

## Measuring Poverty

Poverty is generally described as individuals and families with incomes below a threshold defined annually by the federal government. In 2014, this threshold was \$24,230 for a family of four.

This report, however, uses 185% of the federal poverty level (\$44,826 for a family of four in 2014) as the threshold for identifying concentrated poverty. There are several reasons for this decision:

- The median income in the Twin Cities region is relatively high compared with other metro areas in the U.S. Many residents have incomes between 100% and 185% of the federal poverty threshold. We chose to include these lower-income residents living in the Twin Cities region.
- Many federal assistance programs consider residents with family incomes less than 185% of the federal poverty threshold eligible for financial assistance.

## About us

The Regional Policy and Research team at Metropolitan Council wrote this issue of *MetroStats*. We serve the Twin Cities region—and your community—by providing technical assistance, by offering data and reports about demographic trends and development patterns, and by exploring regional issues that matter.

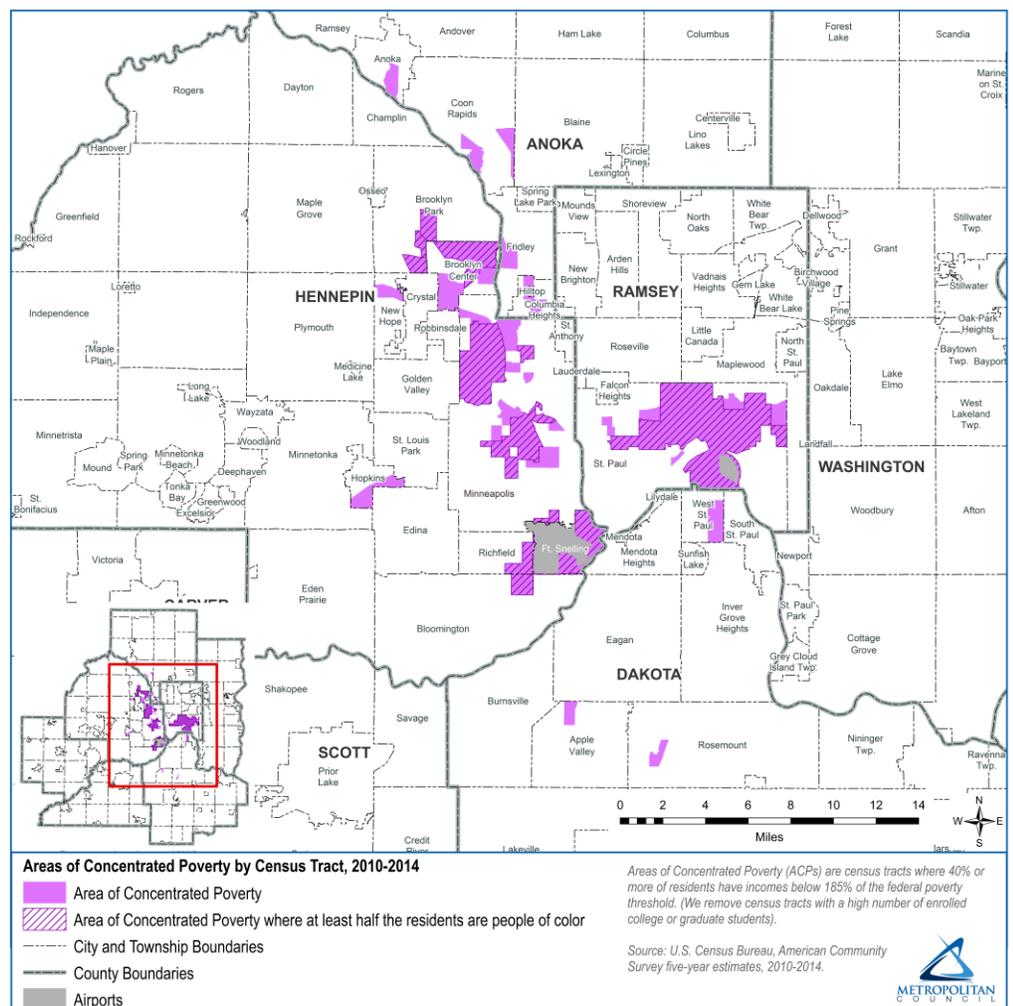
For more information, please contact us at [research@metc.state.mn.us](mailto:research@metc.state.mn.us).

Areas of Concentrated Poverty datasets are available at Minnesota Geospatial Commons: <http://gisdata.mn.gov>

## Key findings

- With the U.S. Census Bureau's release of new American Community Survey data, we now have two distinct datasets covering the post-2000 period. Areas of Concentrated Poverty—that is, census tracts where at least 40% of residents live in poverty—have grown steadily since 2000, especially in the region's suburbs.
- Data from 2010-2014 show 13% of the region's total population live in an Area of Concentrated Poverty, almost double the share in 2000 (7%).
- Residents of color continue to be overrepresented in the region's Areas of Concentrated Poverty. Eighty of the 112 Areas of Concentrated Poverty are majority people of color.

Figure 1. Areas of Concentrated Poverty in the Twin Cities region, 2010-2014



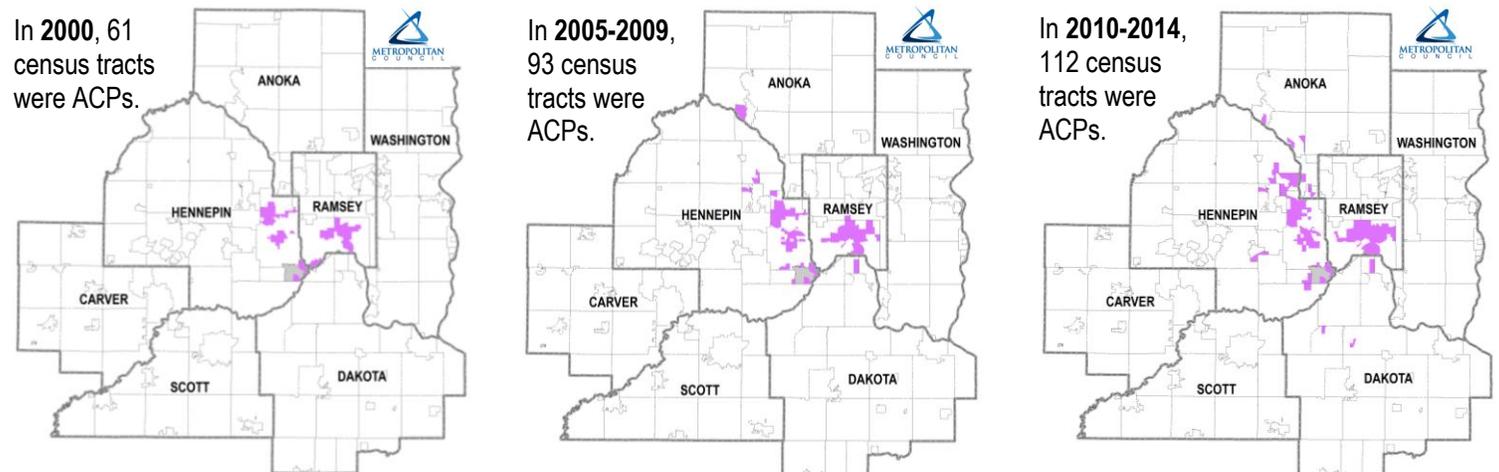
The Twin Cities region is among the most prosperous regions in the U.S.—overall, our unemployment rate, home affordability and per capita income rank favorably compared with the 25 largest metropolitan areas ([pdf](#)). Even with these assets, the presence and growth of poverty across the region may undermine our economic competitiveness and prosperity. Since 2000, poverty rates in the region’s suburban and rural areas grew considerably. Further, poverty is increasingly concentrated in geographic pockets in our cities and suburbs alike. In particular, Areas of Concentrated Poverty may have an overarching impact on their residents such as reducing potential economic mobility and negatively affecting their overall health and well-being. Further, our region’s residents of color are more likely to live in the region’s Areas of Concentrated Poverty, which increases their exposure to the harms of concentrated poverty.<sup>i</sup> As concentrated poverty expands, a greater share of residents may have limited access to the full range of opportunities available in the Twin Cities region.

The U.S. Census Bureau recently released a new American Community Survey (ACS) dataset that covers the 2010-2014 period. For the first time, we can compare two American Community Survey datasets that do not overlap in time. While it may be tempting to think of the 2005-2009 American Community Survey data as “the recession years” versus the 2010-2014 dataset, or “post-recession” period, the trends—especially concerning income and poverty—are not that straightforward.<sup>ii</sup> However, the data do allow us to be more refined in our analyses of Areas of Concentrated Poverty, looking at changes in successive five-year periods, rather than in decades.

### After 2000 Areas of Concentrated Poverty expanded steadily, especially in the region’s suburbs

Areas of Concentrated Poverty (ACP) are census tracts where 40% or more of the residents live with incomes below 185% of the federal poverty threshold. (We remove census tracts that met this poverty threshold but had a high number of enrolled college or graduate students.) Figure 2 shows Areas of Concentrated Poverty in 2000, 2005-2009 and 2010-2014.

Figure 2. Areas of Concentrated Poverty in the Twin Cities region in 2000, 2005-2009 and 2010-2014



Source: U.S. Census Bureau, Decennial Census, 2000; U.S. Census Bureau, American Community Survey 5-year estimates, 2005-2009 and 2010-2014.

Since 2000, both the number of census tracts and the geographic spread of Areas of Concentrated Poverty has increased. In 2000, all but one of the region’s Areas of Concentrated Poverty were located in Minneapolis and Saint Paul. By 2010-2014, 16 cities had at least one Area of Concentrated Poverty. While the majority of Areas of Concentrated Poverty remained in Minneapolis and Saint Paul in both 2005-2009 and 2010-2014, the number of Areas of Concentrated Poverty in the region’s suburbs grew considerably. Between 2005-2009 and 2010-2014, Minneapolis and Saint Paul had a net gain of four Areas of Concentrated Poverty, bringing their combined total from 85 to 89.<sup>iii</sup> There are now cities with a large share of residents who are living in Areas of Concentrated

Poverty. For example, in 2010-2014, 56% of Brooklyn Center residents lived in an Area of Concentrated Poverty, as did almost half (48%) of residents in Saint Paul, and over a third (38%) of Minneapolis' residents. At the same time, the number of Areas of Concentrated Poverty outside of the central cities went from eight to 23, a considerable expansion.

As the number of Areas of Concentrated Poverty increased between 2000, 2005-2009 and 2010-2014, so did the share of the region's population living in Areas of Concentrated Poverty. One in every 14 residents (7%) lived in an Area of Concentrated Poverty in 2000. By 2010-2014, the share had nearly doubled to 13%.

### The majority of the region showed little change or higher poverty rates post-2000

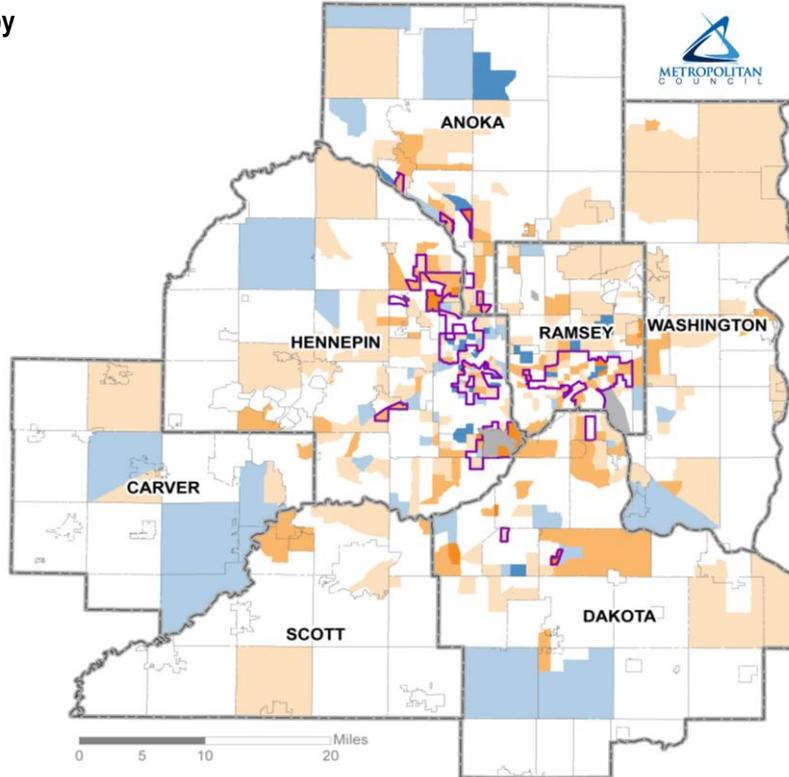
Our previous report on poverty trends describes the dramatic changes in landscape of poverty across the Twin Cities region between 2000 and 2009-2013 ([pdf](#)). Namely, 1) poverty made a significant shift toward the suburbs and, 2) poverty deepened in areas across the region. Now, we can take a closer look at the changes in poverty rate post-2000, specifically, the change in poverty rates by census tract between 2005-2009 and 2010-2014.

The poverty rate in the Twin Cities region as a whole increased from 19% in 2005-2009 to 23% in 2010-2014. At smaller geographic levels, this upward trend was not universal: over half (55%) of the census tracts in the region experienced little change in their poverty rate (Figure 3). The poverty rate did rise in 36% of the region's census tracts but also decreased in the remaining 9%. Even among Areas of Concentrated Poverty, 13 census tracts saw declines in poverty rates during this time period. Because Areas of Concentrated Poverty began with higher poverty rates in 2005-2009, these decreases were not enough for them to fall below the 40% threshold. It may suggest, however, an improved trajectory for some Areas of Concentrated Poverty going forward.

Figure 3. Change in poverty rates between 2005-2009 and 2010-2014 by census tract

#### Change in poverty rates by percentage points

Increase of 20 or more percentage points
Increase of 10 to 19 percentage points
Increase of 5 to 9 percentage points
Increase or decrease of less than 5 percentage points
Decrease of 5 to 9 percentage points
Decrease of 10 or more percentage points
Data unavailable
Area of Concentrated Poverty, 2010-2014



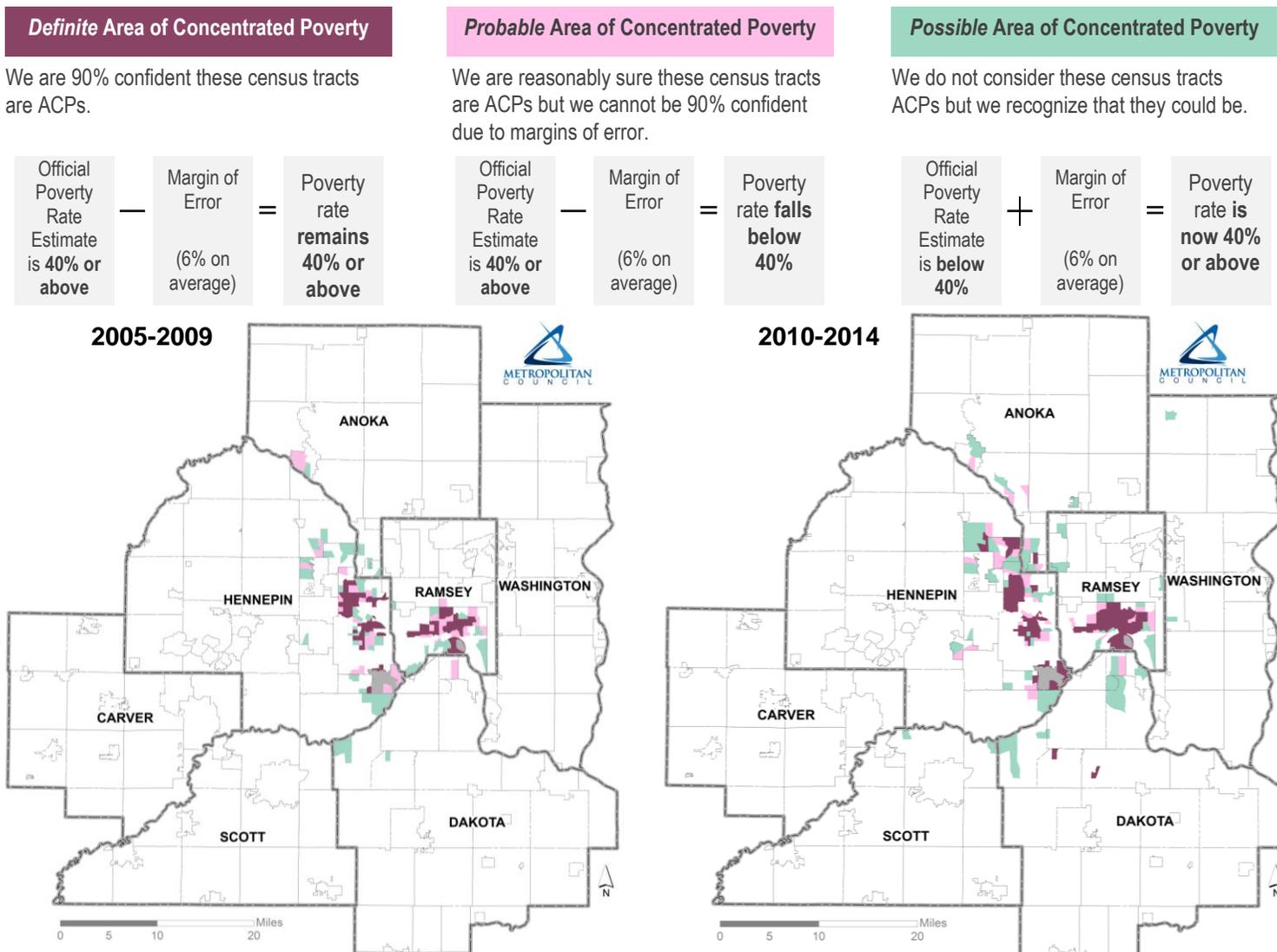
Source: U.S. Census Bureau, American Community Survey 5-year estimates, 2005-2009 and 2010-2014. Note: Some census tract boundaries changed between these two datasets. When that occurred, we converted 2005-2009 to 2010-2014 boundaries. While we did not examine the statistical significance of all changes in poverty rates, changes of less than 10 percentage points are unlikely to be statistically meaningful.

## Once poverty becomes concentrated, it appears less likely to fall

Areas of Concentrated Poverty are based on a statistical spectrum. Figure 4 demonstrates how the interplay between the American Community Survey’s official poverty rate estimate and its margin of error can affect whether a census tract meets the 40% threshold used to distinguish Areas of Concentrated Poverty. We group *definite* and *probable* Areas of Concentrated Poverty because the official poverty rate estimates in the ACS data are 40% or above only in these two groups. *Possible* Areas of Concentrated Poverty have official poverty rate estimates below 40%, yet with the margin of error added, the estimate falls above the threshold.<sup>iv</sup>

In 2005-2009, 93 census tracts were identified as Areas of Concentrated Poverty, and an additional 41 tracts were flagged as ‘possible’ Areas of Concentrated Poverty. Of those 134 census tracts, only 15 do not appear in the 2010-2014 map as either a possible or official Area of Concentrated Poverty. All but two ‘definite’ and ‘probable’ Areas of Concentrated Poverty in 2005-2009 remained at their current definition or moved to a higher level of classification in 2010-2014. In other words, once a census tract approached the 40% poverty threshold (‘possible’) in 2005-2009, few tracts veered away from a similar or stronger category in 2010-2014.

Figure 4. Calculating Areas of Concentrated Poverty (ACPs) using American Community Survey data



Source: U.S. Census Bureau, American Community Survey 5-year estimates, 2005-2009 and 2010-2014.

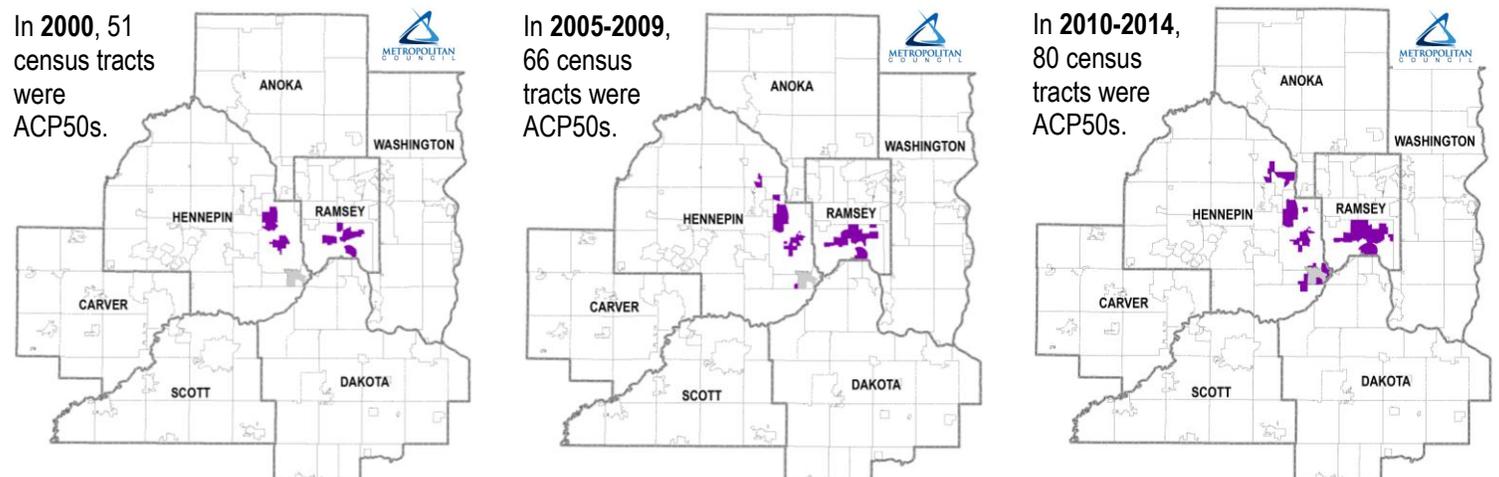
## Areas of concentrated poverty where at least half the residents are people of color also expanded

People of color are more likely to live in Areas of Concentrated Poverty than white residents.<sup>v</sup> In 2000, about one in four (27%) residents of color lived in an Area of Concentrated Poverty compared with only one in 40 white, non-Latino residents. As a result, a substantial number of these census tracts are also places where the majority of residents are people of color. We refer to this specific subset of Areas of Concentrated Poverty as Areas of Concentrated Poverty where at least half the residents are people of color. In 2010-2014, 80 of the 112 census tracts identified as Areas of Concentrated Poverty are majority people of color.

Figure 5 shows Areas of Concentrated Poverty where at least half the residents are people of color in the Twin Cities region in 2000, 2005-2009 and 2010-2014. Like Areas of Concentrated Poverty overall, the number of Areas of Concentrated Poverty with at least half their residents being people of color increased with each data update. Unlike other Areas of Concentrated Poverty, those with a majority of residents of color are not as responsive to economic conditions: our previous work has shown that race plays a role beyond income alone in perpetuating the region's Areas of Concentrated Poverty.<sup>vi</sup>

Areas of Concentrated Poverty where at least half the residents are people of color are more likely than majority-white Areas of Concentrated Poverty to expand in a contiguous manner with fewer isolated tracts. In 2010-2014, seven communities in the Twin Cities region had an Area of Concentrated Poverty where at least half the residents are people of color.

Figure 5. Areas of Concentrated Poverty where at least half the residents are people of color (ACP50s) in 2000, 2005-2009 and 2010-2014



Source: U.S. Census Bureau, Decennial Census, 2000; U.S. Census Bureau, American Community Survey 5-year estimates, 2005-2009 and 2010-2014.

## How Areas of Concentrated Poverty are like—and unlike—other places

Certainly, people- and place-based diversity exists within and across the region's Areas of Concentrated Poverty and Areas of Concentrated Poverty where at least half the residents are people of color. However, we summarize select demographic and housing characteristics for these Areas of Concentrated Poverty in Figure 6 to reveal some high-level ways Areas of Concentrated Poverty are similar to—and different from—the Twin Cities region overall.

Figure 6. Select characteristics of residents and housing, 2010-2014

	Areas of Concentrated Poverty where at least half of residents are people of color	All Areas of Concentrated Poverty	Twin Cities region
<b>Total population</b>	<b>278,035</b>	<b>379,461</b>	<b>2,920,637</b>
<b>Age (all residents)</b>			
Under age 18	31%	28%	24%
65 and older	7%	8%	12%
Born outside the U.S. (all residents)	27%	23%	11%
Language other than English spoken at home (age 5+)	40%	35%	13%
<b>Residence a year ago (age 1+)</b>			
Same house	76%	76%	85%
Lived elsewhere in Minnesota	20%	20%	12%
Lived elsewhere in U.S. or abroad	4%	4%	3%
<b>Education (age 25+)</b>			
Less than high school	24%	21%	7%
High school diploma/GED and some college	56%	56%	52%
Bachelor's degree or higher	20%	23%	41%
Employment rate (civilians age 16-64 in labor force)	86%	87%	93%
<b>Household income</b>			
Under \$45,000	62%	60%	33%
\$45,000-\$74,999	20%	20%	21%
\$75,000 and above	18%	20%	46%
Residents in poverty	159,920	204,614	654,581
<b>Tenure (all housing units)</b>			
Owners	35%	36%	65%
Renters	57%	56%	30%
Vacant units	8%	8%	5%
<b>Average monthly rent (renter households)</b>	<b>\$803</b>	<b>\$822</b>	<b>\$998</b>
<b>Housing cost burden (30%+ of monthly income)</b>	<b>49%</b>	<b>48%</b>	<b>32%</b>
<b>Housing types (all housing units)</b>			
Single family detached	42%	40%	59%
Multifamily (5+ units)	36%	40%	24%
Townhome, duplex, triplex	21%	19%	16%
Manufactured homes and others	<0.5%	1%	1%
<b>Year housing built (all units)</b>			
Before 1940	37%	35%	15%
Between 1940-1979	44%	45%	41%
Between 1980-1999	11%	12%	29%
2000 or later	8%	8%	14%

Source: U.S. Census Bureau, American Community Survey 5-year estimates, 2010-2014.

The age profile and employment rate of Areas of Concentrated Poverty and Areas of Concentrated Poverty where at least half of residents are people of color do not differ greatly from the Twin Cities region (Figure 6). In contrast, the homeownership rate, high school graduation rate, the share of those speaking English at home, and housing stock of Areas of Concentrated Poverty (both types) are quite different from the region.

Residents in Areas of Concentrated Poverty (both types) are three times more likely to lack a high school diploma or GED (differences at higher education levels are less pronounced). The data indicate a larger immigrant presence in ACPs: the share of residents born outside the U.S. is double that of the region's, and a greater share of residents speak a language other than English at home.

Areas of Concentrated Poverty are not simply census tracts—they are neighborhoods with unique histories and built environments that people call home. The fact that many residents living in Areas of Concentrated Poverty are low-income does not diminish the vibrancy or strength of these communities. Nonetheless, Areas of Concentrated Poverty are different from other places. Research consistently links high-poverty places to negative effects on people's physical and mental health. Studies also find living in high-poverty neighborhoods reduces the cognitive abilities of children, making them more likely to have lower incomes as adults than their parents, and more likely to live in poverty across generations.<sup>vii</sup> For these reasons, Areas of Concentrated Poverty remain a concern. We promote a balanced approach that creates housing options that give people of all economic means choices for safe, stable and affordable homes; that invests in Areas of Concentrated Poverty and their residents; and that improves how residents of Areas of Concentrated Poverty connect to opportunity.

That residents of color are more likely to live in the region's Areas of Concentrated Poverty is especially disconcerting given forthcoming trends: our recent regional forecast ([pdf](#)) indicates the number of residents of color will grow from 24% of the region's population in 2010 to 41% by 2040. For our region to continue to thrive over the coming decades, we need all of our region's residents—especially our residents of color who are driving workforce growth—to participate in and contribute to opportunity and prosperity.

<sup>i</sup> For a detailed discussion, see [Choice, Place and Opportunity: An Equity Assessment of the Twin Cities Region](#) (Metropolitan Council, March 2014).

<sup>ii</sup> While the Great Recession technically ended in mid-2009 (according to the National Bureau of Economic Research), the slow recovery has meant that its worst effects were felt afterward. The poverty rate for the Twin Cities region was actually higher during the 2010-2014 period (22.8%) than in the 2005-2009 period (19.3%), mirroring the national trend.

<sup>iii</sup> Though Areas of Concentrated Poverty grew considerably in the region's suburbs, there are now cities with a large share of residents who are living in Areas of Concentrated Poverty. For example, in 2010-2014, 56% of Brooklyn Center residents lived in an Area of Concentrated Poverty, as did almost half (48%) of residents in Saint Paul, and over a third (38%) of Minneapolis' residents.

<sup>iv</sup> We identify Areas of Concentrated Poverty using the U.S. Census Bureau's American Community Survey (ACS). To calculate poverty rates and other demographic data at the census tract level, the Census Bureau combines five years of survey results. Generally, census tracts have about 4,000 residents and about 1,600 households. Even after consolidating five years of survey responses, the Census Bureau is estimating demographic characteristics on the basis of responses from a few hundred households. To recognize this, the Census Bureau provides a margin of error for each estimate within a census tract. For example, a census tract has a poverty rate of 33.8%, plus or minus 7.1%. In lay terms, there is a 10% chance the actual poverty rate falls outside this likely range—in this example, between 26.7% and 40.9%.

<sup>v</sup> For a detailed discussion, see [Choice, Place and Opportunity: An Equity Assessment of the Twin Cities Region](#) (Metropolitan Council, March 2014).

<sup>vi</sup> Ibid.

<sup>vii</sup> See, for instance, Raj Chetty and Nathaniel Hendren's national research at <http://www.equality-of-opportunity.org>.