Center for American Progress

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A Framework for State-Level Promise Zones

By Tracey Ross and Melissa Boteach December 2014

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Introduction and summary

> *As a former mayor of an urban Promise Zone community, I have a unique appreciation for the talent, passion, and the vision that local leaders offer when working to turn their communities around. Promise Zones are about giving folks who have been underserved for far too long the opportunity to build stronger neighborhoods and more prosperous lives.[1]–Secretary of Housing and Urban Development Julian Castro, September 19, 2014*

Earlier this year, President Barack Obama announced the launch of the Promise Zones initiative, an effort to strengthen the federal government's relationship with local leaders and to increase access to the resources and expertise necessary to improve mobility and economic opportunity for high-poverty communities.[2] The Promise Zones model supports innovative localities as they implement comprehensive, evidence-based strategies to revitalize high-poverty communities. But there is no need for the model to be restricted to the federal level, particularly since many states are pursuing strategies to address these same goals. Rather than waiting for a federal Promise Zones designation, state leaders can take the initiative to adopt this model to increase opportunity for their residents who live in high-poverty areas. Action of this type would be an unprecedented step by state officials to join local and federal leaders to drive cross-sector, evidence-based solutions to fight poverty.

States have a direct stake in tackling poverty wherever it exists within their borders, as the effects of income inequality and child poverty create a drag on state economies.[3] But states also have a strong self-interest in pursuing a complementary set of policies that target resources to high-poverty communities within their borders. Holding constant for income, it has been well documented that people who live in high-poverty communities are more likely to struggle to meet basic needs than their counterparts in more affluent areas.[4] Furthermore, the effects of concentrated poverty on children increase the need for social services.[5] For example, living in concentrated poverty has been shown to genetically age children,[6] and living in communities exposed to violence impairs their cognitive ability.[7] These factors increase the likelihood that children will have poor health and educational outcomes and few employment opportunities in the future, which limits their ability to contribute to their states' economic growth and tax bases.[8]

Fortunately, states have the tools at their disposal to invest in high-poverty communities and create their own Promise Zones efforts. By pairing communities committed to thoughtful planning and evidence-based models with the resources needed to generate greater economic opportunity, states can ensure that available resources are leveraged to have a greater impact.

Overall, states and localities undertake most direct spending on public goods and services—including expenditures from federal funds—and bear primary responsibility for investments in education, social services, and infrastructure.[9] In addition, states administer a significant amount of federal discretionary funding, giving state leaders broad authority over many pertinent federal funding streams. Furthermore, state leaders are increasingly looking at how they can help families increase their economic self-sufficiency and provide opportunities to children who live in poverty by investing in everything from early education to energy efficiency in affordable housing.[10]

This report serves as a framework for state leaders interested in establishing state Promise Zones programs. The framework outlines how states can incentivize cross-sector teams of leaders in high-poverty communities to undertake a comprehensive planning process, identify key challenges on which to focus, develop concrete outcomes to address those challenges, and create a shared plan to meet those goals. In addition, this report identifies flexible state and federal funding streams that states can give Promise Zones, with priority access available through the use of bonus points in existing grants. In short, state Promise Zones are a recognition of the important role that state leaders play in fighting poverty and creating greater economic opportunity for high-poverty communities. By adopting the Promise Zones model, state leaders can complement federal efforts to keep families out of poverty by revitalizing high-poverty communities and strengthening states.

Why place matters: The case for investing in high-poverty communities

For decades, federal leaders invested in the stability of affluent communities, while giving localities the autonomy to neglect and ignore the investment needs of low-income communities and communities of color. Beginning in the 1930s, for instance, banks actively excluded African American communities from receiving home loans, a practice commonly known as redlining.[11] During the 1950s and 1960s, the federal government's urban renewal effort gave local governments and private developers free rein to develop downtowns and displace the mostly poor residents of color, with no clear policy for relocation. At best, residents were moved to public housing located in already segregated, poor neighborhoods with few resources.[12] Far too often, however, residents were simply uprooted with no relocation plan in place and forced to find housing on their own within these distressed communities.[13]

The situation was no better outside city centers. Throughout rural America, although early development efforts have produced much-needed basic infrastructure, federal rural development programs in the 20th century have largely been driven by agricultural policy, not by the needs of specific communities and their economic realities.[14] Furthermore, these agriculture programs have been slashed across the board, particularly during the 1980s.[15] And then there are tribal communities, to which the federal government has a legal responsibility to provide a variety of basic services.[16] In reality, tribes have faced severe and chronic underfunding of critical programs for generations, including those important to education, health, and public safety.

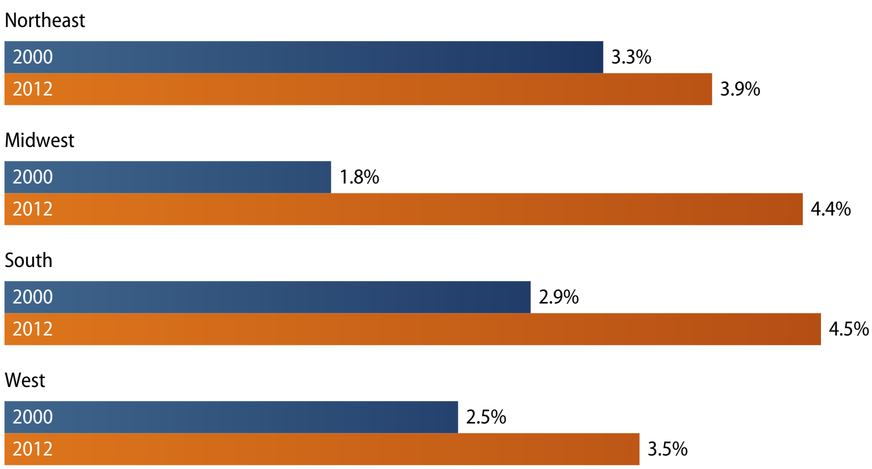
As a result of past failures, underinvested communities can today be found across the country—communities that suffer from problems ranging from inferior housing and infrastructure to poor health outcomes, underperforming schools, and little to no economic opportunities.

According to the 2008–2012 American Community Survey, or ACS, more than 12.4 million Americans live in severely distressed neighborhoods where the poverty rate is at least 40 percent or higher.[17] That figure represents an 11 percent increase compared with the 2007–2011 ACS data, and it is a 72 percent increase in the population of high-poverty neighborhoods since the 2000 Census.[18] Over the same time period, the U.S. population as a whole increased by only 9 percent, underscoring the fact that the increases in people living in concentrated poverty vastly outstripped population growth. Over the past decade, ongoing racial and ethnic segregation combined with rising income inequality has contributed to an increase in the number of people who live in concentrated poverty.[19] Among the four regions of the United States, the Northeast had the smallest increase in concentrated poverty, while the South had the highest increase.[20]

FIGURE 1

Percent of people in distressed U.S. Census tracts

By Census region



Source: Alemayehu Bishaw, "Changes in Areas With Concentrated Poverty: 2000 to 2010" (U.S. Bureau of the Census, 2014), Appendix Table 1, available at https://www.census.gov/content/dam/Census/library/publications/2014/acs/acs-27.pdf.

According to a recent report by Barbara Sard and Douglas Rice,[21] living in neighborhoods of "concentrated disadvantage"—defined in terms of racial segregation, rates of unemployment, the share of single-parent families, and exposure to neighborhood violence—can impair children's cognitive development and school performance.[22] For example, from 2008 to 2009, half of fourth and eighth graders attending high-poverty schools—where 75 percent or more of students qualify for free or reduced-price meals—failed the National Assessment of Educational Progress' reading test, compared with the fewer than one in five, or 20 percent, of fourth and eighth graders attending low-poverty schools—where less than 25 percent of students qualify for free or reduced-price meals[23]—who failed the reading test. Other studies find negative associations between neighborhood poverty and adult employment and earnings.[24]

Another series of studies led by sociologist Patrick Sharkey of New York University strongly suggest that exposure to neighborhood violence, which is more prevalent in areas of concentrated poverty, has significant negative effects on children's cognitive ability.[25] One study that focused on neighborhood violence found that preschool children were less able to control their impulses, pay attention, or perform well on preacademic tests within a week of a homicide occurring near their home.[26]

Residents of poor neighborhoods also tend to experience health problems—including depression, asthma, diabetes, and heart disease—at higher-than-average rates. In fact, even when income is held constant, families who live in areas of concentrated poverty are more likely to struggle to meet basic needs, including food and housing, than their counterparts who live in more affluent areas. Families in these areas face fewer stressors, such as less exposure to crime and improved air quality.[27]

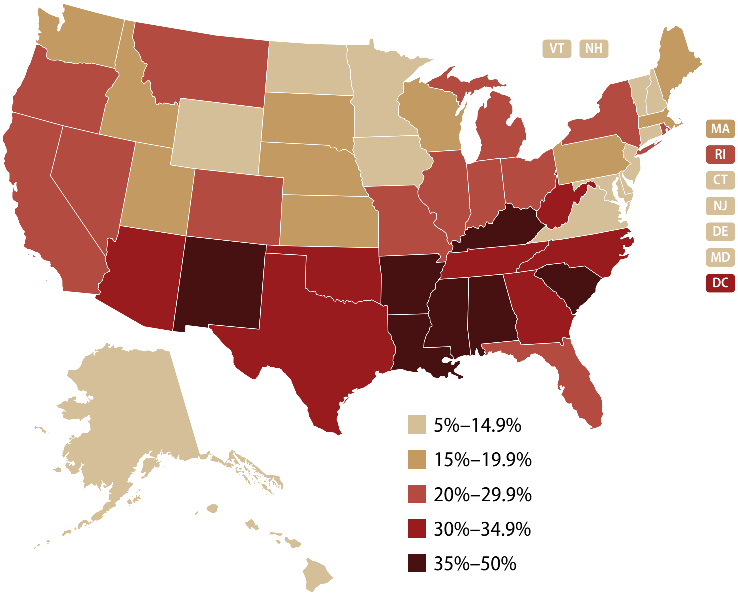
This is particularly troubling when considering the racial equity implications of concentrated poverty. African American, American Indian and Alaskan Native, and Latino children are six to nine times more likely than white children to live in high-poverty communities. In fact, more than 16.4 percent of low-income Latinos live in high-poverty neighborhoods, while low-income African Americans are more likely to live in high-poverty neighborhoods than other populations, with 23.6 percent of the African American population currently living in such areas.[28] In addition, recent evidence suggests that living in a high-poverty neighborhood undermines outcomes across generations. According to research by Sharkey, the average African American family making $100,000 per year lives in a more disadvantaged neighborhood than the average white family making $30,000 per year. This reveals how past social policies continue to affect neighborhood choice.[29] Sharkey explains that the same, mostly African American families have lived in the most disadvantaged neighborhoods over long periods of time and over multiple generations, limiting access to better opportunities.[30]

A recent body of research from four Harvard University and University of California, Berkeley, economists—Raj Chetty, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez—underscores the nation's mobility challenges. Their research reveals that mobility varies substantially across geographic regions and that areas with greater mobility tend to display certain characteristics, such as less segregation, less income inequality, better schools, greater social capital, and more stable families.[31] In addition, according to analysis by Center for American Progress experts, areas with large middle-class populations enjoy far more economic mobility than areas with small middle-class populations.[32] In other words, the variation in economic mobility is not random but is affected by key characteristics of a community.

Research shows that income inequality and low social mobility place a downward drag on national prosperity, underscoring how the strength of our communities is inextricably tied to the success of our country. It is evident that government leaders have a role to play in undoing the effects of past policies that contributed to these outcomes and must proactively seek out ways to generate greater economic opportunity in partnership with communities across the country. Low-income people who live in communities of concentrated poverty face a greater level of disadvantage than their counterparts in low-poverty communities. As a result, states must make a concerted effort to address these disparities and to target investments toward these communities.

FIGURE 2

People living in high poverty areas by state, 2010



Source: Alemayehu Bishaw, "Changes in Areas With Concentrated Poverty: 2000 to 2010" (U.S. Bureau of the Census, 2014), availabe at http://www.census.gov/content/dam/Census/library/publications/2014/acs/acs-27.pdf.

Living in high-poverty communities creates unique challenges for residents, which require place-based strategies that complement national investments to cut poverty.[33] Place-based strategies utilize policies and practices that consider how a community—everything from infrastructure to the social and economic opportunities available—affects the lives of its residents. Underperforming schools, rundown housing, neighborhood violence, and poor health are interconnected challenges that perpetuate one another; therefore, place-based strategies are designed to simultaneously address these issues. The Promise Zones model is a comprehensive, evidence-based strategy to do just that.

Setting the record straight: What state Promise Zones are not

Promise Zones are not a substitute for additional federal and state investments

While this report talks about what states can do within the context of current funding, state Promise Zones are not a substitute for additional federal and state investments and reforms to help create jobs and strengthen the safety net more broadly.

States have a direct stake in tackling poverty among their residents because the effects of income inequality and child poverty harm state economies.[34] For example, research shows that income inequality reduces government revenues, which hinders the ability of state governments to provide critical public goods and services such as education and infrastructure.[35] In addition, high levels of income inequality are causally related to higher school dropout rates, especially among low-income boys, and higher teen birth rates. Both of these things limit the earnings of future taxpayers and undermine a state's human capital.[36] To this end, CAP has published several recommendations on state policies to cut poverty and grow a state's middle class across the board.[37] These include:

- Passing paid sick leave legislation
- Raising the minimum wage
- Protecting unemployment insurance
- Centralizing funding for education to eliminate disparities
- Easing transfers across postsecondary institutions
- Reducing health care costs
- Increasing the use of renewable energy to cut energy costs

Promise Zones are not enterprise zones

The Promise Zones name harkens back to the enterprise zone model started in the United Kingdom and adopted in the United States, but it should not be mistaken for a new version of these state and federal programs. Enterprise zones utilize tax benefits to attract businesses and promote hiring within high-poverty communities in hopes of spurring economic development but have ultimately produced mixed results. The Promise Zones application process is much more rigorous than its federal predecessors—the Empowerment Zone and Enterprise Community programs—and is focused on a wide range of interconnected issues that affect low-income communities. In fact, the Obama administration took the enterprise zone experience into account in designing Promise Zones.[38] Rather than just applying with a proposal for economic development, Promise Zones applicants are required to outline the outcomes they want to achieve, describe their capacity to do so and the roles of their partners, demonstrate past successes, and commit to using data to drive outcomes.[39] "These are communities that can reach a tipping point," said Cecilia Muñoz, assistant to the president and director of the White House's Domestic Policy Council, in a New York Times interview. "It's about creating a policy that's greater than the sum of its parts."[40] While the Obama administration is pursuing tax benefits as one component of the federal Promise Zones initiative, the effort is largely driven by implementing evidence-based strategies and directing resources to those strategies. By contrast, tax benefits are the cornerstone of enterprise zone and empowerment zone efforts. For more information on the Empowerment Zone and Enterprise Community programs, see Appendix 1.

Promise Zones are not just a benefit for the selected zones

A state Promise Zones model advocates for targeting a set of resources to high-poverty communities, which, in a world of limited resources, represents trade-offs in making these investments in less-disadvantaged communities. However, targeting scarce resources to some of the most disadvantaged communities with the potential to move the needle on place-based interventions will enable these communities to leverage resources for greater outcomes. This has the potential to have a larger impact beyond the borders of the zone. The goal of the Promise Zones initiative is not only to transform the selected zones but also to change how the state government works with local communities and to demonstrate effective strategies that other communities can adapt. Furthermore, while many high-poverty communities could benefit from a state Promise Zones designation, the application process alone will incentivize communities to bring together their resources to set clear and shared goals, which is critical for communities to do regardless of whether they are ultimately selected for the initiative.

That being said, expanding the pot of federal and state resources would reduce the trade-offs that pit the needs of communities against one another and would enable more communities that are implementing innovative cross-sector models to benefit from the infusion of resources. This could boost economic opportunity for residents more broadly.

State Promise Zones: Launching the initiative

Utilizing the Obama administration's model for Promise Zones, states must incentivize cross-sector teams of leaders in high-poverty areas to come together to develop plans for revitalizing their communities. A state Promise Zones initiative would require communities to compete in a transparent process and to demonstrate the strength and effectiveness of their local commitment in order to be awarded a state Promise Zones designation. In exchange, states must commit intensive support to help local leaders implement their economic and community development goals. They also must provide zones with preferred access to certain state funding and competitive federal funding streams.

As envisioned, each designated state Promise Zone would be asked to identify a set of outcomes it was pursuing to revitalize its community, describe its strategy for supporting those outcomes, and realign resources accordingly. Building off of the Obama administration's Promise Zones initiative, state Promise Zones should identify clear outcomes to revitalize communities with a focus on:

- Attracting private investment to create jobs and spur economic development
- Improving the education-workforce pipeline
- Creating safe and healthy communities
- Repairing and preserving housing and infrastructure

Given the interdependent nature of these issues, Promise Zones may begin their work with a focus on one or two areas but should have a long-term vision for making progress across each of the areas noted above.

Improving state and local leaders' partnerships in the federal Promise Zones initiative

In the first round of the federal Promise Zones designation, communities have struggled to engage state leaders, even though this was one of the criteria assessed under capacity and local commitment.[41] However, states have important resources at their disposal, including grants and the ability to address policy barriers. Promise Zones leaders must determine specific ways in which states can facilitate their work and propose these actions to state leaders. Below are examples of how these leaders can better engage the leaders in their states when it comes to spending and policy.

Spending

States make a number of spending decisions, whether it is through their own budgets or by making subgrants to municipalities. States can give priority access to federal Promise Zones located in their boundaries and leverage resources in these communities.

Policy

States can also pass policies to complement the innovative work that local leaders are doing. In Maryland, for example, the Baltimore Integration Partnership is working to revitalize low-income communities and to connect low-income Baltimore residents to the regional economy.[42] The Baltimore Integration Partnership worked closely with Maryland state and local elected officials—providing policy analysis and recommendations, as well as community voice—to pursue and enact policies that benefit low-income people.[43] As a result, the state of Maryland passed a number of laws to help advance the goals of such work, including:

- A law to remove barriers for qualified workers with criminal records[44]
- A law that shortens the process by which adults can apply for and earn a driver's license—a key requirement for many jobs[45]
- A state executive order to promote apprenticeship programs and encourage hiring in areas with high unemployment[46]

State Promise Zones eligibility

First, states must determine the conditions that demonstrate a community is particularly in need. Based on the federal Promise Zones initiative, states can adopt the following criteria for local purposes and set the standards of eligibility for their own Promise Zones initiatives:

- **Demonstrated need.** States can use the rates of overall poverty, unemployment, vacancy, and/or crime to determine the type of communities they wish to serve. Setting clear eligibility standards will help ensure that the neighborhoods with the greatest need—and the potential to successfully advance the work—are being considered.

- **Specific geographic area.** At the federal level, Promise Zones must encompass one or more Census tracts or portions of Census tracts across a contiguous geography. States can use a similar approach to capture areas beyond a given neighborhood to have maximum impact in a high-poverty area.

- **Designated population size.** At the federal level, the boundaries of urban Promise Zones must encompass a population of between 10,000 and 200,000 residents.[47] For rural and tribal areas, the population must be a maximum of 200,000 residents.[48] Similar guidelines employed by states would ensure that the varying types of communities targeted are helping a significant part of the population.

- **Qualifying lead applicant.** The entity submitting the state Promise Zones application and coordinating the effort should be one of the following: a government body, a nonprofit organization, a public housing agency, a local education agency, a metropolitan planning organization, or a community college. Such entities typically have the capacity and legitimacy to bring together leaders to advance comprehensive efforts.

- **Support from local leadership.** Local leaders, including the mayors or chief executives of local governments represented in the Promise Zones, must demonstrate support for the effort. Having this buy-in will ensure that resources and policies can better serve the zones.

Estimated timeline

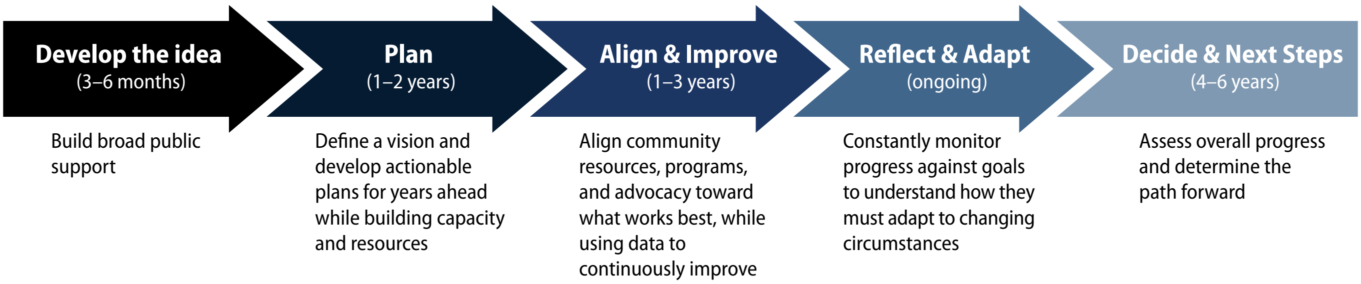
At the federal level, Promise Zones applicants are evaluated on the strength of their initiative—the capacity of local leaders, commitments made by key actors, and more—in order to determine how the Promise Zones designation would accelerate the community's existing efforts. Rather than helping build a strategy from scratch, administrative officials want federal resources to serve as a catalyst for speeding up and expanding compelling local strategies. Similarly, state leaders should consider when state Promise Zones resources would best serve local leaders. Initiatives of this scale require a great deal of planning, coordination, and time and will not get off the ground, or even see results, overnight. According to the Bridgespan Group, a nonprofit advisor and resource for mission-driven organizations, collaboratives typically go through several life stages—from developing the idea to deciding the future of the initiative. (see below)

State leaders should consider intervening when an initiative is beyond the initial stages of idea development and when it is evident that stakeholders are truly committed to working together in new ways. Providing a reliable stream of funding when work is underway would then help leaders move beyond survival mode and allow them the ability to think deeply about the direction of the work. As a result, state Promise Zones designations should be awarded to communities working between the "plan" and the "align & improve" stages where intervention can help sustain innovative work.

FIGURE 3

Collective impact guide

Community collaborative life stages



Source: The Bridgespan Group, "Needle-Moving Collective Impact Guide: Community Collaborative Life Stages," available at http://www.bridgespan.org/Publications-and-Tools/Revitalizing-Communities/Community-Collaboratives/Guide-Community-Collaborative-Life-Stages.aspx#.VD7nO4vF87H (last accessed November 2014).

Application criteria

Applications used for state Promise Zones efforts should provide a clear description of how the Promise Zones designation would accelerate and strengthen a community's revitalization efforts. Each community should identify the following:

- A set of outcomes it will pursue to revitalize its community
- A strategy for supporting those outcomes
- A description of how it will use data to redirect resources toward what works

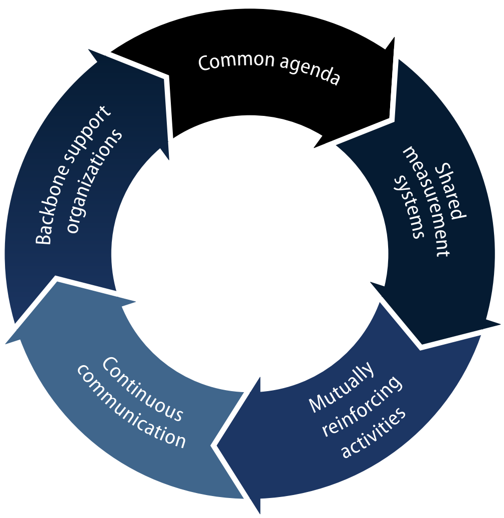
The Promise Zones model is based on the demonstrated success of collective impact, a strategy for solving complex local problems through data-driven, outcomes-focused, cross-sector partnerships. As a result, states should use the conditions of successful collective-impact initiatives to guide how they assess the strength of potential zones.

Ensuring success: Conditions of collective impact

Collective impact is focused on community-wide outcomes—for example, improving the educational system that serves all students in a community, rather than a single program that helps a fraction of students. While individual programs are important for driving people-level outcomes, collective impact takes on the task of transforming an entire system. Collective impact is a strategy that acknowledges the relationships between organizations and the need for progress toward shared objectives. In other words, the whole is greater than the sum of the individual parts. However, this work is much easier said than done. It is a very different way of working than most people or institutions are used to. Leaders at FSG—a nonprofit consulting firm that specializes in strategy, evaluation, and research—found that successful collective-impact initiatives typically display the following five conditions:[49]

FIGURE 4

Five conditions of collective impact



Source: John Kania and Mark Kramer, "Collective Impact," *Stanford Social Innovation Review* 9 (1) (2011), available at http://www.ssireview.org/articles/entry/collective_impact.

One of the most cited examples of a successful collective-impact initiative is the Strive Partnership in Cincinnati, Ohio. Launched in 2006, the Strive Partnership is a community of cross-sector leaders focused on improving academic success in the urban core of Greater Cincinnati. More than 300 cross-sector representatives joined the partnership, including school district superintendents, early childhood educators, nonprofit practitioners, business leaders, community and corporate funders, city officials, and university presidents.[50] The idea was not to start a new program but instead to start a new process for transforming the educational system. The leaders involved agreed on a common set of goals, outcomes, and success indicators, including kindergarten readiness, fourth-grade reading and math scores, graduation rates, and college completion. The partnership is driven by five shared goals. Specifically, the goals are that every child:

1. Is prepared for school
2. Is supported outside of school
3. Succeeds academically
4. Completes some form of postsecondary education or trainingEnters and advances in a meaningful career[51]

During its first five years, the program saw a 9 percent increase in kindergarteners' reading scores, an 11 percent increase in high school graduation rates, and a 10 percent increase in college enrollment.[52] The Strive Partnership is successful because stakeholders work to catalyze and support collaborative action, promote a culture of continuous improvement, and align resources to what works.

Outcomes

Collective impact requires participants to have a "common agenda"[53]—a shared vision for change that includes a common understanding of the problem and a joint approach to solving it through agreed-upon actions. There is no silver-bullet policy to address the many challenges that high-poverty communities face. Instead, these communities need a comprehensive set of strategies that equip residents with the skills they need to prosper, as well as an environment conducive to their success. This sort of work requires "continuous communication."[54] Developing trust among nonprofits, corporations, and government agencies is challenging. It can take several years of regular meetings; some potential state designees may have this level of communication through past coalitions.

Given the various ways a community can affect the life outcomes of its residents, state Promise Zones applicants should outline their plan to simultaneously improve the education-workforce pipeline, create safe and healthy communities, repair and preserve housing and infrastructure, and attract private investment. Proposals should describe the evidence that supports the work they plan to continue or undertake. As part of this strategy, applicants should also outline the timing and sequencing of specific components of the plan. In addition, it is critical that strategies take into account the fact that neighborhoods operate within a broader political and economic context that is regional in nature.

Strategy

A state Promise Zones initiative should be designed to support innovative work that communities are already doing. Local leaders drive the direction of the effort, while the state government serves as a catalyst by providing critical resources, facilitating partnerships, and building capacity. This dynamic can be seen through the federal Promise Zones initiative, where the San Antonio, Texas, Promise Zone is building upon transportation enhancements already underway. As a result of its designation, the local transit authority received a $15 million Transportation Investment Generating Economic Recovery, or TIGER, award from the U.S. Department of Transportation to develop the Westside Multimodal Transit Center, which will offer a variety of transit options to the community.[55]

In order to capture the work underway, state Promise Zones applicants should provide a narrative that describes the capacity of the lead organization and how the Promise Zones designation would advance their efforts. Creating and managing collective impact requires a supporting infrastructure, as participating organizations do not have the capacity to ensure data are shared or meetings are being scheduled. Many coalitions fail because they do not have the support of a dedicated staff, making "backbone support organizations"—organizations that serve as the backbones of entire initiatives—a critical element of an initiative's success.[56]

In addition, applications should include a narrative that describes how participating stakeholders are organized, including the specific roles and responsibilities of each partner organization. This is particularly important around the role of anchor institutions and private-sector partners, which are often not deeply engaged in these sorts of collaboratives. It is also important in describing how state leaders could engage with local partners. The narrative should outline "mutually reinforcing activities."[57] Having shared goals does not mean that all participants are performing the same actions. Initiatives should ensure that participating organizations undertake the activities at which they excel, while supporting and coordinating work with others.

Data

With a common agenda in place, stakeholders need to agree on a "shared measurement system"[58] to track success. Collecting data on key indicators across participating organizations ensures that efforts remain aligned and allows participants to continuously learn. Communities must manage, share, and use data for evaluation and continuous improvement; this is critical for strategies with less supporting evidence than others. Moreover, the mutual management and sharing of data is particularly helpful to ensure that stakeholders are focused on their shared goals. Through the federal Promise Zones initiative, for example, the Los Angeles Promise Zone is tracking 23 different indicators at the individual, family, and household levels for the zone's core outcomes, which include things such as improved academic outcomes and wraparound services.[59] Data include information on grades; attendance; services provided to students by organizations; and background information on families, such as education and health.

According to Dixon Slingerland, executive director of the Youth Policy Institute in Los Angeles, "for the first time, the school district is sharing student-level data with our data system, so we can track individual kids. Our data system is of high enough quality that they're comfortable doing that without violating privacy. Most importantly, the superintendent made the commitment. You've got to have the leadership, but you've also got to have the data system to do it." Slingerland said his data will help the city and its partners ensure they are on track to reach their goals and course correct when necessary.[60]

Benefits

States should award their chosen Promise Zones designees the resources to help implement their strategies and attract additional financial support and capacity. Such benefits could include:

- **Planning grants.** While the federal Promise Zones initiative does not come with an initial grant award, a small initial planning grant could further catalyze efforts for each state Promise Zone. During CAP's interviews with the first five Promise Zones from the federal initiative, leaders from each site expressed the need for an initial, modest planning grant to help build capacity and enhance their ongoing efforts. States could call on their agencies to identify discretionary or competitive funding streams where, under current statutory parameters, a small percentage of funding could be set aside for their Promise Zones designees.

- **Priority access to funding.** State Promise Zones should be awarded additional points for state funding, as well as competitive federal funding streams over which states have discretion. Examples are detailed in the sections below.

- **AmeriCorps volunteers.** Each federal Promise Zone is supported by AmeriCorps members who assist in the implementation of the zone's plan to create economic growth and opportunity for all. These AmeriCorps members play a key role in providing the mission-driven human capital to help zones achieve their goals. Approximately two-thirds of AmeriCorps grant funding in each state goes to governor-appointed state commissions.[61] States should engage their governor-appointed state service commissions, which are responsible for managing AmeriCorps state and national formula funds from the Corporation for National and Community Service. These state service commissions can play an important role by providing funding and engaging local communities in the work of designated state Promise Zones.

- **Dedicated staff.** Where possible, states should consider dedicating staff as points of contact to the specific zones to help them navigate state resources and provide added capacity.

For further reference, the federal government's application materials can be found on the Department of Housing and Urban Development's website under "Promise Zones."[62]

The Promise Neighborhoods Institute's cradle-to-career model legislation

Given the great interest in federal place-based initiatives, other organizations are demonstrating that there is an appetite for adopting such efforts at the state level. Prior to the creation of Promise Zones, the Obama administration established a number of place-based initiatives, including Promise Neighborhoods. Launched in 2010 by the U.S. Department of Education, the Promise Neighborhoods program was designed to move beyond a singular focus on low-performing schools to recognize the role that an entire community plays in a child's education.[63] Modeled after the much-heralded Harlem Children's Zone in New York City, the Promise Neighborhoods program models a cradle-to-career continuum of health, social, and educational services by partnering with community-based organizations and gauges outcomes by utilizing common metrics of success.

The Promise Neighborhoods Institute at PolicyLink, or PNI, which provides resources and guidance to Promise Neighborhoods, recognized that this model could be spread to states across the country. For instance, PNI was an early supporter of the California Promise Neighborhoods Initiative legislation. The bill passed the California State Assembly but needs to be introduced in the new session. This past summer, PNI introduced model legislation to be used at the state and local levels to secure support for cradle-to-career efforts.[64] The Cradle to Career Act secures funding for innovative, results-based, and comprehensive solutions that connect children and youth to a high-quality education and key health and social services that prepare them to succeed in college and in their careers. The legislation:

- Establishes a continuum of solutions for all children living in distressed neighborhoods
- Incentivizes a disciplined execution of solutions
- Includes a matching requirement to encourage public/private partnerships and lay the groundwork for sustainability
- Encourages use of data and evaluation[65]

Currently, several communities are preparing efforts to get the Cradle to Career Act introduced in their states.[66]

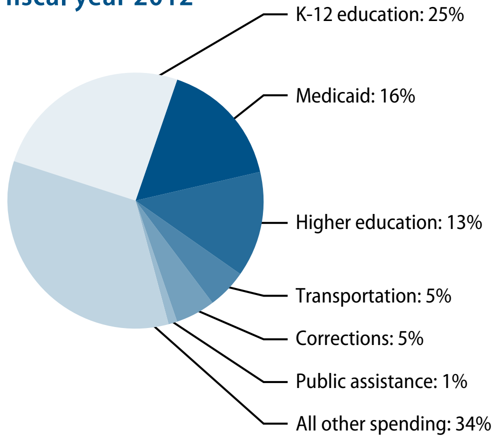
Potential policies and funding streams to support state Promise Zones

In order to incentivize leaders in high-poverty communities to commit to a rigorous process to advance their work, states must provide intensive support and priority access to certain state funding and competitive federal funding streams. Given the fact that states undertake most direct spending on public goods and services and have broad authority over numerous federal funding streams, state leaders are already equipped to establish their own Promise Zones initiatives.

According to the Center on Budget and Policy Priorities, the vast majority of state dollars go toward funding education and health care. In fact, states are one of the main funders of public elementary and secondary schools, with local governments being the other primary funder. On average, one-fourth of state spending, or about $270 billion, goes to public education.[67] In terms of health, states fund health insurance for low-income families through Medicaid and the Children's Health Insurance Program, or CHIP, as well as health benefits for public employees and care for people with mental illness and developmental disabilities. In a typical month, these programs provide health coverage or coverage for long-term care to roughly 63 million low-income children, parents, elderly people, and people with disabilities.[68] While half of state funds go toward education and health, states also fund a wide variety of other services, including transportation, corrections, pension, assistance to low-income families, economic development, environmental projects, state police, parks and recreation, housing, and aid to local governments.

FIGURE 5

Percentage of state spending, fiscal year 2012



Note: Calculations do not include federal funds spent by states. "All other spending" category includes care for residents with disabilities, pensions and health benefits for public employees, economic development, environmental projects, state police, parks and recreation, and general aid to local governments. Numbers do not sum up to 100 percent due to rounding.

Source: Center on Budget and Policy Priorities, "Policy Basics: Where Do Our State Tax Dollars Go?" (2014), available at http://www.cbpp.org/files/policybasics-statetaxdollars.pdf.

In addition, states have broad flexibility when administering many federal grants, prioritizing funding to specific projects, populations, or regions. For example, states set the guidelines for child care subsidies and make decisions on how to allocate funding streams that do not serve all eligible people or entities, such as the Social Services Block Grant and the Community Development Block Grant, or CDBG. Creating state Promise Zones programs could give zone designees priority access to a portion of funding across these federal grants and allow local leaders to more easily leverage state and local funding streams. In addition, as state fiscal conditions continue to improve, states can consider increasing available resources to these programs, keeping in mind that targeting resources in these areas will have the added benefit of advancing and sustaining innovative work from which other communities in the state can learn.

As stated earlier, given the interdependent nature of these issues, zones may begin their work by focusing on one or two issue areas but should have a vision for progress across all critical issue areas. The section below outlines the challenges that high-poverty communities face, strategies that state leaders can employ in shaping their Promise Zones initiatives in the key issue areas, available federal funding streams, and best practices from local leaders.

Attracting private investment, creating jobs

As discussed earlier, high-poverty communities have suffered from decades of underinvestment. Exacerbating the neglect, reductions in federal and state funds are making it increasingly difficult for local governments to invest in economic development. Private investment is critical to addressing the economic, housing, infrastructure, and transportation needs outlined in this report. While increasing opportunities within the zones themselves is important, it is critical to ensure that Promise Zones residents have greater access to, and are prepared for, employment opportunities within the broader region. (see workforce recommendations in the "Education-workforce pipeline" section and transportation recommendations in the "Housing and infrastructure" section, both below) Still, investment within the zones is critical, but even when private capital is available, many cities do not have the capacity to attract and deploy these resources.[69] It is critical that state Promise Zones initiatives prompt applicants to assess their ability to attract and deploy capital.

Potential state actions

- **Require Promise Zones applicants to map out their community investment infrastructure.** Successfully attracting and deploying private capital requires collaboration among many actors, beyond banks and community development financial institutions. According to Living Cities, a philanthropic collaborative that works to transform low-income communities, successful community investment requires collaboration among many groups, including community-based organizations, financial institutions, developers, the local business community, the public sector, and anchor institutions such as universities and hospitals.[70] State Promise Zones designees must convene these potential partners around specific opportunities and develop ongoing relationships to build capacity for community investment. Securing and leveraging private investment will help advance the goals of a state Promise Zone, as well as ensure the longevity of the effort.[71] As a result, states should require state Promise Zones to map out their local community investment ecosystem, outline current private-sector partnerships, and discuss how they plan to build capacity to guide investment toward greater social outcomes. Critical questions to address include:[72]
  - Which actors steward investments from beginning to end, which take the lead, and what happens when things go wrong?
  - How are grants, training, data, and coordination used to boost the effectiveness of community investment?
  - How are economic development, social equity, and sustainability goals integrated into deals and programs?

Best practices in attracting private investment

In Detroit, Michigan, the Woodward Corridor Initiative, or WCI, is focused on stabilizing neighborhoods, increasing investment, and attracting new residents to one of the city's main thoroughfares. However, WCI faced challenges deploying private capital for public purposes. As a result, initiative leaders turned to a national financial intermediary, Capital Impact, for assistance. Capital Impact brought its expertise, balance sheet, and relationships with national funders to the local partnership, allowing the partnership to build up its capacity for working with private capital in a difficult environment.[73] The initiative also incorporated a creative strategy to raise capital by working with the city's anchor institutions, including the Henry Ford Medical Center and Wayne State University.[74] The anchor institutions offered employees home loans and renter allowances to move to the community, promoting a mixed-income neighborhood.[75]

Education-workforce pipeline

Childhood poverty is associated with a host of negative outcomes, including lower educational attainment, lower job earnings later in life, and higher health and criminal justice costs—all of which cost the American economy more than $500 billion per year.[76] With the child poverty rate at 19.9 percent, many schools face the challenge of teaching students burdened with unmet needs that pose obstacles to learning. Furthermore, only one-third of U.S. eighth graders are proficient in math and reading,[77] and high school students are not graduating with the skills they need to pursue higher education or jobs, with only one-quarter performing proficiently or better in math and just 40 percent performing proficiently or better in reading.[78] A 2009 report by McKinsey & Company on the gaps in primary and secondary school achievement argued that the United States is experiencing "the economic equivalent of a permanent national recession."[79] It is critical for communities to improve the cradle-to-career pipeline in order to ensure that children have greater access to economic opportunities later in life.

Potential state actions

- **Ensure state Promise Zones applicants align their education and workforce development systems.** During the state Promise Zones application process, states should require potential designees to describe their plan to ensure that all young people have access to a quality education and resources to prepare them for college and careers. The narrative should identify specific barriers to overcome and outcomes they seek to achieve, such as increased enrollment in pre-K programs, improved classroom teaching, training partnerships that lead to degrees or certifications, or career navigation services, to name a few.[80] Such a strategy would allow states to utilize Workforce Innovation and Opportunity Act, or WIOA, funding as part of the initiative. (see below)

- **Target smaller educational funding streams to Promise Zones.** In order to address educational disparities, states must focus on allocating funds based on needs. However, where there are smaller dedicated pots of funding, such as for after-school programs, states should give priority access to Promise Zones, given the fact that this funding will have to be targeted anyway. (see the section on competitive federal funding sources below)

- **Outline expectations for how state colleges and universities should participate in the Promise Zones initiative.** For pre-K-12 education, communities should develop plans with local education agencies and leverage the resources of local colleges. In addition, states should assess the strength of partnerships between initiative leaders and colleges and universities. This can include specifying certain agreements through a letter or memorandum of understanding and/or indicating what kind of resources these institutions will devote to the effort.

- **Support workforce development efforts that align with employer needs and increase access to jobs.** In terms of workforce development, private-sector leaders, workforce investment boards, training providers, and community colleges provide a number of key resources to the workforce development system. Communities should outline how these roles and resources will be utilized to implement new workforce strategies that increase access to jobs, such as placement services, the development of "soft skills"—applied skills such as teamwork, decision making, and communication[81]—or community-level support to help residents keep jobs. Furthermore, much of the financing of public schools and workforce development services comes from both the state and local levels. In prioritizing support for state Promise Zones, potential designees should illustrate how they plan to leverage state and local resources as part of their plans.

- **Establish subsidized jobs in Promise Zones to help families and the economy.** As our colleagues at the Center on Budget and Policy Priorities and the Center for Law and Social Policy have underscored,[82] states can use existing funds under the Temporary Assistance for Needy Families, or TANF, program to create subsidized employment opportunities for low-income and disadvantaged workers. One of the resources that states can offer to designated Promise Zones within their borders is federal and state TANF dollars that can be used to create subsidized jobs programs in these communities that partner with private and nonprofit employers to create job opportunities in high-unemployment neighborhoods.

- **Create city-state resource hubs to help screen residents for benefits eligibility and connect them with the benefits they qualify for but are not receiving.** For example, six new BenePhilly Centers have opened across Philadelphia, Pennsylvania, to screen low-income residents for federal, state, and local benefits and services for which they are eligible and to assist them with the application process. States can give preference to Promise Zones interested in adopting this model as part of their plans.

- **Create financial empowerment centers to help residents build personal assets.** According to a Federal Reserve survey conducted last year, only 48 percent of Americans would be able to cover an unexpected expense of $400 without borrowing money or selling something.[83] In response to the growing need to help families build their assets, there has been an increase in financial empowerment centers, where residents can work one on one with coaches to develop plans for paying down debt, opening a bank account, and saving for the future. The first of these centers opened in New York with a grant in 2008, and the centers are now a publicly funded part of city government contracted through local nonprofits, having served more than 10,000 clients.[84] Similar to the resource hubs, states can give preference to Promise Zones interested in creating financial empowerment centers as part of their plans.

Available federal resources

- **The 21st Century Community Learning Center, or 21st CCLC,** grants support the creation of community learning centers that provide after-school academic enrichment opportunities, particularly for students who attend high-poverty and low-performing schools.[85] State educational agencies, or SEAs, which receive funds from this program through formula grants, manage statewide competitions to award grants to local educational agencies or nonprofits.[86] States can give priority access to their state Promise Zones to pursue innovative educational programming. By providing a steady and reliable stream of funding, communities can test innovative ways to support children's learning without having to follow a prescriptive model.[87] For example, an evaluation of Enhanced Academic Instruction in After-School Programs in 21st CCLC-funded centers—a two-year math and reading program that targets children in second through fifth grade who perform below grade level—also examined outcomes related to academic performance. The math curriculum in particular supported an approach to learning beyond traditional educational methods, which was shown to have positive impacts on youths' math test scores.[88]

- **School Improvement Grants, or SIGs,** are grants awarded to SEAs that in turn make competitive subgrants to local educational agencies committed to raising the achievement of students in their lowest-performing schools.[89] For example, in Baltimore City Public Schools, SIG funds helped pay for additional school staff members who provide targeted interventions for at-risk students in SIG schools.[90] In addition, Baltimore City schools have used funds for enrichment activities to build greater connections between students and the school community, which can help mitigate discipline problems.[91] States interested in establishing Promise Zones can similarly give priority access to these funds in order to help serve the particular needs of high-poverty schools.

- **WIOA,** which recently passed, also provides new opportunities for states and localities to capitalize on federal resources for workforce development activities. States interested in designating Promise Zones within their borders should consider how the new resources and guidelines under the law could be best leveraged to support pathways to living-wage jobs for residents of high-poverty communities. For example, under WIOA, states are requested to strategically align their workforce development programs[92] and to submit a four-year strategy for aligning the core education and training programs to meet the needs of employers so that there are jobs on the other side of training programs. Importantly, WIOA also encourages workforce development programs to be coordinated with regional economic development strategies, urging states to identify regions for focus.

- This guidance should spur states to align their four-year strategy plans with efforts to attract capital and jobs to distressed communities, as well as to address transportation barriers that residents of poor neighborhoods may face in connecting to regional labor-market opportunities. WIOA also offers flexibility for states and localities to use funding toward effective strategies such as registered apprenticeships, transitional jobs, and on-the-job training, and it requires state and local Workforce Investment Boards, or WIBs, to align their workforce programs. In addition, new provisions under WIOA support statewide youth activities around financial literacy, including support in creating budgets, creating savings plans, and understanding credit reports and financial products.

Income supports

States play a critical role in administering federally funded work and income supports, and the policy choices they adopt have a real effect on the ability of low-income families to access needed services and supports. In addition, states can play a critical role in helping low-income families save for the future. The following strategies would help enhance the work of state Promise Zones and would benefit struggling families and spur economic opportunity across a given state.

- **Streamline access to critical work and income supports and reduce states' administrative costs by building upon lessons learned from demonstrations such as the Work Support Strategies initiative.** Under this project, six states are implementing new methods to better coordinate access to work and income supports, which is a win for low-income families, the state budget, and the state economy. Early results from this collaboration between leading foundations, policy thinkers, and state governments are promising in both red and blue states. For example, South Carolina implemented Express Lane Eligibility, which enabled the state to recertify children for health coverage based on their eligibility for other programs, even if methods for determining eligibility differed slightly from those generally used by Medicaid and CHIP.[93] This policy change not only enabled tens of thousands of low-income South Carolinian children to keep their health care coverage, but it also saved the state more than $1 million in administrative costs, as fewer children coming on and off health insurance meant the state had to process fewer applications.[94] The state now has a Medicaid state plan amendment wherein it can use records from the Supplemental Nutrition Assistance Program, or SNAP—formerly known as food stamps—and TANF to identify children who are eligible for Medicaid and enroll them in health coverage.

- **Enact or expand a state Earned Income Tax Credit, or EITC, and improve tax-time outreach in state Promise Zones areas.** A total of 26 states currently have state EITCs, which build off the successful federal program that lifted approximately 6.5 million people out of poverty in 2012. States that have not yet enacted a state EITC should consider adopting one, and states that have already enacted a state-level EITC should considering expanding it. In all cases, states can invest resources in Promise Zones areas to expand outreach efforts to encourage families to file a tax return. They should also invest in free tax-preparation help, increasing the share of low-wage working families who benefit from this successful policy.[95]

Safe and healthy communities

Research shows that a person's ZIP code has more to do with life expectancy than genetics.[96] In fact, children in poor families are about seven times more likely to be in poor or fair health than children in middle-income families.[97] Other findings indicate that lower-income children experience higher rates of asthma, heart conditions, hearing problems, digestive disorders, and elevated levels of lead in the blood.[98] As a result, it is critical to address the social determinants of health, such as higher levels of pollution, exposure to violence, and living in so-called food deserts.

Potential state actions

- **Require localities to develop a plan for conducting a community health needs assessment, or CHNA.** Given the fact that issues related to health and safety span various state and local agencies—from housing authorities to environmental agencies to police departments—this is an area where states should expect communities to develop comprehensive plans that address these interlocking issues and leverage available funding streams. Nonprofit hospitals are already required to conduct a CHNA. As a result, localities should describe how they plan to coordinate with their local hospitals, which could include submitting a memorandum of understanding or describing how the results of the hospitals' CHNAs will be used. For example, in 2011, Stamford Hospital in Connecticut and the Stamford Department of Health and Social Services collaborated to conduct a CHNA through intensive studies and interviews.[99] This collaborative process resulted in four community health priority areas: health and wellness; chronic disease; mental health and substance abuse, also known as behavioral health; and access to services.[100]

- **Require localities to prioritize resilience measures in their community development efforts.** The Federal Emergency Management Agency, or FEMA, will soon release new guidance for State Hazard Mitigation Plans that calls upon states to consider the impacts of climate change in their planning efforts.[101] Climate-fueled extreme weather is part of the new normal, costing states millions of dollars in disaster recovery every year and disproportionately hurting low-income communities.[102] As a result, states should include requirements for Promise Zones to build resilience into their community development strategies and infrastructure plans that align with state priorities.

- **Support efforts that deter crime.** Addressing crime is a highly localized issue that varies between communities across the country. However, states can support strategies that focus on deterring crime, such as using data to identify and monitor so-called hot spots and improving communication between law enforcement and communities. In addition, successful prisoner re-entry should be thought of as a public safety issue and an employment issue, not just a corrections issue.

- **Enact reforms around the use of criminal records.** A criminal record can be a lifelong barrier to economic security and mobility, having adverse effects on families, communities, and the economy as a whole. A recent CAP report titled "One Strike and You're Out: How We Can Eliminate Barriers to Economic Security and Mobility for People with Criminal Records" outlines a number of policies to ensure Americans with criminal records have opportunities for a decent life, while reducing recidivism and ultimately strengthening communities. For instance, states can enact policies to bar landlords from discriminating against tenants because of their criminal records; pass sentencing reforms to reduce incarceration rates while saving taxpayer dollars and enhancing public safety; and pass legislation to protect job applicants, including "ban the box" efforts that delay background checks until after job seekers are being considered for positions. Such policies will enhance the public safety measures that Promise Zones designees enact, while helping individuals and families statewide.

Available federal resources

- **Affordable Care Act.** Nonprofit hospitals are required to provide benefits to the communities they serve in order to keep their tax-exempt status. Nationwide, about 2,900 hospitals, or 60 percent, are nonprofit. The financial benefit of being tax exempt is estimated to be worth $12.6 billion annually.[103] Historically, many of hospitals' community-benefit activities have been related to charity care. The new requirements in the Affordable Care Act go beyond improving health to include greater accountability for hospitals, more effective use of resources, and building community capacity and engagement to address health issues.[104] As part of this effort, nonprofit hospitals must continue to conduct a CHNA at least every three years. They also must develop a strategy to meet those needs.

  Community benefits that qualify nonprofit hospitals for federal tax exemption include:

– Free and discounted care to uninsured and low-income patients
– Payment shortfalls for services provided to Medicaid patients
– Activities to improve health in the community the hospital serves
– Programs to increase access to care, such as subsidized health services
– Medical research
– Educating health professionals[105]

Hospitals and local leaders should use this renewed commitment to providing community benefits as an opportunity to fully explore the range of social determinants of health and the true needs of their communities.[106]

In addition, the Department of Health and Human Services announced $60 million in Navigator grant awards to 90 organizations in states with federally facilitated and state partnership marketplaces.[107] These grants are meant to support organizations in doing outreach activities in the second year of enrollment to ensure that more people gain access to affordable health care. According to a recent survey, organizations providing assistance in both state-based and federally facilitated insurance marketplaces were responsible for helping an estimated 10.6 million consumers apply for coverage in marketplace plans, Medicaid, or CHIP during the first open enrollment period of the Affordable Care Act.[108] Potential Promise Zones applicants should work with organizations that have received Navigator funds to ensure they are working on comprehensive plans geared toward improving health outcomes for residents.

- **The Edward Byrne Memorial Justice Assistance Grant, or JAG, Program** is the leading source of federal justice funding to state and local jurisdictions to support a range of program areas, including law enforcement; court proceedings; prevention and education; corrections; drug treatment and enforcement; planning, evaluation, and technology improvement; and crime victim and witness initiatives.[109] For example, Illinois' prisons are over capacity, with the majority of prisoners arrested for nonviolent drug or property crimes.[110] As a result, in 2009, the Adult Redeploy Illinois program was established with Byrne JAG funds as a way to reduce recidivism and save the state money by promoting local alternatives to incarceration. In exchange for funding and technical assistance, localities agree to reduce the number of people sent to state prisons by 25 percent or more.[111] Within its first two years, the program diverted 987 offenders and saved the state an estimated $16.9 million.[112] Participating counties develop a strategic plan that identifies the targeted offender population and gaps in services and sanctions.[113]

Best practice: Community health

The Joint Center for Political and Economic Studies' national Place Matters initiative has yielded some local best practices for developing plans to address disparities in health. Given the significant health inequities that exist in Alameda County, California, by race, ethnicity, and income, County Supervisor Keith Carson's office and the Alameda County Public Health Department launched Alameda County Place Matters, an initiative that addresses community conditions through local policy change.[114] Place Matters actively partners with local organizations and community leaders to identify current issues and policy interventions focused on income, education, housing, criminal justice, land use, and transportation policy areas.[115] Place Matters studies the links between these various policy issues and health concerns and responds to community requests for policy analysis.[116]

For example, fear of landlord retaliation, displacement, and deportation forces many low-income people of color to remain in unsafe housing conditions where they are exposed to hazards such as mold, lead, and rodents. Alameda County's Place Matters Housing Workgroup partnered with government and community organizations to advance the widespread adoption of a proactive approach to rental inspection, including improving the city's code-enforcement practices.[117] Work is also underway to incorporate a health focus into a variety of policies and practices, including land-use planning, completing a health impact assessment on education funding models, and conducting a health impact assessment on funding for local public transportation.[118]

Housing and infrastructure

One of the biggest challenges many families face is finding and securing affordable housing, or housing for low- to moderate-income households in which occupants pay no more than 30 percent of their income. Currently, there is a shortage of more than 5 million housing units for extremely low-income renters.[119] The challenge of finding housing that meets the basic needs of families is exacerbated by the fact that much of the nation's affordable housing stock is not linked to the transportation options necessary to access employment opportunities and critical services. To make matters worse, housing and transportation costs have increased faster than incomes over the past decade, while low-income neighborhoods often have less reliable and underinvested public transportation.[120] In addition to transportation, the nation's infrastructure—including sewer, water, and electric systems—is in disrepair. It is estimated that $262 billion per year in spending over the next 10 years is needed to fix the nation's infrastructure.[121] It is not surprising, then, that the American Society of Civil Engineers gave U.S. infrastructure a "D+" for 2013.[122] A strong infrastructure is critical to support people's everyday lives, as well as to connect communities with opportunities.

Potential state actions

- **Consider policies to enable and promote the rehabilitation of affordable housing.** Affordable housing is increasingly scarce, and building it is an uphill battle. For every new affordable apartment created, two are lost due to deterioration, abandonment, or conversion to more expensive housing.[123] However, rehabilitating an existing affordable apartment can cost one-third less than building a new one.[124] As a result, states should require localities to develop plans for preserving publicly owned—or privately subsidized—affordable housing. However, while local building codes govern new construction, many states do not have codes for rehabilitation. Without specific and consistent guidance, the rehabilitation of older properties often must conform to the same standards as new construction, standards that do not accommodate the specific needs and challenges of updating older homes. States should ensure that their building codes not only allow for but also encourage the rehabilitation of older homes.[125]

- **Review and update regulatory policies to reduce barriers for development.** States and localities can reduce costs for developers and keep rents affordable by addressing outdated regulatory barriers, such as single-use zoning, low-density limits, and parking requirements on property near transit. Most local zoning regulations limit or prohibit higher-density development, and when such developments are allowed, they are often segregated from other housing types and schools. As a result, states should give preference during the application process to localities that work to overcome regulatory barriers to meet current housing needs.[126] State or local funding can also be used as direct rent subsidies, attached to a portion of units in new developments or awarded to tenants.

- **Protect households from displacement.** While affordable rental housing is critical, a number of low-income residents in high-poverty communities own their own homes. As a result, it is important that as Promise Zones develop they include plans to help protect these households from increasing property taxes. Some communities have turned to so-called circuit-breaker programs, which, like the electrical devices that shut off power to prevent circuits from overloading, prevent property taxes from "overloading" a family's budget by "shutting off" property taxes once they exceed a certain share of the family's income.[127] These programs give direct property tax relief to low-income homeowners who are longtime residents. States could consider implementing these programs statewide but should consider Promise Zones applicants that have similar plans to combat displacement.

- **Support greater access to transportation throughout the Promise Zones initiative.** States should require their Promise Zones applicants to outline how planners and transportation officials will address infrastructure challenges while ensuring that low-income populations benefit from those plans. Quality of service is critical for localities to connect residents to opportunity, such as the safety of systems, maintenance, the modernization of timetables to reflect nontraditional work schedules, and more. For rural areas, this means filling gaps in the system, which could include piloting car-sharing programs. Unfortunately, state transportation agencies overwhelmingly focus on statewide highway networks, leaving aside regional mobility. To address this shortcoming, states should empower metropolitan and rural transportation planning organizations with additional mode-neutral funding and project-selection authority.

- **Ensure a greater connection between transportation and housing development.** States should require their Promise Zones applicants to provide detailed plans to coordinate the often-disparate activities and investments of housing and transportation agencies. States can also require regional housing, transportation, and planning organizations to integrate and synchronize their planning cycles to ensure that limited resources reinforce housing and mobility goals rather than counteract one another. Integrated planning will not happen overnight, as many regional authorities have limited staffing. As a result, departments of transportation should be prepared to provide guidance and technical assistance to transportation efforts incorporated into the initiative.[128]

Available federal resources

- **The Low-Income Housing Tax Credit, or LIHTC.** Since its creation in 1986, the LIHTC has leveraged more than $100 billion in private investment capital through a dollar-for-dollar reduction in a developer's tax liability, providing critical financing for the development of more than 2.5 million affordable rental homes.[129] The program annually supports 95,000 jobs and finances approximately 90 percent of all affordable rental housing.[130] Moreover, it is viewed as a critical resource to transform communities suffering from blight.[131] Because states have the authority to establish criteria for the tax credits, state leaders should work with the state housing agencies to give preference through the federal LIHTC program to private developers that build affordable housing in the zone. Prioritizing developments in Promise Zones is consistent with federal policies that encourage states to prioritize allocation of LIHTC developments in "concerted community revitalization" areas.[132]

- **The CDBG** is a flexible program that provides communities with resources to address a wide range of unique community development needs, from housing to green infrastructure upgrades. Each CDBG-funded activity must meet at least one of the program's three national objectives: (1) benefit low- and moderate-income people; (2) aid in the prevention or elimination of slums or blight; and (3) address an urgent need that poses a serious threat to the health or welfare of a community for which no other funding is available.[133] States that participate in the CDBG program award grants to general local governments to carry out development activities. States are responsible for formulating community development objectives, deciding how to distribute funds among communities in nonentitlement areas, and ensuring that recipient communities comply with applicable state and federal laws and requirements. Between 2005 and 2013, CDBG funding supported improvements to public facilities that benefited more than 33.7 million people.[134] For example, in Somerton, Arizona, CDBG funds allocated through the state allowed the city to purchase and install solar panels to provide energy to its water-treatment plant as part of a strategy to reduce energy costs. So far, the city has saved an average of $20,000 per year while curbing energy use.[135]

Best practice: Incentivizing affordable housing

Currently, there is a shortage of more than 5 million affordable housing units for low-income families across the country. Furthermore, only one in four families that qualify for federal housing assistance currently receives it,[136] and nearly two-thirds of extremely low-income renters spend 50 percent or more of their monthly incomes on housing.[137] Housing affordability is exacerbated by regulatory constraints on expanding the housing supply, including limitations of land, lengthy and complicated approval processes, and low-density zoning.[138]

In Montgomery County, Maryland, mandatory inclusionary zoning programs have required developers to set aside a percentage of affordable housing units in market-rate developments for the last 40 years. The county's Moderately Priced Dwelling Unit, or MPDU, program requires new developments with 20 or more housing units to be made up of 12.5 percent to 15 percent MPDUs to ensure developers are creating affordable housing.[139] Households must earn between $30,000 and $81,500 per year to rent an MPDU.[140] Units for sale have 30-year affordability terms that can be renewed if the unit is sold to a new household within the price-control period.[141] While productivity is limited, the program is nationally recognized as one of the most successful inclusionary zone ordinances, producing an average of 368 MPDUs per year and more than 13,000 units over the life of the program—9,300 for sale and 4,000 rental units.[142]

Conclusion

The federal Promise Zones model capitalizes on years of research and experimentation in understanding how to revitalize low-income urban, rural, and tribal communities. However, the goal of the initiative is not only to transform the selected zones but also to demonstrate new ways leaders can work with local communities. State leaders have a vested interest in tackling concentrated poverty within their borders, and the Promise Zones model provides a natural framework for doing so.

Fortunately, states are already equipped to establish state Promise Zones. States and localities undertake most of the direct spending on public goods and services and bear primary responsibility for investments in education, social services, and infrastructure.[143] In addition, states administer a significant amount of federal discretionary funding, with state leaders having broad authority over competitive federal funding streams. State leaders can give state Promise Zones designees priority access to these funds, allowing them to deploy these resources more strategically. By adopting this model, state leaders can complement the work of federal poverty programs and ensure resources are leveraged to be greater than the sum of their parts, boosting economic mobility and opportunity in ways that not only benefit families but states as well.

Appendix

Examining the Enterprise Zone model

Since the 1960s, the community development sector has made a great impact by leveraging billions of dollars in private capital to build millions of affordable housing units and to foster place-based work across the country. Over the years, the place-based policy that has attracted the most attention from researchers is Enterprise Zones—geographical areas designated by federal or local government officials to give financial incentives, such as tax benefits, to businesses that locate in or hire workers within the zone.[144] Originating in Great Britain in the 1970s, the Enterprise Zone idea spread throughout the United States during the 1990s. At the federal level, the Empowerment Zone, or EZ, and Enterprise Community, or EC, initiatives were created in 1993 to reduce unemployment and to generate economic growth through the designation of federal tax incentives and grant awards to distressed communities.[145]

Local, tribal, and state governments interested in participating in Enterprise Zone programs were required to present comprehensive plans for promoting economic development.[146] Localities selected to participate in the programs would then lead projects that promoted economic development in their distressed communities. Urban Empowerment Zones received $100 million grants and rural Empowerment Zones received $40 million grants.[147] Localities not selected for this program could qualify for the Enterprise Communities initiative, which had less-generous hiring credits and grants of around $3 million.[148] Overall, federal expenditures via hiring credits and block grants for the first six years of the programs were estimated at about $142 per zone resident each year.[149]

However, studies are divided on whether the Empowerment Zone programs were successful. According to research from the University of Michigan and Yale University, Empowerment Zones created significant benefits in job growth and wages.[150] Research out of Kent State University, meanwhile, suggests that any gains only benefited higher-income households.[151] Yet another study out of the University of California, Berkeley, that compared rejected and future applicants to the Empowerment Zone program with actual designees found that the Empowerment Zone designation substantially increased employment in zone neighborhoods and generated wage increases for local workers.[152] The story, complete with mixed results, is similar for state-level Empowerment Zone programs.

As of 2008, there were approximately 40 state Enterprise Zone programs, varying in size, number of zones, and benefits. Among the most widely studied are the California programs. In California, communities eligible to apply for the Enterprise Zone designation must have job-creation potential; be in close proximity to targeted employment areas, or TEAs; and encompass Census tracts where more than half of the population earns less than 80 percent of median area income according to the 1980 Census.[153] The Enterprise Zone program offers multiple tax incentives, including a credit to businesses that hire unemployed or underemployed individuals who may face barriers to employment. These employees must be paid 150 percent of the current state minimum hourly wage—$13.50—in order for a business to qualify for the credit.[154] Overall, businesses located in Enterprise Zones have the potential to earn $37,440 or more in hiring tax credits per employee over a five-year period.[155] Despite these incentives, evidence on the effectiveness of Enterprise Communities remains mixed. However, as stated earlier, the Obama administration took the enterprise zone experience into account when designing the federal Promise Zones initiative.[156] Given the more comprehensive scope of Promise Zones and the fact that it does not rely solely on tax credits, there is an opportunity for greater success than in past efforts.

About the authors

Tracey Ross is a Senior Policy Analyst with the Poverty to Prosperity Program at the Center for American Progress. In this role, she focuses on place-based responses to fighting poverty. Prior to joining CAP, she was a program associate at Living Cities, where she worked on its signature effort, The Integration Initiative, supporting cities as they worked to transform broken systems to meet the needs of low-income residents. She was selected as a "Next American Vanguard," *Next City*'s recognition of 40 urban leaders under age 40, in 2012.

Melissa Boteach is the Vice President of the Poverty to Prosperity Program at the Center and the Vice President of the Half in Ten Education Fund, where she oversees the Poverty team's policy development and advocacy initiatives. Previously, she worked as a senior policy associate and the poverty campaign coordinator at the Jewish Council for Public Affairs.

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