	Mortgage denial rate, 2005 <sup>x</sup>	45.6	30.8

Governor James McDowell. In 1861, McDowell County (hereafter referred to as McDowell) joined a group of western Virginia counties that refused to secede from the Union; in 1863 these counties became the newly recognized state of West Virginia.<sup>3</sup>

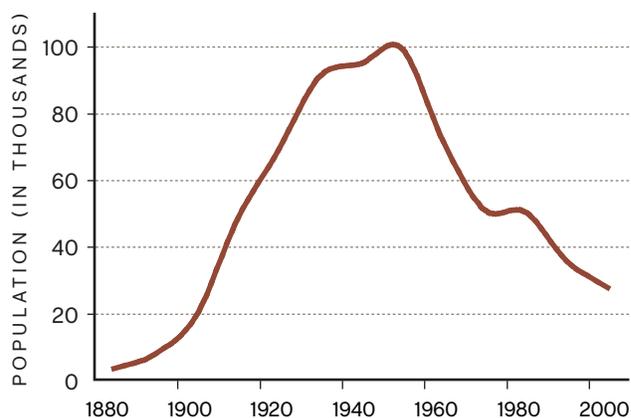
McDowell came to be known as the Free State of McDowell. The freedom associated with living in McDowell is subject to several local interpretations: that the census of 1860 records no evidence of slavery being practiced there; that McDowell was generally a safe place to avoid taking sides during the Civil War; and that McDowell was a destination for freed slaves who

abandoned sharecropping to start a new life working in the coal mines.<sup>4</sup>

Since the first load of coal was shipped from the area via the Norfolk and Western Railway in 1883, coal mining has been the bedrock of private-sector employment in McDowell. During its period of greatest economic prosperity and growth, McDowell was an ethnically diverse and equitable community composed of three primary ethnic groups: local frontiersmen (e.g., the Hatfields and McCoys) and their descendants, black freedmen and their descendants, and eastern and southern European immigrants and their descendants.<sup>5</sup> The lack of a single dominant ethnic



FIGURE 1  
Population of McDowell County, 1880–2004



SOURCE: Historical Census Browser, The Geospatial and Statistical Data Center at the University of Virginia

group created a community where every person could generally expect the same level of opportunity. The workers featured in the photograph below, for instance, earned the same wages and had the same opportunities for advancement, both on the job and in the unions.<sup>6</sup>

McDowell’s population peaked in the 1950s at around 100,000 residents. (See Figure 1) With high productivity and employment in the mines, community life was busy and prosperous for most. Jean Battlo, a McDowell historian, described McDowell’s peak period as “one brief shining moment’ of Camelot-economy when King Coal was crowned.”<sup>7</sup>

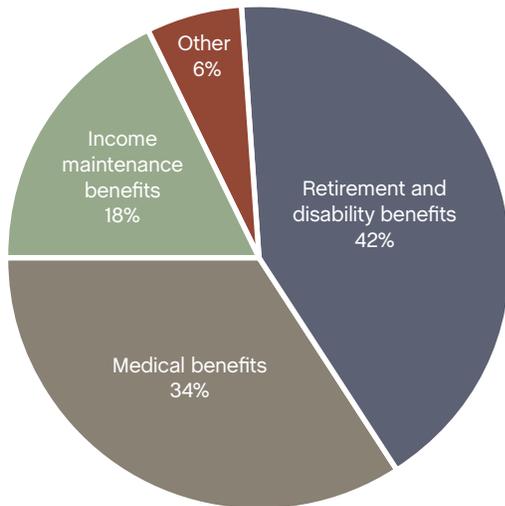
As in Martin County, McDowell was hard hit by the subsequent decline of the coal industry. Since the 1950s McDowell’s population has steadily dropped, with a brief leveling during the 1970s energy crisis, to about 24,300 in 2000—approximately 25 percent of its peak population.<sup>8</sup> Poverty rates have stayed high throughout this period, from about 36 percent in 1970 to nearly 38 percent in 2000. (See Table 1) As the coal industry declined, coal companies divested themselves of services and utilities they operated in McDowell. Company-operated transit ceased, company stores closed, and utilities run by the coal firms were sold off to private entities, which then



In the 1930s and 1940s, McDowell County’s abundant coal-industry jobs and diverse population contributed to an equitable community; these miners, for example, photographed in 1940, all earned comparable wages.

FIGURE 2

## Breakdown of personal transfer payments, 2005



SOURCE: Bureau of Economic Analysis, Regional Economic Information System, Table CA35, Personal Current Transfer Receipts McDowell County, WV, 2005

either downgraded or ceased providing services as the local population declined.<sup>9</sup>

Well-paying work in McDowell is not as easy to get as it was during the peak of the coal mining days; in the 1970s, mining employment comprised as much as 56 percent of total jobs.<sup>10</sup> Coal currently represents 20 percent of all jobs in McDowell County, and residents doubt that employment at the mines will ever return to its peak because of labor-saving mining techniques and equipment.<sup>11</sup> Coal mining offers the highest wages of any sector, with an average annual wage of about \$56,000, and requires a high school diploma and training certificate.<sup>12</sup> Today, Wal-Mart offers more jobs than any other single private-sector employer in McDowell.<sup>13</sup>

Few other entry-level employment opportunities exist. Positions with government and social services providers often require specialized skills and advanced education; according to one local stakeholder, these positions are usually filled by candidates recruited from outside the community.<sup>14</sup> While the unemployment rate in McDowell in 2006 was 8 percent, only about one-third of working-age adults (32.4 percent) participate in the labor force.<sup>15</sup> In addition, in 2000 40 percent of McDowell's working-age population (16 to 64 years of age) claimed a disability of some kind.<sup>16</sup>

Government transfer payments have become an increasingly important source of income for residents,

representing about 50 percent of all income in McDowell since 1999, up from less than 20 percent in 1969.<sup>17</sup> In 2005, retirement and disability benefits comprised 42 percent of transfer payments, followed by medical benefits (34 percent) and income maintenance benefits (18 percent).<sup>18</sup> (See Figure 2) Another key source of income in McDowell appears to come from illegal activities, including drug production, resale of prescription medications, and fraud.<sup>19</sup>

Poor health is also a concern for McDowell residents. One out of every three residents from age 18 to 64 does not have health insurance coverage—the lowest rate of coverage in West Virginia.<sup>20</sup> According to the 2003 West Virginia Behavioral Risk Factor Survey Report, McDowell residents reported the highest rates of asthma and arthritis in the state, the third-highest rate of obesity, and the fourth-highest incidence of cigarette smoking. These health issues, as well as the high rates of disability in the county, may be exacerbated by the occupational and environmental hazards that stem from coal mining.<sup>21</sup> While the effects of environmental hazards, along with other public health issues such as illegal drug use and depression, are difficult to capture in statistics, all were mentioned by local healthcare providers as important factors influencing the residents of McDowell. Many of these health issues are deeply intertwined with the high levels of poverty in the county. As one healthcare provider indicated, “In many ways, economic depression here causes physical depression.”<sup>22</sup>

### ISSUES TO CONSIDER

As McDowell aims to diversify its economy, it must also contend with the area's lack of developable land, uncoordinated community leadership, and an undereducated workforce. These issues all play a role in understanding and overcoming poverty in the county.

#### Land Use

One key barrier to economic development in McDowell is the lack of land suitable for new construction. The county's mountainous topography also contributes to its vulnerability to natural disasters, such as floods, and many low-income families find the cost of flood insurance prohibitive.<sup>23</sup> Between 2001 and 2002, two major floods swept through McDowell. “When I say that 85 percent of our community was damaged or destroyed, that's the truth,” said Franki Patton Rutherford, executive

director of a local nonprofit that set up a disaster relief center in McDowell in the aftermath of the floods. “That was the same level of destruction that happened in New Orleans.”<sup>24</sup> The floods swept away many homes and damaged much of the infrastructure along the creek beds throughout McDowell. The cost of flood relief and cleanup in West Virginia was estimated at \$64 million.<sup>25</sup>

In addition to environmental hazards, current patterns of land ownership further hinder the availability of land for economic development. Corporations own more than 75 percent of McDowell’s surface acreage. Many of them are absentee land companies that lease the land to coal, timber, and natural gas-extraction firms.<sup>26</sup> These leases can be as short as 15 years, which often means that a tenant company invests only within the life of its lease, rather than for the long term in the community.

Despite concern among real estate developers, land companies, financial institutions, and policymakers about possible constraints to economic development and deals throughout the state, no local agency to date has developed a master map that cross-plots terrain, flood patterns, and infrastructure to identify land in McDowell that is suitable for new development.<sup>27</sup> Without this collective information, it is difficult to assess opportunities in the county for new housing, new business facilities, and new infrastructure.

### Leadership Capacity

McDowell’s complicated economic and physical landscape requires energetic leadership to manage and direct comprehensive change. At present there does not appear to be any one entity or coalition of groups with both the political power and the will to play this role. McDowell’s county government, for example, does not conduct comprehensive county-wide planning to coordinate community and infrastructure development by collecting and analyzing local data, nor does it set priorities for community goals and objectives with the participation of community residents.<sup>28</sup> Also, no entity in McDowell analyzes overlapping policy goals, such as those for transportation, housing, land use, and environmental quality.

There have been some high-level efforts to generate a plan for economic improvement. In 1999, McDowell County Action Network kicked off the county’s five-year participation in the federal Empowerment Zone/Enterprise Community (EZ/EC) program with a strategic plan called

“Rebuilding for the Next Generation.” This plan directed 72 EZ/EC benchmark projects in McDowell that focused on a variety of specific community and infrastructure development needs.<sup>29</sup> In 2007, the Federal Home Loan Bank of Pittsburgh started a similar strategic planning process in McDowell, albeit on a much smaller scale.<sup>30</sup>

These planning processes have helped build the skills and knowledge of a select group of local leaders. Yet widespread coordination and sharing of information across agencies is still lacking. While public and non-profit officials concur that McDowell “has been studied to death,”<sup>31</sup> many of these studies tend to be out of date, issue-specific, or privately commissioned, meaning that their findings may not be available to the general public.<sup>32</sup> The fact that some agencies have access to certain studies while others do not fuels distrust and stymies collaborative efforts, according to Carol Carter, board president of SAFE Housing and Economic Development.<sup>33</sup>

McDowell’s economic diversification efforts illustrate how signals can get crossed among different local entities. While some leaders have aggressively pursued correctional facilities and landfills to create jobs locally,<sup>34</sup> others are pursuing recreational tourism and retiree markets to create jobs and encourage growth of small businesses in McDowell.<sup>35</sup> Without careful coordination, these economic development efforts may conflict with one another.<sup>36</sup>

### Education and Schools

Historically, education has been weak in McDowell. Educational attainment for people over 25 in McDowell is low, with less than 6 percent of the population holding a four-year degree. Half of the county’s residents lack a high school diploma.<sup>37</sup> A significant challenge facing educators in McDowell is the high level of poverty among school-age children. About 82 percent of all students in McDowell public schools receive free or reduced-price lunches.<sup>38</sup>

On top of these challenges, an inspection of McDowell County public schools by the State Office of Education Performance Audits in October 2001 exposed a situation that was “egregious to the point that education could not be provided,” according to State Superintendent David Stewart.<sup>39</sup> In November 2001 the West Virginia State Board of Education voted to take over McDowell County public schools for four years. In its ensuing reorganization, the McDowell County public school system

retooled its curriculum and retrained teachers with a greater emphasis on educating students living in multigenerational poverty. In addition, the school system now employs a resident curriculum team, which provides ongoing training to teachers and administrators to develop and refine skills and techniques aimed at helping students in multigenerational poverty learn more effectively and become more successful in a school environment.<sup>40</sup>

The school system is also working to develop new skills among parents. According to McDowell native Jeff Nash, who was appointed interim superintendent of the McDowell County school system in December 2006, parents of families in multigenerational poverty tend to think, “It didn’t work for me, why would it work for my child?” To counter this mindset, the school system conducts parental outreach and education through a Title I program, including job-skills training at the school board’s offices and on individual school campuses.<sup>41</sup> “You’ve got to realize a lot of the parents missed out on a whole lot of information and training as they came through,” Nash added. “So in one sense, [we’re] almost trying to educate two generations or two populations.”<sup>42</sup>

Compared with state and national averages, test scores for McDowell are still below average. However, noted Nash, things are improving. “We’ve had 11 out of 13 schools meet the [Adequate Yearly Progress standards] last year. Three or four years ago we had only a couple.”<sup>43</sup>

### Financial Institutions and Asset Development

Residents in McDowell have relatively good access to financial services, and banks in the community are making strides in serving low- and moderate-income families. McDowell has three small financial services institutions, and two others from neighboring counties also provide financial services to residents.<sup>44</sup> All five offer a full range of basic financial services, including ATMs, check cashing, savings and checking accounts, mortgages, and business and personal loans. Because payday lending is illegal in West Virginia, a couple of the local banks in McDowell offer small loans, starting at \$500, and charge the maximum allowable annual percentage rate of 18 percent.<sup>45</sup> Two local banks have earned “outstanding” community reinvestment ratings from their regulators, while the other three received “satisfactory” ratings.<sup>46</sup>

Despite ready access to financial services, the checkered history of banks in the county feeds suspicions of

financial institutions among residents who prefer to use cash or barter.<sup>47</sup> For example, in 1999, the U.S. Office of the Comptroller of the Currency closed a McDowell bank, the First National Bank of Keystone, after investigators were unable to account for nearly half of the \$1.1 billion in recorded assets. The estimated loss to the Federal Depository Insurance Corporation (FDIC) exceeded \$780 million. According to the judge who presided over the sentencing of many of Keystone’s local executives, the failure of Keystone Bank meant that some individuals lost all or a significant portion of their life savings.<sup>48</sup>

In addition to overcoming residents’ distrust of financial institutions, efforts aimed at helping individuals and families build assets must also take into account the high levels of poverty and disinvestment in the county. For example, although 80 percent of residents own their homes, representatives from the McDowell Redevelopment Authority estimate that roughly two-thirds of all homes in the county are substandard, thus limiting the value of these homes as financial assets. The median home value in McDowell in 1999 was \$22,600, compared with the state median of \$72,800.<sup>49</sup> Capital for small businesses is available in the region, and the West Virginia state legislature and the Appalachian Regional Commission have also implemented small-business loan programs to support entrepreneurship in the region. Still, these programs are less likely to reach the more remote and distressed rural parts of the county, and additional funding as well as broad-based technical assistance is needed to help more families in McDowell access these resources.<sup>50</sup>

### ■ CONCLUSION

The long-term economic prospects for McDowell will depend on how well community and business leaders work together to manage the county’s resources in the face of regional economic restructuring. The county will also require additional leadership development to effectively implement community development and social services programs. These issues echo in many other rural areas. In response, a number of public and private agencies, including the United States Department of Agriculture and the W.K. Kellogg Foundation, have recently begun to promote the development of leadership and entrepreneurial capacity in rural areas as a means to rebuild economies based on local assets. Indeed, in McDowell, building these kinds of capacities and developing new avenues for investment will be critical for

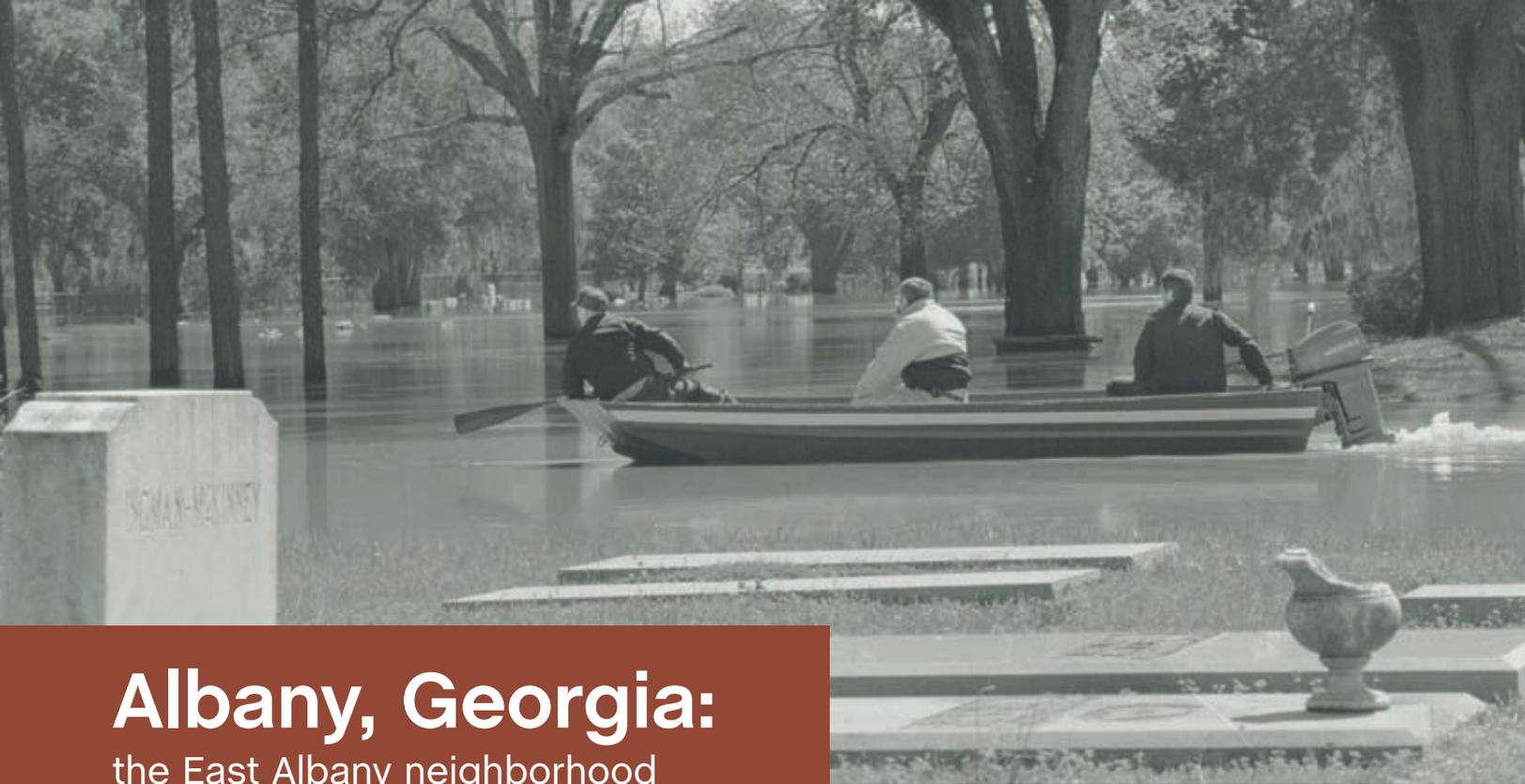
facilitating the expansion of economic opportunity and improving residents' quality of life.

*This case study was prepared by Courtney Anderson Mailey, regional community development manager, Federal Reserve Bank of Richmond.*

## Endnotes

- 1 See [http://www.wadsworth.com/history\\_d/templates/student\\_resources/0534607411/sources/old/ch29/29.3.stateoftheunion.html](http://www.wadsworth.com/history_d/templates/student_resources/0534607411/sources/old/ch29/29.3.stateoftheunion.html).
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- 4 William Archer, *Images of America: McDowell County* (Charleston: Arcadia Publishing, 2005). This piece of oral history is common and emerged in many local conversations and interviews. The competing theories are also a common part of local folklore. Personal interviews conducted in McDowell County, December 13–15, 2006, and April 11 and 12, 2007.
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- 6 Archer, *Images of America: McDowell County*. William Archer, Journalist, *Bluefield Daily Telegraph*. Personal interview in Bluefield, December 12, 2006. Reference based on recollection of discussion with Dr. C. Stuart McGehee, Director of Eastern Regional Coal Archives, about a late-1930s study he was reviewing that had data related to the wages of coal miners.
- 7 Jean Battlo, *Pictorial History of McDowell County, 1858–1958: From Rural Farms to Coal Kingdom* (Parsons, WV: McClain Printing Company, 2003).
- 8 Historical Census Browser, the Geospatial and Statistical Data Center at the University of Virginia. Available at <http://fisher.lib.virginia.edu/collections/stats/histcensus/>.
- 9 Environmental Financing Center and Appalachian Regional Commission, *Drinking Water and Wastewater Infrastructure: An Analysis of Capital Funding and Funding Gaps* (Chapel Hill: University of North Carolina, 2005).
- 10 Bureau of Economic Analysis, Regional Economic Information System, Table CA25, "Total full-time and part-time employment by NAICS industry, McDowell County, WV 1969–2005."
- 11 Information about job requirements is based on interviews with job seekers and representatives of the county school system. Focus group with residents of SAFE, a transitional housing center for women, in Welch, April 11, 2007. Jeff Nash, Interim Superintendent, McDowell County School System. Personal interview in Welch, December 14, 2006.
- 12 Research Information and Analysis unit of Workforce West Virginia, "McDowell County—Employment & Wages 2006," available at <http://www.wvbep.org/bep/lmi/ew2006/ew06x047.htm>. Information about job requirements is based on interviews with job seekers and representatives of the county school system. Focus group with residents of SAFE, a transitional housing center for women, in Welch, April 11, 2007. Jeff Nash, Interim Superintendent, McDowell County School System. Personal interview in Welch, December 14, 2006.
- 13 West Virginia Labor Market Information, Largest employers can be accessed at <http://www.wvbep.org/scripts/bep/lmi/OTHRDATA.cfm>
- 14 Tim Crofton, Director, Tug River Health Clinics. Personal interview in Northfork, December 15, 2006.
- 15 U.S. Bureau of Labor Statistics, "Labor Force Data by County, 2006 Annual Averages," Local Area Unemployment Statistics, available at <ftp://ftp.bls.gov/pub/special.requests/la/laucnty06.txt>. U.S. Census Bureau, 2000 Census, Summary Tape File 3, Tables P8 and P43.
- 16 U.S. Census Bureau, Census 2000.
- 17 Bureau of Economic Analysis, Regional Economic Information System, Table CA04, "Personal Income and Employment Summary McDowell County, WV 1969–2005," and Table CA35, "Personal Current Transfer Receipts McDowell County, WV 1969–2005." Transfer payments grew from nearly 19 percent in 1969 to about 51 percent in 2005.
- 18 Bureau of Economic Analysis, Regional Economic Information System, Table CA35, "Personal Current Transfer Receipts McDowell County, WV, 2005."
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# Albany, Georgia:

the East Albany neighborhood

■ OVERVIEW

East Albany is a distressed community in a poor city. Like many rural cities in the South, Albany has been moving from an agricultural past to a future with a more diversified economy, in the process becoming the retail and service hub for Southwest Georgia. A single bridge across the Flint River links residents of East Albany to the rest of the city.<sup>1</sup> Community stakeholders

pointed out that the Flint River, which has a long history of flooding, serves not only as the geographic divide in the city but also as the invisible line that separates the “haves” from the “have nots.” The city, they further noted, is divided by both class and race.<sup>2</sup>

East Albany has no major commercial or retail development and very few social services providers or community amenities. Ironically, the city of Albany’s five largest employers are located in East Albany, but the money earned by their employees is not spent where they work; according to Albany City Commissioner Jon Howard, “Eighty-five percent of the money made in the

city is made at industries in East Albany, and 90 percent of the money is spent outside the community.”<sup>3</sup> The area’s lack of commercial development means that residents from outside East Albany have few reasons to visit. Several churches in the community draw individuals from across the city to their services, but for the majority of Albany residents, it is easy to avoid East Albany completely.

The isolation felt by East Albany residents pervades the economic and social fabric of this community. A local television station recently aired “Tale of Two Cities,” a program documenting the perception by East Albany

TABLE 1

## Comparison Statistics

		East Albany	Albany MSA
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	21.8	28.5
	Poverty rate 2000 <sup>b</sup>	45.3	21.5
<b>Income</b>	Median household income <sup>c</sup>	\$19,601	\$33,655
<b>Demographics</b>	Population 2000 <sup>d</sup>	10,547	157,833
	% Population change, 1970 - 2000 <sup>e</sup>	5.6	24.5
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	7.5	48.8
	% Hispanic/Latino	0.6	1.3
	% Black/African-American	90.9	48.5
	% Residents under age 18 <sup>g</sup>	33.9	28.3
	% Single-parent households <sup>h</sup>	40.9	14.0
	% Foreign born, 2000 <sup>i</sup>	1.1	1.6
	% Population in same house as five years ago <sup>j</sup>	46.7	55.2
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	41.0	26.8
	% Adults with a college degree, 2000 <sup>l</sup>	5.8	15.7
	% Students proficient in reading, 2005 <sup>m</sup>	75.6	82.4
	% Students proficient in math, 2005 <sup>n</sup>	74.0	79.9
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	18.6	8.4
	% Adults in the labor force <sup>p</sup>	46.6	60.8
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	36.7	61.8
	% Renters with a housing cost burden <sup>r</sup>	50.3	40.3
	% Rental units that are HUD subsidized <sup>r</sup>	26.9	14.9
	Median value for owner-occupied units <sup>s</sup>	\$45,151	\$77,502
	Median year structure built <sup>t</sup>	1968	1976
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	44.9	26.7
	% Credit files with high credit scores <sup>v</sup>	23.4	41.9
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	36.4	33.6
	Mortgage denial rate, 2005 <sup>x</sup>	36.0	23.9

residents that all of the city's investment and resources are directed toward downtown and the west side of the river, while the needs of East Albany are ignored.<sup>4</sup> Several interviewees referred to a time when the residents were called "river rats." Residents of East Albany do not appear to interact much with residents outside the community. "Most don't feel comfortable on the west side of the city," noted Commissioner Howard.<sup>5</sup>

Several other community stakeholders echoed this perception; they said that residents of East Albany see themselves first as "East Albanians." As one community leader noted, "Many residents of East Albany have never

left East Albany. It is the only community they have ever known."<sup>6</sup>

### ■ BACKGROUND

Albany was founded in the early 1800s along the Flint River in Southwest Georgia. The river has been a defining feature for the city, with good and bad consequences. While it helped establish the city as a transportation center, it also serves to divide the city, both literally and figuratively. The areas east and south of the river have always been home to predominantly poor minority

residents, while the areas to the north and west are mostly white and more affluent.

The Flint River most recently flooded in 1994.<sup>7</sup> The 1994 flood destroyed parts of downtown Albany and South Albany and displaced many jobs and residents; however, it also generated new resources for the redevelopment of downtown Albany. Some businesses have returned, but the city is still struggling to develop a more vibrant downtown.

Most of the development in recent years has taken place outside Albany, and both population and economic growth have been directed toward the outer regions of the Albany Metropolitan Statistical Area (MSA) rather than downtown. Overall, between 1990 and 2000, the city lost almost 2 percent of its population, while the population in the Albany MSA increased almost 8 percent. (See Table 1)

The decline in the city's population is attributable to several factors. First, in the mid-1970s the Georgia section of Interstate 75, running some 40 miles east of Albany, was constructed; since its completion, much of the region's new growth has occurred near the interstate. Second, several large employers in the region closed, including Firestone, the U.S. Naval Air Station, and Merck Pharmaceuticals. Finally, white residents have migrated out from the city to adjacent counties in the MSA.<sup>8</sup> These demographic shifts have led to a significant change in the racial composition of the city of Albany and Dougherty County overall. Between 1980 and 2000, Albany became a predominantly black city, with African Americans making up 65 percent of the total population.

The case study area (hereafter referred to as East Albany) comprises a community of about 10,500 residents living in four distinct neighborhoods: Cremartie Beach, East Towne, Columbia Village, and Jackson Heights. The community is almost entirely black (91 percent). The poverty rate in East Albany in 2000 stood at 45 percent, double that of the Albany MSA (21.5 percent), although both rates far exceed national figures. For black households in East Albany, the poverty rate was 48 percent, almost eight times greater than the poverty rate for white households (6.2 percent).

High teen pregnancy rates and a large proportion of single-parent families in East Albany are strongly correlated with the high rates of poverty in East Albany. Forty-one percent of households in East Albany are single-parent households, compared with 14 percent in the MSA. Almost 64 percent of East Albany's single-parent

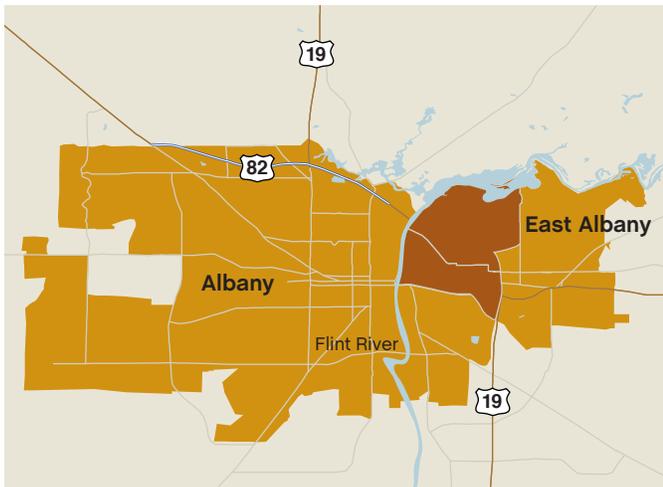
households are living in poverty. While recent data for the case study community are not available, in the city of Albany, according to the 2005 American Community Survey, the percent of unwed mothers age 16 to 24 (79.6 percent) was almost three times the national average. Most of the individuals interviewed for this case study referenced teen pregnancy as a major problem for young women in East Albany.<sup>9</sup>

The large number of subsidized housing units in East Albany also contributes to the community's economic isolation and concentration of poverty. While only 13 percent of the city's rental units are in East Albany, over one-quarter of the subsidized housing units are located in the community. As of 2004, 67 percent of the city's Low Income Housing Tax Credit (LIHTC) units were located in East Albany, and the development of additional LIHTC units in the neighborhood is under way.<sup>10</sup>

Many community leaders cite affordable housing as one of the biggest needs facing the community—in particular, the need for more new homeownership opportunities.<sup>11</sup> More than one-third of households in East Albany own their homes (36.7 percent), but according to community leaders, many of the buildings are in need of rehabilitation.<sup>12</sup> According to the 2000 census, the median housing value in the community was \$45,151, approximately 40 percent lower than the median housing value in the MSA. There is concern about the number of elderly homeowners who are passing on their homes to children who no longer live in Albany and to other absentee landlords who may not maintain the properties.

Despite East Albany's need for investment in housing, affordable housing developers in the community are scarce. The city's Department of Community and Economic Development has overseen the recent development of a new HOME-funded multifamily housing project in the neighborhood. The city also has a housing rehab program that is acquiring vacant lots and substandard housing with an aim to redevelop them as affordable housing.<sup>13</sup> Greater Second Mt. Olive Baptist Church, the only community housing development organization (CHDO) active in East Albany, is the primary recipient of the city's HOME funding for CHDOs. The church, which provides homeownership counseling along with housing development and other community services, is planning to renovate some 300 units of housing on an old military base to provide new homeownership opportunities.

Access to credit and mainstream financial services is limited in East Albany. There are no bank branches



located in the immediate community, and a tour of the community indicated that there are a significant number of vendors offering check-cashing services, including grocers, liquor stores, pawnshops, and title lenders. Thus, residents appear to rely on high-cost alternative financial service providers for their banking needs. Almost 45 percent of residents in East Albany had a thin credit file, and of those with a credit history, 58 percent had a credit score that was considered low or subprime.<sup>14</sup>

Home lending in East Albany is also very limited, and there are very few home purchases occurring in the community. East Albany has 7 percent of the population in the MSA, but according to 2005 Home Mortgage Disclosure Act (HMDA) data, East Albany accounts for just over 1 percent of all home purchase loan applications and less than 1 percent of originations for home purchases.<sup>15</sup>

## ■ ISSUES TO CONSIDER

In addition to the community's geographic, economic, and social isolation, several key issues emerged as contributors to the high level of poverty in East Albany. Employment conditions are bleak, with residents disadvantaged by low educational attainment, a lack of job readiness skills, and a shortage of suitable jobs. In addition, there is a significant lack of leadership and capacity to address the issues that perpetuate the cycle of poverty in East Albany.

### School Quality, Educational Attainment, and Youth Issues

Poor school quality and low levels of educational attainment are important factors contributing to concentrated poverty in East Albany. Dougherty Comprehensive

High School, the high school serving East Albany, has failed to meet the adequate yearly progress (AYP) standards for the past two years because of its low graduation rate (under 50 percent), and reading and math proficiency are well below the state average. The quality of the schools is a significant concern throughout Dougherty County; none of the high schools met the AYP standards in the 2005–2006 school year.<sup>16</sup>

Low levels of educational attainment are also a significant problem in East Albany. According to the 2000 census, 41 percent of the population age 25 and older in East Albany did not have a high school diploma, compared with about 27 percent in the MSA. Only 6 percent of East Albany residents had a bachelor's degree.

Community leaders repeatedly cited improving school quality and increasing educational attainment as the greatest needs for the city.<sup>17</sup> There is widespread concern that low educational attainment and the perception of a low-skilled workforce will negatively affect the city's opportunities for future economic growth. The Albany Area Chamber of Commerce and the Albany/Dougherty County school system, together with many private-sector and community-based organizations, are working to improve school quality, to keep young people in school, and to strengthen the connection between education and employment. Because of the high rate of teen pregnancy in Albany, there is a particular focus on increasing the educational attainment of young mothers. According to Keisha Davis, director of the East Broad CDC Head Start, "The major issue for parents of my Head Start students is the lack of education and the need for a GED."<sup>18</sup>

A number of organizations have been working to improve the educational outcomes of girls in the community. For example, Girls, Inc., an affiliate of a national organization, is helping to reduce teen pregnancy in East Albany. The program provides life skills and leadership training to young women; in 2006 the program served more than 2,200 girls citywide. According to Executive Director Lakisha Bryant, the program has been very successful: 100 percent of the girls who have participated in the program have graduated from high school, 98 percent of them without getting pregnant.<sup>19</sup>

### Employment and Job Training

Residents in East Albany and throughout the region struggle with high rates of unemployment, poor job opportunities, and the need for more job training. In East

Albany, less than half of the working-age population is actively participating in the labor force and the unemployment rate is almost 20 percent. Job and labor-force growth rates in Dougherty County and the Albany MSA have been significantly lower than the state averages in the past 10 years, with most of the growth occurring outside the city.<sup>20</sup>

East Albany also suffers from a general lack of quality jobs. Many of the residents in East Albany are employed in low-skill and low-paying jobs. The workforce in East Albany is primarily employed in educational, health, and social services (17 percent); manufacturing (16 percent); accommodations and food service (15 percent); and retail (11 percent).<sup>21</sup>

Despite high unemployment and high poverty rates, some job opportunities could be available to residents of East Albany. Although manufacturing jobs have been declining for the past 10 years, many of the largest manufacturing employers that remain in the city are located in East Albany, including Procter and Gamble, Miller Brewing, Cooper Tires, and, until recently, Merck Pharmaceuticals. With Albany–Dougherty County the retail and services hub for Southwest Georgia, there has been job growth in these sectors. Education, health care, and defense are also growing employment sectors.<sup>22</sup>

Several barriers appear to keep residents of East Albany from accessing these jobs. First, with educational attainment in the community so low, residents may lack the basic reading, writing, and math skills required for the newer jobs. “There is not much opportunity for unskilled labor with the city’s major employers like Miller Brewing, Cooper Tire, and Procter and Gamble,” said Jennifer Clark, director of Albany’s Department of Community and Economic Development.<sup>23</sup> Many of the jobs at these companies require at least a high school diploma.<sup>24</sup>

Second, residents need job readiness and job training, according to many interviewees.<sup>25</sup> Several such programs are now available in the city; the largest, Albany Tech, offers workforce training that is responsive to the specific needs of area employers. The program has also tried to address barriers to job training, developing creative outreach strategies to inform the community about its programs and partnering with schools and faith-based organizations. The placement rate for program graduates in their field is 90 percent, and most individuals are placed in permanent full-time jobs, many with benefits.<sup>26</sup>

Despite the program’s success, however, participation is low, and there are often more jobs than program

graduates.<sup>27</sup> According to Matt Trice, vice president for economic development at Albany Tech, the training programs are consistently underutilized. “The biggest issue we face at Albany Tech is getting enough people trained through our programs to fill the jobs that employers make available.”<sup>28</sup>

Third, residents lack knowledge of such job opportunities. “Many residents of East Albany do not know what is available to them, regardless of their education and skill level,” added Trice.<sup>29</sup> According to an administrator at Greater Second Mt. Olive Baptist Church, word of mouth is a primary source of job information. Given the neighborhood’s high unemployment rate, however, there is not a strong, established network for sharing information about available jobs.<sup>30</sup> Interviewees suggested that employer perceptions and practices may constitute an additional barrier to employment; longstanding negative views of East Albany and its residents may discourage some employers from hiring applicants from the community.<sup>31</sup>

### **Lack of Community Leadership and Capacity**

Strong leadership is needed to address the myriad challenges facing East Albany. However, formal and informal leadership in the community is lacking. Albany’s Community and Economic Development Department has designated East Albany as a neighborhood revitalization strategy area and has created a redevelopment plan for the community.<sup>32</sup> The city has successfully accomplished several of the plan’s goals but lacks the resources to fully implement it. The city is trying to engage nonprofit partners, but there are very few in the community.<sup>33</sup>

According to interviewees, Greater Second Mt. Olive Baptist Church, the one active nonprofit community development organization in East Albany, is the major leader in the community. As noted earlier, the church is planning housing and commercial development projects in the neighborhood and provides direct services to the community. However, it lacks the resources to implement a comprehensive strategy to address the issues in the community. There are also few informal networks in the community, and only one of the four neighborhoods in the case study community, East Towne, has an active neighborhood association.

There is also a dearth of business and private-sector involvement in the community. Despite the presence of several large, well-known employers in East Albany, only one was mentioned by a community leader for its leadership

in a community project.<sup>34</sup> Finally, banks are not widely referenced as significant partners for affordable housing or community development activities in East Albany.

## ■ CONCLUSION

Within a city and region facing many economic challenges, the obstacles for East Albany are even greater. Always one of the poorest communities in the city, East Albany has experienced decades of negative stereotyping and disinvestment that it must overcome.

There are some signs of new investment. The Jackson Heights Elementary School was recently renovated and a new community center was built in the neighborhood. The city is working in East Albany to eliminate blighted properties, and some new subsidized housing has been built or is in the planning stages.<sup>35</sup> East Albany also stands to benefit from some changes happening in downtown Albany. There has been a significant amount of new investment in downtown Albany, including a recently completed hotel and aquarium. The city is focused on attracting tourism and new business and residential development to downtown. East Albany's proximity to downtown should mean that these projects hold some potential for it as well.

Still, the dynamics of concentrated poverty present in East Albany—including low educational attainment, a lack of basic job skills, a high rate of teen pregnancy, poor housing conditions, and the lack of mainstream financial services—create a level of social and economic isolation in the community that makes it very difficult for residents to take advantage of the opportunities that are available. In addition, both the community and the city lack the leadership necessary to address the conditions that contribute to the concentration of poverty in East Albany. The success of interventions depends on participants' commitment; so far, engaging East Albany residents has been challenging for some organizations.<sup>36</sup>

*This case study was prepared by Jessica LeVeen Farr, regional community development manager, and Sibyl S. Slade, regional community development manager, both of the Federal Reserve Bank of Atlanta.*

## Endnotes

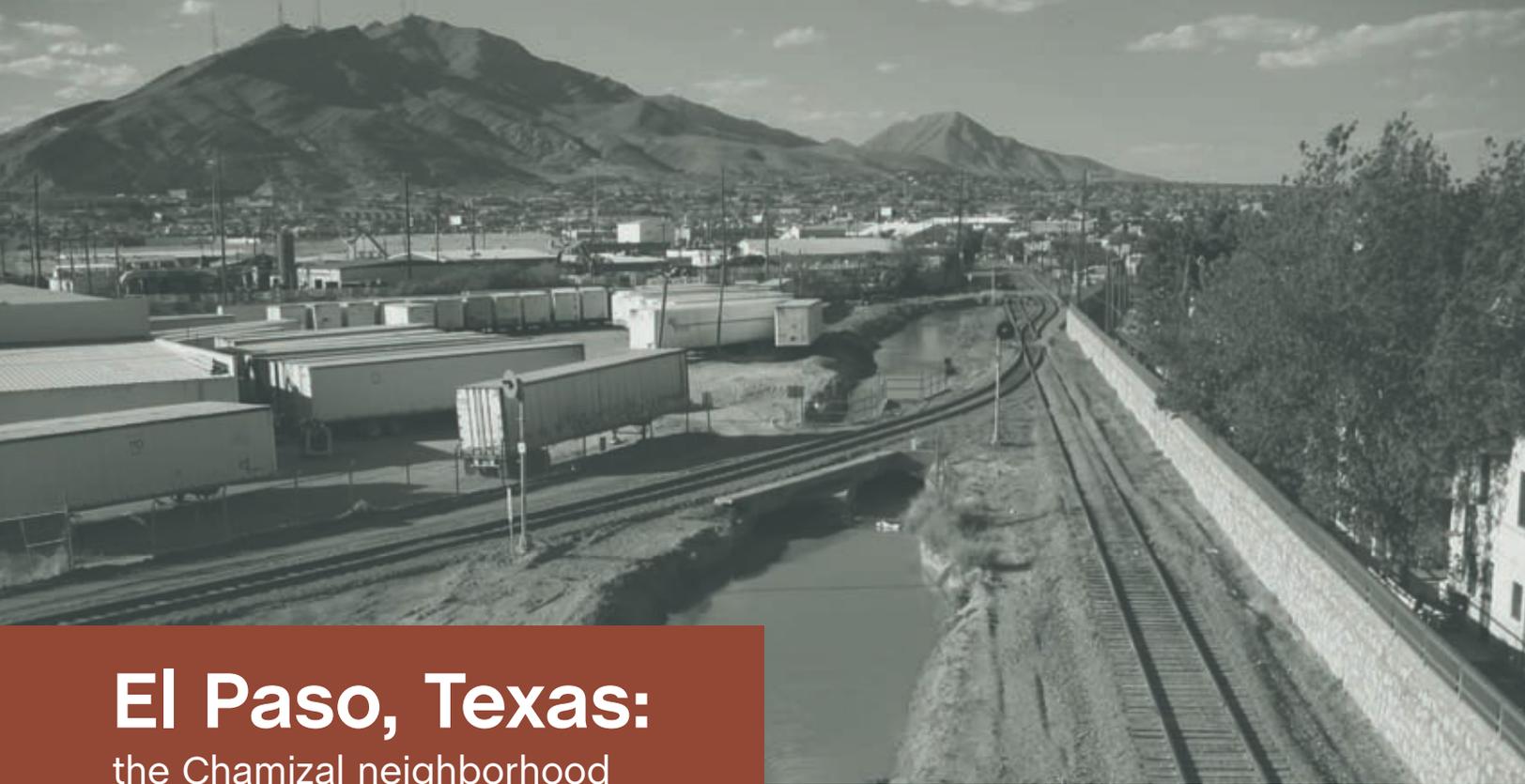
1 The city's redevelopment plan for the community proposes a second bridge that is supposed to be under construction by 2009.

However, the project is still in the early planning stages, and several of the individuals interviewed were not optimistic that it would ever be completed. East Central Albany Neighborhood Strategy Area Urban Redevelopment Plan, City of Albany Department of Community and Economic Development, January 2001.

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- 18 Keisha Davis, Director, East Broad CDC Head Start. Personal interview in Albany, March 6, 2007.
- 19 Lakisha Bryant, Executive Director, Girls, Inc. Telephone interview, April 25, 2007.

- 20 U.S. Census Bureau, Census 2000.
- 21 Ibid.
- 22 Albany is home to Albany State University, Darton College, and Albany Tech. Phoebe Putney Memorial Hospital is the largest employer in Albany, which is driving the job growth in the health services sector in the city. Finally, the U.S. Marine Corps logistics base is in Albany, and it is one of the largest regional employers. Albany-Dougherty County Comprehensive Plan 2005–2025, available at [http://www.albany.ga.us/pd/pd\\_comprehensive\\_plan.htm](http://www.albany.ga.us/pd/pd_comprehensive_plan.htm).
- 23 Jennifer Clark, Director, City of Albany Department of Community and Economic Development. Personal interview in Albany, March 5, 2007.
- 24 Greg McCormick, Interim Executive Director, Albany Tomorrow. Personal interview in Albany, March 7, 2007.
- 25 Community stakeholder meetings held in Albany, March 7–9, 2007.
- 26 For example, Albany Tech provides on-site child care for students and transportation subsidies to help students get to school. In addition, the school has created the “Tech Mobile,” a mobile one-stop shop that provides everything needed to get people into their programs. Thus, child care and transportation should no longer be barriers to access to programs offered at Albany Tech.
- 27 Matt Trice, Vice President, Economic Development at Albany Tech. Telephone interview, May 2, 2007.
- 28 Ibid.
- 29 Ibid.
- 30 Reverend Heard, Greater Second Mt. Olive Baptist Church. Personal interview in Albany, March 7, 2007.
- 31 For example, Greg McCormick, acting president of Albany Tomorrow and a local business leader, indicated that because of the perceived poor quality of Dougherty Comprehensive High School, graduates might be overlooked for employment opportunities. Greg McCormick, Acting President, Albany Tomorrow. Personal interview in Albany, March 7, 2007.
- 32 East Central Albany Neighborhood Strategy Area Urban Redevelopment Plan, City of Albany Department of Community and Economic Development, January 2001.
- 33 The City of Albany’s Consolidated Strategy and Action Plan 2006–2010, City of Albany Department of Community and Economic Development, 2006.
- 34 According to Lakisha Bryant, Executive Director of Girls, Inc., Merck Pharmaceuticals has been a strong supporter of the organization and its work in East Albany. Lakisha Bryant, Executive Director, Girls, Inc. Telephone interview, April 25, 2007.
- 35 Jennifer Clark, Director, City of Albany Department of Community and Economic Development. Personal interview in Albany, March 5, 2007.
- 36 Community stakeholder meetings held in Albany, March 7–9, 2007.





## El Paso, Texas: the Chamizal neighborhood

### ■ OVERVIEW

Lying several miles east of El Paso’s central business district and butting up against the fenced border with Mexico is the community of Chamizal.<sup>1</sup> This neighborhood includes two of the city’s most important cultural and economic features: Chamizal National Memorial, a major community and cultural landmark that commemorates the friendship between the United

States and Mexico, and the Bridge of the Americas, which is one of the busiest points of entry into the United States from Mexico.<sup>2</sup> Even with these two noteworthy anchors, however, Chamizal remains isolated and faces many challenging economic, physical, and sociological problems.

### ■ BACKGROUND

El Paso, the Southwest’s largest border city, is located in the seventh poorest metro region in the nation.<sup>3</sup> Nearly one-fourth of the metro region’s population lives below the poverty line. Although the population in the El Paso metro area has doubled during the past three decades—today it has more than 600,000 residents<sup>4</sup>—prosperity,

unfortunately, has not followed the strong population growth. According to recent articles in the *El Paso Times*, residents grumble about the city’s ability to attract only low-skill manufacturing and other low-paying, labor-intensive jobs that offer limited employee benefits. One developer mentioned, “This is a low-wage town and always will be.” The article cites the poor quality of the city’s schools and the lack of job-training programs.<sup>5</sup> El Paso continues to have markedly lower employment earnings than Texas and the nation as a whole. And while El Paso faces its own daunting obstacles, the neighborhood of Chamizal, the subject of this case study, also confronts high poverty, where such problems are amplified.<sup>6</sup>

TABLE 1

## Comparison Statistics

		Chamizal	El Paso MSA
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	54.4	21.4
	Poverty rate 2000 <sup>b</sup>	58.7	23.8
<b>Income</b>	Median household income <sup>c</sup>	\$11,362	\$31,051
<b>Demographics</b>	Population 2000 <sup>d</sup>	10,086	679,622
	% Population change, 1970 - 2000 <sup>e</sup>	-34.0	89.2
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	2.4	17.0
	% Hispanic/Latino	96.2	78.2
	% Black/African-American	0.7	2.7
	% Residents under age 18 <sup>g</sup>	34.8	32.0
	% Single-parent households <sup>h</sup>	26.0	12.2
	% Foreign born, 2000 <sup>i</sup>	48.0	27.4
	% Population in same house as five years ago <sup>j</sup>	52.9	55.2
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	71.2	34.2
	% Adults with a college degree, 2000 <sup>l</sup>	1.9	16.6
	% Students proficient in reading, 2005 <sup>m</sup>	64.1	80.7
	% Students proficient in math, 2005 <sup>n</sup>	55.0	65.5
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	18.0	9.5
	% Adults in the labor force <sup>p</sup>	40.9	56.5
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	21.1	63.6
	% Renters with a housing cost burden <sup>r</sup>	46.7	43.2
	% Rental units that are HUD subsidized <sup>r</sup>	55.4	15.4
	Median value for owner-occupied units <sup>s</sup>	\$40,596	\$69,600
	Median year structure built <sup>t</sup>	1956	1976
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	36.1	24.7
	% Credit files with high credit scores <sup>v</sup>	50.2	49.8
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	38.1	31.8
	Mortgage denial rate, 2005 <sup>x</sup>	52.9	25.5

For more than 150 years, Chamizal has been a popular place of settlement for Mexican immigrants—especially when political turmoil during the Mexican Revolution (1910–1917) led to increased migration<sup>7</sup>—on account of its proximity to the Mexican border, availability of affordable land, and employment opportunities.<sup>8</sup> In fact, the neighborhood’s growth was propelled by employment opportunities for unskilled laborers. Chamizal flourished in the early 20<sup>th</sup> century as a result of its convenience to the border, railroads, and foundries that operated near the Rio Grande River.<sup>9</sup> The neighborhood itself is boxed in by major roads and thoroughfares:

Alameda and Magoffin streets on the north, the Patriot Freeway on the east, the Border Highway on the south, and a north–south rail connector on the west.<sup>10</sup>

Today, Chamizal continues to have a high concentration of transient Spanish-speaking residents. According to the 2000 census, Chamizal’s population of more than 10,000 was 96 percent Hispanic. The foreign-born population is nearly 50 percent, almost all from Mexico, including a large portion from El Paso’s sister city of Juarez.<sup>11</sup> Chamizal’s strong ties to the Mexican culture are apparent in its vibrantly colored structures and murals. Many undocumented workers stay in the neighborhood for



less than three years, get acclimated to the culture, and move on to cities like Dallas, Houston, and Los Angeles, where demand and pay for their services is higher.<sup>12</sup> Since 1970 the neighborhood's population has declined 34 percent.<sup>13</sup> This drop, noted Bill Schlesinger, executive director of the local nonprofit Project Vida, reflects two things: stricter enforcement of occupancy limits in the neighborhood's public housing units and reductions in the number of units themselves.<sup>14</sup> Even with the population decline, this part of the city is significantly denser than the rest of El Paso, with nearly 5,300 residents per square mile.<sup>15</sup>

Almost 59 percent of residents and 70 percent of children in Chamizal are living in poverty. More than 45 percent of households make less than \$10,000, and 28 percent have household incomes between \$10,000 and \$19,999.<sup>16</sup>

When compared with the city, the metro area, and the state, Chamizal has both a greater percentage of young residents and a smaller percentage of working-age adults.<sup>17</sup> Chamizal households headed by females represent a disproportionately high percentage of families in poverty.<sup>18</sup> This is consistent with other communities along the Texas-Mexico border, where larger families and women as heads of households typically have lower median household income and, as a subgroup, over-represent those who live in poverty.<sup>19</sup> "We need to change the culture that dictates that being a young, single parent is socially acceptable," added Schlesinger. "Teenage pregnancy in our community is viewed as a reality, not a problem."<sup>20</sup>

Many health problems, such as diabetes, heart disease, and chronic oral health problems are persistently high in El Paso. Many residents do not engage in

preventive health care because they lack health insurance. Nearly 40 percent of residents in El Paso do not have health insurance—the highest rate in Texas.<sup>21</sup> "This lack of access to health care is most striking," said Jon Law, assistant director at the Center for Border Health Research. "El Paso residents in poverty have many more risk factors for chronic diseases, yet routinely find themselves unaware of their risks. This is a dangerous trend."

In terms of access to goods and services, the local business landscape does not include traditional retail outlets like those found in most other parts of suburban El Paso.<sup>22</sup> With almost 59 percent of the population living below the poverty level, residents' low disposable income reduces the demand for large retail service outlets. Family-owned and -operated small businesses that dominate the commercial landscape attract few outside residents, according to interviews with business owners and local observations. Business owners cite poor access to credit, undercapitalization, and a lack of outside customers as reasons for not being able to expand their businesses.<sup>23</sup>

On a more positive note, crime is not as grave an issue as some of the other challenges facing this community. In 2006, the Morgan Quitno Press, a publisher of state and city rankings, hailed El Paso as one of the safest cities in the nation. Based on crime statistics from 2005, El Paso was ranked third-safest among 32 cities with populations of 500,000 or more. The five-year crime comparison by the El Paso Police Department rates Chamizal as "average" in its index of crime. An El Paso police officer who covers the area described the community as having its share of property crimes, but noted that violent crimes there are becoming increasingly rare. "The residents know that if they commit a crime, the consequences are more severe in low-income communities because they not only face jail time but could potentially be evicted [from] their public housing, fired for missing work, or deported if they are in this country illegally."<sup>24</sup>

## ■ ISSUES TO CONSIDER

Chamizal has experienced longstanding economic stagnation, disinvestment, and the congregation of poor families.<sup>25</sup> A number of issues emerged from our analysis of data and interviews as key factors in helping to explain the neighborhood's deep, abiding poverty; these issues relate to residents' lack of access to quality education, jobs, and housing; the community's physical and

economic isolation from the surrounding region; and the need among residents to learn to build wealth. What also arose were some insights into what types of interventions might work to help improve the community's situation.

### Education

“One major factor keeping El Paso poor is our lack of education,” stated John Bretting, a professor at the University of Texas at El Paso. Poor education obstructs integration into U.S. society, Bretting added.<sup>26</sup> Low levels of educational attainment characterize Chamizal, where more than 71 percent of individuals age 25 and older do not have a high school diploma and only 2 percent have a college degree.<sup>27</sup>

Mexican immigrants represent the greatest share of uneducated residents, since most arrive without a high school education. In El Paso, a person with a high school diploma and no college earns, on average, about \$9,000 more yearly than a high school dropout. For those lacking work permits and a formal education, opportunities for improving their lives are limited, and poverty can easily pass from one generation to the next.<sup>28</sup>

The schools in inner-city El Paso face many obstacles, including poor student performance, high dropout rates, and a culture that places more importance on earning an income than on obtaining an education. The four schools in Chamizal all ranked below the state average on the state standardized exam by an average of 19 percentage points in reading and 17 percentage points in math for 2005–2006.<sup>29</sup> In the 2005–2006 academic year, the Texas Education Agency rated two of the four schools in Chamizal as academically unacceptable. Campuses are evaluated on performance using the state standardized test, completion rate, and annual dropout rates.<sup>30</sup> Bowie High School, located in Chamizal, has a dropout rate of more than 25 percent. Area educators cite limited English proficiency and a need to support family as the two most common reasons students drop out.<sup>31</sup>

Strong family ties among Hispanic families have not translated to active parent participation in the schools. Despite an active alumni association, Bowie High School is one of very few schools in the city that does not have an active parent-teacher association.<sup>32</sup> Higher-paying employment opportunities in other major cities are also attracting El Paso's most academically accomplished graduates, further widening the educational and economic divides within both Chamizal and El Paso.<sup>33</sup>

### Job Opportunities

The neighborhood also suffers disproportionately from a low labor-force participation rate. Only 40 percent participate in labor force, compared with the Texas labor-force participation rate of nearly 64 percent.<sup>34</sup> One theory is that the language barrier prevents many from working; more than 43 percent of Chamizal residents over 5 years old do not speak English well or at all.<sup>35</sup> With language challenges so pervasive in the community, the children of Chamizal have trouble learning English. The parents' inability to read and write in English limits the academic support their children receive at home. Still, some children in the community serve as translators for older family members with limited English proficiencies, even bridging the technological divide and aiding relatives with online job applications.<sup>36</sup>

Another theory for the high poverty rate in Chamizal relates to the neighborhood's proximity to Mexico. Local economists suggest that the area's abundance of low-skilled workers is saturating the workforce, driving down wages and keeping workers from finding employment.<sup>37</sup> They mention that, although the United States has a proven history and remarkable ability to absorb foreign-born workers, it has hit a point of saturation along the Texas–Mexico border.<sup>38</sup>

According to interviews with residents, disproportionate shares of Chamizal residents participate in the informal economy. Day labor, seasonal jobs, unpaid family work, and criminal activities—including drug trafficking and petty theft—are cited by residents as the most common livelihoods in this cash-based micro-economy. Many working families also engage in frequent cash- and barter-driven activities to supplement low-wage formal work.<sup>39</sup>

Transportation poses an additional obstacle to employment among residents of Chamizal. Forty-four percent of households do not own a personal vehicle.<sup>40</sup> Better-paying manufacturing jobs in the plastic mold injection, warehousing, and construction industries have moved out of the inner city, limiting employment options for neighborhood residents without cars. Chamizal's residents find employment mainly with the food processing, janitorial services, and construction and maintenance industries.<sup>41</sup>

Project ARRIBA, an El Paso–based economic and workforce development program serving all of El Paso County, has had success helping residents move out of poverty. A labor market intermediary, Project ARRIBA provides case management services to clients. Eligibility

is based on education level, language skills, poverty guidelines, and various life barriers faced by prospective participants. Since opening in 1999, Project ARRIBA has assisted more than 1,000 individuals in obtaining skills that are in demand in the El Paso labor market, leading to employment at “a living wage with benefits.”<sup>42</sup>

Project ARRIBA incorporates the capacity of local training providers, including El Paso Community College and the University of Texas at El Paso. Current high-demand jobs include positions in the fields of nursing and health care, teaching, and information technology. Financial assistance can cover tuition-gap financing, books, testing fees, child care, transportation, eye exams and eyeglasses, and emergency support for rent and utilities. “The program should be expanded to more systematically target high-poverty neighborhoods like Chamizal,” said Roman Ortiz of Project ARRIBA.<sup>43</sup> An additional 100 participants would cost an estimated \$550,000 to \$600,000 per year.<sup>44</sup>

### Housing Quality and Affordability

Surveys and census data reveal an aging inventory of housing, both multifamily and owner occupied, in Chamizal.<sup>45</sup> Many of the units have not been significantly rehabilitated since they were built in the 1930s and 1940s; they also lack aesthetic appeal, garages, and adequate square footage, making them less attractive to potential home buyers and investors.<sup>46</sup> Contiguous vacant properties are not common in this part of El Paso; thus, large residential investment is not possible without significant and costly demolition or condemnation. Attracting larger scale, market-rate infill would require a substantial subsidy or private foundation support, backing that is not readily available in El Paso.<sup>47</sup>

Poor yard maintenance and code violations, including curbside car repairs, junk piles, and debris on lots, degrade the community and give it the appearance of abandonment and neglect. Cargo-carrying 18-wheel trucks entering and exiting Mexico bisect the neighborhood, causing vibrations that affect the structural integrity of many of the older masonry homes.<sup>48</sup> According to Comprehensive Housing Affordability Strategy (CHAS) data, nearly 60 percent of the renter-occupied units and 35 percent of owner-occupied units have housing problems, meaning that the properties lack complete plumbing or kitchen facilities or they have one or more persons per room, an indicator of overcrowding.<sup>49</sup>



This underpass artwork commemorates El Paso native Rubén Salazar, a Mexican–American journalist. Strong ties to Mexico are apparent in the neighborhood’s many colorful murals.

Many families live in the nearly 1,500 units of subsidized housing that are concentrated in Chamizal.<sup>50</sup> This concentration has greatly affected local poverty rates.<sup>51</sup> One of the first federally funded public housing developments in the country was Tays, which was built in Chamizal during the 1940s. Tays, along with the Ray Salazar Public Housing Complex, is home to more than 500 families.<sup>52</sup>

Even with the large number of subsidized units in Chamizal, where the housing cost burden is controlled, cost remains a concern for residents who are renting. The 2000 census revealed that nearly 47 percent of renters in Chamizal were experiencing a housing cost burden, defined as paying more than 30 percent of income for housing.<sup>53</sup> Others “double up” with friends or relatives to make ends meet, an arrangement that is more culturally accepted among Mexican-American families.<sup>54</sup>

Policymakers have recognized the need to provide more housing options in the area, which has a homeownership rate of less than 25 percent. Community stakeholders encourage home purchases for revitalization. While homebuyer fairs and down-payment assistance programs for the area are common, Chamizal has limited supply and market demand for single-family homes.<sup>55</sup> The neighborhood revitalization plan<sup>56</sup> for Chamizal highlights the benefits of homeownership, calling it “one of the only vehicles available in this neighborhood for wealth creation.”<sup>57</sup>

House prices have appreciated only slightly over the past five years. The average tax value on a single-family house in Chamizal is approximately \$50,000.<sup>58</sup> However,

even at these relatively reasonable sale prices, there is a significant gap between prevailing wages in Chamizal and the typical cost of a single-family house. “Many of the rental units are cash cows, meaning there is no incentive to upgrade the property when they are at 100 percent capacity,” explained El Paso Affordable Housing President Larry Garcia. “The renters are not complaining because many are undocumented, poor, and unwilling to criticize out of fear of retribution.”<sup>59</sup>

### Community Isolation

According to one community stakeholder, Chamizal and other low-income neighborhoods south of Interstate 10 in El Paso are viewed as a haven for illegal immigrants, gangs, and drug activity.<sup>60</sup> Such negative perceptions, along with economic underdevelopment and physical highway construction, have effectively segregated Chamizal into one of the most health-, housing-, and retail-deprived sections of El Paso, according to a Federal Reserve Bank of Dallas economist.<sup>61</sup> Some former residents have expressed an unwillingness to move back to Chamizal, citing the neighborhood’s poor-quality schools, perceived crime, and hard-to-find market-rate housing comparable to other parts of El Paso County.<sup>62</sup>

Although the city has invested in upgrading the infrastructure around the Chamizal National Memorial, including sidewalks, streets, parks, signage, and drainage, the community of Chamizal still falls below the standards of a major U.S. city or the suburban areas of El Paso. Municipal resources are strained, making it difficult to deal with the range of physical, social, and economic problems in the area, according to city officials. In addition, business and residential parking continues to be a top concern among the residents.<sup>63</sup> These conditions, fostered by the lack of public investment and planning, as well as inertia on the part of property owners and residents within the community, deter development and add to the overall impression that the area is not commercially viable.<sup>64</sup>

Despite all the challenges facing the area, Chamizal residents have pride in their neighborhood and are optimistic about the future. In fact, the locale is known for its family-oriented businesses, neighborhood pride, and Bowie High School, which has one of the strongest alumni networks in Texas. Many prominent members of El Paso’s Hispanic population claim roots in Chamizal and keep strong connections to family, friends, and the neighborhood itself.<sup>65</sup>

### Learning to Build Wealth

Chamizal has a considerably higher percentage than El Paso of residents who are unbanked; many rely on alternative financial service providers.<sup>66</sup> Without good credit or credit in general, they have limited options. At least four businesses in the neighborhood are alternative financial institutions, and many more are located just outside the neighborhood. Only one financial institution—a credit union—operates in the immediate community.<sup>67</sup> Most of El Paso’s banks and credit unions have a presence in the city’s downtown area, a five-minute drive from Chamizal.<sup>68</sup>

One Mexican-American resident of the neighborhood mentioned that “our community is also overrun by check cashing, payday lenders, and rent-to-own furniture businesses that are draining assets. Our people only ask what the monthly payments are, not how much interest I’m paying.”

Minority and low-income families are more likely than other families to use alternative financial services.<sup>69</sup> In Chamizal, marketing of these services is not subtle; billboards and oversized signs are plentiful in both English and Spanish.<sup>70</sup> Access to conventional credit can be difficult, as more than 36 percent of Chamizal residents’ credit files are too thin to be rated.<sup>71</sup> The American Association of Retired Persons (AARP) recently reported that Texas has one of the highest subprime lending rates in the nation, with El Paso near the top for Hispanic borrowers. This suggests a systemic problem in the county and a need for greater personal financial education.<sup>72</sup>

According to Barbara Robles of Arizona State University, financial education is the foundation for asset building among low-income families in distressed neighborhoods like Chamizal. Avoidance and mistrust of mainstream financial institutions, then, present a challenge to the financial services industry and to financial education outreach initiatives by community-based organizations. In interviews, residents noted that currency devaluations and the instability of financial institutions in Mexico have negatively affected their opinions about financial institutions.<sup>73</sup> “In working with a population with little formal education and a lot of mistrust, mastering financial skills is often quite daunting,” added Anita Werner of Bank of the West.<sup>74</sup>

Understanding income tax responsibilities and rights are additional wealth-building skills that could be addressed by social services providers in the Chamizal area. Studies indicate that the Earned Income Tax Credit

(EITC), for example, has been successful in providing substantial economic relief to the growing Hispanic market. Hispanic families, however, do not take advantage of the EITC refund to the same extent as other groups.<sup>75</sup>

## ■ CONCLUSION

Lack of education, economic and social isolation, and obstacles to quality housing are major contributors to the perpetuation of poverty in Chamizal. Resources to address chronic issues are expensive, especially amid recent pressure in El Paso to reduce the tax rate in response to increases in property assessments. Services are available, but, according to Martha Maldonado, Chamizal neighborhood association president, “Too many of our residents are scared, intimidated, or simply uninterested. They fear immigration officials, police, or know that their stay in the neighborhood is for a short period, so [they ask], ‘What is the point?’” Some even choose to walk across the border into Mexico for social and health services.<sup>76</sup>

Despite the neighborhood’s sobering demographic characteristics and persistent poverty, there is a resiliency and strong sense of community in Chamizal. As one resident expressed it, “If I won the lottery, I still wouldn’t move out of Chamizal. This is what I know; these are my people.”<sup>77</sup> Community planning efforts—with bilingual outreach as a component—that focus on access to educational opportunities and high-quality affordable housing could be the catalyst for change, according to local officials.<sup>78</sup> “It is an encouraging sign to see community groups come together,” observed Jerry Romero, director of community development for Wells Fargo–El Paso. “Chamizal has been neglected for far too long.”<sup>79</sup>

*This case study was prepared by Roy Lopez, community affairs specialist, Federal Reserve Bank of Dallas.*

## Endnotes

- 1 The census tracts being reviewed include 0021, 0028, 0029, which encompass most of the Chamizal neighborhood as defined by the neighborhood association boundaries. “City of El Paso Census Tracts,” June 2007. Available at <http://www.dataplace.org>.
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- 9 Mario Garcia, *Desert Immigrants: The Mexicans of El Paso, 1880–1920* (New Haven: Yale University Press, 1981).
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- 11 U.S. Census Bureau, Census 2000.
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- 24 El Paso Police Officer. Personal interview in El Paso, April 6, 2007.
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- 31 Luis Villalobos, El Paso Independent School District. Personal interview, March 2008.
- 32 Ibid.
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- 44 Ibid.
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- 47 Bill Lilly, City of El Paso. Personal interview in El Paso, April 4, 2007.
- 48 Martha Maldonado, Chamizal Neighborhood Association. Personal interview in El Paso, February 22, 2007.
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- 50 U.S. Department of Housing and Urban Development, *A Picture of Subsidized Households, 2000*. Available at <http://www.huduser.org/picture2000/index.html>. Percentage is calculated by dividing the number of HUD-subsidized units by the number of rental housing units in the geography.
- 51 "City of El Paso Housing Authority: Maps," May 2007. Available at <http://www.hacep.org>
- 52 Ibid.
- 53 U.S. Census Bureau, Census 2000.
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- 55 Larry Garcia, El Paso Affordable Housing. Personal interview in El Paso, April 4, 2007.
- 56 The goal of the revitalization is to concentrate community resources in the neighborhood. The city has partnered with neighborhood residents, business owners, community organizations, and educational institutions to create and implement revitalization strategies such as tax increment finance districts, targeted rehabilitation, and concentrated private and public investment in small businesses. Nonprofit housing developers, such as La Fe Community Development Corporation, El Paso Collaborative, and Project Vida, will take part in neighborhood-based strategies
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- 75 Barbara Robles, "Wealth Building in the Borderlands: Linking Tax Refunds to Asset Building."
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<sup>79</sup> Jerry Romero, Wells Fargo Bank. Personal interview in El Paso, April 3, 2007.





# Springfield, Massachusetts:

## Old Hill, Six Corners, and the South End neighborhoods

### ■ OVERVIEW

Springfield—New England’s fourth-largest city behind Boston, Providence, and Worcester—was once known as the “City of Firsts.” It was the first to develop interchangeable parts and introduce modern manufacturing at the Springfield Armory. It was first in devising many technological improvements in railway and automobile manufacturing in the late 1800s and early

1900s. The very first Merriam–Webster dictionary was published in Springfield in 1847. And the city is celebrated as the birthplace of basketball: In 1968, the Naismith Memorial Basketball Hall of Fame opened on the campus of Springfield College to honor the inventor of a sport that was first played there.

The city’s recent history boasts fewer accomplishments. Like other Rust Belt cities, Springfield has struggled to rebuild its economy following the decline of the manufacturing industry. As evidenced by a 2006 Urban Land Institute study, the list of setbacks is long: “Over the past 15 years, both good things and bad have happened in Springfield...Over the years, crime has increased as gangs

and drug trafficking gained a foothold in the city. Some middle-class residents chose to move to the suburbs, as in other communities nationally. Some neighborhoods have started to slide. Development projects floundered, and corruption crept into segments of the public sector.”<sup>1</sup>

The story is not all bleak, however. Investigations into the corruption scandals have resulted in numerous trials and convictions, and new leadership is emerging at the municipal level as well as within major public agencies. The changes in leadership are creating a more positive environment and represent a first step in re-establishing the city’s capacity to deal with its problems. According to the institute’s report, “City leadership has been rekindled.”

TABLE 1

## Comparison Statistics

		Old Hill, Six Corners & South End	Springfield MSA
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	23.4	9.4
	Poverty rate 2000 <sup>b</sup>	43.4	13.1
<b>Income</b>	Median household income <sup>c</sup>	\$18,804	\$41,206
<b>Demographics</b>	Population 2000 <sup>d</sup>	16,962	680,014
	% Population change, 1970 - 2000 <sup>e</sup>	-16.4	5.9
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	20.7	79.9
	% Hispanic/Latino	45.8	11.2
	% Black/African-American	28.9	5.5
	% Residents under age 18 <sup>g</sup>	33.6	24.3
	% Single-parent households <sup>h</sup>	45.8	10.6
	% Foreign born, 2000 <sup>i</sup>	8.3	6.7
	% Population in same house as five years ago <sup>j</sup>	41.0	57.9
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	41.9	17.6
	% Adults with a college degree, 2000 <sup>l</sup>	9.3	25.2
	% Students proficient in reading, 2005 <sup>m</sup>	27.4	50.8
	% Students proficient in math, 2005 <sup>n</sup>	13.4	34.7
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	13.8	5.4
	% Adults in the labor force <sup>p</sup>	48.7	64.7
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	19.9	63.1
	% Renters with a housing cost burden <sup>r</sup>	47.9	40.3
	% Rental units that are HUD subsidized <sup>r</sup>	34.1	17.1
	Median value for owner-occupied units <sup>s</sup>	\$68,899	\$123,103
	Median year structure built <sup>t</sup>	1939	1968
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	11.1	5.9
	% Credit files with high credit scores <sup>v</sup>	36.3	70.5
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	61.8	26.6
	Mortgage denial rate, 2005 <sup>x</sup>	30.5	20.9

### ■ BACKGROUND

Turning Springfield's fortunes around will be far from easy. Like similar cities in Massachusetts currently referred to as "small cities," "middle cities" or "gateway cities," Springfield has seen a decline in industry, jobs, and population over the past few decades.<sup>2</sup> Manufacturing jobs, once a vibrant part of Springfield's history, have declined dramatically. In the 30 years from 1970 to 2000, the percentage of the population employed by the manufacturing industry decreased by more than half. The number of Springfield's residents has also declined

in recent years: Between 1990 and 2000 the population declined 3 percent, to 152,082. The city's racial composition also changed. Between 1990 and 2000, the city lost 25 percent of its white population, while the black population grew 5 percent and the Hispanic population grew 56 percent.

As Springfield's employment base eroded, poverty in the city grew rapidly. The poverty rate in Springfield has risen steadily since 1970, from 13 percent to 20 percent in 2000, yet the increase in poverty has not been evenly distributed. Springfield has one of the highest rates of

concentrated poverty in the country; in 2000, 34 percent of poor residents in the city lived in neighborhoods with poverty levels exceeding 40 percent.<sup>3</sup>

The case study area is comprised of three neighborhoods in Springfield: Old Hill, Six Corners, and the South End. These three are among the poorest of the city's 17 neighborhoods. In 2000, 43 percent of the residents in these three neighborhoods had income levels below the federal poverty level. (See Table 1) These neighborhoods have also experienced more dramatic population changes than the city overall. Between 1990 and 2000, the population in the case study area decreased 11 percent (versus 3 percent for the city). The racial and ethnic composition of the neighborhoods has changed as well. The white population decreased 47 percent and the Hispanic population increased 40 percent over the decade. In 2000, immigrants accounted for 8 percent of the population in the case study community. This community is also home to a large Puerto Rican population, with 21 percent of its residents born in Puerto Rico. Both the city of Springfield and the case study area have a higher proportion of Puerto Rican residents than Massachusetts as a whole.<sup>4</sup>

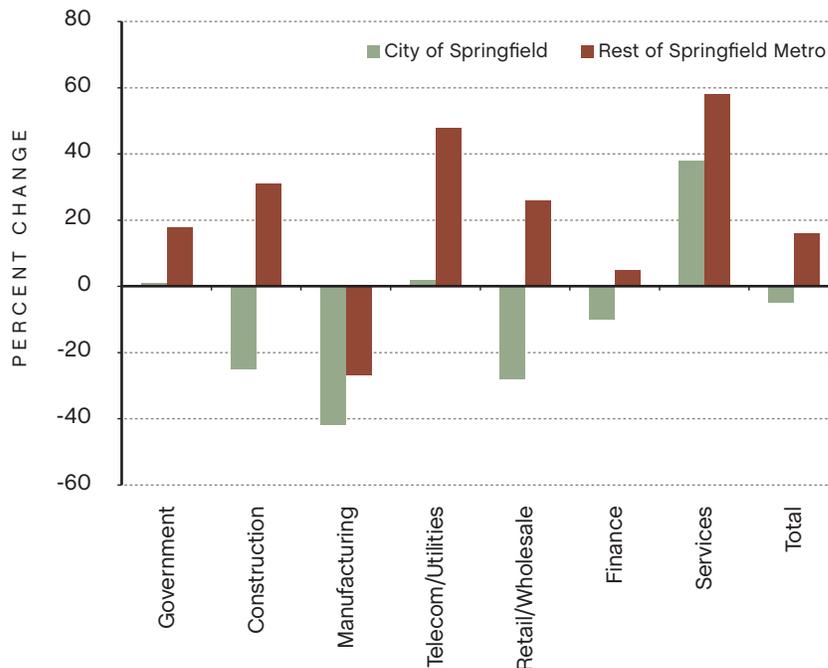
The case study area's proximity to downtown allows residents easy access to amenities such as museums and restaurants, and a new bike path along the Connecticut River. The neighborhoods are also home to several parks. In interviews, residents cited these attributes, along with their homes and neighbors, as reasons for their fondness for the area and for living in the community.

### ■ ISSUES TO CONSIDER

Interviews and data analysis brought out myriad challenges facing residents in the case study area, which must be considered against the backdrop of a weak regional economy. These challenges include limited access to living-wage jobs; a lack of education and skills; a weak housing market that limits investment in the community and asset-building opportunities for residents; and low morale among residents combined with a generally negative perception of the neighborhoods by outsiders.

FIGURE 1

### Change in the number of jobs by industry between 1985 and 2000

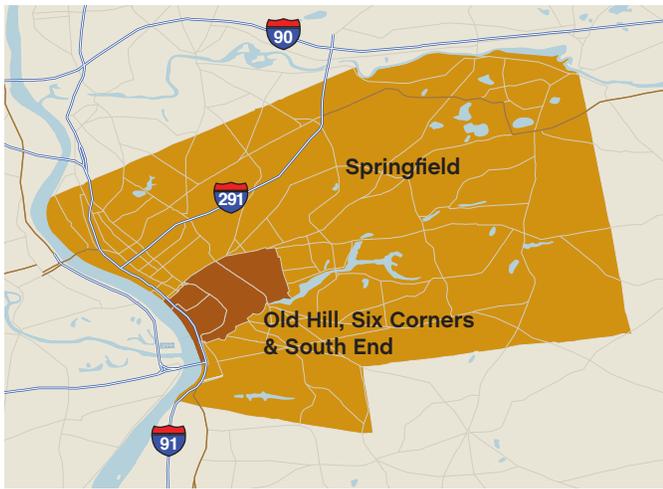


SOURCE: Brookings Institution analysis of Massachusetts state data

### Employment

It is hard for residents of the case study area to find a job—especially one that pays a living wage. Many residents in the community lack a high school diploma or college degree, limiting their employment opportunities. Moreover, there appears to be a mismatch between the kinds of jobs people are trained for through government programs and the higher-wage jobs that provide a route out of poverty.

In particular, Springfield has experienced a widening spatial mismatch between residents' skill levels and available jobs. Between 1985 and 2000, most of the job growth has occurred in the metropolitan area, while the city of Springfield has lost jobs in industries such as manufacturing, construction, and finance. (See Figure 1) In contrast, most of the job growth in Springfield has been in the services sector. Aimee Griffin Munnings, executive director of the New England Black Chamber of Commerce, observed that residents "tend to have multiple jobs to survive because [the] service [industry] does not pay well."<sup>5</sup> A recent study by the Pioneer Valley Planning Council confirms that Springfield's residents "are heavily concentrated in service and sales or office



occupations.”<sup>6</sup> The report further noted that, although there are a number of jobs in health care and education, Springfield residents tend to be “serving in lower wage occupations in these industries.”<sup>7</sup>

The lack of higher-paying jobs in Springfield contributes to lower household incomes. The median household income in the case study area in 2000 stood at \$18,804, less than half of the median household income for the Springfield Metropolitan Statistical Area (MSA) (\$41,206). “How do you manage your life on minimum wage?” asked Leslie Lawrence, who works for MassDevelopment, an economic development agency.<sup>8</sup> James Morton, president and CEO of the Greater Springfield YMCA, echoed Lawrence’s point: “In this community, livable-wage jobs are even harder to find than that baseline [minimum-wage] job.”

The case study area’s unemployment rate is also significantly higher than the region’s and is especially high among specific subgroups. In 2000, the unemployment rate for the case study neighborhoods was 14 percent, compared with 5 percent for the Springfield MSA. The fastest-growing population in the case study area, the Hispanic population, has the highest unemployment rate of all racial or ethnic groups, with 18 percent of Hispanic males and 24 percent of Hispanic females unemployed.

Skill-building and training programs are available to residents. Some are located close to the case study area; however, the training opportunities do not always match available job opportunities. The Massachusetts Career Development Institute in Springfield assists about 1,000 students per year in getting their GED or certification in a specific profession. But completion of the program does not necessarily mean that participants are entering professions with high-paying jobs. James Morton, former

director of the institute, observed that “frequently, the demands of the job market change, yet it takes considerable time for training dollars to reach the field to provide the specific training needed to meet the demand.”<sup>9</sup>

## Education

The prospects do not look much brighter for the next generation of workers, due to relatively low educational attainment in the case study area. With high truancy rates, low graduation rates, and low test scores among students, education is not serving as a path to economic opportunity for Springfield’s residents. Forty-two percent of residents over age 25 in the case study area did not have a high school diploma, compared with 18 percent for the Springfield MSA. “What kind of job can you get as a high school dropout?” asked one interviewee, a lament echoed by many other people interviewed for this report.

The Springfield school district faces significant challenges. In 2006, only half (51.2 percent) of the students in the district graduated from high school.<sup>10</sup> Massachusetts assesses student achievement by a periodic test, the Massachusetts Comprehensive Assessment System (MCAS). Test scores are low district-wide. Although MCAS scores for Springfield students have increased since 2000, failing rates remain above 25 percent in both reading and math and are more than double the rates for students statewide. Schools in the case study communities fare even worse: In the 2005–06 school year, only 27 percent of elementary school students were proficient in reading and just 13 percent in math. More than 80 percent of the students in schools in the case study communities receive free or reduced-price lunches.

Opinions differ on whether the students are failing school or the schools are failing the students. In interviews, respondents expressed concern that the local schools are not providing the same opportunities for children as schools in other parts of the MSA. Munnings noted that for schools in these high-poverty neighborhoods, “Expectations are lower. Opportunities are lower. Discipline is a priority as opposed to enrichment.”<sup>11</sup>

Others, however, noted that parental engagement in the schools is a critical factor in determining academic achievement. Some interviewees questioned whether parents in the community valued education and made it a priority to be involved. Yet for parents juggling multiple jobs, participating in school activities may not be a realistic goal. “How can you take the time off to go fight for your kid

in school?” said Munnings. “You cannot, or you put your job and family at risk.”<sup>12</sup> Explained the YMCA’s Morton, “Parents are busy surviving and probably not getting their children the kind of support that they need [compared to children] in affluent communities where parents have greater resources and time. If your energies are spent surviving or trying to survive, then there is not room for much else.” He stressed that he did not mean that poor, low-income families do not value education—“because they do.”<sup>13</sup>

Schools in the case study area also struggle with other challenges associated with the high levels of poverty in the community. According to the 2006 Youth Risk Behavior Survey administered anonymously at schools across Springfield (and statewide), nearly half of the students in 5<sup>th</sup> grade at the elementary school in the community reported that they felt angry or sad most of the time, double the rate of their counterparts across the city.<sup>14</sup> As the area’s demographics have changed, increased enrollment of non-English speakers has also presented new curriculum challenges. Twenty-two percent of the students enrolled in the Springfield school district speak a language other than English at home.<sup>15</sup>

In the Old Hill area, several efforts are under way to enhance students’ academic experience. Springfield

College and William N. DeBerry Elementary School, for example, partnered 10 years ago on a tutoring and mentoring program that has been nationally recognized.<sup>16</sup> Three nights a week, the mentors and students meet at the college, where they work on homework together, engage in sports and other activities, and enjoy a meal paid for by the college. At the end of the evening students are brought home, where a parent must be present at the drop-off. Students have to meet behavioral requirements and academic standards to stay in the program. What began with a single unpaid worker now operates on a \$1.2 million budget and has 150 volunteers. Still, the mentoring program faces challenges. According to a program staff member, family relocation presents the biggest obstacle, since students who move out of the community are no longer eligible to participate in the program.

The Springfield public school system has also created a Parent and Community Engagement Office. Some schools have family liaisons that visit families in their homes, day or evening, to meet with parents and talk about their children’s achievement. The schools’ aim is to address the lack of parental engagement by designating specific individuals who will be accessible to parents in and out of the school setting.



Springfield’s new bike path starts near the South End bridge and runs along the Connecticut River. The bike path serves not only as a means of recreation for area residents, but also as a link to downtown amenities such as museums and restaurants.



The City of Springfield has slated several properties in its South End neighborhood, where this vacant building is located, for priority redevelopment.

## Housing

Prospects for developing assets in the case study area are weak. Fewer than 20 percent of residents own their homes, which is a primary vehicle for accumulating assets. For those who do own their homes, the median home value in the community is \$68,899, which is 44 percent less than the median value in the Springfield MSA. (See Table 1) The neighborhoods are also home to a high percentage of subsidized housing: One-third of the rental housing in the community is HUD subsidized.

Absentee landlords were cited as a prevalent concern in the case study area. All three neighborhoods are characterized by vacant lots and abandoned or poorly maintained buildings. According to 2006 research by the Hampden Hampshire Housing Partnership (HAP), the Old Hill neighborhood alone had 130 vacant or abandoned properties, accounting for almost 8 percent of the case study community's residential units.<sup>17</sup> These empty lots and abandoned or dilapidated buildings can have significant negative impacts on communities; for one, their presence has been linked to increases in crime.<sup>18</sup> Such properties are also costly to address. HAP estimates that Springfield spent \$2 million in one year to demolish vacant and run-down buildings, on top of hundreds of thousands of dollars the city paid to clean up some of the properties.

Revitalizing the housing market in the case study area will be difficult. David Panagore, chief development

officer of the Springfield Finance Control Board, noted that the concentration of subsidized housing in the community had helped to create “ghetto” conditions, which led to the subsequent loss of local retail and development. “It had the opposite effect it intended, by concentrating the families in these neighborhoods even after the jobs left,” he said. “It’s not that [affordable housing] policies per se are wrong, but you need to take into account local market conditions. If you have a thriving economy like Boston, your worry is ‘how can I get subsidized housing in there to keep some affordability?’ In Springfield [subsidized housing] becomes the only way you do development. There is no private market, so there’s little potential for private investment.”<sup>19</sup> HAP’s director has noted that affordable homeowner-ship policies are also not as effective in weak-market communities. In a weak market, homes that are built as affordable sell at market rate, yet they come with 30- or 50-year deed restrictions that keep buyers from building equity.<sup>20</sup> In his view, these restrictions make the properties unattractive to buyers and inhibit efforts to attract new families to the community.

One sign that things may be turning around is the recently formed partnership among Springfield Neighborhood Housing Services, HAP, and Habitat for Humanity. The three organizations plan to build new homes in several Springfield neighborhoods, including those in the case study area. For example, the housing developers plan to build 100 new or rehabilitated energy-efficient homes in Old Hill for first-time home buyers over the next several years, a neighborhood collaborative initiative that also includes the Old Hill Neighborhood Council and Springfield College.

## Negative External Perceptions of the Community

One of the issues that emerged most frequently in interviews is the negatively reinforcing relationship between unfavorable outside perceptions of the community, the area’s limited ability to attract new investments, and residents’ low morale. In numerous conversations, residents expressed their opinions that outsiders held extremely negative views of their neighborhoods and the people living there, and that these contributed to a lack of investment in the area as well as low morale among residents.

Often, residents reported, the perception is worse than the reality—especially true, many said, as it relates to crime.

“The perception is that crime is rampant; the reality is that if you stay away from drugs, gangs, and guns your chance of being a victim is minimized,”<sup>21</sup> said the community liaison at the Springfield Police Department. Still, despite a recent drop in crime levels, the perception persists that crime is rampant in the area. In a press conference announcing the drop in crime levels, the Springfield police commissioner conceded, “It is an uphill battle before Springfield is no longer seen as a violent place.”<sup>22</sup>

According to residents, these negative views influence investment in the community. One resident said she believed the value of her property was lower than in other neighborhoods, since fear of crime limited demand for homes in her neighborhood. Another felt that these unfavorable impressions deterred commercial development, since businesses may not want to open in high-poverty, high-crime areas. Residents also noted that outsiders’ negative perceptions contributed to low morale in the community, which in turn leads to a sense that there are limited opportunities for residents and few positive prospects for the future. One interviewee described the negative perception of the neighborhood as the community’s “Achilles heel” in its attempts to address issues related to poverty.

## ■ CONCLUSION

Turning around these negative perceptions and improving morale in Springfield will require civic and political leadership, both of which have been lacking in recent years. The city has endured corruption scandals—the most visible examples of failed leadership—and struggled with administrative, budgetary, and management challenges. For example, as recently as 2004, Springfield lacked an integrated accounting system, didn’t know how many employees were on the city payroll, and kept many of its records by hand in ledger books. This archaic system made accounting for an estimated \$41 million budget deficit especially difficult for city leaders.<sup>23</sup> Ultimately, this lack of government capacity has limited the city’s ability to attract new private investment and to tackle issues such as poor schools and high levels of poverty. Since 2004, however, Springfield has been under the oversight of a state finance control board. The city has also balanced its budget and begun prioritizing projects geared toward revitalizing the local economy and promoting neighborhood redevelopment.

*This case study was prepared by DeAnna Green, senior community affairs analyst, Federal Reserve Bank of Boston.*

## Endnotes

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- 3 In comparison, New Orleans’ rate of concentrated poverty before Hurricane Katrina was 38 percent.
- 4 Springfield city contains 2.3 percent of Massachusetts’ population but 17.3 percent of the state’s Puerto Rican-born population. The case study communities contain 0.3 percent of Massachusetts’ population but 3.4 percent of the state’s Puerto Rican-born population.
- 5 Aimee Munnings, Executive Director of the New England Black Chamber of Commerce, Inc. Personal interview in Springfield, January 18, 2007.
- 6 Paul N. Foster et al., *A Demographic and Economic Analysis of the City of Springfield* (West Springfield: Pioneer Valley Planning Commission, September 2006). Available at [http://www.springfieldcityhall.com/planning/fileadmin/Planning\\_files/Springfield\\_Market\\_Study\\_2006.pdf](http://www.springfieldcityhall.com/planning/fileadmin/Planning_files/Springfield_Market_Study_2006.pdf).
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# Rochester, New York:

the Northern Crescent neighborhoods

## ■ OVERVIEW

Even before World War II, Rochester had established a global reputation as a high-tech city. The home-grown companies of Kodak, Xerox, and Bausch & Lomb had transformed the industrial landscape and social life of the city, creating an image of Rochester as the “smugtown” of upstate New York.<sup>1</sup> Motivated to promote continued success, business leaders and city

administrators drafted successive master plans in the post-war period to meet the demands of population growth, industrial innovation, and a highly mobile citizenry.<sup>2</sup> Several decades later, Rochester’s landscape reflected not only the city’s post-war urban renewal efforts, but also the effects of dramatic changes in the regional, domestic, and international economies, combined with the nation’s social unrest. Economic restructuring and suburbanization had fractured the city’s insular labor market and cut Rochester’s population in half, effectively reversing Rochester’s trajectory in the second half of the 20th century. Once a proud center of innovation, the city of Rochester became increasingly isolated and distressed.

The national economic expansion of the 1990s did not improve Rochester’s economy. Both the city-wide poverty rate and areas of high poverty—defined as tracts with more than 40 percent of the population living in poverty—increased. From 1990 to 2000, Rochester’s poverty rate grew from about 24 percent to 26 percent. At the same time, the city’s areas of high poverty increased from 17 to 19 census tracts, affecting nearly a third of Rochester’s total population. The neighborhoods immediately surrounding downtown were most affected. This case study focuses on the “crescent” area north of downtown, or the Northern Crescent, which comprises four neighborhoods: Upper Falls and Marketview Heights to the east, and Edgerton and Brown Square to the west.

TABLE 1

## Comparison Statistics

		Northern Crescent	Rochester MSA
Poverty Rate	Poverty rate 1970 <sup>a</sup>	20.7	7.5
	Poverty rate 2000 <sup>b</sup>	43.2	10.5
Income	Median household income <sup>c</sup>	\$17,692	\$44,345
Demographics	Population 2000 <sup>d</sup>	27,831	1,037,831
	% Population change, 1970 - 2000 <sup>e</sup>	-44.7	7.9
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	17.4	81.5
	% Hispanic/Latino	26.3	4.5
	% Black/African-American	51.0	10.4
	% Residents under age 18 <sup>g</sup>	38.9	25.6
	% Single-parent households <sup>h</sup>	50.7	10.0
	% Foreign born, 2000 <sup>i</sup>	5.9	5.9
	% Population in same house as five years ago <sup>j</sup>	42.5	58.4
Education	% Adults without a high school diploma, 2000 <sup>k</sup>	44.4	15.7
	% Adults with a college degree, 2000 <sup>l</sup>	5.2	27.7
	% Students proficient in reading, 2005 <sup>m</sup>	39.1	66.9
	% Students proficient in math, 2005 <sup>n</sup>	51.9	74.8
Labor Market	Unemployment rate, 2000 <sup>o</sup>	18.2	5.8
	% Adults in the labor force <sup>p</sup>	54.9	65.9
Housing	Homeownership rate, 2000 <sup>q</sup>	25.2	67.9
	% Renters with a housing cost burden <sup>r</sup>	64.3	45.7
	% Rental units that are HUD subsidized <sup>r</sup>	20.7	11.8
	Median value for owner-occupied units <sup>s</sup>	\$44,821	\$95,506
	Median year structure built <sup>t</sup>	1939	1970
Access to Credit	% Credit files that are thin, 2004 <sup>u</sup>	63.9	23.1
	% Credit files with high credit scores <sup>v</sup>	29.1	68.1
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	58.4	21.1
	Mortgage denial rate, 2005 <sup>x</sup>	46.5	25.1

### ■ BACKGROUND

Situated in the center of upstate New York, Rochester was settled in 1803 as a commercial way station for goods traveling both west and east, and quickly rose to prominence as an economic engine for the region.<sup>3</sup> Its proximity to natural resources—Lake Ontario to the north and fertile lowlands to the south, along with the Genesee River that bisects downtown—served as the catalyst for the development of industries such as agriculture, transportation, and eventually manufacturing.

Attracted by job opportunities in Rochester, native-born groups and European immigrants flocked to the city at the turn of the century. By 1920, more than half of the population in the six-county metropolitan area resided in Rochester.<sup>4</sup> Residential neighborhoods were organized in concentric patterns around industrial corridors to meet increased housing demand and allow for easy commuting to employers.<sup>5</sup>

Neighborhood boundaries were marked both physically, by the man-made infrastructure being assembled to meet the needs of a growing city, and socially, by the



ethnic and cultural traditions of its arriving residents. The Northern Crescent neighborhoods are the oldest settlements in the city; located directly north of downtown and straddling the Genesee River, these neighborhoods today are divided into east and west sections.<sup>6</sup>

Northern Crescent residents continue to represent a higher proportion of minorities and immigrants than in Rochester overall. One out of two residents is African American, compared to one out of three of the city's population. The east and west sections of the crescent have distinct demographics as well: in the east, 60 percent of residents are African American and 30 percent are Hispanic, compared to 36 percent African American and nearly 20 percent Hispanic in the west. These differences reflect immigration patterns in the different neighborhoods: In the eastern section of the Northern Crescent, immigrants have overwhelmingly arrived from Latin America, while in the western section, immigrants' countries of origins are Asian and African.

Northern Crescent residents are younger than residents in the city overall and are more likely to be part of non-traditional households. Nearly 40 percent of residents in the Northern Crescent are under 18 years old compared to just over 25 percent in the Rochester MSA. (See Table 1) About 51 percent of the households in the Northern Crescent are headed by single parents, compared to just 10 percent in the MSA.

Northern Crescent residents also earn well below what those in surrounding communities earn. The median

household income was just \$17,692, substantially lower than the \$44,345 household income in the Rochester MSA.

City-wide, from just 2000 to 2004, there has been an overall loss in jobs and establishments.<sup>7</sup> This economic restructuring has disproportionately affected the manufacturing industry, which had already experienced a steep decline in previous decades, from 38 percent of all jobs in 1970 to 18 percent in 2000. This 30-year time period also saw the share of Rochester's service-sector jobs increase.<sup>8</sup> Kodak, once the city's largest employer, has been supplanted by the University of Rochester, which directly employs more workers than Kodak and spends an estimated \$145 million on local goods and services.<sup>9</sup>

Greater insecurity in employment, low wages, and a skills mismatch were chief among the concerns reported by residents in the Northern Crescent as well as by employers. A recent report issued by the Workforce Investment Board and Rochester Works identifies key workforce trends as the high rates of underemployment, the aging population, and a shortage of jobs for technically skilled workers.<sup>10</sup> Overall, the area's earnings are 27 percent below the state average, with professional, scientific, and technical workers earning less than three-fourths of the state average in these occupations.<sup>11</sup> Northern Crescent residents are particularly ill-equipped to meet the changing higher skill requirements, since almost 45 percent lack even a high school diploma.

Nearly 55 percent of the case study area's adult population participates in the workforce, though many residents are engaged in low-wage work. Some residents reported engaging in temporary or underground arrangements to make ends meet, despite the higher associated risks and unreliability of such jobs. Unemployment and the cyclical nature of temporary work have meant increased reliance on public and private sources of support. From 2004 to 2005, a community assessment report found an increased use of emergency shelters and emergency meal providers.<sup>12</sup>

The boulevards of Rochester's neighborhoods at one time featured vibrant business districts with bakeries, restaurants, and local specialty shops. Today, many of Northern Crescent's neighborhood businesses struggle to stay afloat, relying mostly on residents' purchases. In fact, the city has designated the commercial districts in the Northern Crescent as "not currently viable." According to local business owners, lack of on-street parking, fear of crime in the area, and the low wealth of residents are among the chief challenges to attracting new investment in these business districts.<sup>13</sup>

In the Northern Crescent's west section, Kodak and its subcontracting entities continue to provide lunch-time customers for local businesses and an incentive for large businesses to locate on the road leading to the suburbs. In 2006, however, that area lost one of its major grocery stores because of concerns about rising crime and declining profits. The east section had been without a grocery store for many years, until a grassroots campaign in the late 1990s was able to attract a major retail outlet to the area. Apart from this small suburban complex, the eastern business corridors are dominated by ethnic retail shops and corner stores.

Residents also report that crime is a serious concern. Several pointed to a link between criminal activity and abandoned commercial and residential properties, some of which have been taken over by drug dealers for trafficking. The threat perceived by residents is serious: Violent crimes, while representing only 7 percent of the criminal activity in these neighborhoods, increased 18 percent from 2002 to 2006.<sup>14</sup> Community stakeholders reported that violence had diminished their engagement in the neighborhood, making them more reluctant to spend time on their porches and more concerned about traveling through the neighborhood to accomplish basic tasks.

Health is worse for residents in the Northern Crescent neighborhoods than the city as a whole. Obesity, for example, is higher among city residents (25 percent) than their suburban counterparts (19 percent).<sup>15</sup> Health-care providers and parents working in crescent neighborhoods reported that their children were even more likely to be overweight, which they attributed to a lack of both physical activity and access to healthy foods.<sup>16</sup> Asthma rates in these neighborhoods are also higher than in the city as a whole, a consequence perhaps of the case study area's proximity to industrial areas and expressways. Finally, the age of the housing stock combined with a lack of investment contributes to higher lead poisoning among children in these areas. Nearly a third of children in these neighborhoods had elevated levels of lead in their bloodstreams.<sup>17</sup> Poor health not only affects children's ability to learn, but also poses significant costs to the household.

Education is also an issue for residents of the Northern Crescent, whose neighborhood schools have not performed well.<sup>18</sup> In one elementary school, almost two-thirds of its third graders failed to meet the English language arts standard, while just 32 percent of students met the math learning standard.<sup>19</sup> Students in the nearby



Rochester's Northern Crescent neighborhoods are dotted with vacant and abandoned homes, which can depress neighboring property values and attract unwelcome criminal activity.

local high school also performed below test standards in the same year. Only 4 percent of students tested passed the Regents exam for mathematics. The primary reason cited for poor performance in schools is the high proportion of the city schools' student body living in poverty.<sup>20</sup>

Keeping kids in school is another challenge. In one neighborhood elementary school, 17 percent of the student body had been suspended at one point during the 2005–2006 academic year. The local high school reports an annual dropout rate of 25 percent.<sup>21</sup> Historically, residents of Rochester have been able to find a well-paying job in the factory; today's graduates of area schools no longer have the same opportunities.

Housing in the Northern Crescent neighborhoods is mostly rental and often temporary. The stock is more likely to be vacant, old, and in generally poor condition compared with the total stock available in the city.<sup>22</sup> According to HUD, seven out of 10 low- and moderate-income households in these areas live in housing that has at least one of the following problems: lack of complete plumbing or kitchen facilities, overcrowding, or a cost burden greater than 30 percent of their monthly income.<sup>23</sup>

The decline in the city population reduced the demand for existing housing stock. As mentioned above, vacant and abandoned buildings are perceived as magnets for crime by residents and city officials.<sup>24</sup> John, a former Kodak employee, attributed the two break-ins at his house over a six-month period to the lack of neighbors created by vacancies.<sup>25</sup> Denise, a senior homeowner, expressed fear of empty houses next to

her property. “You don’t know when somebody is going to camp in there,” she lamented, “and do something or start a fire.”<sup>26</sup> The city has acquired a significant amount of these properties for demolition.<sup>27</sup>

Homeownership, long an avenue for wealth accumulation for families, is proving less viable for many Northern Crescent families. Low property values have reduced owners’ incentives to invest in upkeep and have prompted concerns about the value of their original investment.<sup>28</sup> In 2006, the average assessed value for residential properties in the case study neighborhoods was below \$33,432.<sup>29</sup> Across the MSA, about 14 percent of the total loan applications were for home improvement and less than 1 percent of these loans were made in the Northern Crescent.<sup>30</sup> Ray, a resident of the case study area’s west section, recently bought a house across the street from his mother’s for \$11,000. He paid just \$1,000 more than what his mother paid for her house in 1959.

## ■ ISSUES TO CONSIDER

Interviews with Northern Crescent residents and community leaders raised three issues that are key to understanding the effects of poverty on residents in these once-vibrant neighborhoods of Rochester. They include managing and leveraging financial resources, high rates of mobility, and connecting institutions to communities and residents.

### Managing and Leveraging Financial Resources

While Crescent neighborhood residents have access to banks and credit unions in addition to alternative credit providers, physical proximity to mainstream financial institutions is not sufficient to engage residents. Instead, residents appear to make decisions about using specific financial services based on convenience, cost, and utility. In interviews, Northern Crescent residents revealed a variety of experiences with mainstream financial institutions, ranging from having a relationship with a bank, to having had a banking relationship at one time, to never having had a relationship with a bank. Also, the large proportion of residents with no credit scores evidences their lack of engagement in the financial mainstream.<sup>31</sup> As of 2004, almost two-thirds of credit files in the Northern Crescent neighborhoods had too little credit history to receive a credit score.<sup>32</sup>

The high value many residents place on flexibility combined with typically tight household budgets can

lead to paying higher prices for goods and services. For example, Juanita, a young, single mother of three daughters, uses a rent-to-own store to purchase household goods. By her calculation, the cost of renting a laundry unit (\$15 per week over two years) seemed a better deal than the cost of using coin-operated Laundromats located in a neighborhood two bus rides away (\$18 per week in addition to travel time).<sup>33</sup> On a weekly basis this calculation presents a savings; however, the cost of renting a washer-dryer unit over two years (\$1,560) when compared to its retail price (\$899) suggests that she would be better off buying a unit.<sup>34</sup>

Since many residents seem to have an immediate need for cash, they often rely on certain forms of credit to meet that need. Refund anticipation loans (RALs), for example, are loans provided by commercial tax preparers based on the refund expected. Not surprisingly, RALs are more likely to be used in Rochester’s areas of poverty. (See Figure 1) Anna, a Northern Crescent resident, reported that this type of loan offered a quick way to get her money despite its fee of approximately 6 percent of her return. Anna used the RAL this year “to catch up on some bills,” despite its costing her \$242 to prepare and process the loan. Andy, a divorced father of two, used RALs two years in a row to pay past-due bills and to buy a car because he could not wait for the refund itself.<sup>35</sup>

A new market-led initiative under way at Progressive Federal Credit Union seeks to address credit problems for residents and provide affordable alternatives to high-priced loans. The CASH Coalition, a free Earned Income Tax Credit tax preparation campaign in Rochester, has engaged public and private institutions to help provide banking products to underserved clients at tax time and to encourage savings.<sup>36</sup>

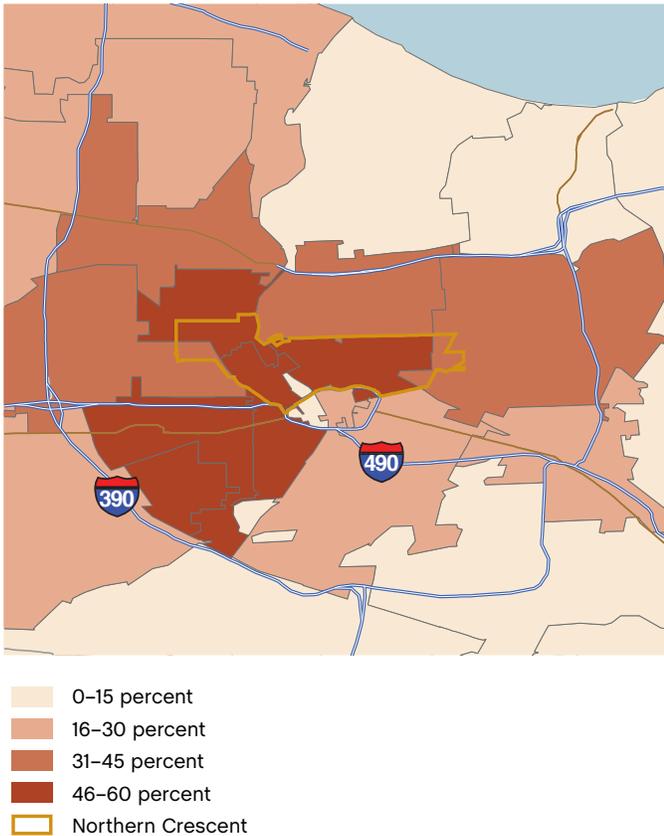
### High Rates of Mobility

Residents and stakeholders interviewed for the case study reported that it was common for residents to move frequently.<sup>37</sup> According to the 2000 census, 54 percent of residents age five or older in the east section and 63 percent in the west section had moved in the past five years. Nearly half of those moving into these areas came from other areas of the county. However, these statistics do not fully capture the nature of mobility described in interviews.

Student stability is measured by the Rochester City School District in an effort to monitor the transience of the student body. The student stability statistic measures

FIGURE 1

## Earned Income Tax Credit claims that include a Refund Anticipation Loan, by Zip code, 2004



SOURCE: 2004 Earned Income Tax Credit (EITC) data available at <http://www.brookings.edu/metro/EITC/EITC-Data.aspx>

the number of the same students that remained in school for one academic year out of those that had enrolled by October.<sup>38</sup> In the case study area, student stability rates range from a low of 86 percent in the east to a high of 97 percent in the west.<sup>39</sup> Based on this statistic, over a five-year period, the east neighborhood school would experience a 70 percent change in its student body and the west school a 15 percent change if mobility remained constant. Reports from Head Start providers and health promoters working with families suggest that nearly half of their clients move quarterly.

Residents noted that they often move to a house on the same street or in the same neighborhood.<sup>40</sup> Some residents reported that financial constraints and the local support network of family encouraged them to stay in the neighborhood. Jennifer, for example, would incur additional costs if she moved too far away from her mother, who provides day care to her daughters while she is at

work.<sup>41</sup> Section 8 vouchers, designed primarily to increase access to units in the private market, are also designed to reduce the concentration of poor families in particular neighborhoods and public housing projects. Voucher use in Rochester, however, suggests that given financial support to move, residents tend to remain within areas of concentrated poverty where rental units are more likely to be available.<sup>42</sup> Of the 17,573 tenants using Section 8 vouchers, 60 percent live in the city of Rochester.<sup>43</sup>

Moving can pose challenges in providing and receiving services.<sup>44</sup> One bank branch manager said that following up and communicating with customers regarding their finances was difficult because of frequent changes in address. Moving can also have an impact on household finances, with the loss of security deposits and the incurring of additional charges to set up new utilities.

### Connecting Institutions to Communities and Residents

Community building has long been an important part of local philanthropy and activism, exemplified by residents George Eastman and Frederick Douglass.<sup>45</sup> Today, Rochester has a vibrant community development sector focused on realigning the physical infrastructure with the changing local economy.<sup>46</sup> The Rochester Community Development Collaborative joined with five foundations to provide technical assistance, operating support, and project funding for housing and economic development projects within the city of Rochester. Between August 2000 and December 2004, \$1.25 million was invested in city projects.

According to an evaluation report conducted by the Enterprise Foundation on behalf of the Rochester Community Development Collaborative in June 2005, organizational capacity for addressing neighborhood issues has improved. The Rochester Development Housing Fund was established by the Enterprise Foundation to facilitate the use of the Asset Control Area Program of the Department of Housing and Urban Development. This fund seeks to buy vacant houses, renovate them, and resell them at affordable prices to low- and moderate-income households. The program has acquired and rehabilitated 267 homes, of which 202 were sold to first-time buyers.<sup>47</sup>

Despite evidence that community developers have an increasingly high level of capacity to put together successful deals, challenges in leadership succession and institutional cooperation remain. Right now, a highly

professional community development leadership exists, as well as an older grassroots leadership on the verge of retirement. While these practitioners address similar issues, they do so along parallel lines, collaborating occasionally and on an ad hoc basis. People- and place-based approaches to community development issues are also developed in isolation. Capacity at both traditional community development corporations and poverty-alleviation organizations is highly developed, but requires coordination and leadership to define a vision and direction for effective implementation and targeted improvements.<sup>48</sup>

## ■ CONCLUSION

Despite its challenges, these neighborhoods have important assets that contrast with traditional depictions of areas of concentrated poverty. First, there is strong neighborhood leadership that has developed with the support of city government and private organizations. The Neighbors Building Neighborhoods (NBN) initiative, which began in 1996, has been the main vehicle for encouraging strategic citizen participation in neighborhood revitalization. In recognition of the interdependent and interrelated nature of Rochester's neighborhoods, NBN has worked with sectors, or groups of neighborhoods, to provide technical assistance in creating a community vision and work plan. In the process, informal social networks and neighborhood relationships have been leveraged to propose projects and seek funding from foundations and community development organizations.

Second, the county has partnered with local community colleges and employers to provide relevant job training and development in the region's key growth industries. WIRED (Workforce Innovation in Regional Economic Development), the Finger Lakes regional workforce initiative, includes support for scholarships and apprenticeships to address shortages of skilled workers in these industries.<sup>49</sup>

Third, these Northern Crescent neighborhoods feature a number of notable assets that could serve as anchors for development, including the Public Market, several parks designed by Frederick Law Olmsted, and PAETAC Park soccer stadium.<sup>50</sup> These neighborhoods also provide their residents with proximity to civic assets such as libraries, community services, healthcare facilities, businesses, and financial institutions. Leaders and residents alike are exploring the ways that each of these assets can be leveraged to promote greater vitality and well-being in these neighborhoods.

One leader reported, however, that despite their best efforts as a community, they were "running to stand still." Reaching beyond the crescent neighborhoods to the city and county may provide positive regional connections for promoting economic growth and opportunity.

*This case study was prepared by Alexandra Forter Sirota, community affairs analyst, and Yazmin Osaki, assistant economist, both formerly of the Federal Reserve Bank of New York.*

## Endnotes

- 1 The term "smudgetown" comes from the social history of Rochester by G. Curtis Gerling, *Smudgetown USA* (Webster, NY: Plaza Publishers, 1957).
- 2 Blake McKelvey, *Rochester: A Brief History* (Lewiston, NY: The Edwin Mellen Press, 1984). Blake McKelvey, *Rochester: An Emerging Metropolis, 1925–1961* (Rochester: Christopher Press, 1961).
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- 12 Action for a Better Community, "Community Assessment 2007." Internal document provided to case study authors by Planning & Evaluation Department, Action for a Better Community.
- 13 S. Lee, "Neighborhood Commercial Development: Commercial District Revitalization Initiatives, Fiscal Year 2004–2005," City of Rochester Neighborhood Commercial Development Team, June 2005. Interviews with city of Rochester Economic Development Department and business owners on Lake and Hudson avenues.
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- 16 Interviews with community stakeholders.
- 17 Monroe County Department of Health, May 2002.
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- 20 *Paytner v. New York*, 2003. New York Court of Appeals.
- 21 New York State Department of Education, School Report Card for Dr. Freddie Thomas High School, 2005–2006. See <https://www.nystart.gov/publicweb/> (accessed September 27, 2007).
- 22 Block conditions for Edgerton and Brown Square from Bob Breglio, “Analysis of Housing Condition and Other Factors in Sector 3 of Rochester, NY,” Neighborhood Preservation Coalition of New York State, Inc. Block conditions for Marketview Heights from Community Planning Collaborative, “Marketview Heights Neighborhood Revitalization Strategy: Making Change Happen.”
- 23 Department of Housing and Urban Development, Consolidated Housing Authority Strategy. 66.8 percent of households earning 80 percent or less than the median household income had at least one problem with a house in Upper Falls and Marketview Heights, while 63.02 percent of households earning 80 percent or less than the median household income had at least one problem with a house in Edgerton and Brown Square (CHAS 2006). Cost burden is defined by a household spending 30 percent or more of its monthly income on housing costs, which include utility payments (HMDA).
- 24 Vacant buildings represent 21 percent and 18 percent of the housing stock in the east and west areas, respectively.
- 25 “I have no neighbors....I’ve got houses on either side of me [but] the one house is empty.” Interview with John, March 21, 2007. Similar stories were shared by other residents.
- 26 Interview with resident (Denise), March 8, 2007.
- 27 Tony Favro, May 7, 2006. U.S. cities use demolition as a planning tool, but results are often problematic. Available at [http://www.citymayors.com/development/demolition\\_usa.html](http://www.citymayors.com/development/demolition_usa.html).
- 28 One homeowner and social-service professional in the Upper Falls neighborhood said that he would not invest in his house because it had depreciated in value so much that it was not worth half of what his family paid for it in the 1950s.
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- 30 Home Mortgage Disclosure Act data (2005). Number of home loan applications by loan purpose. Home mortgage lending by demographic group was analyzed in Barbara Van Kerkhove, “There’s No Place Like Home: Access to Home Mortgages in the Rochester Area in 2004” (Rochester, NY: Empire Justice Center, January 2006) and Barbara Van Kerkhove, “The Homeowners Insurance Gap: How Race and Neighborhood Composition Explain Cost and Access Disparities in Rochester and Monroe County, NY” (Rochester, NY: Empire Justice Center, May 2005).
- 31 Data on credit scores provided by the Federal Reserve Board, based on a 10 percent sample drawn in December 2004 from a major credit bureau.
- 32 In the east section of the Northern Crescent, 63 percent of the credit files are “thin,” while in the west section, 66 percent are “thin” files.
- 33 Interview with Mary (resident), February 27, 2007.
- 34 The retail price of the washer/dryer unit was taken from the Sears catalog.
- 35 Interview with Andy Pearl, March 21, 2007.
- 36 Progressive Federal Credit Union and M&T Bank have developed a curriculum to provide credit counseling and to introduce underserved clients to appropriate banking products.
- 37 Interviews with community stakeholders.
- 38 Student stability rates are defined as the number of students attending the same school all year divided by the total enrollment at the end of October, according to the Basic Educational Data System.
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- 41 Interview with Jennifer Hudson, March 8, 2007.
- 42 Interview with Rochester Housing Authority.
- 43 Vicki Brown, Rochester Housing Authority: Tenant Profile, Center for Governmental Research, May 2007.
- 44 Comments shared during brainstorming session on mobility with Rochester Advisory Group, March 2007.
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- 47 Jennifer Blake, “Innovations in Community Development: Rochester Housing Development Fund Corporation: Renovating Houses and Rebuilding Lives” (Columbia, MD: Enterprise Community Partners, Inc., 2006).
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# Holmes County, Mississippi

## ■ OVERVIEW

The sprawling Mississippi Delta is a place defined by its contrasts—literary giants and uneducated masses, abundant land and a meager economy, and, in particular, immense wealth and extreme poverty. Kenneth Dean, executive director of the Mississippi Council on Human Relations, described a typical poor Delta family of the 1960s as being “actually too poor to

participate in a poverty program.” These families were characteristically large, female-headed households that struggled to get by, often on subsistence diets and in homes lacking insulation, refrigeration, and indoor plumbing.<sup>1</sup> This was life in the Delta.

These days, life in this region is not much different. Holmes County, Mississippi, situated in the center of the state and in the midst of the Delta, is the specific area that was researched for this case study report. With a 2000 poverty rate of more than 41 percent, Holmes County is both geographically and economically isolated.<sup>2</sup> In some ways, time there has stood still. Beverly Brown of the Holmes County Health Department relayed

the story of a 23-year-old woman with three children who lives in a trailer with no running water or refrigerator, yet pays rent that is 45 percent of her monthly income. Local business owner Zelpha Whatley, who departed Holmes County for Illinois in 1968, noted, “When I left, the courthouse clock wasn’t working, and when I came back 30 years later, it still wasn’t working.”

## ■ BACKGROUND

Historically, the Mississippi Delta was a source of agricultural bounty. Spanning seven states, the lower Delta contains a broad, nutrient-rich alluvial plain situated between the Mississippi and Yazoo Rivers in the state of

TABLE 1

## Comparison Statistics

		Holmes County	Mississippi non-metro
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	62.2	NA
	Poverty rate 2000 <sup>b</sup>	41.1	22.8
<b>Income</b>	Median household income <sup>c</sup>	\$17,235	\$27,921
<b>Demographics</b>	Population 2000 <sup>d</sup>	21,609	1,628,497
	% Population change, 1970 - 2000 <sup>e</sup>	-6.5	14.1
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	20.2	58.2
	% Hispanic/Latino	0.7	1.3
	% Black/African-American	78.2	39.1
	% Residents under age 18 <sup>g</sup>	32.1	27.3
	% Single-parent households <sup>h</sup>	28.6	12.5
	% Foreign born, 2000 <sup>i</sup>	0.3	1.1
	% Population in same house as five years ago <sup>j</sup>	68.9	21.7
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	40.3	31.5
	% Adults with a college degree, 2000 <sup>l</sup>	11.2	14.2
	% Students proficient in reading, 2005 <sup>m</sup>	60.9	74.5
	% Students proficient in math, 2005 <sup>n</sup>	55.8	74.4
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	17.3	8.1
	% Adults in the labor force <sup>p</sup>	49.0	56.4
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	73.3	73.4
	% Renters with a housing cost burden <sup>r</sup>	41.6	40.7
	Median value for owner-occupied units <sup>s</sup>	\$44,900	\$61,196
	Median year structure built <sup>t</sup>	1974	1977
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	22.0	26.3
	% Credit files with high credit scores <sup>v</sup>	33.9	41.0
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	41.3	40.6
	Mortgage denial rate, 2005 <sup>x</sup>	35.2	26.6

Mississippi. For generations Deltans experienced life in “a cotton-intoxicated area” where “cotton-growing was a secular religion.”<sup>3</sup> Rupert Vance described the Delta of the 1930s as “the cotton-obsessed, Negro-obsessed Delta, the deepest South.”<sup>4</sup> The Delta’s plantation-based economy led Vance to observe that “nowhere are antebellum conditions so nearly preserved than in the Yazoo Delta.”<sup>5</sup>

Two social scientists who studied and recorded life in the Delta of the 1930s observed that the anachronistic, contradictory, and complex social system there was linked inextricably to the Delta’s plantation-based economy. John Dollard and Hortense Powdermaker documented

numerous examples of the economic advantages offered whites by the existing caste system.<sup>6</sup> Share-cropping, for instance, was the preferred arrangement that supplied white land owners with black farm laborers in exchange for a share of the crop. Yet one black woman in her fifties told Powdermaker that in 36 years of farming, she and her husband had only cleared money six times. Many planters ran commissaries for their workers and advanced groceries and needed supplies to them, often at an interest rate of 20 to 25 percent. White planters rationalized this practice by asserting that the only hope of getting blacks to work was to keep them in debt or at a subsistence level. Wrote Powdermaker, “[The] rules on



which the sharecropping system was based were broken more often than followed.<sup>7</sup>

However, as Delta planters increasingly utilized mechanization and federal farm programs, the need for cheap farm labor diminished. The Delta's rural farm population decreased by 54 percent between 1950 and 1960.<sup>8</sup> While cotton continued to reign, the Delta's plantation-based economy changed.

In 1990, journalist Rheta Grimsley Johnson described the Delta as “the only place left in America with bona fide shacks and mansions side by side with not enough middle class to blunt the disparity.” Efforts to cultivate industry and local businesses met with little success, with one local leader observing that “people on Wall Street see more attractive investments in Venezuela than in the Mississippi Delta.”<sup>9</sup> Today, the Delta struggles to find its place in the modern economy.

Like other Delta communities, Holmes County has followed a path of economic decline. Agriculture was predominant until about 30 years ago, and despite the presence of several major employers in Holmes County, including University Hospital & Clinics, several mobile home and modular housing manufacturers, as well as suppliers to the automotive industry, the county has lost many jobs over the past few decades—and continues to do so. For example, manufacturing employment in Holmes County fell from 1,021 in 1980 to 624 in 2004.<sup>10</sup>

Overall, private nonfarm employment in Holmes County decreased by 14 percent from 2000 to 2005, according to the Delta Council's 2006 Economic Progress Report.<sup>11</sup>

Unemployment and household income figures in the county reflect this trend. Unemployment in 2000 stood at 17 percent, and in one area of the county this rate approached 31 percent. In comparison, peer counties in Mississippi had a 14 percent unemployment rate. The median family income in Holmes County in 2000 was \$21,757—the lowest of the state's 18 Delta counties. By 2004, this figure had improved to \$27,304, but this only bumped Holmes to second-lowest in this ranking.<sup>12</sup> Holmes County is thus one of the poorest counties in one of the poorest regions in the United States.

### ■ ISSUES TO CONSIDER

Holmes County's leaders and residents noted three dominant issues that are key to understanding the concentration of poverty in the area. First is the dual problem of lack of jobs and lack of skilled workers, which in tandem contributes to a stagnant local economy. Second, the historical legacy of the Delta has created a weak foundation upon which to build a modern economy. Third, leadership at all levels is inadequate for addressing the most pressing issues that face the community and its residents. Finally, a myriad of other challenges—including a two-tiered educational system, inadequate housing, and poor health—serve as additional barriers to residents of this impoverished area improving their lives.

#### **Lack of Jobs and Skilled Workers**

In interviews many local residents noted the economic growth taking place in other areas of the Delta, including the Nissan manufacturing plant in nearby Canton. Holmes County, on the other hand, has not been able to capitalize on such opportunities; in fact, while some Holmes County residents have been able to find work at the Nissan plant in Canton, most of the plant's management and many of its workers are from outside the region. Many who applied were not even able to get into the training program offered by the plant.<sup>13</sup> Community advocates also noted that only one Nissan supplier has located in Holmes County.<sup>14</sup> Several community leaders noted that the county is well-positioned geographically to take advantage of the growth of the Jackson metro area to the south, with its location along Interstate 55. But to do so, said one, “The county must change its

image and the perception of it to take advantage of this window of opportunity, or the growth [will] bypass it.”<sup>15</sup>

More troubling for community leaders is the county’s lack of a comprehensive economic development plan. They point to an industrial park created more than eight years ago without an accompanying specific strategy to attract businesses there; the park, at present, sits empty.<sup>16</sup> Many noted the need for greater collaboration. Said one, “[We] can’t get enough people to work together to create jobs.”<sup>17</sup>

In addition, skills have not been adequately developed in the local workforce. One well-respected community leader said that young people reach the age of 21 without ever having really worked and lacking the skills necessary to sustain themselves, which makes it hard for the county to attract industry.<sup>18</sup> Dr. Martha Davis of the Mallory Health Clinic echoes this sentiment. She has seen people who come to the clinic looking for work not knowing what job they want or what skills they have to offer. While technical training programs are offered at Holmes Community College for fields such as welding and licensed practical nursing, those students who are able to take advantage of these programs struggle; typically, only about half of those who start such programs complete them.<sup>19</sup> Those who do complete training programs may have trouble getting connected to a job, perhaps due in part, noted several leaders, to the focus of some training programs on the number of people completing training, rather than on job placement.<sup>20</sup>

Minimum-wage jobs, then, are the norm in Holmes County. Many residents catch the “poultry bus” to chicken processing plants in Morton and Carthage, MS for night-shift jobs that pay on average \$7 to \$8 per hour.<sup>21</sup> Others simply don’t enter the workforce. “We’ve had 2 or 3 generations born into this situation where neither parent had a job,” said one community advocate. “The social net of the 1960s and 1970s created a lack of respect for working and earning what you need.”<sup>22</sup> One local resident observed, “It’s a cycle. If your parents are just sitting around watching soap operas, then that’s all you know.”<sup>23</sup>

### The Historical Legacy of a Two-Tiered Economy

The historical legacy of the Delta’s extremes, which still echoes today in Holmes County, provides a poor foundation on which to build a modern economy. In 1949, political scientist V.O. Key observed that “in the agrarian economy of the Mississippi sort, no great middle class—

not even an agrarian middle class—dulls the abruptness of the line between lord and serf.”<sup>24</sup> Not much has changed in the 21<sup>st</sup> century. Consider a recent *Washington Post* article that reported that the nation’s current farm policy has “helped preserve a two-tiered economy and a widening chasm between the races, according to local residents, government officials and researchers.”<sup>25</sup>

Federal farm policy often rewards land owners with bigger farms, and these land owners tend to be white. Of the \$1.2 billion the federal government spent on agricultural subsidies from 2001 to 2005, only 5 percent went to black farmers and 95 percent went to large, commercial farms that are overwhelmingly owned by white farmers.<sup>26</sup> The contrast is also great between funds that the Agriculture Department awards for subsidies in the Delta versus funds that are allocated to rural development programs for housing, business development, and infrastructure. From 2001 to 2005, approximately \$1.18 billion went to farm subsidies in the Delta, while just \$54.8 million went to rural development programs in Delta communities.<sup>27</sup>

Even the new industries that are slowly replacing agriculture contribute to a two-tiered wage structure. The catfish industry, for instance, provided many jobs in the 1990s; however, wages were so low that even full-time employment did not raise workers above the poverty line. One large Delta catfish plant paid an average wage in 1990 that was more than \$4,400 below the poverty-level income for a single parent with three children, though its personnel department did help employees apply for public assistance.<sup>28</sup>

This two-tiered economy lacks a viable middle class, hindering cooperative efforts and the growth of community institutions that could aid progress. The planter economy that dominated the Delta’s social and economic landscape for much of the past 100 years did not have a need for a middle class; not surprisingly, one has never thrived there.<sup>29</sup> Because of that lack of a middle class in Holmes County, many community leaders see “too great of a divide” between whites and blacks.<sup>30</sup> This divide perpetuates the community’s “plantation mentality,” where power continues to rest in the hands of a few, creating a culture of dependence for the rest.<sup>31</sup> At least one community stakeholder feels that race relations have improved somewhat. “I’ve seen where we’ve come from and we’re better,” he said, though “we’re still not where we need to be.”<sup>32</sup>

A recurring theme in Holmes County is that this two-tiered economy is mirrored in social structures and organizations, forestalling the development of trust that



The Mississippi Delta has been described as a land of great contrasts, among them the significant wealth of some residents and extreme poverty of others.

is needed in order for residents to coordinate and cooperate. “People live this way because they are used to it,” said one community advocate, “and there is not a vision of a different way.”<sup>33</sup> Many local residents and community leaders noted that there were few organizations or vehicles for bringing the entire community together and even fewer opportunities for young people.<sup>34</sup> “We must come together for the development of the community,” explained Robert Clark, “but to do that we must be shown a different way of working together.”<sup>35</sup>

### Leadership, Organizational Capacity, and Trust

The two-tiered structure that permeates the area and creates a climate of distrust also deters leaders and organizations from fostering cooperation and addressing key issues. Local residents and leaders talked about the lack of collaboration in the county. One echoed many others in citing a lack of collaboration among the county’s seven municipalities, with each town “doing its own thing.”<sup>36</sup> A few social services providers talked about the need for better coordination or even a one-stop center for services for low-income residents.<sup>37</sup>

Disparities in funding contribute to the climate of distrust. Many community leaders expressed that Holmes County does not get its fair share of available state funding. “With Holmes County being at the bottom, you would think money and programs would be coming in,” commented Calvin Head of the West Holmes Community Development Corporation, “but it seems that Holmes has

been forgotten.”<sup>38</sup> According to several local leaders, state funding for programs in Holmes County was not enough to meet the county’s needs.<sup>39</sup> One said that the state paid lip service to the Delta but “their attention is on the coast.”<sup>40</sup> According to one regional leader, Holmes County was part of an Empowerment Zone in the Delta, comprising a larger part of the zone geographically but receiving less of the actual funding.<sup>41</sup> Two leaders of state agencies offered a different perspective, pointing out that state funding has been directed to Holmes County projects, but that capacity of organizations there has not been sufficiently developed.<sup>42</sup>

Another issue is the lack of expertise among—and a general shortage of—local organizations. One nonprofit leader acknowledged that “Holmes could get more, but people don’t want to put forth the effort. And with limited staff and all you have to do, it’s hard.”<sup>43</sup> Local organizations may not be fully aware of funding and assistance programs that are available. In addition, many programs now have greater paperwork requirements, and some organizations either lack the expertise to fill out the paperwork or else see more costs than benefits in completing the necessary forms and documents.<sup>44</sup> And the county simply lacks nonprofits, a deficiency pointed out by several representatives of state agencies and intermediaries who were interviewed for this report.<sup>45</sup>

The lack of planning and vision for the community has a significant impact on the capacity levels and outlook of residents. One local leader observed, “The resources are out there but we are not ready. We have not come together to say what we want and to come up with a plan.”<sup>46</sup> Other community leaders talked about the tendency in the county to discuss problems but not to develop solutions,<sup>47</sup> while several business and government leaders noted the desire to maintain the status quo.<sup>48</sup> Several residents pointed to the complete change in elected leadership racially from 30 or 40 years ago alongside the county’s overall lack of progress.<sup>49</sup> One local resident talked about becoming dispirited, explaining that she and others “would participate in stuff then nothing comes of it. It turns me off.” Still another resident said the “apathy here is overwhelming.”<sup>50</sup>

### Education, Housing, and Health

Struggling local school systems and low levels of educational attainment also pose challenges for economic development in Holmes. Holmes County schools

were under state control for a year after failing to meet 44 accreditation standards. According to the 2001 State Report Card for Holmes County Schools, students lagged behind the state standards for reading and math proficiency and exceeded the state average high school dropout rate.<sup>51</sup> Many community leaders pointed out the continued racial duality in educating the county's youth, with a public school system that is 100 percent African American and a local private school that is predominantly white.<sup>52</sup> Of Holmes County's population age 25 and older just 60 percent has earned a high school diploma, and only 11 percent a bachelor's degree.<sup>53</sup>

Inadequate housing conditions also pose a challenge for Holmes County. Holmes County has a higher percentage of low-income homeowners who live in a home with a major issue, such as lack of complete plumbing facilities, than peer Mississippi counties.<sup>54</sup> Many community leaders spoke of residents without running water or electricity.<sup>55</sup> A regional housing official noted that approximately half of the owner-occupied units in the county are in poor condition, yet there is really no one addressing the housing quality needs.<sup>56</sup> In addition, several social services providers noted that many residents are burdened by the cost of shelter, and that large numbers of local residents live with parents or other relatives "because they can't afford their own housing or it's not available in their price range."<sup>57</sup>

In addition, health conditions are grim in Mississippi in general, and in the Delta and Holmes County in particular. The State of Mississippi sees high infant mortality rates and has the highest obesity rate in the country.<sup>58</sup> In the Delta, the incidence of chronic conditions such as heart disease and high blood pressure exceeds the national average. Holmes County is among the top 10 counties in Mississippi for stroke mortality rates<sup>59</sup> and also has one of the highest teen pregnancy rates in the state.<sup>60</sup>

In Holmes County, some comprehensive efforts are under way to change conditions and improve lives. One such effort is spearheaded by the West Holmes Community Development Corporation (CDC), which just completed the second year of a broad, integrative program to address the challenges of sustainable agriculture, youth employment and skills development, and health and nutrition concerns for the elderly. First, the CDC got several local farmers to agree to set aside some acreage for the production of fresh produce. Local youth working in a CDC program were then trained to cultivate and reap the produce, tasks for which they earned a stipend. The

CDC arranged for this harvested produce to be eligible for the Women, Infants and Children (WIC) vouchers used by seniors and low-income residents. A produce market set up in front of the local WIC warehouse made access to this fresh produce easier for WIC recipients, and also afforded the youth involved in the program to sell the produce directly to the public.<sup>61</sup>

## ■ CONCLUSION

The Mississippi Delta is indeed a land of contrasts. A 1990 report by the Lower Mississippi Delta Development Commission described the region as a place where "jobs are scarce and job skills training almost unknown; where infant mortality rates rival those in the Third World; where dropping out of school and teenage pregnancy are commonplace; where capital for small farmers and small businesses is severely limited; where good housing and health care are unattainable for many...[and] where illiteracy reigns as a supreme piece of irony: the region has produced some of the best writers and the worst readers in America."<sup>62</sup>

But change is afoot. One regional effort to promote change and growth in the Delta is the Special Task Force for the Revitalization of the Delta Region, created by the Mississippi legislature in 2006. According to the task force's report, "Mississippi Delta at the Crossroads," up to that time there had been "no long range, state-held vision or plan in place to change the Delta."<sup>63</sup> The task force is working on initiatives that will impact the entire region, including improving housing, creating an economic incentive zone, improving education and daycare, developing a cultural tourism initiative, marketing the region, creating health insurance plans for children focusing on preventive care, and developing a teen pregnancy prevention and parental development initiative.<sup>64</sup> The task force will also catalog and coordinate current programs in the Delta, with the goal of increasing support for work under way as well as for new initiatives.

While the issues facing residents of Holmes County may seem insurmountable, community leaders are optimistic and view the people and natural assets of the county as building blocks for a viable community.<sup>65</sup> "Our greatest strength is our people," noted Mallory Community Health Center's Dr. Martha Davis. "We could do anything we want to do if we could come together as one."<sup>66</sup> By addressing its most pressing issues, the leaders of Holmes County can position the area to take

advantage of growth to the south and bring opportunity to its residents.

*This case study was prepared by Ellen Eubank, community affairs manager, formerly of the Federal Reserve Bank of St. Louis.*

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# Milwaukee, Wisconsin: the Northwest neighborhood

## ■ OVERVIEW

Milwaukee has many traditions that speak to the proud multiethnic heritage and industriousness of its population. The city has been called both the “Deutsch-Athen” (German Athens) and “the largest small town in America.” In addition, many know Milwaukee as the home of “beers and gears,” a reference to the city’s once-dominant brewery and manufacturing industries.

In his book *The Making of Milwaukee*, John Gurda asserted that, from the vantage of the early 1960s, the city’s future looked bright: “Milwaukee was at a pinnacle,” he wrote, “a civic summit that seems all the more imposing in hindsight.”<sup>1</sup>

Indeed, Milwaukee has experienced significant economic declines over the past 40 years. Writing in 2004, the *Milwaukee Journal Sentinel* reported that “a fresh analysis of a half-century of census reports and economic data for the nation’s largest cities reveals that none of their urban centers fell as far, as fast, as hard,” as Milwaukee’s.<sup>2</sup> The *Journal Sentinel* lamented that

“Milwaukee falls to the bottom of nearly every index of social distress.”<sup>3</sup>

The focus of this case study is the Northwest area of Milwaukee.<sup>4</sup> Tracks for the Milwaukee Road Railroad—known as the “Beer Line” for once serving the nearby Pabst, Blatz, Schlitz, and Miller breweries—encircle this neighborhood northwest of the city’s downtown. The Beer Line also “linked foundries, machine-tool shops, lumberyards, leather tanneries, and makers of engines, castings, shoes, cardboard, aluminum cans, soap, batteries, furniture, and sausages.”<sup>5</sup> Today, the tracks that once served as the artery carrying the city’s industrial life-

TABLE 1

## Comparison Statistics

		Northwest	Milwaukee MSA
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	18.0	7.9
	Poverty rate 2000 <sup>b</sup>	48.0	10.6
<b>Income</b>	Median household income <sup>c</sup>	\$19,356	\$45,982
<b>Demographics</b>	Population 2000 <sup>d</sup>	23,294	1,500,741
	% Population change, 1970 - 2000 <sup>e</sup>	-36.1	6.9
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	5.6	74.4
	% Hispanic/Latino	3.5	6.3
	% Black/African-American	78.8	15.5
	% Residents under age 18 <sup>g</sup>	47.3	26.4
	% Single-parent households <sup>h</sup>	52.7	9.8
	% Foreign born, 2000 <sup>i</sup>	7.1	5.4
	% Population in same house as five years ago <sup>j</sup>	42.5	49.1
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	46.4	15.5
	% Adults with a college degree, 2000 <sup>l</sup>	7.2	27.0
	% Students proficient in reading, 2005 <sup>m</sup>	52.9	78.7
	% Students proficient in math, 2005 <sup>n</sup>	37.1	67.0
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	22.0	5.2
	% Adults in the labor force <sup>p</sup>	55.7	68.1
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	30.7	61.1
	% Renters with a housing cost burden <sup>r</sup>	56.8	36.9
	% Rental units that are HUD subsidized <sup>r</sup>	10.6	9.5
	Median value for owner-occupied units <sup>s</sup>	\$39,904	\$134,759
	Median year structure built <sup>t</sup>	1938	1968
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	50.8	23.0
	% Credit files with high credit scores <sup>v</sup>	17.1	58.5
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	62.7	25.9
	Mortgage denial rate, 2005 <sup>x</sup>	26.4	15.9

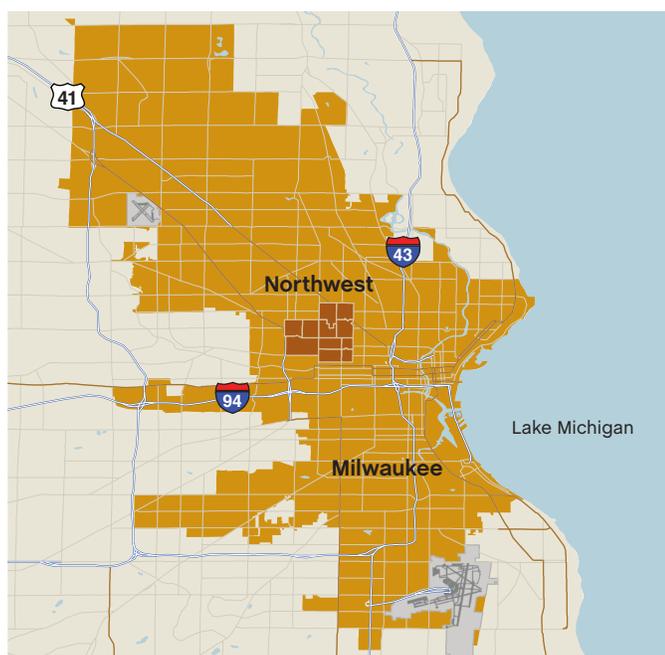
blood now seem more like a clamp, restricting the flow of economic opportunities to the neighborhood.

### ■ BACKGROUND

Located not far from downtown, Milwaukee's Northwest neighborhood was first settled by German immigrants, who started many of the breweries and other manufacturing businesses there. With its readily available jobs, the community attracted a large number of African-American families after World War II, with the most rapid

increase, according to University of Wisconsin–Milwaukee professor Judith Kenney, occurring “between 1956 and 1960 when the community grew from 22,000 to 62,000.”<sup>6</sup>

Today, most of the manufacturing jobs have left, although the neighborhood is still the corporate headquarters for Miller Brewing and Harley–Davidson. In 1970, manufacturing companies and breweries dominated the list of large employers in Milwaukee. By 2004, none of them were among the top 10. (See Table 2) Job growth in the Milwaukee Metropolitan Statistical Area (MSA) has occurred almost entirely in the outlying areas and suburbs,



contributing to a spatial mismatch between city residents and the region's employment opportunities. While the greater Northwest side of Milwaukee, which encompasses the case study community, lost 7,265 jobs between 1994 and 2003, the three surrounding counties of Waukesha, Ozaukee, and Washington added more than 50,000 jobs.<sup>7</sup>

The combination of the weak job market in the case study community and limited public transportation puts many newly created jobs out of reach for Northwest Milwaukee residents.<sup>8</sup> According to a 2004 Milwaukee Fair Housing Council report, the region's public transportation system is not adequate to access employment outside Milwaukee County.<sup>9</sup> Car ownership in the community falls far below that of the metropolitan area: 49 percent of African-American households in the case study area do not own a car, along with 24 percent of white households. In contrast, 31 percent of black households and only 8 percent of white households in the MSA do not have a car.<sup>10</sup>

The impact of the loss of manufacturing jobs on the Northwest community is striking. Between 1970 and 2000, the neighborhood population declined by more than a third; most of that loss was middle-income families who left for the suburbs. In 2000, nearly half (48 percent) of the neighborhood's population was living in poverty, compared to 18 percent in 1970. The poverty rate in Northwest Milwaukee is nearly five times that of the Milwaukee MSA. Indeed, Milwaukee's Northwest community lags behind the MSA on almost every single measure of neighborhood quality: employment, education,

housing, family stability, public safety, transportation, and access to services.

Accompanying these socioeconomic trends has been a significant rise in single-parent households in the community. In 2000, 53 percent of the households in the study area were headed by single parents, compared with 16 percent of households in 1970.<sup>11</sup> Single-parent households are much more likely to be poor: in 2000, almost 60 percent of female-headed households in the community were living below the poverty line. Jason DeParle, the *New York Times* reporter who has written extensively on welfare reform and studied low-income Milwaukee neighborhoods, wrote, "What's really missing from the family story are stable fathers."<sup>12</sup> Another problem in this community is teen pregnancy, which has attracted a high level of attention. In 2002, Milwaukee had the second-highest percentage of teen births among the 50 largest cities in the nation.<sup>13</sup>

Educational achievement in Northwest Milwaukee is also lower than for the school district as a whole. In 2005, only 53 percent of the case study area's students achieved proficiency in reading and 37 percent achieved proficiency in math, compared to 79 and 67 percent respectively for the metropolitan area. Schools in the community face many challenges in raising the educational achievement of its students, among them the large percentage of students eligible for free or reduced lunch, a lack of parental involvement, student use of alcohol and/or illegal drugs, and violence.<sup>14</sup> While these challenges reflect high levels of poverty in the neighborhood, the school district as a whole has also been a focal point of social and political upheaval for decades. The schools have tried a number of strategies to improve, including desegregation, vouchers to support private school choice, charter schools, and, recently, a neighborhood-schools model—all with uneven outcomes.<sup>15</sup>

Crime rates in the neighborhood are also a problem. In late 2006, *Time* magazine featured the case study area as an example of a dramatic increase in violent crime in America's cities. "It's as if Milwaukee had reverted to a state of lethal chaos," wrote the author.<sup>16</sup> As reported, Milwaukee's annual murders had declined from 130 in 1996 to a low of 88 in 2004 (an improvement that some attribute, in part, to life-saving care that victims get in the city's trauma units<sup>17</sup>) before it jumped to 121 in 2005.<sup>18</sup> Much of the violent crime is concentrated in the Northwest neighborhood of Milwaukee.<sup>19</sup>

On the housing side, the affordability of housing in Milwaukee historically has been less of an issue than

TABLE 2

## Milwaukee's 10 Largest Employers, 1970 and 2004

1970			2004		
Company	Type of Business	Employees	Company	Type of Business	Employees
Allis-Chalmers Corp.	Manufacturing	11,500	Aurora Health Care	Health care	15,500
A.O. Smith Corp.	Manufacturing	8,000	Covenant Healthcare System	Health care	9,250
Briggs & Stratton Corp.	Manufacturing	7,400	Roundy's Inc.	Grocery	7,400
Allen-Bradley Co.	Manufacturing	6,500	Marshall & Ilsley Corp.	Banking	6,800
Delco Electronics	Manufacturing	5,000	Wisconsin Energy Corp.	Utility	6,000
Harnischfeger Corp.	Manufacturing	4,450	GE Healthcare Technologies	Health care	5,800
American Motors Corp.	Manufacturing	4,000	Columbia St. Mary's Inc.	Health care	5,600
Jos. Schlitz Brewing Co.	Brewery	2,800	Quad/Graphics Inc.	Printing	5,300
Pabst Brewing Co.	Brewery	2,600	Kohl's Corp.	Retail	5,500
Miller Brewing Co.	Brewery	2,400	Northwestern Mutual Life Insurance Co.	Insurance	4,600

Source: Wisconsin Manufacturers & Commerce; Journal Sentinel research, <http://www.jsonline.com/story/index.aspx?id=281552>

the quality of the housing stock.<sup>20</sup> Yet in recent years, purchase prices for single-family homes in Northwest Milwaukee have risen much more quickly than wages, placing homeownership out of reach for many of the families living in the community.<sup>21</sup> Residents in Northwest Milwaukee are also likely to pay more for credit: in 2005, 63 percent of the mortgage originations in the neighborhood were high-cost loans, compared to 26 percent in the MSA.

Indeed, regulated financial institutions in Milwaukee have a mixed record of serving the needs of its inner-city residents. In 1988, Milwaukee was identified as having the biggest gap in mortgage denial rates between whites and non-whites in the country.<sup>22</sup> In addition, the 1992 U.S. Appellate Court case *NAACP v. American Family Mutual Insurance Co.* confirmed the presence of redlining and homeowners insurance discrimination in Milwaukee's black communities. An absence of basic banking services is linked to higher costs for financial transactions for working class and minority communities.<sup>23</sup> Today, access to financial services for low-income and minority residents remains a priority issue in Milwaukee as a whole.<sup>24</sup>

The lack of access to financial services is particularly stark in Northwest Milwaukee. For example, just two bank branches in the entire case study area serve more than 23,000 residents. A third bank branch is located on the western border of the area, and two minority-owned

financial institutions lie just outside the eastern boundary of the study area.<sup>25</sup> On the other hand, the case study area is heavily populated with nontraditional financial services providers, such as currency exchanges, pawnshops, and payday lenders.

### ■ ISSUES TO CONSIDER

Northwest Milwaukee struggles with some of the same challenges as the other Rust Belt communities in this report, including the flight of middle class residents and the loss of relatively high-paying manufacturing jobs. The Northwest Milwaukee neighborhood must also contend with a spatial mismatch between residents and areas of high job growth as well as challenges resulting from welfare reform. Interviews and research into this community have raised new insights on old problems (e.g., novel policies to boost vehicle ownership in order to connect workers with jobs) and also raised new challenges facing this community, such as the problems associated with prisoner reentry.

#### Spatial Mismatch

To a great extent, it appears that inner-city Milwaukee conforms to the spatial mismatch theory that was first proposed by John Kain and further developed by William Julius Wilson in the latter's book *When Work*

*Disappears* (1996). Simply put, the spatial mismatch theory asserts that racial minorities who live in inner cities are more likely to be unemployed in regions where new jobs are created far away in the suburbs and exurbs.<sup>26</sup> As described above, Northwest Milwaukee has seen an exodus of employment opportunities over the past three decades, while most of the job growth that has occurred has been in the suburban areas of the MSA.<sup>27</sup>

In addition, much of the job growth has been in industries that require higher levels of education. As Table 2 illustrates, where the major employers in Milwaukee in 1970 were breweries and manufacturing plants, in 2004 the city's primary employers were concentrated in the healthcare and service industries. These factors have contributed to the community's extremely high level of unemployment.<sup>28</sup> In 2000, the unemployment rate in the community was 22 percent, four times that of the MSA. The labor force participation rate was also low: only 56 percent of adults participated in the labor force.

Spatial mismatch theory also suggests that increased competition for local jobs can serve to lower wages.<sup>29</sup> A 1998 analysis of wage disparities by the Center on Wisconsin Strategies, a local think tank, provides evidence of this effect. Their research showed that workers in the same occupational categories in the Northwest area of the city made on average \$3.36 less per hour than workers in the same occupational categories in the county.<sup>30</sup> Wage disparities by race may also serve as a significant barrier to those seeking employment. In *When Work Disappears*, Wilson examined how the gap in wages

between whites and African Americans, combined with higher transportation costs to distant jobs, can discourage searching for work in outlying areas.<sup>31</sup>

Several strategies to promote economic development and employment in the area are under way. Milwaukee's Local Initiatives Support Corporation office has created Centers for Family Prosperity (CFPs) to try to connect low-income Milwaukee residents to jobs. Building on the block club organizing and leadership development work of the Annie E. Casey Foundation's "Making Connections Milwaukee" (MCM) initiative, the CFPs strive to create social capital networks that support skill development, wealth building, and employment opportunities in neighborhoods where those networks are weak or nonexistent. Employment services at the CFPs are designed to provide career assistance in an environment in which clients become sources of referrals and assistance to each other.<sup>32</sup>

In a similar vein, the newly created Urban Entrepreneur Partnership of Milwaukee supports and encourages entrepreneurship in the city, with the aim of growing businesses to replace employers that have left the city. Connecting Northwest Milwaukee residents with those opportunities, however, remains a challenge.

Another innovative program is the Milwaukee-based Ways to Work, a nonprofit lender that makes small, low-interest auto loans to individuals. The immediate benefit is that borrowers expand their access to jobs outside their immediate area. It also provides an opportunity to build credit and learn financial skills. "Initially, it's all about the mobility," said Jeff Faulkner, president of Ways to Work. "Ultimately, it's all about the loan."<sup>33</sup>

### Experiments with Welfare

While unemployment emerged in the interviews as one of the key factors affecting poverty in Northwest Milwaukee, interviewees also pointed to underemployment and low wages as factors deterring families from getting out of poverty. Several interviewees noted that welfare reform has had significant impacts—both positive and negative—on the community and the families living there.

The importance placed on welfare reform in this case study community can be attributed at least in part to the role that Wisconsin has played in framing national welfare policy.<sup>34</sup> The Wisconsin welfare reform program, known as W-2, was implemented in 1994, and eventually became the model for the 1996 federal welfare program



The overgrown rail line that served Milwaukee's breweries is a reminder of the city's decline from its former dominance in the manufacturing and brewery industries.

TABLE 3

## Tracking Progress of Welfare Reform in Milwaukee Zip Code 53206

	53206 Zip Code		
	1994	2001	2005
Families receiving AFDC/W-2	4,779	744	742
Families receiving Food Stamps	4,612	2,957	3,357
Families Covered by Medical Insurance	4,877	4,081	4,080
Families receiving Childcare Subsidies	N/A	814	1,056
EITC Claims	3,473	4,597	4,593
EITC Avg. Claims/Family	\$2,152 <sup>a</sup>	\$2,903	\$3,449

<sup>a</sup> 1995 data

Note: Information in this table is gathered from three sources: Lois M. Quinn and John Pawasarat, "Tracking the Progress of Welfare Reform Quickly: A Model for Measuring Neighborhood Health and Change" (Washington, DC: Brookings Institution Center on Urban and Metropolitan Policy, October 2001). John Pawasarat and Lois M. Quinn, "Milwaukee Zipcode 53208: Neighborhood Indicators of Employment and Economic Well-Being of Families, Barriers to Employment, and Untapped Opportunities" (Milwaukee: Employment and Training Institute, University of Wisconsin, 2006). Lois M. Quinn, "New Indicators of Neighborhood Need in Zipcode 53206: Neighborhood Indicators of Employment and Economic Well-Being of Families, Barriers to Employment, and Untapped Opportunities" (Milwaukee: Employment and Training Institute, University of Wisconsin, 2007).

Temporary Assistance for Needy Families (TANF). Underlying these programs is the belief that welfare should be temporary (no more than five years) and require recipients to work.<sup>35</sup> Among the programs that are supposed to work in concert with TANF are the Earned Income Tax Credit (to boost income) and subsidies for child care and transportation.<sup>36</sup>

Since the advent of welfare reform, the number of people across the country receiving welfare benefits has dropped dramatically. Between 1996 and 2006, the number of families receiving welfare declined by 60 percent, from 4.41 million to 1.76 million families.<sup>37</sup> Northwest Milwaukee has seen a similar drop in the receipt of public welfare assistance. While data for the entire neighborhood aren't available, for one of the primary zip codes that falls within Northwest Milwaukee, the number of families receiving welfare declined from nearly 5,000 in 1994 to 742 in 2005.<sup>38</sup> In addition, more families have received childcare subsidies and the Earned Income Tax Credit, both of which are complementary policies designed to support work.



Market-rate housing was recently built in the Lindsay Heights area of the city's Northwest neighborhood.

Nevertheless, the story is not all positive. Data on family incomes in the same zip code show that working families are falling further behind in trying to make ends meet. (See Table 3) Between 2000 and 2005, the real income earnings of residents in this neighborhood dropped by almost 19 percent.<sup>39</sup> For the Northwest Milwaukee community as a whole, the problem of low wages is equally evident. According to the Census, in 2000 more than half of the households in the study area were living on poverty wages<sup>40</sup> and almost three-quarters of the households in the study area (73.8 percent) were living on low-wage incomes.<sup>41</sup>

These figures demonstrate that a significant challenge facing Northwest Milwaukee community leaders is the need not only to help residents find jobs, but also to help them gain skills and obtain living-wage jobs. The New Hope program, which got its start in Milwaukee in 1994, provides participants with a broad range of incentives and services to help them make the transition from welfare to financial self-sufficiency, not just employment. The program provides participants with a boost in wages, health care (including mental health and counseling), and child care.<sup>42</sup> It has had an impressive performance record. According to a Brookings Institution discussion paper on the program, a random-assignment evaluation of New Hope "showed that the program reduced poverty, increased employment and, perhaps most importantly, boosted the achievement and positive behavior of children."<sup>43</sup>

### Prisoner Reentry

A third issue that emerged as important during interviews with community stakeholders is that of prisoner

reentry. Milwaukee, and particularly Northwest Milwaukee, has seen a large number of ex-criminal offenders return to the community. An estimated 2,500 individuals living in the case study area are ex-offenders. Sixty-three percent of these ex-offenders have not graduated from high school and only 4 percent hold a valid driver's license.<sup>44</sup> The recidivism rate is also high—for ex-offenders between the ages of 25 and 35, one in two will commit another crime.

Interview respondents noted that helping these ex-offenders find jobs is a high priority for the community. Research has shown that finding and maintaining a job after release can reduce the chances of reoffending, especially for older offenders, and that the higher the wages, the less likely persons released from prison will return to crime.<sup>45</sup> Connecting former prisoners to jobs is challenging, however. Most prisoners experience great difficulties finding jobs after their release. According to research conducted by the Urban Institute, while in prison, individuals forfeit the opportunity to gain work experience and sever interpersonal connections and social contacts that could lead to legal employment opportunities upon release.<sup>46</sup> The stigma of their ex-prisoner status makes the job search even more difficult. A recent survey of 3,000 employers in four major metropolitan areas revealed that two-thirds of the employers would not knowingly hire an ex-prisoner.<sup>47</sup>

David Weiman, an economist who has studied this problem extensively, argued in an article published in 2007 that the changing job market in inner-city neighborhoods from manufacturing to service-oriented jobs makes it especially hard for ex-offenders to find work. "The labor supply and demand factors point to a widening spatial mismatch between the potential jobs for released prisoners and their residential locations," he wrote. As a result, "released prisoners have become more economically isolated in the 'new' urban labor market with its greater share of low-skilled retail and service sector jobs."<sup>48</sup>

## ■ CONCLUSION

Along with the work-related programs mentioned earlier, there appear to be some additional signs of improvement in Milwaukee. For example, recent completion of the Lindsay Heights housing development has demonstrated that there is a demand for market-rate housing on Milwaukee's Northwest side.<sup>49</sup> Still, many local leaders

say they are just barely staying ahead of problems. As the Milwaukee Social Development Commission's CEO, Deborah Blanks has observed, "We are laying tracks as the train is coming." To address the impacts of decades of disinvestment in Northwest Milwaukee, governments and nonprofits will have to seek ways to reconnect the neighborhood to the surrounding region and address the problems associated with concentrated poverty.

*This case study was prepared by Jeremiah Boyle, community affairs program director, Federal Reserve Bank of Chicago.*

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# Learning from Concentrated Poverty in America: A Synthesis of Themes from the Case Studies

## ■ INTRODUCTION

*“Some reservation neighborhoods look like inner-city slums, just spread out over a much larger area.”*

—Blackfeet Reservation tribal housing official

Several decades of research on concentrated poverty have focused predominantly on the experiences of Rust Belt cities in the Northeastern and Midwestern United States. This report breaks new ground by exploring how concentrated poverty manifests in communities across the United States, from the remote landscape of Crownpoint and immigrant gateways like West Fresno and the Chamizal neighborhood of El Paso, to rural areas in Appalachia and smaller cities like Greenville and Springfield. It is hard to imagine that the rugged landscape of northwestern Montana would be home to some of the most concentrated poverty in the nation, but, as the quote above suggests, the Blackfeet reservation grapples with many of the same issues confronting the inner-city neighborhoods described in most existing studies of concentrated poverty.

Taken together, the 16 case studies in this report paint a more nuanced picture of concentrated poverty in America. Some of the themes highlighted in the case studies are common across all the communities—lack of human capital development, high rates of unemployment, inadequate housing—and echo issues raised in classic studies of concentrated poverty.<sup>1</sup> Yet amid these shared challenges, the differing histories, economies, and local leadership capacities present in these communities yield

differing emphases on these issues, along with varying approaches to resolving them. In this chapter, we examine some of the common themes and issues that help us understand what contributed to the rise and persistence of concentrated poverty in 16 distinct places across the country.

In addition to the similarities among communities, we pay particular attention to their differences. Indeed, there is no “magic bullet” intervention that would work equally well in places as disparate as Fresno and Martin County. Housing policies like HOPE VI—which was designed to address problems associated with the concentration of subsidized housing and attendant high levels of poverty—are showing promise in places like Cleveland’s Central neighborhood, according to local stakeholders. Yet the model has little relevance for places like the Blackfeet and Navajo reservations, or McDowell County, where public housing is not a significant feature of the landscape.

This chapter also highlights what we learned in response to the question “how does place matter?” From Holmes County to Crownpoint to Milwaukee, the report shows that place matters in multiple ways, from the ability of neighborhood schools to respond to the challenges of educating a largely low-income student body to the lack of linkages and networks that allow residents to access jobs and other services. This is not to say that place alone determines residents’ economic outcomes; rather, this chapter points to the collective finding of these case studies that socioeconomic conditions in very poor neighborhoods are associated with more limited opportunities for residents, be it lack of access to high-quality schools, fewer jobs, or exposure to higher rates of crime.

One of the key contributions of this report is its underscoring of a deep need for additional research that

can extend the descriptive findings presented herein. In particular, we see a need for additional studies that tease out the neighborhood effects of concentrated poverty and measure the influence of concentrated poverty on residents' economic outcomes, as well as robust evaluations of programs and policies aimed at alleviating the problem of being poor in a very poor area. We hope that greater awareness of the diverse nature of concentrated poverty will drive additional research and more effective community development interventions going forward.

Conducting 16 case studies was no small undertaking, and was possible only because of the regional nature of the Federal Reserve's Community Affairs function. More than 20 staff members from the Federal Reserve System's Community Affairs offices across the country spent three to six months visiting these communities. They met with stakeholders and interviewed residents and community leaders to gather observations on the communities' experiences with, and responses to, concentrated poverty. The authors of these case studies also conducted data analysis and researched other materials (e.g., books, speeches, and reports) in preparation for painting a detailed picture of their respective communities.

In conducting their research, each of the case study authors kept in mind the following questions:

- What factors are associated with the development and persistence of concentrated poverty in this community?
- What challenges does concentrated poverty pose for affected families and communities?
- What is the capacity of local organizations to address the issues associated with concentrated poverty?
- What strategies are the public and private sectors employing to ameliorate concentrated poverty and its effects?

In this synthesis, we revisit and answer these questions using insights gleaned from the 16 case studies. We also highlight what we did not learn, and what additional research is needed in each of these areas. Finally, we reflect on what the report's findings suggest for the ongoing role of the Federal Reserve in high-poverty communities across the nation.

## ■ I. FACTORS ASSOCIATED WITH THE DEVELOPMENT AND PERSISTENCE OF CONCENTRATED POVERTY

As the overview chapter notes, a wide range of economic, demographic, and social forces have played a part in contributing to high-poverty communities. These include economic restructuring and change, suburbanization, racial and economic segregation, demographic shifts (including immigration and trends in family formation), and the consequences of certain federal policies and programs.

Looking across the many complicated and inter-related factors associated with the development and persistence of concentrated poverty, we identified four themes that stood out in most, if not all, of the 16 case study communities.

First, in each of the case studies, it is evident that history matters. Communities do not reach extreme levels of poverty quickly. Poverty and disadvantage in these communities have tended to concentrate there over many years.

Second, these high-poverty communities experience one or more forms of isolation. The metaphorical expression of living on the "wrong side of the tracks" could not be more evident in these communities, where residents are often physically, socially, racially, and linguistically separated from the larger economy and community.

Third, many of these communities have experienced significant demographic changes, including a rise in immigrant households, a rise in single-parent families, or both.

Finally, these communities of concentrated poverty exist within both weak and strong regional economies, suggesting that economic growth on its own is not enough to eliminate poverty. That said, the relative strength of the communities' respective regional economies greatly shapes the nature and magnitude of challenges associated with reducing poverty in these places.

### History Matters

*"When I left, the courthouse clock wasn't working, and when I came back 30 years later, it still wasn't working."*

—Holmes County business owner

*The Cuyahoga Metropolitan Housing Authority located more than half of the county's public housing units within the Central neighborhood.*

—Cleveland case study

High-poverty communities did not appear overnight. Indeed, most of the case study communities had very high poverty rates more than three decades ago. West Fresno, El Paso's Chamizal neighborhood, Cleveland's Central neighborhood, Holmes County, and eastern Kentucky's Martin County all had more than 40 percent of their residents living below the poverty line as long ago as 1970. (See Figure 1) Those case study neighborhoods where poverty had not yet reached the 40-percent threshold in 1970 were typically a great deal poorer than their surrounding communities.<sup>2</sup>

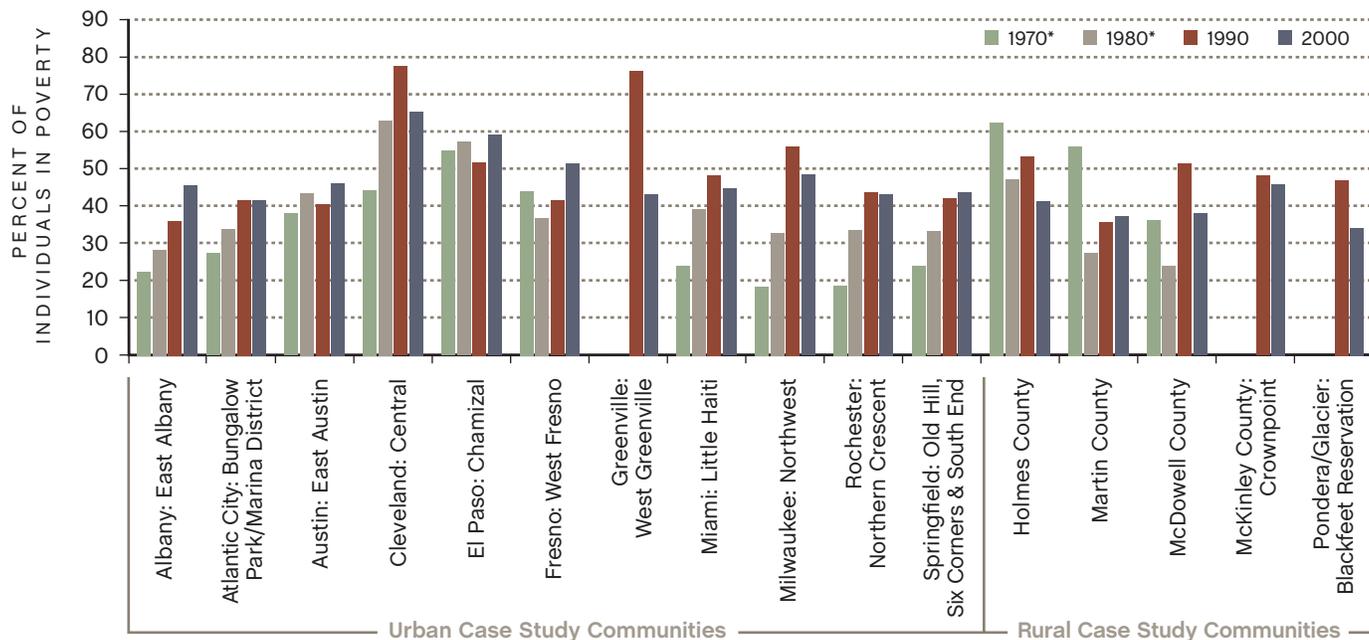
Figure 1 also shows that in many case study communities, changes in the poverty rate paralleled national trends, with poverty levels increasing between 1970 and 1990 and then decreasing between 1990 and 2000. (See overview chapter) In that lattermost decade, some of the case study communities—including both urban neighborhoods, like Central in Cleveland and West

Greenville, as well as rural areas such as Holmes County and the Blackfeet Reservation—experienced a significant drop in poverty. Yet in most of the case study communities, poverty rates worsened or stagnated between 1990 and 2000 despite the decade's relative prosperity, declining national poverty rate, and rather dramatic overall decline in the rate of concentrated poverty.<sup>3</sup> These places seem to exist far outside the economic mainstream, missing national trends that helped to lift many families and communities out of very deep poverty.

The high levels of poverty in these communities are the product of long-term, complicated economic and social dynamics, as well as deliberate public- and private-sector actions. As a result, teasing out the direct causes of why these neighborhoods became and remained poor is difficult. For example, decisions on where to build new subsidized housing or freeways cemented the fate of many of these communities. Large publicly subsidized housing projects constructed in neighborhoods such as Cleveland's Central, El Paso's Chamizal, and Atlantic City's Bungalow Park/Marina District in the mid-20th century served to “lock in” the low-income profile of these neighborhoods, the negative effects of which are still visible today. Yet other concurrent processes, such as

FIGURE 1

**Poverty has worsened in many case study communities over the past several decades**



SOURCE: Geolytics Neighborhood Change Database

\*Poverty information unavailable for certain non-metropolitan geographies in 1970 and 1980.

suburbanization and economic restructuring, also contributed to the worsening of poverty in these neighborhoods.

The two Native American case study areas—Blackfeet Reservation, MT and Crownpoint, NM—provide striking evidence of the role of history and public policy on the current levels of poverty in these areas. For instance, the complex and contested history of land rights for Native Americans, along with a federal policy that forcibly settled tribes to increasingly less desirable land, has greatly affected the potential for economic development on reservations.

### Isolation

*“Most [from the east side] don’t feel comfortable on the west side of the city.”*

—Albany city commissioner

*“It can take four hours round-trip to go grocery shopping.”*

—Blackfeet Reservation resident

*“We feel like we’re the forgotten county.”*

—Martin County resident

*“It was obvious where the white communities started and the black communities ended.”*

—Greenville resident

Interviews revealed that, without exception, all of the case study communities experience notable isolation from their wider regions and from the economic mainstream. From roads to redlining to federal Native American land policies, each of the communities can point to at least one historical factor that has contributed to economic or social distance between itself and its surrounding areas.

Geographic features, which often served as the initial isolating force, act as longstanding barriers to the full integration of these communities into their surrounding economies. The Flint River separates East Albany from downtown Albany. Mountainous terrain in Martin County isolates that community from others in eastern Kentucky, and its residents from each other. The Blackfeet Reservation is particularly inaccessible, located 35 miles from the

nearest off-reservation town, up against both the Rocky Mountains and the Canadian border. And the Crownpoint area is so remote that half of the area’s households lack telephone access.

But in other cases, the isolating factors were man-made. In West Fresno, Cleveland’s Central neighborhood, and East Austin, highways cut off the neighborhood from nearby downtown areas. Not merely historical accidents, many of these highways resulted from urban renewal efforts in the mid-20th century that sliced through the heart of historically minority residential areas in major American cities. Similarly, Northwest Milwaukee is encircled by a railroad line that once served local industry, but now is a figurative clamp around the neighborhood.

Racial discrimination contributed to the segregated, high-poverty contour of many of these communities today. At times this was overt, as in the forced resettlement of minority populations into East Austin and West Greenville. In Greenville, thriving African American-owned businesses were relocated to the west of the railroad tracks in the 1960s under the guise of “urban renewal”; few of these businesses survived. At other times, residential discrimination was manifested through exclusionary zoning and redlining practices that affected African-American residents of northwest Milwaukee and other inner-city areas.

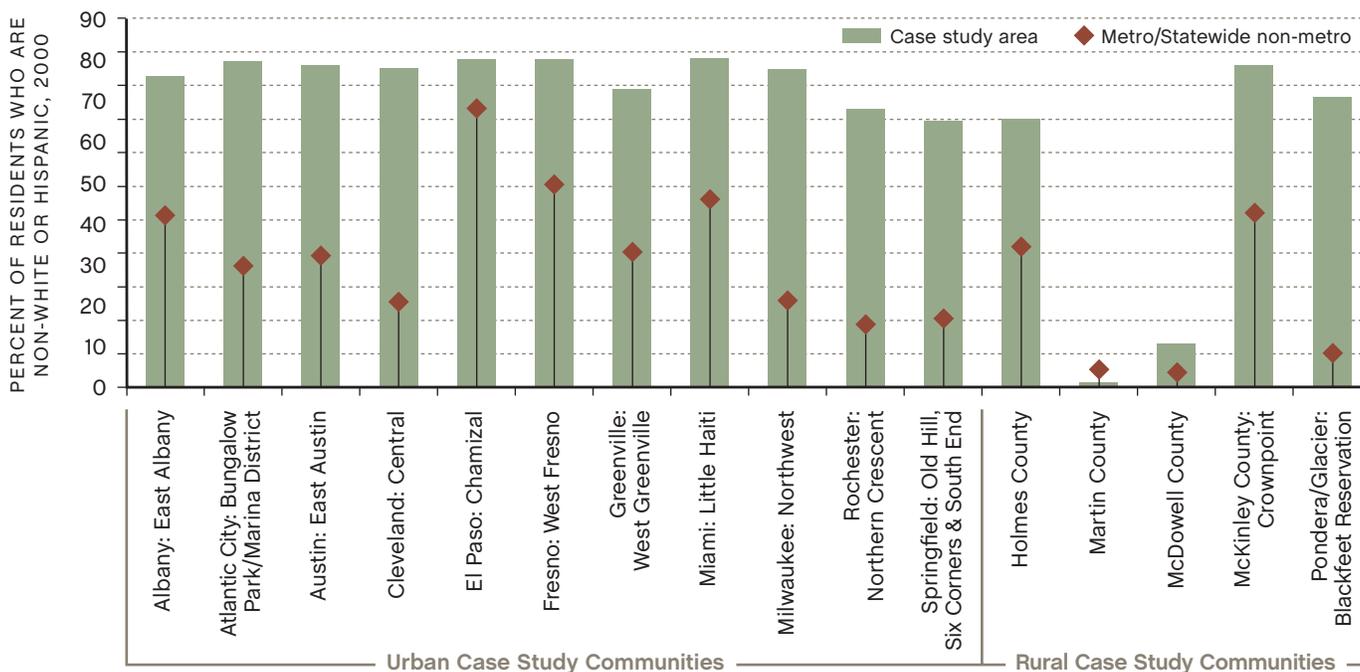
Nearly every case study community exhibits a racial and ethnic profile markedly different from its comparison area. (See Figure 2) To some degree, these demographic disparities can be attributed to economic differences among these groups. Yet the legacy of institutionalized racism and segregation remains an ongoing concern in many of these communities today.

And even where racial and ethnic disparities result in part from residents choosing to live there—as in the case of immigrant gateways like Miami’s Little Haiti—these disparities can indicate other forms of isolation. The Haitian residents of that community remain socially and linguistically isolated from Miami’s greater metropolitan area. While Little Haiti boasts strong social networks and cultural ties, many Haitian immigrants in the community speak only Creole, making it difficult for them to access jobs and social services.

In all of its forms, isolation creates myriad problems. It means that a resident of the Blackfeet tribe might have to travel four hours to get groceries, or that wealthier residents of Albany may never travel across the river to shop or access services. It also tends to mean that an isolated community does not get the appropriate level of attention from

FIGURE 2

## Most case study communities have significantly larger shares of racial and ethnic minority residents than comparison areas



SOURCE: U.S. Census Bureau, Census 2000

Comparison areas are metropolitan areas for urban case study communities, and statewide non-metropolitan areas for rural case study communities

policymakers. One case in point is Holmes County, which has epitomized rural poverty for generations. Not until 2006 did the State of Mississippi develop a task force to explore ways to help that area. From the perspective of Holmes County residents, all of the state's recent policy attention had focused on the damage from Hurricane Katrina.

In several of these communities, isolation also contributes to a state of hopelessness. In Martin County, one resident noted that there is a distressing lack of dreams and aspirations among residents to live beyond what they have experienced their entire lives. In a place where imagination is stunted by isolation, the prospects for improvement can seem dim indeed.

### Demographic Change

*In 2000 nearly 30 percent of West Fresno's residents were foreign-born; of those, almost half had not arrived in the United States until the 1990s.*

—Fresno case study

*“We need to change the culture that dictates that being a young, single parent is socially acceptable. Teenage pregnancy in our community is viewed as a reality, not a problem.”*

—El Paso nonprofit executive director

Much of the existing literature on concentrated poverty focuses on the experience of African-American households in inner-city neighborhoods. Several of the communities profiled in this report, including Cleveland, Milwaukee, Springfield, and Rochester, exhibit the effects of similar dynamics: the selective out-migration of middle-income white and black households accompanied industrial decline, leaving these inner-city areas much poorer, and with much higher shares of racial and ethnic minorities, than in 1970.

The case studies in this report illustrate well that this is not the only story associated with concentrated poverty. In Miami, for example, the arrival of Haitian immigrants into South Florida, peaking in the 1980s, transformed the

ethnic profile of what is now the Little Haiti neighborhood. Many of these immigrants arrived in the United States with limited English language and labor market skills, which explains in part the leap in that neighborhood's poverty rate—from 24 percent in 1970 to 48 percent in 1990.

In fact, immigration transformed entire regions, including South Florida, California's Central Valley, and central and south Texas. Recent arrivals may be hard workers and risk-takers for venturing far from home, but they also tend to be much poorer than their native-born neighbors. One question this report raises is whether communities like West Fresno and Chamizal remain stepping-stones for newly arrived immigrants, or whether the level of poverty in these communities has closed the gateway to opportunity, leaving families mired in poverty generation after generation. In West Fresno, interviews suggested that the gateway is closing, and that many more new immigrant households get trapped. And as we discuss later in this chapter, where local schools struggle to respond to the challenges of teaching a poor, low-income student body, the development of human capital falls behind, making upward mobility that much more difficult. Future empirical research that borrows from existing studies of multigenerational economic mobility (see references in overview chapter) should focus on whether residents of high-poverty neighborhoods—including those of newly arrived immigrants—are at a greater disadvantage for economic advancement.

A second key demographic change that has influenced levels of neighborhood poverty has been the increase in single-parent families. From 1970 to 2000, the proportion of U.S. births occurring among unmarried mothers tripled, from 11 percent to 33 percent.<sup>4</sup> Though locally specific historical data are unavailable, the increase in births to unmarried mothers in many of these communities appears to be above the national average. In every one of the case study communities, single-parent families represent a greater share of households than in their wider metropolitan or rural areas.<sup>5</sup> While multiple factors underlie this long-term demographic trend, the high proportion of single-earner households with children contributes to the concentration of poverty in these communities.<sup>6</sup>

### **The Diverse Economic Context for Concentrated Poverty**

From 1990 to 2000, the total number of people living in high-poverty neighborhoods nationwide dropped by one-fourth. The strong economic growth and low

unemployment rates of the 1990s, coupled with lower crime and new investment in cities, likely contributed to these dramatic declines. Viewed against the backdrop of that economic growth, the fact that many of the communities profiled in this report struggle with deeply entrenched poverty suggests that poverty is not easily overcome by improving regional economic circumstances alone.

Indeed, as the case studies in this report demonstrate, concentrated poverty exists in communities with strong and weak regional economies alike. It exists in communities that have seen considerable job growth, as well as in those that have suffered significant employment losses and industrial declines. The disparate economic conditions in communities' respective local and regional economies establish a context for their future prospects, framing challenges and shaping the types of policies that might be effective at reducing poverty in these places.

#### *Weak Markets*

*"If you want a good [paying] job, you have to go somewhere else."*

—Martin County resident

*The city has designated the commercial districts in the Northern Crescent [of Rochester] as "not currently viable."*

—Rochester case study

*"In this community, livable-wage jobs are even harder to find than that baseline [minimum-wage] job."*

—Springfield head of Greater Springfield YMCA

For many of the case study communities, regional economic decline has been one of the key factors contributing to concentrated poverty there, consistent with the existing literature on high-poverty neighborhoods in the Northeast and Midwest.

Case study communities such as those in Springfield, Rochester, Cleveland, and Milwaukee illustrate the relationship between concentrated poverty and regional economic decline and de-industrialization.<sup>7</sup> Each of

these communities' metropolitan areas saw a steady and significant decrease in the percentage of population employed in manufacturing jobs between 1970 and 2000. (See Figure 3) Each also suffered an absolute decline in manufacturing jobs even as their total number of jobs expanded. As researchers have argued, the decline of manufacturing jobs from these regions has reduced the availability of decent-paying employment opportunities for workers with lower levels of formal education.<sup>8</sup> Furthermore, while manufacturing jobs did not disappear completely, overall job growth in these metro areas has been sluggish, averaging about half of the national annual rate of 2 percent over the 30-year period.<sup>9</sup> These two closely linked phenomena have reduced employment opportunities for residents with limited job skills and/or lower levels of education, many of whom are over-represented in high-poverty neighborhoods.

This report also shows that cities in the Northeast and Midwest are not the only places where concentrated poverty exists amid regional economic change and decline. In East Albany, for instance, poverty increases since 1970 coincided with the region's loss of several large manufacturing plants and population out-migration.

Other case study communities lie within regions that relied historically on natural resource industries, but have

undergone similar employment restructuring. Agricultural jobs in Holmes County and Greenville and mining jobs in Martin and McDowell Counties declined with the advent of labor-saving technologies. In several such communities, few new industries have arrived to fill the resulting employment gaps. While the cotton industry in and around Holmes County never paid wages sufficient to lift many local residents out of poverty (as evidenced by the county's poverty rate of 61 percent in 1970), the decline of agriculture as a way of life has left the community struggling with a very high rate of unemployment.

High-poverty communities in these weak-market areas face a particularly thorny challenge: regaining their economic footing even as their wider regions struggle in the transition to a post-industrial economy. Yet several begin the task with valuable physical and economic assets borne of their earlier industrial prowess. Some are attempting to leverage these strengths to find niches in the new economy and create economic opportunities for disadvantaged workers and communities. Rochester, for example, is part of a wider regional initiative to enhance its competitiveness in a variety of technologies, products, and services, building on its history of success in high-value industries such as optics/imaging, advanced manufacturing, and medicine. The Finger Lakes WIRED initiative includes support for scholarships and apprenticeships to address shortages of skilled workers in these key growth industries.<sup>10</sup>

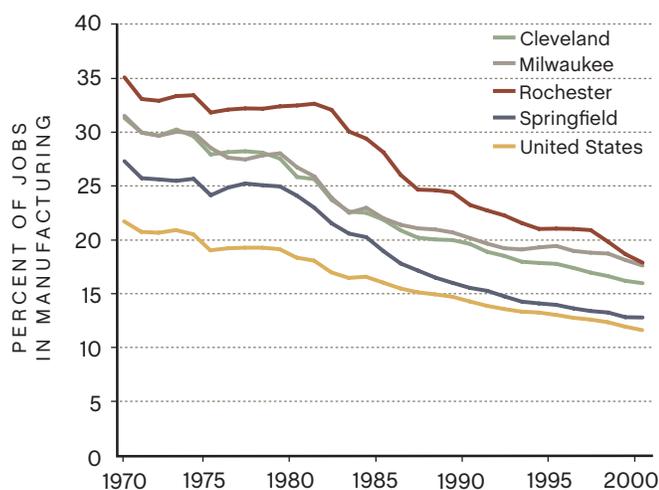
For all their struggles in the post-industrial economy, however, regions like Springfield, Rochester, Milwaukee, and Cleveland retain a significant job base, with employers in advanced manufacturing, higher education, health care, and financial services. And Mississippi's Holmes County is located adjacent to counties that are experiencing manufacturing job growth.

Other case studies in this report exemplify a more dire economic context, where there is no regional employment base to fall back on. Perhaps the most daunting challenges face those high-poverty communities in highly isolated regional markets that have either experienced a near-total collapse of their economic function or lacked a robust economic function in the first place.

For example, the economies of McDowell and Martin Counties were largely built around "King Coal." In the mid-to late 20th century, the industry employed significant shares of the local labor force, providing decent incomes for most families. Yet mining employment's decline in the wake of mechanization has not been matched by

FIGURE 3

### Some case study communities' MSAs experienced significant de-industrialization in the late 20th century



SOURCE: U.S. Bureau of Economic Analysis, Regional Economic Information System, Table CA25, Total Full-time and Part-time Employment by Industry

employment increases in new industries. Martin County is struggling to diversify its economic base with the “crutch of coal to rely upon,” in the words of one business stakeholder. McDowell County has pursued lower-level land uses like prisons and waste management, at distinct odds with other strategies to promote recreational tourism and retirement housing. The geographic and topographic isolation of these communities, along with residents’ low levels of income and education, spell an uphill battle to attract and retain new firms and new investment.

Even as these Appalachian counties struggle to regain a portion of the strong economic foothold they once had, other high-poverty areas struggle to create economic opportunity where little has ever really existed. Crownpoint was settled in the wake of Navajo tribal land allotments in the late 19th and early 20th centuries. But the desert and high plains of McKinley County thwarted long-term agricultural or industrial uses. The few jobs that exist in the area today require education levels that many adults—especially Native Americans—lack, and most are located in towns that are a substantial distance from Crownpoint. The Blackfeet Reservation in Montana is perhaps even more isolated. Treaties and land encroachments in the 1800s shrank the Piegan Blackfeet tribe’s lands into a harsh corner of northwestern Montana, 35 miles from the closest off-reservation town. Of the reservation’s residents who work (less than half the adult population), the bulk are employed by tribal and federal governments. In addition, the legacy of trust land management can further hinder economic development by restricting the use of land as collateral. In these communities, it remains a significant challenge to develop policies and programs that can stimulate private investment, spur economic development, and generate employment opportunities for local residents.

### *Strong Markets*

*“We’re trying to reignite the economic and cultural life of this community without displacing the majority of the people who have lived and worked here for years.”*

*—East Austin nonprofit president and CEO*

*“[In 10 years] we’ll all be moved out, and Atlantic City will be a mega resort.”*

*—Atlantic City resident*

While regional economic decline or stagnation certainly contributes to concentrated poverty, some economically successful regions also contain pockets of extreme deprivation. Case study areas in strong markets serve as examples of regions in which, although population, employment, and/or real estate prices have been rising, certain neighborhoods are not reaping the benefits of that growth.

For example, recent years have seen aggressive redevelopment in many of Miami’s urban neighborhoods. In Little Haiti, however, housing conditions remain quite poor, and language and cultural differences create barriers between the local population and the wider South Florida economy. Fresno, while still diversifying economically from its agricultural base, has experienced strong growth over the past decade or more, benefiting from an influx of middle-class residents.<sup>11</sup> Yet the bulk of that population and job growth has occurred on the city’s north side, with the west side seeing increasing poverty and isolation. Like Fresno, the El Paso region boasts a growing middle-class population, on both sides of the U.S.–Mexico border. Yet the tremendous isolation of the Chamizal neighborhood is evident both in its largely poor, undereducated, immigrant population as well as in the lack of new local investment. A similar pattern affects West Greenville, whose location on—quite literally—the other side of the tracks has separated it from the population and economic growth that has begun to take hold in other parts of the city and region.

The plight of these case study communities serves as a reminder that the long-term exclusion of these areas and their residents is not easily overcome by improving regional economic circumstances alone. More active interventions may be needed to ensure that rising regional tides truly lift all boats.

In other case study communities, such as Atlantic City’s Bungalow Park/Marina District and East Austin, change is already afoot. Local economic growth has created market opportunities to which residents of these very poor neighborhoods could possibly respond.<sup>12</sup> In addition, efforts are under way to improve the ability of local residents to take advantage of these opportunities. The agreement with the Borgata Casino to train and find employment for Atlantic City residents, for example, and the activity of microlenders PeopleFund and BiGAUSTIN in East Austin point to demands for labor and financial services that could potentially benefit families in these high-poverty communities.

Yet local jobs, while plentiful, may have skill or screening requirements that effectively exclude large portions of the local labor force in high-poverty areas. Furthermore, even when one finds work in the hospitality or service industries in places like Atlantic City or Miami, the jobs often do not pay enough to escape poverty and high-poverty neighborhoods in a city with rapidly rising living costs. Economic growth, investment, and house-price appreciation in and around these communities occurred so rapidly between 2000 and 2006 that residents interviewed for the case studies expressed uncertainty about whether they will truly benefit over the long term. Affordable housing options may be in increasingly short supply, raising the specter of displacement.

## ■ II. THE CHALLENGES OF CONCENTRATED POVERTY

One of the key inquiries in the concentrated poverty literature, as discussed in the overview chapter, concerns whether and how living in a very poor area creates obstacles to escaping poverty and achieving self-sufficiency. Much evidence from the case studies highlights the challenges that can affect low-income persons regardless of where they live. Difficulties in finding employment that pays a living wage, accessing affordable housing, and managing finances to make ends meet are issues that are relevant for most of America's poor, including those who live in middle-income or high-income neighborhoods.

Most of this report's attention, however, has focused on the particular challenges faced by families and communities where poverty is geographically concentrated at rates of 40 percent and above. In conducting these case studies, and in particular through interviews with residents and local stakeholders, we found that neighborhoods do matter. Some of the concerns that emerged in case study communities as different as Cleveland's Central neighborhood, West Fresno, and the Blackfeet Reservation were strikingly similar, from a lack of high-quality schools and worker skills to problems with housing conditions, affordability, and location.

Indeed, the communities profiled in this report share serious, simultaneous breakdowns in several areas fundamental to community well-being, impeding their efforts at turnaround. Across communities, these problems are not always of the same magnitude, or even type. For instance, housing problems in some communities relate to high concentrations of subsidized rental units, where in others,

an abundance of low-quality owner-occupied units is the issue. Yet the same core issues appear across most case studies. The consistency of these themes suggests areas in which high-poverty communities of different stripes may find a common basis for understanding and resolving their myriad challenges. In this section, we examine how local stakeholders and residents perceive the main challenges associated with being poor in a poor neighborhood.

### Schools and Skills

*"[A] lot of the parents missed out on information and training as they came through. So in one sense, [we're] almost trying to educate two generations."*

—McDowell County public schools interim superintendent

*"[For schools in high-poverty areas] expectations are lower. Opportunities are lower. Discipline is a priority as opposed to enrichment."*

—Springfield director of New England Black Chamber of Commerce

*"How does a kid keep moving from grade to grade and no one has noticed that he can't read or write or do math?"*

—Cleveland's Central neighborhood recreation director

*"The major issue for parents of my Head Start students is the lack of education and the need for a GED."*

—East Albany CDC director

It is hard to deny the importance of a skilled local labor force for supporting other key facets of community success, such as lower poverty and crime, greater investment, and increased access to employment. Higher levels of job skills and educational attainment are even more important in today's economy, where fewer good-paying production jobs are available to workers with only a high school education. This is evident in places such as Milwaukee, where breweries and manufacturers once dominated the economy.

Yet many high-poverty communities today find themselves trapped in a Catch-22 with respect to building a

more skilled workforce. First, nearly all are served by local schools that underperform metropolitan or statewide rural averages on standardized tests. (See Figure 4) While data on school performance are challenging to interpret due to differences in state standards, overall the graph shows significant disparities in reading and math achievement between the case study communities and their surrounding areas. The exception is West Fresno, where a local magnet high school contributes to higher average proficiency scores on the standardized exams, although neighborhood students have not performed as well as students bused in from other areas of the district.<sup>13</sup>

In addition, in many of the case studies, interviewees indicated that education was a major challenge in these high-poverty communities. Local schools struggle to educate overwhelmingly disadvantaged student populations and, like those in West Greenville, face problems attracting and retaining highly qualified teachers. One stakeholder from Cleveland's Central neighborhood noted, "Schools are being asked to deal with things they shouldn't have to," including controlling violence and disorder and acting as social services providers for students and their families.

Schools in high-poverty communities with a large percentage of recent immigrants—such as Little Haiti, West Fresno, and Chamizal—face the added challenges of teaching children whose first language is not English and involving their linguistically isolated parents, as with the Creole-speaking community in Little Haiti. Schools in some of these areas also confront economic and cultural expectations that children should work, like those in Chamizal that lose significant numbers of students each year who leave school to work in low-skill jobs to support their families.

Moreover, children in these high-poverty communities, growing up amid the economic distress that surrounds them, may undervalue education and either fail to complete high school or forgo higher education. Parental involvement is also often lower in these communities. In McDowell, the interim superintendent of the public schools noted that parents of families in multigenerational poverty may think, "It didn't work for me, so why would it work for my child?" In East Albany and West Fresno, community leaders pointed to links between high rates of teen pregnancy and low rates of high school completion, which further limit the ability of young girls to succeed in the labor market. The case studies also illustrate the complicated linkages between problems in the schools and other

issues in the community. In West Greenville, for instance, the county schools superintendent noted that high rates of student suspension contribute to more young people "in the streets," providing more opportunities to become involved in crime or other harmful activities.

Poor-quality schools may also impede efforts to attract middle-income households into the community, even when improvements to the housing stock are made. For instance, researchers have identified the importance of high-quality local schools to efforts aimed at attracting and retaining an economically diverse group of families to mixed-income housing developments.<sup>14</sup>

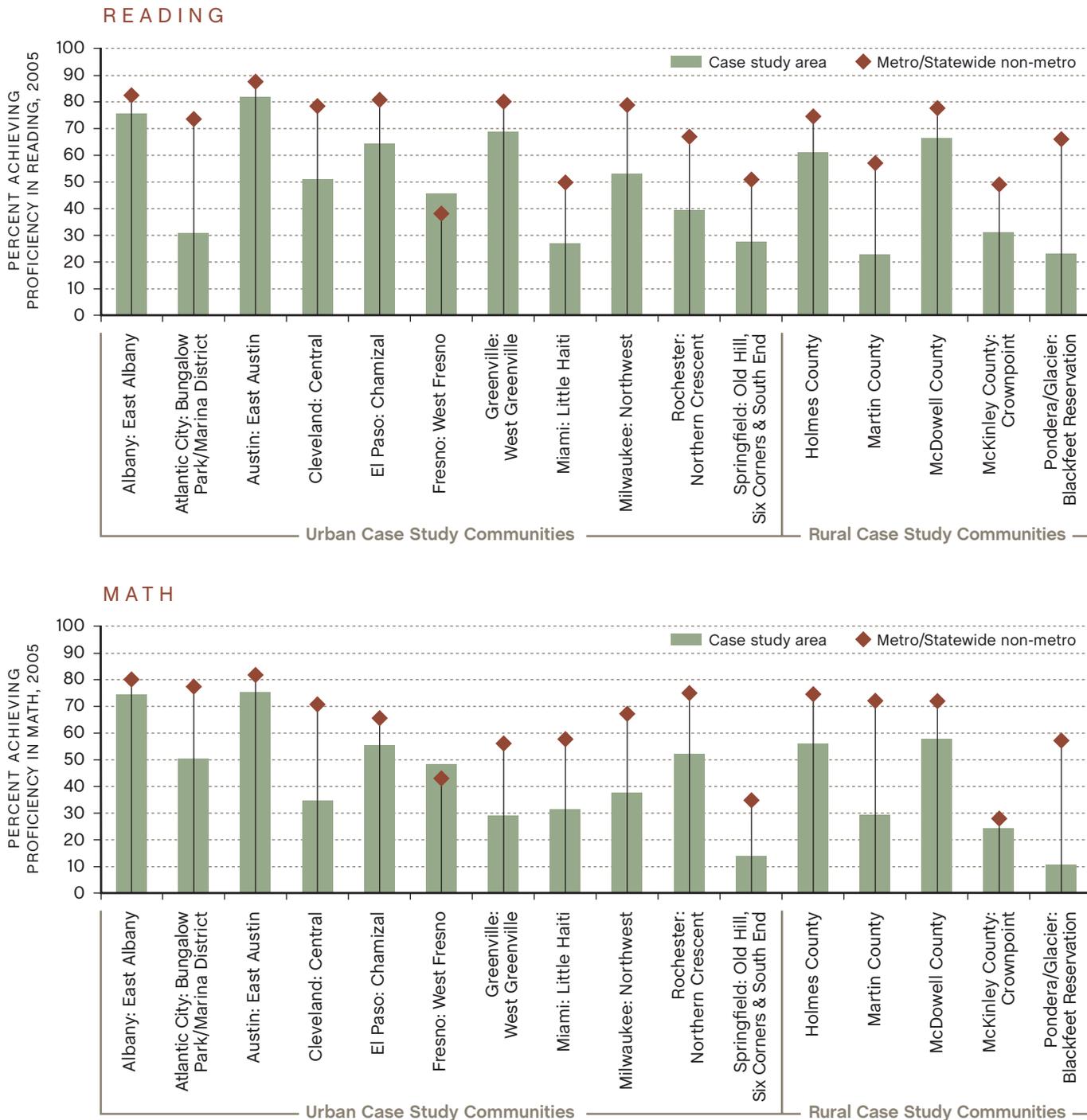
The lack of school achievement is subsequently mirrored in the low education levels of adults in these high-poverty communities. In nearly all cases, at least 40 percent lack a high school diploma (and even higher percentages in immigrant-heavy neighborhoods), versus 20 percent of the U.S. adult population. The overwhelming majority of case studies note that low levels of education and job skills in these communities hurt the employability of workers. For example, case study interviews revealed that Atlantic City residents were unable to find work at casinos, Holmes County residents could not get hired at the local Nissan plant, and McDowell County residents were disqualified from employment opportunities at Wal-Mart. Even where training opportunities and job connections are available, as in East Albany, Springfield, and Cleveland, these programs may be under-enrolled, misaligned with what jobs are actually available, or of insufficient scale to tackle the barriers facing potential workers in these communities. In the end, all of these communities significantly lag their surrounding regions in the share of adults who are actually in the labor force. (See Figure 5)

The case studies also suggest that the lack of a skilled workforce—coupled with the other problems affecting high-poverty communities—deterred business investment. Chamizal leaders, for example, said that only low-skill, labor-intensive industries located there due to the poor quality of schools and job-training programs. Leaders in the Mississippi Delta lamented that Venezuela was a more attractive investment option than their area.

Tackling either local school or adult labor force problems is a large task; addressing them together—arguably the challenge facing these high-poverty communities—is a monumental one. The scale and gravity of their problems suggests that most high-poverty communities will need serious interventions on multiple fronts to ensure that

FIGURE 4

### Schools in case study communities under-perform those in comparison areas on state exams



SOURCE: Standard and Poors' School Matters; www.schoolmatters.com

Comparison areas are metropolitan areas for urban case study communities, and statewide non-metropolitan areas for rural case study communities

children and adults gain decent educational and employment opportunities. Moreover, as leading practitioners and policymakers have noted, forging stronger connections between residents of these communities and opportunities in their wider regions may be at least as important as creating new educational institutions or jobs within high-poverty areas themselves.<sup>15</sup>

## Housing

*“You don’t know when somebody is going to camp in [a vacant property] and do something or start a fire.”*

—Rochester resident

*“Many of the rental units are cash cows, meaning there is no incentive to upgrade the property when they are at 100 percent capacity.”*

—El Paso affordable housing advocate

*Between 2000 and 2004, nearly 40 percent of all Low Income Housing Tax Credit units built in the city as set-asides for low-income households were built in West Fresno.*

—Fresno case study

Housing problems were at least as widely cited among stakeholders in the case study communities as problems with local schools and labor force readiness. Housing constitutes not only the largest part of most families’ budgets, but it is also one of the most visible signals of neighborhood quality. Moreover, research has shown that housing conditions impact the well-being of the homes’ occupants as well as that of the surrounding neighborhood. (See overview chapter)

The case studies articulate distinct housing problems affecting different types of high-poverty communities. First, several communities exhibit very poor housing quality overall. On the Blackfeet Reservation, manufactured homes do not stand up well to the harsh climate and many public housing units have become contaminated with mold and moisture. Much of Chamizal’s and Little Haiti’s aging inventory is overcrowded or lacks basic facilities. Substandard housing can be found throughout Holmes County, but when the local community development corporation (CDC)

attempted to upgrade the stock with new federally subsidized homes, qualified buyers were not available.

Second, a few of the weak-market urban communities face issues with abandoned properties. Community leaders in Cleveland, Rochester, and Springfield point to poorly maintained and vacant housing as a magnet for criminal activity, a barrier to private investment, and a costly burden on local public budgets, including through reductions in the value of surrounding properties.<sup>16</sup>

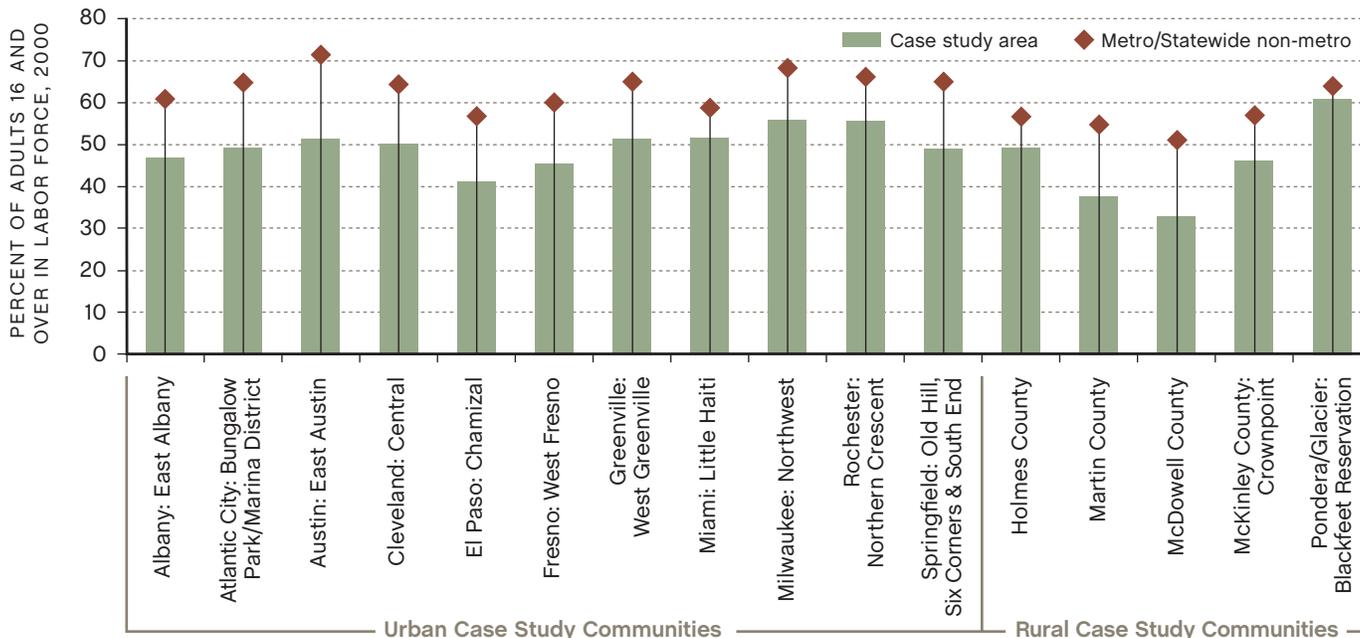
Third, interviewees in most case study areas cited issues with housing affordability. In some areas, affordability problems—often expressed as the proportion of families paying from more than 30 percent to more than 50 percent of their income on housing costs—stem from low incomes earned by residents. In others, however, housing costs (including property taxes) have risen in the face of new development, with formerly affordable options dwindling. Back Maryland, one of the neighborhoods in the Atlantic City case study community, could see its stock of privately owned HUD-subsidized affordable housing shrink in the near future with the expiration of agreements with HUD that maintain their affordability. For its part, East Austin has experienced rapid house price appreciation in recent years, forcing many longtime residents of the neighborhood to move farther out to find more affordable housing.

Fourth, many of the urban case study areas remain very poor in part because they have long been the receptacle for outsized shares of their region’s public and subsidized housing. (See Figure 6) Chamizal, home to just 4 percent of the El Paso region’s rental units, nonetheless contains 13 percent of the region’s HUD-subsidized units. West Fresno has just 2 percent of the Fresno area’s rental units but 9 percent of its HUD-subsidized units. And it has remained on the receiving end of new affordable housing developments in the past few years. As a public official in Springfield noted, affordable housing policies of the past did not take account of local market conditions, and served to concentrate families in neighborhoods with little economic opportunity. As the overview chapter notes, responding to affordable housing needs by distributing subsidized housing units across a region rather than by continuing to build them in poor neighborhoods may lead to better outcomes for low-income families over the long term.

Moving and managing the housing market through new public and private investment, however, is itself a long-term effort. Such strategies will inevitably be

FIGURE 5

### Case study communities have smaller shares of adults in the workforce than their comparison areas

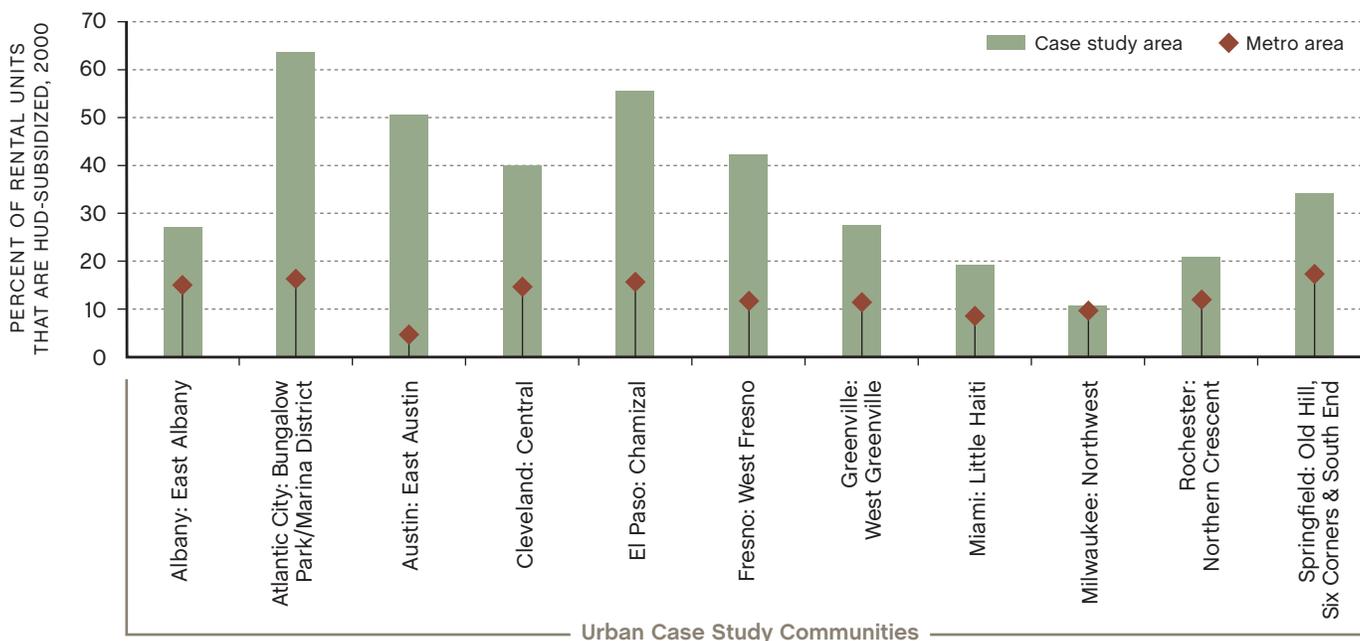


SOURCE: U.S. Census Bureau, Census 2000

Comparison areas are metropolitan areas for urban case study communities, and statewide non-metropolitan areas for rural case study communities

FIGURE 6

### HUD-subsidized units make up a much larger share of rental housing in urban case study communities than in comparison areas



SOURCE: U.S. Census Bureau, Census 2000; HUD's Picture of Subsidized Housing; and LIHTC database

Comparison areas are metropolitan areas for urban case study communities.

balanced against more exigent needs related to current housing market instabilities, including managing a rising number of foreclosures that are affecting several of these neighborhoods.<sup>17</sup>

### Lack of Mainstream Investment

*“It’s a tough market to work in, especially since we need to overturn decades of disinvestment.”*

—West Greenville city planner

*“You have to go outside Martin [County to shop] ... [we] go to Wal-Mart in Paintsville for stuff.”*

—Martin County resident

*Financial institutions have historically not located bank branches in [West Fresno]. Indeed, until 2006, the neighborhood was without even an automated teller machine.*

—Fresno case study

*“In working with a population with little formal education and a lot of mistrust, mastering financial skills is often quite daunting.”*

—El Paso banker

High-poverty neighborhoods are not an obvious investment target for most mainstream businesses, since local populations are perceived to have limited buying power and ability to support these businesses. What is more, businesses may perceive—correctly, in some cases—that there are higher costs for serving these communities.<sup>18</sup>

Crime and safety problems that accompany low levels of employment, high levels of illicit economic activity, large youth populations, and abundant vacant housing also dampen investment in high-poverty communities.<sup>19</sup> Neighborhoods including Cleveland’s Central, West Greenville, West Fresno, Little Haiti, Atlantic City’s Bungalow Park/Marina District, and Rochester’s Northern Crescent all cited crime—including problems with drugs and gang violence—as an issue in the community. The return of thousands of ex-offenders to northwest

Milwaukee not only raises the specter of crime in that neighborhood, but also contributes to its ongoing labor market challenges. And while residents regard McDowell County largely as a safe place, the high incidence of fraud-related crimes was noted as creating barriers to local investment.

In addition to limiting the availability of jobs and services, the lack of private-sector investment may make the area less attractive to middle-income workers and families, thereby contributing to a cycle of decline that leaves the community poorer over time. It may also make life more difficult—and more expensive—for the low-income residents who remain. A nearby supermarket, for instance, seems among the most basic amenities that make for an appealing community. And yet the West Greenville neighborhood has no grocery store, the whole of Atlantic City lacks a supermarket, and some residents of the Blackfeet Reservation endure a half-day’s drive to reach one.

Financial institutions represent another key local amenity for most residents, providing them with access to cash, savings, and capital for small business and housing needs. Here, too, a few case study communities—Crownpoint, East Albany, Chamizal, and West Greenville among them—lack traditional banking options within or near their borders. Instead, these and other communities are populated with so-called “nontraditional” financial services providers, which offer check cashing, payday loans, remittances, and other non-bank financial products. Conducting financial transactions through these nontraditional providers typically costs more than mainstream options. In addition, these providers offer customers fewer vehicles for savings and longer-term financial management.<sup>20</sup>

Several other case study communities, however, including those in Cleveland, McDowell County, Springfield, and Rochester, noted the nearby location of one or more banks. Still, for some of these areas’ residents and community leaders, banks rank lower on the list of needs. “Why does one need a bank account if one doesn’t have a job?” remarked one Little Haiti resident. In El Paso, a banker observed that the immigrant community there faces steep learning and trust curves in order to navigate even the most basic elements of the U.S. financial system. And despite their physical proximity to banks and credit unions, many residents of Rochester’s Northern Crescent neighborhoods opt to use alternative providers because of convenience, cost, or past negative experiences with mainstream financial institutions.

High levels of negative or absent credit records present a further barrier to economic progress among residents of the case study communities. Interviewees in Holmes County and Crownpoint, in particular, noted the struggles their residents face in managing consumer debt. Indeed, across all of the urban case study communities, a much higher share of consumers have thin credit files, meaning they have little or no credit history on record, than in the surrounding metro areas.<sup>21</sup> Even among those consumers who have more substantial credit records, much lower proportions have very good scores that qualify them for the lowest-cost credit. As a reflection of this, mortgage borrowers from the case study communities in 2005 were, in most cases, considerably more likely than their counterparts in surrounding areas to receive high-cost loans.<sup>22</sup> (See Figure 7) Such high-priced credit could further erode the ability of consumers in these communities to manage debt and ultimately improve their financial profiles. This suggests a need for more deliberate steps to bridge not just the geographic gap between financial institutions and low-income communities, but also the gaps between the

financial needs and financial knowledge of lower-income families and the products currently offered to them.

■ III. THE CAPACITY TO ADDRESS ISSUES ASSOCIATED WITH CONCENTRATED POVERTY

*“If Bill Gates wanted to give \$1 billion to the neighborhood, could we use it?”*

—West Fresno community advocate

*“[Trust land management is] an old dinosaur system that’s supposed to be the guardian of Indian people.”*

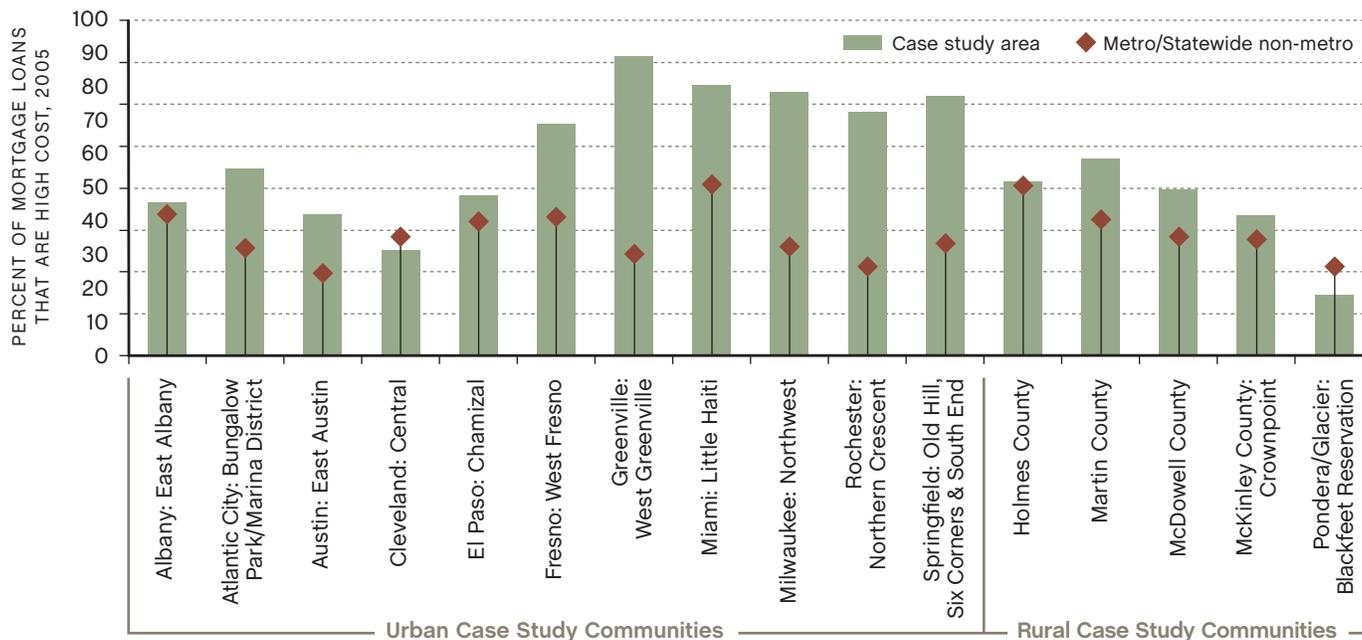
—Blackfeet Reservation community development leader

*“There’s a sense that is instilled in longtime residents that the city is not there to serve you.”*

—East Austin neighborhood development leader

FIGURE 7

**Borrowers from most case study communities were more likely in 2005 to receive high-cost mortgage loans than their counterparts in comparison areas**



SOURCE: Home Mortgage Disclosure Act (HMDA) data

Comparison areas are metropolitan areas for urban case study communities, and statewide non-metropolitan areas for rural case study communities.

*“I’ve been in this community, actually living on this property, for 29 years now...I haven’t seen a program that’s still in existence or been consistent in this community because they start a lot of programs.”*

—Cleveland’s Central neighborhood resident

A final theme that emerged from the 16 case studies concerned their communities’ limited capacity to address the problems associated with concentrated poverty. While many factors that influence levels of poverty reside outside of the domain of local or even regional actors, the delivery of social services and responsibility for neighborhood revitalization efforts often fall to community groups and local government agencies. Although several of the communities, most notably Cleveland, have a well-developed community development infrastructure, most of the case studies revealed that stakeholders did not regard nonprofit actors as fully capable of managing the multifaceted efforts needed to overcome the myriad barriers facing these communities. New and evolving problems, changing populations, and difficulty retaining talented younger people in the area were all cited as factors that impaired community capacity.

In addition, capacity problems in these communities are not confined to the nonprofit sector. In the recent past, elected leaders in Springfield and Atlantic City have abused citizen trust, eroding the chances for meaningful partnerships to address local problems. On the Blackfeet Reservation, the governance structure imposed by the Indian Reorganization Act of 1934 has posed difficulties for the tribe, providing too little separation of powers—for example, between the council and the courts—and contributing to the uncertain business environment on the reservation. Private-sector leadership is also in short supply in many of these communities, a by-product of the decline of large employers (e.g., Kodak in Rochester’s Northern Crescent) and/or local banks’ limited experience in financing community development activities (cited as concerns by stakeholders in East Albany, West Fresno, and McDowell County).

Across the case studies, capacity issues were apparent in three related areas: expertise, governance, and trust.

### **Expertise**

Regardless of the duration of their communities’

suffering from high levels of poverty, leaders expressed unilateral frustration at the lack of local organizational capacity and experience to address the scale and scope of problems their communities face. In Holmes County, interviewees pointed to problems both in promoting collaboration among the county’s municipalities as well as in doing the actual work necessary to stimulate effective change. Said one, “With limited staff and all you have to do, it’s hard.” In West Fresno, community leaders doubted their own ability to handle a major infusion of capital, given existing gaps in technical skills, fragmented leadership, and a lack of political will and vision. Similar concerns about strategic balkanization across the public, private, and nonprofit sectors arose in Atlantic City. And in East Albany, city officials felt that the community lacked effective nonprofit organizations with which to partner in order to implement revitalization plans.

In some instances, case study community stakeholders lamented the lack or misdirection of funding needed to enhance local community development capacity. In West Fresno, nonprofit representatives noted that the city used federal Community Development Block Grant dollars primarily to augment police and infrastructure, rather than to boost funding for local organizations. While stakeholders acknowledged that addressing crime in the community was a legitimate need, the lack of a source of funding for nonprofits made it difficult for new organizations to become more effective or reach more residents. Competition for philanthropic attention is fierce there, too, evidenced by some stakeholders opining that Fresno’s needs were overshadowed by bigger players in the San Francisco Bay Area and Southern California. Holmes County interviewees sounded a similar theme, maintaining that the state has showered greater attention and financial support upon Mississippi’s faster-developing (and hurricane-ravaged) coastal area.

Although not mentioned as often in case study interviews, resident mobility and turnover could also serve to limit the capacity of these communities to stimulate and manage change. In the high-poverty urban communities especially, significant proportions of households (generally 45 percent or more) lived in a different house in 2000 than in 1995. These households may have relocated from the same neighborhood, an adjacent neighborhood, or another region entirely. Many have likely moved on since then.<sup>23</sup> Such continuous turnover could further complicate efforts to build the capacity of these areas to address the multiple challenges they and their residents face. At the

same time, significant mobility in these neighborhoods could benefit individuals by reducing their long-run exposure to areas of concentrated poverty.

Other case study communities, particularly in older northern cities, seem to enjoy a robust community development structure borne out of earlier strife, activism, and philanthropy. Leaders in Cleveland's Central neighborhood, for instance, point to a number of longstanding nonprofit institutions that are dedicated to serving the area's residents and to connecting the area to public and private investment. Even so, as the quote that leads off this section suggests, ensuring the sustainability and effectiveness of programs can be a challenge. Nonprofits in Rochester's Northern Crescent have succeeded in formalizing relationships with city and county governments to improve citizen engagement in community development activities. Of course, these communities still suffer from high levels of poverty and associated problems, suggesting that community development leadership alone is not sufficient to overcome negative regional economic trends or severe gaps in residents' education and skills. However, the stronger leadership in these places may situate them better to help residents take advantage of emerging opportunities within, and outside, their borders.

### **Governance**

Complicated governance arrangements pose a second challenge to local capacity in a few of the case study communities, relating both to land use and civic oversight. Such arrangements serve to obscure responsibility and reduce community efficacy.

These problems are perhaps thorniest for Native American lands. On the Blackfeet Reservation and in Crownpoint alike, residents describe how fragmented land ownership and federally imposed governance relationships have inhibited market development. Much of the Blackfeet Reservation is still held in trust for the tribe by the U.S. Department of the Interior; procedures for securing the land as collateral for economic and housing development are often lengthy and complicated. Land in Crownpoint is owned by a mix of federal, state, tribal, and private-sector actors, yielding a "checkerboard" of interested parties that complicates planning and deters private investment.

The problem is not confined to Native American lands, either. In McDowell County, similar issues derive

from absentee corporations owning so much of its land. To the extent that residents of these areas hope to connect to new market opportunities, such fragmentation acts as a substantial barrier to building their capacity for change and growth.

In some of these high-poverty communities, governance problems go beyond land ownership. McDowell County interviewees noted that county government fragments its approaches to highly interrelated policy areas such as transportation, land use, housing, and environmental quality. The result is that no single organization or coalition is equipped to influence decisions across all of these areas. In East Austin, impoverished neighborhoods do not necessarily have specifically designated elected representatives who can serve as a voice for and address the needs of their community. In high-poverty areas in both strong and weak markets, a lack of effective governance mechanisms that could foster joint public/private/nonprofit decisionmaking may well hinder efforts to promote sustainable, positive change.

### **Trust**

A lack of trust among residents of case study communities and their wider areas also serves to undercut collaborative decisionmaking. Trust barriers arise from a number of sources, according to residents and stakeholders alike: from the stigma attached to these communities (e.g., the "river rats" moniker applied to residents of East Albany and the perception of rampant crime affecting Springfield's Old Hill, Six Corners, and South End neighborhoods); from the still-raw wounds of forced relocation and urban renewal (e.g., Blackfeet Reservation, West Greenville, West Fresno); and from residents' views that public officials do not understand or care much about their predicament (a concern voiced in East Austin, Holmes County, and Little Haiti). In both Springfield and Atlantic City, as noted earlier, recent instances of municipal corruption have negatively affected community morale and led local stakeholders to cast a skeptical eye on public-sector initiatives to facilitate community improvement.

Such suspicions on both sides may limit outward connections to economic opportunity for residents of these areas, as well as inward investment and migration that could improve community economic standing. For example, in Little Haiti, cultural norms may militate against community cohesiveness, while geographic and

linguistic isolation may limit the extent to which Haitian nonprofits are willing to partner with outside organizations to boost local resources.

Perhaps most important, trust levels in each of these communities are affected by the conditions that surround their residents daily. Interviews with community leaders suggest that the persistence of problems with, for example, poor-quality housing or high levels of crime, contributes to a lack of confidence among community members that their elected officials and other civic leaders can be effective partners in improving the socioeconomic well-being of residents. This trust divide may represent one of the most critical issues in addressing the challenges of concentrated poverty, since it arguably sets the context for all other types of interventions—particularly as community development policies and strategies increasingly require broad public-private partnerships and resident participation.

Even if these capacity problems were resolved, however, many of these communities would still face daunting challenges. Clearly, strong community leadership is needed to begin addressing central problems in high-poverty areas, such as limited education and skills, inadequate housing, and lack of mainstream investment. But on its own, community leadership cannot turn a deindustrializing regional economy into a high-tech boomtown; it cannot convert a harsh, windswept plain into abundant farmland. And it cannot readily speed the social and economic incorporation of thousands of recent immigrants with limited English-language proficiency and scarce resources.

Circumstances beyond the control of community leaders will continue to shape the opportunities and challenges facing residents of high-poverty areas. As one leader from Rochester's Northern Crescent commented, the neighborhood is, despite its best efforts, "running to stand still." Although enhanced expertise, streamlined and transparent governance, and higher levels of trust among local organizations will not suffice to tackle the multifaceted problems these places and their residents face, they are nevertheless valuable qualities that can help organizations improve a community's prospects over time. Nimble organizations able to forge partnerships with public, private, and philanthropic sectors and embrace opportunities for residents that exist beyond their community's borders may help communities such as the ones profiled in this report to move beyond poverty.<sup>24</sup>

#### ■ IV. ADDRESSING CONCENTRATED POVERTY

The 16 case studies in this report document a number of difficult and interrelated challenges faced by high-poverty areas—none of which is easy to address. Perhaps the most vexing question to answer is, what strategies are most effective in tackling the problems of concentrated poverty? Just as concentrated poverty has long characterized portions of the American social and economic landscape, so too have policymakers wrestled with multiple, sometimes competing, visions of how to address it.

Federal and state programs that offer direct financial support or in-kind transfers can help to address some of the challenges associated with living in poverty. For example, means-tested programs such as Temporary Assistance for Needy Families (TANF), Head Start, and food stamps can support low-income families by helping them to meet their basic needs. The Earned Income Tax Credit is another federal policy that supports low-income working families by providing a refundable tax credit that can help to boost their incomes. These policies—as well as social insurance programs such as Social Security, Medicare, unemployment insurance, workers' compensation, and disability insurance—all have a place in discussions of what policies are needed to address poverty more broadly.<sup>25</sup>

In the context of this report, however, the question is also about how to address the problems associated with poor places. Scholars who have studied past efforts at tackling neighborhood poverty have begun to create a typology of the different strategies that can address the challenges facing distressed communities and the families who live there.<sup>26</sup>

The first strategy, *improving the neighborhood*, involves an explicitly place-based focus on the provision of community-based affordable housing and business enterprise as instruments for neighborhood revitalization. Policy tools in this arena—for example, Enterprise Zones or the Community Reinvestment Act—have expanded access to capital in lower-income communities and supported the growth of a national network of nonprofit community development corporations. At the same time, however, this strategy has been criticized for considering neighborhoods in isolation from the economic forces affecting their wider regions. If pursued alone, a place-based strategy may actually exacerbate concentrated poverty—say, by clustering affordable housing in poor neighborhoods.

The second strategy, *expanding opportunity*, assumes a people-based focus on giving residents of distressed neighborhoods access to quality jobs and schools in their wider regions. By providing residents with housing vouchers or access to school choice programs, this strategy explicitly seeks to move them to areas of lower poverty, or provide them with greater opportunities in those locations. As reviewed in the overview chapter, several approaches—among them housing vouchers, transportation programs like Job Access and Reverse Commute, and other related efforts—have shown some success in helping low-income families access homes and jobs in lower-poverty areas and improve their own safety and quality of life. At the same time, these programs remain imperfect tools, not reaching all types of low-income families and all types of low-poverty neighborhoods, and not addressing the multiple barriers often facing adults and children from very low-income areas.<sup>27</sup> In addition, they may have limited applicability to highly isolated areas of concentrated poverty, such as those found on the Blackfeet Reservation or in Martin County, which do not have access to nearby low-poverty, high-opportunity areas.

The third strategy, *transforming the neighborhood*, incorporates both place-based and people-based elements in focusing on fundamentally altering the socioeconomic mix of distressed areas to create communities that are attractive to a broader range of households. These efforts often entail significant housing redevelopment, such as the HOPE VI program, as well as efforts to improve local schools and employ local residents. As explained below, these approaches have yielded significant revitalization in formerly very high-poverty urban communities, and by some measures have succeeded in reconnecting them—physically and economically—to their surrounding areas. In practice, however, this strategy has sometimes been employed without adequate attention to the needs of original residents, especially “hard to house” families who may end up outside the support system entirely. And similar to the expanding opportunity strategy, its applicability to remote Native American reservations and poor rural areas may be limited.

Increasing attention is being given to the best way to integrate place-based and people-based policies to improve the trajectories of high-poverty communities and their residents while tailoring those strategies to local needs and assets. As the case studies in this report make clear, the diverse economic context for concentrated poverty demands responses that are equally diverse in

emphasis. Areas close to emerging economic opportunity might choose to focus first on improving workforce skills, while more isolated locations might first seek to improve local infrastructure. In the case study communities, public- and private-sector leaders are starting to innovate along these lines to address the challenges associated with concentrated poverty. Many of their initiatives are new and have not yet undergone evaluation, but they do reflect the range of ways in which communities are attempting to address concentrated poverty.

### Employment and Schools

With low labor force skills a pressing issue across nearly all of the case studies, many stakeholders are actively promoting workforce development strategies that both address barriers to work and connect adults to employment opportunities. While researchers are still working to disentangle the relative merits of different approaches to workforce development, recent analyses suggest that well-designed employment programs that combine training to enhance participants’ human capital with job placement assistance can produce positive and lasting impacts.<sup>28</sup> This approach is being tried in Cleveland, for example, where an innovative program at Cuyahoga Community College is helping individuals with limited formal education enter the healthcare field through a nursing assistant training program, and then gain credentials to advance up the occupational ladder. Project ARRIBA, a labor market intermediary in El Paso, provides clients with training opportunities from El Paso Community College (as well as the local university) for jobs in high demand in the local economy, such as healthcare, education, and information technology positions.

While not inherently place-based, workforce development programs in two of the case study communities are aiming to develop a more localized strategy to boost local employment. The Blackfeet Manpower program, for one, is working with employers at adjacent Glacier National Park to increase the number of seasonal hires who come from the reservation. Similarly, through a community benefit agreement in Atlantic City, the Borgata Casino is committed to training and finding jobs for 2,000 unemployed or underemployed local residents.

In many of these areas, low labor force participation may be related to a low financial return from work—the lack of a “living wage,” as one Springfield stakeholder put it. In that respect, broader policies such as the federal Earned Income Tax Credit (EITC) are critical labor

market supports. Today, approximately 22 million workers and families receive the EITC via their federal income tax refund; some earn credits of \$4,000 or more per year. Research has shown the EITC to be effective in reducing poverty, encouraging work, and helping low-income families to make ends meet.<sup>29</sup> In most of the case study communities, between one-quarter and one-half of all tax filers claim the EITC, and that share has been growing. (See Figure 8) Still, interviewees voiced needs to expand awareness of the EITC, especially among immigrant groups; to increase the supply of volunteer tax services that provide free tax preparation (both to ensure that eligible families claim the credit and to reduce the uptake of refund anticipation loans); and to couple those services with information about other resources available to low-income families (e.g., child care, food stamps, health insurance).

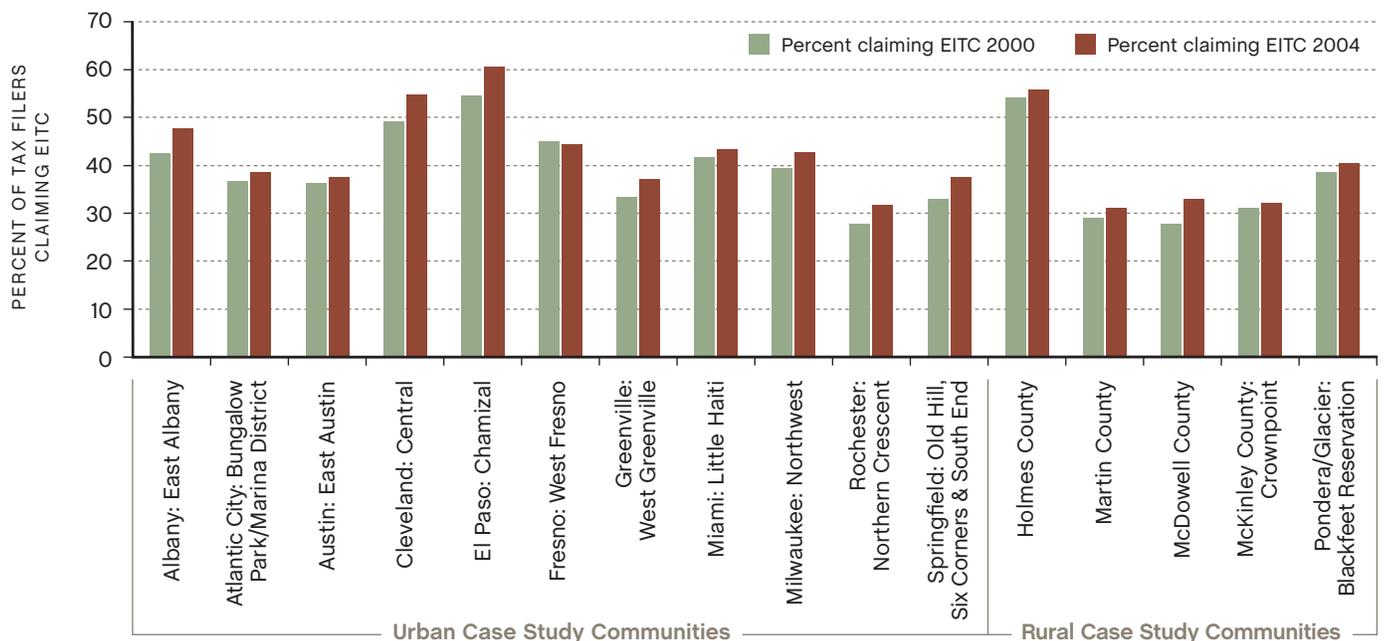
As some case study communities work to upgrade the size and quality of the local workforce, others are focusing on the educational pipeline, striving to improve the quality of local schools. In McDowell County, new leadership in the public schools has retooled the curriculum, enhanced teacher training, and reached out to parents in new ways, with promising initial results. In Little

Haiti, efforts are under way to stimulate greater parental involvement in schools. The Springfield school system, too, is bolstering outreach efforts to parents, and has forged a partnership with Springfield College to mentor and tutor students at an elementary school in the Old Hill neighborhood.

Additional investments in education are needed at multiple grade levels in many of these communities,<sup>30</sup> and local stakeholders may benefit from the experiences of other cities developing new models for improving local schools. For example, community development finance is increasingly being leveraged for educational facilities in low-income communities—including pre-school and charter school facilities—that support broader neighborhood revitalization efforts.<sup>31</sup> Community-based organizations in cities such as Baltimore, Chicago, and Los Angeles have launched charter schools as part of a comprehensive neighborhood revitalization strategy, and have seen improvements both in student performance and at the neighborhood level. Research has shown that concurrent investments in local schools reinforce investments in housing in poorer areas, as better schools become a driver of market demand for housing, attracting new families to the neighborhood.<sup>32</sup>

FIGURE 8

## EITC uptake changes in case study communities



SOURCE: 2000 and 2004 Earned income Tax Credit (EITC) data available at <http://webapps/brookings.edu>

## Housing

The housing policy perhaps most intentionally targeted to address the twin problems of concentrated public housing and attendant poverty is the HOPE VI program. Originally known as the Urban Revitalization Demonstration, HOPE VI was launched in 1993 with the aim of eradicating severely distressed public housing and building mixed-income communities in their stead. Over its first decade, the program funded the demolition and reconstruction of more than 80,000 of the most distressed public housing units across the country. By most measures, HOPE VI redevelopment has led to marked neighborhood improvements across a range of indicators, including health, education, employment, and safety. Research also suggests that HOPE VI has catalyzed a range of neighborhood investments and has helped to integrate formerly isolated populations into mixed-income communities.<sup>33</sup>

In Cleveland, a HOPE VI redevelopment project has spurred private residential development in the Central neighborhood, transforming the formerly troubled high-rise brick buildings into rows of well-designed townhomes. The new housing is also fostering some optimism among Central's residents and stakeholders. Noted local funder India Pierce Lee, "You drive through there and it's like a new city being reborn quietly."<sup>34</sup> In addition to bringing a more diverse mix of income levels into the community, the new housing is also helping retain some of Central's residents who would otherwise leave the community. "When they started building the houses, that helped," stated local stakeholder Gerri Burns. "A number of people who lived in public housing actually bought houses in the community and stayed."

Nevertheless, HOPE VI has its limitations as well. In some cities, the program has been criticized for not adequately supporting residents during relocation, for transforming the neighborhood at the expense of long-time residents, and for leading to a net loss of affordable units for low-income households.<sup>35</sup> Researchers who have been following residents affected by HOPE VI are developing a more nuanced picture of the effects of relocation and redevelopment. This research will be extremely helpful in helping to identify what strategies are needed to ensure positive housing and employment outcomes for residents undergoing place-based revitalization as part of a HOPE VI model.<sup>36</sup>

Moreover, while the HOPE VI model does appear to be having some positive outcomes in Cleveland, other

strategies are also needed to address the much broader range of housing challenges prevalent in these communities. The Blackfeet Housing Authority, with support from financial partners, has developed a line of credit to enable efforts to upgrade the quality of the local housing stock. To combat problems with vacant and abandoned housing in its Northern Crescent neighborhoods, the Rochester Housing Development Fund Corporation buys and renovates vacant homes, and then resells them to low- and moderate-income households. And the city of Austin is using voluntary inclusionary zoning—coupled with an incentive of reduced building fees—to speed the development of affordable units in East Austin, in part to relieve housing-price pressures on lower-income families.

## Investment

Improving the investment climate is a high priority for many of the case study communities, as stakeholders believe that such investments can attract new residents and jobs while improving the quality of life for the existing population. Promising strategies on this front involve active partnership between the public and private sectors. To attract greater mainstream investment into West Fresno, for example, the city successfully lobbied for a new shopping center, which today houses a supermarket that outperforms other regional stores in the chain. The community is now working with Social Compact—an organization that conducts local market analyses of underserved areas and challenges the negative stereotypes that have historically limited private development in poor neighborhoods—to promote further investment opportunities. In Cleveland's Central neighborhood, KeyBank worked with community leaders to create a bank account product for residents who frequently rely on check cashers, or who have had trouble with the banking system in the past. Several other communities, including East Albany, West Greenville, Holmes County, Martin County, and Chamizal, have assembled or are now assembling comprehensive plans for community revitalization. Such plans can set a useful framework for attracting greater private investment, though their ultimate impacts in these case study communities have yet to be seen.

## Capacity

Finally, efforts to enhance the capacity of local actors to confront and overcome the challenges of concentrated poverty in the case study areas are more nascent. Some

## The Role of the Federal Reserve

So where does the Federal Reserve fit into a discussion of concentrated poverty? This study was motivated by the work of the Federal Reserve System's Community Affairs function, which assists financial institutions in meeting their Community Reinvestment Act (CRA) obligations. The CRA encourages financial institutions to meet the credit needs of the communities in which they are chartered, including low- and moderate-income neighborhoods. Beyond the direct community development lending attributable to the CRA (\$56 billion in 2006), research indicates that the CRA has lowered the overall risk of community development investment, increased the availability of economic data pertaining to low-income communities, streamlined small business lending and development there, and led banks to increase the amount of capital flowing to these neighborhoods.<sup>37</sup>

As part of their mandate to support financial institutions in meeting CRA obligations, the Community Affairs offices of the Federal Reserve System have always taken an active part in facilitating dialogues on topics of interest to regional public- and private-sector leaders, and in disseminating best practices in the areas of neighborhood revitalization and community and economic development. In addition, Reserve Banks have helped facilitate partnerships between the public and private sectors that can help to address community development challenges. For example, several of the Federal Reserve Banks have been working with the Bureau of Indian Affairs and the Department of Housing and Urban Development to streamline mortgage lending on trust land, with the goal of expanding access to homeownership on reservations. Other Reserve Banks have worked with community partners to expand awareness of the EITC and to develop strategies for helping "unbanked" populations access checking and savings accounts.

Many issues that were raised in this report—from the provision of affordable housing, to access to financial services and mortgage credit, to the investment capital needed to finance charter schools and small businesses—fall under the rubric of the CRA. Financial institutions, through their CRA-motivated community development lending and investments, are in a position to make a significant difference in high-poverty communities. Several Reserve Banks have initiated conversations on concentrated poverty in their districts and what can be done to address it.<sup>38</sup> Such conversations will not be sufficient on their own, of course, to overcome many years of distrust between high-poverty communities and public and private actors in their wider areas. But they may be a necessary component of longer-term strategies and partnerships that can help to more fully integrate these communities into the wider economy.

communities are working to confront deep-rooted issues of distrust that may have forestalled productive partnerships in the past. For instance, neighborhood planning processes in Rochester and East Austin aim to inject greater citizen participation into the process of neighborhood revitalization. In other cases, sorely needed external reforms are progressing. The Springfield Financial Control Board hopes to overcome the corruption that marred past city governments, and to act as a more responsible partner for redevelopment in the city's poorest neighborhoods. Leaders on the Blackfeet Reservation have moved to insulate economic development activities from the complicated governance problems that may have thwarted progress in the past. Building the capacity of local actors will be critical in helping to effectively direct resources to these communities. Over the past three decades, the community development field has become increasingly characterized by local planning and administration. Yet as the case studies in this report show, many areas of concentrated poverty are characterized by the lack of a local capacity for community development. With a couple of exceptions, these communities have few nonprofits, residents who feel excluded from decisionmaking processes, and little or no political leadership to tackle the complicated and intertwined challenges of poverty.

## ■ CONCLUSION

This synthesis chapter, by looking across all 16 case studies, has shed light on a set of challenges that confront urban, small-city, rural, and Native American high-poverty communities alike. Though they may differ in character and degree, issues around human capital and labor force readiness, housing, and lack of investment and financial stability echoed across these otherwise disparate places, as did the variable capacity of these communities and their wider areas to bring about and manage needed change.<sup>39</sup>

Each of the “headline” issues examined in this chapter—schools and skills, housing, lack of mainstream investment, and limited community capacity—plays a role in perpetuating the disadvantage confronting these high-poverty urban and rural areas today. Together, these issues entangle many high-poverty communities in a Gordian knot, where, for example, deficits in residents’ skills frustrate efforts to attract new investment, and the lack of new investment makes it more difficult to move more people into work and to improve their skills.

The problem of concentrated poverty, as recent trends have confirmed, is not altogether intractable. Indeed, concentrated poverty declined amid strong regional economic growth in the 1990s. Today, where economic growth persists in and around case study areas like East Austin and Atlantic City, in-migration and investment may lead to a decline in the poverty rate. Whether the original residents of those communities will achieve better outcomes as a result remains to be seen. In areas with weaker markets, the lack of a rising regional tide may necessitate more multifaceted interventions to improve the lives of people living in areas of concentrated poverty, and to restore healthy market activity to the places themselves.

As more recent data become available on these and other high-poverty communities through the Census Bureau’s American Community Survey, researchers might investigate what factors have been associated with rises or declines in concentrated poverty in the 2000s.<sup>40</sup> In addition, more detailed longitudinal studies might examine, in areas where poverty fell, whether original area residents with low incomes benefited from the uplift, or whether the poverty decline was associated with their out-migration from the area, and the reasons for those outcomes.<sup>41</sup> Research along these lines might help identify the mix of conditions that contributes to a reduction in concentrated poverty, and particularly those conditions that result in better outcomes for low-income residents.

Empirical research may nevertheless fail to capture the true character of the people and the places that make up high-poverty areas; hopefully, these case studies have helped to elicit such information. Indeed, behind the veil of the daunting challenges presented in this report, case study authors uncovered a rich array of assets on which these communities and their residents might draw to overcome the isolation of concentrated poverty.

Several communities highlight specific cultural assets associated with their dominant racial or ethnic makeup. In East Austin, a black resident took special pride in owning a home that her parents struggled to buy in an era of rampant racial discrimination. In McDowell County, extended family networks support residents who are struggling to get by, as well as help account for the low levels of crime in the community. In Little Haiti, the closely held status of businesses and their cultural affinity with the community allow them to adapt quickly to changing demands and new market opportunities. Similar deep spiritual, cultural, and historical traditions

characterize the Blackfeet population on the reservation and Navajos in the Crownpoint area.

While largely untapped at the community level, economic and locational assets still characterize many of these areas as well. Cleveland's Central neighborhood, while suffering from high rates of unemployment, is beginning to take advantage of its physical proximity to major universities, hospitals, corporations, and foundations, all of which are natural partners for its robust community development sector. Meanwhile, communities like East Austin and West Greenville may benefit from new growth occurring in their immediate areas, provided leaders act to ensure that community residents acquire the skills and the supports (including housing) to connect to these emerging market opportunities. Even the Appalachian counties of Martin and McDowell have begun to consider tourism strategies that would take advantage of their unique histories and access to stunning natural landscapes.

Finally, longtime residents of these neighborhoods exhibit a deep commitment to their communities, despite the longstanding forces that have isolated them. Any meaningful effort to improve the lives of people in concentrated poverty, and to make their communities more viable places for future residents and businesses, should harness the collective knowledge and spirit of these individuals. Their commitment and resiliency is perhaps best captured by the Chamizal resident who, despite the sobering problems present in her community, said, "If I won the lottery, I still wouldn't move out of Chamizal. This is what I know; these are my people."

*This synthesis chapter was written by Alan Berube, research director of the Brookings Metropolitan Policy Program, and David Erickson, manager of the Center for Community Development Investments, and Carolina Reid, community development research manager, both of the Federal Reserve Bank of San Francisco.*

## Endnotes

<sup>1</sup> Many of the issues revealed in the case study communities are not new—to be sure, the sorts of very poor, predominantly African-American inner-city communities portrayed in seminal works like Wilson's *The Truly Disadvantaged* and Auletta's *The Underclass* still exist in places like Chicago, New York, and other older, northern cities today. The Cleveland, Rochester, and Milwaukee communities examined within this report exhibit that profile. Similarly, areas like McDowell County, WV, and Holmes County, MS, share a common ancestry with the communities profiled in Duncan's *Worlds Apart* and the Depression-era South of Agee's and Evans's *Let Us Now Praise Famous Men*.

- <sup>2</sup> See Table 1: Comparison Statistics in individual case studies.
- <sup>3</sup> Paul Jargowsky, "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s" (Washington, DC: Brookings Institution, 2003).
- <sup>4</sup> Centers for Disease Control and Prevention, "Health, United States, 2007"; Table 10: Nonmarital childbearing by detailed race and Hispanic origin of mother, and maternal age: United States, selected years, 1970–2004.
- <sup>5</sup> See Table 1: Comparison Statistics in individual case studies.
- <sup>6</sup> One factor to which many researchers point as contributing to increased rates of single parenthood in these communities is a decline in the number of "marriageable" men, due to shrinking labor market opportunities associated with economic restructuring. See William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987).
- <sup>7</sup> See, e.g., Oscar Lewis, *La Vida—A Puerto Rican Family in the Culture of Poverty—San Juan and New York* (New York: Random House, 1966); Ulf Hannerz, *Soulside* (New York: Columbia University Press, 1969); Ken Auletta, *The Underclass* (New York: Random House, 1982); Wilson, *The Truly Disadvantaged*; Claudia Coulton, Shanta Pandey, and Julian Chow, "Concentration of Poverty and the Changing Ecology of Low-Income Urban Neighborhoods: An Analysis of the Cleveland Area," *Social Work Research and Abstracts* 26(4) (1990): 5–16; and Douglas Massey and Nancy Denton, *American Apartheid: Segregation and the Making of the Underclass* (Cambridge, MA: Harvard University Press, 1993). Paul Jargowsky's research finds an empirical link between deindustrialization in the northern United States and increasing concentrated poverty in the 1970s and 1980s. Paul Jargowsky, *Poverty and Place: Ghettos, Barrios, and the American City* (New York: Russell Sage Foundation, 1997).
- <sup>8</sup> See, e.g., Wilson, *The Truly Disadvantaged*, and John Kasarda, "Urban Industrial Transformation and the Underclass," *Annals of the American Academy of Political and Social Science* 501(1989): 26–47.
- <sup>9</sup> Brookings Institution analysis of data extracted from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. Available at <http://www.bea.gov/regional/>.
- <sup>10</sup> For more information, see <http://www.fingerlakeswired.com>.
- <sup>11</sup> See, e.g., Joel Kotkin and William Frey, "The Third California: The Golden State's New Frontier" (Washington, DC: Brookings Institution, 2007).
- <sup>12</sup> The exact factors that created the conditions for economic growth and opportunity in Austin and Atlantic City are unclear. Certainly, the legalization of gambling in Atlantic City has fueled the area's recent growth, but that growth in turn has depended on the strong economic performance of the nearby greater New York area—and the rise in disposable income of its residents. Austin has benefited greatly from the longtime presence of innovative firms like Dell, IBM, and Whole Foods, but also from the state's investments in the flagship University of Texas campus, which have contributed greatly to the growth of those and other firms, as well as to the unique local culture. How much of the current condition of these places can be attributed to public policy choices, and how much to circumstance, is a matter for further debate and research.
- <sup>13</sup> Luisa Medina, Development Director, Central California Legal Services and former School Board President. Personal interview in Fresno, February 23, 2007.

- 14 Jill Khadduri, et al., "Case Studies Exploring the Potential Relationship Between Schools and Neighborhood Revitalization" (Cambridge, MA: Abt Associates, Inc., 2003). "Public Housing: For Richer, for Poorer," *The Economist*, April 5, 2008, 38.
- 15 John P. Blair and Michael C. Carroll, "Inner-City Neighborhoods and Metropolitan Development," *Economic Development Quarterly* 21(3) (2007): 263–77. Jeremy Nowak, "Neighborhood Initiative and the Regional Economy," *Economic Development Quarterly* 11(1) (1997): 3–10.
- 16 William Apgar and Mark Duda, "Collateral Damage: The Municipal Impact of Today's Mortgage Foreclosure Boom" (Washington, DC: Homeownership Preservation Foundation, 2005). Dan Immergluck and Geoff Smith, "The External Costs of Foreclosure: The Impact of Single-Family Mortgage Foreclosures on Property Values," *Housing Policy Debate* 17(1): 57–79.
- 17 Jim Rokakis, "The Shadow of Debt: Slavic Village Is Becoming a Ghost Town. It's Not Alone," *Washington Post*, September 30, 2007, B1.
- 18 Matt Fellowes, "From Poverty, Opportunity: Putting the Market to Work for Low-Income Families" (Washington, DC: Brookings Institution, 2006).
- 19 Roughly 35 percent of case study area residents were under age 18 in 2000, versus 25 percent of residents in the surrounding metro area or statewide non-metropolitan areas.
- 20 Matt Fellowes, "From Poverty, Opportunity: Putting the Market to Work for Low-Income Families."
- 21 See Table 1: Comparison Statistics in individual case studies.
- 22 It is important to note that there is significant variation among the case study communities in the share of high-cost lending. For example, the Blackfeet Reservation and the Central neighborhood of Cleveland have lower shares of high-cost lending, perhaps due to the very low levels of mortgage originations in these communities. Many factors influence the proportion of high-cost lending in a community, including credit scores, race and/or ethnicity, share of owner-occupied versus rental units, local house values, the types of lenders in the community, as well as unobservable characteristics. Our research did not attempt to tease out the differences in lending patterns across these communities.
- 23 The 45-percent share was essentially the same as the national average; such turnover, however, may put high-poverty areas at a more significant disadvantage for achieving long-run improvement than similar turnover in middle- and higher-income communities. Mobility into and out of high-poverty neighborhoods is a highly fluid process, moreover, with minority households often experiencing "lateral" moves rather than moves "up" the neighborhood economic ladder. Scott J. South and Kyle Crowder, "Escaping Distressed Neighborhoods: Individual, Community, and Metropolitan Influences." *American Journal of Sociology* 102(4) (1997): 1040–84.
- 24 George Galster et al., "The Impact of Community Development Corporations on Urban Neighborhoods" (Washington, DC: Urban Institute, 2005).
- 25 See The Federal Reserve Bank of Cleveland's *Annual Report 2006* for a discussion of these programs and their relationship to the national poverty rate.
- 26 See, e.g., Bruce Katz, "Neighborhoods of Choice and Connection: The Evolution of American Neighborhood Policy and What It Means for the United Kingdom" (Washington, DC: Brookings Institution, 2004).
- 27 It is also unclear what the results would be if these mobility programs were expanded on a larger scale.
- 28 See, e.g., Andrew Dyke et al., "The Effects of Welfare-to-Work Program Activities on Labor Market Outcomes," *Journal of Labor Economics* 24(3) (2006): 567–607.
- 29 Steve Holt, "The EITC at Age 30: What We Know" (Washington, DC: Brookings Institution, 2006).
- 30 As Federal Reserve Bank of San Francisco President Janet Yellen noted in a 2006 speech on income inequality, programs that support investment in education, broadly conceived, are worthwhile, although questions remain about how to best direct public funding. Janet L. Yellen, "Economic Inequality in the United States," speech to the Center for the Study of Democracy 2006–2007 Economics of Governance Lecture University of California, Irvine, November 6, 2006. Researchers led by James Heckman from the University of Chicago have argued that funds should be targeted at early childhood education, since preschool programs for disadvantaged children appear to have substantial returns on investment over the long term. Others, such as Alan Krueger of Princeton University, note that well-designed job-training programs for adults can also have high returns. See *Inequality in America: What Role for Human Capital Policies?* Benjamin M. Friedman, ed. (Cambridge, MA: MIT Press, 2003). Moreover, in the context of HOPE VI redevelopment, research has shown that concurrent investments in the local school reinforce the investments in housing in these neighborhoods, and vice versa. See Jill Khadduri, Heather Schwartz, and Jennifer Turnham, "Reconnecting Schools and Neighborhoods: An Introduction to School-Centered Community Revitalization" (Columbia, MD: Enterprise Community Partners, 2007).
- 31 For example, the nonprofit Illinois Facilities Fund has financed the construction of several charter schools in Chicago. For more information, see <http://iff.org/content.cfm/cscp>.
- 32 Khadduri, Schwartz, and Turnham, "Reconnecting Schools and Neighborhoods."
- 33 For a more complete review of studies examining the impact of HOPE VI, see Susan J. Popkin et al., "A Decade of HOPE VI: Research Findings and Policy Challenges" (Washington, DC: Urban Institute, 2004). See also David Wood, "Public Housing: Information on the Financing, Oversight, and Effects of the HOPE VI Program" (Washington, DC: Government Accountability Office, 2007).
- 34 India Pierce Lee, Program Officer, The Cleveland Foundation. Personal interview in Cleveland, March 9, 2007.
- 35 Popkin et al., "A Decade of HOPE VI: Research Findings and Policy Challenges."
- 36 See, for example, the research developed by the Urban Institute on *A Roof Over Their Heads*, which uses panel data from residents affected by HOPE VI. The collective studies are available at <http://www.urban.org/toolkit/policybriefs/subjectbriefs.cfm?documentypeid=122>.
- 37 Michael Barr, "Credit Where It Counts: Maintaining a Strong Community Reinvestment Act," *New York University Law Review* 80, (2005): 513. Robert E. Litan et al., "The Community Reinvestment Act After Financial Modernization: A Final Report" (Washington, DC: U.S. Department of the Treasury, 2001).
- 38 The June 2006 Federal Reserve Bank of Cleveland's Community Development Policy Summit was titled "The Challenge of Concentrated Poverty"; proceedings available at <http://www.clevelandfed.org>.

org/CommAffairs/Conf2006/June/povertyproceedings.cfm. In July 2006, the Federal Reserve Bank of Dallas held a forum with leading researchers and practitioners entitled “Concentrated Poverty: What, Where, and Why.” Available at <http://dallasfed.org/news/ca/2006/06poverty.cfm>. The Dallas Federal Reserve Bank also devoted a 2006 issue of *Banking & Community Perspectives* to concentrated poverty in its district; available at <http://dallasfed.org/ca/bcp/2006/bcp0602.pdf>.

- 39 To be sure, the chapter has by no means detailed the full range of challenges present in these 16 high-poverty communities. Crime, multigenerational poverty, health, and youth-related issues were also cited by a number of case-study community stakeholders as contributing to, or serving to perpetuate, high levels of concentrated poverty.
- 40 Jargowsky performed this type of analysis of trends from 1970 through 1990. See Paul Jargowsky, *Poverty and Place* (New York: Russell Sage Foundation, 1997).
- 41 Such analyses might use geocoded files from the Panel Study of Income Dynamics (PSID) to examine the moves into and out of very poor neighborhoods by different demographic and economic groups. See, e.g., Lincoln Quillian, “How Long Are Exposures to Poor Neighborhoods? The Long-Term Dynamics of Entry and Exit from Poor Neighborhoods,” *Population Research and Policy Review* 22(3) (2003): 221–49.

# Appendix A

## References for Comparison Statistics Tables

- a. Geolytics (2000). *Neighborhood Change Database (NCDB) Tract Data from 1970-2000*. Data for poverty calculations taken from the following tables: 1970, *Table P83(1):1, Table P89(1):3,4, and Table P17(1):1-54*. 1980, *Table 91:2 and Table 91:1,2*; 1990, *Table P117:13-24 and Table P117:1-24*; 2000 *Table P87:2 and Table P87:1*. Notes: 1970: Persons in families and unrelated individuals.
- b. U.S. Census (2000) *Table SF3 P87—Poverty Status by Age*. Percent of population with income in 1999 below poverty level: population for whom poverty status is determined.
- c. U.S. Census (2000) *Table SF3 P52—Household Income in 1999*. For non-census geographies, median values were estimated using the distribution table from the Census and code developed by Missouri's Census Data Center.
- d. U.S. Census (2000) *Table SF3 P1—Total Population*.
- e. U.S. Census (1970) *Table P127—100% Population Count*; U.S. Census (1980) *Table STF1A—Population*; U.S. Census (1990) *STF1 P1—Persons*; U.S. Census (2000) *Table SF3 P1—Total Population*.
- f. U.S. Census (2000) *Table SF1 P4: Hispanic or Latino, and Not Hispanic or Latino by Race*.
- g. U.S. Census (2000) *Table SF1 P12: Sex by Age*.
- h. U.S. Census (2000) *Table SF3 P15: Family Type by Presence of Own Children under 18 Years by Age of Own Children*.
- i. U.S. Census (2000) *Table SF3 P21: Place of Birth by Citizenship Status*.
- j. U.S. Census (2000) *Table SF3 PCT21: Residence in 1995 for the Population 5 Years and Over—State, County, and Place Level*
- k. U.S. Census (2000) *Table SF3 P37: Sex by Educational Attainment for the Population 25 Years and Over*.
- l. U.S. Census (2000) *Table SF3 P37: Sex by Educational Attainment for the Population 25 Years and Over*.
- m. School Matters (2004–2005), available online at <http://www.school-matters.com/>. Data were compiled for schools physically located in the case study community and in the comparison geography. Test scores are from the 2004–2005 school year. The test-score data are reported at the school level and are weighted by the number of students in each school. Note: For Atlantic City, Milwaukee, and Greenville (and their comparison communities), enrollment numbers come from 2005, while the test scores come from 2006.
- n. School Matters (2004–2005), see note m.
- o. U.S. Census (2000) *Table SF3 P43: Sex by Employment Status for the Population 16 Years and Over*
- p. U.S. Census (2000) *Table SF3 P43: Sex by Employment Status for the Population 16 Years and Over*.
- q. U.S. Census (2000) *Table SF1 H4: Tenure (Occupied Housing Units)*.
- r. U.S. Census (2000) *Table SF3 H73: Household Income in 1999 by Gross Rent as a Percentage of Household Income in 1999*. Housing cost burden is defined as renters whose gross rent is more than 30 percent of their household income.
- rr. U.S. Department of Housing and Urban Development (2000) *A Picture of Subsidized Households, 2000*. Available online at <http://www.huduser.org/picture2000/index.html>. Percentage is calculated by dividing the number of HUD-subsidized units by the number of rental housing units in the geography. (Not applicable for the rural and reservation case studies)
- s. U.S. Census (2000) *Table SF3 H74: Value for Specified Owner-Occupied Housing Units*. For non-census geographies, median values were estimated using the distribution table from the Census and code developed by Missouri's Census Data Center.
- t. U.S. Census (2000) *Table SF3 H34: Year Structure Built*. For non-census geographies, median values were estimated using the distribution table from the Census and code developed by Missouri's Census Data Center.
- u. Credit score data were obtained from the Federal Reserve Board of Governors and are drawn from a 10 percent sample of all credit records from a major credit bureau in December 2004. The cut-off for a high credit rating corresponds to the cut-off in the market for prime loans.
- v. Credit score data were obtained from the Federal Reserve Board of Governors, see note u.
- w. FFIEC (2005) *Home Mortgage Disclosure Act Loan Application Register*. Percent high-priced loans includes all originations (regardless of loan type) with a rate spread greater than or equal to 3 percent.
- x. FFIEC (2005) *Home Mortgage Disclosure Act Loan Application Register*. Denial rates represent all loan applications (regardless of loan type) that were denied by the institution.



# Appendix B

## Literature Review: Federal Reserve System Poverty-Related Research

The Federal Reserve System conducts a range of research related to community development, affordable housing, income inequality, and other consumer issues. The study of poverty and related issues is at the core of much of this work. Such research includes hundreds of working papers, articles, and other work published during the past few years. Listed below are examples of research conducted by staff from the Reserve Banks and the Board of Governors of the Federal Reserve System with an explicit focus on poverty. The selections, representing research completed since 1995, are organized by date, with the newest research listed first.

### **Poverty in New York City, 1969-99: the influence of demographic change, income growth, and income inequality**

FEDERAL RESERVE BANK OF NEW YORK

Economic Policy Review, v.14, no.1. Jul, 2008 - p. 13-30.

Authors: Levitan, Mark K. / Wieler, Susan S.

Abstract: This article evaluates the impact of several purported causes of poverty in New York City. The study finds that the rise in income inequality plays a larger role in the 1979–1999 persistence of poverty than do demographic changes. The authors also explore the influence of changes in earnings inequality on income inequality and poverty. The rise in earnings inequality can be traced to the stagnation of wages at the low end of the earnings distribution.

<http://www.newyorkfed.org/research/epr/08v14n1/0807levi.pdf>

### **Inequality and growth: challenges to the old orthodoxy**

FEDERAL RESERVE BANK OF DALLAS

Economic Letter. v. 3, no. 1. Jan, 2008

Authors: Quintin, Erwan / Saving, Jason L.

Abstract: Discussions of how best to alleviate poverty often center on the relative merits of policies that boost growth and those that promote redistribution. If greater inequality allows economies to expand faster, or if it's an inevitable consequence of pro-growth measures, the two principles seem incompatible. Under such a scenario, societies seeking rapid growth rates have to forgo redistribution from rich to poor. Conversely, choosing a high degree of redistribution implies the decision to accept lower growth rates.

<http://www.dallasfed.org/research/ecllett/2008/el0801.html>

## Housing externalities: evidence from spatially concentrated urban revitalization programs

FEDERAL RESERVE BANK OF RICHMOND

Working Paper. 08-03. 2008

Authors: Rossi-Hansberg, Esteban / Sarte, Pierre-Daniel G. / Owens, Raymond E.

Abstract: Using data compiled from concentrated residential urban revitalization programs implemented in Richmond, VA, between 1999 and 2004, we study residential externalities. Specifically, we provide evidence that in neighborhoods targeted by the programs, sites that did not directly benefit from capital improvements nevertheless experienced considerable increases in land value relative to similar sites in a control neighborhood. Within the targeted neighborhoods, increases in land value are consistent with externalities that fall exponentially with distance.

<http://www.nber.org/papers/w14369.pdf>

## Credit card redlining

FEDERAL RESERVE BANK OF BOSTON

Quantitative Analysis Unit Working Paper. QAU08-1. 2008

Author: Cohen-Cole, Ethan

Abstract: This paper evaluates the presence of racial disparities in the issuance of consumer credit. The results suggest that the observed differences in credit lines by racial composition of neighborhoods are largely driven by issuer decisions rather than by demand.

<http://www.bos.frb.org/bankinfo/qau/wp/2008/qau0801.pdf>

## Big lessons from small rural communities: working to reduce poverty long term

FEDERAL RESERVE BANK OF SAN FRANCISCO

Community Investments. v. 19, no. 1. Spr, 2007 - p. 24-28, 30.

Author: Stauber, Karl N.

Abstract: The rural Upper Midwest and Pacific Northwest are quietly, and sometimes not so quietly, demonstrating atypical attitudes and actions when it comes to addressing persistent poverty. Hundreds of rural communities are harnessing economic and community development resources differently to achieve long-term change, including increased opportunities for prosperity for everyone, and particularly for those in the lowest economic quintile.

[http://www.frbsf.org/publications/community/investments/0705/big\\_lessons.pdf](http://www.frbsf.org/publications/community/investments/0705/big_lessons.pdf)

## A closer look at Cleveland's latest poverty ranking

FEDERAL RESERVE BANK OF CLEVELAND

Economic Commentary. Feb 15, 2007

Authors: Schweitzer, Mark E. / Rudick, Brian

Abstract: News that Cleveland's poverty rate is the worst in the nation—and rising—has elevated the community's concern about conditions in the city. But a closer look at the way poverty rates are

calculated suggests that all the possible causes of Cleveland's ranking have not been fully understood.

<http://www.clevelandfed.org/research/commentary/2007/021507.cfm>

## Human capital and the challenge of persistent poverty in Appalachia

FEDERAL RESERVE BANK OF CLEVELAND

Economic Commentary. Feb 1, 2007

Author: Ziliak, James P.

Abstract: Recent research suggests that investments in education may provide the key to reducing persistent poverty in regions such as Appalachia. A look at some trends in poverty and educational attainment in Appalachia over the past two decades confirms that the two are strongly related.

<http://www.clevelandfed.org/Research/Commentary/2007/020107.cfm>

## What happened to the gains from strong productivity growth?\*

FEDERAL RESERVE BANK OF KANSAS CITY

Economic Review. v. 92, no.1. Q I, 2007 - p. 5-23.

Authors: Willis, Jonathan L. / Wroblewski, Julie

Abstract: There has been a growing sentiment among the public that the average household is not sharing in the recent economic prosperity. The authors find that the shares of income allocated to labor and capital have been constant on average over the past 35 years. However, during the last decade of high productivity growth, low-income households have seen no increase in real income, and at most only the top 10 percent of the household income distribution experienced real income growth equal to or greater than average labor productivity growth.

<http://www.kansascityfed.org/Publicat/econrev/PDF/1q07will.pdf>

## A comparison of poverty trends and policy impacts for working families using different poverty indexes\*

FEDERAL RESERVE BANK OF PHILADELPHIA

Working Paper. 07-13. 2007

Author: DeFina, Robert H.

Abstract: This study provides empirical evidence on recent trends in poverty among working families incorporating the depth of poverty and income inequality among the poor. Estimates reveal that the indexes produce significantly different trends.

<http://www.phil.frb.org/files/wps/2007/wp07-13.pdf>

## Foreclosures: relationship lending in the consumer market and its aftermath\*

FEDERAL RESERVE BANK OF CLEVELAND

Working Paper. 0617. Dec 2006

\* denotes academic research paper

Author: Ergungor, O. Emre

Abstract: Relationship lending theory suggests that lenders in close proximity to their borrowers might be the most efficient providers of screening and monitoring services, because the cost of collecting information declines with distance. The author presents evidence that ties bank branch presence to borrower performance in the low-income housing market, which provides support for this theory.

<http://www.clevelandfed.org/Research/Workpaper/2006/wp0617.pdf>

## The connection between poverty and the economy

FEDERAL RESERVE BANK OF MINNEAPOLIS

fedgazette. v. 18, no. 6. Nov, 2006 - p. 9.

Author: Grunewald, Rob

Abstract: As the economy grows, so do opportunities for employment and income growth. Stronger labor markets and higher income levels tend to help those families living in poverty move above the poverty threshold.

<http://www.minneapolisfed.org/pubs/fedgaz/06-11/economy.cfm>

## The myriad, changing faces of poverty. Is poverty getting better or worse? Yes

FEDERAL RESERVE BANK OF MINNEAPOLIS

fedgazette. v. 18, no. 6. Nov, 2006 - p. 1-5.

Author: Wirtz, Ronald A.

Abstract: Poverty doesn't happen for one reason, but for many reasons, some of them temporary, like a job loss, some of them long-lasting, like the decision to drop out of high school. In the end, the ability to make inroads against poverty means getting a critical number of these factors—personal, political, social, economic, demographic and geographic—flowing in the right direction.

<http://www.minneapolisfed.org/pubs/fedgaz/06-11/cover.cfm>

## Community development spending, 1981–2004\*

FEDERAL RESERVE BANK OF CHICAGO

Chicago Fed Letter. 232. Nov, 2006

Authors: Cashin, David B. / Gerenrot, Julie / Paulson, Anna L.

Abstract: Millions of low-income individuals in the U.S. are aided through community development programs, which are funded by federal, state, and local governments. The authors consider whether federal transfers and expenditures from moneys generated by states and localities respond to state-level trends in unemployment and poverty.

[http://www.chicagofed.org/publications/fedletter/cflnovember2006\\_232.pdf](http://www.chicagofed.org/publications/fedletter/cflnovember2006_232.pdf)

## Incubating microfinance: the Texas border experience

FEDERAL RESERVE BANK OF DALLAS

Southwest Economy. 5. Sep, 2006 - p. 3-7.

Authors: Assanie, Laila / Virmani, Raghav

Abstract: Success in the developing world has inspired a growing emphasis on microfinance as an economic development strategy in many parts of the United States, including communities along the Texas–Mexico border. The microfinance approach relies not on social safety nets and welfare payments but on market-oriented programs that provide assistance to small businesses.

<http://dallasfed.org/research/swe/2006/swe0605b.html>

## Connecticut through Katrina-colored glasses

FEDERAL RESERVE BANK OF BOSTON

Communities and Banking. Sum, 2006 - p. 18-20.

Author: Hall, Douglas

Abstract: Compared with the poverty rate in hurricane-ravaged Mississippi (21.6 percent, the highest in the nation), Connecticut's rate of 7.6 percent might not seem a cause for alarm. But Connecticut families struggling to make ends meet often encounter the same challenges facing the poor along the Gulf Coast.

<http://www.bos.frb.org/commdev/c&b/2006/summer/ctkatrina.pdf>

## Understanding the persistence of poverty

FEDERAL RESERVE BANK OF CLEVELAND

Annual Report. 2006 - p. 7-21.

Authors: Schweitzer, Mark E. / Rupert, Peter

Abstract: Millions of U.S. citizens continue to live in poverty within one of the wealthiest and most productive nations in the world. The Federal Reserve Bank of Cleveland's 2006 Annual Report essay reviews some of the reasons for the persistence of poverty in America and suggests that better education and job training may be the best defense against poverty.

<http://www.clevelandfed.org/annual06/index.cfm>

## The wealth (and poverty) of Indian nations

FEDERAL RESERVE BANK OF MINNEAPOLIS

fedgazette. v. 18, no. 2. Mar, 2006 - p. 1.

Author: Clement, Douglas

Abstract: In recent years, thousands of Indian-owned businesses have sprung up across the nation and throughout the Ninth District. In this article the author focuses on efforts by the district's Indian population to rebuild its economies and cultures through the development of small business and

\* denotes academic research paper

higher education—the latest chapter in a long struggle to regain self-sufficiency and cultural identity.

<http://www.minneapolisfed.org/pubs/fedgaz/06-03/cover.cfm>

## **Tribal trends**

### **FEDERAL RESERVE BANK OF MINNEAPOLIS**

fedgazette. v. 18, no. 2. Mar, 2006 - p. 2-3, 5.

Author: Clement, Douglas

Abstract: While economic conditions have improved for American Indians living on reservations, poverty remains prevalent, and tribes face deep challenges in their efforts to develop.

<http://www.minneapolisfed.org/pubs/fedgaz/06-03/trends.cfm>

## **Tackling neighborhood poverty: developing strategic approaches to community development**

### **FEDERAL RESERVE BANK OF SAN FRANCISCO**

Community Investments. v. 17, no. 4. Win, 2006 - p. 3-11.

Author: Reid, Carolina

Abstract: In this article, we share an emerging consensus on the key principles that should guide community development activities as well as provide tangible examples of how these ideas are being implemented in practice. But first, we take a brief look at the changing dynamics of neighborhood poverty as a way to benchmark our progress and assess what there is still left to do.

<http://www.frbsf.org/publications/community/investments/0602/winter06.pdf>

## **Helping the poor accumulate assets**

### **FEDERAL RESERVE BANK OF BOSTON**

Communities and Banking. Win, 2006 - p. 20-23.

Author: Levere, Andrea

Abstract: Having assets (a bank account, a car, an insured home, a good credit rating) does more than help families weather a crisis. It can move them out of poverty permanently, with benefits to individuals, government, corporations, and society as a whole.

<http://bosfed.org/commdev/c&b/2006/winter/assets.pdf>

## **Family portrait: life is hard in one of Baltimore's toughest neighborhoods, but for Janice Walker, it's home**

### **FEDERAL RESERVE BANK OF RICHMOND**

Region Focus. v. 10, no. 1. Win, 2006 - p. 16-23.

Author: Gerena, Charles

Abstract: The following article on urban poverty does not explicitly discuss the public-policy issues at stake or proposals for reform. Instead, it tells the story of one family in Baltimore's Sandtown—

Winchester neighborhood. This approach, we hope, will provide a broader understanding of the problems facing the urban poor.

[http://www.richmondfed.org/publications/economic\\_research/region\\_focus/winter\\_2006/pdf/cover\\_story.pdf](http://www.richmondfed.org/publications/economic_research/region_focus/winter_2006/pdf/cover_story.pdf)

## Poverty and disasters

FEDERAL RESERVE BANK OF DALLAS

Banking & Community Perspectives. 1. 2006 - p. 7-11.

Author: Sobel, Elizabeth

Abstract: Hurricanes Katrina and Rita exposed the debilitating realities of poverty in America, communities' lack of crisis preparedness, and how these factors can exacerbate each other.

<http://www.dallasfed.org/ca/bcp/2006/bcp0601b.html>

## Concentrated poverty in the eleventh district

FEDERAL RESERVE BANK OF DALLAS

Banking & Community Perspectives. 2. 2006 - p. 3-8.

Authors: Sobel, Elizabeth / Lopez, Roy

Abstract: This issue analyzes the dynamics of concentrated poverty in rural and urban settings. It also offers insights from Paul A. Jargowsky, whose research centers on the geographic concentration of poverty and residential segregation by race and class.

<http://www.dallasfed.org/ca/bcp/2006/bcp0602.pdf>

## The ins and outs of poverty in advanced economies: poverty dynamics in Canada, Germany, Great Britain, and the United States\*

FEDERAL RESERVE BANK OF SAN FRANCISCO

Working Papers Series. 2004-18. Nov. 2004

Author: Valletta, Robert G.

Abstract: This manuscript compares poverty dynamics in four advanced industrial countries (Canada, unified Germany, Great Britain, and the United States) for overlapping six-year periods in the 1990s. Most poverty transitions, and the prevalence of chronic poverty, are associated with employment instability and family dissolution in all four countries. The results also suggest that differences in social policy are crucial for the observed differences in poverty incidence and persistence between Europe and North America.

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=904920](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=904920)

\* denotes academic research paper

## How should suburbs help their central cities?\*

FEDERAL RESERVE BANK OF NEW YORK

Staff Reports. 186. May, 2004

Authors: Haughwout, Andrew F. / Inman, Robert P.

Abstract: In this paper the authors study the question of whether suburbs should help finance the core public services of their central cities. The paper reviews three arguments that have been offered in favor of suburbs' fiscal assistance to their central cities. First, the central city provides public services that benefit suburban residents. Second, the central city may provide redistributive services to low-income central city residents that benefit suburbanites with redistributive preferences for such transfers. Third, the central city's private economy may be an efficient production center because of agglomeration economies—that is, increasing returns—in the production of goods and services consumed by suburban residents.

[http://www.newyorkfed.org/research/staff\\_reports/sr186.html](http://www.newyorkfed.org/research/staff_reports/sr186.html)

## Anti-poverty design: the cash-out option

FEDERAL RESERVE BANK OF MINNEAPOLIS

The Region. v 17, no. 2. Jun, 2003 - p. 18-21, 54-57.

Author: Wirtz, Ronald A.

Abstract: The poverty debate largely ignores the success of the Earned Income Tax Credit and, by extension, the insights it might hold for future policy design.

<http://www.minneapolisfed.org/pubs/region/03-06/wirtz.cfm>

## The impacts of new neighborhoods on poor families: evaluating the policy implications of the moving to opportunity demonstration

FEDERAL RESERVE BANK OF NEW YORK

Economic Policy Review. v.9 no.2. Jun, 2003 - p. 113-140.

Author: Goering, John

Abstract: This paper was presented at the conference "Policies to Promote Affordable Housing," co-sponsored by the Federal Reserve Bank of New York and New York University's Furman Center for Real Estate and Urban Policy, February 7, 2002.

<http://www.newyorkfed.org/research/epr/2003n2.html>

## Left behind: SSI in the era of welfare reform\*

FEDERAL RESERVE BANK OF SAN FRANCISCO

Working Papers Series. 2003-12. May, 2003

Authors: Burkhauser, Richard V. / Daly, Mary C.

Abstract: In this article the authors review the role that Supplemental Security income, or SSI, has played to this point and consider the directions SSI might take in a work-dominated welfare

environment where people with disabilities increasingly wish to be included in the labor market.

<http://www.frbsf.org/publications/economics/papers/2003/wp03-12bk.pdf>

## Improving low-income policies in tight fiscal times

FEDERAL RESERVE BANK OF BOSTON

Communities and Banking. Sum, 2002 - p. 14-17.

Authors: Lav, Iris / Springer, John

Abstract: Iris Lav and John Springer of the Center on Budget and Policy Priorities provide information to help groups concerned with low-income families understand how they might best participate in state policy debates.

<http://www.bos.frb.org/commdev/c&b/2002/summer/CBPP.pdf>

## Does lower unemployment reduce poverty?\*

FEDERAL RESERVE BANK OF PHILADELPHIA

Business Review. Q3, 2002 - p. 34-41.

Author: DeFina, Robert H.

Abstract: This paper considers the link between unemployment and poverty. The strength of the link depends critically on how we measure poverty. The author presents empirical evidence that improved measures of poverty are less strongly related to changes in unemployment than the head-count rate, the government's official measure.

<http://www.phil.frb.org/files/br/brq302rd.pdf>

## The promise of asset-development policies

FEDERAL RESERVE BANK OF BOSTON

Communities and Banking. Win, 2002 - p. 3-6.

Author: Beeferman, Larry W.

Abstract: What are asset-development policies? What programs are under way to explore such policies? Larry Beeferman of the Asset Development Institute describes the movement and his views on why asset-development policies are vital to economic equality.

<http://www.bos.frb.org/commdev/c&b/2002/winter/winter02.pdf>

## The impact of unemployment on alternative poverty measures\*

FEDERAL RESERVE BANK OF PHILADELPHIA

Working Paper. 02-8. 2002

Author: DeFina, Robert H.

Abstract: The analysis uses data from the March Current Population Survey to estimate state-level

\* denotes academic research paper

cross-section/time-series models of the effects of unemployment on alternative poverty indexes. The findings provide important lessons for researchers exploring the links between economic conditions and poverty and for policymakers developing strategies to reduce poverty.

<http://www.phil.frb.org/files/wps/2002/wp02-8.pdf>

### **The center restored: Chicago's residential price gradient reemerges\***

FEDERAL RESERVE BANK OF CHICAGO

Economic Perspectives. v. 26, no. 2. Q II, 2002 - p. 2-11.

Author: McMillen, Daniel P.

Abstract: After a long period during which house prices were not affected by distance from Chicago's central business district, values now decline by more than 8 percent per mile. Annual appreciation rates in house prices are higher in neighborhoods close to the city center that have large minority populations, high concentrations of poverty, and many vacant homes.

<http://www.chicagofed.org/publications/economicperspectives/2002/2qepart1.pdf>

### **Observations on public policy: the case of homelessness**

FEDERAL RESERVE BANK OF MINNEAPOLIS

The Region. v 15, no. 3. Sep, 2001 - p. 66-67.

Author: Miller, Preston J.

Abstract: This article finds that being homeless in the United States does not mean being without shelter, that a relatively modest number of people are homeless at any point in time, and that, while many of the homeless are in serious need of help, homelessness is not their root problem.

<http://minneapolisfed.org/pubs/region/01-09/opinion.cfm>

### **Welfare reform and New York City's low-income population\***

FEDERAL RESERVE BANK OF NEW YORK

Economic Policy Review. v.7 no.2. Sep, 2001

Authors: Chernick, Howard / Reimers, Cordelia

Abstract: The goal of this paper is to evaluate the effects of welfare reform on the economic well-being of low-income families in New York City. To investigate the extent to which the safety net is still in place in New York City, we use the New York City sample of the Current Population Survey (CPS) to compare program receipt before and after the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). We use the income and earnings data from the CPS to compare economic status.

<http://www.newyorkfed.org/research/epr/01v07n2/0109cher.pdf>

## Building communities: making a difference

FEDERAL RESERVE BANK OF BOSTON

Annual Report. 2001 - p. 5-17.

Authors: Kanders, Kristin / Minehan, Cathy E.

Abstract: One of the most vexing economic problems facing the United States has been the persistence of pockets of poverty in the midst of prosperity. The reasons for this are many and complex. Lacking jobs, capital, and examples of success, many of these communities have remained mired in poverty.

<http://www.bos.frb.org/about/ar/ar2001/01essay.pdf>

## The earned income tax credit at work

FEDERAL RESERVE BANK OF ST. LOUIS

National Economic Trends. Apr, 2001

Author: Hernandez-Murillo, Ruben

Abstract: The Earned Income Tax Credit (EITC) has played an important role in raising employment among low-income individuals and alleviating poverty through wage subsidies to low-income individuals and families.

<http://research.stlouisfed.org/publications/net/20010401/cover.pdf>

## Inequality and poverty in the United States: the effects of changing family behavior and rising wage dispersion\*

FEDERAL RESERVE BANK OF SAN FRANCISCO

Working Papers Series. 2000-06. Jun, 2000

Authors: Daly, Mary C. / Valletta, Robert G.

Abstract: Among key possible explanations for increasing income inequality are rising dispersion in individual earnings, changes in female labor supply decisions, and changes in family composition and living arrangements. Our results indicate that rising dispersion of male earnings and the decline of traditional forms of family structure respectively explain up to about three-fourths and about one-half of rising inequality in family income during this period. The impact of changing family structure was most pronounced in the lower half of the distribution.

<http://www.frbsf.org/econsrch/workingp/2000/wp00-06.pdf>

## Profile: Northampton County, Va.: A rural community weighs prosperity against preservation

FEDERAL RESERVE BANK OF RICHMOND

Region Focus. v. 4, no. 3. Sum, 2000 - p. 2-4.

Author: Gerena, Charles

Abstract: One-quarter of Northampton County, Va. residents lived in poverty in 1995. To redraw this

\* denotes academic research paper

picture, community groups and government officials created programs aimed at balancing economic growth with environmental protection. In doing so, they've set the tone for slow, sustainable development.

[http://www.richmondfed.org/publications/economic\\_research/region\\_focus/summer\\_2000/profile1.cfm](http://www.richmondfed.org/publications/economic_research/region_focus/summer_2000/profile1.cfm)

## Poverty, children's health, and health care utilization\*

FEDERAL RESERVE BANK OF NEW YORK

Economic Policy Review. v.5, no.3. Sep, 1999 - p. 9-21.

Author: Wolfe, Barbara L.

Abstract: This paper discusses health as a direct measure of economic well-being, and draws attention to those suffering the worst outcomes and to the link between poverty and health. According to the author, in 1994 only 10 percent of children under age five in families making \$35,000 or more were in less than very good or excellent health. By comparison, one-third of young children in families with income below \$10,000 were in less than very good health. Moreover, in recent years the number of poor children whose health is fair or poor has increased relative to the number of non-poor children in these same health categories.

<http://www.newyorkfed.org/research/epr/99v05n3/9909wolf.pdf>

## Will increasing the minimum wage help the poor?\*

FEDERAL RESERVE BANK OF CLEVELAND

Economic Commentary. Feb 1, 1999

Authors: Neumark, David / Schweitzer, Mark E. / Wascher, William L.

Abstract: Minimum wages help some families to escape poverty, but employment losses associated with raising the minimum wage also appear to cause some families to fall into poverty. The authors' estimates suggest that on balance, the second of these effects outweighs the first; therefore, the net result of raising the minimum wage is an increase in the proportion of poor families.

<http://www.clevelandfed.org/Research/commentary/1999/0201.pdf>

## Monetary policy and the well-being of the poor\*

FEDERAL RESERVE BANK OF KANSAS CITY

Economic Review. 84 (1) Q I, 1999 - p. 21-49.

Authors: Romer, Christina D. / Romer, David

Abstract: The authors examined the influence of monetary policy on poverty and inequality both over the business cycle in the United States and over the longer run in a large sample of countries. They argued that although expansionary policy induces a decline in the poverty rate, the decline is eventually reversed. Second, monetary policy that aims to restrain inflation and minimize output fluctuations is likely to be associated with improved conditions for the poor over time.

<http://www.kc.frb.org/publicat/econrev/PDF/1q99romr.pdf>

## How effective is lifeline banking in assisting the ‘unbanked’?\*

FEDERAL RESERVE BANK OF NEW YORK

Current Issues in Economics and Finance. v.4, no.6. Jun, 1998  
 Authors: Doyle, Joseph J. / Lopez, Jose A. / Saidenberg, Marc R.

Abstract: Many consumers who lack checking accounts are paying relatively high costs to access the nation’s payments system. Legislation aimed at opening the system to these unbanked individuals has centered on requiring commercial banks to offer low-cost “lifeline” accounts. But will cost savings alone motivate these consumers to access the payments system through banks?

[http://www.newyorkfed.org/research/current\\_issues/ci4-6.html](http://www.newyorkfed.org/research/current_issues/ci4-6.html)

## Regional differences in family poverty\*

FEDERAL RESERVE BANK OF BOSTON

New England Economic Review. Jan, 1997 - p. 3-17.  
 Author: Triest, Robert K.

Abstract: The main goal of this article is to shed some light on why poverty rates vary as much as they do in different areas. The analysis shows that much of the regional variation in poverty rates can be accounted for by differences across regions in the distribution of potential family earnings. Other factors, such as unemployment and whether the family recently immigrated to the United States, also are important in determining the poverty status of individual families, but play a somewhat smaller role than earnings capacity in explaining regional differences in poverty rates.

<http://www.bos.frb.org/economic/neer/neer1997/neer197a.htm>

## “Tough Love”: implications for redistributive policy\*

FEDERAL RESERVE BANK OF DALLAS

Economic Review. Q III, 1997 - p. 25-29.  
 Author: Saving, Jason L.

Abstract: The author explores the economic and political implications of “tough love” for redistributive policy. The American welfare system unquestionably helps support the least fortunate among us, but, in making poverty less onerous, it may discourage employment among some individuals. A “new altruistic” approach that incorporates tough love would reduce the number of poor people but could only do so by worsening the living standards of those who remain in poverty.

<http://www.dallasfed.org/research/er/1997/er9703c.pdf>

## Inflation, unemployment, and poverty revisited\*

FEDERAL RESERVE BANK OF CLEVELAND

Economic Review. Q III, 1995 - p. 2-13.  
 Author: Powers, Elizabeth T.

\* denotes academic research paper

Abstract: An examination of the impact of inflation and unemployment on poverty, using a poverty rate based on goods and services consumed, rather than on income. The findings suggest that inflation may harm the poor more than was previously thought.

<http://clevelandfed.org/Research/Review/1995/95-q3-powers.pdf>

## **Growth and poverty revisited\***

FEDERAL RESERVE BANK OF CLEVELAND

Economic Commentary. Apr 15, 1995

Author: Powers, Elizabeth T.

Abstract: An explanation of an alternative analysis of poverty based on consumption rather than on annual income, which disputes the documented breakdown in progress against poverty in the 1980s and concludes that the poor appear to benefit from a growing economy now as much as in previous decades.

<http://www.clevelandfed.org/Research/commentary/1995/0415.pdf>

# Appendix C

## References for Overview in Alphabetical Order (by First Author)

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# Appendix D

## Photo Credits

### Fresno, California: the West Fresno neighborhood

**PAGE 25:** California's San Joaquin Valley, south of Sacramento. Photo taken in 1983 by Helen Roach (Photo View Plus).

**PAGE 29:** Kearney Palms Shopping Center in West Fresno, CA. Photo courtesy of Fresno West Coalition for Economic Development.

**PAGE 30:** Boys & Girls Club of West Fresno. Photo courtesy of the Boys & Girls Club of West Fresno.

### Cleveland, Ohio: the Central neighborhood

**PAGE 35:** The former Westinghouse Electric & Manufacturing Company Cleveland branch facility. Photo taken in 2007 by case study author Lisa Nelson.

**PAGE 40:** HOPE VI-sponsored public-housing renovation in the Central neighborhood. Photo courtesy of Burten, Bell, Carr Development, Inc.

### Miami, Florida: the Little Haiti neighborhood

**PAGE 47:** Ethnic restaurant along a commercial strip in Miami's Little Haiti neighborhood. Photo taken in 2007 by case study author Ana Cruz-Taura.

### Martin County, Kentucky

**PAGE 57:** President Lyndon B. Johnson on the porch of Tom Fletcher and family in Inez, Ky., on April 24, 1964 (Corbis).

**PAGE 62:** Highway 40 heading west from Warfield to Inez, Ky. Photo taken in 2007 by case study author Jeff Gatica.

### Blackfeet Reservation, Montana

**PAGE 67:** This sculpture, crafted from rusted automobile scrap metal, barbed wire, and stones salvaged from a mission school, portrays Native American warriors. The sculpture stands at the southeast entrance to the Blackfeet Reservation. Photo taken by Conall o hArtghaile (Flickr).

**PAGE 69:** Sign at one entrance to the reservation. Photo taken by Conall o hArtghaile (Flickr).

**PAGE 71:** Manufactured home on the reservation. Photo taken in 2007 by case study author Sue Woodrow.

### Greenville, North Carolina: the West Greenville neighborhood

**PAGE 75:** Abandoned tobacco warehouse in West Greenville. Photo taken in 2007 by case study author Carl Neely.

### Atlantic City, New Jersey: Bungalow Park/Marina District

**PAGE 83:** Aerial view of Atlantic City, facing east. Photo taken by Ritu Manoj Jethani (Shutterstock).

**PAGE 86:** The Borgata Casino stands in stark contrast to the surrounding community. Photo taken in 2006 by Mike Mergen for the *The New York Times* (Redux Pictures).

### Austin, Texas: the East Austin neighborhood

**PAGE 91:** Robertson Hill, a new residential development in East Austin. Photo taken in 2007 by case study author Elizabeth Sobel.

**PAGE 94:** At left, a dilapidated home in East Austin. Photo courtesy of Austin Revitalization Authority. At right, Plaza Saltillo combines mixed-use development (pictured) with a new metro stop. Photo taken in 2007 by case study author Elizabeth Sobel.

### McKinley County, New Mexico: Crownpoint

**PAGE 101:** A residential area of remote Crownpoint, New Mexico. Photo taken in 2007 by case study author Roger Zalneraitis.

### McDowell County, West Virginia

**PAGE 109:** An abandoned coal tippie in McDowell County's Caretta, W. Va. Photo taken in 2004 by Jon C. Hancock (AP Photo).

**PAGE 111:** McDowell County miners, 1940. Photo reprinted with permission from William Archer.

## **Albany, Georgia: the East Albany neighborhood**

**PAGE 117:** Following a severe storm, the Flint River—which divides East Albany from the rest of the city—floods a nearby Dougherty County cemetery. Photo taken in 1998 by Todd Stone (AP Photo).

## **El Paso, Texas: the Chamizal neighborhood**

**PAGE 125:** Looking north toward El Paso, this photo shows the canal and railroad tracks that mark the westernmost edge of the Chamizal neighborhood. The heavily polluted canal snakes to the right and runs underneath the train tracks into Chamizal. Photo taken in 2007 by case study author Roy Lopez.

**PAGE 129:** This underpass mural depicts El Paso native Rubén Salazar, a Mexican–American journalist who covered race issues in Los Angeles in the 1960s and 70s. Salazar was killed in the race riots in East LA in 1970; a public housing complex in Chamizal was posthumously named in his honor. Photo taken in 2007 by case study author Roy Lopez.

## **Springfield, Massachusetts: Old Hill, Six Corners, and the South End neighborhoods**

**PAGE 135:** Former mill buildings are visible across the ravine leading down to the Mill River in the Six Corners neighborhood. Photo taken in 2007 by Heather Brandon (urbancompass.net).

**PAGE 139:** Springfield residents enjoy the Connecticut River Walk and Bikeway. Photo taken September 6, 2008, by Michael S. Gordon. © 2008 The Republican Company. All rights reserved. Reprinted with permission.

**PAGE 140:** This building is located in the South End neighborhood, within the Hollywood Gemini section of downtown. The City of Springfield has targeted the area for priority redevelopment. Photo taken in 2008 by Kai-Yan Lee of the Federal Reserve Bank of Boston.

## **Rochester, New York: the Northern Crescent neighborhoods**

**PAGE 143:** A Kodak digital production printer at the company’s graphic communications plant in Rochester. Photo taken in 2006 by David Duprey (AP Photo).

**PAGE 146:** Distressed and abandoned properties, such as these along Mark Street, dot Rochester’s Northern Crescent neighborhoods. Photo taken in 2004 by Don Heupel (AP Photo).

## **Holmes County, Mississippi**

**PAGE 151:** Close-up of ripe cotton bolls on branch. Photo taken by Noam Armonn (AP Photo).

**PAGE 155:** A Holmes County entrepreneur’s sign. Photo taken in 2007 by case study author Ellen Eubank.

## **Milwaukee, Wisconsin: the Northwest neighborhood**

**PAGE 159:** A locomotive sits in the yard of the Milwaukee Road Railroad, or “Beer Line,” which served the area’s breweries. Photo taken by Gary Porter. © 2007 Journal Sentinel Inc., reproduced with permission.

**PAGE 163:** The old Milwaukee Road railroad tracks. Photo taken by Gary Porter. © 2007 Journal Sentinel Inc., reproduced with permission.

**PAGE 164:** The Northwest neighborhood features new market-rate homes in the Lindsay Heights/Josey Heights development. Photo courtesy of Milwaukee Department of City Development, reproduced with permission.