



# Katrina's Window: Confronting Concentrated Poverty Across America

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## Executive Summary

Hurricane Katrina's assault on New Orleans' most vulnerable residents and neighborhoods has reinvigorated a dialogue on race and class in America. This paper argues that the conversation should focus special attention on alleviating concentrated urban poverty—the segregation of poor families into extremely distressed neighborhoods.

- **Overall, nearly 50,000 poor New Orleanians lived in neighborhoods where the poverty rate exceeded 40 percent.** New Orleans ranked second among the nation's 50 largest cities on the degree to which its poor families, mostly African American, were clustered in extremely poor neighborhoods like the Lower Ninth Ward. In these places, the average household earned barely more than \$20,000 annually, only one in twelve adults held a college degree, four in five children were raised in single-parent families, and four in ten working-age adults—many of them disabled—were not connected to the labor force.
- **Areas of concentrated poverty are not confined to New Orleans.** Despite improvements in the 1990s, nearly every major American city still contains a collection of extremely poor, racially segregated neighborhoods. In cities as diverse as Cleveland, New York, Atlanta, and Los Angeles, more than 30 percent of poor blacks live in areas of severe social and economic distress.
- **These neighborhoods did not appear by accident.** They emerged in part due to decades of policies that confined poor households, especially poor black ones, to these economically isolated areas. The federal government concentrated public housing in segregated inner-city neighborhoods, subsidized metropolitan sprawl, and failed to create affordable housing for low-income families and minorities in rapidly developing suburbs, cutting them off from decent housing, educational, and economic opportunities.
- **A large body of research has demonstrated that concentrated poverty exacts multiple costs on individuals and society.** These costs come in the form of: reduced private-sector investment and local job opportunities; increased prices for the poor; higher levels of crime; negative impacts on mental and physical health; low-quality neighborhood schools; and heavy burdens on local governments that induce out-migration of middle-class households. Together, these factors combine to limit the life chances and quality of life available to residents of high-poverty neighborhoods.
- **With a set of smart policy tools and a booming economy, progress was made in the 1990s towards reducing concentrated poverty in America.** Yet recent federal actions, such as the gutting of the highly successful HOPE VI program, reductions in funding and flexibility for the Housing Choice Voucher program, and proposed cuts to the Earned Income Tax Credit, threaten to reduce mobility for low-income families and erase the advances made in the 1990s.
- **Congress should consider several policy options to put the nation back on track towards alleviating concentrated poverty, by supporting choice and opportunity for lower-income residents in distressed neighborhoods.** Options include: restoring funding to the HOPE VI program; increasing support for housing vouchers; piloting a "housing-to-school" voucher initiative; adopting President Bush's proposed homeownership tax credit; targeting affordable housing to low-poverty areas with the assistance of regional housing corporations; and expanding the EITC to help working families afford housing in better neighborhoods.

Though these policies alone cannot erase the gaps between rich and poor in America, creating more neighborhoods of *choice* and *connection* would offer millions of low-income Americans—especially children—a true chance at social and economic mobility.

## Introduction

The devastation wrought by Hurricane Katrina has laid bare many of the disparities that continue to separate Americans by race and class. News coverage of the aftermath in the city of New Orleans revealed that individuals and families left behind were overwhelmingly African American, low-income, and in poor health.

A new Brookings analysis confirms the disparate effect that the city's flooding had on poor, minority households. The flooded area of New Orleans contained 80 percent of the city's minority population, versus 54 percent of its white population. The average household income there lagged that in the city's higher ground by more than \$17,000.<sup>1</sup>

Certainly, Hurricane Katrina's lopsided impact on these populations reflects failures at the federal, state, and local levels to mount an adequate response to the impending natural disaster. Yet it also highlights the effects of an even more insidious, long-standing policy of neglect towards the city's most vulnerable residents, exemplified by their continued segregation into neighborhoods of high poverty.

In these neighborhoods—places like New Orleans' Lower Ninth Ward—families are cut off from quality educational, housing, and employment opportunities. Unsafe local environments debilitate residents mentally and physically. That so many people from neighborhoods like these in New Orleans had no friends or relatives to turn to for shelter or financial assistance when disaster struck demonstrates that their location can isolate them socially, as well as geographically. In short, extremely poor neighborhoods serve to limit the life chances and quality of life for poor families that live in their midst, above and beyond the barriers imposed by their own personal circumstances.

Unfortunately, New Orleans is hardly the only place in America where concentrated urban poverty persists. Despite positive trends in the 1990s, almost every major American city still contains neighborhoods that mirror the Lower Ninth Ward demographically and economically. These places did not arise solely as the result of individuals' choices about where to live. Their existence reflects a complicated mix of politics and policies that over the past several decades have reinforced the concentration of racial and ethnic poverty in central cities.

The physical destruction of so much of New Orleans has exacted a heavy economic and psychological toll on the city, its businesses, and its residents. Once the immediate

human and environmental crises subside, however, local and regional leaders will have an unprecedented opportunity to rebuild a New Orleans that is more inclusive, more sustainable, and more economically healthy than its predecessor.

Society need not wait for a natural disaster, however, to address the extreme social and economic problems that continue to plague so many urban neighborhoods and their residents. Federal, state, and local governments have at hand an array of policy tools that can contribute to the dissolution of concentrated poverty, create neighborhoods of choice and connection throughout metropolitan areas, and thereby improve life chances for low-income families. A national investment to address the challenges facing New Orleans after Katrina can be broadened to benefit many cities that mirror its patterns of poverty and disadvantage.

The choice for policymakers, then, is this: fail to act and consign another generation to these distressed neighborhoods, or take bold steps to prevent the next "social Katrina." This paper provides a summary on the extent of concentrated poverty in New Orleans and the rest of urban America, how policies have contributed to the problem, the consequences for families and communities, and what all levels of government can do to create true opportunity for people and places now left behind.

## New Orleans—A Troubled City before Katrina

Before Hurricane Katrina struck, New Orleans was a city at once unique and typical. Its architecture, its mix of French, African, Spanish, and Caribbean cultures, its rich artistic history, and its location amid lake, river, and delta shared no equal among U.S. cities. But New Orleans also provided an example of racial and income segregation patterns that pervade most struggling U.S. cities today.

On the very same day that the levees broke in New Orleans, the Census Bureau released its own troubling news about Orleans Parish.<sup>2</sup> Between 2003 and 2004, the percentage of parish residents living below the poverty line rose from 20.8 percent to 23.2 percent.<sup>3</sup> This poverty rate ranked Orleans Parish seventh overall among 290 large U.S. counties in 2004.<sup>4</sup>

The economic hardships borne by New Orleans residents were not shared equally. Poverty and low employment were highly concentrated among the African American population. In 2000, blacks made up 67 percent of the city's total population, but 84 percent of its population below the poverty line. The typical black household had

income one-half that of the typical white household. Troublingly, among out-of-school, out-of-work young men and women in New Orleans, Census 2000 counted just 133 whites, but more than 3,700 blacks.<sup>5</sup>

The most visible divide between blacks and whites in New Orleans, however, concerned the neighborhoods in which they lived. Between 1980 and 2000, segregation between blacks and whites in the city grew, bucking the national trend. By 2000, the average African American resident of New Orleans lived in a neighborhood where 82 percent of fellow residents were black.<sup>6</sup>

Given the high rate of black poverty in the city, it comes as no surprise that the physical separation of the races in New Orleans accompanied the isolation of poor households in poor neighborhoods. Over the past ten years, a growing number of poverty researchers have defined “extreme-poverty” neighborhoods as those in which at least 40 percent of residents have family incomes below the federal poverty threshold.<sup>7</sup> By this measure, New Orleans alone had 47 extreme-poverty communities in 2000, representing one out of every four neighborhoods in the city, and home to nearly 100,000 residents.

Poor black households in New Orleans were highly concentrated in these high-poverty zones. Of the 131,000 poor people in the city in 2000, nearly 50,000 (38 percent) lived in these neighborhoods. This ranked New Orleans second among large U.S. cities in 2000, and far above the

national average (Table 1). For blacks, this “concentrated poverty rate” was even higher, at 43 percent. Moreover, these distressed neighborhoods were not islands scattered about the city, close to more prosperous sections, but clustered around the downtown and in the city’s economically struggling eastern half.<sup>8</sup> New Orleans’ many visitors rarely saw such neighborhoods, or even knew they existed.

On nearly every social and economic indicator, New Orleans’ neighborhoods of high poverty lagged far behind the rest of the city and the region as a whole (Table 2). Four in five children were raised in single-parent families. Only 60 percent of working-age residents were attached to the labor market. And only one in 12 adults held a college degree.

### Concentrated Poverty Exists Beyond New Orleans

Though concentrated poverty had spread more widely throughout New Orleans than many other American cities, similar pockets of urban distress can be found nationwide.

Cities continue to bear the brunt of the nation’s concentrated poverty. Of the nearly 8 million people living in extreme-poverty neighborhoods in 2000, roughly 6 million (75 percent) inhabited big cities.<sup>9</sup>

**Table 1. New Orleans Ranked Second Among Large U.S. Cities on Concentrated Poverty**

City	Concentrated Poverty Rate*—Total	Concentrated Poverty Rate—Blacks	Extreme-Poverty Neighborhoods**
Fresno, CA	43.5	44.9	22
<b>New Orleans, LA</b>	<b>37.7</b>	<b>42.6</b>	<b>47</b>
Louisville, KY***	36.7	53.2	11
Miami, FL	36.4	67.6	23
Atlanta, GA	35.8	41.0	28
Long Beach, CA	30.7	26.8	17
Cleveland, OH	29.8	35.6	52
Philadelphia, PA	27.9	27.1	54
Milwaukee, WI	27.0	39.3	42
New York, NY	25.9	33.7	248
<b>U.S. Total</b>	<b>10.3</b>	<b>18.6</b>	<b>2,510</b>

\* The concentrated poverty rate reflects the proportion of all poor people citywide who lived in extreme-poverty neighborhoods.

\*\* Extreme-poverty neighborhoods had more than 40 percent of their residents living below the federal poverty threshold in 2000.

\*\*\* Louisville, KY defined as of Census 2000, prior to its merger with surrounding Jefferson County, KY.

Source: Census 2000

**Table 2. New Orleans' Extremely Poor Neighborhoods Exhibited High Degrees of Social and Economic Disadvantage**

Indicator (2000)	Extreme Poverty Neighborhoods	Rest of New Orleans	Metro Area outside New Orleans
Population	99,317	385,317	853,052
Individuals below poverty (%)	54.6	21.6	13.1
Average household income	\$21,267	\$47,918	\$52,577
Average poverty gap*	\$9,640	\$8,563	\$5,880
Children in single-parent families (%)	80.5	46.7	28.1
Adults (age 25 to 64) with college degree (%)	8.5	29.5	20.8
Population (age 21 to 64) with disability (%)	29.0	21.8	19.9
Adult (age 25 to 64) labor force participation (%)	59.5	76.4	76.8
Renter households with housing-cost burden (%)**	49.7	46.7	38.3

\* Average amount by which income of poor families falls below poverty line

\*\*Paying at least 30% of income for rent

Source: Census 2000

Notably, this marked an improvement from the prior decade. Between 1970 and 1990, the combined population living in extreme-poverty neighborhoods nationwide doubled. From 1990 to 2000, however, that population dropped by 24 percent. It dropped in cities, too, by a slightly smaller degree (21 percent). In the Midwest, Detroit, Chicago, and Milwaukee exhibited stunning declines in their numbers of high-poverty zones. Even New Orleans shared in the trend, witnessing a 34 percent decline in the number of people living in high-poverty neighborhoods.<sup>10</sup> The national decline was accompanied by an even larger drop in the number of neighborhoods displaying “underclass” characteristics, such as high levels of welfare receipt, female-headed households, and teen dropout rates.<sup>11</sup>

Still, these distressed neighborhoods remain present in nearly every major American city. As shown in Appendix A, at least one neighborhood of extreme poverty existed in 46 of the 50 largest cities in the U.S. in 2000. In nearly every one of these cities, the rate at which poor minorities (blacks and Hispanics) lived in extremely poor neighborhoods exceeded that for poor whites. Moreover, at least some of the gains made in the 1990s have surely been lost. The economic slowdown and increases in the national poverty rate that have occurred since 2000 suggest that even if concentrated poverty has not begun to rise again, its rapid decline has surely halted.

While New Orleans clearly ranked among the cities with the most geographically concentrated poor populations, many others were not far behind on this measure. Some of these cities were former industrial giants whose populations suffered from severe economic restructur-

ing over the past three decades, such as Cleveland, Milwaukee, and Baltimore. Others like Fresno, Miami, and Los Angeles face ongoing challenges to integrate new immigrant populations, who often arrive in “gateway” neighborhoods with low levels of education and labor market skills, though some may progress “up and out” soon after. Still others lay at the heart of growing regions, like Atlanta, Washington, and Memphis, but continue to grapple with the legacies of racism, segregation, and intergenerational poverty that hold back their most distressed neighborhoods.

In large measure, the conditions present in high-poverty areas of New Orleans—a racially segregated population, lack of married couples and two-earner families, low levels of education, and barriers to labor force participation—are mirrored in these other major cities. The same social and economic disadvantages evident in the Lower Ninth Ward can be found in varying degrees in Atlanta’s Mechanicsville neighborhood, Northeast Philadelphia, North Memphis, Cleveland’s West Side, and the Anacostia section of Washington, D.C.

### **Government Policies Have Helped to Segregate the Poor**

Concentrated poverty is not an inevitable phenomenon. To the contrary, distressed urban neighborhoods owe their current circumstances to decades of politics and policies that directly or indirectly confined poor households, especially poor black ones, to economically isolated inner-city locales.<sup>12</sup>

First, these neighborhoods must be viewed against the

backdrop of their metropolitan communities. Since World War II, the decentralization of economic and residential life has dominated metropolitan growth in the United States. Between 1970 and 2000, suburban population grew at more than three times the rate of central city population (60 percent versus 17 percent). And as people went, so did jobs: Across the nation's largest metropolitan areas today, only 17 percent of the population works within three miles of city downtowns.<sup>13</sup> These broad decentralizing patterns have exacerbated the concentration of racial and ethnic poverty in central cities, and helped construct metropolitan dividing lines that separate areas of wealth and opportunity from areas of economic distress.

Historic policies contributed to these unbalanced growth patterns.<sup>14</sup> The federal Interstate Highway Act, for instance, literally paved the way for suburban growth and central city decline.<sup>15</sup> Through mid-century, the Federal Housing Administration "red-lined" inner-city minority neighborhoods, and private lenders followed suit, denying these areas access to private-sector capital needed to fuel housing markets.<sup>16</sup> Even today, federal, state, and local transportation, tax, and regulatory policies continue to favor high-income suburban development over investment in urban neighborhoods.

Second, past and current policies have concentrated poor households rather than enhancing their geographic access to opportunity. Until recently, federal housing policies catered almost exclusively to the very poor, and housed them in large developments in the worst-off neighborhoods.<sup>17</sup> Recent policy changes have not altered the fact that most public housing residents still live in neighborhoods of extreme poverty. In New Orleans, for instance, the average neighborhood poverty rate for public housing residents in 2000 was a whopping 74 percent. Even the nation's largest affordable housing production program—the Low-Income Housing Tax Credit—has reinforced this problem by too often funding development in poor central-city neighborhoods.<sup>18</sup> And while federal fair housing laws have struck down the racial covenants long used by suburbs to preclude minority families, local governments still deploy their planning powers to prohibit affordable housing development within their borders, keeping these families locked into distressed parts of the metropolis.<sup>19</sup>

Finally, government-funded "neighborhood improvement" strategies over the past four decades, typically carried out by networks of community development corporations (CDCs), have used the production of com-

munity-based affordable housing as the principal vehicle for inner-city revitalization. They have achieved great successes in developing new housing and generating increases in property values in once-struggling locales. However, these neighborhood-based strategies have too often proceeded without regard to the function of the broader metropolitan economy, discounting the importance of helping lower-income families gain access to lower-poverty areas near quality jobs and good schools.<sup>20</sup>

The history of concentrated poverty in America, then, has seen government vacillate between benign neglect and outright hostility towards these distressed neighborhoods and their residents.<sup>21</sup> As a result, generations of families have suffered the deleterious consequences of growing up and raising children in neighborhoods that inhibit educational, labor market, and wealth-building progress, and that take a heavy day-to-day toll on their basic quality of life.

### **Concentrated Poverty Exact Significant Human Costs**

Hurricane Katrina demonstrated that in a moment of crisis, many people in New Orleans' high-poverty neighborhoods were cut off from information about the scale of the impending disaster, from private transportation that could help them evacuate the city, and from social networks outside the city that could provide them shelter and assistance.

The impacts of concentrated poverty go far beyond those relevant in the context of a natural disaster, however. A large and growing body of research shows that high-poverty neighborhoods serve to limit the life chances of people living within them, above and beyond what their own personal circumstances would dictate. Several social and economic mechanisms initiate and perpetuate "cycles of poverty" in these neighborhoods. Research has found that concentrated poverty:

- **Reduces private sector activity.** Large numbers of low-income and low-skilled households living in the same place make a community less attractive to private sector investors, employers, and business site location decision makers. In turn, this limits local amenities and job opportunities for residents, and may create a "spatial mismatch" between neighborhood residents and employment centers.<sup>22</sup>
- **Raises prices for low-income households.** The lack of business competition and market information in poor neighborhoods can result in their residents paying more than families in middle-income neigh-

borhoods for basic goods and services, like food, car insurance, utilities, and financial services.<sup>23</sup>

- **Limits job networks and employment 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 in their careers.<sup>24</sup> Children and out-of-work adults may fail to regard work as a social norm and may under-invest in education and training necessary for labor market success. Employers may also attach a stigma to extremely poor neighborhoods that discourages them from hiring local residents.<sup>25</sup>

Many residents of high-poverty neighborhoods do work—over 10,000 households in the area containing New Orleans’ Lower Ninth Ward received the Earned Income Tax Credit (EITC) in 2003, signaling that they had earnings from work. But nearly half these families had incomes under \$10,000, indicating that their employment was most often part-time, unstable, or did not provide family-sustaining wages.<sup>26</sup>

- **Inhibits educational opportunity.** Children who live in extremely poor urban neighborhoods generally attend neighborhood schools where nearly all the students are poor, and are at greater risk for failure, as expressed by low standardized test results, grade retention, and high drop-out rates.<sup>27</sup> Their lower performance owes not only to family background, but also to the “downward pressure” that high-poverty neighborhoods exert on school processes and quality. Schools in these areas are unable to attract the best personnel, endure high rates of student mobility that frustrate classroom stability, and must operate additional systems to cope with disorder and the social welfare of their students.<sup>28</sup>
- **Stimulates higher levels of crime.** High-poverty, inner-city neighborhoods typically exhibit higher crime rates, especially violent crime rates.<sup>29</sup> Research shows that neighborhood peer groups influence adolescents’ propensity to engage in criminal behavior or drug use.<sup>30</sup> In these neighborhoods, the social penalties for criminal activity may be lower, and reduced access to jobs and quality schools may lower the opportunity costs of crime.
- **Contributes to poor physical and mental health.** Partly owing to the stress of being poor and marginalized, and partly owing to living in an environment with dilapidated housing and high crime, people in areas of extreme poverty experience negative health outcomes at much higher rates. Researchers have associated the incidence of depression, asthma, diabetes, and heart ailments with living in these neighborhoods.<sup>31</sup> Even when the residents of high-poverty areas seek medical attention, they find that the supply of health care is far inferior to that which most suburban residents take for granted.
- **Hinders wealth-building.** While significant numbers of high-poverty neighborhood residents own their homes (59 percent own in New Orleans’ Lower Ninth Ward, for instance), local conditions in these distressed areas lead the market to devalue those assets, and lack of house-price appreciation denies their residents and progeny the wealth accumulated by owners in other parts of the metropolis.<sup>32</sup>
- **Burdens local government services and fiscal capacity.** Concentrations of poverty generate high costs for local government—for elevated welfare case loads, for high loads of indigent patients at hospitals and other public health clinics, for extra policing—that can divert resources from the provision of other public services and raise tax burdens on local businesses and non-poor residents.<sup>33</sup> In turn, this can induce out-migration of wealthier households, further eroding local fiscal capacity to address the problems facing vulnerable populations, and refocusing state spending away from the urban core to the suburban fringe.<sup>34</sup> These patterns in New Orleans contributed to the city’s current “stressed” income profile.<sup>35</sup>
- **Creates political and societal divisions.** The spatial divide between segregated poor neighborhoods and wealthier suburban neighborhoods can sow misunderstanding, distrust, and negative assumptions among both groups (especially where racial divisions also exist). The standoff at the bridge over the Mississippi River three days after the levees broke, where St. Bernard Parish police officers stopped a group of largely poor black Orleanians from crossing to safety, was emblematic of these dynamics.<sup>36</sup> So, too, were conspiracy theories that circulated among Lower Ninth Ward residents before Katrina that the city had intentionally flooded that district during Hurricane Betsy in 1965 in order to save the French Quarter.<sup>37</sup> The physical segregation of poor families, then, may reduce civic capacity for addressing the problems related to their isolation.

In short, the conditions present in high-poverty neighborhoods combine to limit the opportunities, capacities, and ambitions of their residents. Researchers note that these “area effects” do not themselves outweigh the effects of family characteristics on individual outcomes.<sup>38</sup> But environments of extreme poverty do exacerbate those forces, and can prevent people from making even modest progress. As one resident of New Orleans’ Lower Ninth Ward remarks, “The aspiration to seek out a better life... isn’t there. Those in poverty don’t have money to go anywhere... their perspective becomes very narrow about possibilities in life. Mostly families here are simply trying to survive.”<sup>39</sup>

### **The Way Forward—Create Neighborhoods of Choice and Connection**

After the immediate crises in New Orleans have passed, government, civic, and business leaders in the city and region will face the daunting tasks of rebuilding the city physically, and restoring its social fabric. Financial assistance from the federal government, and the commitment of an active citizenry, position New Orleans well to recapture its past grandeur. To do so, leaders must accept the challenge to rebuild in a way that reunites a divided city, and promises better housing, employment, and school options throughout the region for lower-income families.<sup>40</sup>

The opportunities before New Orleans are largely the product of a natural disaster. Yet every day in distressed pockets of urban America, a slow-moving humanitarian disaster traps families in cycles of poverty and despair. The same energy that New Orleanians will bring to the remaking of their city should motivate policymakers at all levels of government to alleviate the concentrations of poverty that hold back other U.S. cities, especially their most vulnerable residents.

The guiding principle must be to create new neighborhoods of *choice* and *connection*. Neighborhoods of *choice* are communities in which people of lower incomes can find a place to start, and as their incomes rise, a place to stay. They are also communities to which people of higher incomes can move, for their amenities, location, and housing value. Neighborhoods of *connection* link families to opportunity, wherever it may be located. They offer connections to good schools, and recognize that the shifting geography of employment demands improved mobility for workers to access good jobs.

This approach to neighborhood development and anti-poverty policy has taken root in an increasing number

of U.S. cities. It recognizes the success of recent efforts to expand opportunities for low-income families beyond high-poverty neighborhoods, and to transform the nation’s worst-off public housing into vibrant new mixed-income communities.

Increasing evidence shows that low-income families and children do better when they are not confined to highly distressed neighborhoods. The Gautreaux Program in Chicago helped over 7,000 Chicago families move from public housing in distressed neighborhoods to private-sector apartments, more than half to the suburbs. Research shows that families who moved to low-poverty suburban neighborhoods exhibited lower welfare receipt, and higher employment, than families who moved to city neighborhoods.<sup>40</sup> The Moving to Opportunity (MTO) demonstration, which helped families in select U.S. cities make similar moves from public housing to low-poverty suburbs, produced dramatic improvements in health outcomes for parents and children, and reductions in adolescent participation in violent crime.<sup>42</sup>

What’s more, the HOPE VI Program has over the past ten years catalyzed the transformation of the nation’s most distressed projects into well-designed, mixed-income neighborhoods. In several cities, the program has swiftly converted the most dangerous and dilapidated part of the metropolis into a healthy, vibrant community with rising property values, commercial activity, and resident employment.<sup>43</sup> The program engages private-sector developers, the most forward-thinking of whom have married high-quality new housing with local school improvement strategies that have produced impressive gains in student achievement.<sup>44</sup> Successful HOPE VI projects have engaged local residents in the process, some of whom return to the redeveloped site, others of whom use housing vouchers to access private-sector housing in other lower-poverty parts of the metropolis.<sup>45</sup>

As this evidence shows, we possess the tools to enable public and private-sector leaders to create neighborhoods of choice and connection. Together with the strong economy of the late 1990s, and labor market supports like the Earned Income Tax Credit (EITC), these policy tools helped reduce concentrated poverty and improve life chances for low-income families.

However, a weakened economy, rising poverty rates, and a loss of focus at the federal level over the past few years threaten to cut short, if not reverse altogether, this progress.

To mount a sustained effort to combat concentrated pov-

erty, the federal government must re-embrace housing policies that build on the success achieved in the 1990s, and give disadvantaged communities and their families a shot at true economic and social mobility. While housing policies alone cannot erase the gap between America's rich and poor, and black and white, they represent a key first step towards expanding the opportunities available to families living in high-poverty urban settings. To that end, Congress should devote serious consideration to an array of policy options:

- **Restore funding for HOPE VI and make it a model for neighborhood development.** Though the HOPE VI program has proven a successful strategy for reducing concentrated poverty and restoring market viability to inner cities, funding for the program has been cut drastically over the past two years—from approximately \$500 million in FY 2003 to \$144 million in FY 2005. Federal policymakers should restore the program's funding, enabling new public-private partnerships to rebuild areas of urban distress as inclusive, sustainable communities that connect low-income residents to opportunity. HUD's HOPE VI grant process should emphasize the need for these partnerships to improve schools in redeveloped neighborhoods—a critical factor for achieving sustainable economic and demographic diversity—and to provide comprehensive supportive services for temporarily or permanently relocated families.<sup>46</sup>
- **Increase support for housing vouchers and retain program flexibility.** Today, the Housing Choice Voucher program supplements rent payments for 2 million families and individuals, making it the nation's largest housing assistance program.<sup>47</sup> Vouchers enable low-income families to access housing in lower-poverty neighborhoods, near better employment and educational opportunities. In addition, vouchers are a key tool for helping lower-income families access private rental units in redeveloped HOPE VI communities. Yet recent years have seen the administration and Congress provide less funding than is needed to serve existing voucher holders, and act to restrict voucher holders' mobility within and across metropolitan housing markets.<sup>48</sup> This year, Congress should reaffirm its commitment to meeting the affordable housing needs of lower-income families by increasing voucher funding, and retaining program rules that provide recipients with greater choice and flexibility. In particular, Congress should create incentives for local housing agencies to help people move out of the poorest areas by guaranteeing federal funding to cover the higher rents that may result.
- **Pilot a "housing-to-school" voucher program.** To maximize access to quality educational opportunities, Congress should consider funding a special housing voucher initiative. Modeled on the successful MTO demonstration, which assisted a subset of public housing residents in moving to neighborhoods of low poverty, this initiative would permit participating families to move from areas with low-performing schools to areas with high-performing schools. The initiative—which could be launched with 25,000 special housing vouchers—would be conducted on a competitive basis, and would be rigorously evaluated. Preference would be given to applications prepared by metropolitan consortia of public housing agencies, school districts, and non-profit intermediaries.
- **Adopt the President's proposed Single Family Homeownership Tax Credit.** For the past five years, the Administration's budget proposal has called for the creation of a tax credit to builders for constructing affordable single-family homes.<sup>49</sup> The administration has done little to improve prospects for the credit's adoption, however. Such a credit could provide a powerful tool for improving low and moderate-income families' access to mixed-income neighborhoods, and opportunities to build wealth. Congress should adopt the credit, with modifications to ensure that it supports the development of affordable homes not just in lower-income neighborhoods, but in economically vibrant parts of metropolitan areas as well.
- **Target affordable housing funding to low-poverty neighborhoods.** The federal government should encourage communities to use funding streams for affordable housing, such as HOME and CDBG, to build that housing in low-poverty neighborhoods. In particular, Congress and HUD should consider linking grant funding to the existence and strength of local inclusionary zoning laws, which provide developers with financial incentives to include affordable units as part of new market-rate housing development.<sup>50</sup> Congress and HUD might also withhold funding from areas that inhibit low-income families' mobility through practices such as moratoriums on multifamily housing, exclusionary zoning rules and lot sizes, and bans on accessory dwelling units. Additionally, the Low Income Housing Tax Credit should be modified to ensure that its proceeds are not directed disproportionately to struggling inner-city areas, but instead promote housing opportunities for lower-in-



come families in mixed-income neighborhoods.

- **Create a network of regional housing corporations.** Over the past three decades, the federal government has supported the creation of a network of community development corporations (CDCs) around the nation. These organizations have helped revitalize inner city neighborhoods through the construction of high-quality affordable housing, but their inner-city focus has sometimes neglected the increasing decentralization of good employment and educational opportunities. To enhance the construction of affordable housing in growing suburban areas, Congress should seed the evolution of a network of regional housing corporations that can perform these functions at a broader metropolitan scale. A network of such regional housing corporations would complement rather than compete with the work of existing CDCs, and some high-performing CDCs might choose to expand their geographic coverage region-wide.
  
- **Expand the Earned Income Tax Credit and link it to housing costs.** The root of concentrated poverty is poverty—and the federal government’s best tool for combating poverty is the EITC. In 2003, the credit lifted roughly 4.4 million people above the poverty line by boosting the wages of low-income workers, especially those with children.<sup>51</sup> But the EITC could do more, particularly to help these families keep up with the rising costs of decent-quality housing outside disadvantaged neighborhoods.<sup>52</sup> In this respect, federal policymakers should consider a proposal by Michael Stegman and others that would link the size of the EITC to median housing costs calculated each year by HUD, allowing more working families to afford moderately-priced units in most metropolitan areas.<sup>53</sup> Congress could also make the most of the current EITC by providing modest funding for hundreds of locally-run campaigns working to ensure that all eligible families receive the credit and related tax benefits.<sup>54</sup>

Beyond housing and neighborhood policies, a host of actions at all levels of government will be needed to close the divides that Katrina exposed. Housing strategies alone will not suffice. Maintaining and expanding supports like child care and subsidized health insurance, promoting access to lower-priced goods and services for inner-city residents, and reforming state and local policies that contribute to unbalanced metropolitan growth, loom critical in this regard.

For millions of low-income Americans in isolated inner-city areas, overcoming concentrated urban poverty and gaining access to neighborhoods of choice and connection are essential steps toward improving their quality of life, and ensuring their future economic and social mobility. Just as New Orleans’ poor were stranded in Katrina’s wake, failure to act on a national level to alleviate concentrated poverty threatens to leave behind another generation of the urban poor. Americans’ reactions to Katrina show that we are deeply concerned about the persistence of poverty. Now is the time to act on those concerns, and not allow what we have learned to fade away with the memories of the hurricane’s disturbing aftermath.



## Appendix A. Extreme-Poverty Neighborhoods<sup>a</sup>, and Percentage of Poor People Living in those Neighborhoods, by Race/Ethnicity, 50 Largest Cities in the U.S., 2000

City	Concentrated Poverty Rate (%)				Extreme-Poverty Neighborhoods
	Total	Blacks	Whites	Hispanics	
Fresno, CA	43.5	44.9	17.9	49.6	22
<b>New Orleans, LA</b>	<b>37.7</b>	<b>42.6</b>	<b>10.9</b>	<b>18.0</b>	<b>47</b>
Louisville <sup>b</sup> , KY	36.7	53.2	14.3	24.3	11
Miami, FL	36.4	67.6	11.5	18.0	23
Atlanta, GA	35.8	41.0	9.0	14.2	28
Long Beach, CA	30.7	26.8	11.4	36.8	17
Cleveland, OH	29.8	35.6	16.1	24.6	52
Philadelphia, PA	27.9	27.1	10.7	61.6	54
Milwaukee, WI	27.0	39.3	10.4	5.9	42
New York, NY	25.9	33.7	11.4	33.5	248
Washington, DC	23.8	29.2	6.4	1.7	23
Memphis, TN	23.7	28.8	4.2	2.7	34
Baltimore, MD	22.7	27.1	7.4	8.5	30
Los Angeles, CA	22.4	29.7	8.8	25.0	103
Minneapolis, MN	20.6	20.3	19.8	12.6	12
El Paso, TX	20.5	9.2	9.8	21.5	14
Chicago, IL	19.9	32.0	2.5	6.8	110
Detroit, MI	17.5	17.8	15.4	10.4	47
Columbus <sup>c</sup> , OH	16.8	16.9	16.9	12.6	13
San Diego, CA	16.4	18.1	5.7	23.6	17
Oklahoma City <sup>c</sup> , OK	14.3	13.1	11.2	22.9	16
Phoenix, AZ	13.6	19.8	3.7	17.2	22
Nashville, TN	13.4	24.6	3.4	1.7	7
Austin, TX	12.0	9.5	17.2	7.0	5
Boston, MA	10.8	8.3	9.7	14.8	12
Tulsa, OK	10.6	20.6	6.0	4.9	6
Fort Worth, TX	9.7	19.9	4.3	4.3	8
Oakland, CA	9.5	14.6	6.6	4.6	7
Honolulu, HI	9.4	19.7	2.6	6.8	5
Kansas City, MO	9.2	13.2	3.0	7.2	11
Dallas, TX	9.1	18.1	2.6	5.3	17
San Antonio, TX	8.9	15.1	2.9	9.6	17
Jacksonville, FL	8.8	14.4	2.6	1.4	7
Sacramento, CA	8.3	8.5	4.4	10.9	4
Houston <sup>c</sup> , TX	8.1	19.5	1.6	3.5	23
Seattle, WA	7.0	6.3	5.9	4.2	4
Omaha, NE	5.7	13.3	1.8	0.8	3
Charlotte, NC	4.7	9.0	0.5	0.1	4
Albuquerque, NM	4.5	6.9	2.9	5.6	2
Portland, OR	3.6	2.3	4.2	1.8	3
Denver, CO	3.3	3.3	1.5	4.2	2
San Francisco, CA	2.8	12.6	0.0	0.2	1
Tucson, AZ	2.7	2.8	3.8	1.3	3
Las Vegas, NV	2.4	7.6	1.0	1.2	1
Indianapolis, IN	2.3	4.5	0.5	0.3	3
Colorado Springs, CO	2.1	1.4	1.9	2.5	1
Arlington, TX	0.0	0.0	0.0	0.0	0
Mesa, AZ	0.0	0.0	0.0	0.0	0
San Jose, CA	0.0	0.0	0.0	0.0	0
Virginia Beach, VA	0.0	0.0	0.0	0.0	0
<b>UNITED STATES</b>	<b>10.3</b>	<b>18.6</b>	<b>5.9</b>	<b>13.8</b>	<b>2,510</b>

<sup>a</sup> Extreme-poverty neighborhoods are census tracts in which at least 40 percent of the population lives in families with incomes below the federal poverty threshold. Because census tracts, our proxy for neighborhoods, do not align exactly with city boundaries in all cases, these figures represent our best estimates of the true concentrated poverty rates in these cities in 2000. In most cases, the census tracts analyzed slightly over-bound the city borders, so that the rates are estimated conservatively (since neighborhoods outside the city may contain more people but are not likely to exhibit extreme poverty).

<sup>b</sup> Louisville as of 2000, prior to the central city's merger with Jefferson County, KY, in 2003.

<sup>c</sup> Discrepancy between city population and census-tract aggregate population exceeds 20 percent. These cities have annexed significant suburban territory and thus their borders do not align well with census tracts.

Source: Census 2000

## Endnotes

1. Brookings Metropolitan Policy Program, "New Orleans After the Storm: Lessons from the Past, a Plan for the Future" (Washington: Brookings Institution, 2005).
2. The city of New Orleans and Orleans Parish cover the same geographic area, and are thus functionally equivalent.
3. This increase was not statistically significant, however, within the bounds of the American Community Survey sample for Orleans Parish.
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7. William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (University of Chicago, 1987); Paul Jargowsky, *Poverty and Place: Ghettos, Barrios, and the American City* (New York: Russell Sage, 1997).
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10. Ibid.
11. Paul Jargowsky and Rebecca Yang, "The Underclass Revisited: A Social Problem in Decline" (Washington: Brookings Institution, 2005).
12. Portions of this section are adapted from Bruce Katz, "Neighborhoods of Choice and Connection: The Evolution of American Neighborhood Policy and What It Means for the United Kingdom" (Washington: Brookings Institution, 2004).
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19. William Fulton and others, "Who Sprawls Most: How Growth Patterns Differ Across the U.S." (Washington: Brookings Institution, 2001).
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