



## Charting a New Course in Portland

**Portland, Ore., threw away the old rulebook when it crafted its Economic Opportunity Initiative, focusing on helping low-income people in innovative ways. Could it inspire a new national anti-poverty strategy?**

**By Howard Cutler**

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*"What if traditional, place-bound, approaches to community economic development no longer worked? What if you took a city with established political leadership, a city department with a history of citizen participation, and a skilled staff who were empowered to think big and take risks to address the problem of poverty? In Portland, Ore., what you get is the Portland Economic Opportunity Initiative, one of three major campaigns to end homelessness and poverty in the city."*

**- From a 2006 program evaluation for the Northwest Area Foundation, a funder of Portland's Economic Opportunity Initiative.**

When I first started working for the City of Portland's community development (CD) office 20 years ago, the city was immersed in battling the ills that often accompany urban disinvestments: large swaths of vacant and abandoned buildings, crime, drugs, stagnant land valuations, and a lack of decent, affordable housing. Although the city was following an earnest plan of remedial actions, it took 10 years for the most blighted and dangerous neighborhoods to see any glimpse of a turn-around. And yet, by 2000, inner-city real estate was experiencing a frenzy of new investment, with runaway rents jeopardizing the wellbeing of long-time residents and merchants who did not own their premises.

In crafting a new city community-development strategy in 2003, CD staff was aware it was entering new territory: not only had poverty dispersed, but long-held assumptions about assisting impoverished communities had proved to be inaccurate. One assumption had been that a strong local economy and new job creation would allow low-income residents to grab onto the ladder of prosperity; in reality, few of the poor benefited from the economic

boom of the '90s.

Similarly, it was common wisdom that the thousands of affordable-housing units built in the 1990s by local community-development corporations with city funding would provide a lasting buffer against poverty for low-income residents. The numbers told a different story. In order to maximize unit production and financial leverage, city-funded affordable-housing projects proved to be too expensive for the very low-income populations most in need.

And finally, CD staff discovered that the new investment that the city had struggled for two decades to attain to eradicate blight made it impossible for many vulnerable long-term residents to stay in their neighborhoods. These residents, mostly low-income minorities, were displaced into the suburbs, separated from the social networks that had supported them. The adage "Be careful what you wish for" struck home.

Against this backdrop, the 2004 CD strategic plan called for the city to move away from its historic focus on revitalizing decrepit places, and instead fund programs that served people in need, regardless of where they lived. Moreover, the 2004 plan stated that almost all CD funds would be targeted to benefit the city's most vulnerable residents - those with incomes in the bottom quarter of all local households.

This change in direction was unusual for a couple of reasons. First, it used traditional funding in a novel way. The Community Development Block Grant (CDBG) had not been developed as a poverty-reduction tool, and its regulations put technical hurdles in the way of such efforts. Second, it directed funding to serve a narrow group. HUD regulations give jurisdictions the flexibility to use CDBG funds to benefit residents with incomes up to 80 percent of the median family income for the area, and most political leadership tries to spread out their allocations to benefit multiple constituencies. Portland, instead, deliberately opted to make a bigger impact on a smaller

population, one with little political clout.

### **Crafting an Initiative to Increase Incomes**

Inexperienced in poverty reduction, the city's community economic development staff initially, and naively, believed it would find a program with a proven track record of increasing incomes and simply replicate it in Portland. Instead, it found projects that had succeeded with one population or another, but these were all isolated efforts. Staff found no systemic program operating on a citywide scale anywhere.

One treasure chest the staff did find, however, was a set of program characteristics that were common to the most successful projects. Surprisingly, these characteristics were present in workforce development projects (supporting the training, placement, and retention of clients in new employment opportunities); microenterprise assistance projects (supporting the ownership and operation of a business with five or fewer employees); and asset-building projects (initiatives increasing the assets of participants, such as matched-savings programs also known as individual development accounts). These common characteristics included: focusing on a small group of disadvantaged people who share a common bond, developing a project design around the strengths of that particular group, and maximizing peer support within it; offering a comprehensive set of support services to each participant; emphasizing the development of strong, long-term mentor/coaching relationships; and workforce projects, involving employers early in the design of the program and curriculum. The best projects also benefited from ongoing quantitative and qualitative evaluations.

CD staff chose a Request for Proposals (RFP) to community-based nonprofits as the method to implement its new citywide system for increasing incomes and to spread the idea that building on the skills of targeted low-income populations can be an effective poverty-

reduction strategy. The RFP invited respondents to demonstrate they could be effective at significantly increasing the incomes of their core populations with projects that would incorporate the best practices found common to successful projects. Responses came in from a wide range of nonprofit groups including community development corporations, agencies working to assist vulnerable populations such as the homeless and mentally ill, alternative high schools focused on at-risk youth, workforce development training organizations, microenterprise assistance entities, social service agencies, and a variety of population-focused advocacy organizations.

### **The Economic Opportunity Initiative Today**

In operation since September 2004 and after two RFP rounds, the initiative now annually contracts a total of \$3.8 million to 31 community-based projects - 23 in the workforce development field, eight in microenterprise - for three years' worth of assistance to the current total of 1,400 active participants. Seventy-five percent of these participants had incomes at or below 30 percent MFI at enrollment, which translates to their living below the federal poverty line.

To determine whether the projects under contract have successfully met their goals, each participant's income is tracked for three years. Interim results are encouraging. Of the workforce participants who've received two years of assistance, more than two-thirds have increased their incomes by 25 percent or more, with the average annual income increase being \$15,000. Additionally, 268 participants now have employer-provided health insurance for the first time.

Meanwhile, the average increase in gross revenue is \$68,000 for microenterprise participants who operated existing businesses at enrollment and received two years' worth of assistance; this is an average increase of almost 200 percent. For start-ups, the average new

revenue after two years is \$39,200.

Because there have been more program dropouts than anticipated, projects have revamped both their pre-screening and retention activities. For participants remaining in the program, however, many are far surpassing the city's minimum three-year goal of attaining a 25-percent income increase. Based on the data above, it wouldn't be surprising if the average income increase is closer to 40 percent for workforce participants, and 250 percent for microentrepreneurs.

One initiative asset that had not been completely foreseen in 2004 has been the breadth and depth of ancillary funding and services leveraged or made available to specific participant groups or projects. Partner agencies - impressed by the breadth of population participants, the intensive assistance that participants receive, and the increased capabilities that projects gain by being part of this system - state that their services will have a better chance of making a difference in people's lives when attached to the initiative. Among the benefits contributed so far are: pro-bono health care for participants who were homeless; pro-bono legal assistance; below-market-rate loans and free banking services for initiative microentrepreneurs; individual development accounts (IDAs) for all participants; Temporary Assistance for Needy Families (TANF) assistance extensions for initiative participants; and opportunities for credit-repair assistance and cleaning up traffic and petty crime records for those in need. The value of these leveraged benefits exceeds \$2.5 million.

Because of these positive results, the Northwest Area Foundation has contracted with the City of Portland to provide technical assistance to communities in Minnesota that are interested in replicating part or all of the initiative. Currently, Duluth appears on track to start a similar program in the spring of 2008.

### **In Sync with National Trends**

When the city started crafting the initiative in 2003, John Edwards was campaigning for the Democratic Party's presidential nomination using income inequality as a core issue. This national problem didn't have much traction with voters, however, and was absent from his stump speech when he ran as John Kerry's vice presidential running mate. Four years later, however, Edwards and his leading Democratic rivals Hillary Clinton and Barack Obama all spotlight anti-poverty and prosperity proposals.

A favorable sign that this attention to poverty is not solely an election-cycle occurrence is the work underway by several national think tanks, nonprofits, progressive magazines, and trade associations. Foremost among them is a set of proposals intended to cut poverty in half in 10 years advocated by the [Center for American Progress](#), [PolicyLink](#), [Catholic Charities](#), and [The American Prospect](#) magazine. The [Economic Policy Institute](#), meanwhile, advocates for its "Agenda for A Shared Prosperity"; [Sojourners](#) magazine calls its proposal "From Poverty to Opportunity: A Covenant for a New America"; and the U.S. Conference of Mayors recently issued a report titled "Repairing the Economic Ladder."

These proposals share several common elements: education improvements (early childhood, lifelong skills training, and affordable college); employment improvements (transitional jobs for those in poverty, unionization, living wages, and connecting the poor with growth sectors of the economy); income enhancements (such as [increasing the Earned Income Tax Credit](#)); affordable health care; and increasing the supply of affordable housing.

If polling is any indication, public support for significant change on behalf of our disadvantaged populations is growing. A Zogby International survey in June, for instance, found that 55 percent of respondents disagree with the statement that "Most people are poor because they make bad decisions," and 80 percent agree with the statement that "Most

people are poor because their jobs don't pay enough, they lack good health care and education, and things cost too much for them to save and move ahead." And in a poll by the Pew Research Center for the People and the Press, 54 percent of respondents now agree that government should do more to help the needy, while 69 percent agree that government should guarantee food and shelter to all Americans. Such support for assisting vulnerable populations hasn't been seen for more than 25 years.

### **In the Vanguard, but with Limitations**

A review of Web sites that link to the calls-to-action of progressive think tanks and the anti-poverty strategies of various cities (see "[Resources](#)") suggests that Portland's operational initiative is a leader in poverty reduction. First, it is unique because of its core reliance on CDBG funding, and second, it is part of a new vanguard characterized by concentrating sufficient resources to truly make an impact, mandating the use of a best-practice protocol, and having the ability to measure its long-term results.

Nevertheless, the initiative is limited financially and structurally. Even if each year 450-500 low-income residents successfully increase their incomes after three years of assistance, as they are now on track to do, over the next 10 years the initiative at current funding levels will directly benefit just 12-13 percent of the city's working-age poor population.

Structurally, the initiative arose in the community development arena and remains in that silo. It would be even more effective as an element of a coordinated constellation of local efforts that included the mental-health, education, economic-development, and safety-net systems, among others. But Portland, like all arenas of community-building, is plagued by the ramifications of silo funding that arise around such divisions. No matter how intertwined various systems' populations and

goals may be, coordination and collaboration among them suffer as each struggles to meet its own particular goals, resisting any changes - or improvements - along the way. Exacerbating this dilemma is that the outcome measures of the various silos rarely line up neatly with one another.

To make significant progress against poverty in Portland, then, several things must happen. First, the initiative must increase its scale. Second, the other local systems that influence poverty must agree to sharpen their focus on poverty reduction and integrate their work more collaboratively with one another. Finally, the federal government must step up to the plate and implement many of the education, employment, health-care, housing, and income-enhancement proposals being advocated by progressive think tanks and others.

One of the Portland initiative's best practices is to strive for a comprehensive set of support services for people battling their way out of poverty. The lessons from Portland for the rest of the country are clear: Only through a comprehensive, sufficiently funded, national anti-poverty effort that works at both the local and federal levels can we succeed in overcoming this enduring disgrace.

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## Resources

Portland Bureau of Housing and Community Development  
[www.nhi.org/go/portlandonline](http://www.nhi.org/go/portlandonline)

NW Area Foundation  
[www.nhi.org/go/nwaf](http://www.nhi.org/go/nwaf)

Center for American Progress's "From Poverty

to Prosperity” report  
[www.nhi.org/go/americanprogress](http://www.nhi.org/go/americanprogress)

CLASP’s “Targeting Poverty” report  
[www.nhi.org/go/targetingpoverty](http://www.nhi.org/go/targetingpoverty)

Savannah’s Step Up program  
[www.nhi.org/go/blogsavannah](http://www.nhi.org/go/blogsavannah)

Economic Policy Institute’s “Shared Prosperity Agenda”  
[www.nhi.org/go/shared](http://www.nhi.org/go/shared)

NYC’s “Increasing Opportunity and Reducing Poverty” report  
[www.nhi.org/go/ceoreport](http://www.nhi.org/go/ceoreport)

PolicyLink’s “An End to Poverty” statement  
[www.nhi.org/go/policymatters](http://www.nhi.org/go/policymatters)

San Francisco’s Communities of Opportunities Initiative  
[www.nhi.org/go/sfgov](http://www.nhi.org/go/sfgov)

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## Snapshots of Some Initiative Successes

A mother of two young children, **Maria** started babysitting to supplement her family’s income. Even though she worked hard, she barely made any money until joining a Latina support group of the Child Care Improvement Project. There she received instruction in business skills, signing contracts with parents, licensing, tax preparation, and creating policies. Today her business operations are a model for newer members, and her increased income has made it possible for her to buy her first home.

A father of four children, **Nathan** hadn’t worked in two years until he joined the Workforce Housing Alliance program. There his personal advocate

identified Nathan's skill set, tutored him on searching for the right job and on how to interview, and provided child care and transportation-support services when needed. Today, Nathan proudly manages the inventory section of the light industrial company that employs him.

**Christie**, a troubled teen who worked at minimum-wage jobs to support herself while attending alternative school, was having trouble making ends meet. She joined the Corporate Connections program, which trained her in basic office skills and corporate etiquette before placing her in a law office. She is now earning a living wage as a receptionist and is about to start paralegal studies that will be paid for by her employer.

After dealing with exposure to toxic chemicals and bankruptcy from medical bills, **Jennie** - a sculptor by training - appeared an unlikely prospect for success as a microentrepreneur until she started working with the [Oregon Association of Minority Entrepreneurs](#) and [Mercy Corps NW](#). They provided her business mentoring, training in marketing, and financial assistance to start a floral design and florist business. After some initial struggles, Jennie's business is significantly exceeding growth projections and will soon move into a much larger retail space.

**Darrell** was unemployed, living on the streets or with friends, in a court-mandated substance-abuse program, and had a criminal background when he joined [Central City Concern](#)'s Access to Business Trades and Customer Service Occupations (ABTCSO) program in April 2006. After a year of intensive life-skills training and participation in a pre-apprenticeship carpentry program, Darrell started work in an entry-level position making \$13.45 an hour plus benefits, moved into his own apartment, and - supported by ABTCSO staff - was able to complete the substance-abuse program, which resulted in his drug

charges being expunged.

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