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Puerto Pobre: Addressing Modern Gentrification and Poverty in Puerto Rico

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Executive Summary

Throughout its history, Puerto Rico has experienced gentrification and poverty driven in part by local government decisions. To improve the economy, the government has enacted laws that grant tax incentives to foreign investors. These incentives have increased the cost of living on the island, which hinders the Puerto Rican population's ability to meet their basic needs like housing. As a result, public policies have contributed to a new cycle of migration, exacerbating the phenomenon of gentrification, and deepening poverty among vulnerable parts of the population.

Key Terms

For the purposes of this issue brief, the following terms shall have the meaning and scope expressed below:

- **Gentrification** - The process of renovation of an urban area, generally popular or deteriorated, which implies the displacement of its original population by another with greater purchasing power ("Gentrification", 2024).
- **Diaspora** - Dispersion of human groups that leave their place of origin (Diaspora, 2024b).
- **Persistent Poverty Counties** - Counties that maintained poverty rates of 20% or more for at least 30 years. Under this definition, all of Puerto Rico

experiences persistent poverty, and it has done so for more than half a century. (Vargas-Ramos, 2024).

- **Puerto Rico Tax Incentives** - Benefits that the government grants to both businesses and individuals to encourage investment, job creation and growth of the local economy. If someone performs an activity that helps develop the country, the government can offer advantages, such as reducing or even eliminating the payment of taxes in certain areas. These include laws like Act 60, Act 20, and Act 22 (Ley Núm. 60 de 2019 Código de Incentivos de Puerto Rico, n.d.).

Background

Puerto Rico faces high levels of poverty compared to other U.S. jurisdictions. Puerto Rico's poverty rate is three times higher than the U.S. national average and higher than that of all but one territory. Every town in Puerto Rico is a persistent poverty county (Vargas-Ramos, 2024). According to the most recent data from the U.S. Census Bureau's Community Survey, percentages related to poverty status increased from 40.5% to 41.7% in the general population; from 54.9% to 57.6% for those under 18 years of age; and 36.7% to 38.8% for families (Vocero, 2023).

The Puerto Rican economy's

inability to fully recover from crises such as the Great Recession, the 2014 fiscal crisis, Hurricanes Irma and Maria, and the COVID-19 pandemic evidenced the need for effective and sustainable public policy interventions.

Currently, Act 60 (Ley Núm. 60 de 2019 Código de Incentivos de Puerto Rico, n.d.) consolidates and organizes laws to simplify Puerto Rico's tax incentives and promote investment in the island. Among Puerto Rico's other tax incentives are Act 20-2012 and Act 22-2012 (Ley Núm. 60 de 2019 Código de Incentivos de Puerto Rico, n.d.). These incentives have provided opportunities to foreign companies and individuals, which in turn have had the unintended consequence of increasing gentrification and perpetuating poverty.

Act 20-2012 granted tax exemptions to corporations engaged in the export of services, with the objective of "creating an enabling environment and providing the necessary opportunities to position Puerto Rico as an international services center, while encouraging the permanence and return of local professionals, as well as attracting foreign investment, thus boosting the economic development and social welfare of the island." (#FactCheck: "Ley 20/22", Explicado Por Expertos - MICROJURIS.COM, 2022).

Act 22-2012 granted tax exemptions on investment income to individuals who decided to move to Puerto Rico and become residents. In other words, it was an exemption specifically designed for individuals. This law, whose full name is the “Act to Incentivize the Relocation of Individual Investors to Puerto Rico”, established that such exemptions would be granted until December 31, 2035 (#FactCheck: “Ley 20/22”, Explicado Por Expertos - MICROJURIS.COM, 2022).

Impact

Imagine, November 2, 2023. It is 5 a.m. and you wake up, like every day for more than 20 years. The routine begins with the preparation of the greca (coffee maker), the aroma of freshly brewed coffee mingles with the sound of the sea, which reaches your ears, soft, like a caress, as if talking to you of times gone by. And at that moment, the memory of your mother invades your mind, the same woman who taught you, in this place, this ritual.

You wake up Laura and Miguelito, your children, to go to school. From the apartment next door, you hear the hustle of Susana’s children, they don’t want to wake up. Such a familiar scene, one that every day never seemed to change. At 7 a.m., everyone is ready to leave and you walk through the same streets that have seen you and your children grow up.

As you pass Doña Ana’s house, she greets you from her balcony. You stop for a moment and tell your children the stories of your childhood. How you would run up to her house to ask for a limber (Puerto Rican frozen dessert), how her words gave you a sense of security. It was all part of a fabric of memories, a web of little things that made this neighborhood more than a physical place. It was home.

The day goes on, and work at the clinic seems longer than usual. At the end of the day, when you arrive, there is a letter at your house, it is there, on the table, waiting for you. The rent has gone up 75%. If you can’t pay, you will have to leave your house in 30 days. The letter also reached Susana. It also reached Doña Ana. The whole block was bought. The neighborhood, that neighborhood that saw them born, grow up, and love each other, will be no more. Law 60-2019 has done its job. The building that has been their home for decades, the only home they have known, will now be turned into an Airbnb. That place that gave them comfort and memories is no longer theirs. No longer will it be.

By Christmas 2023 you have not seen your community again. You don’t know what happened to Susana, her children, or Doña Ana. This is spreading to communities all over the island.

Tax exemptions attract investors and people with high purchasing power who buy properties at higher prices, which increases home values. These owners have been taking advantage of native communities, mainly low-income ones, who cannot compete with the new real estate market, nor have the privilege to protest. Even when these communities raise their voices the government ignores them. It could be for several reasons like the fact that politicians in Puerto Rico receive donations from the beneficiaries of Act 60. The total of 537 donations given by beneficiaries of Act 22 (later Act 60), from 2013 to 2023, to the politicians is \$1,023,591 (Candida-Cotto, 2024).

Tourism and luxury residential development projects in coastal and urban areas are also changing

the dynamics of historic neighborhoods and nearby communities, displacing traditional residents who have lived there for generations.

Lower-class people living in areas such as Santurce and the surrounding areas of Old San Juan, where property prices have risen dramatically, are forced to move to more peripheral or rural areas due to the high cost of rents or properties. There have been cases in Santurce where the rent has gone from \$600 to \$2,500 and others in places like Puerta de Tierra in which some apartments had a \$300 monthly rent that changed to \$150 a night (Bad Bunny, 2022).

This affects the working class, especially the Afro-descendant sectors and historic communities. Communities like Puerta de Tierra were originally slums that later evolved into low-rent public housing (Torres, J., & Torres, J., n.d.). With the tourist boom and Act 60 in the Puerta de Tierra sector about 30 buildings have been purchased, and some people have bought entire blocks resulting in dozens of displaced families (Bauzá, 2022).

Despite the government’s efforts to stimulate the economy through incentives and fiscal policies, poverty rates in Puerto Rico continue to rise. According to data published by El Vocero, in 2022 the poverty rate on the island increased by approximately 1% to 2% (Vocero, 2023).

In addition, despite having an economy in which tax incentives are being implemented, WIPR reports that the cost of living on the island is high. With a composite index of 102.3, Puerto Rico ranks 82nd out of 301 urban areas in overall cost of living in the United

States, ranking as one of the most expensive jurisdictions. This puts significant pressure on residents, particularly in the context of poverty and low income (Notiséis, 2024).

On the other hand, El Nuevo Día reports that net emigration in 2023 again reached high levels, with 19,700 people who decided to leave the island in search of better opportunities, which reflects a demographic problem that worsens yearly (Capela, 2024). This number only includes last year, but the constant difficulties Puerto Ricans face to thrive are shown in data like that 4.6 million Puerto Ricans are living in the continental United States compared to the 3.2 million living on the island, without including the ones living in other countries (Román, 2023).

This exodus adds to concerns about demographic sustainability, since, according to experts consulted by Primera Hora, 2023 also registered a historic low in the number of births in Puerto Rico, with only 17,772 births. These figures confirm that the birth rate has dropped to the lowest levels ever recorded in the island's history (Bauzá, 2024). Despite increasing poverty, rising emigration, low birth rates, and high costs of living, NotiCel reports that the Puerto Rico Planning Board projects sustained economic growth of 2.8% for the fiscal year 2024 and 1.4% for 2025 (CyberNews, 2024). However, the Census estimates that 46.1% of the island has a high social vulnerability rate compared to the U.S. which is 21.6% (US Census Bureau, 2024). This raises the question of whether the implementation of Act 60 has ever done any good to the people of Puerto Rico or was implemented for the personal interest of government officials.

Conclusion

The government of Puerto Rico needs to improve its economy, but not at the cost of its people. To address the harm done to residents and communities, this issue brief recommends the following policy recommendations:

- Puerto Rico's legislative assembly should give grants to nonprofits who focus on social equity in Puerto Rico, like Proyecto Matria, to conduct in-depth research on the holistic impacts of Act 60-2019. The research would involve various socioeconomic groups, particularly focused on lower, middle, and upper-class populations. This community-centered approach can foster more sustainable and inclusive policy recommendations, ensuring that any proposed solutions align with the lived experiences and aspirations of these diverse populations.
- Puerto Rico's Legislative assembly alongside the leaders of the affected communities, advocacy groups, and nonprofits who focus on social equity in Puerto Rico must create and implement programs of transitioning for those affected by Act 60-2019. The programs would help the families relocate, and it would involve social workers to facilitate emotional support, resources, and orientation.
- Repeal Act 60-2019. Lawmakers must repeal this law and then implement a recovery plan for the people affected.

Puerto Rico has long endured the effects of colonialism, yet it remains an island of unwavering resilience, home to people who continually fight for a brighter future. Act 60 represents another challenge that threatens Puerto Rico's families, culture, and communities. However, Puerto Ricans have shown steadfast determination, making it

clear they will never cease fighting for their rights, their heritage, and the prosperity of their beloved island. Queridos compatriotas, el llamar patriótico nos indica que no importa donde estemos sigamos luchando por Borinquen bella. (To my beloved Puerto Ricans, the patriotic call tells us that no matter where we are, we have to keep fighting for our beautiful island.)

Endnotes

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