

April 2015

## Examining Promise Zones: Prioritizing Affordable Housing During Revitalization

By **Cheye-Ann Corona**, *CHCI Housing Graduate Fellow*

America's urban centers are undergoing considerable changes as Americans fall back in love with urban living, which has resulted in revitalization efforts through local, state and federal policies. As the federal government seeks to increase its investment in urban centers, it is vital to our country's future to reinvest in urban communities in a way that acknowledges demographic shifts and cultural needs. By 2050, the urban and suburban neighborhoods of the United States will look different than they do today. According to the Pew Research Center, by 2050 Latinos will make up 29 percent of the overall population (Cohn, 2008). But how many of those Latinos will be living in urban areas? The unprecedented growth and rapid suburbanization of Latinos is leading to the profound changes in the diversity of populations and poverty in suburban areas (Stoll, 2006). In the past, Latinos, like other ethnic minorities, lived in urban areas plagued by concentrated poverty because of a long history of economic disinvestment from the public and private sectors. This disinvestment in urban centers has resulted in poor housing conditions, food deserts, high crime, and substandard schools. These communities are now being displaced by a recent wave of gentrification across the country.

***"We are in a Century of Cities, a time when America's urban centers are growing again. The U.S. Census Bureau projects that, by 2050, the population in urban areas will grow by more than 60 million people. Clearly, the future of our cities will help determine the future of our nation."***

—SECRETARY JULIAN CASTRO, AUGUST 25, 2014

During the tenure of the Obama Administration several, place based initiatives have been implemented in recognition of the interconnectedness of underperforming schools, high unemployment, poor housing, chronic crime, and many other challenges that persist in high poverty neighborhoods. The Promise Zone initiative which is in the early stages of implementation has the potential to transform high poverty communities. The Promise Zone Initiatives' urban criteria, which is administered by the U.S. Department of Housing and Urban Development (HUD), should augment the Promise Zone ur-

ban criteria application to: 1) increase points allotted for need, 2) use the technical planning assistance provided by the federal government to build capacity in highest need communities, and 3) award applicants who provide plans for preserving and creating affordable housing and provide asset based economic development plans for the communities they serve. Preserving and creating affordable housing should be at the center of federal place based initiatives that seek to alleviate poverty because access to secure, safe, habitable affordable homes significantly improves a person's quality of life and economic situation.

### **The Current Climate: Where did the American Dream go?**

One of the most impactful settings of American life is where individuals live—their neighborhoods. Americans socialize, shop, attend school, and sometimes work right in their own neighborhoods – it is what they most intimately know. Civic matters are most meaningful at the neighborhood level and can often shape a person's socialization and exposure to diverse groups of people. For Latinos, the social capital created and maintained in their neighborhoods is integral to the process of community development.

**Communities like El Barrio in Spanish or East Harlem, New York for example, are not just buildings, houses and streets, but rather vibrant neighborhoods buzzing with history and culture.**

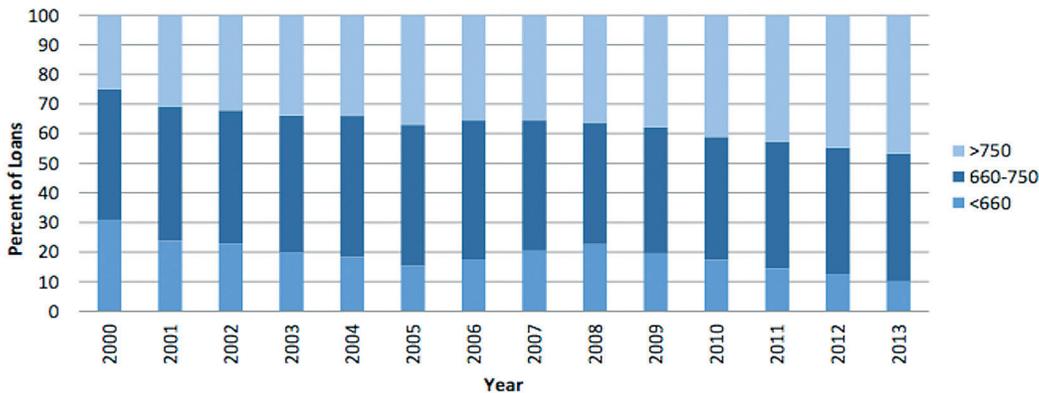
Communities like El Barrio in Spanish or East Harlem, New York for example, are not just buildings, houses and streets, but rather vibrant neighborhoods buzzing with history and culture. East Harlem is situated in the northeastern corner of Manhattan and has historically been home to several immigrant communities. East Harlem is one of the largest predominately Latino communities in New York City with Latinos comprising over half of the population (American Community Survey, 2010). In El Barrio, the median income is \$31,888 and 25 percent of families live below the federal poverty level. However, even with

such stark statistics, it is not uncommon to find members of the community playing congas on the street, greeting each other in the bodegas, or crowding Thomas Jefferson Park during a summer concert. El Barrio, the Puerto Rican cultural heart of New York City conveys a sense of home and pride for most residents. The documentary, *Whose Barrio?: The Gentrification of East Harlem* by Ed Morales and Laura Rivera, highlights the unique way Latinos interact with the physical space of their neighborhood. Longtime residents of El Barrio do not just see the built environment of their neighborhoods—they connect businesses,

parks, homes, and even community members to memories and feelings of belonging and a pride in their culture. This positive narrative of a Latino neighborhood is not often heard, but it is critical to understanding how current revitalization policies are falling short of intended outcomes by disrupting, not enhancing, existing neighborhood dynamics.

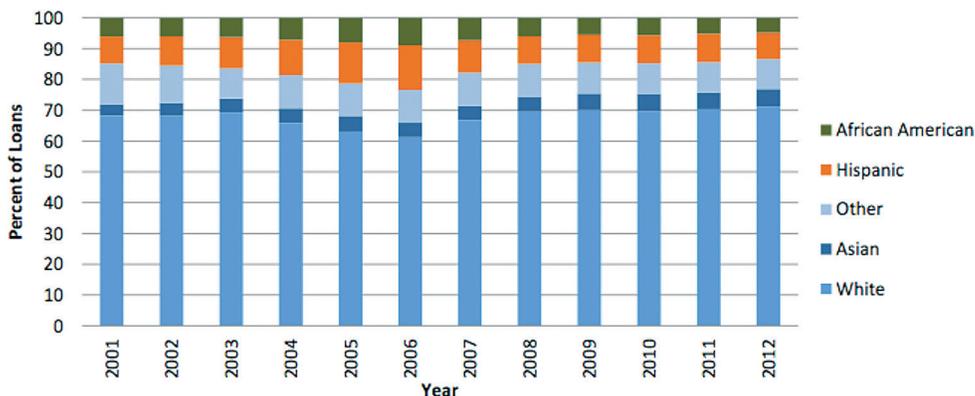
Despite the wealth of cultural resources present in Latino communities, Latinos are in fact, over represented among the economically poor. According to the Pew Research Center, Latinos make up 28.1

**Figure 3: FICO Score at Origination for Purchase Loans**



Source: CoreLogic Prime Servicing and Urban Institute calculations. Note: Includes all purchase loans, not limited to first liens.

**Figure 4: Share of Purchase Originations by Race and Ethnicity**



Source: HMDA and Urban Institute calculations. Note: Includes all purchase loans, not limited to first liens.

***The intersection of place, race and poverty is not a coincidence; it results from systemic inequality built into the fabric of federal policies. This inequality began as racial exclusion, which created a concentration of racial minorities in residential and commercial areas.***

percent of more than 45 million poor Americans and 37 percent of the 14.5 million children in poverty. Latinos account for 17 percent of the total population in the United States and have the highest number of children in poverty — 5.4 million — a trend that began in 2008 with the Great Recession (Krogstad, Hispanics Only Group to see its Poverty Rate Decline and Incomes Rise, 2014). However from 2012 to 2013, poverty rates declined amongst Latinos, the only group to see a statistically significant change since 2006, from 25.5 percent in 2012 to 23.5 percent in 2013 (Krogstad, Hispanics Only Group to see its Poverty Rate Decline and Incomes Rise, 2014). Even with this positive change, Latino unemployment rates soared to 8.8 percent in 2013, compared to the 2007 level of 5.7 percent (Krogstad, Hispanics Only Group to see its Poverty Rate Decline and Incomes Rise, 2014)). When polled in 2013, Latino registered voters said that the issues of the economy and education were more important than immigration (Krogstad, Top Issue for Hispanics? Hint: It’s not immigration, 2014). This is likely because the economy hit Latinos harder than other groups.

There is a direct correlation between rates of poverty and homeownership. During

the crisis, twenty-five percent of African-American and Latino families suffered from either foreclosure or serious delinquencies (Rokosa, 2012). Today, many Americans are excluded from the housing market, but Latinos and African-Americans are disproportionately affected because of the high credit scores needed to access home loans. Data from the Urban Institute demonstrates that the average FICO credit score for all home purchase loans is about 750. In a September 2014 speech at the Bipartisan Policy Center Housing Policy Conference, HUD Secretary Julián Castro noted that approximately 13 million Americans have credit scores ranging from 580 to 680; the slow economic recovery is not helping those that need it (Capps, 2014). Between 2006 and 2012, the percentage of loans made to African-Americans and Hispanics dropped from 25 percent to 11 percent (George, 2014), demonstrating the continued inequality in the federal housing market.

The intersection of place, race and poverty is not a coincidence; it results from systemic inequality built into the fabric of federal policies. This inequality began as racial exclusion, which created a concentration of racial minorities in residential and commercial areas. Federal mortgage policies and

practices of private financial institutions opened homeownership to new segments of the white population while denying the homeownership to racial minorities (Saito, 2009). Today, the developing narrative of racial inequality is not new. Yet, the recent economic turmoil has not only raised barriers to homeownership, but also created a surge in the demand for rental housing. Efforts to create affordable housing have not kept pace with the rising need and the federal governments’

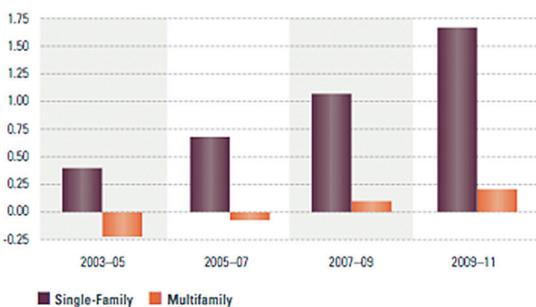
promise of ensuring decent and affordable housing for all.

According to a 2013 report by the Joint Center for Housing Studies at Harvard University, 35 percent of all households are renters and the rates of renting are the highest they have been in over a decade for all age groups (JCHS, 2013). A disproportionate share of the nation’s low-income households resides in rental units, with nearly half of renters’ incomes below \$30,000. This includes 22 percent of extremely low-income households reporting an annual income below \$15,000 (JCHS, 2013). Additionally, in 2012, more than half of renters were considered “cost burdened,” meaning more than 30 percent of their income is spent on housing. This figure represents the greatest number of cost burdened renters on record. Since the recession, two-thirds of the increases in cost burdened renters were fully employed (JCHS, 2013). The number of renters is projected to increase from 2013 to 2023, with Latinos accounting for an increase of 2.2 to 2.4 million renters in the next ten years (JCHS, 2013). As a result, the lack of access to affordable homes will remain a huge challenge for the Latino community.

With a lack of available affordable homes, more people are renting, but where are they renting? Forty-five percent of rental housing is located in low-income neighborhoods; however, rental housing is not composed of a majority of multi-family units, like some might assume. Interestingly, 35 percent of rental housing consists of single-family homes (JCHS, 2013). This low-income people are living in increasingly suburban areas. Public funds on all levels of government created suburbanization that historically propped up white middle class neighborhoods. Yet, today, the inverse is occurring; there are a growing number of people moving to the suburbs

**Millions of Single-Family Homes Have Become Rentals Since the Recession**

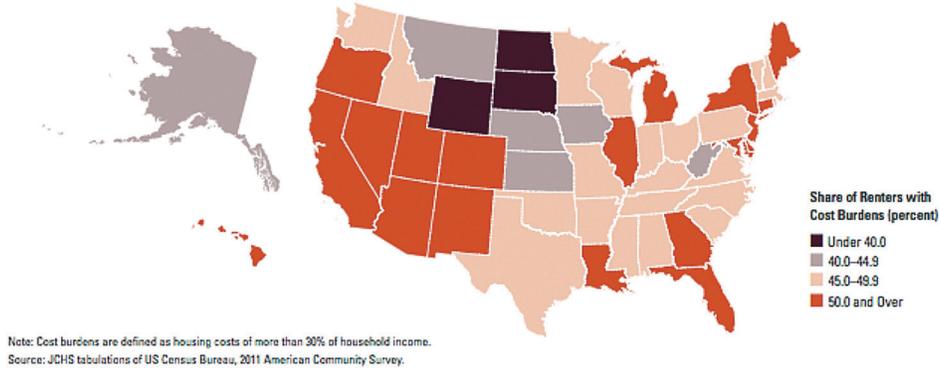
Net Owner-to-Renter Conversions (Millions)



Source: JCHS tabulations of US Department of Housing and Urban Development, American Housing Surveys.

*Over the past two decades, our society has learned a lot about what poverty looks like in central city ghettos, and to a lesser extent barrios, and what the effects are of poverty and how it manifests itself. But we know little about what poverty looks like in these growing suburban ethnic enclaves or how long it will endure.*

**Large Shares of Renters Across the Country Are Housing Cost Burdened**



as a result of a lack of affordable housing and income inequality within urban centers.

Over the past two decades, our society has learned a lot about what poverty looks like in central city ghettos, and to a lesser extent barrios, and what the effects are of poverty and how it manifests itself. But we know little about what poverty looks like in these growing suburban ethnic enclaves or how long it will endure. Are the effects of poverty concentration similar to that of cities? Do the same mechanisms reinforce such poverty? (Stoll, 2006) What we do know is that there is an increasing trend of people of color who are moving to the suburbs thus necessitating a better understanding of the demographic shifts and implications of neighborhood revitalization initiatives. The reality is that the federal investments in neighborhood revitalization are disproportionately benefiting the upper middle class rather than low-income communities.

Unfortunately, the increase in transit-oriented development in urban centers has produced unintended consequences. Mixed-use transit-oriented development has made way for increased rents and trendy hip businesses that appeal to a younger, whiter “professional” demographic.

This phenomenon is often called gentrification, which is only one facet of the much larger issue of economic segregation. The fact that people are getting priced out of their neighborhoods is only half of the problem. The other half, which disproportionately affects people of color, is that people can’t move to the neighborhoods they’d like, so they are stuck in places with worse schools, more crime, and inferior access to jobs and amenities like grocery stores, which ultimately effects one’s quality of life. The wave of gentrification and displacement has been seen across the United States steadily over the last 15 years. Metropolitan areas such as Los Angeles, San Francisco, New York City, Chicago, Boston, and Dallas, to name a few, have seen a change in the neighborhood fabric with lower-income residents being displaced by upper-income residents.

Neighborhood changes are difficult for displaced residents not just because they can no longer afford to live in their homes but also because small businesses are often displaced as well as a result of higher commercial and residential rents. Places like Highland Park, California, located just northeast of downtown Los Angeles has witnessed an increase in the amount of white residents from 2000 to 2010.

According to Census data, California’s white population decreased by five percent while the Latino population increased 28 percent, yet the opposite occurred in Highland Park. During the same time period, Highland Park witnessed a 42 percent increase in white residents and a 13 percent decrease in Latino residents. Before this shift, many of the businesses owned in Highland Park were Latino owned and served the same population of working-class Latinos. With this shift also comes the disappearance of Latino small businesses that do not only provide goods to the residents but also important services, such as the ability to pay utility bills, purchase cell phones and access to domestic and international wire transfers for remittances (Bogado, 2014).

These services are particularly important for Latinos immigrants because (undocumented or not) they do not always have bank accounts so when they need to pay a utility bill they cannot simply write a check or go online — paying a bill is an in-person transaction. Similarly, purchasing a cell phone and the service that comes along with it requires a social security number so undocumented residents frequent stores that provide prepaid services. And then there is the remittance network that has

***Place-based strategies acknowledge the interconnectedness of problems that poverty-stricken communities face—from underperforming schools, inadequate housing, neighborhood violence, and poor health outcomes. These communities need comprehensive strategies and investment to equip and empower local communities to revitalize their neighborhoods.***

assisted whole economies in Latin America, especially in Central America, that can be accessed at local businesses that understand the Latino population it serves (Bank, 2013). These are the micro-level effects of gentrification and displacement that are not easily seen unless you understand the needs of the displaced community. Communities like Highland Park should be experiencing neighborhood revitalization; however, the reality is that working class Latinos and African-Americans are being further isolated and racial inequality and segregation is increasing.

**The Century of Cities Begins with a Promise (Zone)**

In the wake of failed urban renewal policies, the federal government tried to do better for poverty stricken communities by creating social programs to help families meet basic needs and promote greater economic opportunity. After 50 years of annual grants to state and local governments, HUD is still administering grants for the improvement of housing conditions, to increase the stock of affordable housing, encourage economic development, and expand community services in high-poverty neighborhoods (Marcus, 2006). Members of congress have also attempted to improve poverty alleviation strategies, for example, Senator Robert Kennedy (D-MA) laid much of the ground for community development corporations in the 1960s. The federal government has been an important catalyst for advancing communities at the local level by providing funding, expanding capacity, and scaling best practices.

In the latter part of the 20<sup>th</sup> century, the Clinton Administration attempted to remedy poverty concentration and blight through a program called Empowerment Zones and Enterprise Communities (EZ/EC) to spur economic growth in distressed

communities through tax incentives and federal investment. The EZ/EC program acknowledged the importance of bringing together both the public and private sectors and reaching out to partners in the communities served. The EZ/EC Initiative brought businesses and communities together to help ensure economic opportunities in the new century. According to former HUD Secretary Henry Cisneros, the EZ/EC programs showed that tax incentives work to stabilize neighborhoods, but the effort in some places “focused too heavily on improving living conditions without providing job training and transportation to connect residents with employers (Moroney, 2014).” EZ/ECs were early models of place based strategies.

Done effectively, place-based strategies account for how a neighborhood—both the built environment and the social and economic fabric—impacts the people who live there. Place-based strategies acknowledge the interconnectedness of problems that poverty-stricken communities face—from underperforming schools, inadequate housing, neighborhood violence, and poor health outcomes. These communities need comprehensive strategies and investment to equip and empower local communities to revitalize their neighborhoods.

In 2009, the Obama Administration set out to target low-income communities that addressed the current realities for these communities and launched the Neighborhood Revitalization Initiative (NRI) in 2010. According to a White House report, the NRI is “a White House-led interagency collaborative executing the Obama administration’s place-based strategy to empower local communities to develop and obtain the tools they need to transform neighborhoods of concentrated poverty into neighborhoods of opportunity.” The NRI requires that federal agencies –The

White House Domestic Policy Council (DPC), White House Office of Urban Affairs (WHOUA), and the Departments of Housing and Urban Development (HUD), Education (ED), Justice (DOJ), Health and Human Services (HHS) and Treasury—collaborate to address issues of poverty. In a speech to the nation’s mayors on June 21, 2008, President Obama affirmed this place based approach by stating, “in this country, change comes not from the top down, but from the bottom up,” and that “the change we seek...will not come from the government alone (House).” According to the White House, the NRI is designed to be interdisciplinary, place-based, locally-led, data-and results driven, and flexible by focusing on four key actions: 1) Integrating Promise Neighborhoods, Choice Neighborhoods, and other centerpiece place-based programs in distressed neighborhoods, 2) Providing flexible Neighborhood Revitalization Grants, 3) Building neighborhood capacity through hands-on technical assistance as demonstrated by the Building Neighborhood Capacity Program, and 4) Sharing best practices through the White House Neighborhood Revitalization Report, which showcases examples of communities who have “braided” federal and other funds to pursue comprehensive neighborhood revitalization (House).

President Obama announced the Promise Zone (PZ) initiative in the 2013 State of the Union address and the first designations were announced January 2014. The PZ initiative is the administration’s approach to the revitalization of poor neighborhoods across the United States. The PZ initiative was created to build upon the already existing NRIs building out technical planning assistance to support local strategic planning for revitalization. The goal of the initiative is not only to transform these sites, but also to change the way that the

***According to Los Angeles Mayor Eric Garcetti, the communities of East Hollywood, Hollywood, Pico-Union, Westlake, and Koreatown were promised a total of \$500 million to combat poverty. However, the poorest and most blighted areas in Los Angeles that should qualify are parts of Downtown Los Angeles (i.e., Skid Row), Watts, and South Los Angeles.***

federal government interacts with local communities ensuring alignment of federal funding streams for comprehensive neighborhood revitalization. Promise Zone Initiatives are bringing in the wrap-around services, such as transportation and job training that low-income communities desperately need to sustain poverty alleviation and economic growth.

The shift away from traditional community development is important and innovative. The key strategies that will make PZs successful are:

- Community driven efforts
- Strategies which bridge local, state and federal organizations and are interdisciplinary.
- Local community best practices scaled to the federal level.
- Datasets collected to measure progress overtime.

The PZ goal is important to improving blighted communities and first round efforts are off to an encouraging start. However, it is important to assess the feasibility of change for many of the communities that the PZ aims to target. Not all communities will be reached with the PZ initiative. In fact, the most “high-need” communities identified by the White House are not being targeted with current application criteria.\*

During the first round of PZ designations, Los Angeles was one of the five areas given the designation. According to Los Angeles Mayor Eric Garcetti, the communities of East Hollywood, Hollywood, Pico-Union, Westlake, and Koreatown were promised a total of \$500 million to combat poverty. However, the poorest

and most blighted areas in Los Angeles that should qualify are parts of Downtown Los Angeles (i.e., Skid Row), Watts, and South Los Angeles. For example, in South Los Angeles, one out of three households are living below the poverty level—nearly 10 percent higher than any other region in the city—and as far as racial demographics, the majority of residents are African-American and Latino (Barragan, 2014). However, with the braided funding method, combining various federal grants with private investment, that the Neighborhood Revitalization Initiatives employ, it is apparent that the highest need communities are still not being helped especially when these communities do not have the capacity to apply for federal funding. In a 2015 article by Curbed LA about the first revitalization project to be seen in Pico-Union, it was reported that developers are planning a five-story, 149-room hotel with 8,600 square feet of street level restaurant space, an outdoor pool deck and a 113-car underground garage (Gross, 2015). The author questions whether or not this type of development is what a community that is 85% Latino with a median income of \$26,424 needs for revitalization or the first sign of gentrification.

In a letter to former HUD Secretary Shaun Donovan dated June 25, 2014, Congresswoman Maxine Waters, the Ranking Member of the House Financial Services Committee and a representative of South Los Angeles expressed deep concern over the current place-based initiatives including the PZ initiatives not reaching the hardest hit communities. Currently, the second round urban criteria for the PZ initiative is tilted towards neighborhoods that already have resources and partnerships in

place. According to the PZ criteria listed on the application guide, HUD is looking for neighborhoods that are high capacity and already engaged in comprehensive revitalization; using ratings that measure “previous success leveraging private resources, including grants and investment capital...” in order to assess capacity “to achieve outcomes through implementation of sophisticated, multi-layered neighborhoods revitalization efforts.” However, many of the blighted communities have not reached this level of investment; therefore the structure of the PZ application doesn’t allow for growth for the most disinvested communities.

Another point of improvement that also addresses the need to invest in the most blighted neighborhoods is the amount of points given to applicants based on need. Currently the point structure only gives 10 points out of 100 based on need in Section IV-Part A entitled “Needs and Assessments.” The assessments are broken down by specific subpopulation, a necessary tool to identify race, gender and economic disparities as well as other relevant information such as; barriers to employment, crime, existing regional economic growth efforts, and areas of commercial blight. However, this critical section is only valued at 10 points, which is not enough to tip the scale to favor a severely blighted community that is in need of investment.

Lastly, housing should be at the center of the PZ initiatives as with any place-based initiative. According to the letter to Secretary Donovan, Congresswoman Waters asserts that just as in homeless prevention policy, a Housing First model serves as a method of achieving both positive

\* NOTE: For the purposes of this paper, the second round PZ urban criteria application materials were used to assess whether the PZ initiative is doing enough for low-income communities that relate to neighborhood revitalization.

***The Promise Zone initiative has the potential to transform communities that really need assistance by alleviating poverty and blight. Yet, during round one of Promise Zone designations, the program has missed the mark in targeting low-income communities that still need basic assistance with building capacity to access private and public grants.***

life outcomes and economic savings. If a community has access to stable affordable housing then they are more likely to have access to stable jobs, food, and education. In many of the communities that have experienced gentrification and displacement, the main factor was a so-called revitalization of the neighborhood. However, if a Housing First model had been implemented then housing rates may have been preserved and residents could have experienced a mixed income model of neighborhood revitalization rather than displacement. The preservation of public, assisted, and affordable housing is imperative to any place-based neighborhood revitalization initiatives since it also prevents the dislocation of small businesses by helping to maintain commercial rents.

### **Recommendations: Enriching the Federal Role in Promise Zone Initiatives**

The Promise Zone initiative has the potential to transform communities which need assistance in alleviating poverty and blight. Yet, during round one of Promise Zone designations, the program has missed the mark in targeting low-income communities that still need basic assistance with building capacity to access private and public grants. Unfortunately, the Promise Zone initiative is not a federally funded program and has limited capacity to reach all of the communities that need economic development assistance. However, despite its limited scope, the Promise Zones initiative could still be enhanced to target the communities with the most need.

#### **1. HUD should increase the points allocated to need on the Promise Zone application to at least 30.**

Neighborhoods take on the political, social, and cultural identities of the people

who inhabit them. “The belief that space operates without meaning and outside of market forces that are not affected by social, political and cultural conditions belies the fact that space not only invokes meaning, it reinvents it” (Mirabal, 2009). It is important that the federal government invest in place-based strategies that acknowledge racial inequalities to alleviate poverty and create greater economic opportunity in Latino communities, rather than continue the same race-neutral policies of the past. Race neutral policies ignore the ways in which race is already present in ideologies and practices of the larger society which shapes the formation and implementation of policy (Saito, 2009). By increasing the points designated for need on the PZ Application, blighted communities will benefit from the technical assistance and preference for other federal grants provided by the Promise Zone designation. The designation serves as a flagging system for the federal government so that they can understand which communities are at the tipping point when it comes to economic development. However, this does not acknowledge the fact that the communities that are the most blighted have never been on a level playing field thus creating the need for added support. The historical disinvestment in communities of color can be acknowledged through the increase of the PZ application amount of points allocated to need.

#### **2. HUD should assist high need grantees in building capacity.**

As Congresswoman Maxine Waters pointed out, some neighborhoods have the unfair advantage in the application process of already having “resources and strong partnerships” upon applying for the PZ designation because of the braided funding criteria. The highest need communities may not have the capacity to

even get a seat at the table. The PZ initiative is a new program that still has time to adjust and move toward addressing the needs of those hit the hardest after the housing crisis and those who live in chronically distressed neighborhoods. The most blighted communities need to be targeted to build out capacity in the form of technical planning assistance and funding. HUD should award from existing discretionary or competitive source to communities that have the desire to increase their capacity and improve their neighborhoods by providing them the technical assistance to apply for private and public funding; thus, providing federal assistance to the hardest hit communities without over-saturating federal resources and using a PZ designation as a catalyst to economic revitalization. HUD should also help facilitate local partnerships by connecting companies, non-profits, universities and community colleges with local municipalities to build networks and partnerships that have the potential to incubate creative economic development opportunities from the ground level.

#### **3. HUD should award applicants that create plans for preserving and/or creating affordable housing.**

As a place-based initiative focused on poverty alleviation, the Promise Zone Initiative should prioritize the most severe housing needs. Housing and economic policy are inextricably linked. Housing serves as a way to achieve both positive economic and life outcomes, which is why it is so important that the PZ initiatives maintain a strident focus on affordable housing revitalization in its application structure and in subsequent work with grantees. Ensuring that grantees have a development plan that maintains or creates more affordable housing is very important to place-based revitalization initiatives. This ensures that, as the neigh-

***The unmet need for decent, safe, and affordable housing continues to outpace the ability of federal, state, and local governments to supply housing assistance. This is why we need Congress to adequately fund housing programs.***

neighborhood changes, the ability of residents to pay their rent does not. Grantees that utilize a “No Net Loss Housing” policy that requires subsidized affordable housing units to remain when buildings are demolished or replaced during revitalization should receive additional points on the application. The most common consequence of revitalization is the displacement of poor people. Once a community brings economic investment in the form of a bank, luxury housing, commercial big box developments, and access to a public transportation (rail line or increased bike lanes) the property values increase because the amenities increase. However, the goal of building economically and environmentally sustainable communities should be accessibility for mixed incomes and diverse populations. By awarding grantees, who provide development plans that make a conscious effort to preserve and create affordable housing stays true to intent of place-based neighborhood revitalization initiatives by encouraging mixed-income development without displacement.

**4. HUD should award more points to grantees that include culturally relevant partnerships.**

One of the biggest lessons in gentrification that can be learned from the case in Highland Park, California, is the need for culturally relevant businesses in revitalized communities, especially Latino communities, as they are overrepresented among the poor. Local businesses understand the needs of the populations served and provide jobs, preserve the cultural integrity of the neighborhood, and stimulate economic development. In Latino communities, every business—from the brick and mortar *panadería* to the entrepreneurial street vendor to the local supermarket—provide a critical cultural element to the neighborhood that further

enriches a city and allows for diversity amidst a changing U.S. suburbanizing local economy. Too often a neighborhood is typed “blighted” because of ethnic businesses the lack of cultural understanding gives way to a judgment about the way enterprise is created in predominately Latino communities. Strip malls and corporate chains do not always understand the communities they serve or provide entrepreneurial opportunities for local residents. Sidewalk vendors are one of the most popular examples that can be seen in Latino communities as they not only demonstrate Latin American culture but also exhibit entrepreneurship in the form of the micro-enterprise. These micro-entrepreneurs are most often immigrants from Latin American countries that came to the United States to follow the American dream but are criminalized in cities, which have outlawed street vending. Yet, it is the lack of cultural understanding where municipalities often miss the mark in planning for the residents that live in their municipal boundaries. However, to reverse these impacts HUD could augment the Promise Zone application to award cultural competency points to applicants who understand the assets that the community already possesses, especially in the form of cultural norms and builds upon those within economic development strategies.

**5. Congress should appropriate more money to expand place-based initiatives.**

Unfortunately, funding to federal programs is based upon the political climate. Social programs are cut due to changing political priorities and low-income communities of color usually carry the burden of fiscal cuts. Stable affordable housing is crucial to our economy because access to a decent, safe and affordable home serves as a platform for greatly improving a person’s quality of

life and economic situation. However, significant unmet needs for affordable housing remain even as economic conditions are improving. The unmet need for decent, safe, and affordable housing continues to outpace the ability of federal, state, and local governments to supply housing assistance. This is why we need Congress to adequately fund housing programs. Despite reports from HUD to Congress, about the worst case needs in housing and requests for funding program chronic underfunding is a huge problem. Programs such as the Economic Development Initiative (EDI) Grant program, ended in 2010 after losing funding. EDI was a competitive grant program administered by HUD to stimulate economic development by local governments and private sector parties to finance projects and activities that provided near-term economic benefits such as job creation or increases in the local tax base. These types of programs are important for the needs of low-income communities that lack economic investment. Appropriating more funds for place-based initiatives could also lead to the expansion of the PZ initiative allowing HUD (who administers urban designation) and USDA (who administers rural designations) to expand the allotted 20 designations. This will especially be important as the nation continues to see demographic shifts and a rise in suburban poverty.

**Looking Forward**

As America’s urban centers continue to change, it is important that the investments made by local, state and federal governments acknowledge the needs of vulnerable communities like Latinos. The research is clear that the unprecedented growth and rapid suburbanization of Latinos demonstrates profound changes in the diversity of populations and poverty in suburban and urban areas. Understand-

***The Promise Zone initiative is still in its nascent stage and can be adjusted to serve those that President Obama intended. By assessing the current impact on low-income communities of color that live in economically distressed neighborhoods then the federal government can better understand the communities in which it serves.***

ing these changes will help the federal government move forward and make smart investments in poverty stricken communities to not only alleviate the symptoms of poverty but to partner with and empower locals to have ownership of community economic development. The Federal government can do this by incentivizing and awarding local governments that build upon existing social capital to improve and foster growth of economic capital.

The Promise Zone initiative is still in its nascent stage and can be adjusted to serve those that President Obama intended. By assessing the current impact on low-income communities of color that live in economically distressed neighborhoods then the federal government can better understand the communities in which it serves. Given this, the Promise Zone Initiatives' urban criteria, should be augmented to increase points for highest need applicants. It should also use the technical planning assistance provided by the federal government to build capacity in highest need communities, award applicants who provide plans for preserving and creating affordable housing and provide asset based economic development plans for the communities they serve.

## References

- (2013). Boston: Joint Center for Housing Studies.
- American Community Survey. (2010). Population Statistics for Zip Code 10029. U.S. Census Bureau.
- Bank, I.-A. D. (2013, April 29). Remittances flows to Latin America and the Caribbean remain stable at \$61bn. Washington, DC.
- Barragan, B. (2014, January 10). Why Isn't the White House Targeting Poverty in the Poorest Parts of Los Angeles? *CurbedLA* .
- Bogado, A. (2014, January 20). Dispatch from Highland Park: Gentrification Displacement and the Disappearance of Latino Businesses. *Colorlines.com*.
- Capps, K. (2014, September 17). *Mapping the Spread of Housing Inequality Over the Great Recession* . Retrieved November 15, 2014, from City Lab : [www.citylab.com](http://www.citylab.com)
- Cohn, J. S. (2008). *U.S. Population Projections: 2005-2050*. Pew Research Center Social and Demographic Trends / Pew Hispanic Center . Washington, D.C.: Pew Research Center .
- George, B. B. (2014). A New View of the Housing Boom and Bust. Washington , DC.
- Gross, B. (2015, January 21). First Major Sign of Gentrification Arrives in South-Park Adjacent to Pico Union. *CurbedLA* .
- House, T. W. (n.d.). *Neighborhood Revitalization Initiative*. Retrieved January 15, 2015, from The White House Office of Urban Affairs .
- Hwang, J. a. (2014). Divergent Pathways of Gentrification: Racial Inequality and the Social Order of Renewal in Chicago Neighborhoods. *American Sociological Review* , 79 (4), 726-751.
- Krogstad, J. M. (2014, September 19). *Hispanics Only Group to see its Poverty Rate Decline and Incomes Rise*. Retrieved January 15, 2015, from Pew Research: [www.pewresearch.org](http://www.pewresearch.org)
- Krogstad, J. M. (2014, June 2). *Top Issue for Hispanics? Hint: It's not immigration*. Retrieved January 15, 2015, from Pew Research Center : [www.pewresearch.org](http://www.pewresearch.org)
- Marcus, S. R. (2006, December 7). Community Development Block Grants. *Encyclopedia of American Urban History* . SAGE Publications .
- Mirabal, N. R. (2009). Geographies of Displacement: Latina/os, Oral History, and the Politics of Gentrification in San Francisco's Mission District . *The Public Historian* , 31 (2), 7-31.
- Moroney, T. (2014, January 23). Old Idea to Fix Inner Cities Gets New Name: 'Promise Zones'. *Bloomberg* .
- Rivera, E. M. (Director). (2008). *Whose Barrio?: The Gentrification of East Harlem* [Motion Picture].
- Rokosa, J. (2012, April 19). *Latinos Bearing the Brunt of the Foreclosure Crisis*. Retrieved January 15, 2015, from Center for American Progress: [www.americanprogress.org](http://www.americanprogress.org)
- Saito, L. (2009). *The Politics of Exclusion : The Failure of Race-Neutral Policies in Urban America*. Palo Alto, CA: Stanford University Press .
- Stoll, M. A. (2006, June). Race, Place and Poverty Revisited. (#06-14) , 1-45. Michigan: University of Michigan, National Poverty Center Working Paper Series.