

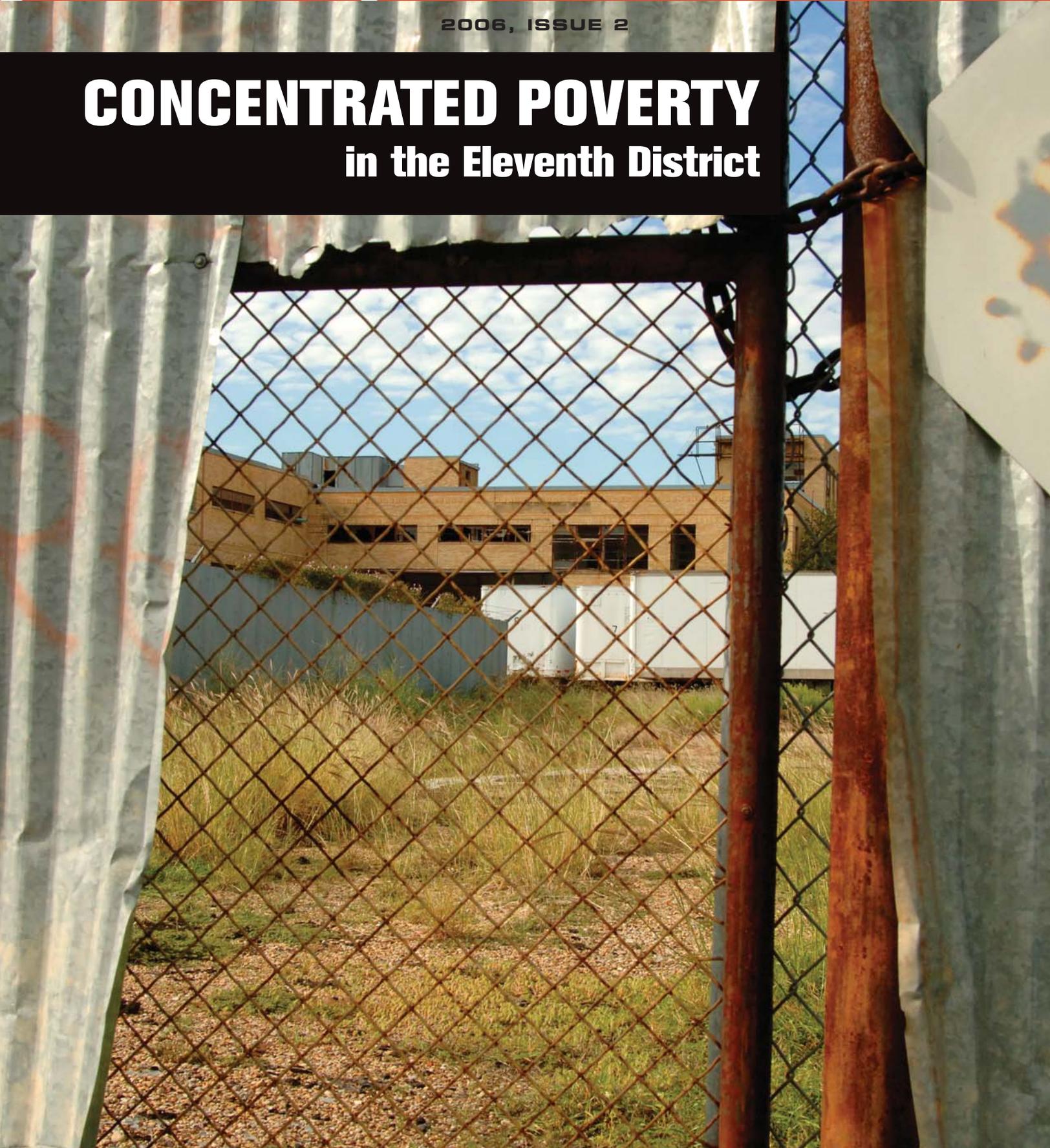
perspectives

Federal Reserve Bank of Dallas

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CONCENTRATED POVERTY in the Eleventh District





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Last July, the Dallas Fed hosted a policy forum that aimed to raise awareness and stimulate dialogue about concentrated poverty. Paul A. Jargowsky of the University of Texas at Dallas gave a national perspective on what it is, where it is and why it exists. Marcus Martin of the Foundation for Community Empowerment narrowed the focus to economic and social disparities in Dallas.

This issue of Banking and Community Perspectives analyzes the dynamics of concentrated poverty in rural and urban settings. With data and insights from Jargowsky, Martin, local leaders and others, we illustrate concentrated poverty in two communities in the Eleventh Federal Reserve District—Hidalgo County's Delta Region and South Dallas. While these communities are 500 miles apart, at opposite ends of the state, their lack of opportunity and prosperity gives them more in common with each other than with the nearby commercial centers of McAllen and Dallas.

We hope this issue of Perspectives provokes thought and discussion on how to meet the challenge of improving all communities' access to living-wage jobs, high-performing schools and diverse housing choices.

Alfreda B. Norman
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CONCENTRATED POVERTY: A PRIMER

An estimated 37 million Americans—about 13 percent of the population—live in poverty, according to the Census Bureau. Using its calculator, single parents with two dependents under 18 are poor if their annual income is less than \$15,735, regardless of where they live.¹

When a census tract has a poverty rate at or above 40 percent, its residents are commonly considered to be living in concentrated poverty.² Social scientists are particularly interested in such poverty because, as Harvard professor William Julius Wilson explains, “it magnifies the problems associated with poverty in general: joblessness, crime, delinquency, drug trafficking, family breakups and poor ‘social outcomes’ like school performance.”³ These neighborhoods are trapped in a cycle of high poverty because they are isolated from the opportunities prosperity generates—access to quality education, jobs, housing, transportation and the amenities of healthy, livable communities.

In the 1990s, concentrated poverty declined by 24 percent—or by 2.5 million people—thanks to a strong economy, the HOPE VI and Earned Income Tax Credit programs, and other factors.⁴ The largest decreases in the country were seen in the Midwest (46 percent) and South (35 percent). Five of the 15 metro areas with the biggest decreases were in Texas: San Antonio (70 percent), Houston (48 percent), Dallas (45 percent), El Paso (40 percent) and Brownsville–Harlingen–San Benito (37 percent).⁵

Paul Jargowsky, associate professor of political economy at the University of Texas at Dallas, stresses that the overall decline in concentrated poverty does not necessarily translate into stronger metropolitan areas. In 2000, the South still

had the largest number of high-poverty neighborhoods in the country, and the number of impoverished people nationwide rose by 2.2 million from 1990 to 2000.

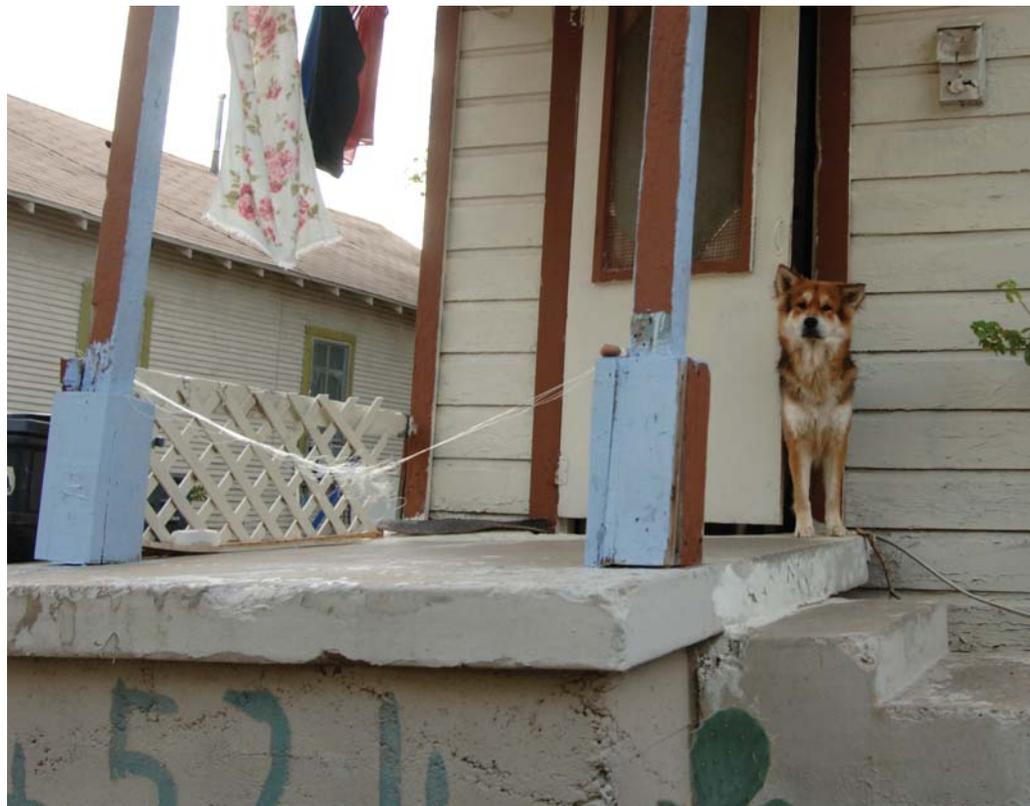
While poverty decreased in the central city in the '90s, it moved out to the inner ring of older suburbs. This bull's-eye pattern of development in which growth consistently moves out to a wider periphery depletes central cities' resources.

At the same time, the number of middle-income neighborhoods has been shrinking. According to the Brookings Institution, middle-income neighborhoods as a share of all metro neighborhoods fell from 58 percent in 1970 to 41 percent in 2000. Consequently, “lower-income families became more likely to live in lower-income neighborhoods and

higher-income families in higher-income neighborhoods.”⁶ These trends strongly suggest it is increasingly difficult for those from lower-income neighborhoods to participate in and benefit from the economic growth and activity in higher-income neighborhoods. The result is ever more stratified development in the entire metropolitan area.

This widening gap indicates a decline in upward mobility, the hallmark of the American compact that hard work and education guarantee a life without “humiliation, exploitation, poverty, or devastating falls in . . . standards of living.” In fact, says former national economic advisor Gene Sperling, research shows that since 1970, it is “increasingly unlikely that the lowest 20 percent of earners will escape poverty.”⁷

(Continued on page 5)





Q&A with Paul A. Jargowsky

An associate professor at the University of Texas at Dallas, Jargowsky directs the Bruton Center for Development Studies, which researches urban and regional development policies and trends, and the Texas Schools Project, which studies educational issues. His research interests center on the geographic concentration of poverty and residential segregation by race and class. His award-winning book, Poverty and Place: Ghettos, Barrios, and the American City, comprehensively examines poverty at the neighborhood level.

How did the term **concentrated poverty** come about?

Before the 1960s, people generally thought that poverty was related to place. For example, they would refer to rural, Skid Row or Appalachian poverty. Then in the 1960s, Molly Orshansky at the Social Security Administration invented the official poverty line, which was an estimate of how much it costs a family to cover basic necessities.

The problem with this definition is that its poverty threshold is the same regardless of the local cost of living, focusing solely on one family's income and ignoring the neighborhood context. The relationship between poverty and place came back into focus when William Julius Wilson, now a professor at Harvard University, published *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy*. This book reintroduced the concept of poor people

being worse off when their neighbors are also poor, compared with those living in mixed-income neighborhoods.

Why is it relevant to talk about **concentrated poverty** instead of **poverty** in general?

It is important to care about the total number of poor people. However, a poor child who goes to a failing school, whose classmates are poor and neighbors are not working at regular jobs, is much worse off than a poor child who is surrounded by people whose expectation is to achieve academically and professionally. It is significantly more difficult for children living in concentrated poverty to make wise choices because they are likely to lack the opportunity and information on how to improve their livelihoods.

What causes **concentrated poverty**?

There are push and pull factors at

work. First, we used to push people into neighborhoods of concentrated poverty by constructing large-scale public housing projects. Now we do the flip side of that. Very large tracts of land are developed just for higher-income households. By building housing for only one income level in a neighborhood, we segregate people. Second, increasing crime, such as at the time of the riots in the 1960s and 1970s, pushed the white middle class from the central city. This is what we commonly know as white flight. Third, new housing developments with attractive amenities pull people farther and farther out in the suburbs. This pattern continues now, such as when people move from the Dallas suburb of Richardson to Plano or McKinney.

Are there any positive aspects of **concentrated poverty**?

Let's look at immigrant gateways. When immigrants move into poor neighborhoods with other immigrants, their similar backgrounds help them transition into the new environment. The question is what happens to the second generation of immigrants. Are they living in these same high-poverty neighborhoods, or do they have and take the opportunity to improve their families' quality of life? When we talk about concentrated poverty, the core issue is the degree of upward mobility for people of all races, incomes, and so forth.

The strength of weak ties is an associated issue. While in the short term it may be comfortable to be surrounded by neighbors who are in the same conditions as oneself, in the long run it is more important to have access to people who have more resources, including knowledge about job opportunities. This is a well-known argument made by sociologist Mark Granovetter.



What do you think is a sustainable solution to concentrated poverty?

If more communities or cities were sharing the responsibility for providing housing for different income levels, then there wouldn't be as much concern that any one neighborhood would bear a disproportionate amount of the lower-income housing burden. Coordination between jurisdictions could help eliminate the destructive forms of competition so that the rules of the game change.

In the current housing situation, the rules of the game dictate that today's winners will be tomorrow's losers. We live in a society where there is a very predictable progression of suburban development. New suburbs will become old suburbs, which start deteriorating. When some people see minorities and poor people moving into their neighborhoods, they start to consider moving out. They are making a sensible choice, given the existing structure of how neighborhoods develop, because they understand what happens to property values.

This pattern of rapid laissez-faire housing development can facilitate segregation and the concentration of poverty and limit poor people's access to opportunity. Fortunately, this type of development is not inevitable.

Our current population is 300 million people, and it is projected to be 364 million by the year 2030, a 21 percent increase. We will have to build housing for all of these people. In addition, some current housing units will have to be replaced, so we will need a 25 to 30 percent larger housing stock.

In what pattern are we going to build? Are we going to build neighborhoods in such a way that poor kids will go to school only with other poor children? Are we going to build them in a pattern that leads to higher segregation by race or income so that poor people live in jurisdictions that lack basic infrastructure while rich people live in those with high-quality infrastructure and public services? Or are we going to build them so that there is less division between the income classes and racial groups, making it easier for poor people to be integrated into the social and economic mainstream?

In my opinion, spatial access to opportunity is the great emerging social challenge of the 21st century.

CONCENTRATED POVERTY: A PRIMER

(Continued from page 3)

Islands of Isolation: Two Communities

High-poverty neighborhoods and their residents are off the radar of most Americans. Yet such communities can be found throughout the country. In the Eleventh District, Hidalgo County's Delta Region and—at the other end of the state—South Dallas are two places where concentrated poverty has shaped neighborhoods and the lives of those who live in them. Many other rural and urban areas in the district share similar stories.

A Rural Setting

Set in the heart of Texas' Rio Grande Valley, the Delta Region—population 45,000-plus—encompasses the rural communities of Edcouch, Elsa, La Villa and Monte Alto. Boarded-up, underutilized, and irreparable commercial and residential buildings dominate the area. Large industrial canning and cotton facilities that long ago lost their luster dot the landscape. These are communities where Spanish is the language of commerce and the Catholic Church dominates the culture. Ninety-six percent of the population is Hispanic, and only Spanish is spoken in eight of every 10 households.⁸

Unemployment typically fluctuates between 20 and 32 percent, due to the seasonal nature of agricultural work. Other job options are limited. The result

is a poverty rate of 46 percent, one of Texas' highest.

Fewer than 45 percent of Delta Region adults have graduated from high school or earned a GED, far below the national average of 80 percent. Only 6 percent have at least a bachelor's degree. Because job opportunities are limited, residents who do complete college usually leave.

The Edcouch–Elsa School District is the region's largest employer. Approximately 60 percent of households earn less than \$25,000 annually, and median individual earnings run just under \$11,000. More than 90 percent of the students in the two school districts are eligible for free or reduced-price lunches. The median home value is \$35,300.

Texas' rural population as a share of the state total fell between 2000 and 2005, a trend that's expected to persist. Population in the Delta Region, by contrast, rose by 6,900, or 18 percent, over the same period and is expected to continue rising. Many area residents originally came from Mexico as migrant farmworkers. In recent years, the population has continued to grow as families reunite, U.S.–Mexico trade expands and the cost of living remains low.

Many immigrant families move to this high-poverty area because land is relatively inexpensive, their extended families have established roots there, and educational opportunities and health





care are better than what's available in their hometowns. Others come because they can earn a living in the shadows of rural America. These communities attract people who enjoy the benefits of a rural setting, have access to employment and services in the nearby McAllen metro area, and can obtain owner financing for homes—important because credit and access to mainstream financial institutions are not always options.

Investment and Development. The lack of an educated workforce and the region's isolation from major transportation links discourage business investment. The businesses that do exist are mostly small franchises in the fast-food and service industries. Indictments of public officials, political patronage and leadership instability are common, which causes distrust.

A lack of cooperation between area communities, deficient water and sewer infrastructure, and the absence of standard zoning regulations and building review processes have also paralyzed progress. The four municipal governments face these obstacles with small tax bases. As a result, they are commonly seen as ineffective and unresponsive to residents' basic needs.

Looking Ahead. The Rio Grande Valley Empowerment Zone, a 10-year program that ended in 2004, allocated over \$40 million and attracted over \$365 million in other funding for small business development, utility infrastructure and

educational initiatives in South Texas. The Delta Region received nearly \$5 million in RGVEZ grants and loans and another \$13 million from other federal, state and local sources.

In late 2004, a group of local business owners, civic leaders and others released a blueprint for the future that builds on the empowerment zone's momentum. The plan sets out five goals: (1) expand education and health care training facilities; (2) construct distribution centers for nearby major trade routes; (3) grow and sell specialty foods; (4) build on the ecotourism and hunting industries; and (5) capitalize on residents' Spanish-language skills and friendly demeanor to attract more call center business.

Today, the Delta Region points to a market-style center, Mercado Delta, as a symbol of its ability to progress. Still under development, this indoor-outdoor facility will be anchored by Valley microbusinesses and provide retail space to local enterprises that sell locally grown produce, arts and crafts, gifts and other goods. Funded by a \$500,000 grant from the Economic Development Administration, the center taps into the area's entrepreneurial spirit. The hope is that the mercado will generate sustainable economic activity.

An Urban Setting

South Dallas—made up of two ZIP codes in the nation's ninth-largest city—has the largest concentration of poverty, female-headed households and unem-

ployed males in Dallas. The community is home to 12,000 households comprising 34,000 individuals—68 percent of them black, 26 percent Hispanic and 4 percent white. Seventy-two percent of South Dallas households earned less than \$35,000 in 2005, 60 percent earned less than \$25,000 and 41 percent less than \$15,000. Median household income was \$20,000.⁹

South Dallas neighborhoods have a legacy of neglect. Over the decades, city bond money was directed to predominantly white areas in the northern part of the city. Dallas' southern neighborhoods, meanwhile, were divided and cut off by freeways and laden with heavy industry, liquor stores, public housing projects and trash dumps.

Today these neighborhoods are characterized by abandoned, run-down buildings; empty, weed-choked lots; concrete steps leading to nowhere; piles of old tires and trash; landfills and illegal dumping sites; crumbling streets and sidewalks; drug houses; and hourly rate motels. Bars and liquor stores dominate some neighborhoods' commercial areas. According to the Texas Alcoholic Beverage Commission, there are almost five times as many retailers with liquor licenses in South Dallas (28 per square mile) as in the entire city (six per square mile).

Those who can afford to move out of South Dallas commonly do. Those who stay often say local family ties, which can reach back generations, root them there.

The Foundation for Community Empowerment

The foundation was started in 1995 as a catalyst and facilitator of neighborhood revitalization in South Dallas. Social scientists at the J. McDonald Williams Institute—the foundation's research arm—focus on education, crime and safety, health, housing, economic development and related issues. Partnering with community and faith-based organizations, public schools and other entities, the foundation and institute publicize their data, research and policy analysis to attract investment to South Dallas and affect public policy. For more information, go to www.fce-dallas.org.

Stark Contrasts. The contrasts between life in South Dallas and elsewhere in the city can be significant. South Dallas education levels are lower and unemployment rates higher than those citywide. Approximately half of those ages 25 and up lack a high school diploma; 16 percent have some college experience; 4 percent have an undergraduate degree. Citywide, less than a third of residents lack a high school diploma, almost a quarter have some college, and 28 percent have an undergraduate degree.

The correlation between education and employment is clear. According to the Foundation for Community Empowerment, South Dallas unemployment was approximately 22 percent in 2005, a little over three times the city rate. The 22 percent represents only those actively looking for work. In South Dallas, 61 percent of residents—most of whom are able to work—are jobless. This disparity indicates that a large number of people in the community are not working due to circumstance (lack of education, resources, opportunity and the like) or choice (lack of hope, will, inspiration and so on).

Thirty-three percent of South Dallas residents are homeowners, a lower rate than the citywide 42 percent. The median value of South Dallas homes is \$44,000, far below the roughly \$109,000 for the city as a whole.

South Dallas' property and personal crime rates are significantly higher than the rest of the city's. In 2005, there were 35 cases of property crime for every 1,000 South Dallas residents, about twice the rate for the city as a whole. There were 20 cases of personal crime for every 1,000 residents, about two and a half times Dallas' southern sector and more than three times its northern sector.

Looking Ahead. In early 2006, local leaders formed the South Dallas Community Action Coalition to produce a grassroots plan for improving residents' quality of life. The coalition's long-term strategy is to work with banks, the city,



universities, and public- and private-sector leaders to leverage major public development projects on the drawing board to attract public and private investment. The group announced immediate-action plans in October: promoting parental involvement in children's education, creating a calendar of after-school youth activities, starting a walking club to improve residents' health, encouraging lenders to sell innovative products to increase homeownership and improve housing stock, and launching a 24-week program to provide youth with technical training in the music industry.¹⁰

The Future

The disparities between life in the Delta Region and South Dallas and life in communities not mired in poverty can be seen in many other places—rural and urban—in the Eleventh District. If such disparities between the haves and have-nots along racial and ethnic lines continue, Texas will suffer, says state demographer Steve Murdock.

In "A Summary of the Texas Challenge in the Twenty-First Century," he explains that the population will grow, age, and become more ethnically and racially diverse. If Texas' demographic and socioeconomic trends remain what they were in 1990–2000, average household income could drop by more than \$6,500 (in 2000 dollars) by 2040, he says. At the same time, the number of households with incomes under \$25,000 could rise by 7 percent—to 38 percent of the

total—and the poverty rate among family households could climb by 4 percent.¹¹

In 2000, black, Hispanic, Asian, American Indian and other non-Anglo households combined accounted for 34 percent of consumer spending and 19 percent of net worth in Texas. Murdock forecasts that in 2040 they would account for 68 percent of consumer expenditures and 51 percent of net worth. Because non-Anglo households would have less to spend, per household consumer spending would decline, negatively affecting the economy.

The table below shows that closing the education gap would touch off a chain reaction in which non-Anglos could increase their incomes, in effect reducing their poverty rates and boosting their buying power. As a result, they could build financial security while gen-

What the Future Could Hold

	Projected Change 2000–2040	
	Continuing 1990–2000 Trends	Eliminating Educational Disparities
Family poverty	274%	55%
Youth correctional programs	99%	7%
Prison population	124%	36%
Public community college and university enrollment	93%	172%
Aggregate household income	131%	203%
Average household income	–12%	15%
Consumer spending	139%	171%
State tax revenues	131%	203%



erating significant state revenue.

Murdock projects that if Texans from all groups achieved educational parity, they would produce an additional \$21 billion in state tax revenues per year, given the 2000 tax structure.

A Long-Term Approach

Determining how to reduce educational disparity is part of a larger conversation about regional development.

In “Regions That Work: How Cities and Suburbs Can Grow Together,” Manuel Pastor and his co-authors contend that unless leaders of various constituencies—business, labor, civic organ-

izations, communities—work across jurisdictions to promote the region as a whole, they will “shipwreck” its “economic prosperity and social equity.” Regional growth and community development cannot be achieved without each other, they explain. Therefore, a wide diversity of voices—coming from urban and suburban businesses, homeowners, grassroots organizations, environmental advocates and public officials—should jointly decide how to expand the economy, promote environmental sustainability and bolster a region’s social fabric.¹²

This is exactly what’s happening in North Texas. In 2005, the Urban Land

Institute, North Central Texas Council of Governments and University of Texas at Arlington convened about 200 area leaders, who brainstormed more than a dozen scenarios to improve regional development.

The partnership—called Vision North Texas—is reaching out to residents, public officials and others to recruit them as partners; educate them about the projected path of regional development and alternative patterns; research the costs and benefits of these alternatives; identify best practices in regional development and ways to implement them; and make policy recommendations. The most recent meeting, in September, further refined the partnership’s priorities.¹³

Vision North Texas is one of many conversations occurring in the Eleventh District on how to respond to the challenges created by the region’s demographic and socioeconomic trends. As Paul Jargowsky notes elsewhere in this issue, communities have the choice of whether to build neighborhoods that exclude income classes and racial groups or to integrate them. This is a question of spatial access to opportunity, and it is the great emerging social challenge of the 21st century.

Notes

¹ These are 2005 data. To learn how the Census Bureau calculates the poverty level, go to www.census.gov/hhes/www/poverty/povdef.html. For highlights on poverty statistics, go to www.census.gov/hhes/www/poverty/poverty05/pov05hi.html.

² Forty percent is the most widely accepted threshold for concentrated poverty; some researchers argue, however, that 30 percent generates a comparable situation.

³ William Julius Wilson, “There Goes the Neighborhood,” June 2003, www.ksg.harvard.edu/news/opeds/2003/wilson_neighborhood_nyt_061603.htm.

⁴ “Katrina’s Window: Confronting Concentrated Poverty Across America,” by Alan Berube and Bruce Katz, Brookings Institution Metropolitan Policy Program, October 2005, www.brookings.edu/metro/pubs/20051012_Concentratedpoverty.pdf.

⁵ For more details, see “Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s,” by Paul A. Jargowsky, Brookings Institution Center on Urban and Metropolitan Policy, May 2003,

www.brookings.edu/es/urban/publications/jargowsky-poverty.pdf.

⁶ “Where Did They Go? The Decline of Middle-Income Neighborhoods in Metropolitan America,” by Jason Booza, Jackie Cutsinger and George Galster, Brookings Institution Metropolitan Policy Program, June 2006, www.brookings.edu/metro/pubs/20060622_middleclass.pdf.

⁷ *The Pro-Growth Progressive: An Economic Strategy for Shared Prosperity*, by Gene Sperling, Simon & Schuster, New York, 2005, pp. 33, 37.

⁸ Information in “A Rural Setting” section draws on a variety of sources, including interviews and “A Comprehensive Economic Development Strategic Plan for the Delta Region Revitalization Area,” TIP Strategies Inc., Austin, December 2004.

⁹ Information in “An Urban Setting” is drawn from interviews with the Foundation for Community Empowerment; “Looking South: Dallas at the Tipping Point,” a five-part *Dallas Morning News* series, December 2004; and “South Dallas Research Compilation,” June 2006, www.analyzedallas.org,

and “The Cost of Not Addressing Concentrated Poverty: How Much Can Dallas Afford to Pay?” July 2006, www.dallasfed.org/news/ca/2006/06poverty.html, both J. McDonald Williams Institute, Foundation for Community Empowerment.

¹⁰ “South Dallas Vision: Transforming South Dallas/ Keeping It Real,” www.southdallasvision.org.

¹¹ Data are projected to 2040. “A Summary of the Texas Challenge in the Twenty-First Century: Implications of Population Change for the Future of Texas,” Steve H. Murdock et al., Texas A&M University System, December 2002, <http://txsdc.utsa.edu/pubsrep/pubs/txchal.php>.

¹² “Regions That Work: How Cities and Suburbs Can Grow Together,” by Manuel Pastor Jr., Peter Dreier, J. Eugene Grigsby III and Marta López-Garza, University of Minnesota Press, Minneapolis, 2000.

¹³ “Vision North Texas: Understanding Our Options for Growth,” www.visionnorthtexas.org.