



# CHOICE, PLACE AND OPPORTUNITY: AN EQUITY ASSESSMENT OF THE TWIN CITIES REGION

## EXECUTIVE SUMMARY



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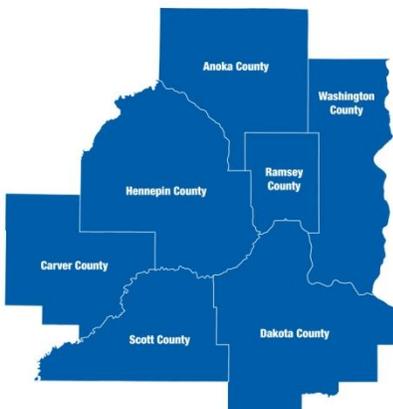
March 2014

# The Council's mission is to foster efficient and economic growth for a prosperous metropolitan region.

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The Metropolitan Council is the regional planning organization for the seven-county Twin Cities area. The Council operates the regional bus and rail system, collects and treats wastewater, coordinates regional water resources, plans and helps fund regional parks, and administers federal funds that provide housing opportunities for low- and moderate-income individuals and families. The 17-member Council board is appointed by and serves at the pleasure of the governor.

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## About this summary

In 2010, the Metropolitan Council was awarded a three-year \$5 million dollar Sustainable Communities Regional Planning Grant by the U.S. Department of Housing and Urban Development (HUD). Because equity and access are critical underpinnings of the Sustainable Communities program, HUD required each grantee to complete a Fair Housing and Equity Assessment (FHEA). A Fair Housing and Equity Assessment involves analyses of a region's racial and ethnic diversity, identifying Racially Concentrated Areas of Poverty (RCAPs) and High Opportunity areas, describing public investments and policies as well as the jurisdiction's fair housing landscape. This information, gathered through both community engagement and secondary data sources, provides a full picture of regional equity and access to opportunity. An FHEA also outlines how the resulting process and final product (i.e., the full report) will inform key public policies, such as regional planning.

The Council began work on its FHEA, titled *Choice, Place and Opportunity: An Equity Assessment of the Twin Cities Region*, in early 2012. Council staff consulted with external stakeholders (the FHEA Data and Mapping Team), engaged with community members (roundtable discussions in 2012 and 2013) and released two draft versions for public comment. In addition, the themes from the FHEA process infused the *Thrive MSP 2040* policy development and engagement processes. This inclusive approach has allowed the Council to realize HUD's goals for the Fair Housing and Equity Assessment.

Metropolitan Council gratefully acknowledges the many individuals and organizations who contributed to this effort.

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## A thriving region threatened by racial and ethnic disparities

The Twin Cities metropolitan area is prosperous and a great place to live...but not for everyone. The region ranks high among the nation's largest metro areas for overall income, low unemployment, and sustained economic growth.

But this region also ranks high for negative outcomes. The Twin Cities region has some of the nation's biggest disparities along racial and ethnic lines among our peer metro areas. These disparities include income, poverty, unemployment, homeownership, and education. Concentrations of poverty magnify these disparities and seriously hinder access to opportunities for people of color who are disproportionately represented in these impoverished areas.

Unchallenged, these disparities jeopardize the future economic vitality of this region. Currently, residents of color make up almost one-quarter of the metro's population; by 2040, their share in the region's total will be 40%. The Twin Cities region cannot and will not continue to thrive if disparities hold back a growing share of its population.

If people of color in 2040 enjoyed the same socioeconomic status as whites, it would result in:

- 274,000 fewer residents in poverty;
- 171,000 more residents with a high-school diploma;
- 124,000 more people with jobs; and
- an additional \$31.8 billion in personal income.

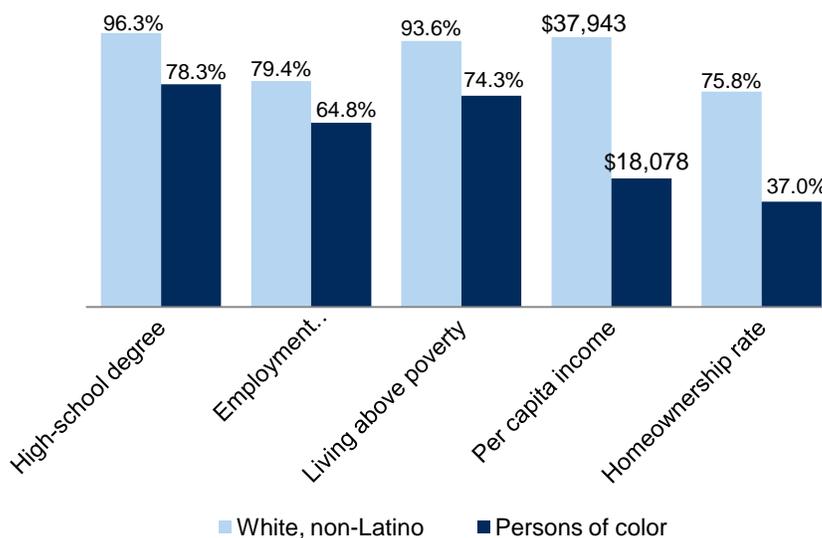
Reducing existing disparities is essential for the continuing economic prosperity of the region.

This region has a choice. Improving access to opportunity can make people's lives better. Closing these disparities will make the Twin Cities region stronger and more prosperous. Expanding opportunity in more of the region's neighborhoods will improve outcomes for individuals, families, the economy, and the region as a whole.

## Poverty has spread to the suburbs

The last two decades transformed the landscape of poverty in the Twin Cities region. In 1990, more than half of the region's people in poverty lived in Minneapolis and Saint Paul; in the most recent data, 41% lived in the two central cities. Over these two decades, poverty in suburban and rural areas

### 1. Regional disparities by race and ethnicity, 2012



Source: Metropolitan Council staff calculations based on U.S. Census Bureau, American Community Survey, 2012.

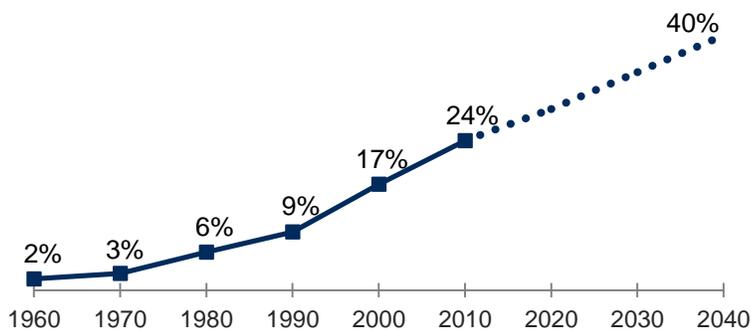
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increased by 85%. Pockets of concentrated poverty—where more than 40% of the residents live below 185% of the federal poverty line—grew in the central cities and spread out into suburban areas in the 2000s. (As context, 185% of the poverty threshold for a typical family of four in 2012 was \$43,460.)

The racial composition of the residents living in poverty has changed over the last 20 years. In 1990, just over one in three residents living in poverty were people of color; by the most recent data, over half of the region’s residents living in poverty were people of color.

## Racial diversity and racial segregation are both growing

### 2. An increasing share of people of color in the Twin Cities region, 1960-2040



Source: U.S. Census Bureau, Decennial Census, 2010 and earlier; U.S. Census Bureau, Population Division, NP2012-T4; Metropolitan Council 2040 Preliminary Regional Forecasts.

The Twin Cities region has become far more racially diverse since 1990. The number of residents of color has more than tripled, pulling up their share of the region’s population from 9% in 1990 to 24% in 2010. By 2040, people of color will be 40% of the region’s population.

Two opposing trends describe where people of color live in the region. On one hand, more people of color are living in suburbs. The share of the region’s people of color living in suburbs went up from 36% in 1990, to 44% in 2000, and to 59% in 2010.

At the same time, racial concentration of people of color increased even as the region was getting more diverse. The number of census tracts where more than half the residents were persons of color climbed from 33 in 1990, to 66 in 2000, and to 97 in 2010. Areas where people of color were concentrated expanded from the two central cities to the region’s suburbs.

## Living in areas of concentrated poverty limits possibilities for people, especially people of color

Living in areas of concentrated poverty hurts people in many ways. Areas of concentrated poverty usually suffer from high crime and tend to have schools with lower tests scores and graduation rates. Living in areas of concentrated poverty undermines people’s physical and mental health. It reduces the cognitive abilities of children, making them more likely to have lower incomes as adults than their parents. Together these characteristics lower the economic mobility of residents who live in areas of concentrated poverty, making them more likely to stay poor across generations.

Households of color are more likely to live in areas of concentrated poverty than white households at rates beyond that explained by income alone. For instance, 45% of the region’s low-income households of color live in concentrated poverty, compared to only 12% of low-income white households. This pattern exists even among high-income households: 9% of the high-income households of color reside in these areas, compared to only 3% of white households of the same income level.

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## People of color face barriers to housing choice

Income and race can limit where people live. Since residents of color tend to have lower incomes than whites, income is more of a constraint for people of color. Above and beyond income, however, race still constrains where residents of color live. In fact, since 1990 the importance of race, compared to income, has risen in the Twin Cities region—even as it has decreased across the nation.

Neighborhood preferences may concentrate white residents and residents of color in different areas. Some residents prefer to live with others of the same race and ethnicity. New immigrants, for instance, often choose to live in areas with others who speak the same language and share their cultural identity. Other residents choose to live in racially diverse communities. Yet racially diverse means different things to residents of color and whites. The share of people of color that makes an area acceptably diverse for whites is lower than the share that people of color consider racially diverse. As a result, it is rare for a racially diverse area to remain diverse in the long run.

Public investments in affordable housing have both expanded and limited the residential choices for low-income households and households of color. In the 1940s and 1950s, federal investments in large-scale public housing projects placed affordable housing disproportionately in communities of color. As a result, these communities became areas of concentrated poverty. In contrast, the Section 8 New Construction/Substantial Rehabilitation Program, used in the 1970s and into the 1980s, created affordable housing options largely in suburban locations in the Twin Cities region.

Today, the nation's largest federal housing program—the Low Income Housing Tax Credit (LIHTC) Program—supports construction of new affordable housing in both urban and suburban locations and the rehabilitation of existing affordable housing, which is more likely to be in the older parts of the region. With declining funding, units funded through both the Section 8 New Construction/Substantial Rehabilitation Program and LIHTC Program are at risk of conversion into market-rate units. Low-income residents of color may face barriers in the tenant-based Section 8 Housing Choice Voucher program, including shrinking federal program dollars, landlord reluctance to rent to voucher holders, and outright racial discrimination against voucher holders of color.

Homeowners and renters of color face discrimination in private housing markets. Continuing discrimination in mortgage lending and the emergence of new forms of racial steering may prevent people of color from owning homes in communities of their choice. Overt racial discrimination and tenant-screening processes that create disparate impacts on low-income renters, including renters of color, can limit people from renting where they want to live.

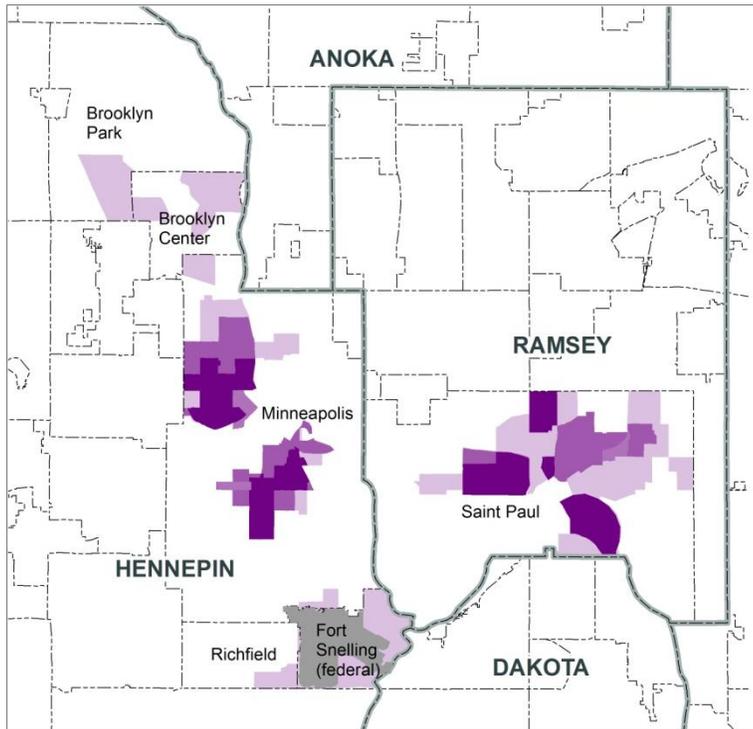
## Racially Concentrated Areas of Poverty are expanding

These race-specific barriers limit the residential choices of people of color, hindering their ability to leave areas of concentrated poverty. Consequently, they feed existing racial disparities by creating and perpetuating Racially Concentrated Areas of Poverty (RCAPs), defined as census tracts where:

- 50% or more of the residents are people of color and
- 40% or more of the households earn incomes that are less than 185% of the federal poverty level.

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### 3. The number of RCAP census tracts increased between 1990 and 2010



The map shows census tracts identified as RCAPs in 1990, 2000 and 2007-2011. The deeper the color, the longer the tract has been an RCAP.

Source: U.S. Census Bureau, Decennial Census, 1990, 2000; American Community Survey five-year data, 2007-2011.

In 1990, all of the region's RCAPs were in Minneapolis and Saint Paul. By the end of the 2000s, these RCAPs not only remained RCAPs but expanded into Brooklyn Center, Brooklyn Park, Richfield, and the federal lands constituting Fort Snelling. Since 1990, the share of the region's residents living in RCAPs went up from 3% to 9%.

Many of today's central city RCAPs have long been areas where people of color or immigrants lived. Federal public housing and highway investments helped deepen poverty in these communities. Until the 1980s, the concentration of public housing projects in communities of color helped form racially concentrated neighborhoods of poverty. Highways often cut through or passed by neighborhoods of color, disrupting the social fabric, tilting the composition of housing toward rental properties, and reducing property values. Some of these neighborhoods have remained predominantly black, while others have been gateway communities for the region's newest immigrant communities. Blacks and Native Americans—historically the groups experiencing the region's worst discrimination—have faced the highest hurdles to leave these areas of concentrated poverty.

Today's suburban RCAPs did not emerge until the 2000s. Growing poverty and increasing racial diversity in the suburbs turned these communities into RCAPs. The areas around these RCAPs are in the middle of rapid and dramatic socioeconomic changes that threaten to add them to the growing roster of RCAPs.

## Opportunities in the region vary by geography and race

Looking at the Twin Cities region as a whole, opportunities such as jobs, high-performing schools, and safe neighborhoods are unevenly distributed. Where people live influences their access to opportunities. This report identifies five different types of place-based opportunities:

- jobs;
- high-performing schools;
- safety;
- environmentally clean neighborhoods; and
- convenient access to social services and basic necessities.

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This report uses a method called cluster analysis to group the region’s cities into three clusters based on the access they provide to each type of opportunity. No cluster ranks either high or low on all five opportunity dimensions. Instead, each cluster offers tradeoffs in the opportunities it provides.

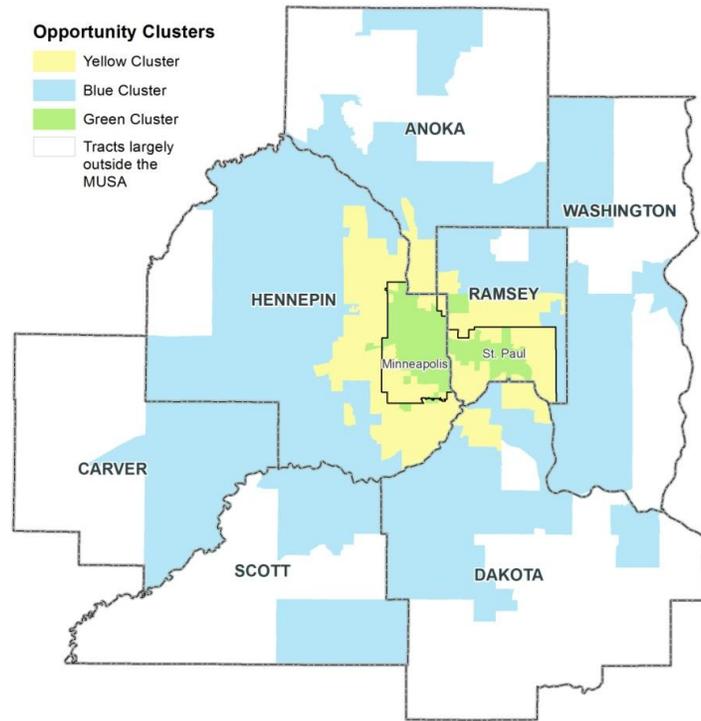
- **Green cluster:** Characterized by higher proximity to jobs, higher access to social services and basic necessities, but lower performing schools, higher crime rates, and higher exposure to environmental hazards.
- **Yellow cluster:** Characterized by moderate levels of access and proximity to all five opportunities.
- **Blue cluster:** Characterized by higher performing schools, lower crime rates, lower exposure to environmental hazards, but lower proximity to jobs and lower access to social services and basic necessities.

Nearly two-thirds of the region’s RCAP residents live in the green cluster with the remaining third living in the yellow cluster. No RCAPs are in the blue cluster. Because of residential patterns, white residents and people of color live in different proximity to opportunity.

- Residents of areas of concentrated poverty live in proximity to more jobs than the region’s working-age residents as a whole. Similarly, working-age residents of color live in proximity to more jobs than white working-age residents do. Proximity alone, however, does not translate to better access due to factors such as educational attainment and discriminatory employment practices.
- White school-age residents are four times as likely to live in the attendance areas of high-performing schools as their black counterparts.
- People of color are more likely to live in places that have high exposure to crime. Half of the metro’s people of color live in neighborhoods with high exposure to crime, compared with less than one-third of white residents.
- Exposure to environmental hazards—such as contaminated sites, landfills, and other toxic facilities—can create serious health impacts and diminish one’s quality of life. Nearly half of the metro’s people of color live in neighborhoods with high exposure to environmental hazards, compared with less than one-third of white residents.

Changing the uneven landscape of opportunity to enhance opportunity for all residents can help reduce these inequities.

#### 4. Opportunity varies by place



Source: Cluster analysis by the Institute for Metropolitan Opportunity, informed by the Fair Housing and Equity Assessment data and mapping team.

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## **Public policy can expand the geography of opportunity**

Public policy can positively influence the geography of opportunity by expanding residential choices, transportation options, and the locations of economic opportunity. Key place-based policy areas that affect the geography of opportunity include affordable housing policy, fair housing enforcement, transit service, and community development investments.

### ***Location of affordable housing can limit choice***

The location of affordable housing influences where low- and moderate-income households can afford to live in relation to opportunity. Different types of affordable housing exist across the clusters. Section 8 Housing Choice Vouchers are somewhat more likely to be used in the yellow and green clusters relative to the overall distribution of rental housing: 74% percent of the Section 8 Housing Choice Vouchers are used in the yellow and green clusters compared to 60% of all rental units. Publicly subsidized affordable rental housing units are disproportionately sited in the green cluster, which contains 51% of the region's publicly subsidized affordable rental housing but only 30% of all rental housing. Funders and developers of affordable housing prioritize locations that are close to jobs and transit, which are more prevalent in the green cluster.

While the availability of affordable housing options expands housing choice based on cost, fair housing policy seeks to eliminate discrimination that limits housing choice based on protected class. The enforcement of fair housing is based on several federal laws, the Minnesota Human Rights Act, and local ordinances. Sustained, coordinated efforts are necessary to streamline and expand enforcement and increase awareness of fair housing rights.

### ***Transit essential for access to opportunity***

For households without an automobile and people who do not drive, transit is an essential public service that connects people to opportunities such as jobs, education, social services and retail. Living and working in areas well-served by transit allows households to reduce their overall transportation costs and live either without a car or with fewer cars per household. Households that are reliant on transit are more likely to locate in areas that already have transit service, thus increasing the share of transit riders, and thus making future service improvements more likely. Many neighborhoods in the region's urban core are strong transit markets, but the strength of transit markets declines in less dense suburban areas.

### ***Public community development investments increase tax base***

Community and economic development investments aim to create or attract job opportunities and private investment to specific locations. Public efforts to develop or redevelop land for employers can increase local tax base, revitalize economically depressed areas, and provide jobs for a potential workforce. Community development investments can encourage additional private investment to selected locations; for example, the construction of the METRO Green Line has attracted well over \$1 billion in new development projects to the corridor. Publicly funded construction projects can target jobs and contracting opportunities for neighborhood residents, residents of color, low-income residents, or disadvantaged business enterprises. Public resources for brownfield remediation provide funding to investigate and clean up contaminated land, groundwater, and buildings to prepare sites for redevelopment.

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## Metropolitan Council is addressing equity

Through the development of *Thrive MSP 2040*, the Metropolitan Council's regional plan for the next 30 years, the Council extensively discussed equity in the Twin Cities. The Council has identified equity as one of five key regional outcomes from *Thrive MSP 2040*, alongside stewardship, prosperity, livability, and sustainability. In *Thrive MSP 2040*, the Metropolitan Council commits to using equity as a lens to evaluate its operations, planning, and investments. The Council also commits to exploring its authority to use its resources and roles to mitigate the place-based dimension of racial, ethnic, and income-based disparities. The Council intends to pursue the following broad strategies to advance equity across the region:

- Invest to build a more equitable region;
- Create real housing and travel choices for all people regardless of age, race and ethnicity, economic means, and ability;
- Invest in a mix of housing affordability along the region's transitways;
- Engage a full cross-section of the community in decision-making.

The Metropolitan Council is currently working on its first full Housing Policy Plan since the 1985 Housing Development Guide. Although housing is not a statutory system under the Metropolitan Land Planning Act, the Council is using the development of the Housing Policy Plan as an opportunity to answer several key policy questions. Among these are defining each local jurisdiction's fair share of the region's need for affordable housing and determining how the Council evaluates local performance in providing affordable housing.

Because the challenges of racial and economic equity require aligning efforts across multiple entities, the Council will convene multiple partners, including cities, counties, school districts, nonprofits, and philanthropy to develop shared plans and investment strategies to address the issues of areas of concentrated poverty and racially concentrated areas of poverty and promote shared prosperity. The Council will play a leadership role in this strategy by working with local governments and other local development partners to bring data to the table and assure development plans are coordinated and aligned toward consistent outcomes.

## A more equitable future will take concerted effort and a shared commitment

While this document has described decades-long trends in economic and racial segregation and the large-scale impact of public policy, key policy conversations are occurring right now that highlight the complexities of these issues:

- The conversation around the relocation or rebuilding of the Dorothy Day Emergency Shelter in Saint Paul demonstrated the tensions between maintaining access to transit and services and concentrating poverty.
- Alignment decisions for three planned light-rail lines in the Twin Cities region—METRO Green Line (Central Corridor), METRO Green Line Extension (Southwest Corridor), and METRO Blue Line Extension (Bottineau)—have engaged questions of how to best address the transit needs of low-income neighborhoods.
- A broad consensus exists that the resources to build and preserve affordable housing fall short of meeting the needs; however, there is a heated dialogue about how and where to prioritize the limited funding available.

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- The upcoming update to the regional Analysis of Impediments to Fair Housing, conducted by the Fair Housing Implementation Council, will challenge the region to identify what influences fair housing and how to overcome barriers to fair housing and housing choice throughout the region.

A region that shares both opportunities and challenges and seeks to improve the lives of its entire population is stronger and more vibrant. With this document, the Council hopes to raise awareness of the complex interdependencies of income, race, place, and opportunity and to challenge both itself and others to think regionally and act equitably for a better region for all. Moving to a more equitable future will take concerted effort and a shared commitment. Persistent racial disparities must become an artifact of our history rather than a limit on our future vitality. Given the scale and complexity of these issues and the large benefits of success, the time to begin this work is now.



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