

Advancing Economic Development in Persistent-Poverty Communities

CASE STUDIES



South Phoenix, Arizona:
Poverty in the shadow of prosperity

Overview

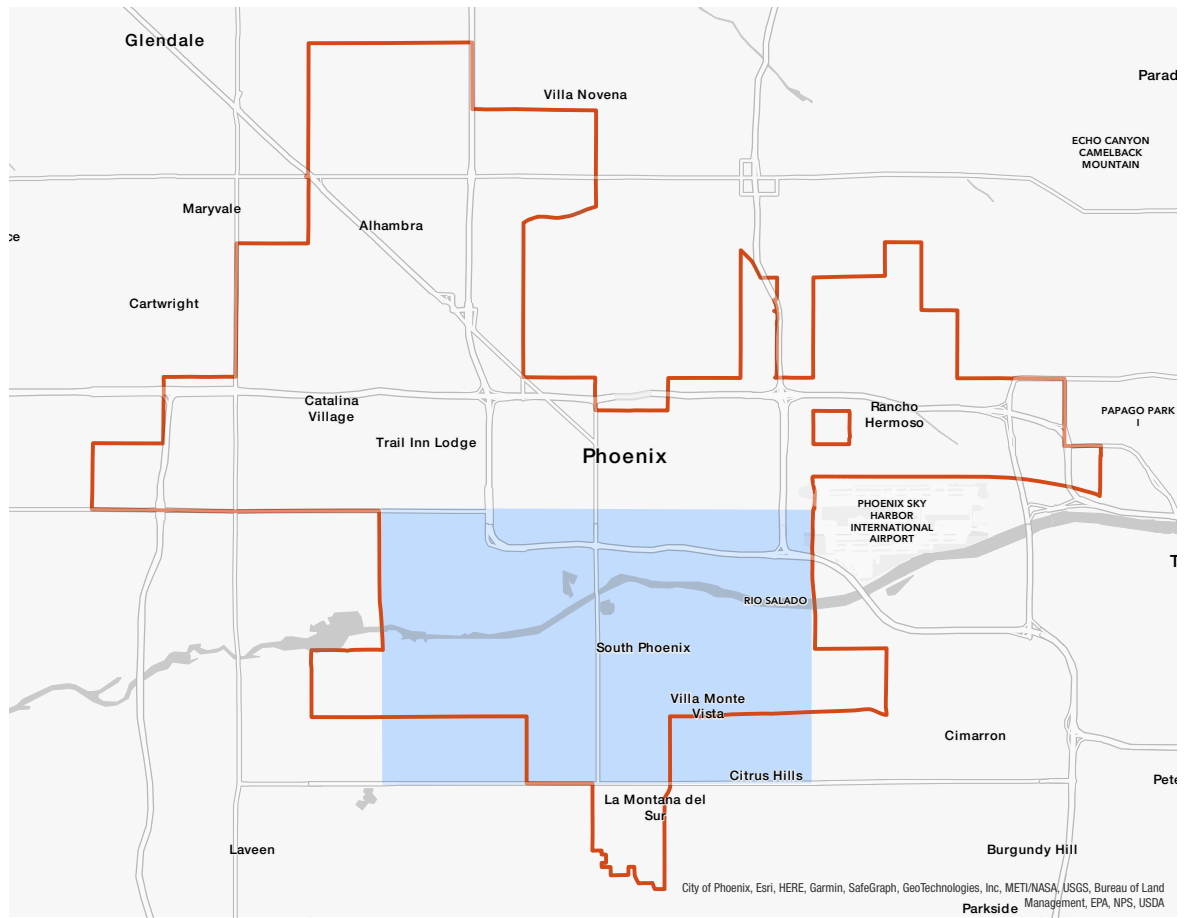
Phoenix is an example of how measuring persistent poverty at the county level can obscure communities that have been economically distressed for decades. Phoenix's persistent-poverty census tract group has a population comparable to major cities like St. Louis or Pittsburgh and stands in stark contrast to the city's robust economic growth and rapidly expanding population. The city's sprawling footprint and decentralized development has made it easy to ignore economically struggling areas close to the center in favor of new construction on the periphery. The city's socioeconomic divide is largely established between the neighborhoods north of downtown, which are generally home to a higher share of white residents and more affluent, and the neighborhoods to the south and west that have much higher minority shares (predominantly Hispanic) and tend to be lower income. As the city pushes for more infill development and an expansion of its transit system, many of these marginalized neighborhoods are now seen as desirable real estate, and there is a growing opportunity to reconnect them to the rest of the city.

While the transit expansion is a promising start to reconnecting Phoenix's persistent-poverty communities to the rest of the city, many other challenges need to be overcome as well. More affordable housing is badly needed throughout the city, especially in its persistent-poverty areas, which means the construction of denser, multi-family housing. A lack of basic infrastructure, such as sidewalks, bus shelters, and shade trees, hinder development in its poorer neighborhoods. Targeted programs to support struggling small businesses that capitalize on the success of programs already in place are also crucial for reducing poverty, especially after the negative impacts of the pandemic. Most importantly, there needs to be consistent engagement with community members to make sure they have a seat at the table in redevelopment conversations and play an active role in shaping the future of their community.

Geography and background

Phoenix's sprawling area of persistent poverty, with an overall poverty rate of 31 percent and covering 69 square miles, is home to 359,000 people—almost one-fifth of the city's total population of 1.7 million. For context, the Phoenix metropolitan area's population is 4.9 million. The persistent-poverty tract group covers the downtown core, many neighborhoods to the west, most of South Phoenix, and neighborhoods adjacent to the city's airport. Around one-third of the city's Black and Hispanic populations live in the census tracts that make up this group, while just 9 percent of its white population does. The group's average census tract is two-thirds Hispanic, more than twice that group's representation in the broader metropolitan area. One-quarter of all the Hispanic poor living in the Phoenix metropolitan area are concentrated here. This case study predominantly focuses on the area referred to as South Phoenix, highlighted on the map below, but the issues identified in that community are broadly applicable to low-income communities throughout the city and other urban Hispanic persistent-poverty groups.

Boundaries of the persistent-poverty tract group study area in South Phoenix



Persistent-poverty tract group boundaries
 South Phoenix study area

Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

In many respects, Phoenix’s spatial segregation by race, ethnicity, and income is similar to most other American cities. Its low-income populations, overwhelmingly communities of color, are concentrated in the urban core of the city, while its more affluent and white residents have spread to the periphery of the city and beyond into the far-reaching suburbs. However, a notable characteristic that distinguishes Phoenix from older American cities is how the geographic separation between a majority-minority urban center and sprawling majority-white suburbs was part of Phoenix’s development from its incorporation forward.¹ While more affluent residents in many other cities opted to live close to the center until they too were swept up in the country’s rapid suburbanization in the mid-20th century, Phoenix was always more decentralized, and its rapid expansion mostly occurred after the car became king, giving those with the means an easy way to take up residence farther out.

¹ Bolin, Bob, Sara Grineski and Timothy Collins. “The Geography of Despair: Environmental Racism and the Making of South Phoenix, Arizona, USA,” *Research in Human Ecology*, 2005.

This ever-present drive and opportunity to expand the city outward goes far to explain why the city's low-income residents were largely ignored throughout the city's history and are only now being given some attention.

Poverty in Phoenix has persisted the longest in South Phoenix, which has housed the city's minority residents for generations. Today, the area hosts a mixture of land uses that range from busy commercial corridors to contaminated industrial sites and historic residential areas. Downtown Phoenix is separated from South Phoenix by an east-west railroad, a demarcation that can be traced back to the 19th century, and the railroad's presence contributed to the industrial development still present today concentrated between the Salt River and downtown.² As the city's growth accelerated in the early 20th century, Mexican Americans, who were primarily relegated to agricultural and industrial work, were segregated on the south side of these rail tracks.³ Race restrictions against Black Americans, Hispanics, and Asians almost completely prevented people of color from purchasing property north of Van Buren Street, which bisects downtown Phoenix.⁴

Since the end of World War II, Phoenix and its surrounding metro area have seen continuous population growth. The city's footprint increased from 17 square miles in 1950 to 517 square miles today, a faster increase in land area than its increase in population, clear evidence of the urban sprawl that defines the city. Phoenix had just 107,000 residents in 1950, compared to 1.6 million today, with a 13 percent population increase just since 2010. By contrast, the total population of its persistent-poverty communities grew by a much slower 8 percent since 2010.

The construction of the I-10 and I-17 freeways in the 1970s and 1980s further partitioned the neighborhood and contributed to elevated air pollution levels.⁵ In the same time period, the entire Golden Gate Barrio neighborhood to the east of downtown was razed to make way for the expansion of the nearby airport,⁶ which resulted in the displacement of 5,000 Hispanic families who were pushed into neighborhoods like South Phoenix and Maryvale to the west of downtown.⁷

2 Bolin, Bob, Sara Grineski and Timothy Collins. "The Geography of Despair: Environmental Racism and the Making of South Phoenix, Arizona, USA," *Research in Human Ecology*, 2005.

3 Ibid.

4 City of Phoenix. "South Central Transit Oriented Development Community Plan," 2022.

5 Bolin, Bob, Sara Grineski and Edward J. Hackett. "Environmental Injustice in the Urban Southwest: A Case Study of Phoenix Arizona," *Design with the Desert*, 2013.

6 Barraza, Eduardo. "A Vanished Phoenix Barrio: Visions of Life on 16th St," *Barriozone*, 2004.

7 Taros, Megan. "With development plan, south Phoenix says it's time for rest of city to take notice," *AZ Central*, 2022.

Key metrics, South Phoenix and Phoenix Metro area

Indicator category	Indicator	South Phoenix	Phoenix Metro
Demographics	Total population, 2019	358,600	4,685,300
	White	17.8%	55.2%
	Black/African American	9.3%	5.2%
	Hispanic/Latino	66.6%	31.1%
	Native	2.2%	1.9%
	AAPI	2.4%	4.1%
	Foreign born	27.9%	14.4%
Poverty and income	Poverty rate	31.9%	12.7%
	Median household income	\$36,800	\$67,100
Housing	Housing cost burden	38.2%	24.3%
	Vacant housing	11.9%	13.2%
	Owner-occupied	38.1%	64.4%
Education	Adults with no high school diploma	34.7%	11.5%
	Adults with Associate's degree or higher	18.0%	40.0%
Employment	Prime-age adults not working	29.8%	22.4%
	"Good-paying" jobs per 1000 prime-age workers	1,688	897
	Establishment growth rate, 2010-2019	3.8%	20.3%
Occupation	Management, business, science, and arts	19.6%	37.8%
	Service	27.7%	18.0%
	Sales and office	21.4%	24.6%
	Natural resources, construction, and maintenance	14.2%	8.5%
	Production, transportation, and material moving	17.1%	11.1%

Source: EIG analysis of U.S. Census Bureau American Community Survey, Longitudinal Employer-Household Dynamics, and Business Patterns data.

Key challenges and barriers to revitalization

South Phoenix is sandwiched between the city's central business district to the north and an enclave of economically better-off neighborhoods abutting the sprawling South Mountain Preserve nature area to the south. Despite this advantageous location, adequate transportation options and significant commercial or housing development are lacking. A recent federally-funded study of transportation conditions in the community cited numerous challenges that have historically held back the region, including "land use industrialization, poor housing conditions, lack of infrastructure investments, and lack of access to health resources and opportunities."⁸

Housing is rapidly becoming more expensive

Phoenix's relative affordability, particularly in its housing market, has helped lure a steady influx of new residents to the region over the past several decades. But, as in many American cities, an affordability crisis is becoming a major concern, potentially threatening one of the city's primary economic advantages. Even with its steady population growth, Phoenix was able to position itself as a hub of affordability where home ownership was within reach for many Americans. Twenty years ago, the median household income for Phoenix's persistent-poverty communities was \$40,600, and the median home value was \$104,100 (inflation-adjusted to 2019 dollars), which made home ownership attainable for many low-income residents. In 2019, median household income stood at only \$36,800 while home values had increased to \$140,500. The last five years have seen steep increases in housing costs across the city's footprint: according to the Zillow Home Value Index, the value of a home citywide reached \$433,700 in mid-2022, about double what it was five years earlier. While the steepest uptick is likely driven by the pandemic housing market, continued rapid population growth seems to suggest that this problem will continue to grow as a concern for the city's residents, its most low-income in particular.

Home ownership rates are lower in South Phoenix compared to the rest of the metro area, however, and most residents are renters. The growing affordability crisis across housing types has been decades in the making, with one study finding that over the past 30 years Phoenix has produced just 220,000 new housing units despite seeing its population grow by 820,000.⁹ In metro Phoenix, which is among the top 10 metro areas facing the most severe affordable housing shortages, only 20 rentals are available for every 100 extremely low-income renters.¹⁰ Since 2019, the average rent in the Phoenix metro area has increased by a substantial 28 percent—the fifth highest rate nationwide—and is a significant burden for the residents of South Phoenix.¹¹ Conversations with representatives of local development organizations in mid-2022 brought to light a broad need for more affordable housing, but

8 City of Phoenix. "South Central Transit Oriented Development Project," 2021.

9 City of Phoenix. "Housing Plan," 2020.

10 Aurand, Andrew et al. "The Gap: A Shortage of Affordable Homes," National Low Income Housing Coalition, 2022.

11 Bhattarai, Abha, Chris Alcantara, and Andrew Van Dam. "Rents are rising everywhere. See how much prices are up in your area," The Washington Post, 2022.

its delivery has been slow in a state where the ability of cities to require low-income housing in developments is restricted. While housing development has boomed in many parts of the metro area, approved projects tend to cater to the higher end of the market.

While most residents are renters, there is a notable contingent of homeowners in the community. It is common for owner-occupied housing units to have been passed down generationally. This can result in issues related to maintenance and upkeep of the structures, since upgrades to housing stock often occur when they are sold on the market. The housing stock of South Phoenix was largely constructed in the three decades following World War II, consisting primarily of detached single-family homes, although there are sizable populations residing in multifamily and manufactured housing as well.¹² On average, 53 percent of the housing stock in South Phoenix was built before 1970, compared to 15 percent for the broader metro. These older units can be less energy-efficient, leading to elevated utility costs for occupants.

Small businesses struggle to survive

South Phoenix's predominantly Hispanic local business community has a suite of challenges that create barriers to success. Neighborhood advocates point to decades of disinvestment in the broader community that has failed to create conditions in which businesses can thrive, such as adequate lending services, a lack of political support, and an economically struggling customer base.

Small business owners in Phoenix's low-income communities, especially those who are Hispanic or Black, tend to mistrust large financial institutions and rely on less formal banking institutions. This mistrust is also the result of decades of difficulties procuring loans needed to expand operations. Some businesses operate without a checking account or any formal bank services and many lack any kind of online presence. As a result, predatory lending practices are a major concern in the community, taking advantage of borrowers who are desperate or unfamiliar with the financial system. There are few community banks, particularly when compared with other states, and, until very recently, none of the local ones were minority-owned or focused on minorities.

More recently, the ongoing light rail construction has created a new set of challenges for businesses located along the corridor by making it more difficult to find and physically access neighborhood businesses due to street closures and other disruptions. Even as the city and local organizations worked to mitigate these issues, the pandemic exacerbated the frail state of the community's small businesses and decreased patronage even further. Local economic development representatives cited a lack of adequate engagement from government officials.

12 City of Phoenix. "South Central Transit Oriented Development Community Plan," 2022.

Local First has had great success so far with its business incubator programs, Fuerza Local Business Accelerator and We Rise. These programs are designed to increase financial literacy and access to capital for Hispanic- and Black-owned businesses. They can serve as a model for more expansive incubator programs that can fit within a broader federal push to support a more inclusive entrepreneurship ecosystem.

Infrastructure impacts livability and connectivity

Infrastructure is one of the biggest challenges facing the community of South Phoenix. While the expansion of the city's light rail through the heart of the community will provide residents with a direct connection to downtown and neighboring areas, the city has been slow to address a lack of basic infrastructure across South Phoenix. Improvements to the existing transportation infrastructure are key, as the jobs of residents are not necessarily near their homes. There is an established system of bus routes, but local conversations indicate that the routes fail to efficiently connect residents in a timely manner with neighborhoods in other parts of the city they may need to go for work, or to obtain essential services such as groceries and healthcare.

Heat-related infrastructure is becoming increasingly essential in communities like South Phoenix, where residents are more likely to be reliant on public transportation or other means such as walking and biking. Many streets lack adequate sidewalks and shade trees are notably absent compared to more affluent neighborhoods. Bus stops also tend to be of inferior quality, and many do not provide any shade. Phoenix is increasingly feeling the impacts of climate change with severe heat waves now a common occurrence in the summer. There is a growing need for investment in economically distressed communities that are poorly prepared for the effects of climate change. An expanded federal role in increasing resilience in disadvantaged communities makes sense as climate change threatens the health and economic viability of residents.

Assets and opportunities

In many ways, South Phoenix should be considered prime real estate and facing intense development pressures. Proximity to downtown combined with large swaths of vacant or underutilized land are major selling points of the community. Geography aside, it is a culturally vibrant area with deep historical roots. The light rail may prove to be the catalyst for renewed investment in the community, although that will require careful follow through from a coalition of stakeholders to ensure that new development is both nurtured and designed to benefit the residents of South Phoenix.

Light rail may be a lifeline

When completed in 2024, the light rail extension through South Phoenix will make the central corridor of the community easily accessible from downtown Phoenix and beyond. There is substantial untapped potential for commercial and residential infill development along the line. Although the city's historic growth pattern has funneled investment into

areas north of downtown, there are reasons to be optimistic that this will change in the coming decade as leaders reconsider a sprawl-based approach to development.¹³ Despite this potential, new residents are not flocking to South Phoenix yet. Eighty-five percent of the city's population growth from 2010 to 2019 occurred outside of the study area.

Even as this consequential development promises to connect the neighborhood more closely with economic opportunities to its north, the risk of displacement and rising costs for residents is of the utmost concern. The potential for development spurred by the light rail line's construction is substantial: Phoenix's existing light rail line has led to \$11 billion in investment in the transit corridor since its construction in 2010.¹⁴ Most of the corridor is zoned for commercial use, but closer to downtown there are parcels zoned for industrial use and closer to South Mountain some parcels are zoned for multifamily housing. Whether or not there will be similar investment interest in the South Phoenix transit corridor is difficult to predict, especially since previous construction largely occurred in more economically successful communities. National research on the impacts of transit construction suggests that development will likely be spurred directly along the transit corridor, but that the impact may be more muted a few blocks from the corridor.¹⁵

The people and culture of South Phoenix make it unique

Chicano culture is a key part of the identity of many residents of South Phoenix, many of whom are descendants of some of the area's first Mexican settlers,¹⁶ and efforts should be made to preserve and celebrate this cultural heritage alongside economic growth. This can range from preservation of historic structures to anti-displacement policies that support families that have lived in the community for generations. Most importantly, the cultural heritage of South Phoenix can be an integral part of a "bottom up" approach to economic development that builds on existing local assets. Projects that celebrate and incorporate local culture can help give the community a unique sense of place.

New immigrants are also an important part of South Phoenix's identity. While many Hispanic residents in South Phoenix have lived in the community for generations, the immigrant share of its population is twice as high as the broader Phoenix metro. The average upward mobility score for the South Phoenix persistent-poverty group is lower than many other Hispanic urban groups, a reflection of the real strains that poverty places on individuals and families locally. Nonetheless, the appeal of the community to new immigrants should be seen as an asset and a sign of underlying vitality and population churn. With the place-based approach to economic development put forth in this report, it is important to not discount the economic potential of the people living in communities with diverse and

13 City of Phoenix. "Housing Plan," 2020.

14 Reagor, Catherine and Jessica Boehm, "Development around light rail has changed Phoenix, Tempe and Mesa," AZ Central, 2018.

15 Sukaryavichute, Elina et al. "Opportunities and challenges for small businesses in new transit neighborhoods: Understanding impacts through in-depth interview," Regional Science Policy and Practice, 2021.

16 Dean, David and Jean Reynolds. "Hispanic Historic Property Survey," City of Phoenix, 2006.

complex social fabrics like South Phoenix. Economic development efforts in South Phoenix should not treat the area as a blank slate, but instead should set out to create pathways to opportunity for residents.

Institutional network gives South Phoenix an edge

A significant benefit of South Phoenix being in a rapidly growing urban area next to a thriving downtown is the network of organizations working to ensure its success. Regionally, the Greater Phoenix Economic Council (GPEC) is the flagship economic development organization. It has traditionally focused on growing the regional economy and business attraction with notable successes including revitalizing Phoenix's downtown. It pivoted to business retention during the pandemic, which helped to support struggling small businesses in communities like South Phoenix. Going forward, it has the potential to play a key role connecting South Phoenix to opportunities in the broader region and directing regional investments into the community.

Among the community organizations directly working in South Phoenix, Chicanos Por La Causa (CPLC) is the largest, and also the largest CDFI operating in Phoenix. It has been in operation for 52 years and has expanded into multiple states, even though it still maintains its main offices in South Phoenix. After the City of Phoenix, it is the largest landholder in South Phoenix and well-positioned to shape future development there. Smaller organizations, such as Local First, Wildfire Arizona, and Tanner Community Development, also work to make improvements in the community and focus on a wide range of issues from increasing the stock of affordable housing to expanding employment opportunities.

Although the tireless work of these organizations is a boon for South Phoenix, a common theme in interviews with these organizations was a lack of coordination between different entities working in the community. It is easy for a well-intentioned community organization to become siloed when it is using limited resources to advance scoped programs. Even local governments tend not to cooperate very well on large projects. For example, Valley Metro, the region's transit authority, and the City of Phoenix conducted separate efforts to engage the South Phoenix community during the construction of the light rail. Representatives of different community development organizations in Phoenix also noted a lack of follow through on the part of the city as a common challenge for turning plans to action. This has its origins in longstanding frustrations with historic apathy on the part of the city and a lack of follow through on promises made. Better collaboration across the constellation of community organizations and local government entities would strengthen the South Phoenix community further.

Conclusion

Phoenix is an economically vibrant city that is embedded in one of the fastest-growing regions in the country. Unlike some cities, it cannot attribute its expansive area of persistent poverty to a struggling regional economy or steep depopulation. In other respects, however, it is not dissimilar from the country's legacy cities, many of which are also characterized by rapidly growing suburbs that surround a distressed urban core. In the case of Phoenix, the city itself has embraced a suburban growth mindset and historically has prioritized outward expansion over the challenging work of creating opportunities in its oldest neighborhoods. A more inclusive vision of the city's future requires that these "left behind" neighborhoods be connected to the prosperity of the broader region. As the city expands its light rail system into its most economically distressed neighborhoods, there is a once-in-a-generation opportunity to spur development. This development should not come at the cost of substantial displacement of low-income residents, however, and future investments in these communities should be mindful of the high risk of this occurring.