CHOICE, PLACE AND OPPORTUNITY:

AN EQUITY ASSESSMENT OF THE TWIN CITIES REGION

METROPOLITAN COUNCIL

March 2014

Please note that as of January 2015, Metropolitan Council no longer uses the term Racially Concentrated Areas of Poverty (RCAP). This report, prepared for the U.S. Department of Housing and Urban Development, required our use of the term RCAP. In our continued research on poverty in the Twin Cities region, we now refer to Areas of Concentrated Poverty where 50% or more of residents are people of color (ACP50).

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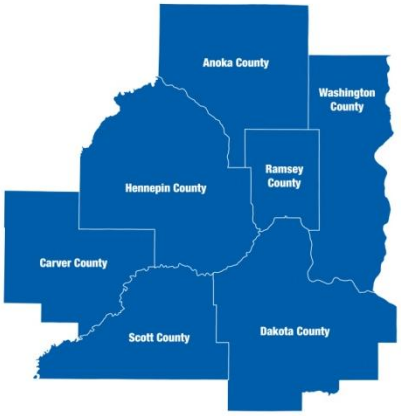

The Metropolitan Council is the regional planning organization for the seven-county Twin Cities area. The Council operates the regional bus and rail system, collects and treats wastewater, coordinates regional water resources, plans and helps fund regional parks, and administers federal funds that provide 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 report

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., this 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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Table of Contents

Executive Summary……..I-VIII

Section One: Regional Disparities

Disparities in the Twin Cities region today……..1
Trends shaping our future…… 2
The benefits of closing gaps…… 4

Section Two: Regional Poverty Trends

The changing face of poverty…… 1
The changing landscape of poverty……..2

Section Three: Racial Trends in the Region

The growing racial and ethnic diversity of the region……1
Measures of residential segregation……8

Section Four: Place-based Dynamics of Racial Disparities

Where poverty and race meet……...1
Harms of concentrated poverty…… 2
Barriers to housing choice……4

Section Five: Racially Concentrated Areas of Poverty

The geography of the region's RCAPs……1
A regional retrospective……7
Detailed profiles of RCAP communities……..12

Section Six: Opportunity in the region

Measuring opportunity in the Twin Cities region……1
The landscape of opportunity in the Twin Cities region……3
The uneven distribution of opportunity across the region…… 11

Section Seven: Public Policies and Investments

How place-based investments build access to opportunity……1
Fiscal Disparities: Changing the landscape of local resources……...1
Affordable housing…… 4
Fair housing enforcement……13
Transit……..15
Community development and economic development investments……..23

Section Eight: Metropolitan Council's Policy Responses

Thrive MSP 2040: A regional vision for the next thirty years……...1
Developing the region's first Housing Policy Plan since 1985……3
Convening around the challenges of racial and economic equity……...6
Growing our organizational commitment to equity…… 6
Continuing analysis of equity……8

Section Nine: Responses from other regional partners

Partnership for Regional Opportunity.....……...1
The work of organizations and partners across the region.....1-31

Section Ten: Next steps

Key policy conversations……1
Next steps……5

Appendices……A1-52

Please note that as of January 2015, Metropolitan Council no longer uses the term Racially Concentrated Areas of Poverty (RCAP). This report, prepared for the U.S. Department of Housing and Urban Development, required our use of the term RCAP. In our continued research on poverty in the Twin Cities region, we now refer to Areas of Concentrated Poverty where 50% or more of residents are people of color (ACP50).

List of figures

Section One: Regional Disparities

1.1 Disparities by race and ethnicity in the Twin Cities region, 2012..……..1
1.2 Percentage of people of color in the Twin Cities region and United States, 1960-2040..... 2
1.3 Residents in poverty by location in 1990, 2000, 2006 and 2012.....3
1.4 Regional benefits of eliminating current disparities.....5
1.5 Projected growth of personal income in Twin Cities region, 2010-2040.....6

Section Two: Regional Poverty Trends

2.1 Poverty rates by race in the Twin Cities region in 1990, 2000 and 2007-2011……. 1
2.2 Number of people living in poverty by race and ethnicity in the Twin Cities region in 1990, 2000 and 2007-2011……..... 2
2.3 Poverty rates by location in the Twin Cities region in 1990, 2000 and 2007-2011…….... 2
2.4 Number of people living in poverty by location in 1990, 2000 and 2007-2011…….. 3

Section Three: Racial Trends in the Region

3.1 Population by race and ethnicity in the Twin Cities region in 1990, 2000 and 2010…….1
3.2 Race and ethnicity of residents by location in the Twin Cities region in 1990, 2000 and 2010…….. 2
3.3 Dissimilarity index by race and ethnicity in the Twin Cities region in 1990, 2000 and 2010…….. 10
3.4 Isolation index by race and ethnicity in the Twin Cities region in 1990, 2000 and 2010……...11
3.5 Exposure indices between race and ethnic groups in the Twin Cities region in 1990, 2000 and 2010……..13

Section Four: Place-based Dynamics of Racial Disparities

4.1 Race and ethnicity of residents living in areas of concentrated poverty in 1990, 2000 and 2007-2011……1
4.2 Race and ethnicity of residents living in poverty in the Twin Cities region in 1990, 2000 and 2007-2011…….. 2
4.3 Households living in areas of concentrated poverty by race and income, 2007-2011……. 3
4.4 Percentage of home purchase loan applications denied by race and income of applicant in the Twin Cities region, 2008-2010…… 23
4.5 Percentage of subprime home purchase mortgage loans by race and income of borrower in the Twin Cities region, 2004-2008…….. 24
4.6 Percentage of home mortgage applications at prime lenders by racial characteristics of applicant and neighborhood in the Twin Cities region, 2004-2006…….. 25
4.7 Percentage of home purchase mortage applications denied by racial characteristics of applicant and neighborhood, 2008-2010…… 26
4.8 Relationship between subprime lending and foreclosures by census tract in Hennepin and Ramsey counties, 2008-2010…… 27

Section Five: Racially Concentrated Areas of Poverty

5.1 Race and ethnicity of residents living in Racially Concentrated Areas of Poverty in 1990, 2000 and 2010…….. 5
5.2 Selected population and housing characteristics by place of residence……6

Section Six: Opportunity in the region

6.1 Comparing methods on measuring opportunity…… 3
6.2 Characteristics of opportunity clusters……5

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6.3 Race and ethnicity of residents by opportunity cluster, 2010…….. 6
6.4 Low-income households by race and opportunity clusters, 2007-2011 …… 8
6.5 Description of analysis areas examined in the opportunity analysis…….. 11
6.6 Proximity to jobs by place of residence……...15
6.7 Proximity to jobs by RCAP community……... 16
6.8 Proximity to jobs by race and ethnicity of working-age residents in the Twin Cities region……... 20
6.9 Personal per capita income by educational attainment in the Twin Cities region, 2007-2011…… .22
6.10 Percent of residents age 25+ with a bachelor's degree in the Twin Cities region, 2007-2011…….. 23
6.11 Access to quality schools by place of residence……..…. 24
6.12 Access to quality schools by RCAP community 25
6.13 Access to quality schools by race and ethnicity of school-age residents in the Twin Cities region…… 27
6.14 Exposure to crime by place of residence…….. 30
6.15 Exposure to crime by RCAP community……31
6.16 Exposure to crime by race and ethnicity of residents in the Twin Cities region…….. 32
6.17 Exposure to environmental hazards by place of residence……35
6.18 Exposure to environmental hazards by RCAP community…… 36
6.19 Exposure to environmental hazards by race and ethnicity of residents in the Twin Cities region……... 38
6.20 Access to services and necessities by place of residence……43
6.21 Access to services and necessities by RCAP community……..44
6.22 Access to services and necessities by race and ethnicity of residents in the Twin Cities region……... 45

Section Seven: Public Policies and Investments

7.1 Occupied housing units by tenure and Section 8 voucher holders by opportunity clusters…….. 5
7.2 Occupied housing units by tenure and publicly subsidized affordable rental units by opportunity cluster……... 7
7.3 Occupied housing units by tenure and LCA-funded affordable units by opportunity cluster……....9
7.4 Occupied housing units by tenure, naturally occurring affordable housing and manufactured housing units in parks by opportunity cluster……11
7.5 Selected housing indicators by opportunity cluster…….. 12
7.6 Fair housing infrastructure—Government agencies and organizations……... 13
7.7 Fair housing infrastructure—Legal service and housing organizations……..14
7.8 Household income distribution of residents in the Twin Cities region compared to transit riders (2011 dollars).....16
7.9 Racial and ethnic distribution of residents in the Twin Cities region compared to transit riders.....17
7.10 Commuters in the Twin Cities region reporting public transit use by race and ethnicity.....18

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EXECUTIVE SUMMARY

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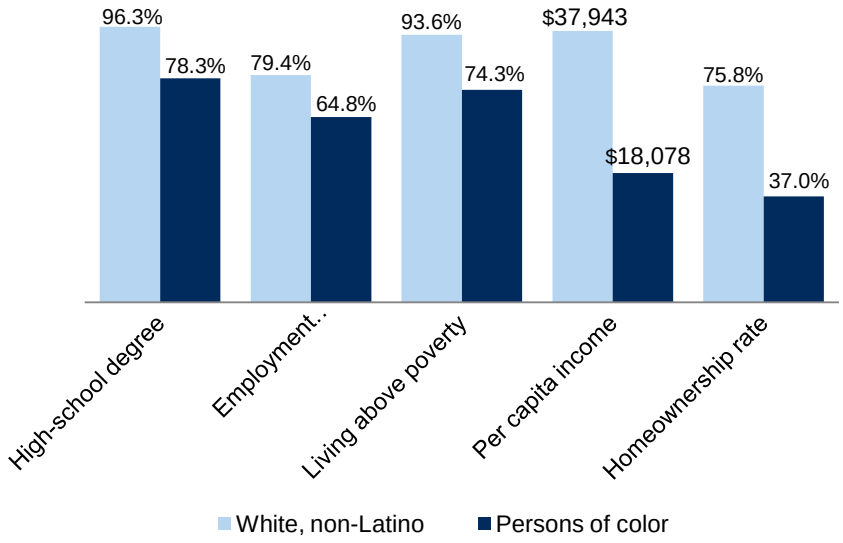
A thriving region threatened by racial and ethnic disparities

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.

1. Regional disparities by race and ethnicity, 2012



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

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

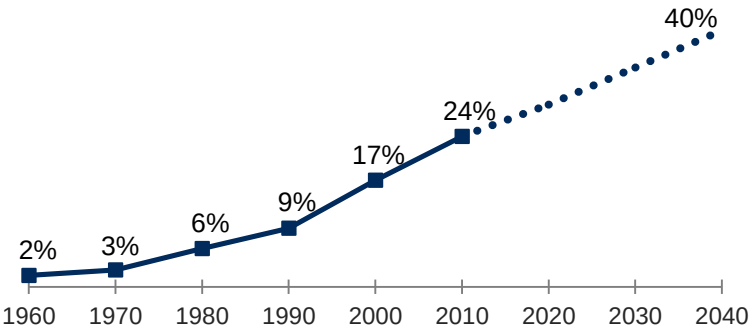
The last two decades transformed the landscape of poverty in the Twin Cities region. In 1990, more than half of the region's people in poverty lived in Minneapolis and Saint Paul; in the most recent data, 41% lived in the two central cities. Over these two decades, poverty in suburban and rural areas

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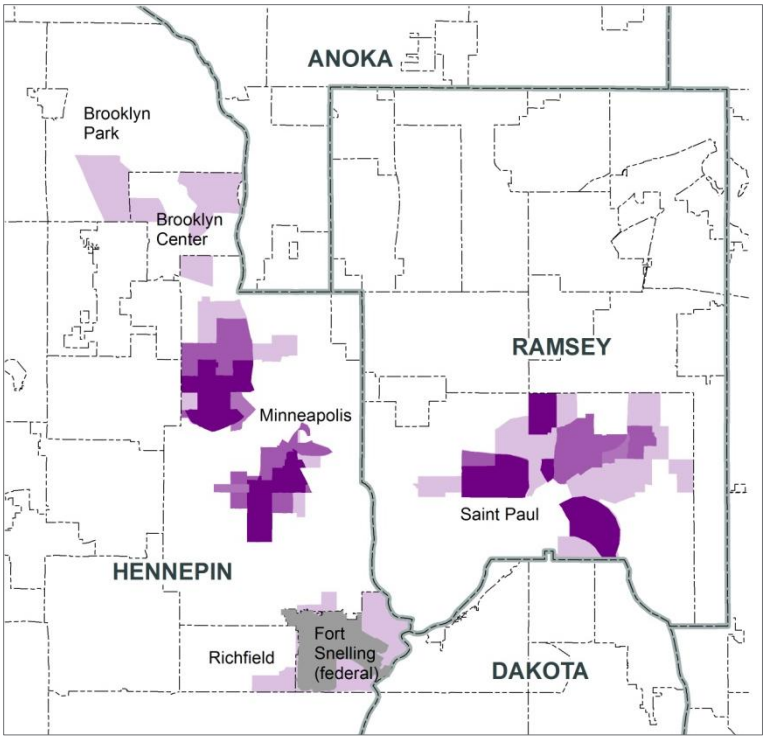
3. The number of RCAP census tracts increased between 1990 and 2010



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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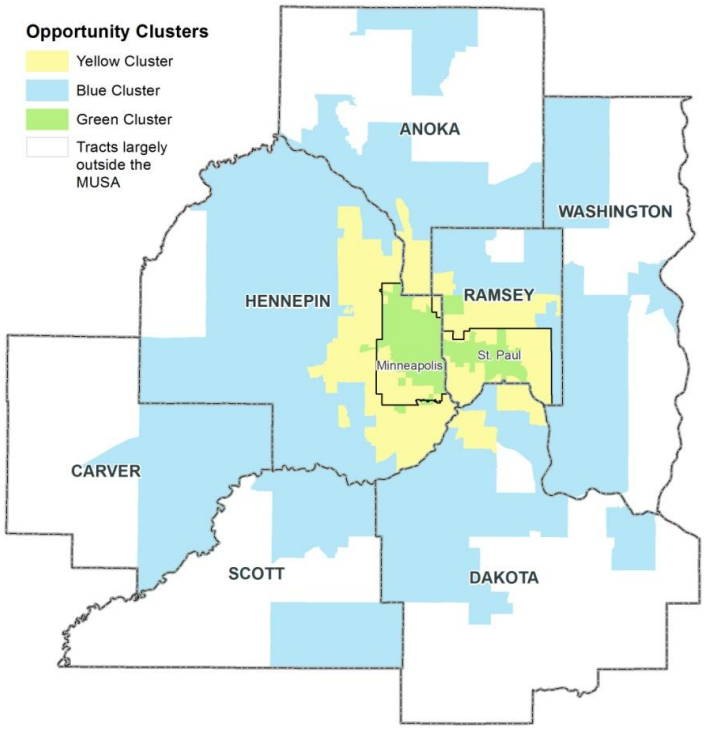
4. Opportunity varies by place

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.



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

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.

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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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SECTION ONE: REGIONAL DISPARITIES

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Disparities in the Twin Cities region today

The Minneapolis-Saint Paul-Bloomington metropolitan area has been a fairly robust and resilient region, performing very well in comparison to other metropolitan areas.[i] When compared with the nation's 25 largest metropolitan areas, 2012 data show that the 13-county region has:

- The highest overall employment rate[ii] (76%)
- The second-highest rate of homeownership (70%)
- The second-lowest overall rate of poverty (11%)[iii]

These comparisons underscore the region's impressive economic performance, but they also conceal another crucial fact: the Minneapolis-Saint Paul metropolitan area has some of the largest racial and ethnic disparities in the nation. Looking at these same data points more closely, major differences by race and ethnicity stand out (Figure 1.1):

- The employment rate for people of color was 65%, compared with 79% for white, non-Latino adults—the largest disparity of employment rates by race across metros in the nation.

- 37% of residents of color own their homes, compared with 76% of white, non-Latino residents—again, the largest disparity of homeownership rates by race across metros in the nation.

- 26% of residents of color were in poverty, compared with only 6% of white, non-Latino residents—once more, the largest disparity of poverty by race across metros in the nation.

1.1 Disparities by race and ethnicity in the Twin Cities region, 2012

	White, non-Latino	Persons of color	Rank of disparity among 25 largest metro areas (1=largest)
Percentage of population age 25+ with a high school diploma	96.3%	78.3%	3
Percentage of civilian working-age population that is employed	79.4%	64.8%	1
Percentage of individuals with income at or above poverty threshold	93.6%	74.3%	1
Per capita income (2012 dollars)	$37,943	$18,078	4
Percentage of householders who own their homes	75.8%	37.0%	1

Source: Metropolitan Council staff calculations based on U.S. Census Bureau, American Community Survey, 2012. See Appendix A for more information on metro area rankings.

[i] Throughout this document, the term Twin Cities region refers to the seven-county jurisdiction of the Metropolitan Council, which includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. In contrast, the Minneapolis-Saint Paul-Bloomington metropolitan area refers to the13-county metropolitan area that also includes Chisago, Isanti, Sherburne, and Wright counties in Minnesota as well as Pierce and St. Croix counties in Wisconsin. When metropolitan areas in the nation are compared, the 13-county Minneapolis-Saint Paul-Bloomington metropolitan area is used.

[ii] The employment rate provided here is the number of civilians between the ages of 16 and 64 who have a job divided by the total number of civilians between the ages of 16 and 64. People who do not have a job are either unemployed (looking for work) or not in the labor force (not looking for work; e.g., retirees, stay-at-home parents, students, or discouraged workers).

[iii] This report defines residents in poverty as those whose family income is less than 185% of the federal poverty level—equivalent to $43,460 for a typical family of four in 2012. Due to data limitations, however, the poverty definition used for poverty rate comparisons across racial and ethnic groups is 100% of the federal poverty level.

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Significant disparities in both educational achievement and personal income exist in the Twin Cities region. For example:

- 78% of persons of color over the age of 25 have a high school diploma, compared with 96% of white, non-Latino adults.
- The median income of persons of color amounts to 63 cents for every dollar of median income earned by white, non-Latinos.[1]

The disparities briefly described here—academic performance, employment, income, poverty, and homeownership—are all pieces of the same larger picture. On average, people of color in the Twin Cities region today are not experiencing the same quality of life as their white counterparts.

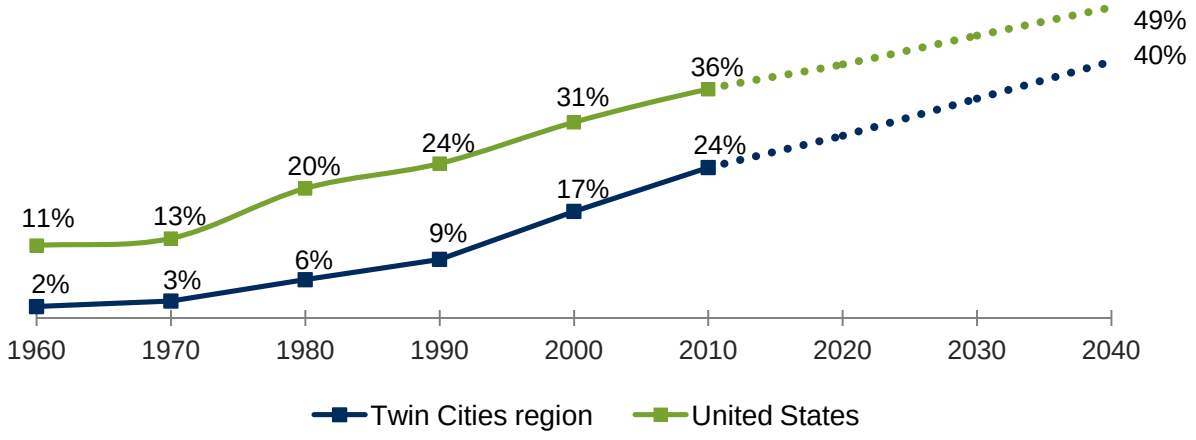
Trends shaping our future

Three concurrent trends are shaping the future of the Twin Cities region. Each underscores how present disparities, if left unaddressed, may irrevocably undermine the region's economic vitality and well-being over the next 30 years.

#1. The region is becoming more racially diverse.

Historically, the Twin Cities region has lagged behind the U.S. in terms of racial and ethnic diversity. Until 1990, the share of people of color in the Twin Cities region was less than one-third of the share in the U.S. overall. However, by 2040, residents of color are forecasted to be 40% of the region's total population—up from 24% in 2010 and far closer to the national rate (Figure 1.2). People of color, specifically Latinos and Asians, will be the fastest-growing segment of the region's population over the next 30 years.

1.2 Percentage of people of color in the Twin Cities region and United States, 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.

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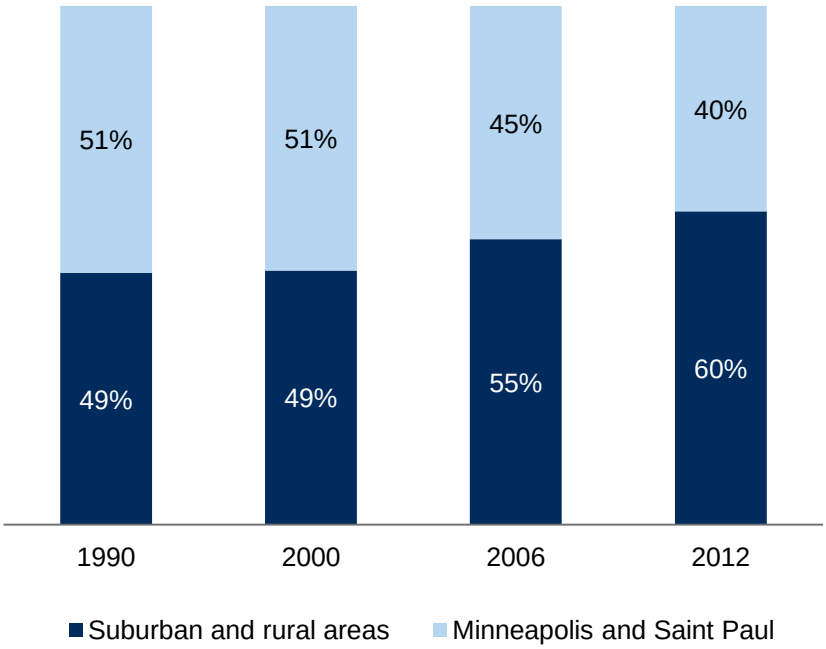
#2. Disparities, especially poverty, are increasingly visible across the Twin Cities region.

Currently, 77% of the region's population lives outside of the the core cities of Minneapolis and Saint Paul. Suburban and rural communities grew 35% over the past 20 years, five times as fast as Minneapolis and Saint Paul over the same time period. As the overall population rapidly increased in the suburbs and rural areas of the region, so did the number of residents in poverty.

Poverty rates in Minneapolis and Saint Paul are higher than those in a typical suburban or rural community. Yet poverty has been growing rapidly in the region's suburbs. In fact, the number of suburban residents in poverty has nearly doubled since 1999. Currently, the actual number of people in poverty in the suburbs exceeds the combined total of those in poverty in Minneapolis and Saint Paul (*see Section II: Regional Poverty Trends*).

In 2012, 60% of the region's residents in poverty lived outside Minneapolis and Saint Paul, a departure from 1990 and 2000, when less than half lived in the suburban or rural areas of the region (Figure 1.3). Although poverty rates in the suburbs are still lower than the rates in Minneapolis and Saint Paul, the footprint of poverty across the region has been expanding. Poverty is now a regional issue affecting suburban areas as well as Minneapolis and Saint Paul.

1.3 Residents in poverty by location in 1990, 2000, 2006 and 2012



Source: U.S. Census Bureau, Decennial Census, 1990 and 2000; U.S. Census Bureau, American Community Survey one-year data, 2006 and 2012.

#3. Evidence suggests that income inequality in the region is on the rise, suggesting disparities may increase even further.

The Minneapolis-Saint Paul-Bloomington metropolitan area ranks comparatively low on measures of income inequality both before and after the recession of the late 2000s, but comparatively high on *growth* in income inequality. The Gini index is a measure commonly used to describe income distribution in a given area.[iv] Higher values represent a more unequal distribution; the index can range from 0 (where each household has exactly the same income) to 1 (where one household has all the income and other households have no income).

In 2006, the Gini index for the Twin Cities region was 0.422; in 2012, it was 0.443. This increase was the third-highest among the 25 largest metropolitan areas in the U.S., with the Twin Cities ranking just behind Atlanta and Detroit. This suggests that income disparities in the region are growing faster than those in other metros, making it even more urgent for the region to address these disparities. The challenges of tackling these disparities also present many opportunities for the region because the benefits of eliminating or mitigating the disparities are tangible and substantial.

The benefits of closing gaps

A growing body of research suggests that disparities harm all people—not just those on the bottom.[2] One of the ways disparities harm everyone is by reducing economic growth. The region could therefore improve its long-term economic competitiveness considerably by addressing existing racial gaps. Figure 1.4 presents two scenarios that quantify the advantages of closing the gaps. Scenario A applies current regional disparities to the 2040 preliminary regional forecasts. In contrast, Scenario B shows how the Twin Cities region fares by 2040 if people of color have the same socioeconomic profile as white non-Latino residents do today. A comparison of the two scenarios shows that eliminating disparities can have tremendous value to the region as a whole, including declining poverty rates, increasing per capita income for all residents, and improvements in already high rates of educational attainment and employment (Figure 1.4). For example, if all Twin Cities residents have the same poverty rate in 2040 that white non-Latino people do today, then there would be 274,000 fewer people in poverty, and the region's poverty rate would be 6%.

[iv] Gini indices based on household income distribution were calculated for the 25 largest metropolitan areas in 2006 and 2012 by the U.S. Census Bureau for the 2006 and 2012 American Community Survey data.

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1.4 Regional benefits of eliminating current disparities

	Twin Cities Region, 2007-2011	Twin Cities Region, 2040 (Scenario A: Maintaining Disparities)	Twin Cities Region, 2040 (Scenario B: Eliminating Disparities)	Benefits of eliminating disparities
Percentage of population age 25+ with a high school diploma	92.6%	89.3%	96.1%	**171,000** more people with a diploma
Percentage of civilian working-age population that is employed	76.0%	73.1%	78.8%	**124,000** more people with jobs
Percentage at or below poverty threshold	10.3%	13.4%	6.0%	**274,000** fewer people in poverty
Per capita income (2011 dollars)	$34,323	$30,628	$39,280	**$31.8 billion** more in aggregate personal income
Percentage of householders who own their homes	70.6%	64.6%	77.0%	**186,000** more households who own homes

Source: Metropolitan Council staff calculations based on U.S. Census Bureau, American Community Survey, 2007-2011, and Metropolitan Council 2040 revised regional forecasts. See Appendix B for calculations.

Furthermore, the elimination of disparities has a guaranteed return. The injection of an additional $31.8 billion into the region's economy could enhance consumer demand and the regional tax base considerably by 2040.

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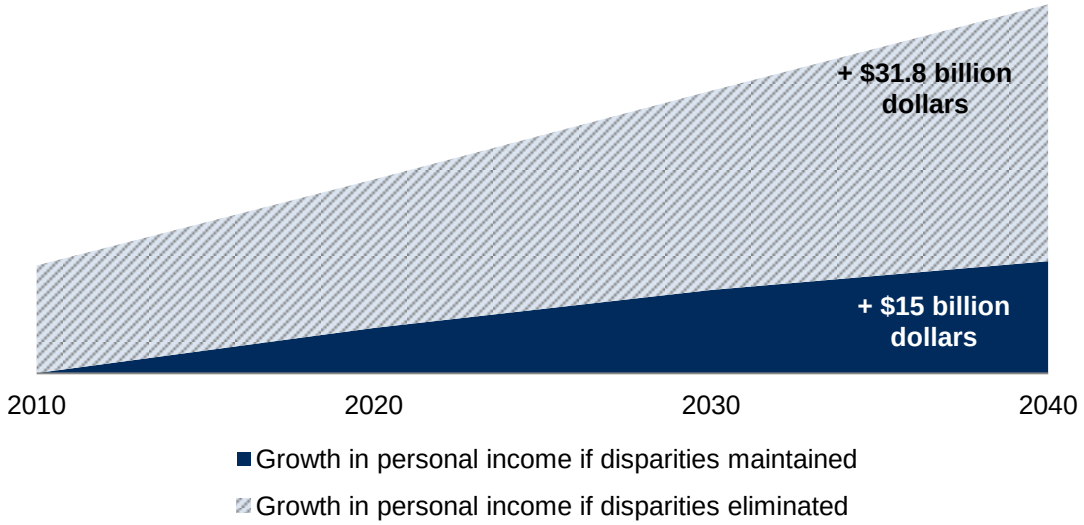
1.5 Projected growth of personal income in Twin Cities region, 2010-2040



Source: Metropolitan Council staff calculations based on U.S. Census Bureau, American Community Survey, 2007-2011, and Metropolitan Council 2040 revised regional forecasts.

In short, *all* residents of Twin Cities need access to opportunity if the region is to have a healthy and prosperous future. If people of color—the fastest growing segment of the region's population—continue to have lower educational attainment levels and employment rates, the region as a whole would suffer from shortages of skilled labor. If residents of color continue to have less income and wealth than their white counterparts, an increasing proportion of the region's residents would lack the purchasing power and consumer base that could boost the region's economy in the long run. Reducing existing disparities is not simply a moral imperative. It is essential for ensuring the well-being of *all* residents of the region.

[1] Wilder Research (2012). *Mind the Gap: Version 2.0* (commissioned by The Itasca Project).
[2] For example, Alberto Alesina and Dani Rodrik, "Distributive Politics and Economic Growth," *Quarterly Journal of Economics*, vol. 109, no. 2 (1994): 465-490; Chris Benner and Manuel Pastor, *Just Growth: Inclusion and Prosperity in America's Metropolitan Regions* (New York: Routledge, 2012); Shigehiro Oishi, Selin Kesebir, and Ed Diener, "Income Inequality and Happiness," *Psychological Science*, vol. 22, no. 9 (2011): 1095-1100; Torsten Persson and Guido Tabellini, "Is Inequality Harmful for Growth?" *American Economic Review*, vol. 84, no. 3 (1994): 600-621; Art Rolnick and Rob Grunewald, "Early Childhood Development: Economic Development with a High Public Return," *The Region* (December 2003): 6-12; Richard Wilkinson and Kate Pickett, *The Spirit Level: Why Greater Equality Makes Societies Stronger* (New York: Bloomsbury Press, 2009).