

David Rusk

## MEASURING REGIONAL EQUITY

### Introduction

The ultimate objective of **regional equity** activities is to reform those policies and practices that create and sustain social, racial, economic and environmental inequalities among cities, suburbs and rural areas -- and to bridge the gap between marginalized people and places and the region's structures of social and economic opportunity. In my book *Inside Game/Outside Game*, I described three domains of work:

- Revitalizing neighborhoods and urban markets as assets and key building blocks of a healthy region (Inside Game)
- Reforming local, regional and state policies and practices in order to advance social and economic equity within a region (Outside Game)
- Linking the needs of a region's economically isolated and racially segregated residents with opportunity structures throughout a region (Regional Equity)

Too often, however, such statements are translated into "input goals" (e.g. dollars spent) or "process goals" (e.g. institutional capacity enhanced). Even "output goals" (e.g. affordable housing built) may not be clearly related to achieving greater equity or (for example, depending on where affordable housing is built) may even be counterproductive.

This paper will define specific, measurable "outcome goals" for achieving greater regional equity. Its primary concern will be people: "economically isolated and racially segregated residents." Its secondary concern will be places: the political jurisdictions that divide up a region. Its focus will be on reducing "inequalities" between those persons and places and both the rest of the society and the matrix of local governments within which they are largely isolated. However, I will also pay attention to tangible measures of improved well being for the entire society. It would be a hollow victory to achieve greater regional equity through impoverishing the many rather than lifting up the few.<sup>1</sup> (In the past century income disparities among different economic groups narrowed most during the Great Depression.)

---

<sup>1</sup> The same caveat would apply to jurisdictions and regions. The Johnstown PA region, for example, has one of the USA's lowest levels of economic segregation. However, over recent decades it has lost -33 percent of its population; job growth has been only 11 percent (compared to 75 percent nationally); and 46 percent of its people are receiving Social Security benefits. There is little economic opportunity in Johnstown.

This paper will focus primarily on measures of socioeconomic outcomes, educational outcomes, and (for jurisdictions) fiscal outcomes. For these outcomes data are regularly available for all metropolitan areas.

Regional equity outcomes can be measured at three different levels:

- individual outcomes;
- group outcomes; and
- jurisdictional outcomes

### **Individual outcomes**

The most valid way to measure the impact of policies and programs is what happens to specific individuals affected over a sustained period of time. Moreover, such evaluations should provide for both a participant group and a control group. *However, such studies will rarely be available to evaluate regional equity initiatives.* Collecting and evaluating such information requires 1) a high degree of administrative control over the program and its participants (as well as over the control group), 2) substantial monies devoted to data collection and evaluation, and 3) the luxury of being able to wait for long-term results. Moreover, there is inevitably “slippage.” Some participants move out of the study area (whereabouts and status unknown). Many others simply “fall through the cracks.”

In summary, longitudinal studies of outcomes for individual program participants are very desirable but costly, time consuming, and, as a consequence, rare. Such opportunities should be pursued. However, this paper will not address individual outcomes further.<sup>2</sup>

### **Group outcomes**

Measuring group outcomes should be our primary focus. What trends are affecting our target groups? We will not be able to distinguish between those individuals who are program participants/policy beneficiaries and those who are not. The assumption, however, is that if trends are improving for our target population, then metro equity programs and policies are succeeding. If trends are not improving, then either the programs and policies are not working or they are insufficient to reverse other, more adverse trends and policies that must be addressed.<sup>3</sup>

---

<sup>2</sup> An exceptionally important study of individual outcomes is “Housing Policy Is School Policy,” a report prepared for The Century Foundation by Dr. Heather Schwartz, based on her doctoral dissertation for Columbia University. (The report can be accessed at <http://tcf.org/publications/2010/10/housing-policy-is-school-policy>.) Dr. Schwartz tracked up to seven years of test results for 858 elementary school children from public housing families in the Montgomery County (MD) Public Schools. Her report is the definitive research on the impact of economically integrated classrooms on educational outcomes for low-income students.

<sup>3</sup> I was making the latter case regarding the impact of community development corporations in chapter 2 of *Inside Game/Outside Game*.

Key issues are geographic scale and time frame by which these trends can be measured. The decennial national census has been the most comprehensive snapshot available of demographic, social, economic, and housing conditions. Census data are compiled and publicly available by region, jurisdiction, census tract (typically, about 4,000 persons), and block group (typically, about 1,000 persons). Relying on the census does have two major drawbacks:

1) the national census is taken only every ten years; and

2) for Census 2010 and thereafter, the Census Bureau no longer collects social, economic and housing data from every seventh household through use of the “long form.” To address both drawbacks, the Census Bureau now conducts an annual *American Community Survey*. ACS provides all demographic, social, economic, and housing data that Census 2000, for example, provided, but the sample size of the annual survey is much smaller.<sup>4</sup>

The other data that are available on an annual, neighborhood equivalent,<sup>5</sup> race- and economic status-specific basis are district-by-district and school-by-school report cards. Thanks to both the state accountability movement and the federal No Child Left Behind Act, detailed information on student demographics, test scores, and education resources is available on the Internet (though typically not in user-friendly formats; compiling such data for analytic purposes is often very labor-intensive and time-consuming).

Public school enrollments have been characterized as “the canary in the coal mine.” Public school enrollments are reasonable proxies for tracking trends affecting households with children; nationally, 88 percent of all school age children attend public schools. One can tell a great deal about local demographic and poverty trends from school data.

Even more important, I would argue, *how well our society educates all our children for adult lives is the central regional equity issue*. Our children are our future. If no other data were available except school report cards, we could establish criteria for measuring how well or how poorly a region is progressing towards great equity.

Other regularly issued, non-census data that I am aware of are jurisdictional, labor market, housing market, etc. in nature and do not lend themselves to assessing trends

---

<sup>4</sup> In fact, the sample size is about 3 million households a year out of 117 million households in 2010, or about a 2½ percent sample size, as compared with the decennial census’s former practice on sampling every seventh household (i.e. over 14 percent). The resulting margin of error is so great that the Census Bureau only releases annual estimates for jurisdictions over 65,000 in population. Three successive years’ annual surveys are averaged in order to provide estimates for jurisdictions over 20,000 in population, while five successive years’ annual surveys are averaged to provide estimates for all jurisdictions, census tracts and block groups. Five years of annual ACS data (with dollar-based data updated for inflation) approaches the margin of error associated with the former “long form.” However, averaging five years of income data, in particular, can mask rapidly changing economic conditions. ACS 2005-09 data on which much of this report relies, for example, fail to reflect the full impact of The Great Recession that began in 2008.

<sup>5</sup> Camden Public Schools, for example, has 21 elementary schools, while the Census Bureau divides Camden into 19 census tracts. Camden’s elementary schools (about 550 pupils enrolled) are typical in size of enrollment.

affecting target groups irrespective of place of residence. They fall more under the category of jurisdictional outcomes.

### **Jurisdictional outcomes**

Jurisdictional outcomes can be framed from two perspectives: as the social and economic conditions of a jurisdiction where people live and employers locate; and as the fiscal conditions faced by governmental bodies.

Of course, the latter are closely related to the former (though libertarian think tanks often argue otherwise). Helen Ladd and John Yinger have shown, for example, that with every one percent increase in a community's poverty rate, the average cost of police protection per capita increases by 5.5 percent.<sup>6</sup> Thus, with a poverty rate of 36.1 percent in 2010, we would expect the City of Camden's cost of police protection per capita to be many times the cost of police protection per capita in Mount Laurel Township (poverty rate: 3.6 percent) – as indeed it is.

Social, economic, and fiscal data are readily available by jurisdiction, but the nature of political jurisdictions varies dramatically in the United States. I make a distinction between “Big Box” states and “little boxes” states. In Big Box states, municipalities are organized only in more urbanized areas; they are surrounded primarily by unincorporated land that falls under the general authority of county governments. As urbanization continues, “elastic” cities *capture* the new development by annexation or, more rarely, by city-county consolidation. Big Box regions may be served by unified, county-wide school districts.

In little boxes states, all territory is divided among a myriad of cities, villages or boroughs, and towns or townships. There is not one square inch of unincorporated land. Throughout New England, New York, New Jersey, and Pennsylvania, all such jurisdictions have full municipal powers and their boundaries are immutable. In the Midwest, townships' legal status and political power vary from weak (Indiana) to almost unassailable (Michigan). In little boxes regions, “inelastic” cities *contribute* to their suburbs' growth through population and job loss. Little boxes regions are invariably served by multiple school districts.

I will apply the proposed regional equity measures to the three-county Camden region (a prototypical little boxes region) and to the Baltimore region (an excellent example of a Big Box region ... *with one extremely important proviso*).<sup>7</sup> Separated by just a few miles of the Delaware turnpike (which nonetheless exacts a nuisance toll), they sit on the other “Continental Divide:” everything to the north of New Jersey (and west to the Mississippi River) are little boxes states; everything to the south and west of Maryland are Big Box states until we reach California, which divide into quasi-little boxes regions (San Francisco-Oakland/Los Angeles) and Big Box regions (San Diego/San Jose/Inland California).

---

<sup>6</sup> Helen F. Ladd and John Yinger. *America's Ailing Cities: Fiscal Health and the Design of Urban Policy*. Johns Hopkins University Press: Baltimore and London (1991)

<sup>7</sup> I have also selected the Camden area and the Baltimore area because both were target regions for the Ford Foundation's Regional Equity Demonstration Program. This paper was originally prepared for the Ford Foundation's Conversation on Regional Equity (CORE) in 2005.

The greater Philadelphia-Camden-Wilmington PA-NJ-DE-MD region was the nation's fourth most governmentally fragmented in 2007 with general governmental responsibilities divided among eleven counties and 375 cities, boroughs, and townships. With 214 school districts, the region was also the fourth most fragmented in terms of public education (after the greater Boston area).<sup>8</sup> On both sides of the river, the Greater Philadelphia area is the epitome of a little boxes region. Standing alone, the three-county Camden NJ metropolitan division was the USA's thirteenth most governmentally fragmented region in general local government and seventh most fragmented in terms of public education in 2007.

By contrast, with seven counties, including Baltimore City (which is its own county) and only 19 small suburban municipalities, greater Baltimore is the fourth most governmentally unified among metro areas of more than 1,000,000 residents. With seven county school districts, it is the seventh most unified educationally. Among the region's 19 suburban municipalities, only Annapolis (38,394), the state capital, and four other smaller municipalities exceeded 10,000 residents in 2010. Moreover, state law makes county government responsible for most land use planning and zoning.<sup>9</sup>

The "*extremely important proviso?*" Metro Baltimore would be the epitome of a Big Box region except that Baltimore City has not annexed any land successfully since 1917, when it expanded to its current size of 80 square miles. By constitutional amendment adopted in 1948, the city cannot annex any land in Baltimore County or Anne Arundel County without county government permission (which, of course, is never given). Thus, Baltimore City has been converted into a typical "zero-elastic" central city in an otherwise Big Box region (except that it is *not* part of a county).

Table 1 matches up Baltimore's counties with South Jersey's counties in terms of population size, geographic area, and comparative land use planning and zoning powers.

---

<sup>8</sup> In his book *The Regional Governing of Metropolitan America* (Westview Press: 2002) University of Pittsburgh's David Y. Miller presented his Metropolitan Power Diffusion Index (MPDI), the most sophisticated measure yet developed of the relative degree of governmental fragmentation in metropolitan areas. Drawing upon successive reports of the Census Bureau's Census of Governments from 1972 to 2007 (in its most recent update), Miller analyzed the degree to which eleven different public services were delivered either by multiple local governments or by relatively few. The MPDI is a weighted measure of relative fragmentation (that Miller termed "diffusion") for 380 metro areas. Highly fragmented metro areas (that I have called "little boxes" regions) receive high scores. In 2007 the highest was the New York-Northern New Jersey-Long Island NY-NJ-PA MSA with a score of 15.59. Highly centralized metro areas (that I have called "Big Box" regions) receive low scores. In 2007, the lowest was Honolulu HI MSA with its unitary island-wide government and school district (with a score of 1.0).

<sup>9</sup> Of the 19 cities and towns, only those five above 10,000 residents have their own planning and zoning powers; further, under Maryland's Smart Growth Act, municipal land use plans must conform to the county's land use plan.

**Table 1**  
**Who has planning and zoning authority?**  
**Metro Baltimore vs. South Jersey**

<u><b>Metro Baltimore</b></u>			<u><b>South Jersey</b></u>	
Baltimore MSA	2,710,409	regional population	1,845,480	7-county area
Baltimore City	620,961	central city population	[1,526,006]	[Philadelphia City]
Annapolis City	38,394		77,344	Camden City
Baltimore County	599	area (in sq. mi.)	222	Camden County
	805,029	population	513,657	
	0	municipalities	37	
	100%	controlled by county zoning	0%	
Anne Arundel County	416	area (in sq. mi.)	805	Burlington County
	537,656	population	448,737	
	2	municipalities	40	
	95%	controlled by county zoning	0%	
Howard County	252	area (in sq. mi.)	325	Gloucester County
	287,085	population	288,288	
	0	municipalities	24	
	100%	controlled by county zoning	0%	
Harford County	440	area (in sq. mi.)	561	Atlantic County
	244,826	population	274,552	
	3	municipalities	23	
	84%	controlled by county zoning	0%	
Carroll County	449	area (in sq. mi.)	255	Cape May County
	167,134	population	97,265	
	8	municipalities	16	
	89%	controlled by county zoning	0%	
Queen Anne's County	372	area (in sq. mi.)	338	Salem County
	47,798	population	66,083	
	8	municipalities	15	
	100%	controlled by county zoning	0%	
		area (in sq. mi.)	489	Cumberland County
		population	156,898	
		municipalities	14	
		controlled by county zoning	0%	

The contrast is striking and has great implications for what tactics to adopt to achieve greater regional equity in the two different states and the many states that follow these patterns. Regional progress on locally controversial issues (i.e. land use, tax reform/fiscal disparities, housing, education, etc.) in New Jersey can be achieved only through state action. Thus, the critical path for the Camden area (with 101 municipal governments in the three-county region) runs directly through the state house. In New Jersey county government has no authority in any of these critical areas. County government *is* local government in Maryland.<sup>10</sup> Regional equity campaigns can realistically target local government, but they must be tailored accordingly.<sup>11</sup>

## Organization of the Paper

The paper is structured around the key measures, paying close attention to the interaction between group equity and jurisdictional equity outcomes. Readers should keep in mind two aspects of the structure. The first are the specific equity measures I employ. The group measures include residential segregation by race and income, school segregation by race and income, indices of homeownership by race, and income gaps by race. The jurisdictional measures of regional equity include the fair share of poverty index and the city-suburb income index.<sup>12</sup> Second, I place these raw measures of inequity within analyses of particular problems that plague regions. Thus, the paper begins with reducing residential segregation by race, then continues to income. Part 3 examines strategies for de-concentrating poverty. Part 4 discusses several aspects of reducing school segregation. In part 5, I look at local governments and policies for producing more inclusionary housing. Part 6 assesses the income gap. These group-based discussions expand in part 7 to measures of jurisdictional equity, including a return to the factors involved in suburban decline in and around Camden and Baltimore.

---

<sup>10</sup> Although Maryland state government is ultimately the source of all local government authority, the Maryland General Assembly has delegated broad powers to county government. Furthermore, as a “home rule” state, local government (both county and municipal) has substantial latitude in translating broad grants of state authority into specific local ordinances and regulations.

<sup>11</sup> To illustrate the difference, in “little boxes” South Jersey the typical land use planning and zoning authority (always a municipality) conducts “comprehensive” planning for an area of 17.7 square miles containing 10,920 residents; in the “Big Box” Baltimore region, counties are the local governments for 97 percent of the region’s population and 99 percent of its land area; the average county plans for 369 square miles and 375,150 residents.

<sup>12</sup> **A note on benchmarking:** In proposing metro equity measurements for groups and jurisdictions, I will be benchmarking the Baltimore and Camden regions against their peers, evaluating them against the best and the worst of Big Box regions and little boxes regions, respectively. Moreover, I will be limiting the peer comparisons to regions of 1,000,000 or more residents except that, for purposes of publication of this article in the journal of the Rutgers Law School, I will break out the Bergen-Passaic NJ (1,406,342) and Jersey City NJ (634,266) areas from their inclusion in the greater New York City region and add the Trenton-Ewing NJ (361,518) region. The Atlantic City-Hammonton NJ MSA (274,549), Vineland-Millville-Bridgeton NJ MSA (157,898), and Ocean City NJ MSA (97,265) are just too small to be incorporated meaningfully into this analysis. Benchmarking will provide a framework for assessing what measurable equity goals might realistically be set for the Baltimore and Camden regions (or for any other regions that fall within these groupings).

Finally, part 8 turns to policy implications, summarizing ten points from the goals discussed in the previous analyses as well as eight specific regional equity strategies.

## A. Measuring Group Equity Outcomes

### **Part 1: Reducing Residential Segregation by Race**

One regional equity goal must be to reduce residential segregation by race. Racial segregation continues to be a significant factor that limits minority access to good jobs, good schools, wealth-building opportunities through increasing home equity, and many other economic goals.

Residential segregation indices are commonly measured in three ways: by dissimilarity indices, by isolation indices, and by exposure indices. Statistically, however, isolation and exposure indices are highly correlated with dissimilarity indices; change dissimilarity indices and isolation and exposure indices automatically follow.

Dissimilarity indices measure the degree to which a minority population (e.g. blacks, Hispanics, poor persons) is set apart from the majority population (e.g. “whites,”<sup>13</sup> non-poor persons). On a scale of 0 to 100, an index of “0” would indicate an even distribution of a minority group across all neighborhoods (census tracts) of a region; an index of “100” would indicate total racial or economic apartheid. At an index of 100 for blacks, for example, all blacks and only blacks would live in certain neighborhoods and all whites and only whites would live everywhere else.<sup>14</sup>

Equity measure 1a tracks the black-white dissimilarity index over the past five census reports. Looking back to 1970 (the nadir of black residential segregation), segregation was substantially the same in Big Box regions (an index of 80) as in little boxes regions (an index of 84). Thereafter, progress (albeit slow) occurred at a somewhat faster rate in Big Box regions (an improvement of 15 points between 1980 and 2010) than in little boxes regions (an improvement of 10 points). Part of the reason was the quicker pace of economic growth in Big Box regions (mostly in the South and West) than in little boxes regions (the Northeast, Midwest, and parts of Coastal California).

---

<sup>13</sup> Rather than use the classic Southwestern term “Anglo,” I will use the term “white” to mean “non-Hispanic whites.” In reality, racial terms have no biological meaning but still carry heavy social and political connotations in the context of American society.

<sup>14</sup> Statistically, whether or not a minority group’s proportion of the regional population is small or large does not have a significant correlation to its dissimilarity index. The black populations of metro Albuquerque NM and of metro Johnstown PA are both about 3 percent; in 2010, metro Albuquerque’s segregation index was 29, but metro Johnstown’s was 60. Similarly, the black populations of metro Raleigh NC and metro Detroit MI are about 23 percent; metro Raleigh’s segregation index was 41, but metro Detroit’s was 77. Nevertheless, it makes little sense to hold forth a metro Albuquerque (3 percent black) as a benchmark for metro Baltimore (27 percent black). Therefore, I will restrict the pairing of “highs” and “lows” to metro areas with broadly similar racial proportions. The averages for Big Box regions and little boxes regions, however, include all metro areas in the grouping.



However, controlling for sector of the country, David Miller has shown that little boxes regions are significantly correlated with greater segregation.<sup>15</sup>

Group Regional Equity Measure #1a: Black Residential Segregation  
Black-White Dissimilarity Index

	<u>region</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
	Baltimore MD	82	74	71	68	64
Big Box worst	Miami FL	85	79	72	72	73
Big Box mean	37 metro areas	80*	68	60	56	53
Big Box best	Raleigh NC	na	46	42	40	41
New Jersey MSAs	Camden NJ	na	60	59	56	52
	Newark NJ	81	81	83	80	78
	Bergen-Passaic NJ	na	80	78	73	68
	New Brunswick NJ	na	65	60	58	53
	Jersey City NJ	na	77	72	66	64
	Trenton NJ	na	70	68	63	63
little boxes worst	Milwaukee WI	88	84	83	82	80
little boxes mean	24 metro areas	84**	76	73	70	66
little boxes best	Oakland CA	80	74	68	62	57

\*only 20 metro areas in 1970

\*\*only 16 metro areas in 1970

With its “inelastic” central city the Baltimore region (64) was much more segregated than the average Big Box region (53) and was far above Raleigh (41), its least segregated peer region. The Camden region (52) was significantly less segregated than the average little boxes region (66); that, however, is something of a statistical artifact since giant Philadelphia – twenty times Camden’s population – is the true central city of the three-county region in New Jersey – and the greater Philadelphia PA-NJ-DE-MD region’s black segregation index was 67 in 2010. Though Camden and Baltimore have made slow progress, both have lagged behind the rate of progress of their Big Box and little boxes regional averages.

***At a minimum, the regional equity goal for Baltimore and Camden should be to lower their dissimilarity indices for African Americans and other blacks at a rate faster than the averages for Big Box and little boxes regions by Census 2020. This suggests a dissimilarity index in the mid-50s for Baltimore and in the high 40s for Camden.***

Equity measure 1b tracks the Hispanic-white dissimilarity index of the past four census reports. Historically, residential segregation for Hispanics was much lower than for blacks. (In 1980, the average Hispanic segregation index was 25-30 points below that of the average black index). Contrary to trends for blacks, however, *Hispanic segregation has been increasing wherever there has been a significant increase in*

<sup>15</sup> Miller, *The Regional Governing of Metropolitan America*. Westview Press: Boulder, Colorado (2002).

*Hispanic immigration.*<sup>16</sup> Hopefully, this trend is temporary and repeats the common experience that recent immigrants “pond” together for mutual self-help and that successive generations spread out into the larger community.<sup>17</sup> In general, Hispanic segregation levels are highest in the Northeast where many Hispanic immigrants are also black (a double-whammy within American society).

Group Regional Equity Measure #1b: Hispanic Residential Segregation  
Hispanic-White Dissimilarity Index

	<u>region</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Baltimore	Baltimore MD	33	30	36	40
Big Box worst	Houston TX	48	48	53	53
Big Box mean	37 metro areas	35	35	43	43
Big Box best	Jacksonville FL MSA	22	22	27	28
New Jersey MSAs	Camden NJ	61	60	56	50
	Newark NJ	67	67	65	63
	Bergen-Passaic NJ	61	59	58	55
	New Brunswick NJ	49	45	49	47
	Jersey City NJ	49	44	45	49
	Trenton NJ	57	55	53	56
little boxes worst	Newark NJ	67	67	65	63
little boxes mean	24 metro areas	51	51	53	51
little boxes best	Nassau-Suffolk NY	37	42	47	48

Neither Camden nor (especially) Baltimore has been a major destination for Hispanic immigrants. The proportion of Hispanics in Camden did rise from 3.1 percent (1980) to 4.7 percent (1990) to 6.2 percent (2000) to 9.2 percent (2010) and Hispanics were still concentrated, especially within Camden city itself. (With barely 6 percent of its three-county region’s total population, Camden city is home to 31 percent of the region’s

---

<sup>16</sup> I documented this phenomenon in *Cities without Suburbs* (4<sup>th</sup> edition). Table 2.9 (page 86) divides 137 metro areas into six groups. At one end of the spectrum were 13 metro areas with less than 5% Hispanic population in 1980 that experienced explosive growth in Hispanics by 2010 (1,015% to 3,723% increases); their average Hispanic segregation indices increased from 24.4 to 43.2, or +18.8 index points. At the other end of the spectrum were 12 metro areas with more than 20% Hispanic population in 1980 that experienced “modest growth (“only” 56% to 374% increases); their average Hispanic segregation indices decreased from 51.0 to 48.4, or – 2.6 index points. Average metro population size and proportion of Hispanic population somewhat influenced the overall level of Hispanic segregation. It was the dynamics of immigration, however, that largely determined whether or not Hispanic segregation increased or decreased.

<sup>17</sup> The ponding together of black immigrants from Haiti, the Caribbean, West Africa, etc. probably explains why segregation indices for “African Americans *and other blacks*” have not diminished in such ports of entry as the New York NY PMSA and the Newark NJ PMSA.

Hispanics.) Nevertheless, with only a modest increase in Hispanic residents,<sup>18</sup> the Camden segregation index did decline over the past three decades from 61 to 50.

Baltimore's Hispanic population inched upward from 1.0 percent (1980) to 1.3 percent (1990) to 2.0 percent (2000) before leaping to 4.6 percent (2010). Its Hispanic dissimilarity index nudged downwards from 33 to 30 during the 1980s, before climbing to 36 (2000) and 40 (2010).

***Assuming no further acceleration in Hispanic immigration, realistic regional equity goals would be for Camden to achieve a further 4-5 point decrease and for Baltimore to stabilize or even achieve 2-3 point decrease in Hispanic dissimilarity indices by Census 2020.***

The goals in dissimilarity indices for blacks and Hispanics presented above are based on both regions simply doing slightly better than their peers. They do not reflect aggressive implementation of changes in housing market "rules of the game" championed by regional reform coalitions in both the Baltimore area (county inclusionary zoning laws, *Thompson v HUD settlements*)<sup>19</sup> and the Camden area (repeal of Regional Contribution Agreements, full implementation of the *Mount Laurel* doctrine).<sup>20</sup>

Policy change can make a big difference. For example, the two regions that experienced the greatest change in desegregating their regional housing markets were Norfolk-Virginia Beach-Newport News VA and Oklahoma City OK. Between 1970 and 2010, the Hampton Roads area's black dissimilarity index improved from 77 to 47 (30 points); the Oklahoma City area's black dissimilarity index improved from 90 to 49 (41 points).

Why did these two regions experience such dramatic progress? I think that the answer lies in both having big military bases. The Hampton Roads area is the world's largest naval base while Oklahoma City's giant Tinker Air Force Base has 30,000 military and civilian employees. In the mid-1960s the United States military committed itself to fully integrating the armed services on-base and off-base. Constant, top-down pressure opened up regional housing markets at a faster rate than occurred elsewhere (though the military's pro-integration impact on off-base housing markets occurred wherever such facilities were located).

---

<sup>18</sup> The Camden area's Hispanic population more tripled from 31,390 in 1980 to 114,512 in 2010 – still a "modest" increase within a national context. Raleigh's Hispanic population exploded from 2,995 in 1980 to 114,512 in 2010 – almost a forty-fold increase!

<sup>19</sup> As of Fall 2012, IZ laws have been enacted in Annapolis and Baltimore City and final settlement of *Thompson v HUD* will add 2,400 targeted housing choice vouchers to the 1,800 already used successfully under a preliminary settlement to help public housing families move from high-poverty inner city neighborhoods to low-poverty, generally suburban neighborhoods.

<sup>20</sup> With enactment of the Housing Reform Act of 2008, the New Jersey Regional Coalition and allies repealed Regional Contribution Agreements and strengthened the statutory basis of the *Mount Laurel* doctrine. The state legislature and state courts have successfully beaten back roll-back efforts by a conservative Republican administration.

## Part 2: Reducing residential segregation by income

Economic segregation is highly correlated with racial segregation.<sup>21</sup> By contrast, among multiple metro areas, there is *zero* correlation between the level of poverty in a region and the economic segregation rate. (The structure of local governance – Big Box v little boxes – is correlated.)

Equity measure 1c tracks economic segregation indices from 1970 to 2000. The “minority” group is poor persons (defined as those falling below the federal poverty threshold); the “majority” group is everybody else above the poverty threshold.

Group Regional Equity Measure #1c: Economic Residential Segregation  
Poor/Non-poor Dissimilarity Index

	<u>region</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
	Baltimore MD	40	45	47	43
Big Box worst	Baltimore MD	40	45	47	43
Big Box mean	37 metro areas	34*	33	36	35
Big Box best	Portland OR-WA	25	26	28	27
	Philadelphia PA-NJ	38	44	48	46
New Jersey MSAs	Camden (NJ only)	na	na	42	na
	Newark NJ	42	48	47	46
	Bergen-Passaic NJ	na	43	38	39
	New Brunswick NJ	na	33	37	38
	Jersey City NJ	na	24	25	23
little boxes worst	Milwaukee WI	39	46	56	51
little boxes mean	24 metro areas	36**	38	42	40
little boxes best	San Francisco CA	33	31	33	30

\*only 35 metro areas in 1970

\*\*only 22 metro areas in 1970

Economic segregation rose steadily in most regions throughout the 1970s and 1980s; the Big Box average rose from 34 to 36, the little boxes average rose more significantly from 36 to 42. However, at the end of the long 1990s economic boom, economic segregation indices dipped down in most regions (though typically remaining higher than 1970 levels).

The primary factor was the reduction in overall poverty rates, primarily inner-city poverty rates as inner-suburban poverty rates climbed slightly during the decade. At the end of the 1990s, many inner-city workers found employment that lifted family incomes above the poverty line, lowering the economic segregation index even if nobody moved.

<sup>21</sup> Regressing economic dissimilarity indices (the dependent variable) against black and Hispanic dissimilarity indices (the independent variables) yields an adjusted r-square of 0.30 with black segregation having substantially more weight than Hispanic segregation. By contrast, the adjusted r-square between economic dissimilarity rates and the level of poverty rates is -0.01 (i.e. no correlation).

Moreover, in some cities, gentrification re-inserted middle-class households into some previously high-poverty areas. (Newark’s Society Hill and Baltimore’s Otterbein, Federal Hill, and Fells Point neighborhoods were prime examples.) To the extent that gentrification did not result in totally re-segregating neighborhoods with wealthier households, gentrification would result in lowering the economic segregation index.

HOPE VI projects replaced massive public housing projects with more mixed-income developments and provided rent vouchers for those former project residents not being re-established in the new developments.<sup>22</sup> Implementation of HOPE VI was associated with lowering economic segregation regionally as Table 2 shows.

Table 2  
Association of HOPE VI with Reducing Economic Segregation  
in 100 Largest Metro Areas

<b><u>HOPE VI funds (FY 1993-FY 2000)</u></b>	<b><u>mean D-Index reduction</u></b>
More than \$100 million <sup>23</sup>	- 3.0
\$75 million to \$100 million	- 2.0
\$50 million to \$75 million	- 1.8
\$25 million to \$50 million	- 1.1
\$5 million to \$25 million	- 0.6
no HOPE VI projects	- 0.4

This table should *not* be interpreted to mean that spending more than \$100 million per community in HOPE VI projects was solely responsible for lowering economic segregation in those regions by three points. Instead, those HOPE VI projects were associated with (and undoubtedly contributed to) average improvement of that magnitude. HOPE VI worked!

---

<sup>22</sup> See Harry J. Wexler, *HOPE VI: Market Means/Public Ends—the Goals, Strategies, and Midterm Lessons of HUD’s Urban Revitalization Demonstration Program*, 2001 J. AFFORDABLE HOUSING & COMMUNITY DEV. L. 195. In 1992, HUD created the HOPE VI program, originally known as the Urban Revitalization Demonstration Program, which “aim[ed] to transform the worst of public housing by replacing it with smaller-scale, economically integrated housing that is an anchor for neighborhood renewal.” *Id.* at 196 (internal quotations omitted). The program’s primary strategy has been to “retain experienced and well-capitalized private developers that can leverage the resources needed to produce developments that attempt to attract middle income families to former public housing sites.” *Id.* at 196-97.

Subsequently, in 1998, “HOPE VI became a permanent HUD program with enactment of legislation” codified at 42 U.S.C. § 1437z-7 (1999). Peter W. Salsich, Jr., *Does America Need Public Housing?* 19 GEO. MASON L. REV. 689, 706 (2012). The law authorized local public housing authorities to “own, operate, assist, or otherwise participate in mixed-finance projects, and authorizing HUD to make grants to such agencies to enable them to participate in public-private partnerships seeking to develop mixed-income, mixed-financed housing.” *Id.* (internal quotations omitted). Since its inception, various studies of the HOPE VI program have conveyed mixed results. *Id.* at 705-10.

<sup>23</sup> The three largest recipients of HOPE VI funds were the Philadelphia Housing Authority (\$220 million), Chicago Housing Authority (\$188 million) and Housing Authority of Baltimore City (\$167 million).

Among Big Box regions Baltimore was the most economically segregated in 2000 (an economic segregation index of 43) which reflected the fact that two-thirds of the region's poor were African American and racial segregation was still quite high (a racial segregation index of 68). It also reflected an anomalous situation: Baltimore City, New Orleans and Washington, DC shared the unhappy distinction of being the only boundary-frozen central cities for the last fifty years among the Big Box regions.

One consequence of Baltimore City's "inelasticity" was that for decades the Housing Authority of Baltimore City (following HUD's rules<sup>24</sup>) confined its operations to Baltimore's city limits, promoting hyper-concentration of black poverty. (In the late 1990s HABC's use of HOPE VI funds, including rent vouchers, did contribute significantly to the four-point reduction in the regional economic segregation index during the decade.)

At the other end of the Big Box economic segregation scale was the Portland OR-WA area. Its relatively low score (27) reflected the fact that over 80 percent of its region's poor were white. (Nationally, three-quarters of poor whites live in non-poverty impacted, blue collar and white collar neighborhoods, while half of all poor Hispanics and three-quarters of poor African Americans live in poverty-impacted barrios and ghettos.)<sup>25</sup>

Just as they were more racially segregated, little boxes regions were more economically segregated. Philadelphia-Camden PA-NJ was the third most economically segregated region (46.2) behind Milwaukee (50.6) and Hartford (47.8), and followed by Newark (46.0), Cleveland (45.0), Detroit (44.8), Chicago (43.9), Buffalo (43.8), Baltimore (43.3), and Rochester (41.6). All but Baltimore are little boxes regions. The least economically segregated little boxes region was San Francisco (30.0).<sup>26</sup>

No organization has undertaken the extensive calculations to update these economic segregation indices to 2010 nor conform past indices to the new metropolitan geographies. However, Brown University's US 2010 Project has done so using a set of different methodologies.<sup>27</sup>

What I will call the "**economic polarization index**" (equity measure 1d) combines an index measuring the degree to which the "affluent" (the top 10 percent of the regional income scale) are segregated from the non-"affluent" with an index

---

<sup>24</sup> In 2005, in *Thompson v HUD* federal District Court Judge Marvin J. Garbis found HUD responsible for conducting a racially segregated public housing program and, in effect, relieved the Housing Authority of Baltimore City (HABC) of independent responsibility.

<sup>25</sup> David Rusk. *Inside Game/Outside Game*. The Brookings Institution Press: Washington, DC (1999), Table A-5, pages 347-9.

<sup>26</sup> Nassau-Suffolk NY (29.2) was below San Francisco, but as two suburban counties of New York City without their own central city, I feel that it is not a relevant benchmark. [See comment in footnote 24.]

<sup>27</sup> See <http://www.s4.brown.edu/us2010/Data/Report/report111111.pdf>.

measuring the degree to which the “poor” (the bottom 10 percent of the regional income scale) are segregated from the non-“poor.”<sup>28</sup> [418 + 87]

Group Regional Equity Measure #1d: Economic Polarization Index  
(Segregation of the Poor plus Segregation of the Affluent)

	<u>region</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
	Baltimore MD	34	37	44	40	40
Big Box worst	Memphis TN-AR-MS	38	37	46	41	46
Big Box mean	37 metro areas	31	30	36	35	37
Big Box best	Portland OR-WA	23	22	27	27	29
New Jersey MSAs	Camden NJ	25	29	35	33	36
	Newark NJ	37	42	44	45	47
	New Brunswick NJ	27	28	32	32	33
	Trenton NJ	33	37	42	43	45
	New York NY-NJ*	35	41	47	45	50
	Bergen-Passaic NJ*	na	na	na	na	na
	Jersey City NJ*	na	na	na	na	na
	Trenton NJ	33	37	42	43	45
little boxes worst	Bridgeport CT	42	46	47	48	55
little boxes mean	23 metro areas	31	33	40	38	40
little boxes best	New Brunswick NJ	27	28	32	32	33

\*Bergen-Passaic and Jersey City are incorporated into the New York NY-NJ metro division

The economic polarization index shows the same pattern as the economic segregation index – steadily rising polarization/segregation in the 1970s and 1980s and a slight reduction during the 1990s boom years. However, the upward trend resumed in the 2000s – a post-high tech bubble recession followed by a largely jobless recovery followed by The Great Recession (of which USA 2010 Project, using the American Community Survey 2005-09, only captures its impact in 2008).

To summarize regional equity measures 1a through 1d, over the past three decades black/white segregation *decreased* in 359 of 380 metro areas, the economic polarization index increased in 359 of 380 metro areas.

Jim Crow by income is replacing Jim Crow by race.

What economic de-segregation goals might we reasonably set for the Baltimore and Camden areas for the next decade? Clearly, neither in these regions nor in nine out of ten metropolitan areas nation-wide are market forces creating less economically

<sup>28</sup> Note that the USA 2010 Project’s definition of the poor (the bottom 10 percent of the income scale) is not identical to the federal definition of the poor. The Census Bureau reported that the national poverty rate for 2010 was 15.1 percent – in effect, 50 percent more poor people than the USA 2010 Project’s standard.

segregated housing markets. We must examine the potential efficacy of different public policy interventions.

### **Part 3: Simulating Strategies for De-Concentrating Poverty**

Few conditions affect both group and jurisdictional equity outcomes like areas of concentrated poverty. In this Part, I model several common strategies for de-concentrating poverty—localized income supports, gentrification by more middle-class residents and “growth share” with mobility. It turns out the more regionalized growth share strategy has greater promise than is often assumed. Based on Census 2000 data, lowering the economic segregation index *by one point* would require de-concentrating 2,200 poor persons in the Baltimore region and 1,100 poor persons in the three-county Camden area. From a programmatic point of view, this could be achieved in any one of three different ways (using the Camden area as our example).

Strategy #1 (“in-place income strategy”): incomes of 1,100 poor persons could be raised above the poverty level by jobs programs and tight labor markets; poverty de-concentration would occur without anybody moving. This was the major reason for decreasing economic segregation indices that occurred in 70 percent of major metro areas in the 1990s.

Strategy #2 (“gentrification strategy”): 1,100 non-poor persons could move into high poverty areas; poverty de-concentration would occur without any *poor* persons moving (they would simply acquire more non-poor neighbors). This was the effect of re-gentrification occurring in some inner-city neighborhoods in the 1990s.

Strategy #3 (“growth share strategy”): 1,100 poor persons could move into non-poor areas; poverty de-concentration would occur by lessening the high concentration of poor persons in high-poverty “sending” neighborhoods and creating more economically balanced “receiving” neighborhoods. This was the result of Gautreaux-type, housing voucher programs. (HOPE VI was a combination of strategies #2 and #3.)

To test the statistical impact on lowering economic segregation indices, I have constructed a model of Camden County, using approximate population and poverty figures from Census 2000. I divided Camden County into its 15 largest municipalities, ranging from Camden (80,000) to Runnemede (8,500), and combined the remaining 22 municipalities into one, 80,000-person box (“Box Borough”). I calculated that my model Camden County had an economic dissimilarity index of 40.3 in 1999.<sup>29</sup>

I then tested each of the three strategies, *assuming (for simplicity’s sake) that all poor people affected would initially be Camden residents*. For Strategy #1 (“in-place income strategy”) I converted 1,100 poor residents of Camden into 1,100 non-poor residents of Camden; no other change occurred in the region. For Strategy #2 (“gentrification strategy”), I moved 100 non-poor residents each from eleven “sending”

---

<sup>29</sup> The economic dissimilarity index, using all 37 municipal boxes, was 41.5. Using all 120 census tracts in Camden County (or all 293 census tracts in the three-county region) will drive the economic dissimilarity index slightly higher. (The three-county economic segregation index was 42.1 in 1989 on a census tract basis.)



municipalities (Cherry Hill, Gloucester, Winslow, Voorhees, Haddon, Haddonfield, Bellmawr, Pine Hill, Waterford, Runnymede, and “Box Borough”) into “receiving” Camden City. (I left at-risk suburbs Pennsauken, Lindenwold, Gloucester City, and Audubon unchanged.) For Strategy #3 (“growth share strategy”) I relocated a total of 1,100 poor Camden residents (now the “sending” municipality) in groups of 100 into the same list of eleven municipalities above (now converted into “receiving” municipalities). Again, I left the at-risk municipalities unchanged. (Pennsauken’s Stable Integration Growth Council’s goal is to stabilize that at-risk suburb.) The results were as follows:

Table 3  
Simulated Poverty Reduction Strategies for Camden County

Strategy	economic segregation index	economic segregation index change
Base Case (status quo)	40.3	- 0.0
#1 (in-place income strategy)	39.2	- 1.1
#2 (gentrification strategy)	40.1	- 0.2
#3 (growth share strategy)	38.2	- 2.1

In terms of their relative impact on reducing economic segregation, as measured by economic segregation indices, *the “growth share strategy” had almost twice the impact of the “in-place income strategy” and almost ten times the impact of the “gentrification strategy.”*

Moreover, an “income strategy” is more likely to be achieved by facilitating poor Camden residents’ relocation to the nine “receiving municipalities” (that gained + 11,957 jobs during the 1990s) than by staying in Camden (which lost - 6,218 jobs).<sup>30 31</sup>

How feasible is a “growth share” strategy? It is very feasible ... with a supportive state administration in Trenton. The *American Community Survey 2003* reported that between 2000 and mid-year 2003 some 3,861 new housing units were built in Camden County (14,829 in the three-county region).<sup>32</sup> That translates into over 1,100 new housing units per year in Camden County. Applying the New Jersey Regional Coalition (NJRC)

<sup>30</sup> The four at-risk, inner suburbs lost - 4,523 jobs. “Box Borough” was a mixed bag, but on net lost - 2,725 jobs as well. Overall, within the region, Camden County lost - 1,509 jobs during the 1990s.

<sup>31</sup> A statistical irony is that raising “suburban movers” incomes above the poverty level offsets the improvement in the dissimilarity index since they are no longer “poor.” We could construct supplemental economic dissimilarity indices for persons below 125 percent of the poverty level or below 200 percent of the poverty level which the census also reports on a tract-by-tract basis to partially offset this statistical problem.

<sup>32</sup> This simulation was done in mid-2005. Subsequently, the state Housing Reform Act of 2008 set a requirement that 20 percent of any state-assisted housing development must be affordable for families below 80 percent of Area Median Income (AMI); furthermore, one-quarter (or 5 percent) must be reserved for families at less than 30 percent AMI. “State assistance” includes water and sewer infrastructure, roads, highways, etc. as well as any housing-related grants or state-provided mortgage financing

20 percent standard for an affordable housing set-aside would yield 220 “growth share of housing” units annually in Camden County. Assuming that one-quarter of Camden County’s growth share units (55 units) were age-restricted for senior citizens but that another quarter were filled by extremely low-income, working families (at less than 30 percent of Area Median Income), that would translate into 55 poor families, or about 140 poor persons per year moving into “growth share of housing” housing in job-rich communities with high-performance local schools just within Camden County.

In addition, NJRC has recommended that an additional affordable housing unit be built for every five new jobs in a community. Within the nine “receiving” towns of my simulation (two others experienced net job losses), the job growth-related portion of the formula would yield another 240 new affordable units annually in those nine towns. Applying the same assumptions as above, one-quarter of the “growth share of jobs” affordable units, or 60 affordable units, would be filled by extremely low-wage working families (or 60 poor families per year).

Thus, both parts of the NJRC formula would add up to the opportunity for 115 poor families (with about 290 persons) to move to opportunity-based housing annually in job-rich communities with high-performance local schools just within Camden County.

In the three-county region, over 4,200 new housing units have been built annually, which would yield 840 “growth share of housing” units annually. Moreover, based on regional job growth (in positive job growth municipalities), another 1,200 “growth share of jobs” housing units would be generated annually under NJRC’s formula. Setting aside roughly one-quarter of both groups for extremely low-income, working families, some 500 poor families, or 1,250 poor persons could move each year.

*In short, it is within the potential of NJRC’s “growth share” strategy to lower the regional economic segregation index by one point on a regional basis every year, or ten percentage points in a decade.*

It will be exceedingly difficult for NJRC to get its full formula adopted as public policy. Almost three-quarters of the mandatory inclusionary zoning laws in the nation have set-asides for affordable housing ranging from 10 percent to 15 percent rather than 20 percent or more. NJRC and its allies are adhering to the constitutional standard of a 20 percent set-aside in *Mt Laurel II*. Moreover, job-generation set-asides are rare (though Arlington County did seek to implement a one affordable unit for every five new jobs standard before the Virginia Supreme Court threw out the county’s regulation as a violation of Dillon’s Rule).

What would be the result if NJRC were only to succeed in eliminating RCAs (which, as noted, happened in 2008) and forcing the Council on Affordable Housing (COAH) to implement honestly COAH’s own modest “growth share” proposal (a 10 percent set-aside for affordable housing and one affordable unit for every 25 new jobs)?<sup>33</sup>

Based on the region’s job creation record for the 1990s, COAH’s job growth requirement would be generating about 240 affordable units a year in job-growth

---

<sup>33</sup> NJRC pressure did succeed in getting COAH to adopt a 1:25 new jobs rather than the initial 1:30 ratio proposed.

municipalities. Based on the region’s housing market from 2000 to mid-2003, COAH’s ten percent set-aside would be generating 420 units per year. Total affordable housing production under COAH’s “growth share” formula would be 660 units per year. Applying the same assumption that only one-quarter of these units would be directed towards very low-income, working families (less than 30 percent of AMI), some 165 “COAH growth share” housing units would be created for these families, allowing relocation of 410 poor persons annually.<sup>34</sup> COAH’s proposed “growth share” (both housing and jobs components) would reduce regional economic segregation by one point about every two and a half to three years or between three and four points in a decade.

*The regional equity goal for reducing economic segregation should be achieving economic segregation indices well below 40 for both the Baltimore area and the three-county Camden area and reducing the economic polarization index by five points or more by the 2020 census.*

**Part 4: Reducing school segregation**

School enrollment patterns follow residential patterns. Segregated neighborhoods result in segregated schools (but more so), and integrated neighborhoods result in integrated schools (but less so). Neighborhoods are more integrated than schools because of, first, the presence of large numbers of childless households. (Residential segregation indices for persons 18 years of age or younger are typically two or three points higher than residential segregation indices for all age groups.) Second, that differential grows even greater for segregation indices constructed for public school enrollments (above all, at the elementary school level). More advantaged families often enroll their children in parochial or non-sectarian private schools rather than in the neighborhood public schools. These differences are illustrated by table 4 for the Baltimore and Camden areas.

Table 4  
Children are more segregated (especially in schools) than all age groups.  
(dissimilarity indices ca. 2000)

<u>group</u>	<u>Baltimore MD</u>			<u>Philadelphia-Camden PA-NJ</u>		
	<u>all</u>	<u>&lt;18 yrs</u>	<u>pupils*</u>	<u>all</u>	<u>&lt;18 yrs</u>	<u>pupils*</u>
black	68	71	73	72	75	na
Hispanic	36	39	44	60	65	na
poor	43	na	59	46	na	<b>64**</b>

\*Data from National Center for Education Statistics (NCES) \*\*Data from Rusk study

<sup>34</sup> Applying COAH’s formula to Camden County only would yield about 160 “growth share” units per year, or the opportunity for 40 poor families (100 poor persons) to move.

Table 4 also illustrates a weakness of national education statistics. For nationwide comparisons, researchers must depend on data compiled by the National Center for Education Statistics that have been submitted voluntarily by state education departments.<sup>35</sup> Quality control for school data is less reliable than for census data and many reports contained racial enrollments but no information on economic status (that is, eligibility for subsidized meals).<sup>36</sup>

There are two groups of children that qualify for subsidized meals: those with household incomes up to 130 percent of the poverty level (up to \$30,615 for a four-person household in 2012) qualify for fully subsidized meals; and those with household incomes up to 185 percent of the poverty level (up to \$43,578) qualify for partially subsidized meals on a sliding scale. The same income standards apply nationwide (except for Alaska and Hawaii), regardless of vast differences in regional cost-of-living. Eligibility will be overstated in low cost-of-living regions and understated in high cost-of-living regions. Thus, in Harlingen TX (cost-of-living index: 83), 76 percent of pupils qualify for free meals, while in San Francisco CA (cost-of-living index: 164), only 56 percent of pupils qualify for free meals (way up from 39 percent in pre-Great Recession 2003).

Equity measure 2a tracks trends in black-white elementary school segregation during the decade of the 1990s. Note that the black school segregation was higher than black neighborhood segregation (Big Box school index 58 vs. residential index 56; little boxes school index 75 vs. residential index 70). Note also that, contrary to residential trends, black school segregation increased slightly during the decade – more so in Big Box regions (56 to 58) than in little boxes regions (74 to 75). This reflected the fact that very conservative federal judges were dismantling long-standing, court-ordered school desegregation policies ... even over the opposition of local school boards, business and civic leaders (whose predecessors a generation or two before had often opposed the original court orders). After the early 1970s, Southern schools were much less segregated than Southern neighborhoods. In the 1990s, in re-instituting a system of neighborhood schools, federal judges were re-creating more racially segregated schools.

---

<sup>35</sup> All school data are drawn from NCES sources as compiled and analyzed by Duncan Chaplin of The Urban Institute and myself for my chapter “Trends in School Segregation” in Richard Kahlenberg, ed. *Divided We Fail: Coming Together through Public School Choice: The Report of The Century Foundation Task Force on the Common School*. New York: The Century Foundation Press (2002), pages 61-85.

<sup>36</sup> For the Philadelphia PA-NJ PMSA, NCES data deficiencies were compounded by our own error. Apparently, the data were incorrectly tabulated as two separate groups: a Pennsylvania-only tabulation (531 elementary schools) and a New Jersey-only tabulation (276 elementary schools). I cannot recombine the data, so the school segregation tables will report the two portions of the Philadelphia region separately. Moreover, no school lunch data were reported for the Pennsylvania schools. The “64” listed for economic school segregation is my own **metro-wide** calculation for 1998-99.

Group Regional Equity Measure #2a: Black School Segregation  
Black-White Dissimilarity Index

	<u>region</u>	<u>1989-91</u>	<u>1997-99</u>
	Baltimore MD	74	73
Big Box worst	Memphis TN-AR-MS	70	77
Big Box mean	38 metro areas	56	58
Big Box best	Raleigh-Durham NC	33	37
New Jersey MSAs	Camden NJ	60	66
	Newark NJ	85	85
	Bergen-Passaic NJ	84	83
	New Brunswick NJ	59	58
	Jersey City NJ	81	79
	Trenton NJ	72	75
little boxes worst	Detroit MI	89	89
little boxes mean	24 metro areas	74	75
little boxes best	Los Angeles CA	68	67

Equity measure 2b shows that, for Hispanic pupils, school segregation indices tracked residential trends. In regions where the Hispanic population was stable or growing only slowly (such as in Baltimore, St. Louis, or in little boxes regions, in general), Hispanic school segregation diminished as Hispanic families fanned out to a broader range of neighborhoods throughout the region. In regions where the Hispanic population was expanding rapidly (such as in Providence RI, Orange County CA, or in Big Box regions, in general), Hispanic school segregation increased as new immigrants crowded into neighborhood “ports of entry.”

Group Regional Equity Measure #2b: Hispanic School Segregation  
Hispanic-White Dissimilarity Index

	<u>region</u>	<u>1989-91</u>	<u>1997-99</u>
	Baltimore MD	47	44
Big Box worst	Orange County CA	61	67
Big Box mean	37 metro areas	49	50
Big Box best	Fort Lauderdale FL	35	30
New Jersey MSAs	Camden (NJ only)	74	75
	Newark NJ	77	74
	Bergen-Passaic NJ	73	67
	New Brunswick NJ	70	60
	Jersey City NJ	81	79
	Trenton NJ	72	75
little boxes worst	Providence RI	78	80
little boxes mean	24 metro areas	65	64

little boxes best                      St Louis MO-IL MSA                      48                      44

Finally, we come to measures of economic school segregation, the crux of the school issue. Despite national prosperity, in the 81 of the USA's 100 largest metro areas where data were reported to NCES, the percentage of pupils qualifying for free meals increased an average of 3.3 percent during the 1990s. Economic segregation indices increased in 53 regions, were stable in 15 regions, and decreased in only 13 regions, driving the overall average index up 2.2 points. [72 + 0]

Group Regional Equity Measure #2c: Economic School Segregation  
Low-income/Middle-class Dissimilarity Index

	<u>region</u>	<u>1989-91</u>	<u>1997-99</u>
	Baltimore MD	62	59
Big Box worst	Baltimore MD PMSA	62	59
Big Box mean	34 metro areas	45	47
Big Box best	Raleigh-Durham NC	33	33
New Jersey MSAs	Camden NJ	54	52
	Newark NJ	66	67
	Bergen-Passaic NJ	69	65
	New Brunswick NJ	55	56
	Jersey City NJ	37	36
	Trenton NJ	69	65
little boxes worst	Cleveland OH	68	71
little boxes mean	20 metro areas	57	58
little boxes best	St Louis MO-IL	41	48

Equity measure 2c focuses on regions of over 1,000,000 residents. As with all the other tables, economic school segregation was less in Big Box regions (47) than in little boxes regions (58), but average indices inched upward in both groups. Reflecting its anomalous situation as having a highly segregated “zero-elastic” central city within a Big Box region, the Baltimore region’s schools were the most economically segregated although the index dropped noticeably during the decade (reflecting partially HOPE VI and Moving To Opportunity’s impact). Raleigh-Durham NC was the least economically segregated region ... with good reason (see below).

Among the little boxes regions, Cleveland had the most economically segregated schools (71) and the St. Louis area (seemingly) had the least economically segregated schools (though the level had increased rapidly during the decade).<sup>37</sup> My own calculations for the three-county Camden area show that economic segregation declined slightly from 54 to 52 between 1990 and 1998.

<sup>37</sup> Among little boxes regions, NCES did not have data on school lunch eligibility for the New York, Chicago, Boston, and Pittsburgh regions; among Big Box regions, NCES did not have school lunch eligibility data for Phoenix, Nashville, and Seattle.

a. **Classmates Count!**

Why should the issue of economic school segregation matter? It matters because where a child lives shapes his educational opportunity – not in terms of how much money the local district spends but who his classmates are. The impact of the socioeconomic background of schoolchildren’s families on academic outcomes was first documented by James Coleman in *Equality of Educational Opportunity*, a massive study of American schools, in 1966. Coleman summarized: “The educational resources that a child’s classmates bring to school are more important than the educational resources that the school board provides.”

Coleman found that poor children learn best when surrounded by middle-class classmates. My own studies of several metro areas (Albuquerque, Madison, Baltimore, Green Bay, and Lancaster) have found that the difference between a poor child’s attending an 80 percent low-income school and attending an 80 percent middle-class school is, on average, a 12-15 percentile improvement in the child’s test scores. For almost 40 years there has been no more consistent finding of educational research: the most powerful predictors of educational success or failure are family income and parents’ educational attainment.<sup>38</sup>

The Coleman Report’s findings have been both consistently re-confirmed and even more consistently – I would say, deliberately – ignored by all politicians and many educators.<sup>39</sup> They will not challenge the racial and class structure of American society.

b. **Does Money Matter?**

I have been a speaker and consultant in over 120 metro areas. In about half of them, the percentage of poor children in the central city school district is over 60 percent. From Allentown to Youngstown, from smallish Muskegon to giant New York City, the story I hear always seems the same: “The city schools are terrible ... the school board is always fighting ... superintendents come and go constantly ... we must fix the city schools before the city can make a come back.”

After several dozen times, one begins to suspect these complaints are just symptoms, not causes. The cause is the high concentration of poverty in city schools. The schools cannot overcome the many problems and minimal home support many poor children bring to school.

Through internal reforms alone *nobody* has successfully turned around a highly distressed school system *anywhere*.

---

<sup>38</sup> The definitive research on the impact of economically integrated classrooms on educational outcomes for low-income children is “Housing Policy Is School Policy,” a report by Dr. Heather Schwartz for The Century Foundation (October 2010) based on her doctoral dissertation for Columbia University. Her report can be accessed at <http://tcf.org/publications/2010/10/housing-policy-is-school-policy>.

<sup>39</sup> See Richard D. Kahlenberg. *All Together Now: Creating Middle-Class Schools through Public School Choice*. Brookings Institution Press: Washington, DC. (2001), page 28. The succeeding quotation is from page 47. The 33 pages of footnotes to chapters 3 and 4 catalogue most major studies on the effects of racial and economic school integration.

I believe that more money is *not* the answer.<sup>40</sup>

Thus, I do **not** propose to set “equitable school funding” as a regional equity goal. Moving poor children to opportunity is far more effective than moving more money to poor children in both my view and in light of the great preponderance of educational research.

### c. School Boards: Inclusionary School Policies

Local school boards can seek to de-concentrate poor children by their pupil assignment policies. The now-conservative federal courts have been dismantling school integration plans based on balancing enrollments by race. An increasing number of local school boards have adopted policies to balance school enrollments by income, most notably in La Crosse WI, Wake County (Raleigh) NC, Cambridge MA, and San Francisco CA. Typically, they assign students so that every school has the same proportion of low-income students as the district-wide average (plus or minus 15 percentage points). Thus, if the district-wide percentage of low-income students (as measured by eligibility for Free And Reduced-price Meals, or FARM) is 30 percent, every school must fall between 15 percent and 45 percent FARM pupils (that, indeed, is Cambridge’s policy).

As a regional strategy, it is generally useless to pursue such a policy in little boxes regions. Economic segregation is more pronounced *among* multiple school districts than *within* each district. Central city schools are typically overwhelmed by poor children; there are so few non-poor children (usually, concentrated in just a few schools) that there are no middle-class schools to integrate low-income children into.<sup>41</sup> Little boxes suburban districts typically cover a fairly narrow income range within each district.

The potential is much greater in Big Box regions that have large, sometimes county-wide, school districts. I have constructed district-by-district, school-by-school models of the Baltimore and Camden regions to test the potential impact of balancing school enrollments by income within each school district.<sup>42</sup>

**Baltimore:** The Baltimore region has only seven, county-wide school districts, ranging from Baltimore City (82 percent FARM) to Carroll County (9 percent FARM) in 2002. The economic segregation index for the region’s 372 elementary schools was

---

<sup>40</sup> Spending more money and having smaller class sizes in school A than in school B would probably produce somewhat better results for school A *when both pupil populations have almost identical socioeconomic backgrounds*. But when there are significant socioeconomic disparities, the effects of poverty and low parental education just wipe out other factors. These issues are explored in Gary Burtless, ed. *Does Money Matter: the Effect of School Resources on Student Achievement and Adult Success*. The Brookings Institution: Washington, DC (1996).

<sup>41</sup> Out of 96 elementary schools in Baltimore City Public Schools (82% FARM), there were only two schools that had less than a majority of FARM pupils in 2000-02 – Mount Washington (27% FARM) and Medfield Heights (45% FARM). Of the 22 regular elementary schools of Camden City Public Schools (94% FARM in 1998), the two schools with the *lowest* proportions of low-income pupils were Broadway and Yorkship (both 71% FARM).

<sup>42</sup> See *Housing Policy Is School Policy: an Analysis of the Interaction of Housing Patterns, School Enrollments, and Academic Achievement in the Baltimore Area Public Schools* (June 2003), prepared for the Abell Foundation. in the documents library on my website ([www.davidrusk.com](http://www.davidrusk.com)).



61.7 in 2002 (the USA's 6<sup>th</sup> worst). By implementing a Cambridge-type policy by every local school board, substantial realignment would occur within Anne Arundel County, Baltimore County, and Harford County. A modest realignment would occur within Howard County. Little realignment would occur within Carroll County, and none within Queen Anne's County. With only two elementary schools below 50% FARM, such a SES policy would not be worth doing in Baltimore City, but I carried out the mathematical exercise anyway. Having school boards maximize socioeconomic integration within each district (plus/minus 15 percentage points) would lower the economic school segregation index from 61.7 to 53.5 – about a 13 percent improvement.

**Camden:** While the Baltimore area is a “Big Box” region, let's turn to the “little boxes” Camden area. Its 101 municipalities contain 92 independent school districts. Its three-county economic school segregation index was 49.3 in 2005. While that is substantially better than the Baltimore region's 61.7 index, it reflects the fact that the three-county area is really a suburb of Philadelphia, whose tremendous concentration of poor children is not counted in my calculation for the Camden region as is Baltimore City's for its region. However, the disparities in the socioeconomic profiles among the Camden region's 92 school districts are tremendous.

What would the result be if each of the 92 school boards adopted a common policy to achieve maximum economic integration *within* their 92 districts? Within each district, I replaced FARM pupils with non-FARM pupils, or vice versa, until I had brought each school to the exact district-wide FARM percentage. *The result was only a negligible improvement in the region-wide economic school segregation index—from 49.3 to 48.0.* In other words, in this “little boxes” region, economic segregation is much greater *among* school districts than *within* school districts.

### **Part 5: Local Governments and Inclusionary Housing Policies**

In 1974, the U.S. Supreme Court's *Milliken v. Bradley* decision exempted suburban districts from having to participate with central city districts in racial de-segregation plans unless plaintiffs could prove that a suburban district's enrollment patterns were the direct result of deliberate racially-discriminatory actions by the local school board; there is no likelihood that current federal courts would rule otherwise regarding city-suburban economic de-segregation plans. Though it is certainly within the constitutional authority of state education departments, state legislatures, and state courts to require inter-district economic de-segregation, the refusal of both the legislature and local governments to comply meaningfully with the Connecticut Supreme Court's ruling in *Sheff v. O'Neill* illustrates the unlikelihood of achieving region-wide economic school de-segregation through that path.

Housing policy *is* school policy. Of all the policies pursued to increase the supply of affordable housing, inclusionary zoning (*done correctly*) is the only policy that guarantees that increasing numbers of low-income children will be attending middle-class schools.

I modeled the Baltimore and Camden areas to test the potential impact of region-wide inclusionary zoning on school economic integration.

#### **a. Modeling Baltimore**

Some 316,000 new housing units were built from 1980 to 2000 (about 30 percent of the total housing stock). A region-wide inclusionary zoning would have produced 15,800 units of workforce housing for low-income income workers and another 7,900 units for very low- income workers. Less than 10 percent of the inclusionary housing (1,650 units) would have been located in Baltimore City. Most inclusionary housing would have been integrated into new, middle class subdivisions and new, market rate apartment complexes in newly developing communities.

Baltimore County would have had the largest amount of inclusionary housing (6,900 units), followed by Anne Arundel County (5,550) and Howard County (4,200), mirroring the relative pace of home construction in those counties from 1980 to 2000. (Of course, relatively more inclusionary units would be constructed in the outlying counties in coming decades as sprawl continues unless Maryland's Smart Growth policies really take hold.)

While progressive SES-balancing enrollment policies by school boards would have hypothetically reduced economic school segregation by 13 percent from 61.7 to 53.5, adding a region-wide, 20-year inclusionary zoning policy would have further reduced economic school segregation to 25.8 – a 60 percent reduction!

The consequences for Baltimore City would have been dramatic. From a system with 82 percent FARM pupils, the district average would have been reduced to 53 percent. Meanwhile, no suburban district would have exceeded the regional FARM average (35 percent). No suburban elementary schools would have been majority FARM. While the schools attended by the “designer clothes” set would no longer have been the former preserves of near-exclusive privilege, they would typically have had about 25 percent FARM pupils – many the children of the public employees, retail and service workers whom the “designer clothes” class sees and relies upon within their communities every day. It is probable that a more balanced income mix in the classroom would lift not only FARM pupils' achievement levels but those non-FARM pupils from “blue collar” families.

Admittedly, to a degree, projecting the impact of region-wide inclusionary policies by both school boards and local governments is an exercise in “fantasy math.” Such projections, however, set some parameters for regional equity goals.

***For both the Baltimore and Camden areas, the regional equity goal should be to accelerate the trend of very modestly declining economic segregation in the public schools and reduce the school economic dissimilarity index by two or three points very five years.***

Primary emphasis should be placed on implementing inclusionary zoning policies through state action in New Jersey and through county-by-county adoption in Maryland. Inclusionary zoning proponents should emphasize economic development arguments (“workforce housing”) rather than social justice arguments (“economically integrated schools”).

In most markets, however, density bonuses, waivers of fees, and other cost offsets cannot bring builders' costs below about 50 percent of Area Median Income (roughly the ceiling for partially subsidized school meals). It will be essential to apply other subsidies

(such as having local housing authorities and non-profits buy inclusionary units as rentals for much lower-income workers) in order to see the full benefits of this policy.

Secondary attention should be paid to urging local school boards to seek greater socioeconomic (SES) balance within districts. The benefits of SES balance within Big Box districts (i.e. Baltimore area) will be substantial, but even little boxes districts (i.e. Camden area) can enhance educational opportunity within their districts.

#### **b. The Importance of Disparities in Home Ownership**

One of the most commonly identified measures of inequity is the gap between the proportion of whites who are homeowners and the proportion of black and Hispanic homeowners. Beyond other positive attributes of homeownership, increasing home equity has generally been the largest source of wealth creation for most American families – a formula, however, that has worked much better for whites than for blacks.<sup>43</sup>

The 2000s demonstrated both the right way and the wrong way to increase minority home ownership:

\* the right way: hold regulated banks and savings and loans accountable for their Community Reinvestment ACT obligations to increase mortgage lending to minority home seekers and in minority neighborhoods but assure that lenders are making such CRA-related loans under responsible underwriting standards and procedures (as they, indeed, did; in the wake of the housing bubble's bursting, the default rate on CRA mortgages was well below the default rate on conventional mortgages and a small fraction of the default rate on sub-prime mortgages);

\* the wrong way: allow unregulated mortgage lenders free rein to target minority home seekers with sub-prime mortgage loan come-ons without adequate (or any) underwriting standards in an orgy of pushing trillions of dollars of loose capital through the housing market to be packaged into a tsunami of unregulated, fee-generating, mortgage-backed securities whose default, when the housing bubble inevitably burst, helped trigger The Great Recession.

Thus, closing the homeownership gap for blacks and Hispanics must be approached carefully and responsibly.

Equity measure 3a shows the black homeownership gap which is an index calculated by dividing the black homeownership rate by the white homeownership rate. In the 37 Big Box regions 60 percent of black households were homeowners compared with 69 percent of white households in 2010. Thus, the black homeownership rate index was 87 percent of the white homeownership rate. In the 24 little boxes metro areas the black home ownership rate was 51 percent compared with (once again) a 69 percent white homeownership rate, yielding a black homeownership index of 74 (that is, an average of 74 percent of the white homeownership rate).

---

<sup>43</sup> See <http://www.brookings.edu/research/reports/2001/10/metropolitanpolicy-rusk> for my study of the "segregation tax." Because Census 2000 and Census 2010 did not provide the necessary information to update my 1990 Census report, I have not included the "segregation tax" among the on-going regional equity measures.

Group Regional Equity Measure #3a: Black Home Ownership Index  
(Black Home Ownership equal to White Home Ownership = 100)

		<u>1990</u>	<u>2000</u>	<u>2010</u>
	Baltimore MD	74	78	79
Big Box worst	Louisville KY-IN	82	78	79
Big Box mean	37 metro areas	86	86	87
Big Box best	Raleigh NC	93	93	95
New Jersey MSAs	Camden NJ	90	92	90
	Newark NJ	50	52	54
	Bergen-Passaic NJ	48	51	52
	New Brunswick NJ	81	80	83
	Jersey City NJ	52	57	66
	Trenton NJ	75	75	75
little boxes worst	New York NY*	47	56	58
little boxes mean	24 metro areas	70	72	74
little boxes best	San Francisco CA	87	86	87

\*3<sup>rd</sup> after Bergen-Passaic and Newark

Equity measure 3b similarly shows the Hispanic/white homeownership gap. In the 37 Big Box regions 47 percent of Hispanic households were homeowners, yielding a Hispanic homeownership index of 87 compared to white homeownership. In the 24 little boxes metro areas the Hispanic home ownership rate was 54 percent compared with (once again) a 69 percent white homeownership rate, yielding a an Hispanic homeownership index of 79.

Group Regional Equity Measure #3b: Hispanic Home Ownership Index  
(Black Home Ownership equal to White Home Ownership = 100)

		<u>1990</u>	<u>2000</u>	2010
	Baltimore MD	92	90	91
Big Box worst	Orange County, CA	87	84	85
Big Box mean	37 metro areas	91	86	87
Big Box best	Fort Lauderdale FL	101	102	102
New Jersey MSAs	Camden NJ	81	82	82
	Newark NJ	57	58	62
	Bergen-Passaic NJ	44	48	47
	New Brunswick NJ	81	79	80

	Jersey City NJ	49	49	53
	Trenton NJ	78	80	82
little boxes worst	New York NY	28	32	35
little boxes mean	24 metro areas	76	76	77
little boxes best	San Francisco CA	95	98	99

*The regional equity goal for the Camden and Denver regions should be to close black and Hispanic homeownership gaps at a greater rate than their respective group trends.*

### **Part 6: The Income Gap**

Another widely recognized disparity is the gap between black and Hispanic incomes and white incomes. During the boom of the 1990s, the overall gap did not close between black median family income and white median family income. As equity measure 4ashows, a small gain among Big Box regions (59 percent to 61 percent) was exactly offset by lost ground among little boxes regions (57 percent to 54 percent). Both types of regions lost ground in the 2000s, particularly as The Great Recession hit in 2008. By 2010, in the 61 regions black median family income as a percentage of white median family income was lower (54 percent) than it had been twenty years before in 1990 (58 percent).

Group Regional Equity Measure #4a: Black Income Gap  
(black median family income as percentage of white median family income)

		<u>1990*</u>	<u>2000*</u>	<u>2010</u>
	Baltimore MD	58%	57%	54%
Big Box worst	Miami FL	49%	48%	45%
Big Box mean	37 metro areas	59%	61%	58%
Big Box best	Anaheim CA (Orange County)	72%	69%	79%
New Jersey MSAs	Camden NY	73%	72%	68%
	Newark NJ	57%	52%	46%
	Bergen-Passaic NJ	63%	58%	58%
	New Brunswick NJ	81%	79%	77%
	Jersey City NJ	64%	60%	58%
	Trenton NJ	57%	51%	49%
little boxes worst	Milwaukee WI	39%	42%	36%
little boxes mean	24 metro areas	57%	54%	48%
little boxes best	Los Angeles CA	58%	54%	56%

\*1990 and 2000 data are based on metro areas as defined for Census 2000 and not conformed to Census 2010 definitions.

Technically, in 2010 New Brunswick (77%), Bergen-Passaic and Jersey City (58%), and Camden (68%) all had lesser black/white income gaps than Los Angeles (56%). However, the first three are really part of Greater New York City and the Camden area of Greater Philadelphia where black-to-white median incomes were 52% and 49%, respectively.

During these two decades, the Hispanic/white income gap widened substantially (equity measure 4b). For the 61 regions, Hispanic median family income as a percentage of white median family income dropped from 67 percent in 1990 to 53 percent in 2010. This is the only one of my proposed regional equity measures where the little boxes regions' trend "outperformed" the Big Box regions' trend. (It was a comparison of losers: in the Big Box regions the Hispanic/white income gap widened by 16 percentage points compared to "only" a 12 percentage point loss in little boxes regions.

Group Regional Equity Measure #4b: Hispanic Income Gap  
(Hispanic median family income as percentage of white median family income)

		<u>1990*</u>	<u>2000*</u>	<u>2010</u>
Big Box worst	Baltimore MD	88%	73%	73%
	Atlanta GA	73%	58%	40%
	Raleigh-Carey NC	79%	46%	42%
Big Box mean	37 metro areas	71%	62%	55%
Big Box best	Virginia Beach-Norfolk VA-NC	74%	71%	82%
New Jersey MSAs	Camden NJ	54%	54%	52%
	Newark NJ	53%	49%	45%
	Bergen-Passaic NJ	58%	55%	49%
	New Brunswick NJ	58%	58%	59%
	Jersey City NJ	66%	61%	51%
	Trenton NJ	57%	52%	47%
little boxes worst	Hartford CT	37%	39%	39%
little boxes mean	24 metro areas	62%	57%	50%
little boxes best	St. Louis MO-IL	91%	77%	73%

\*1990 and 2000 data are based on metro areas as defined for Census 2000 and not conformed to Census 2010 definitions.

The cause was the dynamics of major Hispanic immigration once again. The recent history of the Raleigh-Carey NC area is instructive. In 1990, the Raleigh-Carey area had only 6,948 Hispanic residents – just 1.3 percent of the population. (Nonetheless, their numbers had more than doubled since a decade before.) A substantial percentage of the small Hispanic community was undoubtedly composed of highly educated professionals drawn to the region’s famed universities. In 1990 the Hispanic dissimilarity index was 20 and Hispanic median family income was 79 percent of White median family income.

In the last two decades, however, Hispanic immigrants flooded into the economically booming Raleigh-Carey area. By 2010, the Hispanic community had exploded to 114,512 (an almost forty-fold increase since 1980!), representing 10.1 percent of the region’s population. Many immigrants grouped in a handful of low-rent “port of entry” neighborhoods; the Hispanic segregation index leaped to 37. Many were taking the lowest wage jobs available. The Hispanic/white median family income percentage plummeted from 79 percent to 42 percent (second lowest among all Big Box regions).<sup>44</sup>

***The regional equity goal should be to close the income gap between blacks, Hispanics, and whites. In the Baltimore and Camden areas the target should be to***

<sup>44</sup> Though hardly as dramatic as the Raleigh-Carey area, the Hispanic population of the Baltimore area increased from 30,160 in 1990 to 123,754 in 2010 – undoubtedly driving the same widening of that region’s Hispanic/white income gap by 15 percentage points.

*reverse the slight widening of the gap between black and white incomes in the past two decades and raise the black percentage of white incomes for Baltimore above 60 percent and for Camden above 70 percent by 2020.*

*The Hispanic/white income gap is greatly affected by immigration. Assuming some continued immigration, the goal for the Baltimore and Camden regions should be to end the decline by 2020.*

a. **Blue Collar ... and White**

Though some of the policies recommended would help low- and modest-income white households as well as minority households, thus far the group equity measures are directed explicitly to blacks and Hispanics. I have thought about a group equity measure that would be particularly applicable to blue-collar whites and the data that are available to measure it.

One of the few such measures would be the distribution of household incomes *within* the white population. Census data allow analysis of the degree to which the shares of white household incomes are skewing more and more towards the upper percentiles of the white population. The degree of skew can be measured statistically by Gini indices and depicted graphically as Lorenz curves.

The Gini coefficient is a measure of inequality developed by the Italian statistician Corrado Gini in 1912.<sup>45</sup> It is usually used to measure income inequality but can be used to measure any form of uneven distribution. The Gini coefficient is a number between 0 and 1, where 0 corresponds with perfect equality (where everyone has the same income) and 1 corresponds with perfect inequality (where one person has all the income, and everyone else has zero income. The Gini index (that I have used below) is the Gini coefficient multiplied by 100.

Equity measure 5 shows Gini indices for the distribution of income among white households over the past three decades. I have calculated Gini indices from on-line census data for all 61 metro areas. The degree of income inequality within the white population has steadily increased within both Big Box and little boxes regions. Indeed, *the degree of income inequality among white households increased within every metro area and in every decade (except for eight Big Box metro areas for a single ten-year period each.)* [606 + 14]

---

<sup>45</sup> See Martin Kretschmer, *Copyright and Contract Law: Regulating Creator Contracts: The State of the Art and a Research Agenda*, 18 J. INTELL. PROP. L. 141, 150 n. 22 (2010) (“The Gini coefficient is . . . calculated by plotting cumulative population percentages against income percentages. A Gini coefficient of 1 means that one member of the population earns all the income . . . A Gini coefficient of 0 means that every member of the population earns the same income.”); see also Henry Vaux, Jr., *Equity in Policy: Failure and Opportunity*, 50 NAT. RESOURCES J. 517, 523-24 (2010) (“The closer the value of the coefficient is to one, the more income (or wealth) is distributed with absolute equality.”). The Gini index features several characteristics significant for measuring inequality: “[for example,] [a]ny transfer from a richer to a poorer person will always reduce the value of the Gini coefficient . . . [Additionally,] the Gini coefficient will remain unchanged if everyone’s income is lowered (or raised) in the same proportion.” Michael J. Graetz, *Paint-By-Numbers Tax Lawmaking*, 95 COLUM. L. REV. 609, 622 (1995).



Group Regional Equity Measure #5: White Income Inequality  
as measured by Gini indices (0 = uniform distribution)

	<u>region</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Big Box worst	Baltimore MD	35.6	38.0	40.8	45.4
	Miami FL	47.2	53.9	58.6	58.4
	37 metro areas	38.4	40.4	44.0	45.6
Big Box mean					
Big Box best	Norfolk-VA Beach VA-NC	35.0	33.7	37.9	38.7
New Jersey MSAs	Camden NJ	33.7	36.2	38.4	39.7
	Newark NJ	38.2	42.5	47.4	49.1
	Bergen-Passaic NJ	37.6	42.0	46.8	48.4
	New Brunswick NJ	35.2	39.0	43.7	46.0
	Jersey City NJ	41.7	42.9	51.5	51.6
	Trenton NJ	37.4	40.9	45.0	46.9
little boxes worst	New York NY PMSA	46.9	53.2	60.0	61.2
little boxes mean	24 metro areas	37.7	40.7	44.8	46.5
little boxes best	Minneapolis-St Paul MN-WI	36.3	36.9	38.9	40.8
United States (white)	(both metro and non-metro areas)	40.0	43.1	46.7	48.4
United States (all races)	(both metro and non-metro areas)	41.6	45.1	47.9	49.1

This upward trend is most dramatized by the growing gaps between the extremes of income distribution among white households (not shown). In 1980, for example, when the white Gini index was 35.6 in the Baltimore area, 8.6 percent of white households had less than \$5,000 in household income, receiving only 0.9 percent of the region's white household income; by contrast, 6.1 percent of all white households received more than \$50,000, accounting for 17 percent of all white household income (and averaging \$66,491 per household).<sup>46</sup> By 2010, when the white Gini index for the Baltimore area had risen to 45.4, the lowest group (less than \$10,000) accounted for 3.8 percent of white households but only 0.2 percent of total white household income. The wealthiest white households, however, receiving more than \$200,000 in income, accounted for only 8.4 percent of all white households but 27 percent of total white household income (averaging \$314,258 per household).

This measure is looking at distribution of household income solely within the white community. If black, Hispanic, and other minority households were added, the disparities of income distribution would increase. For example, for 2010, the national Gini index solely for white households was 48.4, but for all racial groups the Gini index was 49.1 (up from 41.6 in 1980).

<sup>46</sup> Adjusted for inflation, \$66,491 would be \$199,907 in 2010 dollars. Thus, the average income of the highest income white households in the Baltimore region increased about 60 percent in real terms over the three decades. By contrast, the average income of the poorest white households suffered almost a 50 percent decline in real income during the same period.

*The regional equity goal should be at least to reverse the upward trend in income inequality among white households.* Reversing the trend would require increasing the shares of total regional income received by low- and modest-income white households.

**B. Jurisdictional Equity Outcome Measurements**

**Part 7: Economic Disparities**

We turn to the issue of how to measure regional equity not by outcomes for people (irrespective of geography) but by outcomes for jurisdictions. I will present three measures of economic disparities by jurisdictions: **the “fair share of poverty index,” the city-suburban income percentage, and median family income as a percentage of the regional median.** The first two are measures of the relative health of the central city compared to its surrounding region; the third measures the rise and fall of suburbs.

**a. Fair Share of Poverty Index**

By “fair share of poverty,” I mean a city’s proportionate share of the region’s poor. If the regional poverty rate is 10 percent and the city’s rate is 10 percent, its fair share of poverty index will be 100; it has its “fair share” (neither more nor less) of the region’s poor. However, if the city’s poverty rate is 20 percent, its fair share of poverty index will be 200; it has twice its fair share. The fair share of poverty index measures disparity, not the level of poverty. As central cities move up the fair share of poverty index, they tend to become more relatively distressed in many dimensions.

Having incorporated so many middle class “suburbs” within their expanding boundaries, “elastic” cities at the heart of Big Box regions tend to have low fair share of poverty indices. In Equity Measure 6, central cities in Big Box regions averaged an index of 156 in 2010 – that is, the cities averaged poverty levels a little over fifty percent higher than their fair share.

**Jurisdiction Regional Equity Measure #6: Fair Share of Poverty Index  
(city poverty rate compared to regional poverty rate)**

	<u>region</u>	<u>1970</u>	<u>1980`</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
	Baltimore MD	165	192	217	234	255
Big Box worst	Washington DC-MD-VA-WV	208	227	264	273	314
Big Box mean	37 metro areas	123	143	150	152	156
Big Box best	RIVERSIDE-San Bernardino CA	81	97	98	105	87
Camden	Camden NJ	264	397	458	382	585
	Newark NJ	271	340	340	345	316
	Bergen-Passaic (Paterson) NJ	288	391	337	356	360
	New Brunswick NJ	na	345	581	497	293
	Jersey City NJ	145	129	134	123	120
	Trenton NJ	198	254	285	298	314
little boxes worst	Hartford CT*	257	369	494	478	452
little boxes mean	24 metro areas	178	224	261	258	253

little boxes best Los Angeles CA 121 124 128 127 126

\*2<sup>nd</sup> worst to Camden NJ

They still have poorer parts of town (often the older, closer-in neighborhoods), but with more balanced populations and broad tax bases, they can better sustain adequate services for poorer neighborhoods and, with sufficient political will, can better disperse the poor within their boundaries (through scattered site public housing, for instance).

Among the 37 central cities in the Big Box regions, Baltimore City had the second highest fair share of poverty index and it had risen steadily decade by decade (it was 165 in 1970). At 314 in 2010, Washington, DC, however, had the group's worst fair share of poverty rate (it was 208 in 1970).<sup>47</sup> Washington, DC and Baltimore are both "inelastic" central cities and, joined by Richmond (247), which has not annexed land since the 1960s, and Birmingham (211) they are the only central cities in Big Box regions that had fair share of poverty indices over 200.

Almost without exception, "inelastic" central cities in little boxes regions invariably had high fair share of poverty indices. The group average was 253 in 2010. Next to Camden's 585 (measured against the three-county New Jersey region), Hartford had the worst index (452).

At the low end of the little boxes regional scale was giant Los Angeles (126) that dominated its region. Besides its poor areas like East Los Angeles and South Central, Los Angeles contains many wealthy neighborhoods like Hollywood and Brentwood.

#### **b. City-Suburban Income Percentage**

The presence of such wealth accounts for Los Angeles also having the best rating among little boxes central cities in my second measure: the city-suburban income index. In this instance I am a) measuring per capita income (that gives heavy weight to high income households), but b) comparing the city's per capita income not to the metro per capita income (which includes the city in its base) but to suburban per capita income.

As Equity Measure 8 shows, among "Big Box" regions, "inelastic" Baltimore City had the 2<sup>nd</sup> worst (lowest) city-suburban income index (64) while median-elastic but rapidly gentrifying Atlanta had the best (highest) city-suburb income index (133). (Atlanta's residents were 33 percent wealthier than surrounding suburbanites.) "Big Box" central cities averaged a near-parity 93 as a group.

---

<sup>47</sup> Washington, DC's high fair share of poverty index, however, was something of a statistical artifact as the city's family poverty rate (14.9%) is being compared with the region's very low (4.7%) family poverty rate.

**Jurisdiction Regional Equity Measure #7: City-Suburb Income Index  
(city per capita income as percentage of suburban per capita income)**

	<u>region</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
	Baltimore MD	68	64	63	64
Big Box worst	Anaheim (Orange County) CA	84	71	64	59
Big Box mean	37 metro areas	95	91	92	93
Big Box best	Atlanta GA	82	89	104	133
New Jersey MSAs	Camden NJ	52	43	40	37
	Newark NJ	48	38	38	42
	Bergen-Passaic (Paterson) NJ	52	47	45	39
	New Brunswick NJ	63	52	46	47
	Jersey City NJ	81	87	87	96 <sup>48</sup>
	Trenton NJ	65	50	45	42
little boxes worst	Hartford CT*	48	42	42	47
little boxes mean	24 metro areas	77	70	70	69
little boxes best	Los Angeles CA	102	102	100	100

\*Hartford is actually 6<sup>th</sup> worst after Camden, Paterson, Newark, Trenton, and New Brunswick.

“Little boxes” central cities *averaged* a city-suburb income index of 69 (just below the income threshold for my list of Cities Past the Point of [almost] No Return).<sup>49</sup> Among central cities Camden had the worst index (37) while Los Angeles had the best (100 – at parity) because of all its high-income neighborhoods.

The fair share of poverty index and the city-suburb income index must be seen in conjunction. It is possible for a city to rate badly on the former and yet to perform well on the latter. An example would be Washington, DC with a very high fair share of poverty index (319), but with its wealthy Georgetown, Chevy Chase, “Gold Coast,” Capitol Hill, and other gentrifying areas, its city-suburb income index has improved from 87 (1980) to 99 (2010). A more spectacular example is Atlanta with a fair share of poverty index of 190 (2010, down from 260 in 2000), but its re-gentrification has driven its city-suburb income index upward from 82 (1980) to 89 (1990) to 104 (2000) to 133 (2010)!<sup>50</sup> By my criteria, with a fair share of poverty index of 107, a city-suburb income

<sup>48</sup> Jersey City stands out among New Jersey’s central cities because it is being compared only to the rest of Hudson County, which is very modest income county. If Hudson County were lumped in with Bergen-Passaic, Jersey City’s city-to-suburban income index would be 81 – still very respectable.

<sup>49</sup> See *Cities without Suburbs*, pages 105-111 and tables 2.21 and 2.22 for a discussion of Cities Past the Point of (Almost) No Return.”

<sup>50</sup> The downside is that Atlanta has become the playground for far more “yuppies” than “buppies.” By 2010, white per capita income (\$65,150) was almost four times black per capita income (\$17,536). Atlanta’s formerly large black middle class has largely left for the suburbs. The Atlanta Public Schools students are 83 percent black and 75 percent FARM.

index of 119, and an Aaa bond rating, Charlotte is in the most advantageous situation of any major American city.

Such poverty-impacted but still wealthy cities (like Atlanta and Washington, DC) have severe social problems, but they are not in the desperate condition of cities that have both high fair share of poverty indices (over 200) and low city-suburb income indices (less than 70). Meeting both criteria (listed in ascending order of relative regional disparities) are Philadelphia, Buffalo, Milwaukee, Providence, Baltimore, Cleveland, Rochester, Detroit, Newark, Hartford, Paterson, and Camden. All are “inelastic” cities in “little boxes” regions except for boundary-frozen but “Big Box” Baltimore City.<sup>51</sup>

***Target regional equity goals by jurisdiction should be to lower a city’s current fair share of poverty index by 20 percent and raise its city-suburb income index by 10 percent by 2020. For Baltimore City that would mean a fair share of poverty index of 205 (about midway between its 1980 and 1990 levels) and a city-suburb income index of 69 (its 1980 level). Meeting that goal for Camden would mean a fair share of poverty index of 468 (within hailing distance of its 1990 level of 458) and a city-suburban income index of 41.*** That would still leave Camden as one of the USA’s poorest cities by 2020 but poised for a next decade’s progress that would leave Camden in 2030 roughly where Newark is today. A second decade’s similar progress would leave Baltimore City by 2030 roughly in the position of Columbus (OH) or Kansas City today (but without their expansion potential).

### **What Would It Take?**

What would it take to reach such goals? The essence of the issue is *family* poverty, particularly families with children. What follows is an excerpt from an earlier memo to the Ford Foundation (written in 2005) that assessed different strategies for reducing Camden’s fair share of family poverty index. All data cited were from Census 2000.)

Camden’s family poverty rate is 32.8 percent;<sup>52</sup> the region’s family poverty rate (three New Jersey counties only) is 5.5 percent. That translates into a “fair share of family poverty index” for Camden of 596 – six times its proportionate share! (In fact, excluding Camden, the family poverty rate in suburban Camden, Burlington, and Gloucester counties is 3.9 percent.)

Well, as a long-term goal, what proportion of poor families *should* Camden have? What might its target “fair share of family poverty index” be? A “400” requiring a target rate of 22 percent? That would still leave Camden with the eighth most

---

<sup>51</sup> For metro areas between 500,000 and 1,000,000 population, meeting both criteria (again in ascending order of relative regional disparity) were Canton, Springfield (MA), Youngstown, Flint, Syracuse, Dayton, New Haven, Harrisburg, Gary, Allentown, Trenton, Reading, and Bridgeport. (All are in “little boxes” regions.) Some “little boxes” central cities in even smaller metro areas, such as York and Poughkeepsie, made the list, while some secondary central cities, such as East St. Louis, East Chicago and Benton Harbor, joined Camden as the USA’s most depressed cities.

<sup>52</sup> Camden’s family poverty rate is the second highest among 541 central cities behind only Benton Harbor (39.6%) and just ahead of East St. Louis (31.8%), Hartford, (28.2%), and Newark (25.5%). I’m excluding Mexican border towns like Brownsville, TX from this list because their entire regions are poor ... but also have low costs-of-living.

disproportionate poverty burden in the USA, but would at least turn the clock back towards 1970 when Camden's rate was 16.1 percent and the region's rate was 6.1 percent – an index of 264 (which is Baltimore City's current index). Since most central cities bear some disproportionate poverty burden, how about the national average “fair share of family poverty index” for all 541 central cities? That's 145. That's clearly out of reach.

So let's talk about a 22 percent target poverty rate. (At that level, Camden would have been 44<sup>th</sup> on the list of poorest cities between Gary and Detroit.) How can that be achieved? Do all current poor residents remain in Camden, but new, non-poor families move in (the condos-by-the-riverside strategy)? Mathematically, achieving a 22 percent family poverty rate would require 8,600 new, non-poor families to move in. That would bring its population to 2,000 more family households than Camden had in 1970. Is that feasible?

And if feasible, what would that scenario really do for current poor residents (assuming that anyone displaced would be re-housed within the city)? Probably nothing with regard to the composition of the children attending Camden public schools (who are 88 percent low-income). Most newcomers would be childless “families;” those with children would enroll them in parochial or other private schools. Undoubtedly, there would be some new, low-wage service and retail jobs as a result of the new, on-site buying power. And some new, middle class civic activists hopefully will find common ground with poor residents rather than just barricading themselves in gated, in-town housing developments.

What about maintaining the current level of households but relying on economic development strategies to create enough good, city-based jobs to live sufficient families out of poverty? A 22 percent family poverty rate would require 2,000 new jobs for poor family members. Not impossible, but a pretty tall order for a city that has lost tens of thousands of jobs over the past 50 years – 6,218, or 22 percent of its job supply just in the 1990s.

What about having 2,000 poor families leave Camden for jobs and housing opportunities in the suburbs? COAH proposed a new “growth share” formula: 10% of new housing must be affordable plus an additional affordable unit for every 30 new jobs; half the units would be targeted on households with incomes between 50%-80% Area Median Income (AMI) and half for households below 50% AMI (which is the public housing assistance ceiling; the official poverty ceiling is around 25% AMI). During the 1990s, about 60,000 new homes were built in the three-county area, and 57,000 new jobs were created in growing suburbs. Complying with COAH's own formula would have produced 8,000 affordable housing units (4,000 of which would have been targeted for families below 50% AMI). If the New Jersey Regional Coalition's 20/20 formula were adopted (20 percent of new housing units plus an additional affordable unit for every five new jobs created), about 24,000 new affordable housing units would be built (12,000 targeted at less than 50% AMI – six times the amount of units needed to relocate 2,000 poor families from Camden into job-rich communities with low-poverty, high-performance schools).

But even with the affordable housing units out there, what mechanism would open up a significant proportion for poor families in Camden? Doing it right would require active intervention by state government determined to make that happen. A state agency is responsible for New Jersey's welfare-to-work program. The New Jersey Department of Community Affairs (COAH's parent) already administers 12,000 HUD Section 8 vouchers statewide. With the proper leadership and gubernatorial support, DCA could buy 2,000 scattered site units (of the 8,000 affordable units generated by its own growth share formula ... if RCAs were outlawed).

The cost? 2,000 times \$120,000 (median home value) would be \$240 million – barely half the \$437 million the state will spend to re-build Camden's public schools (a well-meaning but ultimately futile effort to improve Camden children's education). In fact, for \$437 million, the state could buy median priced homes in Camden's suburbs for three-quarters of Camden's 4,941 poor families with children and move them immediately to low-poverty schools with high-performing classmates.

My previous model of Camden County (pages 18-22) would be applicable to jurisdictional goals as well: to reduce regional disparities in family poverty a "growth share strategy" would have much greater impact than either an "in-place income strategy" or a "gentrification strategy." (A "gentrification strategy," however, would have a significant impact on Camden's city-suburban income disparity and its tax base and fiscal needs.)

**c. Measuring Suburban Decline by Shares of Regional Median Family Income**

One of the inexorable laws of uncontrolled urban sprawl is that "today's winners become tomorrow's losers," especially in little boxes regions. As new development moves in successive waves radiating out from the region's core city, first-ring suburbs have their era of prosperity, then are eclipsed as higher-end housing developments, followed by higher-end retail, followed by regional malls and office parks move farther out. For "First Suburbs" in little boxes regions, this process provides early feast, followed by a long, unremitting famine.

In Big Box regions – to the extent that an "elastic" central city does not annex new development – this process can affect both suburban municipalities and unincorporated areas that fall under county government's responsibilities. However, suburban municipalities themselves can often annex new development, and county government (if it chooses) can shift resources to provide better services and to arrest the decline of unincorporated neighborhoods.<sup>53</sup>

(i) The Camden Region

---

<sup>53</sup> Within "Big Box" regions like Baltimore, the Census Bureau often compiles data by Census-Designated Places (CDPs) that allow more fine-tuned analysis of intra-regional trends and disparities.

One way to track this process is to measure trends in median family income as a percent of the regional median family income.<sup>54</sup> Appendix 1 provides this information for the 35 municipalities in Camden County.<sup>55</sup>

Camden's decline is universally recognized. From being 93 percent of the tri-county region's median family income in 1950, Camden dropped successively to 83 percent (1960), 72 percent (1970), 48 percent (1980), 43 percent (1990), 40 percent (2000), and 35 percent (2010). However, there are other significant trends documented by this table. (I will express subsequent data as an index of regional median income rather than as a percentage.) Over fifty years (1960-2010):

- Of the five suburbs that abut directly on Camden's city limits, Merchantville dropped from 131 to 103, Coillingswood from 113 to 89, Pennsauken from 111 to 79, Gloucester City from 96 to 71 and Woodlynne from 108 to 55.
- Beyond Camden's immediate neighbors, a chain of older, growth-constrained, economically declining boroughs thrusts eastward through the heart of Camden County with Clementon dropping from 93 to 69, Brooklawn from 102 to 75, Lindenwold from 95 to 67 and Runnemede from 106 to 76 being the largest losers;
- Of the county's 25 boroughs, only Gibbsboro (101 to 104), Audubon (111 to 108), Stratford (111 to 104), Haddon Heights (124 to 123) and Haddonfield (139 to 155) – the latter two very exclusive (and exclusionary) communities – held their ground.
- In the Age of Sprawl, the biggest winners, of course, were land-rich, second- and third-ring townships like Voorhees (131 to 129) and Cherry Hill (143 to 127) but even a second-ring township like Cherry Hill's economic position was softening in recent decades.<sup>56</sup>
- From 1950 to 2010, Camden County as a whole declined from 103 to 89 while the outer counties Gloucester County (99 to 103) and, especially, Burlington County (94 to 110) have prospered.<sup>57</sup>

---

<sup>54</sup> Median family income is the only income measure that extends consistently back to the 1950 census and earlier. Household income and per capita income data are only provided in consistent fashion beginning with the 1980 census.

<sup>55</sup> Omitted are Tavistock and Pine Valley boroughs that are nothing but municipalized private golf clubs.

<sup>56</sup> Unfortunately, with its city/borough-centric perspective, the Census Bureau rarely reported data for townships in the earlier decades. The data for Voorhees and Cherry Hill townships cover from 1980 to 2010.

<sup>57</sup> Extending the analysis to Gloucester County and, especially, Burlington County (not shown) would show something of the same borough-township pattern as Camden County but with many more "soaring" townships like Mount Laurel (121), Burlington and Springfield (123), Evesham (126), Medford (148) and Moorestown (155).



- Finally, the gaps are widening decade by decade. Just within Camden County the average municipal variance from the regional median income has increased from 8.5 percentage points in 1970 to 18.4 percentage points in 2010. Contrary to the libertarian “public choice” theorists, in little boxes regions, inter-municipal disparities widen, not shrink.<sup>58</sup>

(ii) The Baltimore Region

As shown earlier in Table 1, the 2.5-million person Baltimore region has only 19 municipalities that cumulatively account for only 3 percent of the region’s population. Some 97 percent of the region’s population lives in unincorporated areas (counting Baltimore City as its own county, which it is as an “independent city”). Thus, provided with all municipal powers under Maryland law, county governments are the basic local governments.

However, counties can readily be divided into sub-areas through use of Census-Designated Places (CDPs). Though CDPs lack governmental status, they are places with their own community identity in the eyes of the Census Bureau, the sentiments of their residents, and the marketing strategies of homebuilders and real estate agents.

Appendix 2 traces trends in median family income as an index of the region’s median family income over fifty years. Focusing on both the 19 formal municipalities and 83 CDPs, income patterns are somewhat similar to the Camden area’s. The highlights are as follows.

- Like Camden, Baltimore City began the period at near-parity (an index of 98) with the regional median family income in 1950 but has experienced constant decline from 91 (1960) to 83 (1970) to 72 (1980) to 67 (1990) to 60 (2000) to 58 (2010) – indeed, a seven- point decline in the 1990s when in some circles Baltimore City was being touted as a “comeback city.” Baltimore County as a whole was the early “winner” but peaked at 115 as early as 1960 and has slowly slid down the regional income scale ever since, reaching an index of 97 in 2010.
- Anne Arundel County (at mid-century the other suburbanizing county that also contains the city of Annapolis, the state capital) rose steadily from 99 (1950) to 118 (1990) where it seems to have stabilized over the past two decades.
- The outer counties – Howard, Harford, and Carroll – were essentially rural counties fifty years ago and have been rapidly suburbanizing since then with median family income indices comfortably above 100. Linked to the region by the Chesapeake Bay Bridge, rural Queen Anne’s County on Maryland’s Eastern Shore is steadily filling with commuters to Annapolis and Baltimore, driving its index from 49 in 1950 to 109 in 2010.

---

<sup>58</sup> A more complete case study rebuttal of the libertarian “public choice” theory of governmental organization can be found in David Y. Miller with Rowan Miranda et al “The Fiscal Organization of Metropolitan America: The Allegheny County Case Reconsidered,” *Publius: The Journal of Federalism* (Vol. 25, No. 3, 1995).

- However, within Baltimore County, closer-in suburbs are all on the down slope, seeing double-digit declines since their peaks three, four, or five decades ago.<sup>59</sup> The county still contains developable land, *the median family income of 26 of 29 Census-Designated Places within Baltimore County declined relative to the region in the past two decades.*
- As a county on the rise, Anne Arundel County's communities' relative incomes have held up better than Baltimore County's. With on-going re-gentrification of its historic core, the city of Annapolis has even seen its income index rise from 90 to 110 between 1950 and 2010. (Through annexation Annapolis also expanded from 0.8 sq. mi. in 1950 to 7.2 sq. mi. in 2010.) However, over the past three decades inner-suburbs like Glen Burnie (105 to 84) and Brooklyn Park (100 to 79) have experienced slow but steady decline.

***The regional equity goal must be to reverse trends of growing disparities in order to have more municipalities converging on the regional median family income. A feasible goal would be to halt the decline of the “losers” by 2020 and to make up half of the relative losses experienced in the 2000s during the decade ending in 2020.***

I must emphasize, however, that declining relative incomes are a much more serious matter for the Camden area's little boxes municipalities than for the Baltimore area's Census-Designated Places. As we shall see in the next section, declining family incomes are paralleled by declining tax bases for New Jersey's municipalities, while the dominant governmental unit is a Big Box county in the Baltimore area. CDPs are only “neighborhoods” within Big Box counties that can shift tax revenues from wealthier neighborhoods to sustain adequate services for poorer neighborhoods.

#### **d. Fiscal Disparities**

Property taxes are the primary source of revenues for most local governments in America. In 2008, local governments (including public school systems) received over \$1.5 trillion in general revenues.<sup>60</sup>

Of the total only 3 percent were intergovernmental transfers from the federal government and 31 percent from state government (somewhat overstated since, in cases like the local share of gross receipts taxes in New Mexico, state government was simply collecting the locally levied portion along with the state's share and distributing it back to the municipality).

Locally generated revenues accounted for 57 percent of local government revenues, with taxes (\$549 billion) representing almost two-thirds (63 percent) of locally

---

<sup>59</sup> The following towns are illustrative: Randallstown (130 to 98), Perry Hall (126 to 105), Locheam (119 to 76), Cockeysville (117 to 97), Overlea (111 to 91), Carney (116 to 94), Milford Mill (122 to 77), Parkville (116 to 76), Dundalk (102 to 68), Essex (99 to 73), Middle River (102 to 71), and Lansdowne-Baltimore Highlands (102 to 54). While some high-end neighborhoods have maintained their high regional standing, such as Mays Chapel (168 to 160), Lutherville-Timonium (154 to 124), Pikesville (160 to 126), and Towson (158 to 136).

<sup>60</sup> U.S. Bureau of the Census. *Statistical Abstract of the United States 2012*, table 455 is the source of all data cited in these three paragraphs.

generated revenues and various user fees the remainder. Property taxes (\$397 billion) accounted for almost three-quarters (72 percent) of local taxes, followed by gross receipts and sales taxes (\$90 billion, or 16 percent) and individual and business income taxes (\$33 billion, or 6 percent). In all, property taxes accounted for one quarter (26 percent) of local government general revenues.

Thus, in seeking to measure regional equity regarding fiscal capacity, we should zero in on property tax disparities as property taxes constitute the largest source of local tax revenues.<sup>61</sup>

Table 5 examines property tax base disparities for the three-county Camden area. It shows that in 2011 the average property tax base per household throughout the region was \$250,760. The average, of course, masked vast disparities. The lowest property tax base per household was Audubon Park borough (only \$43,556), a tiny borough composed of a World War II defense workers housing project that was forced to municipalize when its surrounding township refused to embrace it at war's end. The highest were Greenwich township (\$602,792) in Gloucester County and Moorestown township, a third-ring suburb in Burlington County that is site of the largest and newest regional mall.<sup>62</sup>

Table 5  
Sample Property Tax Base Disparities  
Among Camden Area Municipalities in 2011

<u>municipality</u>	<u>property tax base per household in 2011</u>	<u>property tax base per poor family in 2011</u>
3-county average	\$250,763	\$5,940,742
Camden city	\$61,413	\$235,116
Pennsauken township	\$205,488	\$4,506,824
Moorestown township	\$593,182	\$36,552,381
Mount Laurel township	\$368,201	\$26,143,760
Cherry Hill township	\$333,815	\$16,024,307
Medford township	\$385,409	\$36,667,010
Glassboro borough	\$196,164	\$2,809,257

Average variance from

<sup>61</sup> Exceptions to this focus would be Ohio, where payroll taxes are the primary source of revenue for municipal (but not township) governments and New Mexico, where gross receipts taxes are the mainstay of municipal (but not county) government.

<sup>62</sup> Technically, the two municipalities with the highest tax base per household are Pine Valley borough (\$9,752,571) and Tavistock borough (\$5,452,538) that are, in reality, private golf clubs that municipalized decades ago so that their exclusive membership could sidestep the surrounding townships' then- "blue laws" that prevented lifting a beer at the 19<sup>th</sup> hole on Sundays. Pine Valley and Tavistock had only four and three resident households in 2010, respectively. I eliminate them from my analyses as not being real places. Thus, the region has 99 (not 101) municipalities (which I'll term "towns").

Despite these extremes (and Camden's abysmal level), overall regional property tax base disparities per household as measured by the average variation from the regional mean is a value of 34. At the extremes, of the 99 towns 20 have less than one-third below and 23 have more than one-third above the regional average tax base per household. The majority are clustered more closely around the regional mean.

However, all households are not alike. As I have discussed above (see page 5), the cost of municipal services rises sharply as the poverty rate increases. The second column measures property tax base per poor family and shows that the three-county region averages \$5,940,712 in property tax base per poor family. Camden (\$235,116), with a 35.4 percent family poverty rate, is at the low end of the scale, while, with only a 1.3 percent family poverty rate, Medford (\$36,667,010) is at the high end.<sup>63</sup>

The average variance from the regional tax base per poor family is very high – 137. Statistically, of course, on the low end a town cannot go more than 100 percent below the regional average; even Camden is “only” 96 percent below the regional average and 16 other towns are more than 50 percent below the regional average. On the high end, however, 15 towns have more than twice the regional average; another five towns have more than three times the regional average; and yet another 17 towns are recorded as having more than four times the regional average.

The sampling procedures of Census Bureau's American Community Survey produce much greater margins of error (especially, for the smallest “little boxes”) than previous decennial censuses. Significantly undercounting the number of poor families in smaller towns can contribute to such extreme statistical disparities.

Nevertheless, there is no doubt that the three-county region is characterized by extreme concentration of poor families in a dozen or more towns and systematic exclusion of poor families by several dozen high-end towns. Indeed, it was that reality that motivated the New Jersey Supreme Court's *Mt Laurel* decision. Defending their exclusionary practices has also fueled almost four decades of resistance by many high-end towns to efforts to implement the court's decision.

This is why mobility strategies are such a critical part of regional equity. ***The regional equity target for the Camden region should be to reduce steadily the average regional variance in property tax base per poor family.*** This can be accomplished in two ways: a) increase the tax base where poor families live, or b) move poor families from low tax base communities to high tax base communities. As the next section demonstrates, the

---

<sup>63</sup> In January 2005, under a so-called Regional Contribution Agreement (RCA) wealthy, fifth ring Medford offered to transfer its *Mt. Laurel* obligation to build 120 affordable units to declining, first-ring Pennsauken for \$3,000,000. As fiscally stressed as Pennsauken was, the Pennsauken township board was convinced that Pennsauken wouldn't benefit from adding yet more low-income families. Pennsauken became the first struggling city or First Suburb to reject an RCA. Undeterred, Medford then convinced Glassboro to accept the \$3,000,000 bribe. In effect, with one-eighth Medford's tax base per poor family, Pennsauken rejected “an offer it couldn't refuse” but, with one-thirteenth Medford's tax base per poor family, Glassboro accepted the devil's bargain. A far-sighted provision of the state Camden Recovery Act of 2002 prevented Medford from offering its deal to Camden (one-155<sup>th</sup> of Medford's tax base per poor family).

relocation (or deconcentration) of relatively small numbers of poor families to tax-rich areas can significantly alter these inter-jurisdictional disparities.

**e. Modeling Strategies To Lessen Tax Base Inequities**

To test these alternative strategies, I have returned to the model I constructed for testing ways to reduce economic segregation within Camden County (see pages 18-22). Using property tax base and number of poor families as the variables, I modeled the same 16 communities – Camden and the 15 largest municipalities, including “Box Borough,” which had a property tax base of \$3.7 billion and contained 1,020 poor families.<sup>64</sup>

The base case produced an average variance in property tax base per poor family within Camden County alone of 207 (much higher than the three-county region’s average variance of 137). What the average variance of 207 reflects mathematically is the extraordinary degree of concentration of poor families within the city of Camden with its almost marginal remaining tax base; the city contains 55 percent of the county’s poor families but only 4 percent of its property tax base. In effect, suburban sprawl, urban disinvestment, and segregated housing patterns have so stripped Camden of its fiscal assets and so concentrated the county’s poor families within the city that Camden’s situation is almost total fiscal apartheid for its poor families.<sup>65</sup>

The summary table models different scenarios for Camden County in terms of their impact on the average variance for disparities in tax base per poor family within Camden County.

Table 6

Strategy	variance
Base Case (status quo)	207
#1a (double Camden’s tax base)	197
#1b (quadruple Camden’s tax base)	196
#2a (suburbanize 440 poor Camden families)	133
#2b (suburbanize 880 poor Camden families)	101

For strategies #1a and #1b, I left all of Camden’s 5,788 poor families in place but doubled or quadrupled Camden’s current (that is, 2001) tax base by a net \$875 million or \$2.6 billion, respectively. Those actions lowered Camden County’s average variance from 207 to 197 and 196, respectively.

---

<sup>64</sup> I have not re-calculated the Camden and Baltimore area models based on updated data but utilized the models developed for the original draft of this paper in 2005. Though the data would be different, the relative relationships would be little changed.

<sup>65</sup> I also modeled the average variance for Camden County by removing Camden city from the county entirely. (Perhaps it would be expropriated by the battleship *USS New Jersey* docked at Camden’s waterfront and the city’s residents would become wards of the United States Navy.) With Lindenwold now as the new depressed core community (10 percent of the county’s remaining poor families, 2 percent of the county’s remaining tax base), the average variance for the Camden-less Camden County would be not 207 but 85.

Much greater impact can be achieved by moving poor families from minuscule tax base Camden to high tax base suburban communities. In this model, I moved the same 1,100 poor persons (who translate into 440 poor families) from Camden to the same eleven suburban towns modeled earlier (40 poor families to each community). That achieves an average variance of 133; doubling the number of suburban relocatees to 880 drops the average variance to 101.

What is the relative feasibility of these two simulated strategies? Over the decades, of course, the City of Camden has hemorrhaged tax base. Our model is based on nominal, not real values, so at the rate of increase experienced over the past six years (an average of 1.35 percent per year), it would take Camden 53 years to double its tax base (assuming, that is, the same rate of inflation as for the past six years). Doubling the city of Camden's tax base (that is, by \$875 million) would require over 90 percent of the county's average annual increase (\$937 million) to occur in the city. However, much of that increase (roughly two-thirds of the annual increase) is the appreciation of existing property throughout the county. If the county is averaging only about \$365 million of net new investment per year, doubling the city of Camden's tax base would require all net new investment in Camden County to occur within the city for about two-and-a-half years.<sup>66</sup>

The feasibility of the second strategy (suburbanizing poor families) has already been assessed on pages 19-21. To summarize the simulation results:

- within Camden County, the NJRC formula (a 20 percent set-aside of new housing and one additional affordable unit for every five new jobs created) would result in "opportunity-based" suburban housing for 115 poor Camden families; the NJRC formula would allow reaching the goal of relocating 440 poor working families from Camden within four years;
- within Camden County, the COAH formula (a 10 percent set-aside of new housing and a one additional affordable unit for every 25 new jobs created) would result in "opportunity-based suburban housing for 40 poor Camden families a year; the COAH formula would allow reaching the goal in eleven years;
- within the region, the NJRC formula would allow potentially relocating 500 poor Camden families a year; and

---

<sup>66</sup> The Camden Recovery Act allocated \$175 million to the Camden Economic Recovery Board to prime the pump for both private investors and help underwrite public improvements. Before the housing bubble burst a number of private investment projects were on the drawing board. In addition to outright cash subsidies, numerous tax breaks are available. For businesses alone federal and state tax credits, rebates, and grants for businesses including the Welfare to Work Tax Credit, the Work Opportunity Tax Credit, the Empowerment Zone Tax Credit, the Renewal Community Tax Credit, the Urban Enterprise Zone Tax Credit, the Economic Recovery Tax Credit, the Business Employment Incentive Program Grant, the Open for Business Program Rebate, and the Customized Training Grant. Additional federal and state tax credits and grants are available for residential developments (though not, I would add with satisfaction, funds from Regional Contribution Agreements since the Camden Recovery Act of 2002 wisely banned Camden's receiving any further RCAs.)

- within the region, the COAH formula would allow potentially relocating 165 poor families a year.

Obviously, the arena for a housing mobility policy is the three-county region. A Baltimore simulation (see Appendix C) would yield somewhat less support for mobility strategies. The feasibility of these alternative strategies turns on the tremendous difference in jurisdictional scale comes into play between the little boxes Camden region and the Big Box Baltimore region (see Appendix C for Baltimore analysis).

To repeat, *the regional equity target for both regions should be to reduce steadily the variance in property tax base per poor family.* Between the two alternatives, truly major increases in city tax bases appear to be improbable, but the numbers driving a housing mobility strategy are achievable – if sufficient political will can be generated in both New Jersey and Maryland to implement their court-defined constitutional obligations (*Mt. Laurel* and *Thompson*).<sup>67</sup>

**f. Measures of Overall Regional Progress**

In this paper’s introduction I said that I would “also pay attention to tangible measures of improved well-being for the entire society. It would be a hollow victory to achieve greater regional equity through impoverishing the many rather than lifting up the few (page 2).”

I would propose just two such region-wide measures:

- \* increasing real median family income; and
- \* increasing real property wealth.<sup>68</sup>

Regional Progress Measure 1 summarizes changes in inflation-adjusted changes in median family income for our 61 peer regions from 1950 to 2010 and, within that period, for the past decade. (Ranking as “best” and “worst” are based on regional performance for 1950 to 2010.)

Regional Progress Measure 1: Real Growth in Median Family Income

		<u>1950-2010</u>	<u>2000-2010</u>
	Baltimore MD	165%	5%
Big Box worst	Las Vegas NV	90%	2%
Big Box mean	37 metro areas	141%	-3%
Big Box best	Raleigh NC	216%	-2%
New Jersey MSAs	Camden NJ	164%	2%
	Newark NJ	147%	-1%

<sup>67</sup> *Southern Burlington County NAACP v Township of Mount Laurel* [67 N.J. 151, 336 A.2d 713, 1975 N.J. and Carmen Thompson, et. al. vs. U.S. Department of Housing and Urban Development, et al. civil action MJG 95-39.](#)

<sup>68</sup> Probably the standard should be increasing real property wealth per household. However, I have not yet explored the implications of that.

	Bergen-Passaic NJ	142%	-2%
	New Brunswick NJ	191%	-5%
	Jersey City NJ	82%	1%
	Trenton NJ	170%	2%
little boxes worst	Cleveland OH	77%	-7%
little boxes mean	24 metro areas	122%	-3%
little boxes best	Boston MA-NH	174%	-1%

The big picture is that over the past half century inflation-adjusted median family incomes more than doubled (average increases of 141 percent and 122 percent in Big Box regions and little boxes regions, respectively). However, most of that increase occurred during the 1950s and 1960s. Progress in raising median family incomes during the 1990s was very modest; only in the final years of the decade-long economic boom did the Census Bureau report increases in median family income. And, because of The Great Recession mean median family income dropped -3 percent in the past decade. In recent decades the economic benefits flowed overwhelmingly to the highest quintile of the income range while the lowest quintile's income failed to even keep up with inflation.

Among the “winners,” however, high-tech regions predominated with Raleigh, Austin, and San Jose taking three of the five top spots among Big Box regions, and Boston and San Francisco setting the pace among little boxes regions.

Regarding the second criterion for overall regional progress, assessment standards vary so widely from state to state (and even within states and regions) that each region must be studied independently. It is not uncommon, however, for real property wealth in “no-growth growth” regions, characterized by major loss of their former industrial base and sustained abandonment of the central city (and, increasingly, of older, blue-collar suburbs) to hover around zero net growth over the decades.<sup>69</sup>

When both median family income and inflation-adjusted property wealth regionally are increasing *and* most or all of the seven group equity goals and three jurisdictional equity goals are being met, then we can truly applaud a region of rising opportunity and increasing equity.

### C. Conclusion: Policy Implications

Throughout this analysis I have recommended six group equity goals and three jurisdictional equity goals.

---

<sup>69</sup> In other studies that I have done, the Cleveland OH PMSA experienced only a net real growth in assessed valuation of 6% from 1961 to 2000, while the city of Cleveland was losing -64% of its property tax base. Between 1950 and 1998, when adjusted for inflation, the real value of the New Orleans region's property wealth increased only 16% in 48 years. Since the early 1960s, however, every dollar of new property wealth created in the suburban parishes was offset by constant loss of older property wealth in the city of New Orleans (Note: pre-Katrina). (Only in the 1950s, when the city was expanding into New Orleans East, was the city's real wealth increasing.) The city had lost over half of the real value of its property wealth (-56%) even before Hurricane Katrina.



- 1) Reduce racial segregation. *At a minimum, the regional equity goal for Baltimore and Camden should be to **lower their dissimilarity indices for African Americans and other blacks** at a rate faster than the averages for Big Box and little boxes regions by Census 2020. This suggests a dissimilarity index in the mid-50s for Baltimore and in the high 40s for Camden;*  
  
*Assuming no further acceleration in Hispanic immigration, realistic regional equity goals would be for Camden to achieve a further 4-5 point decrease and for Baltimore to stabilize or even achieve 2-3 point decrease in **Hispanic dissimilarity indices** by Census 2020;*
- 2) Reduce economic segregation. *The regional equity goal for reducing economic segregation should be **achieving economic segregation indices well below 40** for both the Baltimore area and the three-county Camden area and **reducing the economic polarization index** by five points or more by the 2020 census;*
- 3) Reduce economic segregation in schools. *For both the Baltimore and Camden areas, the regional equity goal should be to accelerate the trend of very modestly declining economic segregation in the public schools and **reduce the school economic dissimilarity index** by two or three points very five years;*
- 4) Close black and Hispanic homeownership gaps. *The regional equity goal for both regions should be to **close black and Hispanic homeownership gaps** at a greater rate than their respective group trends;*
- 5) Close the racial income gap. *The regional equity goal should be to **close the income gap between blacks, Hispanics, and whites**. In the Baltimore and Camden areas the target should be to reverse the slight widening of the gap between black and white incomes in the past two decades and raise the black percentage of white incomes for Baltimore above 60 percent and for Camden above 70 percent by 2020. The Hispanic/white income gap is greatly affected by immigration. Assuming some continued immigration, the goal for the Baltimore and Camden regions should be to end the decline by 2020;*
- 6) Reduce income inequality among whites. *The regional equity goal should be at least to **reverse the upward trend in income inequality among white households**.*

There are also three specific jurisdictional equity goals.

- 7) Lower large cities' fair share of poverty index and increase the city-suburb index. *Target regional equity goals by jurisdiction should be to **lower a city's current fair share of poverty index by 20 percent and raise its city-suburb income index by 10 percent by 2020**. For Baltimore City that would mean a fair share of poverty index of 205 (about midway between its 1980 and 1990 levels) and a city-suburb*

*income index of 69 (its 1980 level). Meeting that goal for Camden would mean a fair share of poverty index of 468 (within hailing distance of its 1990 level of 458) and a city-suburban income index of 41;*

- 8) Seek more regional economic balance by helping more municipalities achieve the regional median family income. *The regional equity goal must be to **reverse trends of growing disparities in order to have more municipalities converging on the regional median family income.** A feasible goal would be to halt the decline of the “losers” by 2020 and to make up half of the relative losses experienced in the 2000s during the decade ending in 2020;*
- 9) Reduce gaping property tax disparities. *The regional equity target for all regions should be to **reduce steadily the average regional variance in property tax base per poor family;***

Region-specific goals can be developed for any target region based upon the specific circumstances of that region and how it compares with its peer Big Box or little boxes regions.

### **Eight Key Regional Equity Strategies**

If this paper has broken new conceptual ground, it is in modeling the impact of different strategies on two regional equity measures: reducing economic segregation neighborhood-by-neighborhood and reducing disparities in tax base per poor family jurisdiction-by-jurisdiction.

Both analyses reached the same conclusion: mobility strategies – moving poor families to opportunity (that is, to job-rich, education-rich, tax base-rich communities) – have much greater impact on these two regional equity measures than in-place strategies – moving resources (income-raising jobs, wealthier new neighbors, tax base-increasing investments) to poor families in high-poverty communities. What follows, then, are eight specific strategies that regions may adopt to achieve those goals. They are: 1) balancing inside and outside games; 2) inclusionary zoning; 3) mobilization and litigation; 4) diversity and balance everywhere; 5) school integration; 6) anchor employers, not anchor stores; 7) regional tax base sharing; and 8) regional growth management.

#### **1. Balancing Inside Game and Outside Game**

This does not mean that these two basic approaches are mutually exclusive. A championship basketball must have both a strong frontcourt (“inside game”) to score inside the paint and pull down the rebounds and a strong backcourt (“outside game”) to lead the fast break, deal out assists, and throw down the three-pointers.

However, for five decades, most federal urban programs and most foundation grants have emphasized in-place strategies (the “inside game”) – at least, for the black and Hispanic poor. Despite the hundreds of billions of dollars spent on the “inside

game,” our society has spent trillions of dollars on the “outside game”<sup>70</sup> – to the detriment of the minority poor and to the implicit benefit of the white poor.

Most of the white poor have been participants (perhaps usually unwelcome, but largely unseen) in the suburbanization of America. In the Baltimore area, for example, 82 percent of poor white families live in the suburbs, while percent of poor black families live in Baltimore City. In the Camden area, almost 99 percent of poor 70white families live in the suburbs, while 44 percent of poor black families and 61 percent of poor Hispanic families live in Camden city (which is barely 6 percent of the region’s population).

For most poor blacks and Hispanics, for example, federal housing assistance has meant living in a city public housing project in a high-poverty area. For most poor whites, federal housing assistance has meant receiving a housing voucher from a suburban agency to rent an apartment in middle-class suburban neighborhoods. If you are a poor black family, the odds are three out of four that your child will attend a high-poverty school; if you are a poor white family, the odds are three out of four that your child will attend a predominately middle-class school. It makes a world of difference.

## 2. Inclusionary Zoning ... for the *Whole* Workforce

Securing regional “opportunity-based” housing through “inclusionary zoning” (known as “growth share” in New Jersey) is the central regional equity strategy. Federal housing subsidies are fast disappearing (though they’ve been used largely to reinforce the economic segregation of poor minorities). Inclusionary zoning leverages market economics to generate affordable housing *without public or philanthropic subsidies*.

The key is density bonuses – increasing the builder’s right to build more housing units on the land than the underlying zoning would permit. In effect, by awarding a density bonus, a local government provides the builder with “free land.” Workable inclusionary zoning policies provide builders with density bonuses greater than the mandated percentage set-aside for affordable housing units in order to generate some bonus market-rate units. Using cost-free land for the bonus affordable units substantially reduces their cost (making them more affordable) and using cost-free land for the bonus market rate units makes them highly profitable.<sup>71</sup>

However, widespread enactment of inclusionary zoning laws *per se* will not be sufficient to achieve regional equity goals for two reasons.

---

<sup>70</sup> For example, the federal government has spent eight times as much on suburb-inducing highways as city-supporting mass transit and through its tax policies and housing finance policies, about eleven times and forty times, respectively, more for owner-occupied housing (located primarily in suburbs) than for renter-occupied housing (located primarily in cities). Federal money to build new sewage treatment plants has heavily subsidized suburban growth while strict federal controls on abandoned factory sites (“brownfields”) severely hampers cities’ ability to compete with suburban “greenfields” sites as locations for new industries, retail centers, and office complexes.

<sup>71</sup> Of the roughly 400 cities and counties that have adopted mandatory inclusionary zoning laws all are located in higher-cost regional housing markets where land cost are high and homebuilders have powerful incentives to build the maximum amount of profitable housing on developable land. The economics of inclusionary zoning probably will not work in moderate- and low-cost housing markets.

First, even with density bonuses and other publicly-approved cost-offsets (waiving certain public fees, reducing parking or park dedication requirements, expedited processing of plans and building permits, etc.), for-profit homebuilders can rarely bring their cost of producing inclusionary housing much below levels that are affordable to households making 50-80 percent of Area Median Income (AMI). The income eligibility ceiling for federal public housing and housing vouchers is around 50 percent AMI (“very low-income households”); the federally-defined poverty threshold is about 25-30 percent AMI (“extremely low-income households”).

For inclusionary zoning to assist very low- and extremely low-income households requires adding further subsidies to bring rents below the levels that builders are able to reach in terms of their production costs. Many California communities seek to apportion inclusionary units among different income levels (e.g. 50 percent for households below 50 percent AMI, 50 percent for households between 50 percent AMI and 80 percent AMI, etc.).<sup>72</sup>

The most direct approach, however, is the practice followed by Montgomery County, MD and Fairfax County, VA, the USA’s largest and third largest inclusionary zoning programs. By law, both counties have their public housing agency buy or rent one-third of the inclusionary housing produced. These are then rented by the agency to very low- and extremely-low income (but typically working) families.

Federal funds (drying up), state funds (scarce), and local funds (very rare) should be concentrated on such direct purchase programs. This is an area where creative use of private institutional funds (foundations, pension funds, etc.) might be applied.

Second, will such “opportunity-based housing” actually be utilized by the black and Hispanic urban poor? Certainly, sufficient city-based poor blacks and Hispanics have plenty of desire to move up ... and out.<sup>73</sup> However, suburban jurisdictions typically give priority to their own lower-income residents. Assuring that suburban inclusionary zoning laws give priority to lower-wage workers who work in that community as well as to lower-income residents who already live there will solve part of the problem. (The job market promotes greater racial and socioeconomic mobility than does the housing market.)

However, institutional mechanisms must be put in place to help poor, minority, urban households make the transition to suburban, opportunity-based housing. One such approach is “mobility” programs managed by non-profit groups like Chicago’s Leadership Council for Metropolitan Open Communities and Baltimore’s Quadel to carry out court-ordered regional housing mobility programs (the *Gautreaux* and *Thompson* decisions, respectively). An alternative would be to create either a region-wide housing authority or a unified, regional applicant pool. (This would require federal or state

---

<sup>72</sup> I frankly do not know how successful such “apportionment” policies have been.

<sup>73</sup> Fair Share Housing Development’s Ethel Lawrence Homes in Mt. Laurel had 898 persons stand in line for applications for the first 100 units and over 1,700 for the second 40 units. Tenants range from 80% AMI down to 10% AMI; most are African American or Hispanic – and 30% moved out from Camden (25 miles away).

intervention, but is particularly possible under the *Thompson* decision.) A third possibility would be for a state agency to administer such a program, particularly as an integral component of state-administered welfare-to-workfare programs. (The New Jersey Department of Community Affairs administers 16,000 federal housing vouchers statewide, though, I suspect, with little racial equity-creating impact.)

*Every regional equity goal except #8 (reversing the upward trend in income inequality among white households)<sup>74</sup> will be advanced by “fair share” housing programs with all three components –*

*\* create more affordable housing in mixed-income developments through inclusionary zoning;*

*\* acquire a portion of the inclusionary units directly through housing authorities; and*

*\* implement mobility programs targeted on poor families in cities and distressed older suburbs.*

### 3. Mobilization and Litigation: a One-Two Punch

Achieving such policies will require carrying out extensive public education; mobilizing grassroots and “grasstops” support through coalitions largely focused on faith congregations and local elected officials in swing districts in distressed and at-risk suburbs as well as enlisting inner-city constituencies; creating alliances with other reform-minded groups (affordable housing advocates, Smart Growth and environmental groups, civil rights organizations, labor unions, etc.); and recruiting new allies based on mutual self-interest, such as associations of elected officials from distressed and at-risk suburbs. These broad-based constituencies must pressure state and local public officials to change the “rules of the game.”

Paralleling this mobilization of “people power” must be a litigation strategy in state and federal courts. On the one hand, nothing so concentrates the minds of elected public officials as the shadow of an adverse court ruling. On the other hand, it was the absence of a grassroots power base that allowed legislators to largely ignore far-reaching court rulings like New Jersey’s *Mt Laurel* and Connecticut’s *Sheff v. O'Neill* for many years. Litigation and grassroots mobilization complement each other. New Jersey’s Fair Share Housing Center and the American Civil Liberties Union of Maryland are integral partners in their regional reform movements.

### 4. Diversity and Balance Everywhere

Inclusionary zoning is hardly a total answer to meeting either all affordable housing needs or eliminating economic segregation. Even with the nation’s oldest and largest inclusionary zoning program, Montgomery County, MD’s 12,750 units of inclusionary housing form less than one-third of the county’s 44,000 units of publicly-

---

<sup>74</sup> I am frankly stumped for policies to reverse this growing mal-distribution of *pre-tax* income. (Reagan-Bush II tax cuts have made the inequities in post-tax income even greater.) Raising the minimum wage would help as would strengthening organized labor, but the growing disparities are being driven by fundamental economic restructuring. Perhaps the best that the regional reform movement can achieve will be to prevent growing social and economic isolation of low-income whites and assure their access to quality educational opportunities and access to growing job markets.

assisted affordable housing (almost all in mixed-income settings). Nevertheless, with private, for-profit builders producing over 95 percent of all new housing, by leveraging market economics, inclusionary zoning is the foundation on which all other affordable housing strategies should be built.<sup>75</sup>

There is both need and opportunity for non-profit housing providers in suburban areas. (Fair Share Housing Development is South Jersey's only suburban, non-profit housing provider as well as being the largest non-profit housing provider within Camden itself.) At the same time, great care should be taken to not recreate racial and economic ghettos through poorly conceived suburban affordable housing developments.

Our goal is to promote racial and economic diversity – and stability – everywhere. Even though both Camden and Baltimore City have far more than their “fair share” of their region’s poor, they too should implement inclusionary zoning. Neither city should embrace the type of totally *exclusionary* gentrification that has characterized the massive redevelopment of Chicago neighborhoods around the Loop nor (I believe) of Philadelphia’s Center City. Converting an inner-city neighborhood from wall-to-wall poor minorities to wall-to-wall Yuppies (with a few Buppies mixed in) may positively impact a city’s tax base, but it does little to advance our goals of greater racial and economic integration. By the same token, within a region, persisting in building affordable housing only “on the affordable housing side of town” (the inner-city) must be subjected constantly to the test: “It may provide affordable shelter but is it opportunity-based housing?”

## 5. Integrating the Schools

There is a fundamental difference between the impact of inclusionary zoning in suburbs and central cities. Suburban inclusionary zoning is the only affordable housing policy that guarantees that low-income pupils will attend predominantly middle class neighborhood schools. However, I know of no city school system that has convinced middle class parents to enroll their children in high-poverty city schools.<sup>76</sup>

As in many cities, re-gentrification is occurring in Baltimore City (and is a goal of Camden Recovery Initiative), but middle class newcomers are overwhelmingly either households without children (young, professional singles and “mingles,” gay couples, empty nesters) or choose to send their children to parochial or private schools.

---

<sup>75</sup> If inclusionary zoning is not a total solution, its potential impact should not be discounted. Hypothetically, if a Montgomery County-type policy had been in effect throughout the nation’s 100 largest metropolitan areas for the past twenty years, private, for-profit developers would have delivered 3.6 million inclusionary units – two and a half times the amount of affordable housing produced by utilizing Low-Income Housing Tax Credits (that HUD credits with helping finance 90 percent of all affordable housing built) and more than ten times the total affordable housing resulting from the activities of the Local Initiative Support Corporation, the Enterprise Foundation, and their hundreds of partnered community development corporations.

<sup>76</sup> Public elementary schools in the District of Columbia that are undergoing an enrollment boom of white, upper middle-class pupils have always been low-poverty neighborhood schools. DC’s extensive charter school movement has provided havens for some middle-class parents in Capitol Hill and other re-gentrifying neighborhoods.

Nonetheless, Baltimore City has some strong assets around which it could rebuild its middle class pupil population *school-by-school*. The city continues to be the location of major, high-quality employment centers – a strong downtown with its corporate headquarters, banks, utilities, law, accounting, and other business services firms and federal, state, and city-county office complexes; major medical centers; and major university and college campuses, like Johns Hopkins University. (Camden has a much smaller, but still important, inventory of such high-quality job centers.)

Across the country there are many examples of major private and public employers that use their own corporate or institutional funds to provide grants for down payments and to subsidize lower-interest mortgages for employees who will buy homes in surrounding neighborhoods.<sup>77</sup> Such “employer-assisted housing benefits” are becoming increasingly common both to reduce employees’ commuter times and costs and as a strategy to revitalize the declining neighborhoods in which many such hospitals and college campuses are located. Surrounding your institution with friendly, law-abiding neighbors is more cost effective than paying hundreds of thousands or millions of dollars annually for large security services.

Such programs may still not succeed in encouraging employee-residents to enroll their children in neighborhood schools with very high percentages of low income children. Many middle class parents hesitate to have their child be among the few non-poor children. They are seeking some “critical mass” – typically, a *majority* middle class pupil population that is unattainable based on current neighborhood demographics.

However, those major employer institutions have hundreds of other employees with children – many more than will take advantage of employer-assisted housing inducements – who continue to live in homes scattered across the region. Some employees may prefer to have their children attend a high-quality, full-day, school near their employment location rather than face “latchkey” problems 10, 20, or 30 miles away. This is especially true with the growth of both single parent and two working parent families.

In Albuquerque the city government and school district collaborated on creating two elementary schools – Longfellow and Lew Wallace – with special enrollment policies. Both schools were located in predominantly poor, but slowly re-gentrifying neighborhoods surrounding downtown Albuquerque. The school district provided an enriched, magnet-school type curriculum. The city covered the costs of an extended day program. Smaller neighborhood attendance zones were created so that no more than half of each school’s capacity was filled by neighborhood children. The rest of the enrollment was reserved for children of downtown office workers who dropped their

---

<sup>77</sup> Indeed, as part of its Smart Growth policies, the state of Maryland has established a multi-million dollar “Walk-to-Work” fund to match employer-assisted housing benefits.

children off at school on the way to work and picked them up again at the end of the work day. Both schools were very popular with working parents.<sup>78</sup>

Thus, building on the presence near-by of major employers, the school system created two predominantly middle class schools that a) provided office workers' children with a high-quality educational program combined with full-day adult supervision, b) integrated neighborhood children (mostly low income) into middle class classrooms, and c) encouraged other middle class families with children to move into the surrounding neighborhood and enroll their children in the "neighborhood" school. On a school-by-school basis, such creative policies might rebuild the middle class enrollment of the Camden and Baltimore City public schools.

## 6. Not Anchor Stores, but Anchor Employers

The malling of America depended on "anchor stores." Revitalizing declining cities must depend on "anchor employers." The highest priority must be given by state and city government to maintaining high-quality employment "anchors" within central cities. Federal and state government offices and county courthouses (as well as city halls) must remain downtown as must bank and utility headquarters, and major law, accounting, and other business services firms. City-based college and university campuses rarely pull up stakes totally, but suburban satellite campuses dilute their drawing power. Hospitals and adjacent medical office buildings must be able to expand and prosper in their city locations rather than virtually forced to relocate to suburbia. A region's concert halls, opera houses, sports arenas and stadiums, zoo, aquarium, and museums must also remain (or be re-created) in the urban core. The city's legacy parks must be cherished and cared for. All these assets must be maintained in the core even if doing so requires state and regional financial assistance (such as the very successful Allegheny County Regional Asset District for the Pittsburgh area). Any city that loses such "anchors" will drift towards disaster.

The absence of such anchor employers and institutions also explains the fragility of distressed and at-risk suburbs that generally never had many anchors to begin with. They were bedroom communities for city-based factories or for one or two major factories located in their own towns. When the factories closed, the towns' primary reason to exist evaporated. (This is especially true of post-war, blue collar suburbs of the 1950s and 1960s; their housing stock is "too old to be competitive and too young to be quaint.") In this context, during the past two decades, first-ring Pennsauken's loss of -3,405 private sector jobs (-13 percent of its private job base) was more ominous than Camden's loss of -5,178 private sector jobs (also -

---

<sup>78</sup> Albuquerque Public Schools (APS) is a unified, countywide system (almost as large as Baltimore County Public Schools) that covers both the city and outlying areas. APS easily accommodates such intra-district transfers. But within New Mexico's system of educational finance, even inter-district mobility raises no fiscal issues; the state funds 100 percent of the operating budgets of all school districts. Hence, dollars follow children. In the Baltimore and Camden areas inter-district transfers, such as might be the result of creating Longfellow/Lew Wallace-type schools, would raise fiscal issues that must be bridged by special state subsidies.



13 percent of its private job base). Increasingly stripped of its employment base, the survival of a Pennsauken depends on maintaining its reputation as a good community in which to raise families.

The work of groups like Pennsauken's Stable Integration Governing Board and the Maplewood-South Orange Community Council is vital.<sup>79</sup> In the long run, with their towns' older, more affordable housing stock, their efforts to maintain diverse but stable communities can only succeed, in my view, if their towns are no longer the only ready alternative for moving up – and out – from troubled central city neighborhoods. City families “moving to opportunity” must have the option of leaping over a Pennsauken into “growth share” housing in a Moorestown (plus 6,308 private sector jobs, or +34 percent growth) or in a Mt. Laurel (plus 14,816 private sector jobs, or +79 percent growth) in just two decades decade!). Only regional fair share housing can relieve the constant pressure on a Pennsauken and on a Maplewood -South Orange.

“Inside game” advocates must also acknowledge the reality cities face. RCA and Campbell Soup are never coming back to Camden nor is Bethlehem Steel ever returning to Baltimore City (nor anywhere else in the world, including Bethlehem, PA). Within their borders Camden and Baltimore City will *never* see created the number and types of jobs that can lift their 19,000 and 97,000 poor persons of working age (18-65 years), respectively, out of poverty. Nor are their poverty-impacted schools likely to succeed in preparing their students for 21<sup>st</sup> century careers (as contrasted with “preparing” them for low-skill, low-wage, retail and service jobs).

Mainstreaming the urban poor within the regional society must be the guiding philosophy of a regional equity strategy. By all means, let those that choose to remain within the central city do so whenever such life-altering opportunities can be created there, but, above all, let's open up suburban growth centers through opportunity-based housing.

## 7. Regional Tax Base Sharing

These recommendations have focused on regional “opportunity-based housing” because it has demonstrably the greatest impact on the widest range of regional equity goals. However, regional tax base sharing directly addresses fiscal disparities. My colleague Myron Orfield has simulated various tax base sharing plans for both the Camden and Baltimore areas.

Within the three-county Camden area, for example, total equalized valuation increased from \$52.1 billion in 1997 to \$72.6 billion in 2003. Had a county-wide tax base sharing plan, using 1997 as the base year and pooling 40 percent of the increased tax base, been in effect, the shared tax base pool would have amounted to \$8.2 billion over

---

<sup>79</sup> The Maplewood-South Orange Community Council announces that “We are neighbors who love our towns. The Community Coalition is a private nonprofit organization with a diverse membership of individuals who live and/or work in Maplewood/South Orange coming together to sustain our towns as communities of choice for all. We envision a community that is truly inclusive and racially integrated – free of segregation in housing patterns and community involvement.”

the six-year period. Each community would have contributed 40 percent of its growth in tax base. For Camden, that would have amounted to a cumulative contribution of \$31 million over the six years; for Moorestown, however, its cumulative contribution would have been \$487 million and for Mt. Laurel \$540 million.

Let us suppose that the pooled tax base was redistributed based on each municipality's percentage of the region's households and its "tax capacity" (that is, its tax base per household compared with the regional tax base per household). Camden's percentage of the region's total households was 5.6 percent but its tax base per household was barely one-quarter of the regional average. Thus, Camden would stand to receive slightly over 20 percent of the redistributed tax base, or a cumulative distribution of \$1.8 billion in tax base over the six years. That would represent about an average annual 29 percent increase in Camden's tax base. By similar calculations, Lindenwold Borough (the "next Camden") would benefit from a 12 percent average annual increase in its tax base. Pennsauken Township (whose tax base per household is 95 percent of the regional average) would receive only a one percent annual boost in tax base from this formula.

Of the large net "givers," Moorestown would be allocated back only a cumulative \$54 million in tax base and Mt Laurel a cumulative \$224 million. Moorestown's net annual contribution to the regional tax base pool would be \$74 million and Mt. Laurel's would be \$53 million. If those sound extreme, they represent only a three percent reduction in tax base for Moorestown (\$74 million of \$2.4 billion) and a two percent reduction in tax base for Mt. Laurel (\$53 million of \$3.3 billion) over the first six years of the program.

We are, of course, allocating tax base, not revenues. However, if the regional tax base pool were taxed at the median regional rate of \$2.71 per \$1,000 of assessed valuation, the city of Camden would have received an additional \$786,000 in annual property tax revenues for its city budget. The amount would grow with each passing year as the regional tax base pool increases steadily from its 1997 base year.

There are two lessons from this exercise. First, from a fiscal perspective, "all wealth is local." A tax increase-shy state legislature may well find it more politically palatable to mandate a regional tax base-sharing plan than relieve the public clamor for property tax reform through coming up with an alternate source of state revenue. Second, as daunting as the legislative politics would be, over many years regional tax base-sharing may be a more likely route to significantly reduce major disparities in tax base per household than the heroic level of investments modeled.<sup>80</sup>

## 8. Regional Growth Management

To its credit, I believe that New Jersey is the only state where one can walk into a state office, ask for a copy of the statewide land use plan, and actually be handed something. Unfortunately, based on voluntary "cross-acceptance" between the State

---

<sup>80</sup> By the end of its fourth decade, the Twin Cities Fiscal Disparities Plan had reduced the range of commercial/industrial tax base per household among the region's 100 largest municipalities from 17:1 to 4:1.

Planning Office and 566 little boxes, the New Jersey State Plan is weak, largely unenforceable, and gives little evidence of having changed sprawling development patterns.

While former Maryland Governor Parris Glendening's Smart Growth initiatives drew national applause, its effectiveness rested largely on strong leadership and support from the governor's office. His immediate successor as governor, Republican Robert Ehrlich, dismantled the Governor's Office of Smart Growth and generally gutted the effort. Governor Martin O'Malley has provided only lukewarm support.

Reforming state land use laws to slow suburban sprawl and channel investment back towards core communities must remain a major regional equity initiative, particularly in little boxes states. The payoff from success can be years in coming but is clearly evident from applying our regional equity criteria to the Portland, Oregon area.

Under Oregon's Senate Law 100 (enacted in 1973), the Portland area has had the nation's most rigorous, anti-sprawl forth management policies. Its regional Urban Growth Boundary, planned and administered by Portland Metro, the USA's only directly elected regional government, is only the best known of its tools. Of great significance also are Metro's agreements with each of the 24 municipalities and three counties under its jurisdiction to set minimum density targets by community for new housing development and Metro's broad regulatory powers. One of the most significant regulations is Housing Rule #10 that requires that at least 50 percent of all new residential construction in all jurisdictions must be land-saving townhouse complexes and apartment developments.

Table 8 compares the Baltimore, Camden, and Portland regions across all regional equity measures. The Portland region beats the Baltimore and Camden regions on ten of twelve regional group equity measures despite the fact that, over the past six decades, the Portland region had a slower rate of growth in real income than the other two regions. (Portland's high tech boom of the last two decades was not sufficient to offset the previous two decades of stagnation of the forest products industry, Oregon's then-lead economic sector). Moreover, Portland's clear edge in progress towards a more integrated society is not based on its lower proportion of African Americans regionally (see footnote 11). Though certainly influenced by its smaller minority population (60 percent of the Portland region's poor are white compared with the Baltimore region's 35 percent and the Camden region's 31 percent), the Portland region's decisive edge in greater economic integration and less economic polarization reflects Portland Metro's conscious policies of diversifying the regional housing supply.

As a region, Portland has had far greater control over the issue of "what gets built where for whose benefit" than any other region. That shows up most dramatically in the comparison of jurisdictional equity measures where Portland bests the competition in four of the measures. The city of Portland's poverty rate is close to the regional level (a fair share of poverty index of 136) and average city income is at parity with suburban levels (an index of 101). Tax base per household and per poor family (variances of 25 and 100, respectively) indicate the absence of the level of extreme resource disparities,

particularly for the city of Portland as contrasted with Camden and Baltimore City, that so devastate those cities.<sup>81</sup>

---

<sup>81</sup> As of July 2012, Moody's Investor Services rated the city of Portland as Aaa compared the Baltimore City's A3 rating and Camden city's BA2 (junk bond level).

**Table 7**  
**Regional Equity in the Baltimore, Camden, and Portland Regions in 2010**  
(best score is **boldfaced**)

<u>basic demographics</u>	<u>Baltimore</u>	<u>Camden</u>	<u>Portland</u>
population	2,710,489	1,250,679	2,226,009
pct white	60%	69%	76%
pct black	28%	16%	3%
pct Hispanic	5%	9%	11%
 <b><u>Regional group equity measures</u></b>			
black segregation index	64	52	<b>41</b>
Hispanic segregation index	40	50	<b>34</b>
economic segregation index (2000)	43	42*	<b>27</b>
economic polarization index	40	36	<b>29</b>
black school segregation index (1997-99)	73	66	<b>59</b>
Hispanic school segregation index (1997-99)	44	75	<b>38</b>
economic school segregation index (1997-99)	59	52	<b>40</b>
black/white homeownership index	79	90	<b>92</b>
Hispanic/white homeownership index	91	82	<b>95</b>
black pct of white income	54%	<b>68%</b>	59%
Hispanic pct of white income	56%	52%	<b>57%</b>
Gini index for white income distribution	45	<b>40</b>	44
 <b><u>Regional jurisdictional equity measures</u></b>			
city fair share of poverty index	255	585	<b>136</b>
City-suburb income index	64	37	<b>101</b>
variation in jurisdictional income index	24	<b>18</b>	19
average variance: tax base per household	32	34	<b>25</b>
average variance: tax base per poor family	104	137	<b>100</b>
 <b><u>Overall regional progress measures</u></b>			
Real growth in median family income (1950-2010)	<b>165%</b>	160%	116%

\*for 1990

The region's record to date, however, justifies regional land use and transportation planning as the third element of a regional equity "outside game" along with regional fair share housing and regional tax base sharing.

\* \* \*

This is a concept paper. It has suggested very specific goals for two illustrative regions – Camden and Baltimore – but the actual goals must be debated and adopted by regional reform leaders themselves.

As a guide for both public policy makers and foundation grant-making, this paper suggests some clear guidelines. When a public agency or foundation, for example, is evaluating funding an activity – whether “inside game” or “outside game” – it should be assessed within the framework of advancing these measurable regional equity goals.

Can its contribution to advancing regional equity be measured over the time frame of the activity – say, over a one-, two-, or three-year basis? If not, will the activity be structured in a way that one can be reasonably confident that it will advance regional equity? For example, will an affordable housing program promote mixed-income neighborhoods rather than further concentrate poverty?

If a demonstration program is designed to show a better way to deliver social services, what linkages are being created to the larger institutions of society that can reasonably assure that a successful new approach can be scaled up to have genuine regional equity impact?

Is a policy reform campaign properly targeted on the right regional equity-producing reforms?

Most importantly, by adopting *regional* equity goals, we are committing to having a scale of impact that must reach beyond the demonstrable good results of worthy (but small scale) projects.

According to the *Giving USA* annual report, private foundations granted over \$41 billion in 2010 ... *for all purposes*.<sup>82</sup> That amount is both impressive and pales in significance in the face of our society’s unmet needs. For FY 2010, for instance, the federal government’s own budgetary outlays for just “housing and community development” were \$69 billion, but that was dwarfed by \$242 billion in new residential construction by the private sector in 2010.<sup>83</sup>

The challenge is to re-channel such immense resources in ways that stop retarding and start advancing our regional equity goals. For decades we have been trying to help poor people and poor communities successfully run up a “down” escalator. No matter how hard many try, the escalator keeps coming down faster and faster.

It is time to concentrate on re-wiring the direction of the escalator to create an “up” escalator. Re-wiring the escalator certainly requires a new blueprint for how the re-wired escalator will work. However, blueprint in hand, re-wiring the escalator requires

---

<sup>82</sup> Total giving by private foundations nationally is about equal to state and local government expenditures (including for public schools and universities) in Florida.

<sup>83</sup> The year 2010 fell in the midst of The Great Recession. In 2006 (the year before the housing bubble burst), the value of private residential construction was \$614 billion.

“people power” by organizing grassroots and grasstops constituencies and alliances among groups that can be brought to see their shared self-interests in a regional reform agenda.

The over-riding target: change the public policy “rules of the game” that shape the flows of public and private investment (“what gets built where for whose benefit”).

Changing the “rules of the game” takes a clear policy focus, clearly targeted power ... and time.

\* \* \*

**APPENDIX A: Median family income trends as percentage of 3-county regional median family income**

<i>THREE NJ COUNTY REGION</i>		100%	100%	100%	100%	100%	100%	100%
<i>BURLINGTON COUNTY NJ</i>		94%	98%	103%	106%	108%	109%	110%
<i>GLOUCESTER COUNTY NJ</i>		99%	97%	96%	100%	100%	101%	103%
<i>CAMDEN COUNTY NJ</i>		103%	102%	99%	96%	95%	93%	89%
<i>.Camden city</i>	0	93%	83%	72%	48%	43%	40%	35%
<i>.Woodlynne borough</i>	1	na	108%	na	77%	65%	64%	50%
<i>.Gloucester City city</i>	1	95%	96%	84%	76%	80%	78%	71%
<i>.Pennsauken township</i>	1	na	111%	na	100%	93%	85%	79%
<i>.Collingswood borough</i>	1	126%	113%	95%	92%	93%	94%	89%
<i>.Merchantville boro</i>	1	na	131%	107%	103%	93%	98%	103%
<i>.Audubon Park boro</i>	2	na	na	na	na	73%	66%	64%
<i>.Brooklawn borough</i>	2	na	102%	100%	na	84%	78%	75%
<i>.Mount Ephraim boro</i>	2	na	109%	98%	85%	93%	96%	89%
<i>.Oaklyn borough</i>	2	na	114%	99%	90%	91%	90%	103%
<i>.Audubon borough</i>	2	na	111%	102%	94%	101%	96%	108%
<i>.Haddon township</i>	2	na	124%	na	102%	104%	106%	108%
<i>.Cherry Hill township</i>	2	na	na	na	143%	139%	131%	127%
<i>.Bellmawr borough</i>	3	na	103%	98%	95%	89%	87%	81%
<i>.Haddon Heights boro</i>	3	na	124%	114%	116%	109%	119%	123%
<i>.Haddonfield borough</i>	3	146%	139%	139%	143%	152%	168%	155%
<i>.Hi-Nella borough</i>	4	na	na	na	na	61%	62%	65%
<i>.Lindenwold borough</i>	4	na	95%	95%	85%	84%	66%	67%
<i>.Clementon borough</i>	4	na	93%	86%	76%	75%	83%	69%
<i>.Lawnside borough</i>	4	na	na	88%	89%	94%	89%	71%
<i>.Runnemede borough</i>	4	na	106%	98%	90%	89%	81%	76%
<i>.Pine Hill borough</i>	4	na	90%	87%	81%	90%	81%	86%
<i>.Somerdale borough</i>	4	na	108%	98%	90%	93%	88%	86%
<i>.Magnolia borough</i>	4	na	101%	93%	94%	87%	82%	89%
<i>.Berlin borough</i>	4	na	111%	101%	114%	101%	111%	95%
<i>.Barrington borough</i>	4	na	111%	105%	101%	99%	97%	98%
<i>.Gloucester township</i>	4	na	102%	na	103%	104%	102%	99%
<i>.Laurel Springs boro</i>	4	na	na	111%	na	92%	95%	101%
<i>.Stratford borough</i>	4	na	111%	105%	114%	104%	93%	104%
<i>.Gibbsboro borough</i>	4	na	101%	104%	104%	115%	103%	104%
<i>.Berlin township</i>	5	na	na	na	94%	95%	99%	85%
<i>.Chesilhurst borough</i>	5	na	na	na	na	81%	81%	92%
<i>.Winslow township</i>	5	na	na	na	96%	96%	100%	95%
<i>.Waterford township</i>	5	na	na	na	99%	106%	103%	106%
<i>.Voorhees township</i>	5	na	na	na	131%	142%	141%	129%

LOCATION CODES: 0 = core city; 1 = 1<sup>st</sup> ring suburbs; 2 = 2<sup>nd</sup> ring suburbs; 3 = 3<sup>rd</sup> ring suburbs; 4 = boroughs along Black Horse Pike and White Horse Pike to Atlantic City; 5 = outlying townships



## APPENDIX B: SUBURBAN TRENDS IN MEDIAN FAMILY INCOME IN GREATER BALTIMORE

As urban geographer John S. Adams has shown, in many metropolitan areas new suburban residential development tends to be an extension of racial and economic residential patterns within the core city.<sup>84</sup> The Baltimore metro area certainly demonstrates that as constructing an index of each community's median family income relative to the regional median family income illustrates.

In 1950 Baltimore City's Black population was largely concentrated in old neighborhoods (and public housing projects) clustered around the downtown core, surrounded by blue-collar White neighborhoods. More affluent Whites lived in North Baltimore (the area annexed in 1917) in neighborhoods like Roland Park and Mount Washington.

As the Black population expanded into West Baltimore and East Baltimore city neighborhoods, low- and middle-income Whites moved out into abutting neighborhoods in Baltimore County. In 1960, first-ring neighborhoods in West Baltimore County (location code 1.1) averaged an index of 115 (or 15% above the metro median family income); first-ring neighborhoods in East Baltimore County (code 2.1) averaged 110. Over successive decades, as Blacks and low-income Whites moved into these first-ring suburbs, and higher income Whites moved further out into second- and third-ring suburbs (codes 1.2, 1.3, 2.2, 2.3) relative incomes declined. By 2010, the index of first-ring suburbs in West Baltimore County dropped from 115 to 84, while the index of first-ring suburbs in East Baltimore County dropped to 82.

Meanwhile, suburban growth in North Baltimore County reflected the relative affluence of North Baltimore City. North Baltimore County first ring suburbs Pikesville and Towson (code 3.1) and second-ring suburbs Garrison, Lutherville-Timonium, Mays Chapel, and Hampton (code 3.2) started strong (148 and 149, respectively, in 1960) and largely maintained their affluent status (131 and 140, respectively, in 2010).

To the south Baltimore City abuts a portion of Anne Arundel County. Trends there followed the patterns in West and East Baltimore County. First-ring suburbs Brooklyn Park, Glen Burnie, and Riviera Beach (code 4.1) experienced a slow decline from 106 (1970) to 87 (2010), while second-ring suburbs (code 4.2) maintained, even improved, their status (121 in 1980 to 127 in 2010).

Meanwhile, the four outlying counties continued to suburbanize.

In the Age of Sprawl "today's winners become tomorrow's losers."

---

<sup>84</sup> *Housing submarkets in an American metropolis*. Adams, John S., Our Changing Cities. Baltimore: The Johns Hopkins University Press: 108-126, 1991.

## APPENDIX B: Median family income trends as percentage of 7-county regional median family income

jurisdiction/ Census-Designated Place (CDP)	Location code	in 1950	in 1960	in 1970	in 1980	in 1990	in 2000	in 2010
METRO BALTIMORE		100	100	100	100	100	100	100
BALTIMORE CITY	0	98	91	83	72	67	60	58
BALTIMORE COUNTY		109	115	114	112	105	101	97
Lansdowne-Baltimore Highlands CDP	1.1	na	102	92	84	75	70	54
Lochearn CDP	1.1	na	na	na	119	106	93	76
Woodlawn CDP	1.1	na	122	127	128	109	92	86
Arbutus CDP	1.1	na	112	108	100	94	91	91
Catonsville CDP	1.1	na	124	119	113	114	113	111
Milford Mill CDP	1.2	na	122	na	106	94	83	77
Randallstown CDP	1.2	na	na	129	130	119	111	98
Owings Mills CDP	1.3	na	107	104	na	82	103	93
Reistertown CDP	1.4	na	104	113	100	104	93	91
Dundalk CDP	2.1	na	102	101	101	85	78	68
Parkville CDP	2.1	na	116	113	101	91	85	76
Overlea CDP	2.1	na	111	107	111	99	96	91
Rosedale CDP	2.1	na	na	na	109	101	89	93
Middle River CDP	2.2	na	102	97	89	79	74	71
Essex CDP	2.2	na	99	94	94	78	71	73
Rossville CDP	2.2	na	na	na	109	93	98	84
Edgemere CDP	2.2	na	na	101	106	91	94	89
Carney CDP	2.2	na	116	na	110	107	96	94
Perry Hall CDP	2.2	na	na	126	124	121	111	105
White Marsh CDP	2.2	na	na	na	na	119	119	112
Bowleys Quarters CDP	2.3	na	na	na	na	98	103	88
Kingsville CDP	2.3	na	na	na	126	120	147	132
Pikesville CDP	3.1	na	139	160	146	139	131	126
Towson CDP	3.1	na	158	128	135	133	128	136
Garrison CDP	3.2	na	na	na	na	117	105	115
Lutherville-Timonium CDP	3.2	na	148	154	151	137	126	124
Mays Chapel CDP	3.2	na	na	na	na	168	143	160
Hampton CDP	3.2	na	na	na	210	178	169	160
Cockeysville CDP	3.3	na	115	na	117	109	105	97
ANNE ARUNDEL COUNTY		99	105	109	113	118	116	118
Annapolis City		90	98	98	93	97	96	110
Brooklyn Park CDP	4.1	na	na	103	100	88	85	79
Glen Burnie CDP	4.1	na	na	105	103	98	87	84
Riviera Beach CDP	4.1	na	113	109	104	110	102	99
Pasadena CDP	4.1	na	na	na	118	130	120	132
Ferndale CDP	4.2	na	na	na	102	100	86	90
Linthicum CDP	4.2	na	na	123	132	122	123	126
Lake Shore CDP	4.2	na	na	na	120	128	119	128
Severn CDP	4.2	na	na	na	98	109	115	129
Severna Park CDP	4.2	na	161	155	155	161	158	156
CARROLL COUNTY		76	83	96	107	110	112	116
Westminster city		na	85	88	na	93	86	79
HARFORD COUNTY		88	91	102	108	109	108	108
Aberdeen city		na	96	90	87	78	82	75

HOWARD COUNTY	89	103	127	139	145	144	146
QUEEN ANNE'S COUNTY	49	63	78	89	102	107	109

**Appendix C: STRATEGIES TO REDUCE TAX BASE DISPARITIES  
IN GREATER BALTIMORE**

Table C1 examines property tax base disparities for the Baltimore area. For simplicity’s sake, I have focused only on the seven counties since the 19 municipalities constitute so little of the population (three percent) that their impact on the overall picture would be almost imperceptible.

Consistent with the Baltimore region’s Big Box nature, measures of its inter-jurisdictional disparities are somewhat less than for the “little boxes” Camden region. Improving Baltimore City’s tax base per household and per poor family would have a much greater impact on region-wide disparities because Baltimore City is a much larger percentage of the region’s tax base (12 percent), households (24 percent), and poor families (56 percent) than are Camden’s percentages (1, 5, and 33 percent, respectively).

Table C1  
County Assessable Tax Base Disparities  
for the Baltimore Area in 2012

	assessable tax base per household <u>in 2012</u>	assessable tax base per poor family <u>in 2012</u>
metro area average	\$150,145	\$6,494,569
Baltimore City	\$76,019	\$1,438,920
Anne Arundel County	\$398,916	\$14,203,154
Baltimore County	\$266,278	\$11,393,350
Carroll County	\$329,437	\$12,083,465
Harford County	\$304,831	\$6,252,185
Howard County	\$429,713	\$13,369,773
Queen Anne’s County	\$474,843	\$7,161,994
 Average variance from metro area average	 32	 104

Turning to the Baltimore area (modeled at the county level), the base case has already been laid out in table C1. The alternative strategies parallel those analyzed for Camden County. Leaving all poor families in place but

doubling Baltimore City’s tax base reduces the region’s average variance from 140 to an eye-popping 36; quadrupling the city’s tax base further reduces the variance only marginally further to 32.

By contrast, the housing mobility strategies would appear to have more modest impact. Earlier I calculated (on page 17) that lowering the economic segregation index by one point for the Camden area would require moving 1,100 poor persons (440 poor families) into non-poor communities and that achieving the same result for the Baltimore area would require twice that number (2,200 poor persons, or 880 poor families). Suburbanizing 880 poor families from the city would lower the variance from 140 to 128;<sup>85</sup> double that number of relocatees would further lower the variance of tax base per poor family to 117.

Table C2

Strategy	variance
Base Case (status quo)	140
#1a (double Baltimore City’s tax base)	36
#1b (quadruple Baltimore City’s tax base)	32
#2a (suburbanize 880 poor Baltimore City families)	128
#2b (suburbanize 1,760 poor Baltimore City families)	117
#2c (suburbanize 5,880 poor Baltimore City families)	85

Finally, (for reasons to be discussed below) strategy #2c would suburbanize 5,880 poor city families, creating a much more substantial improvement in average variance to 85.

How feasible are these alternative strategies? Here the tremendous difference in jurisdictional scale comes into play between the little boxes Camden region and the Big Box Baltimore region. The city of Camden’s tax base in 2004 was \$875 million; as improbable as the goal sounds, doubling Camden’s tax base involves numbers one can conceive. In 2002 Baltimore City’s tax base was \$19.6 billion; doubling that (much less quadrupling it) would be a staggering achievement. For example, from 2001 to 2002, Baltimore City’s tax base did experience positive growth, growing at an annual rate of 2.3 percent (but only 0.7 percent in inflation-

---

<sup>85</sup> Of the 880 relocated families I distributed them as follows: 275 to Baltimore County, 220 to Anne Arundel County, 170 to Howard County, 115 to Harford County, 75 to Carroll County, and 25 to Queen Anne’s County.

adjusted terms). At that rate, it would take 32 years for Baltimore City's tax base to double (in nominal terms).

The Baltimore region's tax base (\$154 billion in 2002) grew at a 4.5 percent annual rate, but only about 1.6 percent in real terms. That real growth I will attribute to net new investment. *If all net new investment within the entire region were to occur solely within Baltimore City*, doubling the city's tax base could be accomplished in eight years.

Despite Baltimore City's net growth in tax base between 2001 and 2002, the long-term trend has been net loss in real terms. It is very difficult to track long term trends when assessment methodologies vary from period to period and jurisdiction to jurisdiction. (Maryland's methodology for determining assessed valuation shifted from 40-50 percent of market value to 100 percent of market value in the early 1990s.)

Table C3 shows the shift in jurisdictional shares of regional tax base between 1956 and 2012 for the Baltimore area and its inflation-adjusted change in tax base. (I have adjusted for the change in assessment methodology.)

Table C3  
Share of Tax Base for the Baltimore Area in 1956 and 2012; and  
inflation-adjusted change in tax base from 1956 to 2012

<u>jurisdiction</u>	share in <u>1956</u>	share in <u>2012</u>	real change <u>1956-2012</u>
Baltimore City	57%	12%	-26%
Anne Arundel County	6%	26%	1,367%
Baltimore County	29%	28%	233%
Carroll County	2%	7%	832%
Harford County	3%	9%	884%
Howard County	1%	15%	4,113%
Queen Anne's County	1%	3%	1,042%
Metro Baltimore	99*	100	243%

\*less than 100 because of rounding

Is it implausible that Baltimore City should have lost over one-quarter (-26 percent) of its real property tax base over that 56-year period?<sup>86</sup>

<sup>86</sup> Indeed, Baltimore City's tax base may have revived a bit in the last two decades. From 1956 to 1991 (when property assessment methodologies were the same) Baltimore City had -36 percent in real tax base. That looked almost benign compared with St. Louis City

Not at all. From 1950 to 2010, the city lost -7 percent of its total households but -35 percent of its population. The city's resident workforce declined by -33 percent and its resident manufacturing workforce by -85 percent (an indirect measure of its loss of on-site office, retail, and factory jobs. In inflation-adjusted terms during those six decades the city's median family income increased only 54 percent, while the increase in suburban median family incomes ranged from Baltimore County (134 percent) to formerly rural, now suburbanizing Queen Anne's County (597 percent).

If doubling Baltimore City's tax base appears an impossible dream (at least, within one generation), what about the housing mobility strategy? Let's examine strategy 2c – suburbanizing 5,880 poor city families.

The number represents one-sixth of the affordable housing units that would have been created in the Baltimore area's suburban counties if Montgomery County-style inclusionary zoning ordinances had been in effect in all six counties from 1980 to 2000. With a 15 percent set-aside for inclusionary housing (triggered at a level of ten or more housing units), an estimated 35,380 "MPDUs" would have been produced. Following Montgomery County's policy and practice, one-third of the MPDUs (or 11,760) would have been acquired by a regional or network of county public housing authorities for extremely low-income households (that is, less than 30% AMI). In my simulation, I have assumed that half of the authority-owned MPDUs would be used to help de-concentrate a county's own poor families but that the other half (5,880 MPDUs) would be available for former poor residents of Baltimore City securing job opportunities in growing suburban job markets.<sup>87</sup> Though these estimates are based on 20-year housing production figures, strategy 2a (suburbanizing 880 poor city families) could be achieved in about three years; strategy 2b (suburbanizing

---

that lost -71 percent of its real tax base during the same period and -45 percent of its households and -63 percent of its population) or with Detroit's 30-year loss of -74 percent in real tax base from 1961 to 1991 (and -49 percent of its households -61 percent of its population during the five decades).

<sup>87</sup> Indeed, the federal district court decision in *Thompson v. HUD* has put just such a city-to-suburb system in place. A partial settlement decree has led to 1,800 city families from public housing being placed in low-poverty, primarily suburban neighborhoods since 2003. In September 2012 the final settlement was announced that will result in another 2,600 public housing families being resettled in low-poverty, primarily neighborhoods through 2017. That is about 300 poor families per year being resettled in high opportunity communities.

1,760 poor city families) every six years; and strategy 2c (suburbanizing 5,880 poor city families), utilizing half of all public housing authority-purchased MPDUs, could be achieved in the 20-year period.