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United States Conference of Mayors Task Force on Work, Poverty and Opportunity Presentation by Bruce Katz

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I want to commend the US Conference of Mayors for the formation of this important Task Force on Work, Poverty and Opportunity and Mayor Villaraigosa for agreeing to head the effort. I believe you have an excellent opportunity to shape national policy in advance of the 2008 presidential elections as well as inform and guide local practice and initiative.



It is clear from the comments this afternoon by Secretary Jack Kemp, Connie Rice and Matt Miller that this Task Force will need to examine a wide range of issues that underlie poverty—education, skills, incomes, health care, wealth accumulation—as it develops an action agenda for the nation. I concur that ambitious, universal national policies (for example, a higher minimum wage, a reformed tax code, an expanded Earned Income Tax Credit) are needed to tackle these challenges in a broad and fair way.

Yet I also believe that the Task Force must place special focus on the high concentration of poverty in inner city America if we as a nation want to make progress towards alleviating poverty, growing a strong and resilient urban middle class and unleashing the full market potential of cities.

In my brief time this afternoon, I would like to make three central points.

First, the high concentration of poverty in inner city America—by impeding access to good schools and quality jobs—undermines all our efforts to help individuals grow incomes and build wealth.

Second, there are a series of policy tools (some like HOPE VI designed and implemented within the past decade) that have a proven track record in expanding residential choice, stimulating neighborhood revitalization and breaking up concentrations of poverty.

Finally, we need to apply several important lessons from these success stories, particularly in the housing arena, as we develop and advance policies going forward.

So, first on concentrated poverty.

Since I am from Brookings, I cannot resist giving you some statistics. As George Bernard Shaw once said, “The sign of an educated person is to be deeply moved by statistics.”

From 1980 to 2000, the poverty rate in U.S. metropolitan areas remained virtually constant at 11 to 12 percent. As the nation's metropolitan population grew, however, the number of poor people increased from 19.3 million in 1980 to 23.1 million in 1990 and 25.8 million in 2000.

Poverty is not distributed evenly across the metropolitan landscape. Cities harbor a disproportionate share of metropolitan areas' families below the poverty line. In 2000, for example, the poverty rate in central cities (18.4 percent) was more than twice that in the suburbs (8.3 percent). The child poverty rate in the American cities is particularly high (28 percent), compared to the nation (18 percent).

More troubling, Census 2000 tells us that a disturbing 8 million people lived in about 2,500 high-poverty neighborhoods, communities where at least 40 percent of the residents have incomes below the federal poverty line.

These neighborhoods are stratified by race as well as class.

In cities as diverse as Cleveland, Miami, New York, Atlanta, Los Angeles, and pre-Katrina New Orleans, more than 30 percent of poor blacks lived in neighborhoods of severe economic and social distress.

Research has shown that *concentrated poverty has exacted significant costs, particularly on children.*

Research has consistently shown, for example, that children who live in poor urban neighborhoods (and generally attend neighborhood schools) **are at greater risk for school failure** as expressed by poor standardized test results, grade retention, and high drop out rates.

Although nearly two-thirds of suburban children achieve "basic" levels in reading, less than one-quarter of children from high-poverty neighborhoods do so. Only about one-third achieve basic levels in math and science—half the fraction of suburban students.

By contrast, research has demonstrated that all children—middle-class, poor, black, white, Asian, and Latino—perform better in integrated, middle-class schools than in schools of concentrated poverty.

Why do low-income students perform better in majority-middle-class schools? A recent Task Force on the Common School (organized by The Century Foundation), found that "schools with a core of middle-class families are marked by higher expectations, higher-quality teachers, more motivated students, more financial resources, and greater parental involvement."

Beyond educational achievement, research shows that adults and teenagers who live in areas of concentrated poverty **face real barriers to participation in the workplace.**

These barriers owe partly to the emergence of a "spatial mismatch" between inner-city residents and jobs associated with the decentralization of employment.

In suburbs, entry-level jobs abound in manufacturing, wholesale trade, and retailing. All offer opportunities for people with limited education and skills, and many pay higher wages than similar positions in the central cities.

But persistent residential racial discrimination and a lack of affordable suburban housing effectively cut many inner-city minorities off from regional labor markets. Low rates of car ownership and inadequate public transit keep job seekers in the core from reaching the jobs at the fringe. Often, inner-city workers, hobbled by poor information networks, do not even know these jobs exist.

The problem is particularly acute for welfare recipients who are now compelled to find work or otherwise lose their federal welfare benefits.

The evidence is also mounting that living in high-poverty neighborhoods **has negative health implications**, partly owing to the stress of being poor and marginalized and partly owing to one's life transpiring in a deprived environment of dilapidated housing and run-down neighborhoods.

Recent studies, for example, have correlated the troubling rise in the asthma rates of minority poor children, as well as rates of obesity and diabetes, with neighborhoods of high poverty and high crime. As crime rises, for example, parents are more likely to keep their children indoors, reducing their ability to exercise and exposes them to a battery of indoor pollutants. Other research findings show the relationship between disadvantaged neighborhoods and heart ailments, cancer, and diabetes.

Finally, concentrated poverty affects the broader economic life and fiscal capacity of central cities.

Often, high-poverty neighborhoods do not contain the businesses and civic institutions that are essential for a healthy community. Where businesses do exist, they often provide lower-quality goods or basic services (such as check cashing) at exorbitantly high prices.

In addition, the concentration of poverty generates high costs for local government—for elevated welfare case loads, for high loads of indigents at hospitals and other public health services, for extra policing—that can divert resources from the provision of other public services or raise the tax burdens on local businesses and non-poor residents.

So that's the bad news and it is pretty daunting.

But there is good news: Concentrated poverty is not intractable.

During the 1990s a series of ambitious bipartisan efforts at the federal level made huge progress breaking up concentrated poverty.

The first effort was the \$6 billion HOPE VI program, responsible for the demolition of many of the worst public housing projects in the country. This investment sparked the development of a new form of public housing—smaller scale, well-designed, economically integrated, privately

managed—that has, in turn, triggered the revitalization of dozens of inner city neighborhoods once left for dead.

In city after city—Pittsburgh, Seattle, Denver, Louisville, St. Louis, Boston, Washington, D.C.—HOPE VI has helped transform the physical and social landscape of some of our toughest neighborhoods and created markets in places where there once were none.

The new developments are a sharp departure from the past.

Instead of the Soviet-style apartment complexes of the 1950s, HOPE VI has created walkable, diverse, livable communities—essentially “new urbanism” in the inner city.

Instead of public housing built for the poorest of the poor, HOPE VI has developed places where low-wage workers and families transitioning off of welfare literally live next door to teachers, police officers and other professionals.

Instead of building housing as an end in itself, HOPE VI has used redevelopment to reform neighborhood schools, connect residents to employment opportunities, and rebuild local infrastructure, parks and libraries.

The second related effort involved the substantial growth in housing vouchers. Vouchers have emerged as the most substantial subsidized housing program in the United States. They now serve some 2.1 million households; by contrast, there are only 1.3 million traditional public housing units. In general, housing vouchers pay the difference between 30 percent of a recipient’s income and the rent of a qualifying, moderately-priced apartment.

Vouchers are unique among federal housing programs in that they allow the recipient rather than the developer to decide where the low-income resident will live. Voucher recipients can receive their assistance in one jurisdiction and take it to another as they search for housing that best fits their family needs. Not surprisingly, many voucher recipients exercise this choice and are dramatically less likely than public housing residents to settle in high-poverty neighborhoods. According to a 1997 study by Anne Schnare and Sandy Newman, only 5 percent of voucher recipients live in high-poverty neighborhoods, compared to 37 percent of public housing residents.

The benefits of housing vouchers have been long understood by researchers. By helping families relocate from high-poverty neighborhoods to low-poverty neighborhoods vouchers have shown substantial success in improving family health. Other benefits include reductions in the rates of juvenile delinquency, improved educational achievement among children, and higher rates of employment for their parents.

What are political lessons from these two efforts that we might apply in the future?

First, both programs involved a collective willingness to acknowledge failures in prior housing policies.

The substantial increase in housing vouchers in the 1980s reflected a growing unease with the substantial costs of mainstay housing production programs.

The enactment of HOPE VI – and its consistent funding during the 1990s and the early part of this decade – reflected a consensus across a broad spectrum of political leaders that a portion of public housing was a dismal failure and needed to be demolished and replaced. We should remember that the Republican Congress, led by Senators like Kit Bond of Missouri, has been responsible for appropriating the bulk of the \$6 billion over the past decade.

Second, both programs use market forces to drive wealth creation, poverty alleviation, neighborhood renewal, and inner city business expansion.

The best of HOPE VI projects were privately built and remain privately managed, providing real market consequences if they fail.

Vouchers enable low income families to choose where they live in the private rental market rather than being consigned to dysfunctional areas.

Finally, both programs combine housing and schools – either explicitly or implicitly.

The most successful HOPE VI developments—Murphy Park in St Louis, Centennial Place in Atlanta—used federal housing resources to leverage educational advancement: the construction of a new school as in Centennial; the reconstruction of an existing school near Murphy Park; the use of public, corporate, and civic investments to support a range of services in schools for children, as well as struggling parents.

Housing vouchers, by enabling families to move to areas of low poverty, are also part of the school equation. In many respects, the housing voucher program, when coupled with educational counseling and relocation supports, has the potential to be a de facto school voucher program.

Incredibly, no good deed goes unpunished. As all of you know, both of these programs have been under attack last several years. Over the past several budget cycles, the Bush Administration has consistently asked Congress to zero out this program—as part of a larger effort to reduce the federal involvement in affordable housing. That proposal met fierce resistance from a bipartisan group of congressional leaders, including key Senators like Kit Bond and Barbara Mikulski, the original authors of this innovative effort. Congress ultimately decided to keep the program on life support, reducing funding from \$570 million to \$150 million.

The administration has also consistently asked Congress to reduce funding for incremental vouchers, and has sought to block grant housing voucher funds to the states in ways that would undermine this proven tool.

So where do we go from here?

I believe the experience of past several years does not have to dictate the future. I believe that it is possible to recreate the bipartisan housing coalition that drove housing policy deliberations in the Congress for decades.

Given that I have several pieces of advice for the Task Force as you start about your work.

First, as your task force explores a new generation of policies to alleviate poverty and grow urban middle class, I urge you to make the breaking up of concentrations of poverty a central goal.

Second, I urge you to recommend that existing housing and other policies be modified to reflect the lessons we have learned from HOPE VI and vouchers.

I think, for example, that federal law should prohibit the building of any subsidized housing in areas of concentrated poverty, unless it is of mixed income.

That will require removing statutory provisions that now, for example, favor the siting of low income housing tax credit unit projects in neighborhoods of distress.

That could also necessitate a change in the income limits that now govern tax credit projects. Perhaps, developers of affordable housing in neighborhoods of high poverty should be allowed to serve families with incomes up to 100 percent of area median income.

Finally, we need a new generation of federal housing initiatives to apply lessons of success.

For example, I recommend that Congress authorize and fund a pool of new housing vouchers that can only be used by recipients to move to communities with high performing schools. This new program could be used in tandem with the No Child Left Behind effort.

I also recommend that Congress authorize and appropriate funds for a new HOPE VI effort that could be used to demolish and replace dilapidated housing in areas of concentrated poverty, irrespective of whether the housing is publicly owned, privately owned but federally subsidized, or just privately owned.

I recommend that we build a network of regional housing corporations to play a pioneering, catalytic role in the production of affordable rental housing in suburban areas of growing employment. Such regional entities work closely with employers on housing that serves the needs of their employees; work closely with churches, synagogues and mosques to lower the resistance of affordable housing; and, where necessary, produce affordable housing to illustrate what needs to be done and how to do it.

Finally, I recommend that metropolitan planning organizations (which now oversee the preparation of metropolitan transportation plans) be tasked to develop and update on a timely basis regional housing and transportation plans that show how housing for workers will be built in areas of growing employment that receive federal transportation aid.

The bottom line is this. We know how to reduce concentrated poverty in America. We've done it once, we can do it again, and we can do it in a way that garners a broad cross section of political and ideological support.

Thank you and I look forward to our conversation.