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Portland Metropoltics

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Portland Metropolitics:
A Regional Agenda for
Community and Stability

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A Report to the Coalition for a Livable Future

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The Portland metropolitan region is often held up as a national model of how to plan for growth in ways that keep communities attractive and a region livable. Our elected regional government, state land use and planning system, urban growth boundary, investment in mass transit and bicycle and pedestrian systems, protection of open spaces, and environmental quality standards are all praised as innovative, visionary, and effective. The Portland region has taken many praise-worthy steps toward bucking the national trend for medium-size U.S. cities, a trend that includes:

- disinvestment in inner-city and older, suburban neighborhoods;
- geographic separation of “haves” and “have-nots” and of investments and economic and civic opportunities;
- urban sprawl;
- destruction of adjacent farm and natural resource land; and
- polarization of income—a widening income gap with a dwindling middle class.

However, there are strong indicators that the steps we have taken are insufficient, that we are not, in fact, creating a future for our region that will provide a decent quality of life for all the people who will be part of that future.

This report primarily examines the geographic distribution of poverty and wealth and the effects of this distribution on property tax resources, services, land use and transportation, and environmental quality. These are the crucial factors determining the economic future and quality of life for all who will call this region home.

I. Overview

There is an alarming social and economic polarization occurring among the communities that make up many of our nation’s metropolitan regions.

First, poverty has concentrated and is deepening in central city neighborhoods, older suburbs, and satellite cities. This concentration destabilizes schools and neighborhoods, is associated with increases in crime, and results in the flight of middle-class families and business. Ironically, as social needs accelerate in central cities and their less affluent suburbs, the property tax base[1] supporting local services erodes.

Second, in a related pattern, growing middle-income communities are developing without sufficient property tax base to support schools and other public services. These fiscally stressed communities become tomorrow’s troubled suburbs.

Third, upper-income residentially exclusive suburbs are capturing the largest share of regional infrastructure spending and economic growth. As the property tax base

[1] Taxable property, or assessed value.

expands in these developing suburbs, and their housing markets exclude lower-income people, social needs proportionally decline. This favored sector, generally comprising about one-quarter of the region's population, becomes socially and politically isolated from regional responsibilities.

Overlaying this socioeconomic polarization is an enormous threat to open space and natural resource protection and environmental quality. As socioeconomic decline moves outward from the city and older suburbs, middle-class homeowners move into fringe communities. Many growing communities use a variety of exclusionary requirements (such as large lot zoning, exclusion of multi-family and attached housing, large set-back requirements, high systems development charges, among others) to "protect themselves" from affordable housing development and to compete for development that adds significant value to their tax base.

These lower-density development patterns at the suburban fringe are fiscally irresponsible in that regional resources are spent adding new capacity, such as sewer interceptors and roads, while a surplus of capacity exists in older parts of the region. In addition, they foster automobile dependency, contaminate groundwater, and may needlessly destroy thousands of acres of forest and farmland.

As an example of these trends, during the 1980s, the school systems of Minneapolis and St. Paul, Minnesota went from 25 to 55 percent poor, non-Asian minority children, and the distressed neighborhoods in both central cities tripled in size. Social instability swept into the inner suburbs, where detrimental patterns accelerated and intensified. Southwestern developing suburbs, on and beyond the I-494 beltway, grew to dominate regional economic growth and eschew regional responsibilities.

In response, after information was produced about the Twin Cities region similar to the information contained in this report, its central cities, inner suburbs, and low tax-base, developing suburbs united to create and support a regional agenda to stabilize these trends. It became clear that Twin Cities suburban communities are not a monolith with common experiences and political needs. The delineation of these patterns helped create a metro-majority political coalition between the central cities, which comprise one-third of the region's population, and the inner and low tax-base developing suburbs, which comprise another third. By supporting and helping pass significant state-level legislation between 1993 and 1998 involving regional tax-base sharing, fair housing, transportation/transit reform, land-use planning, brownfields[2] cleanup, and a stronger metropolitan government, these subregions signaled their strong and growing support of a regional reform agenda.

Similarly, social equity groups representing the poor living in older communities and environmental groups wishing to protect land and water from development pressures

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[2] Contaminated industrial or commercial sites that have been abandoned, are idle, or under-used, and could be redeveloped and recycled.

have coalesced around this regional agenda and formed the Alliance for Metropolitan Stability.[3] Members of the Alliance sense a common connection in their individual struggles against the growing waves of chaos that overwhelm their individual efforts. They have developed a common language and agenda built around regional stability, increasing their potential for broad-based regional action.

Since those first maps were produced of the Twin Cities area, similar studies have been conducted of the following U.S. metropolitan areas: Chicago, Philadelphia, Pittsburgh, Seattle, Baltimore, Gary, Cleveland, South Florida, San Francisco, Atlanta, Milwaukee, Los Angeles, Grand Rapids, Detroit, and Washington DC. Although each of these regions is unique in its own way, the same patterns of regional disparity were revealed in each place: 1) poverty is concentrating in the very places with the fewest resources for dealing with the social affects of concentrated poverty—central city neighborhoods, older suburbs, and satellite cities; 2) growing, low tax-base, middle-income communities are developing too quickly to accumulate the resources necessary to address their high service and infrastructure needs; 3) high tax-base communities with the least social needs are capturing the largest share of regional infrastructure spending and job growth but are the least accessible to middle- and working-class people of the region. Most importantly, these studies have clearly shown that the suburbs are not a monolith with common needs and experiences and that coalitions can be forged between previously thought unlikely partners: elected officials of central cities and inner, older suburbs, and low tax-base, developing suburbs.

And such coalitions are being made. In many of the regions mentioned above, representatives from inner, older suburbs, are allying with representatives from central cities and low tax-base, developing suburbs to promote a regional agenda that addresses issues of social and economic polarization, abandonment of the central city, and urban sprawl. Likewise, alliances of social equity and environmental groups, similar to the Alliance in the Twin Cities are forming in these regions.[4]

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[3] The Alliance for Metropolitan Stability is a Twin Cities area cooperative organization of local churches, inner-city poverty groups, and environmentalists.

[4] In Seattle this effort is led by the Coalition for a Livable Washington. The Pennsylvania Environmental Council is currently organizing concerned individuals and groups in the Philadelphia area, as is the Citizen's Public Housing Authority in Baltimore, the Catholic Archdiocese in Detroit, and the Gamaliel Foundation in Chicago, Gary, St. Louis, and Cleveland. The Urban Habitat Program in San Francisco is building a regional coalition of business and environmental interests called the Bay Area Alliance for Sustainable Development. In Los Angeles, AGENDA (Agenda for Grassroots Empowerment and Neighborhood Development Alternatives) is spearheading a similar effort. These associations cover the waterfront from land use protection groups, to churches, to communities of color, to municipal governments, to the business community, to environmental, social justice, and affordable housing advocates. All of these groups are concerned with the stability and sustainability of their metropolitan area, specifically in preventing the concentration of poverty, curbing urban sprawl, and advancing fiscal equity. At the national level this movement is being led by Henry Richmond of the American Land Institute. See Henry R. Richmond, "Rationale and Program Design: National Land Use Policy Institute," 11 July 1994.

In the Portland metropolitan region, a commitment to regional planning that addresses not just land use planning but also transportation, environmental protection, and now, equity issues, has a long history. This region has the only directly-elected regional government in the United States. This government, called Metro, has broad mandates to address all issues of regional importance, and the authority to create plans, with input from local governments, with which local jurisdictions must conform. In the early 1990s, citizen-based efforts to address a wide variety of growth management related issues began to coalesce around issues of compact form, equity and sustainability.[5] By providing demographic, economic, and geographic information about the region, *Portland Metropolitics* is intended to increase understanding of the problems the region faces today and help in efforts to move it towards integrated and equitable solutions to these challenges.

This report provides an overview of the national model for urban decay and an analysis of the effects of concentrations of poverty on the socioeconomic health of regions and examines how Portland compares to the national model and to the current realities in Chicago and Minneapolis-St. Paul. It then reviews various solutions to the problems faced by major metropolitan areas today and addresses the current and potential use of some of the relevant tools in the Portland region. The report is based on demographic and fiscal analysis covering the period from 1980 to 1997. A great deal of the data used has been mapped using a geographic information system (GIS), and many of these maps are included in the report in order to provide a clear visual overview of the trends described in the text.

II. National Model for Urban Decay and Analysis of the Effects of Concentrations of Poverty

A. The Concentration Effects of Poverty

Stimulated by William Julius Wilson's book, *The Truly Disadvantaged,* scholars in the late 1980s began actively studying the effects of concentrated poverty in large metropolitan areas. Their research concludes that concentrated poverty multiplies the severity of problems faced by both communities and poor individuals.[6] As neighborhoods

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5 In 1994 a broad spectrum of involved citizen-organizations came together as the Coalition for a Livable Future to work together on regional issues of common concern including prevention of sprawl, preservation of natural resources inside and outside the urban areas, affordable housing, sustainable economic development, transportation alternatives, pollution and congestion prevention, and others. The Coalition's primary strategic focus has been influencing the "Regional Framework Plan" that Metro is creating. For more information on the Coalition call Zack Semke at (503) 294-2889.

6 William Julius Wilson, The Truly Disadvantaged: The Inner City, the Underclass, Public Policy (Chicago: University of Chicago Press, 1987); Douglas S. Massey and Nancy A. Denton, American Apartheid: Segregation and the Making of the Underclass (Cambridge: Harvard University Press, 1993); Christopher Jencks and Paul Peterson eds., The Urban Underclass (Washington, D.C.: Brookings Institution, 1991); Nicholas Lemann, The Promised Land: The Great Black Migration and How it Changed America (New York: Alfred A Knopf, 1991); Nicholas Lemann, "The Origins of the Underclass," The

become dominated by joblessness and racial segregation they become isolated from middle-class society and the private economy.[7] Individuals, particularly children, are deprived of local successful role models and connections to opportunity inside or outside the neighborhood. A distinct society emerges with expectations and patterns of behavior that contrast strongly with middle-class norms.

Professor Wilson writes:

> "I believe that the exodus of middle- and working-class families from ghetto neighborhoods removes an important 'social buffer' that could deflect the full impact of ... prolonged and increasing joblessness ... This argument is based on the assumption that even if truly disadvantaged segments of an inner-city area experience a significant increase in long-term spells of joblessness, the basic institutions in that area (churches, schools, stores, recreational facilities, etc.) would remain viable if much of the base of their support comes from the more economically stable and secure families. Moreover, the very presence of these families during such periods provides mainstream role models that help keep alive the perception that education is meaningful, (and) that steady employment is a viable alternative to welfare..."[8]

Studies have found that poor individuals living in concentrated poverty are far more likely to become pregnant as teenagers,[9] drop out of high school,[10] and remain jobless[11] than if they lived in socioeconomically mixed neighborhoods.

Atlantic Monthly 257 (1986): 31-55; Hope Melton, "Ghettos of the Nineties: The Consequences of Concentrated Poverty," (St. Paul Department of Planning and Economic Development, November 10, 1993).

7 See generally George C. Galster, "A Cumulative Causation Model of the Underclass: Implications for Urban Economic Policy Development," in The Metropolis in Black and White: Place, Power and Polarization, eds. George Galster and Edward Hill (New Brunswick, NJ: Center for Urban Policy Research, 1992).

8 Wilson, "Truly Disadvantaged," 56.

9 Jonathan Crane, "The Effects of Neighborhoods on Dropping Out of School and Teenage Childbearing," in The Urban Underclass, eds. C. Jencks and P. Peterson (Washington, D.C.: Brookings Institution, 1991), 299-320; Susan E. Mayer, "How Much Does a High School's Racial and Socioeconomic Mix Affect Graduation and Teenage Fertility Rates?" in The Urban Underclass, 321-41; Massey and Denton, American Apartheid 169-70; Dennis P. Hogan and Evelyn Kitagawa, "The Impact of Social Status, Family Structure, and Neighborhood on the Fertility of Black Adolescents," American Journal of Sociology 90, no. 4 (1985): 825-55; Frank F. Furstenburg, Jr., S. Philip Morgan, Kristen A. Moore, and James Peterson, "Race Differences in the Timing of Adolescent Intercourse," American Sociological Review 52 (1987): 511-18; Elijah Anderson, "Neighborhood Effects on Teenage Pregnancy," in The Urban Underclass, 375-98; Sara McLanahan and Irwin Garfinkel, "Single Mothers, the Underclass, and Social Policy," The Annals of the American Academy of Political and Social Science 501 (1989): 92.

10 Crane, "The Effects of Neighborhoods," 274-320; Mayer, "Graduation and Teenage Fertility Rates," 321-41; Massey and Denton, American Apartheid, 169-70.

11 Massey and Denton, American Apartheid, 180-82.

The effects of concentrated poverty can also be seen by comparing the experience of the poor living in concentrated poverty to that of poor individuals living in mixed-income communities. At least one large social experiment demonstrates that when poor individuals are freed from poor neighborhoods and provided with opportunities, their lives can change quite dramatically. Under a 1976 court order in the case of Hills v. Gautreaux,[12] thousands of single-parent black families living in Chicago public housing have been provided housing opportunities in predominantly white middle-class suburbs. Under the consent decree in a fair housing lawsuit originally brought in 1966, more than 5,000 low-income households have been given housing opportunities in the Chicago area. By random assignment, more than half of these households moved to job rich, upper income suburbs, while the other participants moved to neighborhoods that were poor. The pool of Gautreaux families thus provides an almost perfect sample to study the effects of suburban housing opportunities on very poor city residents.

James Rosenbaum and colleagues from Northwestern University have intensively studied the Gautreaux families.[13] His research established that the low-income women who moved to the suburbs "clearly experienced improved employment and earnings, even though the program provided no job training or placement services."[14] Very rapidly after the moves, the suburbanites were about 15 percent more likely to be employed.[15] Rosenbaum found that the children of the suburban movers dropped out of high school less frequently than the city movers (5 percent versus 20 percent).[16] Second, they maintained similar grades despite higher standards in suburban schools. Third, the children who moved to the suburbs were significantly more likely to be on a college track (40.3 percent vs. 23.5 percent)[17] and went to college at a rate of 54 percent, compared with 21 percent who stayed in the city.[18] In terms of employment, 75 percent of the suburban youth had jobs compare to 41 percent in the city.[19] Moreover, the suburban

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[12] Hills v Gautreaux, 425 US 284 (1976).

[13] James Rosenbaum and Susan Popkin, "Employment and Earnings of Low-Income Blacks Who Move to Middle-Class Suburbs," in The Urban Underclass eds. C. Jencks and P. Peterson (Washington, D.C.: Brookings Institution, 1991); Rosenbaum, Popkin, Kaufman, and Rustin, "Social Integration of Low-Income Black Adults in Middle-Class White Suburbs," Social Problems 38, no. 4 (1991): 448-61; James E. Rosenbaum, Marilyn J. Kulieke, and Leonard S. Rubinowitz, "White Suburban Schools' Responses to Low-Income Black Children: Sources of Successes and Problems," The Urban Review 20, no. 1 (1988): 28-41; James E. Rosenbaum and Susan Popkin, "Black Pioneers: Do Their Moves to the Suburbs Increase Economic Opportunity for Mothers and Children?" Housing Policy Debate 2, no. 4 (1991): 1179-1213; James E. Rosenbaum and Julie Kaufman, "Educational and Occupational Achievements of Low Income Black Youth in White Suburbs" (paper presented at the annual meeting of the American Sociological Association, Cincinnati, Oh., 18 October 1991). See also Schools section below.

[14] Rosenbaum and Popkin, "Employment and Earnings."

[15] Ibid.

[16] Rosenbaum and Kaufman, "Educational and Occupational Achievements," 4.

[17] Ibid., 5

[18] Ibid., 5-6.

[19] Ibid., 6-7.

youths had a significant advantage in job pay and were more likely to have a prestigious job with benefits.[20] Finally, 90 percent of the suburban youths were either working or in school compared with 74 percent of the city youths.[21]

A growing core of concentrated poverty is like a collapsing star, which as it grows denser, grows more powerful in its gravitational pull. A core of concentrated poverty holds individuals in with an enormous and growing gravity, making escape from poverty impossible. A core of concentrated poverty draws in increasingly greater levels of governmental and philanthropic resources that rapidly disappear—with little sign of improvement. As poverty concentrates and social disorganization increases, crime grows, and waves of middle-class flight, business disinvestment, and declining property values surrounding the core intensify.

As the middle class leave, there are fewer customers for local retailers and the assessed value of local housing declines precipitously. In the poorest metropolitan neighborhoods, basic private services, even grocery stores, disappear.[22] Vestiges of private economy that remain charge exorbitant prices allegedly justified by the "risk of doing business". Social needs and hence property tax rates begin to accelerate on a declining base of property values. As a combination of high local property tax rates and/or low spending on public services concentrates in the most socially stressed parts of the metropolitan area, the flight of the middle class and the private economy increases.

Larger industrial and service businesses are disadvantaged by high taxes, deteriorating public infrastructure, crime, loss of property value, and the cost of urban environmental issues.[23] Many of these businesses have also grown accustomed to large greenfield sites where they can build huge parking lots, with immediate access to radial highways. They have come to prefer doing business in that environment and must be convinced that there is good business to be done in more transit-oriented, higher density communities.

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[20] Ibid.

[21] Ibid. The acceptance of these poor black families in affluent, predominantly white suburbs was not painless or immediate. At the outset, about 52 percent of the suburban movers reported incidents of racial harassment, compared to 23 percent in the city. However, the incidents of harassment rapidly decreased over time. Interestingly, both the suburban and city movers reported similar amounts of neighbor support and assistance (24.8 percent suburban v. 25.0 percent city) and essentially no difference in terms of their degree of contact with neighbors. When asked whether they had friends in their new neighborhoods, the suburban movers were actually slightly more likely to have friends than the city movers. Over time, the degree of integration continued for suburban movers, and resegregation did not occur.

[22] Gary Orfield, "Ghettoization and Its Alternatives," in The New Urban Reality, ed. Paul Peterson (Washington, D.C.: Brookings Institution, 1985): 163.

[23] John D. Kasarda, "Urban Change and Minority Opportunities," in The New Urban Reality, ed. P. Peterson (Washington, D.C.: Brookings Institution, 1985): 33-68; John D. Kasarda, "Urban Industrial Transition and the Underclass," The Annals of the American Academy of Political and Social Science 501 (1989): 26-47.

With the departure of much of the middle-class, those left behind are likely to have fewer contacts into the middle class work world and hence the communities grow more and more isolated from jobs outside their immediate area, which has very little to offer in terms of employment. Transportation costs to jobs outside the community are high. Long commutes take away from family and community time for those who can afford to pay for the commute and who either do not have children or have found good and affordable childcare for their long hours away from home. Furthermore, urban employers increasingly maintain that the work force in distressed neighborhoods is not suitable – lacking training, work experience, etc.

The current national trend in our large and medium-size metropolitan areas is clear and alarming. In each of the cities studied by researchers focused on this issue, there exists a subset of distressed census tracts with more than 40 percent of their population below the federal poverty line. Sociologists label such neighborhoods extreme poverty tracts or ghettos.[24] Surrounding these severely distressed neighborhoods are transitional neighborhoods with 20 to 40 percent of their population in poverty.[25] In the 1970s, extreme poverty tracts and transitional neighborhoods exploded in size and population in the large cities of the Northeast and Midwest. During the 1970s, New York City's ghetto, the nation's largest, increased from 70 census tracts to 311.[26] During the 1980s, ghettoization rapidly increased in Chicago, Detroit, and many of the secondary cities of the Northeast and Midwest.[27] In 1980, 48 percent of Detroit's census tracts had at least 20 percent of the residents in poverty; by 1990, 75 percent of its tracts did.[28] In Midwestern cities, the number of ghettoized tracts doubled in the 1980s.[29]

As an example of these trends, during the 1960s, Chicago lost 211,000 jobs and 140,000 private housing units; while its suburbs gained 500,000 jobs and 350,000 housing units.[30] As the West Side of Chicago was enveloped in an expanding core of poverty during the 1960s, 75 percent of its businesses disappeared.[31] By 1980, the West Side's ghetto North Lawndale neighborhood included "forty-eight state lottery agents,

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[24] Ibid.

[25] Ibid.

[26] Kasarda, "Concentrated Poverty", 261.

[27] Kasarda "Concentrated Poverty"; Paul A. Jargowsky, "Ghetto Poverty Among Blacks," *Journal of Policy Analysis and Management* 13, no. 2 (1994): 288-310.

[28] Kasarda, "Concentrated Poverty", 261.

[29] Ibid., 260.

[30] Pierre de Vise, "Social Change," in Chicago's Future, ed. Dick Simpson (Champaign: Stripes Publishing Company, 1976): 113-22.

[31] Loic J.D. Wacquant and William Julius Wilson, "Poverty, Joblessness, and the Social Transformation of the Inner City," in Welfare Policy for the 1990s, eds. Phoebe H. Cottingham and David T. Ellwood (Cambridge: Harvard University Press, 1989): 92.

fifty currency exchanges, and ninety-nine licensed bars and liquor stores, but only one bank and one supermarket for a population of some 50,000."[32]

In the end, the lack of the economic and social mortar necessary to hold neighborhoods together and build communities makes community development in concentrated-poverty neighborhoods difficult. Programs geared at job training or job creation must struggle to incorporate the diversity of human resources and experiences of a social group that has been isolated from the functioning economy and jobs, from adequate nutrition and schools that succeed, and from a supportive and economically stable family structure. To the extent such programs succeed, individuals–even if they are employed in the neighborhood–often move to less poor areas.[33] Physical rehabilitation programs, while they improve the quality of shelter and neighborhood appearance, do not address the larger tangle of barriers faced by many residents in areas of concentrated poverty.[34] In some cases such programs act as incentives for gentrification and end up displacing existing low-income residents rather than improving their lives.

In terms of business development, areas of concentrated poverty have great difficulty competing with developing suburbs that have middle-class customers, low taxes, less crime, cheap land with increasing values, room for expansion and parking, new highways, and no demands on companies to mitigate previously created environmental problems. Thus, it is not surprising that even when enormous financial resources have been devoted to enterprise zones or inner-city tax abatements, it has been very difficult to stimulate viable business opportunities that employ core residents.[35]

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32 Ibid.

33 Nicholas Lemann, "The Myth of Community Development," The New York Times Sunday Magazine (2 January 1994); Ibid., "The Promised Land," 109-222; Rusk, Cities Without Suburbs, 44-47.

34 See Wilson, The Truly Disadvantaged at 21.

35 See generally Roy E. Green, ed., Enterprise Zones: New Directions in Economic Development (Newbury Park, CA: Sage Publications, 1991); Thomas Donlan, "Danger Zones: The Required Ingredient in an Enterprise Zone is Enterprise," Barron’s (22 June 1992): 10; Glenda Glover and J. Paul Brownridge, "Enterprise Zones as an Instrument of Urban Policy: A Review of the Zones in South Central Los Angeles," Government Finance Review (June 1993): 15-17; Neal Peirce, "Enterprise Zones - No Great Shakes," National Journal (17 July 1993): 1828; Elizabeth Larson, "Network News: Enterprise Zones Ignore the Importance of Social Networks," Reason (April 1994): 17; Richard Pomp, Sandra Kanter, Kenneth Simonson, and Roger Vaughan, "Can Tax Policy be Used to Stimulate Economic Development?" The American University Law Review 29 no. 207 (1979-80): 207-33; Paul Kantor and H. V. Savitch, "Can Politicians Bargain with Business: A Theoretical and Comparative Perspective on Urban Development," Urban Affairs Quarterly 29 no. 2 (1993): 230-255; Elizabeth Gunn, "The Growth of Enterprise Zones: A Policy Transformation," Policy Studies Journal 21 no. 3 (1993): 432-49; Otto Hetzel, "Some Historical Lessons for Implementing the Clinton Administration’s Empowerment Zones and Enterprise Community Programs: Experiences from the Model Cities Program," The Urban Lawyer 26 no. 1 (1994): 63-81; Jeffrey Katz, "Enterprise Zones Struggle To Make Their Mark," CQ (17 July 1993): 1880-83; Timothy Bartik, Who Benefits From State and Local Economic Development Policies (details): 17-62; Laura McClure, "Enterprise Zones Have Negligible History of Success" National Catholic Reporter (13 November 1992); Glenda Glover, "Enterprise Zones: Incentives are Not Attracting Minority Firms," The Review of Black Political Economy (Summer 1993): 73-99.

David Rusk recently studied the effects of thirty-four of the nation's most outstanding[36] Community Development Corporation (CDC) initiatives.[37] In virtually all of the CDC target neighborhoods studied, despite sizable CDC investment, family and individual poverty rates substantially increased and moved further from metropolitan norms, the median household income declined and moved further away from the metro average, and the communities grew more segregated.

[36] Rusk asked the National Council for Community Economic Development and the Community Development Research Council each to recommend "a list of the nation's outstanding urban CDCs". The only limitation was that each CDC must have been established before 1980. The two lists of outstanding urban CDCs from these national organizations in the field, combined (twenty-three CDCs founded between 1970 and 1979 and eleven CDCs founded before 1970), formed the basis for Rusk's study.

[37] David Rusk, *Up the Down Staircase* (Washington DC: The Twentieth Century Fund, forthcoming).

TABLE 1: Socioeconomic Change in CDC Neighborhoods and in the Metropolitan Areas in Which They Are Located

	Bedford Stuyvesant Restoration Corp., Brooklyn, NY (1967)			Marshall Heights Community Development Corp., Washington, DC (1979)			Eastside Community Investments, Inc., Indianapolis, IN (1976)			Walnut Hills Redevelopment Foundation, Cincinnati, OH (1977)			Detroit Shoreway Community Development Corp., Cleveland, OH (1973)			Anacostia Community Development Corp., Washington, DC (1969)		
	1970	1980	1990	1970	1980	1990	1970	1980	1990	1970	1980	1990	1970	1980	1990	1970	1980	1990
CDC Area Family Poverty Rate	24%		34%	13%	19%	17%	11%	19%	26%		35%	37%	13%		37%	13%		24%
CDC Area Individual Poverty Rate	28%		34%	13%	17%	20%	14%	22%	28%		39%	41%	16%		39%	15%		24%
CDC Mean Hsehold Income as % of Metro Mean	48%		50%	74%	63%	56%	73%	62%	56%		43%	44%	59%		46%	69%		49%
CDC Area Total Households	121,767	94,879		35,080	30,981	27,976	14,295	14,161	13,051		4,511	4,229	8,412		6,261			
CDC Area % Black Population	81%		86%	92%		97%	3%	5%	13%		90%	88%	0%		8%	85%		91%
Metro Family Poverty Rate	11%	14%	9%	6%	6%	6%	7%	7%	7%	8%	8%	9%	7%	8%	9%	6%	6%	4%
Metro Individual Poverty Rate	14%	17%	12%	8%	8%	6%	9%	9%	10%	11%	10%	11%	9%	10%	12%	8%	8%	6%
CDC Area Change in Tot Real Income (1970-90)	-7%			-15%			-20%						-49%			-19%		
CDC Area Change in Tot Real Income (1980-90)					-4%			-11%			-3%							
Metro Area Change in Tot Real Income (1970-90)																		
Metro Area Change in Tot Real Income (1980-90)																		

	New Community Corporation, Newark, NJ (1968)			Community Development Corp. of Kansas City, Kansas City, MO (1970)			Project for Pride in Living, Minneapolis, MN (1972)			Bethel Housing, Inc., Chicago, IL (1978)			Urban Edge Housing Corp., Roxbury, MA (1974)		
	1970	1980	1990	1970	1980	1990	1970	1980	1990	1970	1980	1990	1970	1980	1990
CDC Area Family Poverty Rate	30%		30%	17%		26%	11%		25%		35%	37%	14%	23%	25%
CDC Area Individual Poverty Rate	33%		31%	23%		30%	15%		26%		36%	40%	17%	24%	24%
CDC Mean Hsehold Income as % of Metro Mean	44%		40%	62%		52%	65%		58%		57%	48%	79%	73%	76%
CDC Area Total Households	7,107		3,613	45,227		29,214	79,081		63,487		16,192	11,852	16,061	13,744	14,375
CDC Area % Black Population	88%		90%	48%		52%	8%		23%		98%	99%	20%	26%	29%
Metro Family Poverty Rate	7%		7%	7%		7%	7%		6%		9%	10%	6%	7%	6%
Metro Individual Poverty Rate	9%		9%	9%		9%	9%		8%		11%	12%	9%	9%	8%
CDC Area Change in Tot Real Income (1970-90)	-36%			-37%			-11%						-24%		
CDC Area Change in Tot Real Income (1980-90)											-34%			-44%	
Metro Area Change in Tot Real Income (1970-90)				59%			50%								
Metro Area Change in Tot Real Income (1980-90)					26%										

Source: David Rusk, research sponsored by the Twentieth Century Fund.

This is not to say that the work of CDCs is not important. It is likely that CDC efforts have made these communities better than they might otherwise have been. In his forthcoming book, Rusk also cites a study that compares four CDC-served neighborhoods with four comparable, non-CDC-served neighborhoods in Philadelphia and Pittsburgh.[38] While these four sets of neighborhoods were about equal in measures of population change, change in number of housing units, change in housing vacancies, and unemployment rates, the CDC-served neighborhoods performed better than the control neighborhoods in one measure: rate of home ownership. The author of the Philadelphia-Pittsburgh study also points out, as quoted in Rusk's book, that CDC initiatives "which also provide social services can make a great deal of difference in the 'quality of life' for local residents, reducing a desperate life to one at least able to meet some basic needs."[39] It should also be noted that Rusk's study does not reflect individuals who have been empowered by CDC programs and have left poor neighborhoods.

It is true that CDCs have often represented the only available response to concentrated poverty. However, in the end, Rusk's study of the effectiveness of CDC initiatives indicates that such efforts are woefully inadequate in the face of the enormous force of metropolitan polarization and demonstrates the deep need that core communities have for regional reform. The concentrated, segregated cores of central cities, inner suburbs, and satellite suburbs are under desperate fiscal stress. CDCs alone cannot solve problems of concentrated poverty in the absence of larger economic, land use, and social policies designed to reduce polarization of income, desegregate wealthier communities, and provide disincentives for developing greenfield sites when there are areas of existing infrastructure that provide opportunities for redevelopment.

B. The Diversity of Metropolitan Areas

Political pundits and scholars assert that metropolitan reforms are no longer possible because the suburbs have taken over American politics.[40] Representing over 50 percent of the American population, and over 45 percent of the Portland region, clearly "the suburbs" do have great political power. However, the pundits and reformers assume that the suburbs are monolithic, with common social experiences and political needs. Nothing could be further from the truth. The experiences and needs of suburban communities are almost as diverse as the nation itself.

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[38] Suzanne McDevitt, "Community Development Corporations: Antecedents, Influences, Results" (Ph.D. diss., University of Pittsburgh, 1992). Cited in: David Rusk, *Up the Down Staircase* (Washington DC: The Twentieth Century Fund, forthcoming).

[39] Ibid.

[40] Anthony Downs, in his book *New Visions for Metropolitan America* (Washington, D.C.: Brookings Institution, 1994), repeatedly outlines the necessity of sweeping metropolitan reform and then dismisses the possibility of political success because of the monolithic opposition of the suburbs.

1. The Sectoral Development of American Metropolitan Areas

Students of American metropolitan housing markets, from Homer Hoyt through John Adams, have demonstrated that American metropolitan areas develop in socioeconomic sectors, or wedges, that reach out from central-city neighborhoods deep into suburbia.[41] As cities come into being, neighborhoods segment along class lines in sectors surrounding a growing central business district. The working class settle within walking distance of industrial sites. The middle class form neighborhoods "upwind (or at least not downwind)"[42] from heavy transport and manufacturing areas on sites close to white-collar, downtown jobs. The upper class settle in neighborhoods removed from the other two groups, often on land with attractive topographical features. Over time, these three distinct neighborhoods grow in pie-shaped wedges into the expanding city. The most rapid turnover in home ownership occurs in middle-class housing markets as promotions and pay increases allow owners to continually move up into newer and better housing. Thus, middle-class sectors appear as asymmetrical bulges in housing market construction at the region's periphery. The upper- and working-class housing markets have less mobility and growth. The upper-class market is small and has high amenity levels, with less need for move-up housing. Working-class wages peak early, and a major goal in such communities is simply home ownership. While there may be a high need for move-up housing among working-class and poor families, they seldom have the resources to purchase it in the market.

As these sectors fill out city boundaries, working-class neighborhoods extend into working-class first- and second-tier suburbs, middle-class neighborhoods into middle-class suburbs, and upper-class neighborhoods into upper-class suburbs. These patterns followed street car lines and radial access roads beyond the city into the first-tier suburbs. However, as circumferential highways became the shaping force of metropolitan development, the influence of sectoral patterns began to wane in suburbs beyond the beltways.

When a household moves to a new unit at the periphery, it creates a vacancy at its old address which is filled by another household, which leaves a vacancy at its old address and so on. The building of new housing at the periphery sets in motion vacancy chains reaching far back into the central core. Thus, the more rapid peripheral growth of middle-class sectors early on creates low demand at the center of its vacancy chain. As demand declines, so does price, which in turn leads to opportunities for the region's poor.

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41 John S. Adams, "Housing Submarkets in an American Metropolis," in Our Changing Cities, ed. John Fraser, (Baltimore: Johns Hopkins University Press, 1991): 108-26; Homer Hoyt, The Structure and Growth of Residential Neighborhoods in American Cities (Washington D.C.: U.S. Government Printing Office, 1939) reprinted in 1966 with analysis of the 1960 census data; Ronald F. Abler and John S. Adams, A Comparative Atlas of America's Great Cities: Twenty Metropolitan Regions (University of Minnesota Press: Association of American Geographers, 1976); John Adams, Housing America in the 1980s (New York: Russell Sage Foundation, 1987); John S. Adams, "The Sectoral Dynamic of Housing Markets within Midwestern Cities of the United States," in The Geographic Evolution of the United States Urban System, ed. John Adams.

42 Adams, "Sectoral Dynamic."

In such a way, core middle-class neighborhoods are the first to become impoverished and ultimately ghettoized. As these neighborhoods become poorer, social and economic decline accelerate and push the middle class out at the same time the vacancy chain is pulling them.[43] Working-class and upper-class neighborhoods, because of less growth and turnover, tend to remain stable longer than middle-class sectors. However, when they decline, they do so rapidly. Ironically, as the various classes move up and/or flee from central city areas, all the social and economic changes that occur in the core of their sectoral housing markets eventually follow them through the vacancy chains into the suburbs.[44]

Racism, both in the form of the personal choices of many white families to leave neighborhoods when people of color move in, and, in its more institutional forms – redlining by banks and insurance companies, steering by real estate agents, exclusionary zoning and related practices in many suburban communities, for example – has played a key role in the dynamics of central city and inner suburban disinvestment and the development of geographic concentrations of poverty and wealth. White ethnic biases and classism have played similar, though perhaps less pervasive, roles.

2. Local Metropolitan Subregions

As these patterns have played out over generations of growth, three distinct types of suburban communities have emerged in the largest metropolitan areas in the country: (1) socioeconomically declining inner suburbs; (2) outer-region satellite cities and low tax-capacity developing suburbs (places without a strong base from which to raise local revenue); and (3) commercial, high tax-capacity, developing suburbs.[45] (Figures 1 and 2 and the tables in Attachment A are examples of subregions in the Chicago and Minneapolis-St. Paul metropolitan areas.)

a. Socioeconomically Declining Inner Suburbs

The inner suburbs are often distressed communities that are fully developed and beginning to experience socioeconomic decline moving sectorally out of the central city. These cities are defined by a combination of increasing social needs and low tax base. They often do not have sufficient social or economic resources to respond to growing social challenges. It is important to note that in older metropolitan areas of the country, as

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43 See Sectoral Development section above.

44 There is a counter-trend in many cities. Gentrification occurs when impoverished and usually segregated neighborhoods in the urban core are “rediscovered” by realtors, banks, and middle and upper class people drawn to the “undervalued” (inexpensive), sturdy and interesting housing stock, proximity to central city amenities, shorter commutes, and even racial diversity. The middle and upper class households move back into these communities and “fix them up”, reversing the trend of disinvestment, bringing both businesses and financial institutions back into the neighborhoods, increasing the assessed value of property and, unfortunately, displacing most of the low-income residents.

45 All statistics in the following section are from either the 1980 or the 1990 US Census, Summary Tape File 3A, unless otherwise noted.

poverty and social instability crossed city/suburban lines, it actually began to accelerate and intensify. Many older transitioning suburbs on the south and west sides of Chicago and communities such as Camden, New Jersey, Compton, California, and East St. Louis, Missouri suffer much more severe segregation, deprivation, and intense levels of crime than the cities they adjoin.[46]

There are several reasons that low-value, inner-ring suburbs are less stable than central cities:

1) Central cities have a comparatively stable resource base. While central cities feel the first body-blows of social and economic change and decline, their central business districts and stable and gentrifying neighborhoods provide some tax base to respond to socioeconomic change. Inner-ring suburbs are often bedroom communities without commercial-industrial base or stable housing values. Thus, as poverty and instability arrive, the relatively few available resources rapidly evaporate.[47]

2) Cities have social-governmental systems in place to cope with poverty and social change. Most metropolitan social welfare infrastructure, such as a referral and distribution system for welfare benefits and large well-equipped police forces, are located in central cities and provide vital assistance in containing and lessening the severity of social distress. Inner-ring suburbs without tax base or ability to provide such services are often "hit like a freight train" by social problems as they cross city/suburban borders.

3) Central cities have institutions and social amenities ranging from universities that provide stable, related communities, to the fine arts and more popular entertainment, to a wide variety of restaurants, to a well-landscaped urban park system to unique housing stock. These amenities are attractive to some middle and upper class households and foster more economically diverse, and therefore more stable, communities. The inner-ring's inexpensive housing is seldom unique, nor is it often accompanied by entertainment, amenities, or parks.

4) Cities tend to have a more participatory public culture. Those who choose to remain in central cities are much more likely to be socially and politically active. Suburbanites are more likely to be individualists, less interested in the web of neighborhood social and political issues, and with the exception of schools, are less involved in public concerns.[48] City residents thus have greater neighborhood

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[46] Orfield and Monfort "School Desegregation," 30; Rob Gurwitt "Saving the Aging Suburb," Governing 6, no. 8 (1993): 36; Paul Glastris and Dorian Friedman, "A Tale of Two Suburbias" US News and World Report (9 November 1993): 32-36; Massey and Denton, American Apartheid, 67-74. See also Schools section below.

[47] As this dynamic has run its course in larger metropolitan areas, the consequences can be extreme. For example, the property wealth of East St. Louis, Missouri can only cover the expenses of its school system for one month a year–the rest is provided by emergency state aid. It can no longer afford public garbage collection, and this function is performed by a group of volunteer nuns for a city of over 40,000 people. (David Rusk, lecture at Landmark Center, St. Paul, 17 September 1993.)

[48] See Joel Garreau, Edge Cities: Life on the New Frontier (New York: Anchor Books, 1992).

identification and more organized responses to social difficulties. They are more likely to organize block groups against crime, patrol neighborhoods, participate in community fairs, and work on physical rehabilitation projects. Working-class communities and communities of color. because of their tight-knit social structure, in addition to having a participatory culture, also have immense staying power. Often centered around churches, these neighborhoods provide rich, inclusive community experiences. In inner suburbs social networks are scarce and residents often leave at the onset of socioeconomic change.

5) Central cities are heterogeneous and retain pockets of both stability and gentrification. American cities initially developed as the entire social and economic mix of their respective metropolitan areas, having elite, middle-class, and working-class neighborhoods. Upper-class neighborhoods retain appeal to older elites and young urban professionals. Middle- and working-class suburbs are homogenous and do not have elite or gentrifying neighborhoods.

6) Much of the housing stock in central cities is durable and offers amenities such as stone or brick exteriors, hardwood floors, and built-in cabinetry that remain fashionable and are expensive to duplicate. Most post-World War II expansion suburbs are a collection of rapidly assembled and inexpensively constructed homes. They are not unique, and are in direct competition with more modern housing in outer-edge cities with less social stress.

b. Outer-region Satellite Cities and Low Tax Capacity Developing Suburbs

Outer-region satellite cities and low tax capacity developing suburbs are places that have few local resources for schools and public services but whose social problems are not quite as severe as those of the inner suburbs. Outer-region satellite cities and low tax capacity developing suburbs are often fast-growing, middle-income communities that are developing too quickly to accumulate the resources necessary to meet their high service and infrastructure needs. While these places do not presently have as deep social problems as low tax-capacity inner suburbs, they are often tomorrow’s troubled communities. In metropolitan regions such as the Twin Cities and Chicago, many outer-region satellite cities and low tax-capacity developing suburbs have experienced increasing childhood poverty, declining income, increasing crime, and a declining tax base in recent years.

c. Commercial High Tax Capacity Developing Suburbs: The Favored Quarter

Christopher Leinberger and his colleagues at Robert Charles Lesser and Co. (RCL & Co.), one of the most successful real estate consulting firms in the country, are often asked to identify the “favored quarter” of a region for businesses seeking to locate in a given metropolitan area.[49] Many social activists believe that these developing suburban areas have mastered the art of skimming off the cream of metropolitan growth in terms of expensive housing and valuable commercial properties, while accepting as few metropolitan responsibilities as possible. RCL & Co. looks for areas with concentrations of housing valued at above $200,000, high-end regional malls, and the best freeway capacity. As these communities grow affluent and their tax base expands, their exclusive housing market actually causes their relatively small local social needs to decline. In many ways these communities receive all the benefits of a metropolitan association—access to labor and product markets, regional highway systems, airports and rail hubs—but externalize the cost of the region’s social and economic needs in an increasingly low wage economy on the less affluent communities and central cities.

C. Factors Used To Measure and Describe Metropolitan Development Trends

The dynamics of polarized and segregated metropolitan development can be seen by examining the following factors and how they change over time in a region:

- distribution of poverty;
- per pupil school spending by school district;
- racial segregation by jurisdiction, neighborhood, and school district;
- crime rates by central city neighborhood;
- jobs and new jobs created by jurisdiction;
- land use patterns and practices;
- infrastructure expenditures by location and type;
- assessed property values by jurisdiction and school district.

1. Poverty

As has been discussed at length above, concentrated poverty and its location in any given region are strong indicators of the overall health of the region and of the health of individual communities within the region. The extent of a community’s poverty is measured in a variety of ways; a few of the most common are:

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[49] Robert Charles Lesser & Co. calls metropolitan subareas like Chicago’s northwestern developing suburbs "favored quarters." When advising major clients to locate facilities, they systematically search for subregions with the greatest presence of executive housing, high-end local retail malls, recent highway improvements, employment growth, low commercial real estate vacancy rates, and high share of regional economic growth. They judge these areas the most viable for a wide variety of business endeavors. See Christopher Leinberger, Managing Partner, Robert Charles Lesser & Co., memorandum to author, Re: Robert Charles Lesser & Co. Metropolitan Overview Analysis (MOA) Methodology, 16 August 1994.

- increase in size of poverty area;
- median income;
- percentage of children eligible for free and reduced school lunches in the public schools;
- percentage of children under 5 in poverty; and
- percentage of households in poverty.

A more detailed discussion of these measures will be provided in the section on Portland Findings.

2. Schools

Schools are the first victims and the most powerful perpetuators of metropolitan polarization. Local public schools become socioeconomically distressed before neighborhoods themselves become poor. Increasing poverty in a city's public school children is a prophecy for the city for two reasons. First, the city's children become its adults. Second, middle-class families, who form the bedrock of stable communities, will not tolerate high concentrations of poverty in their schools.

Just as concentrated poverty in schools destabilizes communities, it has a very negative effect on individual access and achievement. Schools are not just instruction and textbooks, but, like neighborhoods, represent a series of reinforcing social networks that contribute to success or failure.[50] National studies characterize fast-track, well-funded suburban schools as streams moving in the direction of success, with currents that value hard work, goal setting, and academic achievement.[51] Poor central-city or low-valued suburban schools by contrast, are characterized as streams moving toward failure, with currents that reinforce antisocial behavior, drifting, teenage pregnancy and dropping out.[52] The well-funded suburban schools generally have more resources and a far lower percentage of their students face a lack of stable housing, insufficient food and health care, lead paint risks, a lack of visible job prospects to help motivate them to study and to graduate, and parents who are poorly educated and unable to help with school work

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[50] Jomills Braddock II and James McPartland, "The Social and Academic Consequence of School Desegregation," Equity & Choice (February 1988): 5; see also Gary Orfield and Carole Ashkinaze, The Closing Door: Conservative Policy and Black Opportunity (Chicago: University of Chicago Press, 1991): 131; James Rosenbaum, Marilyn Kulieke, and Leonard Rubinowitz, "Low-Income Black Children in White Suburban Schools: A Study of School and Student Responses," Journal of Negro Education 56, no. 1 (1987): 35; Rosenbaum, Kulieke, and Rubinowitz, "White Suburban Schools."

[51] Ibid.

[52] Ibid.; Susan E. Mayer, "How Much Does a High School's Racial and Socioeconomic Mix Affect Graduation and Teenage Fertility Rates?" 321-41 in The Urban Underclass, eds. C. Jencks and P. Peterson (Washington, D.C.: Brookings Institution, 1991); Jonathon Kozol, Savage Inequalities: Children in America's Schools (New York: Harper Perennial, 1991); Robert Crain and Rita Mahard, "School Racial Composition and Black College Attendance and Achievement Test Performance," Sociology of Education 51 no. 2, (1978): 81-101; Peter Scheirer, "Poverty, Not Bureaucracy: Poverty, Segregation, and Inequality in Metropolitan Chicago Schools," (Metropolitan Opportunity Project, University of Chicago, 1989).

and/or who are working jobs that make it difficult for them to be part of the school community.

3. Racial Segregation

Racism has had a profound impact on settlement and economic development patterns in urban (and rural) areas in the United States. Systematic attempts to keep people of different races separate (exclusionary zoning, redlining, formal and informal agreements among realtors, organized violence, etc.) and individual choices to live near people like oneself combined to create a highly segregated pattern of settlement in most urban areas.

That there continues to be a strong correlation between geographic concentrations of people of color and geographic concentrations of poverty in our communities is evidence that racism is still a significant factor in these patterns of development. When communities of people of color are also communities with high rates of poverty, racism's effect on employment options for individuals, the presence of jobs in local communities and property value assessments are exacerbated by similar dynamics associated with living in areas of concentrated poverty. Any attempts to address the overall economic health of a region must therefore examine the geographic distributions of poverty and race and how they interact.

Proposed solutions to the problem of concentrations of poverty disproportionately affecting people of color differ widely in approach. The debate which is most central to this report focuses on the relative value of creating housing opportunities throughout the region for low-income people of color vs. investing in the communities in which they now live. There are no simple answers to the question of which approach works best. Fundamentally, it is important for low-income people of color to have access to high quality education, good jobs, services, loans, etc.

People of color should, like white people, be able to choose where they want to live based on a wide variety of factors. A metropolitan development agenda should address barriers to low income people of color moving closer to suburban jobs and schools and, at the same time, the revitalization of existing low-income neighborhoods with strong populations of people of color in ways which benefit (rather than displace) the incumbent residents.

4. Crime

As discussed earlier, the severity of social problems faced by both communities and poor individuals is multiplied as poverty becomes more concentrated. As a neighborhood dominated by joblessness and racial segregation becomes increasingly isolated from the private economy and successful role models, a distinct society emerges with expectations and patterns of behavior that contrast strongly with the norms or the larger society.[53] In neighborhoods where poverty is concentrated and lacking successful middle-class role models, gang leaders, drug dealers, and other anti-social figures are often the only local residents with money and status.[54] Tightly knit gangs replace nonexistent family structures. These factors interact with anger, frustration, isolation, boredom, and hopelessness, and create a synergism of disproportionate levels of crime, violence, and other antisocial behavior.[55]

As an example, Minneapolis census tracts with more than 25 percent of their residents below the federal poverty line accounted for 71 percent of the city's violent crime in 1987-1989, even though only 32 percent of the city's people lived there.[56] In the poorest neighborhoods, violent crime rates were ten times higher than the metro average and thirty times the suburban average. Many of the neighborhoods that underwent socioeconomic change during the 1980's saw violent crime grow between 50 percent and 70 percent in a five-year period. When neighborhood concentrations of poverty reached a critical mass, violent crime rates increased exponentially.

5. Jobs – The Spatial Mismatch Hypothesis

Twenty-five years ago, John Kain, an economist at Harvard, argued for the existence of a "spatial mismatch" between affordable housing and available jobs.[57] The theory posits that American cities are undergoing transformations from centers of goods and production to centers of information processing. The blue-collar jobs that once made up the economic backbone of cities have either vanished or moved to the developing suburbs, if not overseas. Central-city low-skilled manufacturing jobs are no longer

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53 See generally George C. Galster, "A Cumulative Causation Model of the Underclass: Implications for Urban Economic Policy Development," in The Metropolis in Black and White: Place, Power and Polarization, eds. George Galster and Edward Hill (New Brunswick, NJ: Center for Urban Policy Research, 1992).

54 Elijah Anderson, "Sex Codes and Family Life among Poor Inner-City Yourth," *Annals of the American Academy of Political and Social Science*, vol. 501 (January 1989), pp.59-78; Anderson, "The Code of the Streets," *Atlantic Monthly*, May 1994, pp.80-94.

55 Anderson, "The Code of the Streets"' Wesley G. Skogan, *Disorder and Decline: Crime and the Spiral of Decay in American Neighborhoods* (University of California Press, 1992), pp.21-50; Ralon B. Taylor, Stephen D. Gottfredson, and Sidney Brower, "Attachment to Place: Discriminant Validity, and Impacts of Disorder and Diversity," *American Journal of Community Psychology,* vol. 13, no. 5 (1985), pp. 525-42; Douglas S. Massey and Nancy A. Denton, *American Apartheid: Segregaton and the Making of the Underclass* (Harvard University Press, 1993).

56 Minneapolis Police Department, unpublished data; U.S. Department of Commerce, *1990 Census of the United States.*

57 John Kain, "Housing Segregation, Negro Unemployment, and Metropolitan Decentralization," Quarterly Journal of Economics 82 (May 1968): 175-97.

available. In addition, neighborhood retail businesses that served the middle class have also, to a large extent, relocated to the suburbs.[58]

The spatial mismatch theory states that it is not lack of jobs per se that is the problem, since central-city population growth has been as slow as central-city job growth. The problem is that the percentage of central-city jobs with high educational requirements is increasing, while the average education level of central-city residents is dropping.[59] In addition, essentially all of the net growth in jobs with low educational requirements is occurring in the suburbs and in areas at the very fringe of urban settlement.[60] This low-skilled jobs exodus to the suburbs disproportionately effects central-city poor people, particularly minorities, who often face more limited choice of housing location in growing areas.[61]

6. Land Use, Zoning, and Infrastructure

Land use and zoning policies can and have added to the racial and economic segregation of communities within a metropolitan area. In many metropolitan areas, suburbs in the “favored quarter” have exclusionary zoning policies. These zoning regulations effectively ensure that only the wealthy can afford to live in those communities. The most common example is mandatory large lot zoning, such as the requirement that all single family homes must be on lots of, perhaps, 15,000 square feet or larger. Another example is the prohibition of, or severe restrictions on, the location of multifamily housing in a community. The effect of these types of zoning regulations is to limit housing options to those who can afford a single family home on a large lot.

Similarly, zoning regulations which result in a development pattern that requires one to have a car, or a family to have a second car, in order to conduct daily business, has the effect of creating an economic barrier to that community for some people. Such zoning practices include exclusionary zoning, street patterns which include many cul-de-sacs feeding onto a few arterials, and segregation of housing from retail and employment centers.

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[58] John D. Kasarda, "Urban Industrial Transition and the Underclass," Annals of the American Academy of Political and Social Sciences 501 (January 1989): 36.

[59] Ibid.

[60] Ibid.

[61] For further discussion of the pros and cons of the spatial mismatch hypothesis, see Joseph Mooney, "Housing Segregation, Negro Employment and Metropolitan Decentralization: An Alternative Perspective," Quarterly Journal of Economics (May 1969): 299-311. See Hutchinson (1974); Farley (1987); Inlanfedt and Sjoquist (1990-2); Offner and Saks (1971); Friedlander (1972); Harrison (1974), Leonard (1986); all in Kathy Novak, "Jobs and Housing: Policy Options for Metropolitan Development," (Research Department: Minnesota House of Representatives February 1994); David Elwood, "The Spacial Mismatch Hypothesis: Are the Teenage Jobs Missing in the Ghetto?" in The Black Youth Employment Crisis, eds. Richard B. Freeman and Harry J. Holzer (1986): 147-90.

Sprawling development far from existing urban areas and infrastructure requires the extension of existing infrastructure or the construction of new infrastructure systems. This infrastructure includes sewers, roads, water supply, storm water drainage, emergency services, and civic facilities such as parks, schools, and libraries. In many metropolitan areas, limited state and federal monies for infrastructure are spent disproportionately in the "favored quarter" to provide new or extended services, at the expense of the older, core communities. Meanwhile, the older areas need updates and improvements to their infrastructure, but lack the tax base to adequately fund these needs without raising taxes exorbitantly.

As an example, in the Twin Cities, between 1969 and 1989, while the forty-nine school districts of the region lost 90,000 students, 150 schools were closed in the city and older suburbs and fifty were built at the fringe. Similarly, in the Chicago region, the vast majority of new federal transportation spending between 1984 and 1994 reinforced the economic growth of 20 percent of the region's communities that were home to 80 percent of its new jobs.

7. Fiscal Disparities

When the property tax is a basic revenue source for local governments with land-planning powers, fiscal zoning occurs as jurisdictions compete for property wealth. Through fiscal zoning, jurisdictions deliberately develop predominantly expensive homes and commercial-industrial properties with low service needs such as high tech office parks.[62] In such a way, they wall out social needs associated with lower-cost housing and keep demands on their base of taxable property low. Taxes are further reduced by spreading these controlled needs over a broad rich base of taxable property.

The dynamic of fiscal zoning creates three sets of mutually reinforcing relationships. First, the residentially exclusive suburbs with low tax rates continue to attract more and more business, the presence of which continually lowers the overall tax rate. Because of low social needs, these jurisdictions can provide a few high-quality local services. School districts in these communities thrive by educating a pool of upper-middle-class students off a rich base of taxable property with low tax rates.

Another reinforcing relationship involves those jurisdictions with increasing social needs that lead to both declining consumer demographics and increased tax rates. Both of these factors are large negatives in terms of business location and retention. Often, core cities and school districts spend a great deal on unsuccessful efforts to become socioeconomically stable, as their base of taxable property value evaporates out from under them.

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[62] D. Winsor, Fiscal Zoning in Suburban Communities (1979); B. Rolleston, "Determinants of Restrictive Suburban Zoning: An Empirical Analysis," Journal of Urban Economics 21 (1987): 1-21; M. Wasylenko, "Evidence of Fiscal Differentials and Intrametropolitan Firm Relocation," Land Economics 56 (1980): 339-56; Cervero, "Regional Mobility."

The third relationship concerns the developing suburbs that lose the battle of fiscal zoning. Because they have not attracted business or executive housing, these communities must pay for their schools, police, parks, curbs, and gutters with fewer resources. To keep tax rates from exploding, they are forced to abandon long-range thinking and frantically build the lower-valued homes and multi-family units rejected by the wealthier suburbs. As a council member from a northern low tax-base Twin Cities suburban community told me, "In order to pay the bills, we build whatever is left. Hell, we'll build anything that moves." These decisions, in the long run, catch up with working-class suburbs and they become the declining suburbs of tomorrow. Further, in a perhaps futile attempt to remain competitive in tax terms, working-class developing communities often suppress local expenditures on public services, particularly on schools.

The increase of property wealth in some outer suburbs and the stagnancy or decline of central city and inner-suburban property values represents, in part, an interregional transfer of taxable property vale. As such, the loss of value in older, poorer communities is one of the costs of economic polarization and urban sprawl. Regions spend billions of dollars building infrastructure such as schools, freeways, and sewers that add enormous value to outer-ring land, subsidizing both residential and commercial development. To the extent that these public expenditures serve to simply transfer value by leaving underutilized or deteriorating existing infrastructure in the older sections of the region, they are wasted. Adding to this dysfunction, the infrastructure of new cities is often paid for by taxes and fees levied on the residents and businesses of the older parts of the region. The proposed outer tollway in the Chicago region, paid for by the inner-tollway fees, is a perfect and common example of this.

This kind of transfer of wealth from less well-off jurisdictions to those with more resources happens on the private-spending as well as the government-spending level. When sufficient affordable housing is not available in the high property value suburbs where the bulk of the new jobs and retail businesses are being created, low and moderate income people often live in one jurisdiction and work and spend their money in others. The jurisdiction providing them with services (such as schools, police and fire protection, and street cleaning) is therefore not getting the benefit of the tax dollars paid by their employer, nor by the businesses where they spend much of their disposable incomes. In addition, the money that they spend outside their own community does not re-circulate inside in ways that support other neighborhood residents (who might own or work in local businesses). Hence, there is a net drain of capital from the lower income communities to those with higher incomes and a larger base of taxable property.

III. Portland Findings & The Status of the Portland Metro Region Compared to National Trends

A. Overview

Using the national model presented above, metropolitan areas are generally divided into the following subregions: 1) the central city, 2) socioeconomically declining inner suburbs, 3) outer-region satellite cities and low tax capacity developing suburbs, and 4) commercial, high tax capacity, developing suburbs (see Figures 1 and 2, and the tables in Attachment A for data on these subregions in the Chicago and Minneapolis-St. Paul metropolitan areas).

In the Portland region, however, the subregions are defined differently because many of the outer suburbs have high concentrations of poor households and households of color and are less distinguishable from the inner-suburban declining areas. Hence, for purposes of this report, the Portland region will be divided into three subregions: 1) the central city of Portland, 2) the low property value suburbs (those cities with property values below the regional average), and 3) the high property value suburbs (those cities with property values above the regional average) (Figure 3 and Table 2).

Table 2: Selected Portland Area Regional Statistics

	Portland	Low Property Value Suburbs	High Property Value Suburbs
Persons, 1990	437,319	167,501	194,596
% of Region's Incorporated Population, 1990	54.7%	21.0%	24.3%
Households, 1990	187,262	63,223	76,369
Median Household Income, 1989	$25,592	$30,043	$38,488
% Change in Real Median Household Income, 1979-1989	10.9%	2.7%	9.7%
% Children under 5 in Poverty, 1990	21.0%	14.6%	8.7%
Change in % Children under 5 in Poverty, 1980-1990	10.5%	48.9%	12.3%
Female-Headed Households with Children as a % of Total Households with Children, 1990	24.1%	17.3%	15.7%
% Change in % Female-Headed Households with Children, 1980-1990	3.9%	5.4%	5.0%
Property Value per Household, 1996	$143,756	$136,996	$205,304
% Change in Real Property Value per Household, 1990-1996	39.2%	44.5%	43.7%

In the Portland metropolitan region, most of the factors causing regional polarization described above are present. In Portland's poorest neighborhoods there are profoundly impoverished, segregated schools. In many of the low property value suburbs there is a very high percentage of poor children.[63] There is increasing economic pressure on many lower-income households in the region in the form of steady or decreasing wages, increasing insecurity in the job market, rapidly increasing housing prices, the increasing cost of higher education, long commutes, and the limited availability of childcare, among other concerns.

Significant concentrations of these families can be found in sections of northeast and southeast Portland, western Gresham, Milwaukie, Forest Grove, and in many other older suburban communities. Further, in virtually all the places in the region where social needs are increasing, the total assessed property value per household is small, relatively stagnant, or even declining. On the other hand, in places where the tax valuation per household is the largest, the social needs are comparatively small and sometimes declining.

While the basic structure of polarization is present and worsening, it is less severe than in larger, older regions. Perhaps this is because the Portland region is younger, less racially diverse (and hence whites who are uncomfortable with people of color have not fled the central city to the same degree as in other major cities), and has a less fragmented pattern of municipal incorporation.

There is also evidence that its strong regional land use planning system, particularly the urban growth boundary, has created a more balanced pattern of redevelopment and shared economic growth than in the older cities described in the section on the national paradigm.

Whatever the reasons, there appear to be more good things happening, such as job growth and property value increases in the central city of Portland and older, low tax-value suburbs like Gresham, than in other regions. However, this growth remains a pale reflection of the growth occurring in the high-valued suburbs.

The Portland region is currently experiencing significant and rapid growth due to an expanding economy and high quality of life. The job growth includes a major expansion of low-wage jobs, many in the service sector.[64] According to Metro estimates, the population of the region is supposed to increase by 230,000 households (average of

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[63] In eight suburbs more than 15 percent of the children under five are in poverty, including four that have more children in poverty than the city of Portland (which has 21 percent).

[64] Real average income per worker in 1993 was $26,000, the same as it was in 1938 at the bottom of a severe recession. The fastest growing job sector in the region in terms of the total number of jobs created is the low wage personal services sector. It grew by over 50 percent from 1983 to 1993. The average wage in this sector in 1993 was under $16,000 per worker. 29.3% of jobs in 1993 were in this sector. Data from "Revenge of the Baristas", *Metroscape* , Spring 1996, No. 2, Institute of Portland Metropolitan Studies, Portland State University.

about 2.5 people/household) by the year 2017; 150,000 of these households will be low or moderate income.[65]

Presently, the housing market in places like north and southeast Portland, western Gresham, northwest Clackamas, and outlying farm communities have a disproportionate share of the region's affordable housing stock. These are therefore the places that low-income migrants are likely to settle. There are few affordable housing opportunities in places like the western "Silicon Forest" (Beaverton area). If, in the future, the economic growth continues in the Silicon Forest, while the city and older, low property value suburbs absorb all of the region's needy people, this polarization will increase. To the extent that the racial diversity of the region increases, the high degree of segregation present in the cities' schools does not bode well. If Portland has this degree of segregation with so few people of color, imagine what might happen if the region were more diverse.

Based on demographic research and interviews with Portland area community leaders, this report argues that regional efforts similar to those in the Twin Cities can successfully work against the trend toward regional polarization. In the Twin Cities, efforts were begun around the issue of tax-base equity and broadened from there to other issues of regional reform including fair housing, reinvestment in the core, transportation/transit reform, land-use planning, and a stronger metropolitan government.

In the Portland Region, the Coalition for a Livable Future began with a broad vision of the importance of bringing together issues of land use, housing affordability, transportation, environmental protection, urban design, and economic and social justice. Work has been focused on the Metro planning process, with a particular emphasis on issues of land use, environmental protection, and affordable housing, and is moving forward from that base.

B. Concentrated Poverty

In the Portland region, like many other metropolitan areas, polarization of income and the geographic segregation and concentration of poverty is deepening in its intensity and spreading in its scope. This is in spite of concerted, and by many measures, highly successful efforts by the city of Portland to revitalize its downtown area through investment in transportation and other infrastructure, replacement of cheap SRO's with government and other buildings, the development of Waterfront Park, and investment in high-quality low-, moderate-, and upper-income housing.

In most older, more populous regions of the country, the pattern of disinvestment in the central city and the flight of the middle class to suburban communities has expanded and concentrations of poverty are firmly established in several rings of suburbs

65 *Urban Growth Report*, Revised Draft, May 1997, page RF-23. Metro.

and satellite cities.[66] The force of this movement and the experience of other metropolitan areas demonstrate that the progress of this poverty and its effects is not likely to halt, but will instead continue to move outward from the core of the central cities, inner suburbs, and satellite cities.[67] (See page 13 for a more detailed explanation of this dynamic).

This study collected, analyzed, and mapped information on several indicators of concentrated poverty. Each factor provides somewhat different and useful information about the dynamics of metropolitan development in the Portland region.

1. Size of Poverty Area

Sociologists, urban geographers and economists have, over the years, defined extreme poverty tracts or ghettos as those neighborhoods with more than 40 percent of residents below the federal poverty line. Similarly, they have defined poverty tracts or transitional areas as those tracts with between 20 and 40 percent of the residents below the poverty line. In the Portland metropolitan region, there were a total of twenty-one poverty tracts in 1980, three of which were extreme poverty tracts (Figure 4). All were within the boundaries of the city of Portland. The total poverty area increased by more than 80 percent by 1990 to thirty-eight tracts, ten of which were extreme poverty tracts (Figure 5). For the first time, two of the poverty tracts were found outside of Portland's boundaries–one in Beaverton and one in Gresham. From 1980 to 1990, the number of people living in these poverty tracts doubled–from 50,000 to 106,000. Thus, by 1990 the Portland region was nearing where the Minneapolis/St. Paul area was in 1980 (forty-three transitional tracts, eleven extreme poverty tracts, 127,102 total people living in poverty tracts).

While the Portland region did not have as many poverty tracts in 1990 as the San Francisco and Los Angeles metropolitan areas, its rate of poverty tract growth during the 1980's far surpassed these two California regions. The Portland region, of course, is much smaller than the San Francisco and Los Angeles metropolitan areas, and this must be taken into consideration. However, the Portland region is comparable to the Seattle region and yet, had nearly 50 percent more poverty tracts in 1990.

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66 See generally: Metropolitan Council, *Trouble at the Core: The Twin Cities Under Stress*, Publication no. 310-92-116 (St. Paul, 18 November 1992); and regional reports by Myron Orfield and the Metropolitan Area Program (*Chicago Regional Report, Philadelphia Metropolitics,* and *Baltimore Metropolitics*).

67 See Paul A. Jargowsky and Mary Jo Bane, "Ghetto Poverty in the United States, 1970 to 1980," in Christopher Jencks and Paul E. Peterson (eds.), *The Urban Underclass* (Washington DC: The Brookings Institution), 235-273; John D. Kasarda, "Inner-city Concentrated Poverty and Neighborhood Distress: 1970 to 1990," *Housing Policy Debate* 4 no. 3, 253-302.

Extreme Poverty Tracts

	1980	1990	% Change 1980-1990
Los Angeles Region	**38**	**55**	**44.7**
San Francisco Region	**10**	**12**	**20.0**
Seattle Region	**3**	**7**	**133.0**
Portland Region	**3**	**10**	**233.0**

Transitional Poverty Tracts

	1980	1990	% Change 1980-1990
Los Angeles Region	**294**	**328**	**11.6**
San Francisco Region	**103**	**104**	**1.0**
Seattle Region	**16**	**19**	**18.8**
Portland Region	**18**	**28**	**55.6**

The Portland region's poverty area also grew at a faster rate than Chicago's during the 1980's, although the actual number of census tracts reaching the extreme poverty definition was only one-third of Chicago's total. The number of tracts belonging to Chicago's extreme poverty area increased by 36 percent (forty-seven tracts) during the 1980s. The number of census tracts considered to be poverty tracts, with at least 20 percent of the residents in poverty, increased by 10 percent (thirty-seven tracts) over the decade.[68]

2. Poor Children

During the 1980s, the federal poverty line did not keep up with inflation. By 1990, a single mother and her child were not considered poor if they had an income of more than $8,420.[69] Most social scientists do not think this is a measure of poverty, but of desperate poverty. Children that grow up in such poverty-stricken homes face great challenges.

In 1990, 21 percent of Portland's preschool children fell below the federal poverty line (Figure 6). In the low property value suburbs, the rate was 14.6 percent, a figure that is higher than the declining inner- and developing low tax-value suburbs in both Chicago and the Twin Cities. It is important to note that two low-valued suburbs, Fairview (27.1 percent) and Forest Grove (22.5 percent), were poorer than Portland in this measure. Milwaukie (18.3 percent) and Sherwood (16.9 percent) were not far behind. On the other hand, the high property value suburbs, with an average rate of 8.7 percent, had about 60 percent of the childhood poverty of the low property value suburbs.

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68 Ibid., 286-94.

69 Family of three: $10,560; family of four: $12,700. (Federal Register 1990, vol. 55, no. 33: 5665.)

As childhood poverty crosses city/suburban borders in many metropolitan areas it has grown more rapidly in the suburbs than in the central city. This trend holds true in the Portland region. In terms of the change in the level of childhood poverty, Portland's childhood poverty rate remained roughly stable during the 1980s, moving from 19 to 21 percent (Figure 7). Childhood poverty in the low property value suburbs increased 48.9 percent, from 9.8 to 14.6 percent. Particularly large increases occurred in Gresham (218 percent), Estacada (250 percent), and Milwaukie (70 percent).[70]

The high property value suburbs' low poverty rates barely changed in the 1980s, moving from 7.7 to 8.7 percent. Durham, Happy Valley, and Lake Oswego had less than one percent children poor by federal standards. Twelve of twenty-seven suburbs from which a comparison can be drawn experienced a decrease in the percentage of children under five in poverty. Strikingly, the percentage of poor preschool children declined substantially in the developing suburban towns that dominated economic growth in the region during the decade such as Tualatin, Tigard, Durham, Beaverton, and Lake Oswego.

As a comparison, in 1990, in the Twin Cities, the central cities of Minneapolis and Saint Paul had approximately 32 percent of their children under five in poverty; the inner suburbs, 11 percent; the mid-developing, 6 percent; and the southwest developing and east developing, less than 5 percent. At this same time, 35 percent of Chicago's preschool children fell below the federal poverty line. The inner and outer suburbs had 10.1 and 11.9 percent of their children below the poverty line. On the other hand, the high tax-base northwest and south developing suburbs did not have many children in poverty at all, with rates of 2.7 and 1.7 percent respectively. During the 1980s, Chicago's rate of childhood poverty remained roughly stable. The poorer inner- and outer-ring suburbs experienced increases in childhood poverty of about 12 percent. Thirty-one suburban communities that ended the 1980s with more than 10 percent desperately poor children gained poor children at a faster rate than the city of Chicago.

Portland has a lower overall poverty rate than either of these other regions, and overall, the gap between the percentage of poverty in the central city and lower property value suburbs and that in the higher property value suburbs is smaller in the Portland region. It is clear, however, that the communities in the Portland region that have the largest per-capita tax resources also have, by significant margins, far fewer social service demands stemming from poverty within their borders.

Most social scientists use free and reduced-cost lunch statistics to measure children in poverty. They believe that it is more realistic than federal poverty standards. Children are eligible for reduced lunch if their income level is not above 185 percent of the federal poverty level, and they are eligible for free lunch if their income is not above 130 percent of the poverty level. In the Portland area, the percentage of elementary

[70] While much of Gresham's change was due to a major annexation over the decade, the numbers still represent additional responsibilities with which the city has to contend.

school children eligible for free or reduced cost lunch in 1997 ranged from 4.1 percent in Lake Oswego School District 51J to 45 percent in Portland School District 1J (Figure 8).[71]

Two other city of Portland school districts also had high percentages of their elementary children eligible for free or reduced-cost lunch in 1997: Parkrose School District 3 had 40.2 percent and David Douglas School District 40 had 44.2 percent. Similarly, two suburban districts had more than 40 percent of their elementary students eligible for free or reduced lunch: Reynolds School District 7 with 40.8 percent and Forest Grove School District 15 with 43.3 percent. The high-valued suburbs, on average, had fewer children eligible for free or reduced-cost lunch. There were six school districts with less than twenty percent poor children. For example, Beaverton was at 18.7 percent, Tigard was at 15.3 percent, and West Linn was at 8.5 percent.

Between 1990 and 1997, the percentage of Portland School District 1J elementary students eligible for free or reduced-cost lunches remained relatively stable, increasing by 3.5 percentage points—from 41.5 percent to 45 percent (Figure 9). But, during the same period, the districts on Portland's eastern edge increased dramatically in percentage of students eligible for the reduced meals program, as did some outlying, low property value suburbs. Parkrose went from 29.2 to 40.2 percent eligible students (11 percentage points), David Douglas went from 30.9 to 44.2 percent eligible students (13.3 percentage points), Reynolds went from 24.6 to 40.8 percent students eligible (16.2 percentage points), Cottrell went from 14.3 to 25.2 percent students eligible (10.9 percentage points), Forest Grove went from 32.1 to 43.3 percent students eligible (11.2 percentage points), and Colton went from 11.2 to 28.2 percent students eligible (17 percentage points).

The percentage of elementary students eligible for free and reduced-cost lunch in Portland's District 1J is comparable to the percentage eligible in Minneapolis-St. Paul in 1994 (52 percent in Minneapolis, 55 percent in St. Paul).[72] Portland, however, has nineteen suburban districts with more than 20 percent of their children eligible for free or reduced meals, twelve of these districts have more than 25 percent of their children eligible for the program, a threshold at which many middle-class families seek more affluent school districts. This level of suburban stress is well beyond where the Twin Cities was in 1994.

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[71] All 1996 and 1997 elementary school and school district data obtained from the Oregon Department of Education.

[72] Between 1982 and 1994, children receiving free and reduced-cost lunch in the Minneapolis Public Schools increased from 33 to 52 percent of enrollment; Saint Paul "caught up", moving from 28 to 55 percent poor children. Nine of the 11 inner districts had more than 20 percent of their children on free lunch and were gaining poor children at a faster rate than Minneapolis. Eight were gaining minority students faster. By 1994, 15 percent of the children in inner-ring schools were on free lunch. By 1995, the city of Chicago had 70 percent of its elementary school children on free and reduced-cost lunch and there were three suburban districts that were poorer. There were 24 suburbs with more than 25 percent of their children eligible for free and reduced-cost lunch and 57 with more than 10 percent eligible children.

3. Median Household Income

The 1989 median household income for Portland was $25,592 (Figure 10), fairly comparable to that of Chicago and Minneapolis-St. Paul (see Appendix A). The average median household income in the low property value suburbs in the Portland region was $30,043, significantly lower than the inner and low tax-value suburbs in Chicago and the Twin Cities. This group had a median income closer to the city of Portland's median than to the average median household income for the high property value suburbs, which was at $38,488. In general there appeared to be much less disparity in income in Portland area communities than in the Twin Cities and the Chicago area. This may have been due to less fragmentation in the pattern of municipal incorporation and/or the ameliorative effects of a less restrictively-zoned developing housing market.

In 1989 there were six communities in the Portland region with lower median incomes than the central city, including the outlying communities of Molalla ($20,938), Estacada ($21,915), and Forest Grove ($24,162). Closer in, Fairview ($27,308) and Sherwood ($26,835) were very close to Portland's median income. In all, there were thirteen communities with median incomes below the metropolitan average of $29,666. On the other hand, the high property-value developing suburbs of Lake Oswego, Happy Valley and Durham had median incomes above $50,000.

During the 1980s, as the region rebounded from a recession, Portland's median income, adjusted for inflation, increased by 10.9 percent, while the low property value suburbs' median income only increased by 2.7 percent (Figure 11). The median household income in Gresham (-4.2 percent), Cornelius (-2.0 percent), and Sherwood (-0.4 percent) all declined after inflation. Milwaukie (2.7 percent) and Gladstone (4.4 percent) had small increases.

In the high property value developing suburbs, median income rose by 9.7 percent. In general, the higher a community's median income, the more rapidly it rose during the 1980s. In the wealthiest part of the southwestern suburbs, incomes increased solidly. In Lake Oswego the median income increased 14 percent, from $45,139 to $51,499; in Durham, 18.4 percent, from $49,132 to $58,151. Similarly, Portland's median household income increased during this period by 10.9 percent—more than the average increase in the high property value suburbs. This in part reflects the differences in Portland compared to the rest of the nation and also the relative strength of central cities vis-à-vis inner suburbs.

Chicago's median income in 1989 was $26,300, comparable to Portland's, but the gap between median income in the low property value suburbs and the high ones was much wider than that in the Portland region. The suburbs around Chicago ranged from $14,032 in Ford Heights to $125,074 in Riverwoods. During the 1980s, Chicago's median income, adjusted for inflation, remained roughly stable, as did the inner suburbs. There were 99 Chicago suburbs, predominantly in the south and west inner quadrant, that lost median household income during the 1980s. The northwest developing suburbs' median household income increased by 10 percent.

In the Twin Cities in 1989, the high tax-capacity suburbs had a $50,000 median household income, twice that of the central cities, 30 percent higher than the inner-ring, and 20 percent higher than the mid-developing suburbs.

4. What's Happening *Inside* the Jurisdictions

While the city comparisons are interesting, far more informative is the pattern of household composition on a census tract level. Here one sees the deep concentration of childhood poverty and low median incomes in the poorest, most segregated Portland neighborhoods and the emerging patterns of distress in Gresham, Milwaukie, Gladstone, Oregon City, and Forest Grove (Figures 12 and 13). There is also significant and growing economic, but not racial, segregation in Southeast Portland, in Downtown and in places like Goose Hollow.

C. Schools

Portland School District 1J, or Portland Public Schools (PPS), has a national reputation for excellence as a central city district. Portland is different from the central cities in many regions in that its per pupil spending is among the highest in the state - higher than in many high property value suburban districts. It also is heavily used by people of all income levels. PPS serves close to 90 percent of the school age children living in its boundaries and Portlanders are generally supportive of PPS. In 1995, Portland voters passed a $196.7 million bond measure for facility renovation and technology, including a minimum of four computers in each classroom with internet access for at least one computer in each room. The measure passed by a margin of twenty votes.

While PPS is still in good shape relative to many urban school districts around the county, there is a rapid and dangerous social and economic polarization occurring among the region's thirty school districts. The central city and several of the suburbs are struggling under a disproportionate share of concentrated poverty and segregation. Furthermore, new limitations on property taxes threaten the health of all the public schools in the region.

1. Poverty

As noted in the section above on poor children, there are widespread disparities among school districts in the percentage of children eligible for free or reduced school lunches (Figure 8). In 1997, the three central city school districts combined (Portland District 1J, David Douglas District 40, and Parkrose District 3) had 43.1 percent of their students eligible for free or reduced-cost lunches, 27.9 percent of students in the lower property-value school districts were eligible, and 15.2 percent of students in the high-value districts were eligible.[73]

The percentage of students eligible for school meals provided at reduced costs (including free) rose dramatically in some suburban school districts and remained high in central city public schools during the 1990's. From 1990 to 1997, central city districts such as David Douglas and Parkrose, and low-value districts such as Colton, Reynolds, Forest Grove, and Cottrell all experienced dramatic increases exceeding ten percentage points.

High concentrations of poverty present a variety of challenges to local schools. Low income children often face a lack of adequate food, shelter, and healthcare, frequent moving, and related stresses. Many have parents who are less confident about interacting with school staff and helping with homework, and/or who have less time to help out due to inflexible work hours or other problems. Many come to school from a less rich language environment, and have less access to computers and other tools of education. Many also come to school angry, frightened, and uncertain that the education they are getting will provide them with a brighter future. For the schools, meeting these challenges successfully will require many things, including additional monetary resources.

2. Segregation

The Portland region as a whole had 19.4 percent minority students—Black, Hispanic, Asian, and/or American Indian[74]—in its elementary schools in 1996. In the poorest neighborhoods of the city of Portland, however, the elementary schools had more than 70 percent minority students. Humboldt Elementary School had 85.9 percent minority enrollment, Woodlawn had 83.6, Vernon had 74.4, and King had 74.0 percent (Figure 14). At the same time, there were eleven suburban elementary schools with 5.0 percent or fewer minority students, including Riverdale (4.2 percent) and Concord in the North Clackamas School District 12 (3.0 percent) (Figures 15).[75]

In terms of change in percentage minority students, between 1993 and 1996 the elementary schools of the Portland region increased by 2.9 percentage points overall—from 17.1 to 19.4 percent (Figure 16). Most of the greatest increases in minority students

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73 All 1996 and 1997 elementary school and school district data obtained from the Oregon Department of Education.

74 Throughout this report an attempt has been made to be sensitive in terms of the use of acceptable terminology in reference to racial and ethnic groups. However, when such references are from other sources, we use the terms as they appear in the original text consulted.

75 Of states with less than 5 percent African-Americans, Oregon is one of the most segregated. In Oregon, which as a state is 2.4 percent African-American, 35 percent of African-American students are in predominantly minority schools. See Gary Orfield, The Growth of Segregation in American Schools: Changing Patterns of Separation and Poverty 1968-91 (A Report to the Harvard Project on School Desegregation) at 20.

were not, however, in elementary schools of Portland School District 1J; instead, the greatest minority student increases were seen in Forest Grove, Hillsboro, and Parkrose School Districts. For example, Minter Ridge Elementary in Hillsboro increased in minority students by 16.1 percentage points between 1993 and 1996 (from 17.9 to 34.0 percent), Echo Shaw Elementary in Forest Grove increased by 20.2 percentage points (from 23.0 to 43.2 percent), and Alder Elementary in the Reynolds School District increased in percent minority students by 23.5 percent (from 19.2 to 42.7 percent).

At the school district level, Portland 1J had 31.3 percent minority students in 1996, while Forest Grove School District 15 was not far behind with 30.9 percent. Further, the Forest Grove district increased in minority students at a much faster rate than the Portland district between 1993 and 1996. Portland 1J increased very little, by 1.8 percent, going from 29.5 to 31.3 percent. Forest Grove SD15 increased by 9.4 percent (from 21.5 to 30.9 percent). Other school districts with significant increases in percent minority students between 1993 and 1996 included Reynolds School District 7, which went from 15.7 to 21.4 percent (5.7 percentage points); Centennial School District 28J, which went from 9.7 percent to 14.8 percent (5.1 percentage points); and Parkrose School District 3, which went from 20.4 to 25.5 percent (5.1 percentage points).

As a comparison, between 1990 and 1993 in the Twin Cities—which has a slightly higher proportion of Blacks, but a smaller percentage of Hispanics—the percentage of non-Asian minority students increased from 34 to 59 percent in Minneapolis (25 percentage points) and from 29 to 49 percent in Saint Paul (20 percentage points). The Twin Cities inner suburbs had only 10 percent non-Asian minority students, although several of the inner-ring districts adjacent to the poorest and most segregated parts of the city had 20 to 40 percent non-Asian minority students.

The significant overlap between schools with large percentages of students of color and those with large concentrations of poverty is deeply disturbing. These children are a critical part of our region's future, and if current trends continue people of color could be facing even more barriers in the future than they do now. If we understand quality education and access to jobs as crucial pieces of the support system necessary to move people out of poverty we must understand the high concentrations of poverty in communities of color as a critical indication of where new strategies need to be created on a regional level (see discussion on pages 18-19).

3. School Funding

The Portland region currently faces different school funding challenges than those in many other large urban areas. In 1990, a citizens' initiative, Measure 5, transferred a large portion of public school expenses from local property taxes to state taxes. This initiative began to equalize school funding across the state. However, while the principles of school funding equalization and the separation of school funding from local property taxes are consistent with a regionally-focused agenda for building our collective future, these initiatives have been a mixed blessing for the Portland region.

While Oregon's school spending equalization program means that Portland area school districts do not face the same level of disparity in per pupil spending that exists in many other urban regions, without a funding source large enough to replace lost property tax revenue, these districts face especially difficult challenges in meeting the educational needs of their students. This is especially true in the low property value suburbs where there are more students who face significant barriers to academic achievement than in the more homogeneous suburbs with higher property values and higher median incomes.

Arguments at the state legislature that some districts face greater student needs and therefore deserve greater funding have fallen on deaf ears. The overall lack of commitment to different school district needs shown by the Oregon legislature in the wake of Measure 5 (and, more recently, Measure 50)[76] means that school funding shortages may still have strong effects on the ability of local jurisdictions to meet the educational needs of their residents.

The average amount spent per student in the districts of the Portland region during the 1995-1996 school year was $5,229, ranging from $4,371 in Gaston School District to $10,447 in Bonneville School District (Figure 17). Some of the lowest spending districts included Beaverton School District ($4,505) and Readville School District ($4,695). Portland School District was the fifth highest spending district at $6,048. Other top spenders included Riverdale School District ($7,904) and West Union School District ($6,057).

D. Crime

In Portland, the neighborhoods characterized by concentrated poverty had the region's highest crime rates. In 1996, the crime rate for the city of Portland as a whole was approximately 10,184 Part I crimes per 100,000 people, a decrease of over eight percent from the 1993 rate of 11,086 (Figure 18).[77] In the neighborhoods of Lloyd

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[76] Measure 50 rolls property tax valuations to 1995 levels less 10 percent with a minimum annual increase of 3 percent. The result of Measure 50 is expected to be a 17 percent statewide reduction in revenues from property taxes beginning FY98. Measure 50 has tilted the property tax revenue levels of local governments in favor of areas receiving new investments. This is because existing properties have been rolled back to 1995 levels less 10 percent, prompting immediate budget cuts in local governments regionwide. Under Measure 50, the only possible revenue increases from property taxes are the 3 percent annual allowed increase in a property's valuation and taxes on new investments in property taxable assets.

The effect is likely to be a widening of the difference between "have" and "have not" communities regarding their ability to support schools and other local services. Governments with little new investment will be held back by the 3 percent limitation even though property values may be increasing at a higher rate. Governments with higher levels of new investments will receive the 3 percent increase plus new taxes from the new investments. To whatever extent intra-regional competition for new investments exists, it may increase under Measure 50 because of the strong revenue "reward" from increased local tax capacity.

[77] 1996 Part I crime data obtained from the Portland Police Bureau Planning Support Division.

[77] 1996 Part I crime data obtained from the Portland Police Bureau Planning Support Division.

(280,236 Part I crimes per 100,000 persons), Pearl (107,631 Part I crimes per 100,000 persons), Downtown (60,253 Part I crimes per 100,000 persons), and Old Town/Chinatown (41,950 Part I crimes per 100,000 persons), all neighborhoods with substantial poverty (Figure 5), the 1996 rates were much higher than the overall rate for the city. In this regard, it is important to note that overall household density has no relationship to crime. For example, the Eliot and Pearl neighborhoods, among the highest crime neighborhoods in the city in 1996,[78] had some of the lowest overall densities in 1993 (3,250 and 1,500 persons per square mile respectively) (Figure 19). Conversely, the Alameda, Richmond, and Creston-Kenilworth neighborhoods were among the highest-density neighborhoods in the city (8,360, 9,260, and 10,000 persons per square mile respectively), and yet, had some of the lowest crime rates (3,700, 6,400, and 8,400 Part I crimes per 100,000 persons respectively).

E. Jobs

Overall, the Portland region experienced very healthy job growth during the last decade and a half. From 1980 to 1994, jobs per capita increased by 13 percent, from 56.4 jobs per 100 people to 64.0 jobs per 100 people (Figure 20).[79] This extraordinary level of growth, however, has not been uniform throughout the region. While Subarea 1 (downtown Portland)[80] gained an impressive 13,840 jobs, because of substantial residential growth, it actually lost jobs per capita. Other subareas such as Subarea 2 (central Portland) and Subarea 5 (Gresham, Wood Village, Fairview, Troutdale) had low per capita job growth (7.5 percent, and 6.7 percent, respectively). Subarea 13 (Beaverton) declined in jobs per capita by 5.7 percent. The largest increases in jobs per capita were in areas like Subareas 8, 9, and 15 (Lake Oswego, Oregon City, and Hillsboro) with growth rates of 59.1 percent, 51.0 percent, and 41.7 percent, respectively.

From 1990 to 1994, the Portland region increased in total number of jobs at the rate of 10.2 percent (Figure 21). During this period, the outer-ring suburbs dominated job growth, while Portland and the inner suburbs experienced comparatively slower growth. The five subareas that cover the cities of Portland, Milwaukie, Gladstone, and Oregon City saw the smallest increases in number of jobs of all subareas in the region (less than 6 percent increase). At the same time, the five subareas that cover the cities of Tualatin, Wilsonville, Sherwood, and Canby, and the largely unincorporated portions of Multnomah, Washington, and Clackamas Counties, gained jobs at rates faster than 28 percent.

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[78] Eliot neighborhood had the ninth highest crime rate at 31,962 Part I crimes per 100,000 persons; Pearl had the third highest at 107,631 Part I crimes per 100,000 persons.

[79] Jobs data are collected by county subarea. County subareas are broad, contiguous units of geography that generally encompass more than one city, although the city of Portland itself contains four county subareas. There are 20 county subareas in the Portland metro area, with 19 in Oregon and one in Washington.

[80] Primarily the Pearl, Old Town/Chinatown, and Downtown neighborhoods.

The real story of job growth was in the southwestern high property value suburbs. These subareas (that cover parts of all of Beaverton, Hillsboro, Lake Oswego, Happy Valley, Tigard, King City, Wilsonville, Canby, Tualatin), which in 1993 together represented less than one quarter of the regional population, gained approximately 57 percent of the region's new jobs. There were two county subareas that each had more than 10 percent of regional job growth: Tualatin, with 8,630 new jobs, accounted for 11.3 percent of total regional job growth and Tigard, with 9,243 new jobs, received 12.1 percent of the new jobs in the region. The area west of Beaverton, with 6,440 new jobs, also received a substantial percentage of the region's new jobs (8.4 percent). On the other hand, downtown Portland (0.4 percent), rural Multnomah County (0.7 percent), Oregon City (0.9 percent), Milwaukie/Gladstone (1.1 percent), and Forest Grove/Cornelius (1.8 percent) each received less than 2 percent of all new jobs in the region. Thus, while the central-city and low property-value areas of the Portland region did better than other similar subregions in other parts of the country, their success was a pale reflection of the high property-value suburbs; even in this period of growth, they lost ground in comparison to the high-growth areas of the region.

For comparison, in the Twin Cities between 1980 and 1992, Minneapolis gained 5,000 jobs and Saint Paul lost almost 12,000. The inner suburbs were stagnant, while the southwestern developing suburbs, which constitute a quarter of the region's population, gained over 60 percent of its new jobs. Between 1980 and 1990, the city of Chicago lost 5.8 percent of its jobs, and the inner ring gained 3.0 percent. The outer low tax-base area gained 19 percent, while the high property wealth suburbs had over a 60 percent increase. The northwest suburbs of Chicago, by themselves, gained almost 80 percent of the new jobs in the Chicago region.

F. Land Use, Zoning, and Infrastructure[81]

Oregon's statewide land use planning program requires, among other things, that every city in the state delineate an urban growth boundary (UGB) around it. The UGBs must contain up to a 20-year land supply for all uses, such as residential, commercial, industrial, public, parks and open space. In the Portland metropolitan area, the UGB is regional. It encompasses 24 cities and the urban portions of Clackamas, Washington, and Multnomah Counties. This regional UGB was adopted in 1979, and is administered by Metro, the locally-elected regional government.[82]

The Metro UGB is 364 square miles in size. There have been very few additions to it since 1979: only about 2,500 acres have been added. However, in recent years, the region has experienced significant population growth, which is expected to continue, though perhaps at a slower rate, in the future. Currently, there are about 1.1 million

81 This section was provided by the Coalition for a Livable Future.

82 In 1992, the voters of the metropolitan area passed a charter for Metro, which strengthened Metro's role in regional land use and transportation planning. Metro sets policy for matters of regional significance on land use and transportation, which must be reflected in the land use plans and zoning regulations of each local city and county in the region.

people in the Oregon portion of the metropolitan area (Clark County, Washington is just across the Columbia River from Oregon and is part of the larger metropolitan area). Another 700,000 people are expected to be in the Portland region by the year 2040. About one-third of this expected increase can be attributed to the natural increase of births over deaths, and about two-thirds will be due to in-migration.

While the metropolitan area has reaped great benefits from the existence of an almost 20-year old, regional UGB and a state land use planning framework, the challenges for the future are significant. For example, the existence of the UGB by itself does not preclude sprawl. While the farming and forested areas of the countryside have been protected from subdivisions and malls, there is still sprawl inside the UGB. The post-World War II suburban development in the Portland region looks like suburbs everywhere: low density, auto-dependent, single-use residential subdivisions, income-segregated neighborhoods, strip malls, enormous parking lots at big box retail outlets and elsewhere, and low density "campus-like" industrial "parks." In addition, figuring out how to fund the infrastructure needs of this growing population is a daunting challenge particularly given property tax limitation legislation recently passed in the state.

In October 1997, the Metro Council determined that the UGB needs to expand by approximately 4500 acres in order to maintain a 20-year supply of land. While that may seem modest in comparison to other cities, there will be much scrutiny of that decision, in order to assure that 1) expansion of the UGB not distract from infill and redevelopment momentum, and 2) any new land brought into the UGB be master-planned in advance, so that communities are developed, not merely more disconnected subdivisions.

G. Fiscal Disparities

The section on the National Model for Urban Decay describes the trends toward huge and increasing differences in assessed property values between local jurisdictions within a given region. It also argues that such differences feed into increasing social and economic disparities between jurisdictions. While the disparities in the Portland region are not yet as extreme as they are in other regions, the trend is clearly present. This does not bode well either for the futures of the low-value jurisdictions experiencing diminishing or slow-growing property values or for the overall economic health of the region.

Here, it is important to keep in mind that in Oregon *assessed property value* is not always the same as *current fair market value*. This is due to the property tax limitation initiative, Measure 50 (a revised version of Measure 47 passed in November 1996) which rolled property tax valuations to 1995 levels less 10 percent with a minimum annual increase of 3 percent.

The average assessed property value per household in the Portland region in 1996 was $157,574 (Figure 22).[83] The city of Portland was at $143,756, or about 91 percent of the regional average. The low property value suburbs had a lower average assessed value of $136,996, or about 87 percent of the regional average. There were fourteen suburbs and outlying communities with lower values per household than Portland and nineteen with values below the regional average. Gaston ($99,040) was on the low end and, closer in to Portland, Fairview ($106,289), Wood Village ($107,502), and Gladstone ($122,454) also had very low property values per household. The high-valued Portland suburbs towered above the rest of the region, averaging $205,304 in property value per household. On the high end, Wilsonville ($284,010) and Happy Valley ($283,762) both had property values per household that were about 180 percent of the regional average, and Lake Oswego's property value per household ($253,123) was more than 160 percent of the regional average. Assessed property values per household in West Linn ($213,703), Tualatin ($210,533), and Tigard ($207,855) were also very high.

Regional disparity in property values in the Portland region has not yet reached the degree of disparity in the Twin Cities or Chicago regions, but it is pronounced. In the Portland region in 1996, the average property value in the high-value suburbs ($205,300) was 143 percent of the average property value in the central city ($144,750) and 149 percent of the average property value in the low-value suburbs ($137,000). This compares to the high value northwest developing suburbs of Chicago which, in 1993, had an average property value ($201,700) that was 240 percent of the average value in the central city ($83,900) and 195 percent of the average value in the inner suburbs ($103,600). In the Minneapolis-St. Paul region in 1994, the average property value in the high valued southwest developing suburbs ($160,000) was 216 percent of the average value in the central city ($74,000) and 174 percent of the average value in the inner suburbs ($91,700).

In terms of growth of assessed property value per household between 1990 and 1996, the entire region recorded substantial gains in property value per household after inflation, increasing by 42.3 percent (Figure 23).[84] The city of Portland gained 39.2 percent in assessed value per household, slightly less than the regional increase. The low-valued suburbs and the high-valued suburbs, as a whole, increased in property value per household at about the same rate (44.5 percent and 43.7 percent respectively).

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[83] 1990 and 1996 property value data obtained from the county assessor's offices of Clackamas, Multnomah, and Washington counties. 1990 household data from the 1990 U.S. Census. 1996 population estimates obtained from the Center for Population Research. 1996 household estimates were made from the 1996 population estimates by the Metropolitan Area Program. 1990 dollar figures were adjusted upwards by a factor of 1.2135 to convert into 1996 dollars, based on a 1990 Consumer Price Index of 130.7 and a 1996 Consumer Price Index of 158.6 (Base: 1982-1984 CPI = 100).

[84] Following passage of Measure 5 in 1990, residential property values increased dramatically in the region and many homeowners did not experience the property tax relief they expected from the reduction in property tax rates from as high as 3.3 percent to 1.5 percent plus bonded indebtedness (the Measure 5 cap as of FY97 ending June 30, 1997).

The smallest increase in assessed property values per household in an individual city occurred in Fairview, which went from $93,294 to $106,289 (13.9 percent). Milwaukie, which went from $105,612 in 1990 to $145,507 in 1996 (37.8 percent), and King City, which went from $80,161 to $111,434 (39.0 percent), also had relatively small increases in property value per household. The city of Durham was the only city to decrease in property value per household (by 0.9 percent) but had one of the highest property values in the region in 1996, $189,047. Likewise, Wilsonville increased relatively little in property value per household, but still had the highest property value per household in the region in 1996 ($284,010). The largest increases occurred in Sherwood, which went from $99,044 in 1990 to $187,241 in 1996 (89 percent), and Happy Valley, which went from $143,777 in 1990 to $283,762 in 1996 (97.4 percent). Both of these places nearly doubled in value. Other high property value suburbs such as West Linn, which went from $132,090 to $213,703 (61.8 percent), and Lake Oswego, which went from $162,862 to $253,123 (55.4 percent), also experienced large gains. Some high valued suburbs, such as Wilsonville, which went from $232,445 to $284,010 (22.2 percent), and Tualatin, which went from $156,723 to $210,533 (34.3 percent), experienced below average gains in value, yet still ended 1996 among the highest valued cities in the region.

IV. Metropolitan Solutions

A. Benefits of Cooperation

For decades, the National Civic League, academics (particularly economists), and Rockefeller Republicans have preached the gospel of metropolitanism.[85] The message of cost-effective regional planning, supported by local business leadership, had a strong influence in the Twin Cities, Indianapolis, and Portland twenty-five years ago. In the 1990s, columnist Neal Peirce has revitalized good government metropolitanism, broadening its base by emphasizing the social and economic interdependence of metropolitan areas and the need for regional economic coordination to compete effectively in the world economy.[86] On another front, David Rusk, former mayor of Albuquerque, New Mexico, has simply and effectively connected the issues of metropolitanism and social equity.[87] He has done this by showing that regions that have created metropolitan governments by annexation or consolidation are less segregated by race and class, economically healthier, and simply more equitable to a region's people. Anthony Downs, of the Brookings Institution, has assembled his own research together with the recent ground-breaking work of urban poverty scholars, economists,

[85] Political jurisdictions that make up a metropolitan area acting cooperatively in their common interest.

[86] Neal Peirce, Citistates: How Urban America Can Prosper in a Competitive World (Washington, D.C.: Seven Locks Press, 1993).

[87] David Rusk, *Cities Without Suburbs* (Washington, D.C.: Woodrow Wilson Center Press, 1993).

transportation experts, and land-use planners.[88] With this, he makes compelling new arguments for metropolitan government, and broad metropolitan-based reforms in fair housing, transportation, land use, and property tax-base sharing.[89]

Hank Savitch, Richard Voith, William Barnes and Larry Ledebur have shown the deep interconnections of metropolitan economies and how the health of central cities is deeply connected to the success of even the favored quarters. For example, a study of seventy-eight metropolitan areas, conducted by Barnes and Ledebur found that between 1979 and 1989 in most U.S. metropolitan areas, median household incomes of central cities and suburbs moved up and down together. When the incomes of central city residents increased, the income of resident living in suburbs of that city also increased. Conversely, when city incomes decreased, so did suburban incomes. They also found that the strength of this relationship appears to be increasing.[90] An earlier study of forty-eight metropolitan areas, conducted by the same team, found that metropolitan areas with the smallest gap between city and suburban incomes had the greatest job increases.[91]

A recent study by Voith, an economist with the Federal Reserve Bank of Philadelphia and a scholar of metropolitanism, found that employment growth in the central city is very important to home values in existing suburbs close to the city (less than a 50 minute commute). Conversely, employment growth in existing suburbs close to the city does not significantly affect home values in those communities themselves, but rather, benefits developers and owners of agricultural land.[92] Through a comparison of incomes and real estate prices in the cities and suburbs of fifty-nine metropolitan areas between 1980 and 1990, H. V. Savitch and his colleagues found that cities and suburbs are highly interdependent. They report that those regions "with a greater capacity to harness common resources and unite populations do better than more highly fragmented areas."[93]

Another extremely cogent argument against intra-metropolitan competition for high property-value uses is made by a group of economists concerned about America's ability to compete in the world economy. These economists believe that as trade barriers

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88 Anthony Downs, New Visions for Metropolitan America (Washington, D.C.: Brookings Institution, 1994).

89 Property tax-base sharing means the sharing of taxable property value by multiple jurisdictions.

90 Larry C. Ledebur and William R. Barnes, "All In It Together": Cities, Suburbs and Local Economic Regions (Washington, D.C.: National League of Cities, 1993).

91 William R. Barnes and Larry C. Ledebur, *City Distress, Metropolitan Disparities, and Economic Growth* (Washington, D.C.: National League of Cities, 1992).

92 Richard Voith, "The Suburban Housing Market: Effects of City and Suburban Employment Growth," Working Paper N. 96- (Philadelphia: Federal Reserve Bank of Philadelphia, May 1996).

93 H. V. Savitch and others, "Ties That Bind: Central Cities, Suburbs, and the New Metropolitan Region," *Economic Development Quarterly* 7(4) (November 1993).

recede and the force of national economic policy fades, metropolitan areas become the basic units of global competition.[94] Suddenly, fragmented groups of cities, fighting amongst themselves for governmental resources and economic development, are thrown into vigorous world competition against the powerful coordinated metropolitan systems of Western Europe and Asia. These economists argue that the metropolitan governments of Western Europe and Asia effectively coordinate large regional expenditures in terms of transportation, telecommunications, and education to their economic advantage. Instead of fighting with each other, these economists argue, American metropolitan communities should work together to pool regional resources and expertise to compete against other metropolitan areas on the national and international level.

And finally, Peter Calthorpe, an urban planner from San Francisco, has set forth a compelling design vision of what regionally responsible transit-oriented communities could look like.[95] The work of these researchers–particularly Rusk's–has received extraordinary coverage in the national media and have stimulated a vital national discussion. In Washington, former United States Department of Housing and Urban Development Secretary Henry Cisneros advocated for the federal government to strengthen metropolitan coordination of affordable housing, land use, environmental protection, and transportation issues. In 1994, President Clinton issued a broad executive order beginning this process.[96]

B. The Necessity of Regional Cooperation

The foregoing patterns demonstrate, if nothing else, the need for a metropolitan approach to stabilizing the central cities, older suburbs, and satellite cities, and the need for creating equity throughout a region. If the region's communities are allowed to further concentrate social needs on the declining property values of the central cities and inner suburbs, these communities can do little to fundamentally stabilize their situation. Similarly, as long as parts of the region can exclude the costs and effects of social responsibilities, the region's resources will naturally flow there. As polarization continues, the concentration of poverty intensifies and creates an increasingly rapid socioeconomic decline that rolls outward from the core communities. Fragmented land use patterns and competition for high property-value uses lead to wasteful, low-density sprawl, institutionalize polarization, and squander valuable natural resources.

To stabilize the central cities and older suburbs and prevent metropolitan polarization, six substantive and one structural reform must be accomplished on a

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94 Peirce, Citistates.

95 Peter Calthorpe, The Next American Metropolis: Ecology, Community, and the American Dream (New York: Princeton Architectural Press, 1993).

96 President Clinton, Executive Order, "Leadership and Coordination of Fair Housing in Federal Programs: Affirmatively Furthering Fair Housing, Executive Order 12892 of January 17, 1994," The Weekly Compilation of Presidential Documents, (24 January 1994): 110-14.

metropolitan scale. The reforms are interrelated and reinforce each other substantively and politically. The first three reforms are the most significant in terms of the socioeconomic stability of the core, they are:

- property tax-base sharing;
- regional fair-share housing; and
- reinvestment in the older parts of the region.

Together these reforms de-concentrate poverty, provide resource equity, and support the physical rebuilding necessary to retain the middle class and private economy. The second three reforms reinforce the first three and allow them to operate efficiently and sustainably, they are:

- land use management (including both traditional urban infrastructure and a greenfrastructure of parks, natural areas, and hazard areas such as steep slopes, floodplains and wetlands);
- regional workforce enhancement and services, and;
- transportation and transit reform.

These reforms provide for growth that is balanced socioeconomically, accessible by transit, economical with governmental resources, and environmentally conscious. In addition, to be sure that the interests of people from all parts of the region are represented, these six substantive reforms should be implemented and the new programs administered by a strong, accountable, elected regional government.

1. Property Tax-Base Sharing: A New Regional Agenda

As long as basic local services are dependent on local property wealth, property tax-base sharing is a critical component of metropolitan stability. Its purposes, all interrelated, are fivefold. Property tax-base sharing: (1) creates equity in the provision of public services, (2) breaks the intensifying metropolitan mismatch between social needs and property value-based resources, (3) undermines local fiscal incentives supporting exclusive zoning, (4) undermines local fiscal incentives supporting sprawl, and (5) ends intra-metropolitan competition for high property value uses.

<u>Equity</u>. Basic public services such as police and fire, local infrastructure, parks, greenspaces, and particularly local schools should be equal on a metropolitan level. People of moderate means should not have inferior public services because they cannot afford to live in high property value communities.

Nationally, the need for equity is most immediately apparent when examining school spending in the inner and outer low property value suburbs. The low spending of these districts, in the face of increasing challenges, is likely a component in poor student performance. The equity problem is also critical in the central cities as concentrated poverty multiplies needs exponentially in the face of evaporating local taxable property value and declining state and federal support for urban programs.

Mismatch of Needs and Resources. In most metropolitan regions, in virtually every city where social needs are growing rapidly, property values are uncertain or declining; in every city where the property values are increasing dramatically, social needs are stable or declining. Often in low property-value outer suburbs, areas with huge and rapidly increasing social responsibilities, property values declined, services were cut, and taxes went up dramatically. On the other hand, in rapidly developing suburbs where social needs are small and exclusive development patterns continue to make them smaller, property values and services increased.

By regionalizing the base of taxable property value, the growing property wealth of the region will be available to meet the region's growing social needs.

Fiscally Motivated Development Practices. When communities can increase their base of taxable property value and limit their local social responsibilities and costs by exclusive development practices, they will do so. While the fiscal zoning practices that are common in most regions are outlawed in Oregon, nevertheless there are significant differences in the development practices in various parts of the region. For example, some communities require that developers build very close to the zoned density. In these places you do not find the degree of "underbuild" that you find in some high-value suburbs, where even though it may be zoned for 6,500 square foot lots, builders are often building on 9,000 square foot lots.

As the valuation of growth is shared, it undermines local fiscal incentives to create exclusive housing markets. Social incentives, however, unfortunately remain.

Sprawl. The fragmented nature of a metropolitan property values worsens at least two aspects of urban sprawl: unnecessary outward movement and low-density development patterns.

Unnecessary outward movement occurs when the growth of new units on the metropolitan fringe exceeds the growth of new regional households and the core of the region becomes seriously under-utilized. This type of sprawl is fueled in part by the push of core community decline and its attendant fiscal crisis, and the pull of rapidly growing communities that need higher property values to pay for infrastructure.

While the decline and local fiscal crisis "push" people and businesses out of older suburban areas, extraordinarily rapid housing construction fueled by local fiscal needs in developing areas "pulls" them. As new communities develop, they face large debt burdens in terms of infrastructure such as local streets, sewers, parks, and schools. As the debt comes due, and potential property tax increases threaten, there is tremendous pressure on these communities to spread these costs through growth. Hence, the very fragmentation of property values encourages sprawl.

Second, unnecessary low-density development occurs when communities are built at densities that cannot be served by public transit and create infrastructure costs that are unsustainable off of existing property values.[97] In this light, the same local fiscal pressures that encourage low-density development to enrich the base of taxable property value also contribute to unnecessary low density sprawl.

In response, tax-base sharing: 1) eases the fiscal crisis in declining communities, allowing them to shore up decline; 2) takes the pressure off growing communities to spread local debt costs through growth; and 3) undermines fiscal incentives encouraging low-density sprawl.

Competition for high property-value uses. Proponents of the fiscal disparities system argue that intra-metropolitan competition for high property-value uses is detrimental to the region. First, it is bad for cities to engage in bidding wars for businesses that have already chosen to locate in a given region. In such situations, public moneys are used to improve the fiscal position and services of one community at the expense of another, while business takes advantage of the competition to unfairly reduce its social responsibilities. Even the threat of leaving can induce large public subsidies from troubled communities. These arguments are reinforced by the large use of Tax Increment Financing (TIF), which allows cities to compete–some might say gamble–for high property-value uses not only with their own resources but with those of the local school district, county, and state without the input of these jurisdictions.

Measure 50, by severely restricting the growth of property tax revenues to 3 percent per year for existing properties, will provide an incentive for local jurisdictions to attract new investment. With the only significant source of additional local government revenues being new property taxable investment, increased local competition for high property-tax producing investments seems likely.

Opponents respond that competition among communities encourages efficient use of government funds and teaches local officials that successful cities are lean, mean, and competitive. In response, more often than not, the winners of intra-metropolitan competition are developing, high tax-capacity areas with room to expand, few social service requirements, and comparatively low taxes; the losers, the low tax-capacity, fully developed areas with problems and high taxes. This highly unequal competition has created a monopoly problem. The affluent expanding suburbs dominate the market and grow increasingly stronger while the poor suburbs, saddled with the debts of unfair social burdens, are over-leveraged and cannot compete.

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97 American Farmland Trust. "Density-Related Public Costs," (Washington, D.C., 1986).

a) The Politics of Tax-Base Sharing: The Twin Cities' Fiscal Disparities Program

In 1971, the Minnesota Legislature adopted a tax-base sharing system, commonly referred to as "the fiscal disparities program." Under the fiscal disparities program, each city contributes to a regional pool forty percent of the growth of its commercial industrial property value acquired after 1971. Money is distributed from this pool to each city on the basis of inverse net commercial tax capacity. A highly equalizing system, the fiscal disparities program reduces property value disparities on a regional level from 50-to-1 to roughly 12-to-1. Presently about 393 million dollars, or about 20 percent of the regional taxable property value, is shared annually.

While this fiscal disparities tax-base sharing system produces powerful equalizing effects, actual disparities remain high and fiscal zoning and competition for high property-value uses is intense. In this light, while a partial tax-base sharing system like the Minnesota program does not end regional competition, it does make it marginally more fair.

There are also some inequities. Cities with a higher than average commercial base, but with low-valued homes and increasing social need, contribute tax base. On the other hand, cities dominated by high-valued homes that have eschewed commercial development, but have high per-household property values, receive money from the system. Regional tax-base sharing could also be done under other formulas which would address some of these inequities. Such formulas might include a sharing of tax income from high-price residential development and/or redistribute tax income based on a formula that more directly reflects disparities in overall per capita assessed value and/or demands on the local jurisdictions.

b) Is Tax-Base Sharing Possible Only in the Twin Cities?

There is a broadly shared belief that tax-base sharing came out of some cosmic consensualism in progressive Minnesota that cannot be duplicated elsewhere in the nation. This is not true.

First, tax-base sharing in Minnesota has always been controversial. Many suburban governments at first feared loss of taxable property value and local control. But some local leaders realized the high degree to which property wealth was concentrated and developed computer runs that showed the projected amount of new taxable property value that cities would actually gain. Most of the inner and developing middle-class suburbs were potential recipients of money under the proposed tax-base sharing system. When these suburbs realized that tax-base sharing was likely to substantially increase their tax revenue and stabilize their future fiscal situation, they became supporters. As one legislator put it, "Before the runs, tax-base sharing was communism, afterwards it was 'pretty good policy.'"

The legislative debate surrounding the fiscal disparities program was hardly consensual. Legislators from recipient communities supported tax-base sharing and legislators from contributing communities opposed it. When the bill became law, contributing communities brought suit against the state and litigated unsuccessfully all the way to the United States Supreme Court.[98] Contributors remain opposed, and every session, their representatives introduce bills to either limit their contribution to the system or abolish it entirely. Thus the Minnesota experience with tax-base sharing should not be viewed as a rarefied consensus, but as a model for strategies to create political coalitions to make law.

In the 1995 session, the legislature passed, but the governor vetoed, Fiscal Disparities II: The Metro Area Tax Cut Act. Under this bill, metropolitan jurisdictions would share the growth on the increment of value above $200,000 on high-valued homes. Short of total sharing, this proposal counterbalanced the inequities of the present fiscal disparities system, undermined fiscal zoning, and greatly expanded the tax-base sharing system. In addition, with only 17 percent of the region contributing taxable property value and fully 83 percent receiving, it was a most popular proposal among local governments.

The bill was called the Metro Area Tax Cut Act because its provisions required communities receiving new taxable property value under the act, for the first two years, to use half of this new taxable property value for a property tax cut. The bill was "sold" as the largest single property tax cut offered by the legislature in that year. The northern low tax capacity suburbs strongly supported the bill and it passed with bipartisan support. Significantly, the ten closest Minnesota House races in the last election involved jurisdictions that would greatly benefit by any sort of tax-base sharing.[99] Ultimately, it will be difficult for either party, or anyone who wishes to be governor, to oppose a system that will provide these swing voters with better services and lower taxes.

2. Regional Affordable Housing

Fair or affordable housing can be tackled in three steps: by passing barrier-reduction legislation, by providing regulatory mandates and incentives, and by establishing a metropolitan fund for housing and redevelopment.

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[98] Burnsville v. Onischuk, 301 Minn. 137, 22 N.W.2d 523 cert. denied 420 U.S. 916 (1974).

[99] See figure 1 and table 1; Mike Kaszuba, "Suburban Summit to Tackle Affordable Housing," Minneapolis Star Tribune, 24 September 1994; Molly Guthrey, "Orfield Drums up Support for Equality Among Cities," Saint Paul Pioneer Press, 6 October 1994; Mike Kaszuba, "Leaders Call for End of Disparity Between North, South Suburbs," Minneapolis Star Tribune, 6 October 1994; Editorial, "North Summit; Suburban Voices Join Metro Debate," Minneapolis Star Tribune, 29 September 1994; Editorial, "Regional Cooperation Gets Needed Boost," Saint Paul Pioneer Press, 9 October 1994.

a) Barrier Reduction

Barrier reduction is the logical first step, because irrational barriers frustrate any effort to create affordable housing in affluent suburbs and waste any available governmental resources. Removing discriminatory, non-market-oriented barriers costs nothing, can make a big difference in the availability of affordable housing, and is philosophically difficult for opponents to attack. It is a *deregulatory* step that the building community can support, actively or passively. This industry has long argued that regulatory barriers such as large lot sizes, prohibitions on multifamily housing, and assorted fees hurt the natural marketplace for affordable housing. A barrier-reduction strategy is also a way to build an early relationship with an important private sector element on land use.

In this light, a study by the U.S. Department of Housing and Urban Development (HUD), *Not in My Back Yard*, is extremely useful, not only because it presents compelling information, but also because Jack Kemp (a well-known conservative who became the 1996 Republican vice presidential candidate) commissioned and endorsed it while secretary of HUD in the Bush administration.[100] The HUD task force systematically identified barriers to affordable housing in developing communities and assessed their dramatically wasteful impact on builders and the U.S. economy.

Barrier reduction legislation should require communities to reduce non-market-oriented obstacles in terms of zoning codes and development agreements and practices, subject to review by a regional agency such as a Metropolitan Planning Organization or a state agency (see appendix A). *In exchange*, the community will receive resources it wants, such as federal, state, or regional subsidies for highways, sewers, and schools. This law would not supersede local authority but would make large state and metropolitan grants conditional on compliance with regional housing policy. Communities could choose to preserve their rugged independence, but to receive state and communal subsidies they would have to deregulate their housing markets by reducing barriers to affordable housing.

b) Provision of Regulatory Mandates and Incentives

Simply removing barriers to the development of affordable housing, however, is not enough to guarantee the actual creation of such housing. There are many proactive regulatory tools (mandates and incentives) that can be utilized to expand the diversity of the housing stock (both in terms of housing types and housing costs) provided by the for-profit, non-profit, and government housing sectors. Some of these tools are best left to local discretion, others work best if mandated either on a state-wide level or on a region-wide level as part of a regional redevelopment master plan (discussed below).

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[100] Advisory Commission on Regulatory Barriers to Affordable Housing, Not in My Back Yard: Removing Barriers to Affordable Housing, (Department of Housing and Urban Development, 1991). Richard Nixon’s HUD secretary, George Romney, was very supportive of moving affordable housing to the suburbs as a way to help stabilize central-city neighborhoods.

One such regulatory tool is the implementation of regional fair-share housing. This policy allocates to each city within a metropolitan region a certain number of housing units affordable to low- and moderate- income families, based on some agreed-upon formula. This formula would include such things as current number of affordable units and past efforts to eliminate barriers to affordable housing development. Fair-share housing goals can be accomplished in one of two ways: 1) by denying or restricting the use of regional resources (such as sewer and water services and transit and highway improvement funds) to cities that do not meet their goals; or 2) by providing incentives (in the form of funds for affordable housing development) to cities to meet their goals.

After two strong fair-share housing bills were vetoed by the governor in 1993 and 1994, the Minnesota State Legislature, in 1995, passed, and the governor signed into law, the "Livable Communities Act". Livable Communities sets affordable housing goals for each city based on local subregional characteristics and provides incentives in the form of access to metropolitan affordable housing development and brownfield reclamation funds which were created, in part, by monies from a regional tax-base sharing pool. In practice, the Met Council negotiates more specific housing goals with communities that request new regional services, such as sewer service extension, and signs binding agreements, with legal remedies, if there is non-compliance.

Part of the funding for the Livable Communities Act comes from a "voluntary" sharing of taxable high valued residential assessed property value. Because the percent of a city's total property value that is shared is presently comparatively small and so many regional programs and incentives have been tied to participation in the program, virtually all regional communities have "volunteered" to contribute to the fund. This funding system is potentially an elegant, self-correcting solution to regional polarization. It essentially encourages high value communities to use their wealth of taxable property value to create affordable housing opportunities within their own borders. This solution not only provides resources in a progressive manner but, by regionalizing some of the windfalls from exclusive zoning, it also undermines incentives that support fiscal zoning.

Another regulatory tool for the development of regional affordable housing is inclusionary zoning, which has been quite successful in Montgomery County, Maryland. Inclusionary zoning laws require new housing developments to include a mix of appropriate levels of housing affordable to all income levels. Another mandate, the replacement housing ordinance, has been successful in preserving affordable housing in large Minnesota cities. This law prohibits the demolition of affordable housing without either replacing that housing elsewhere, paying a fee to replace it, or paying for the relocation of existing tenants. Still other regulatory mandates include: condominium and cooperative conversion ordinances and rent control.

Examples of regulatory incentives include the deferral of payment of system development charges or other fees until the time of sale or even the waiving of such fees; relaxation of zoning requirements such as lot size, street width, parking, sidewalk, floor area ratio, zero lot line, and setback standards; priority processing; lot-size averaging and other types of flexible standard as allowed in planned unit developments; and transfer of development rights.

Creating provisions for increased density through mandates and incentives can potentially, but not necessarily, have the effect of increasing the number of affordable housing units. Such provisions include requiring, through zoning, minimum levels of density at which development must occur. This can be done by designating *maximum* lot sizes (which has the opposite land use effect that requiring single family housing on *minimum* lot sizes does). Another such tool for increasing density is the use of density bonuses. Here, development is allowed at densities greater than what is normally permitted in a particular zone if the development dedicates a certain number of units for affordable housing.

c) Metropolitan Housing & Redevelopment Fund

Still, removing barriers, providing incentives, and creating mandates for affordable housing development is not enough to get the job done. In addition to housing barrier-reduction legislation, a properly managed housing and redevelopment fund should be established.

Housing barrier-reduction legislation and the creation of incentives and mandates for affordable housing development would encourage the construction of a variety of market-rate housing in affluent communities, providing greater choices for households earning approximately 60 to 100 percent of the metropolitan median income. For people earning below this, however, the market by itself will not provide opportunities.

At this point, outside resources will be needed to underwrite low-income housing. A housing and redevelopment fund should therefore be created. Its spending should be governed by the following rules:

- Existing units in recipient communities should be used whenever possible. Whether public dollars are used to preserve the affordability of existing units or to create new ones, long-term affordability requirements should be attached so that government investment is not lost, tenants do not face displacement, and stable, mixed-income communities can develop.

- If new dwellings must be built, government money should leverage private efforts with strict income guidelines.

- Affordable suburban housing opportunities should be scattered as broadly as possible throughout the recipient community. Dispersal will forestall any mini-concentrations of poverty. Clustered affordable housing aggravates social problems, is likely to impair local property values, stigmatizes tenants, and physically isolates them from community life.

d) Additional Tools

Two additional measures that are relatively inexpensive are worthy of consideration: a regional system of testing for housing discrimination by race and class and housing counseling for –low income households. The testing system could alert the community to poorly understood housing market problems that perpetuate regional disparities. The evidence that testing provides can be helpful in terms of further action. Counseling poor people about any available housing at the periphery of the region could also help the marketplace work.

3. Reinvestment & A Regional Redevelopment Master Plan

All the above tax-base sharing and housing activities should take place within the context of a regional redevelopment master plan for the long term and should be coordinated with the revitalization of the city and the older suburbs.

As far as revitalization, efforts that are currently underway in most central cities— such as the establishment of enterprise zones, home-rehab funds for homeowners, restoration projects, neighborhood beautification projects, and preservation of affordable housing in all neighborhoods, especially those that are gentrifying—should be expanded to include the declining, low property value, older suburbs. Brownfields redevelopment (the cleaning up of abandoned or idle contaminated commercial or industrial properties for re-use) should also become a regional priority.

A regional redevelopment master plan should be approved by an elected metropolitan government, or in its absence, by the state legislature. This plan should proceed under the following rules:

- Core communities and planning areas within communities must coordinate their plans.

Uncoordinated de-concentration and revitalization efforts could easily derail metropolitan progress. For example, each year the troubled northern Twin Cities inner suburbs request state and federal funds to demolish thousands of blighted apartment units filled with poor people. If they succeed, this rapid subregional de-concentration, in the absence of a coordinated supply of affordable housing scattered throughout stable growing areas, could re-concentrate poverty in adjacent suburbs or in north Minneapolis, destroying the revitalization plans of those communities.

- Redevelopment efforts should build on socioeconomic strength.

Redevelopment in the core should be targeted to areas adjacent to stable neighborhoods. The market-based momentum created by gentrification and renewal already occurring should be used to its best advantage. Neighborhoods surrounded on all sides by poverty are prone to economic reversal and are unlikely to attract middle-class and business investment.

Strong examples of this strategy come from the University of Minnesota Design Center for the American Urban Landscape. The center has taken two distressed neighborhoods, one in Minneapolis and the other in Saint Paul, and created plans reconnecting them to stable parts of those cities. In one case, a submerged creek would be exposed to the air, its ecological functions and habitat restored, and it would be connected to the city's parkway system. In the other, a lost wetland was restored, thus providing attractive natural space around which to redevelop true mixed-income communities.[101]

- Resources must be concentrated in target areas until stability is achieved.

The political process tends to divide resources broadly to achieve political support, but there will never be enough money to attack all problematic areas at once. If a master plan can be agreed to, with every community receiving resources at a certain date, however, it might be feasible. A little revitalization across a large number of planning areas is unlikely to make significant progress. Once stability is achieved in a targeted area, an adjacent area can be targeted along with a long-term metropolitan plan. If a long-term, predictable pattern of redevelopment is established and effective, the marketplace will anticipate and leverage governmental action.

- Every effort should be made to preserve remediable, architecturally significant structures, but structures that are not significant or economically salvageable should be removed.

Gentrification and renewal may occur spontaneously in transitional areas that have preservation-grade housing stock adjacent to stable areas. Nevertheless, the city and older suburbs have huge surpluses of unsalvageable housing stock: urban solid waste.[102] Some of this housing is so neglected that it cannot be economically restored. Other housing types, particularly small bungalows in interior suburbs, are no longer marketable to families that want more amenities. Layouts of streets and open space are also inadequate in many older communities. Without public investment, unwanted housing stock will remain empty or become a magnet for low-income individuals from other jurisdictions.

- Direct governmental efforts should be limited.

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[101] See generally, William R. Morrish and Catherine R. Brown, *Planning to Stay* (Minneapolis: Milkweed Editions, 1994); William R. Morrish and Catherine R. Brown, *Tracing the Community: Connections of Phalen Creek and Trout Brook* (Minneapolis: Design Center for the American Urban Landscape, 1992); William R. Morrish and Catherine R. Brown, *Reinvisioning Public Housing Within the Neighborhood: A Design Study Process* (Minneapolis: Design Center for the American Urban Landscape, 1993).

[102] Personal communication with John Borchert, Minneapolis, May 1992.

Government should focus on clearing marketable parcels, rezoning to achieve mixed income neighborhoods, cleaning up polluted business sites, and providing urban parks. In terms of rezoning, market-based, middle-class preferences for housing types must receive great deference.

- Provide and preserve affordable housing in gentrifying neighborhoods.

As affordable housing is created in the suburbs, steps must be taken to help prevent the loss of affordable housing units in the central city and the displacement of incumbent low-income residents as their inner-city neighborhoods are redeveloped and gentrify. Also, grants, loans, and other resources should be provided to low-income homeowners so that they can keep and improve their properties as their neighborhoods gentrify.

- Invest in human capital.

Redevelopment investment should be used to integrate incumbent low-income residents into the larger economy as their inner-city neighborhoods are redeveloped. This includes everything from providing job training to contracting on construction projects with community residents—especially with minority and women owned companies.

4. Land Use Planning Coordinated with Infrastructure

Further polarization within a metropolitan region will be hard to stop as long as communities continue to sprawl into unplanned patterns of low-density suburban development. Older areas, saddled with old infrastructure and housing, high taxes, social disorder, and industrial pollution, will have great difficulty competing with the heavily subsidized, socially exclusive communities at the periphery. These wasteful patterns also unnecessarily threaten groundwater, sensitive environmental habitats, and highly productive farmland.

To prevent these devastating effects of urban sprawl and to help achieve the highest and best use of precious land and other resources within a region, land use planning, coordinated with infrastructure, should be implemented on a metropolitan-wide scale. Metropolitan land use reform is best built on a framework of region- or statewide planning goals; locally developed, comprehensive land use plans consistent with the regional planning goals; review of local land use plans by a regional entity; a process for adjudication of land use disputes; and periodic effectiveness evaluation by an independent entity.[103]

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103 Downs, *New Visions,* pp. 180--81.

a) Regional Planning Goals

Ideally, a regional entity or the state promulgates a statement of planning goals applicable to all communities in the region. The goals encompass the development of a regional growth boundary, affordable housing (including overall density goals), and coherence with regional plans for transportation, sewerage, parks, and school infrastructure. In terms of the development of a regional or urban growth boundary, the region is required to plan for growth at present absorption rates and to draw a line around the region that would accommodate such growth over a set period of time, perhaps twenty years. Growth is deflected from sensitive environmental areas and highly productive farmland and toward areas where urban services are present or could most easily be provided. Increasing building density and housing-type diversity makes mass transit economically and physically possible. Density also saves local infrastructure costs for building new highways and sewer extensions. Moreover, affordable housing near new jobs can relieve commuter congestion on regional roads.

In conjunction with regional or statewide goals, building standards and maximum turnaround time for local development decisions are made uniform. These reforms help builders make long-term plans to maximize their resources and foster patterns of region-wide sustainable development.

b) Local Land Use Plans

The regional or statewide planning goals are achieved through local land use plans. Each city and county within the region should be required to develop a comprehensive land use plan consistent with the regional goals. Thus, planning and revision would remain in the hands of local governments, which helps preserve local autonomy, but within the context of a broader regional framework. Extensive citizen participation should be required in formulating the local land use plans. City and counties should be encouraged to form special committees that are charged with encouraging citizen participation in all stages of the planning process.

c) Regional-level Review

A regional entity would be empowered to review all local plans to ensure consistency with regional goals and suggest revisions of any inconsistencies. This entity would have the power to withhold approval of local plans, preventing the local government from receiving beneficial services such as regional roads, sewers, or other aid from the state or federal government. The same regional entity coordinates local transportation, utility regulation, environmental protection, and activities of other governmental units that have a regional significance. This ensures that all actions of state agencies within the region are consistent with regional plans, local plans, and other agency decisions.

Transportation is particularly important in this regard. Land use policy needs to govern decisions about new infrastructure. All land use and infrastructural decisions must be coordinated in a way that maximizes the use of existing roads, sewerage, and other infrastructure. Today, in transportation planning, congestion and demand (perhaps also political power) are the main criteria for providing new infrastructure. This means that a growing community receives new sewers or roads even if an adjacent community has excess paid-for capacity. Infrastructure-on-demand costs the new community nothing, perpetuates low-density and "leap frog development" (development beyond the urban fringe, where land planning and growth management are minimal), and the entire metropolitan region pays.

d) Adjudication Process

Local plans and policies inconsistent with the regional planning goals should be challengeable in court or in special forums created for such adjudication. An adjudication process needs to be set up to settle disputes between the local governments and the regional agency and between developers and local governments. This process should be carried out through a special court, or a quasi-judicial administrative agency, without resorting to state and federal courts. Having a special court for land use disputes allows localities to develop expertise in these matters and to be more efficient. This special court costs less, and renders faster decisions than does the usual judicial system.

e) Independent Review

Finally, an independent entity—not the regional structure that reviews local plans—periodically evaluates the effectiveness of the coordinated plan.

In the end, such a system would not involve a prohibition on growth or even growth control, but a system of sustainable, planned growth. It would recognize new housing needs of a growing regional population, but also that growth must be anticipated and planned. Through planning, the region maximizes the use of existing public infrastructure, reduces stress on highways and sewers, allows individuals access to opportunity in communities where it is plentiful, reduces regulation and its costs for the building industry, and stabilizes the region's core communities.

5. Transportation & Transit Reform

Transportation reform—highway construction and mass transit—is closely connected to land use reform. In Minnesota and some other states, statutory or state constitutional provisions prevent gas tax proceeds, or other funding sources for transportation, from being used for transit inside metropolitan areas. In addition to coordinating with transit and land use as discussed above, such restrictions should be repealed, and a stable regional fund for mass transit should be created from the gas tax.

Major roads and sewers should not be extended to undeveloped parts of the region while excess capacity exists elsewhere. Further, infill development and redevelopment of underutilized neighborhoods in the city and older suburbs that have paid-for infrastructure should be given priority over new development that destroys forest and farmland at the periphery.

National studies show that the present system of infrastructure construction, particularly highway infrastructure, results in huge subsidies that move from the center of the region outward.[104] In addition, the communities that practice fiscal zoning create huge externalities in terms of congestion, businesses without labor, and people without jobs that must be paid for by the public at large, either through higher product costs or taxes. The human externalities associated with concentrated poverty are beyond calculation.

New suburban highway capacity is most appropriately priced through a toll system. Those that use them most---the communities most dependent on them---should pay their full share of the cost. The same holds true for sewers and school infrastructure when financed on a broader than local level. However, it can be argued that toll roads penalize most heavily low-income people who work in the new suburban communities but cannot afford to live there.

6. Regional Workforce Enhancement Services

Poverty is perpetuated by the inability of low wage earners or the unemployed to compete for quality jobs offered in the regional economy. During the 1990's, governments and private companies have increasingly fine tuned linkages between growing employers and disadvantaged neighborhoods and populations. Business development incentives are frequently tied to use of local workforce referral providers, who in turn seek public/private partnerships involving schools and businesses to prepare low- and moderate-income residents to compete for jobs. Many programs have recognized the inherent regional nature of the labor marketplace, and formed regional networks to link community and state-level employment enhancement and referral agencies.

In core poverty neighborhoods, job creation for people leaving the welfare roles must be carried out in order to give individuals a sense of self-respect and access to opportunity. This means the creation of quality jobs, ones that provide a living wage, are permanent, and offer vacation and health benefits and opportunities for advancement. Jobs are also necessary to stabilize violent communities where boredom, isolation, anger at the lack of options, and hopelessness breed crime. Jobs projects should be targeted for local community renewal. This process relieves physical distress and helps to restore a sense of hope and order to dysfunctional neighborhoods. Innovative construction workforce training services, together with requirements for public contractors to use best efforts to seek out emerging small business contractors, are also positive additions to the options available to core poverty neighborhoods. Real education and training that gives

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[104] Herbert Mohring and David Anderson, "Congestion Pricing for the Twin Ciites Metropolitan Area," report prepared for the Minnesota Legislature (Minneapolis, January 7, 1994).

people new skills and knowledge, rather than merely helping them get into any job for which anyone would be qualified but does not provide a living wage, is also important.

Similarly, in conjunction with de-concentrating low-income housing, social service providers (particularly the counties) must be more flexible in providing services on the suburban level. Concentrating job training, childcare, and other services for former welfare recipients in the core further concentrates poverty. Service providers may argue that decentralizing services will increase their costs. However, because de-concentrating services will help to de-concentrate poverty, it is therefore likely to instead reduce the severity of social problems and decrease long-run social services costs.

7. Metropolitan Structural Reform

For any metropolitan area, coordinated new housing, tax-base sharing, reinvestment, land planning, and transportation and transit reform are imperative for improving equity and bringing stability to the region. Strong regional majorities will be able to endorse these reforms, though controversial and powerfully resisted. These reforms cannot be accomplished by automatic formulas like a fiscal disparities program. Neither can their control be left to appointed individuals whose power derives from other elected officials. Elected officials are needed. In the long run, these reforms will be far more effective with an accountable, legitimate regional coordinating structure. Central control versus local autonomy in federated systems has always been a central political dilemma in American political history.[105]

Today, 70 percent of the nation lives in metropolitan areas that are destabilizing and polarizing to one degree or another. The only real solutions involve a new metropolitan compact—to plan a common future, share benefits and responsibilities, reinvest together in older areas, protect forests and farmland, conquer social prejudice, and in general foster sustainable, interdependent regions. How will this be accomplished? By building the structure of an elected federated metropolitan union and tying the grant of metropolitan resources to compliance with metropolitan objectives.

Minnesota, through the Metropolitan Reorganization Act of 1994, consolidated single-purpose regional sewer and transit agencies into its already well-developed metropolitan planning organization, the Met Council. Given the potential strength of the Metropolitan Land Use Act and the supercedence of council approved comprehensive plans over local zoning, a muscular framework was developed for metropolitan reform. The Reorganization Act increased the Met Council's budget from $40 million a year to nearly $500 million and created the largest and potentially most powerful regional government in the United States. Sadly, a provision of that bill which would have made the council directly elected failed by one vote. A similar provision to elect the council passed in 1997 but was vetoed by the governor. Activists in Minnesota believe the

[105] Gordon Wood, *The Creation of the American Republic, 1779--1787* (W. W. Norton, 1972).

Council will not function properly, or act decisively for metropolitan reform, until it is directly elected.

V. Metropolitan Solutions Applied to the Portland Region

It is important to build relationships between the city and the low-valued suburbs that recognize the commonality of experience between these groups and that can work together to build a common regional agenda in terms of tax equity, land use, affordable housing, and regional governance. The Coalition for a Livable Future began their work on a regional agenda within Portland neighborhoods and with interest groups within the city, and is now reaching out to advocates who share their interests in the suburban communities. One by one, the communities of color, the churches, neighborhood groups, good government, and land use groups should be engaged in this regional discussion.

The basic facts underlying this report and the rudiments of a regional agenda should be put forth, the parallel low-valued-suburban strategy explained, and materials provided to begin community education both within the city and wherever they have contacts. It is clear that the central city has common interests with the low-valued suburbs. Interested organizations should build on these common interests, and groups should encourage the inner suburbs to take the political lead or at least be full and clearly acknowledged partners in regional equity efforts. Too strong and too early a city effort, or city dominance of the effort, could polarize the region and retard progress toward reform.

A. Metropolitan Structural Reform

The fragmented government decision-making structure in most regions is a detriment to rational, long-range planning for the health of the region as a whole. Unlike any other metropolitan region in the United States, the Portland area has a directly-elected regional government—Metro—with regulatory land use and transportation powers that transcend city and county boundaries. Metro's boundaries encompass all of twenty-four cities and parts of three counties. Metro sets and amends a regional urban growth boundary for the cities and counties within its jurisdiction and sets policy on land uses of regional significance. Metro also serves as the Metropolitan Planning Organization for federal transportation planning requirements. And, Metro establishes the regional system of greenspaces.

This directly-elected regional government provides both a forum to bring local governments together to wrestle with the challenges that require regional cooperation to address and an elected body, with some kinds of decision-making powers, that sees the overall well being of the region as its responsibility. It is this concentration of responsibility at the regional level, in an elected governing body, that creates a unique opportunity to address the twin problems of metropolitan decay and sprawl. Metro’s mandate to coordinate and oversee planning and growth management efforts in a wide range of arenas means that the connections between land use planning, transportation, affordable housing, greenspace protection, economic development and other issues of regional concern are more likely to be addressed. This kind of integrated thinking and planning is crucial if issues of concentration of poverty and fiscal disparities are to be addressed.

Metro and its accomplishments stand as a national model for other metropolitan areas. Only with this level of meaningful regional governance will we address our common metropolitan ills.

B. Regional Affordable Housing

The affordable housing issue is key to addressing issues of poverty and opportunity in the Portland metropolitan region. By some measures, the region is now the second least affordable housing market in the country based on the gap between incomes and housing costs. The Coalition for a Livable Future has engaged the elected regional government in examining roles it can play in addressing this crisis and ensuring that the growth management strategies implemented in the region include some designed to address this basic component of livability.

The regional government can play important roles in the reduction of barriers to affordable housing and in the creation of regulatory mandates and incentives for the preservation and development of affordable housing. In undertaking these roles, they can help to level the playing field between local jurisdictions in the region and to redress the inequities in affordable housing supply which is both a cause and a result of the fiscal inequities between jurisdictions. In addition, creating policies which would facilitate (or mandate) the creation of more affordable housing in areas of the region where there are many jobs being created would lead to shorter commute-times, less traffic, less air pollution, and, therefore, a generally higher quality of life for the citizens of the region as a whole (not just those who need more affordable housing).

Reducing Barriers. Oregon's statewide land use laws have created a more level playing field between jurisdictions than exists in many places by requiring all cities to zone half of their land supply for multi-family housing. Until recently, however, there was no minimum density requirement in most jurisdictions, and therefore much of the land zoned multifamily was covered with single family homes. Metro has recently passed resolutions that require that development happen at no less than 80 percent of the zoned density throughout the region, and that local jurisdictions permit accessory dwelling units in all single family residential zones. This should provide more of a mix of housing types as new development moves forward, but does not guarantee affordability. The 2040 Growth Concept also creates new zoning designations in most communities, many of which will provide new opportunities for affordable housing.

Creating Regulatory Mandates and Incentives. At the time of this writing, Metro Council was also considering a package of regulatory tools for mandating and/or encouraging the development and preservation of housing affordable to those in the region whose housing needs are not being met by the current market (including many at close to 100 percent of area median income). These tools, which would be required across the region, include:

- a fair share mandate that would set standards for how much affordable housing each jurisdiction in the region would be required to create as part of their compliance with the planning requirements outlined in Metro's Regional Framework Plan and implementing documents;

- mandatory inclusionary zoning, which would require that a certain percentage of the housing units in developments over a certain size be moderately priced and sold or rented to income-qualified people (off-sets in the form of regulatory relief and/or density bonuses would be provided to the developers);

- a replacement housing ordinance, which would require that affordable housing units lost to demolition or conversion to non-residential use be replaced in the same jurisdiction; and,

- the linkage of Metro-controlled transportation dollars to the meeting of affordable housing goals.

Metro is also recommending a broad set of additional regulatory tools and incentives for adoption by local jurisdictions that need additional ways to meet their fair share goals.

As noted above, there may be strong advantages in having a regional entity setting goals for housing affordability, mandating the tools which are most effective and regional in scope, providing coordination, model ordinances, best practices examples, and legal advice, and at least creating a forum in which jurisdictions will be held accountable to each other for their success or failure at this crucial task. If Metro steps up to meet this challenge, the Portland metropolitan region will provide a good laboratory to see how well the tools that have been tried out largely under more fragmented administrative structures will work if implemented on a regional level.

Funding. The basic missing tool, if these others are adopted, is a dedicated funding source to provide the subsidies needed to provide housing for the low and very low income for whom the private sector cannot provide using only regulatory incentives and mandates. The funds currently available are not sufficient to make even a significant dent in the need (which Metro estimates at between 40,000 and 50,000 unit now, before the projected population increases of the next 20 years). Some form of statewide or regional source of funding needs to be developed if the affordable housing efforts in the region are to be successful. This could be a piece of a larger approach of sharing taxable property value as discussed above, or it could be a specific dedicated source for affordable housing like a real estate transfer tax.

C. Reinvestment & A Regional Redevelopment Master Plan

Sound economic development, linkage between jobs, affordable housing and public transportation, and workforce development are all important to promoting economic vitality within the metro region. Regional strategies will be required to successfully address the income side of the affordable housing equation and of concentrated poverty. The existing Metro government structure lends itself to the kind of regional coordination of reinvestment and redevelopment activities described in the above discussion of metropolitan solutions.

Metro presently plays a strong role in regional transportation prioritization and the protection of greenspaces and it is moving towards a greater role in addressing housing affordability. It thus appears that urban redevelopment planning could be a natural next step for the Portland metropolitan region's elected government. Metro should undertake the development of a regional redevelopment plan in close partnership with local governments and communities to ensure that actual plans and initiatives are locally-driven and supported. Such a redevelopment plan should be closely integrated with other 2040 planning efforts so as to build on the existing and potential strengths of local communities and the region as a whole.

For example, the integration of greenspaces, watershed management and urban natural resources into a regional redevelopment and growth management strategy is essential to its success. One of the core elements of a sound redevelopment strategy is to "grow up, not out". This strategy entails both building new neighborhoods at higher densities than those built in the 1960's and 1970's and encouraging infill and redevelopment in established neighborhoods. The public will not accept higher density development without a commitment to protect and manage greenspaces in their neighborhoods and communities. Storm water management, which addresses both water quality and water quantity issues, should be an integral element of all redevelopment and infill efforts as well. Protection of natural areas, water quality and park land inside urban communities is critical to offsetting the psychological and physical impacts from intensified urbanization, and, protecting and increasing access to greenspace in urban neighborhoods can provide the basis for the development of strong, mixed-income communities that will remain desirable places to live long into the future.

D. Land Use Planning Coordinated with Infrastructure

One of this region's greatest strengths is the Oregon land use planning program. These statewide planning goals, coupled with Metro's Regional Urban Growth Goals and Objectives (RUGGOs), provide the framework for preventing urban sprawl, using existing lands efficiently, and protecting natural resources.

A critically important element of this framework is the urban growth boundary (UGB). The Portland region's UGB was established in 1979 and encompasses 364 square miles, including twenty-four cities and parts of three counties. By maintaining a tight UGB the Portland region can help ensure more efficient use of lands inside the boundary, while avoiding the need to urbanize productive farm and forest lands outside the UGB. Furthermore, a compact UGB can maintain and enhance the economic vitality of neighborhoods inside the boundary, and enable the region¹s transit system to succeed and expand.

Oregon's land use planning ties urban planning and infrastructure together in two ways. First, Oregon's land use planning laws prohibit urban levels of infrastructure and services outside of urban growth boundaries. In this way, it reinforces the requirement that urban levels of development occur inside urban growth boundaries. Second, the program requires infrastructure planning to be coordinated with land use planning. Every city must develop a public facilities plan, which becomes part of the local comprehensive land use plan. The public facilities plan must address "the water, sewer and transportation facilities which are to support the land uses designated in the ... comprehensive plan....". Fast-growing areas must also develop a school facilities plan. Cities are free to address other types of infrastructure in their comprehensive planning.

In the Portland metropolitan region, statewide and regional planning goals are coordinated at Metro through the 2040 Growth Concept and other key planning documents which provide the blueprint for the next 45 years of development in the Portland region. The comprehensive plans of every city and county within the metropolitan area must comply with this blueprint, making the Region 2040 planning program a powerful and effective tool. It gives Metro, local cities and counties, citizens, and many advocacy organizations an opportunity to look inward, to accommodate future growth through infill and redevelopment, and more efficient use of the existing urban land supply before expanding the regional UGB.

Portland should build on these strengths by maintaining a compact UGB and continuing to connect land use planning and infrastructure spending with transportation reform, greenspace protection, redevelopment strategies, and the provision of affordable housing.

E. Transportation & Transit Reform

If the Portland metropolitan region is to avoid the sprawl and economic disparities of other metropolitan areas, its transportation system must not only connect but strengthen the region's geographic and economic communities. In far too many metropolitan regions, the commitment to improving automobile mobility has increased suburban sprawl, pulled residents and economic opportunity from older neighborhoods, added the economic burden of car ownership to the region's poor, and consumed valuable housing and greenspaces for wider roads and more parking lots.

The Portland region is more fortunate than most. It has already defined a future vision by adopting the 2040 Growth Concept of compact, mixed-use development designed for walking and bicycling. Now it needs to support this ambitious vision with a transportation system that will make it work: a regional framework of light rail transit connected by frequent and reliable bus and streetcar service to smaller centers and neighborhoods, supported by safe and convenient facilities for pedestrians and bicyclists of all ages.

The criteria for implementing this system needs to be not increased mobility or even reduced congestion, but the social and economic vitality of all of the region's communities. Therefore, the public's investment in transportation must further other regional goals. For instance, street designs and sidewalk construction must improve the safety of local streets and enhance community connections to civic centers, local stores, and schools. Light rail stations and transit centers must be located and designed to attract the stores, businesses, and housing that revitalizes and sustains neighborhoods. Public transit must connect residential areas and employment centers.

Such a transportation system requires a commitment to its objectives, policies, and projects from local jurisdictions as well as regional leaders. It also requires a commitment to regional transportation funding and a creative approach to financing both public transit andl as the critical pedestrian and bicycling infrastructure.

F. Regional Workforce Enhancement Services

Oregon has received a waiver which allows it greater flexibility in designing its welfare programs than many other states. This provides the state the opportunity to protect some of the most vulnerable people cut off under the federal legislation, and to design innovative welfare to work programs that might truly help people out of poverty, not just off welfare. The key to moving people from welfare to work is to ensure that there are jobs available at wage and benefit levels to allow people to become truly self-sufficient and to ensure that there are the necessary supports in place for those with multiple barriers to employment, such as the need for childcare, transportation, and affordable housing. If these are not available and accessible, people losing benefits risk sinking further into the cycle of poverty.

Although the regional government has not defined a role for itself in how welfare reform policies are developed and implemented, there are several possible ways it could become involved. The first is to monitor poverty in the region and coordinate data on a regional basis about the ways in which welfare reform is impacting affected populations. The second is to use region-wide data to ensure that resources go to the areas with the highest concentration of poverty. The final, and perhaps the most critical role regional government could play is to help define a self-sufficiency standard for the Portland region, which would outline wage levels in the region at which individuals and families can realistically break out of dependence.

G. Tax-Base Sharing

1. The Fiscal Disparities Model

As practiced in Minnesota, tax-base sharing, or the fiscal disparities law, requires each metropolitan city to contribute 40 percent of the growth of their post 1971 commercial-industrial tax capacity to an area-wide pool. The distribution of the tax capacity from the area-wide base is determined by a distribution index based upon relative fiscal capacity. For a given municipality, the index is determined by multiplying that municipality's population by a ratio measuring relative fiscal capacity. The ratio is the proportion which the average fiscal capacity of all municipalities for the previous year bears to the fiscal capacity of that particular municipality for the previous year.

Each municipality taxes that portion of its tax capacity which it contributes to the fiscal disparities pool at an area-wide rate. The area-wide rate is determined by dividing the area-wide levy by the area-wide base of taxable property value. It should be made clear that this type of resource sharing deals with the sharing of *taxable property value* and not with the *sharing of tax revenues*.

2. The Six Percent Limitation, Measure 5, and Measure 50

The Oregon Constitution, (Id., sec. 11) has a provision known as the Six Percent Limitation, which limits the increase in the receipts of local government to 6 percent per year. Voters may increase the amount of property tax to be collected over the 6 percent limitation, permanently making the "tax base"[106], or amount of tax receipts, larger. Id., sec. 11 (2) (b). In addition, when jurisdictions annex territory, they are able to increase their base of tax receipts by adding the amount of the taxes the annexed territory would have produced if it had been taxed at the previous year's rate. Id., sec. 11 (4).

In 1990, the Oregon Constitution, Ore. Const. Art. XI, sec. 11 (b), was amended by initiative Measure 5, a provision that limits the property tax rate to $10/$1,000 for combined local governments and $5/$1,000 for combined local school districts. If a local jurisdiction would have to exceed these rates in order to realize the full 6 percent increase in tax income allowed to them each year by sec.11, Measure 5 causes them to be "compressed"; that is, to conform to the rates set by the measure, and in doing so, to lose tax income they would otherwise have had.

Under this system, local jurisdictions with high levels of assessed value relative to other parts of the region, and particularly those experiencing rapid increases in assessed values, end up with lower tax-rates than jurisdictions with lower assessed values or

[106] In Oregon "tax base" means: "[T]he amount obtained by adding 6 percent to the amount of tax lawfully levied by the taxing unit...in any one of the last three years in which such a tax was levied...", ie. tax receipts.

assessed values that are falling, stable, or sluggish. This is because the local tax rate goes down if assessed value rise when total collected is held steady. Thus, in Oregon, the pay off for local jurisdictions in increasing assessed values is not significantly greater income (though if it brings them out of compression it can mean some increased tax income), but in lower property tax rates.

As previously noted, Measure 50 will, among other things, cut property tax valuations to 1995 levels less 10 percent and impose a 3 percent cap on how much property tax valuations can rise each year. This means that the taxable value on properties purchased prior to 1995 will be set at their 1995 value (plus an annual increase of no more than 3 percent), on all other properties (those that change ownership or are newly constructed after 1995), the taxable value will be the value at time of acquisition. As a result, especially as time goes on, there could be considerable disparity in the value of two identical properties, simply because the properties were purchased by their current owners in different years.

3. Analysis

The fiscal disparities model requires all communities to tax affected categories of property—in the Twin Cities region, 40 percent of commercial-industrial growth post-1971—at an area-wide tax rate. In Oregon, by definition, this rate would have to be within the provisions of Measure 5. Further, any new tax capacity received by a jurisdiction would have to be taxed under the Measure 5 rate limits. Essentially, Measure 5 would affect the new tax capacity the same way it affects the old tax capacity.

In Oregon, under a fiscal disparities model, a "winning" jurisdiction could only tax the new tax capacity under the terms of the 6 percent limitation. To the extent the new tax receipts exceeded the six percent limitation, it would force property tax reductions until, over time, the new capacity could be fully absorbed. Under Measure 50's rollback of tax valuations, this is unlikely for most jurisdictions in the near future.

Minnesota periodically imposes "levy limits" on local governments by statute which has the effect of forcing property taxes down in jurisdictions that receive substantial fiscal disparities contributions from the fiscal disparities pool.

On the other hand, the Oregon constitution allows the voters in a local jurisdiction, by majority vote, to increase their tax receipts beyond the six percent limitation or to exceed Measure 50's limits. It might not be too difficult to convince local voters to increase their tax base, and their own local services, when it does not require any local property tax increase. It is also conceivable that new tax capacity could be exempted from the operation of the six percent limitation by being considered an "annexation" or "merger" of tax capacity. See, id., sec. 11 (4).

It appears that there are limitations to how well the Fiscal Disparities approach as it is practiced in the Minneapolis-St. Paul region will work in Oregon under its current property tax laws. However, tax-base sharing is still an important strategy for the region to explore. Once the limitations imposed on property taxes in Oregon are clearly understood (continued uncertainty over how Measure 50 will be implemented and what it will mean makes this difficult at this point), policy-makers can work to design a system to share taxable property value that will work to provide a more equitable distribution of resources across the region.

Many Oregon leaders are calling for more substantive tax reform, including measures as radical as elimination of property taxes and replacement by business revenue taxes. Potential exists through regional cooperation for tax reform to launch Portland region governments into regional tax-base sharing. Broad tax reform discussions and analyses represent a unique window of opportunity for cost/benefit analyses of regional tax-base sharing.

4. Early Modeling of Portland Property Tax-Base Sharing

Equity mechanisms must be forged in the give and take of each local community. They must ultimately reflect the political situation and the balance of political power present in a place at a given time. This report provides a few scenarios based on the Minnesota experience with tax-base sharing. However, the assessors in the Portland region do not presently separate out different classes of property to be taxed at different rates as they do in Minnesota. We therefore asked Professor Tom Luce of the Hubert Humphrey School of Public Affairs, an economist and an expert in state and local finance, to model tax-base sharing based on total property value. He also modeled two weighted tax-base sharing runs, one that recognized poverty as a need-based distribution factor and the other, low household income. For each scenario, Luce modeled what the program would have shared if it had been applied to total taxable property values in 1994 and what it would have shared if it had been applied only to growth in taxable property value from 1990 to 1994. (See Appendix B for spreadsheets with tax-base sharing results.)

In terms of the sharing of total taxable property value, about 25 percent of the incorporated region contributed taxable property value to the other 75 percent. In other words, roughly three municipalities were recipients of new taxable property value for every one contributor. The poverty-weighted distribution formula reduced that ratio, with 60 percent of the region gaining taxable property value to 40 percent contributing —or one-and-one-half recipients for every contributor. The income-based distribution formula broadened the ratio to one in which 80 percent of the region gained taxable property value to 20 percent contributing— or four recipients for every one contributor on a municipal level. See Figure 24 for one of the most promising runs, the redistribution of 40 percent of tax base growth from 1990 to 1994, according to tax base per capita (74.7 percent of the regional population gains new tax base in this run).

In all the scenarios, Portland and low property-value suburbs such as Molalla, North Plains, Forest Grove, Cornelius, Sandy, Wood Village, and Estacada were recipients. When the poverty factor scenario is calculated, Portland and many of the cities listed above become truly large winners. While Gresham is a contributor of taxable property value in the poverty-based scenarios, in both the straight tax-base sharing runs and the income adjusted tax-base sharing runs, it is a bigger recipient per capita than the city of Portland. Most other cities in both Washington and Clackamas counties were contributors in all of the runs, with Clackamas contributing the least in the straight tax-base sharing runs. This does not mean that all residents of Clackamas County would lose taxable property value (indeed, Sandy, Estacada, and Molalla were recipients in every scenario, Milwaukie and Oregon City were recipients in all but one scenario, and Gladstone and Canby were recipients in all but two scenarios), but rather that the gain in certain cities would be offset to some degree by the loss of taxable property value by the county and the need to increase rates to restore lost assessed value for county services.

While in each scenario a small fraction of the municipalities of the region contributed taxable property value to the regional pool, ultimately, the entire region wins. As discussed earlier in this report, the fate of a metropolitan area's suburbs is closely linked to the fate of its central city. A city and its suburbs share, among other things, a common economy, a common environment, a common infrastructural network, a common workforce. In a growing global economy it is the entire metropolitan region, as an organic unit or system, that must compete with other metropolitan regions of the world. Without a thriving central city and vibrant regional economy, a high tax-value suburb offers little to the outside world.

By sustaining the central city and struggling low tax-value suburbs through tax-base sharing, the salability of the entire region is enhanced. Tax-base sharing reduces competition between suburbs and between high tax-value suburbs and the central city and low tax-value suburbs. This is especially important in a metropolitan area such as Portland that desires to maintain a growth boundary to protect its precious natural resources; a community will be less compelled to seek expansion of the boundary for new business development at the fringes of their territory if new business development anywhere in the region is to benefit them.

It must be noted that the effects of Measures 5 and 47/50 were not taken into consideration when doing these tax-base runs. Further work will be required to determine what the result would be under the regulations imposed by these measures.

VI. Conclusion

The Portland region faces the late 20th century with a history of impressive accomplishments, a vibrant economy, and the nation's most efficient and coordinated development practices. It is a wonderful, vital place to live. However, the future will likely represent even greater challenges that Portland must be ready to meet.

The region cannot afford to allow current poverty trends to continue concentrating poverty in a small subset of neighborhoods in cities and older suburban communities; communities that, if they follow the path of older, larger metropolitan areas, could become seriously isolated from the region's bountiful economy. We all know that the concentration of poverty is more than the sum of its parts–that if we lock people into patterns of dependency and isolation away from the productive economy they grow hopeless, isolated, and angry. The region is growing more diverse, with individuals arriving to seek out the opportunities that are offered, and the region cannot afford to repeat the mistake of socioeconomic and racial segregation that has consumed and divided so many vital communities.

The region cannot afford continued polarization of income and increasing fiscal inequity. This inequity deals the cards increasingly to favor development at the region's fringe, in communities with high property values and few social needs. As this polarization between parts of affluent suburbia and the rest of the region grows, the momentum outward has increased in older, larger metropolitan areas, forcing the region to eat up tens of thousands of acres of forest and farm land to build new sprawling cities and to abandon older communities with growing social needs and comparatively smaller property value-based resources. Land use controls alone, however far-sighted, cannot contain the force of this polarization.

Residents of the Portland region must find a way to augment their efforts to use a significant percentage of resources and energy renewing, recycling and reinventing existing cities and villages. We cannot afford disposable communities.

This report represents the beginnings of an agenda designed to deal with growing regional instability and disparities. While it is controversial, it represents only a best first effort, subject to the negotiation, reformation, and synthesis that occurs in all political progress. While the issues will be difficult, it is our hope that this region can work together–reason together–to solve its mutual problems.

The real importance of this discussion is the realization that the metropolitan area is suffering from a series of problems that are too large for an individual city to confront alone, that they are the same problems that have caused the decline of other urban centers, and that unless we concentrate our efforts on finding new solutions, we can expect no better outcome. Regional cooperation creates a stronger base for the development of a promising future for everyone in the region. The people of the Portland metropolitan region have a chance to start building that bright future today if they are willing to take on the challenge of working together.

Appendix A: Chicago and Minneapolis-St. Paul Regional Statistics

Selected Chicago Regional Statistics

	Northwest Suburbs	South Developing Suburbs	Outer Suburbs	Inner Suburbs	Central City
% of Region's Total Population, 1990	22.5%	1.5%	10.1%	19.8%	38.3%
Median Household Income, 1989	$54,125	$49,584	$36,721	$37,838	$26,301
% Change in Median Household Income, 1979-1989	10.0%	6.0%	5.1%	-1.8%	3.8%
% Children under 5 in Poverty, 1990	2.7%	1.7%	11.9%	10.1%	35.0%
Change in the % of Children under 5 in Poverty, 1980-1990	-29.3%	-53.2%	11.8%	11.5%	4.5%
Female-Headed HHs with Children as a % of Total HHs with Children, 1990	8.7%	7.0%	15.5%	17.2%	35.6%
Change in the % of Female-Headed Households with Children, 1980-1990	3.6%	2.0%	12.0%	29.1%	8.2%
Change in White Children 0-4 in 1980 to 10-14 in 1990	11.6%	43.3%	-8.9%	-14.8%	-29.2%
% Non-Asian Minority Students, Grades 1-4	5.3%	1.2%	16.2%	30.7%	72.9%
Spending per Pupil	$5,378	$4,116	$4,057	$4,874	$5,585
% Change in Jobs, 1980-1990	60.7%	106.1%	19.0%	3.0%	-5.8%
Market Value per Household, 1993	$201,864	$160,311	$105,967	$107,075	$83,884
Change in Real Market Value per Household, 1980-1993	47.3%	47.9%	28.8%	27.4%	50.7%
Change in Real Market Value, 1980-1993	91.1%	131.8%	50.7%	28.5%	41.2%

Selected Twin Cities Regional Statistics

	SW Devel.	East Devel.	Mid Devel.	Inner Ring	Central Cities
Percentage of Region's Population	27.2%	5.4%	11.7%	26.1%	29.5%
Median Household Income, 1989	$47,209	$47,284	$42,055	$36,103	$25,823
% Change in Median Household Income, 1979-1989	1.8%	8.4%	2.3%	-4.7%	0.4%
% Children Under 5 in Poverty, 1990	4.4%	4.8%	6.3%	10.6%	31.9%
Change in the % of Children Under 5 in Poverty, 1980-1990	5.9%	3.1%	0.7%	16.3%	79.1%
Female-Headed HHs with Children as a % of Total HHs with Children, 1990	11.3%	11.9%	10.9%	19.1%	30.8%
Change in the % of Female-Headed Households with Children, 1980-1990	18.2%	17.6%	29.2%	32.7%	21.4%
Change in White Children 0-4 in 1980 to 10-14 in 1990	33%	36%	21%	-12%	-37%
% Change in Jobs, 1980-1992	71.1%	64.1%	72.4%	18.2%	0.7%
Market Value per Household, 1994	$159,260	$142,685	$114,623	$91,697	$74,226
Change in Real Market Value per Household, 1980-1994	10.8%	18.4%	15.8%	-9.6%	-9.3%
Change in Real Market Value, 1980-1994	69.7%	75.2%	78.1%	2.5%	-8.3%

Appendix B: Hypothetical Tax-Base Sharing Results

Tax-Base Sharing Run 1: Distribution of 15% of 1994 Tax Base According to Per Capita Income

	City	Net Distribution	Population, 1990	Per Capita Win/Loss
1	Banks	$6,567,907	563	$11,666
2	Gaston	$6,127,742	563	$10,884
3	Molalla	$38,310,438	3,651	$10,493
4	North Plains	$7,384,211	972	$7,597
5	Estacada	$15,178,931	2,016	$7,529
6	Cornelius	$42,578,605	6,148	$6,926
7	Forest Grove	$86,377,700	13,559	$6,371
8	Sandy	$23,534,799	4,152	$5,668
9	Wood Village	$12,745,579	2,814	$4,529
10	Canby	$30,627,990	8,983	$3,410
11	Oregon City	$49,730,497	14,698	$3,383
12	Gladstone	$32,716,286	10,152	$3,223
13	Fairview	$5,539,776	2,391	$2,317
14	Gresham	$136,226,063	68,235	$1,996
15	Milwaukie	$26,724,036	18,692	$1,430
16	Troutdale	$10,940,544	7,852	$1,393
17	Hillsboro	$49,546,352	37,520	$1,321
18	Sherwood	$2,267,316	3,093	$733
19	**Portland**	**$223,274,911**	**437,319**	**$511**
20	King City	($957,427)	2,060	($465)
21	Beaverton	($111,434,429)	53,310	($2,090)
22	West Linn	($69,654,074)	16,367	($4,256)
23	Tualatin	($69,901,242)	15,013	($4,656)
24	Tigard	($140,699,555)	29,344	($4,795)
25	Lake Oswego	($285,417,802)	30,576	($9,335)
26	Durham	($7,265,079)	748	($9,713)
27	Happy Valley	($18,467,882)	1,519	($12,158)
28	Wilsonville	($102,602,192)	7,106	($14,439)

DATA SOURCES:
1990 Population and 1989 Income: 1990 Census of Population and Housing Summary Tape File 3A
FY 94-95 Tax Base: Tax Assessors' Offices of Clackamas, Multnomah, and Washington Counties
Tax-Base Sharing Calculations: Tom Luce and Anne Heitlinger of the University of Minnesota's Hubert H. Humphrey Institute of Public Affairs

Methodology:

Each town is required to contribute 15% of its 1994 tax base into a tax-base pool. Then, a "distribution index" is calculated to determine what percentage share each town will get back out of the pool. This distribution index is equal to the town's population multiplied by the ratio of the metropolitan region's income per capita to the town's income per capita. Each town's distribution index is then divided by the sum of all the distribution indexes to arrive at each town's percentage share of the tax-base pool. This percentage is then multiplied by the tax-base pool amount to determine the actual amount the town receives back. Finally, the amount the town contributes is subtracted from the amount the town receives to arrive at the net distribution to the town.

Step 1: 1994 municipal tax base * 0.15 = Municipal Contribution
Step 2: municipal pop. * ((region's aggregate income/region's pop.)/(municipal aggregate income/municipal pop.)) = Distribution Index
Step 3: Distribution Index/sum of Distribution Indexes = Municipal Share of tax base to be distributed
Step 4: Municipal Share * sum of Municipal Contributions = Municipal Distribution
Step 5: Municipal Distribution - Municipal Contribution = Municipal Net Distribution

Tax-Base Sharing Run 2: Distribution of 40% of Tax Base Growth 1990 to 1994 According to Per Capita Income

	City	Net Distribution	Population, 1990	Per Capita Win/Loss
1	Banks	$7,504,905	563	$13,330
2	Gaston	$6,754,309	563	$11,997
3	Molalla	$40,896,588	3,651	$11,201
4	Estacada	$19,050,190	2,016	$9,450
5	Cornelius	$41,595,786	6,148	$6,766
6	Forest Grove	$88,193,035	13,559	$6,504
7	Sandy	$25,672,504	4,152	$6,183
8	North Plains	$5,818,121	972	$5,986
9	King City	$11,111,572	2,060	$5,394
10	Wood Village	$14,145,369	2,814	$5,027
11	Oregon City	$55,812,777	14,698	$3,797
12	Gladstone	$31,985,385	10,152	$3,151
13	Milwaukie	$54,418,927	18,692	$2,911
14	Canby	$16,966,991	8,983	$1,889
15	Gresham	$113,029,490	68,235	$1,656
16	Hillsboro	$47,712,300	37,520	$1,272
17	**Portland**	**$374,071,545**	**437,319**	**$855**
18	Fairview	$1,265,061	2,391	$529
19	Beaverton	($59,841,191)	53,310	($1,123)
20	Troutdale	($25,842,977)	7,852	($3,291)
21	Sherwood	($15,480,968)	3,093	($5,005)
22	Tualatin	($85,915,055)	15,013	($5,723)
23	Tigard	($175,636,048)	29,344	($5,985)
24	West Linn	($109,117,469)	16,367	($6,667)
25	Lake Oswego	($324,155,919)	30,576	($10,602)
26	Durham	($9,712,355)	748	($12,984)
27	Wilsonville	($108,610,105)	7,106	($15,284)
28	Happy Valley	($41,692,770)	1,519	($27,448)

DATA SOURCES:
1990 Population and 1989 Income: 1990 Census of Population and Housing Summary Tape File 3A
FY 90-91 and FY 94-95 Tax Base: Tax Assessors' Offices of Clackamas, Multnomah, and Washington Counties
Tax-Base Sharing Calculations: Tom Luce and Ann Heitlinger of the University of Minnesota's Hubert H. Humphrey Institute of Public Affairs

Methodology:

Each town is required to contribute 40% of its 1990-1994 tax base growth into a tax-base pool. Then, a "distribution index" is calculated to determine what percentage share each town will get back out of the pool. This distribution index is equal to the town's population multiplied by the ratio of the metropolitan region's income per capita to the town's income per capita. Each town's distribution index is then divided by the sum of all the distribution indexes to arrive at each town's percentage share of the tax-base pool. This percentage is then multiplied by the tax-base pool amount to determine the actual amount the town receives back. Finally, the amount the town contributes is subtracted from the amount the town receives to arrive at the net distribution to the town.

Step 1: 1990-94 municipal tax base growth * 0.40 = Municipal Contribution
Step 2: municipal pop. * ((region's aggregate income/region's pop.)/(municipal aggregate income/municipal pop.)) = Distribution Index
Step 3: Distribution Index/sum of Distribution Indexes = Municipal Share of tax base to be distributed

Step 4: Municipal Share * sum of Municipal Contributions = Municipal Distribution
Step 5: Municipal Distribution - Municipal Contribution = Municipal Net Distribution

Tax-Base Sharing Run 3: Distribution of 15% of 1994 Tax Base According to Poverty Level

	City	Net Distribution	Population, 1990	Per Capita Win/Loss
1	Molalla	$35,726,225	3,651	$9,785
2	North Plains	$7,695,766	972	$7,917
3	Forest Grove	$92,001,905	13,559	$6,785
4	Banks	$3,441,942	563	$6,114
5	Estacada	$9,760,656	2,016	$4,842
6	Fairview	$9,783,704	2,391	$4,092
7	Gaston	$2,268,241	563	$4,029
8	**Portland**	**$1,342,819,928**	**437,319**	**$3,071**
9	Cornelius	$17,626,967	6,148	$2,867
10	Wood Village	$1,009,129	2,814	$359
11	Sandy	$1,477,093	4,152	$356
12	Oregon City	($1,195,309)	14,698	($81)
13	Canby	($2,157,643)	8,983	($240)
14	Gresham	($76,473,027)	68,235	($1,121)
15	Milwaukie	($24,522,765)	18,692	($1,312)
16	Hillsboro	($90,093,244)	37,520	($2,401)
17	Gladstone	($30,116,603)	10,152	($2,967)
18	Sherwood	($10,969,514)	3,093	($3,547)
19	Troutdale	($31,856,427)	7,852	($4,057)
20	King City	($8,727,405)	2,060	($4,237)
21	Beaverton	($246,134,787)	53,310	($4,617)
22	West Linn	($125,061,440)	16,367	($7,641)
23	Tualatin	($130,174,724)	15,013	($8,671)
24	Tigard	($256,904,746)	29,344	($8,755)
25	Lake Oswego	($338,937,363)	30,576	($11,085)
26	Durham	($10,630,076)	748	($14,211)
27	Wilsonville	($113,886,566)	7,106	($16,027)
28	Happy Valley	($25,769,917)	1,519	($16,965)

DATA SOURCES:
1990 Population and Poverty Rate: 1990 Census of Population and Housing Summary Tape File 3A
FY 94-95 Tax Base: Tax Assessors' Offices of Clackamas, Multnomah, and Washington Counties
Tax-Base Sharing Calculations: Tom Luce and Anne Heitlinger of the University of Minnesota's
Hubert H. Humphrey Institute of Public Affairs

Methodology:

Each town is required to contribute 15% of its 1994 tax base into a tax-base pool. Then, a "distribution index" is calculated to determine what percentage share each town will get back out of the pool. This distribution index is equal to the town's population multiplied by the ratio of the town's poverty rate to the metropolitan region's poverty rate. Each town's distribution index is then divided by the sum of all the distribution indexes to arrive at each town's percentage share of the tax-base pool. This percentage is then multiplied by the tax-base pool amount to determine the actual amount the town receives back. Finally, the amount the town contributes is subtracted from the amount the town receives to arrive at the net distribution to the town.

Step 1: 1994 municipal tax base * 0.15 = Municipal Contribution
Step 2: municipal pop. * ((municipal pop. in poverty / municipal pop.) / (region's pop. in poverty /

region's pop.)) = Distribution Index
Step 3: Distribution Index/sum of Distribution Indexes = Municipal Share of tax base to be distributed
Step 4: Municipal Share * sum of Municipal Contributions = Municipal Distribution
Step 5: Municipal Distribution - Municipal Contribution = Municipal Net Distribution

Tax-Base Sharing Run 4: Distribution of 40% of Tax Base Growth 1990 to 1994 According to Poverty Level

	City	Net Distribution	Population, 1990	Per Capita Win/Loss
1	Molalla	$38,288,041	3,651	$10,487
2	Banks	$4,349,505	563	$7,726
3	Forest Grove	$93,870,200	13,559	$6,923
4	Estacada	$13,580,895	2,016	$6,737
5	North Plains	$6,132,610	972	$6,309
6	Gaston	$2,858,466	563	$5,077
7	**Portland**	**$1,504,158,598**	**437,319**	**$3,439**
8	Cornelius	$16,409,195	6,148	$2,669
9	Fairview	$5,548,952	2,391	$2,321
10	King City	$3,268,428	2,060	$1,587
11	Sandy	$3,407,094	4,152	$821
12	Wood Village	$2,298,404	2,814	$817
13	Oregon City	$4,407,435	14,698	$300
14	Milwaukie	$2,689,568	18,692	$144
15	Gresham	($101,672,450)	68,235	($1,490)
16	Canby	($16,127,363)	8,983	($1,795)
17	Hillsboro	($93,242,192)	37,520	($2,485)
18	Gladstone	($31,439,161)	10,152	($3,097)
19	Beaverton	($195,809,936)	53,310	($3,673)
20	Troutdale	($69,042,939)	7,852	($8,793)
21	Sherwood	($28,842,441)	3,093	($9,325)
22	Tualatin	($146,756,094)	15,013	($9,775)
23	Tigard	($292,935,469)	29,344	($9,983)
24	West Linn	($165,046,571)	16,367	($10,084)
25	Lake Oswego	($378,179,438)	30,576	($12,369)
26	Wilsonville	($120,000,737)	7,106	($16,887)
27	Durham	($13,109,038)	748	($17,525)
28	Happy Valley	($49,063,564)	1,519	($32,300)

DATA SOURCES:
1990 Population and Poverty Rate: 1990 Census of Population and Housing Summary Tape File 3A
FY 90-91 and FY 94-95 Tax Base: Tax Assessors' Offices of Clackamas, Multnomah, and Washington Counties
Tax-Base Sharing Calculations: Tom Luce and Anne Heitlinger of the University of Minnesota's Hubert H. Humphrey Institute of Public Affairs

Methodology:

Each town is required to contribute 40% of its 1990-1994 tax base growth into a tax-base pool. Then, a "distribution index" is calculated to determine what percentage share each town will get back out of the pool. This distribution index is equal to the town's population multiplied by the ratio of the town's poverty rate to the metropolitan region's poverty rate. Each town's distribution index is then divided by the sum of all the distribution indexes to arrive at each town's percentage share of the tax-base pool. This percentage is then multiplied by the tax-base pool amount to determine the actual amount the town receives back. Finally, the amount the town contributes is subtracted from the amount the town receives to arrive at the net distribution to the town.

Step 1: 1990-94 municipal tax base growth * 0.40 = Municipal Contribution
Step 2: municipal pop. * ((municipal pop. in poverty / municipal pop.) / (region's pop. in poverty / region's pop.)) = Distribution Index
Step 3: Distribution Index/sum of Distribution Indexes = Municipal Share of tax base to be distributed
Step 4: Municipal Share * sum of Municipal Contributions = Municipal Distribution

Step 5: Municipal Distribution - Municipal Contribution = Municipal Net Distribution

Tax-Base Sharing Run 5: Distribution of 15% of 1994 Tax Base According to Tax Base per Capita

	City	Net Distribution	Population, 1990	Per Capita Win/Loss
1	Gaston	$11,694,674	563	$20,772
2	Banks	$7,117,372	563	$12,642
3	Molalla	$38,607,416	3,651	$10,574
4	Cornelius	$63,867,836	6,148	$10,388
5	Estacada	$19,873,306	2,016	$9,858
6	Wood Village	$25,700,811	2,814	$9,133
7	Forest Grove	$100,708,981	13,559	$7,427
8	Gladstone	$68,433,464	10,152	$6,741
9	North Plains	$5,044,548	972	$5,190
10	Sandy	$20,147,324	4,152	$4,852
11	Canby	$34,109,569	8,983	$3,797
12	King City	$6,744,293	2,060	$3,274
13	Oregon City	$42,929,979	14,698	$2,921
14	Gresham	$160,139,667	68,235	$2,347
15	Fairview	$4,308,298	2,391	$1,802
16	Milwaukie	$32,577,237	18,692	$1,743
17	Troutdale	$5,627,519	7,852	$717
18	**Portland**	**$222,220,509**	**437,319**	**$508**
19	Hillsboro	($15,109,615)	37,520	($403)
20	Beaverton	($96,580,599)	53,310	($1,812)
21	West Linn	($58,030,992)	16,367	($3,546)
22	Sherwood	($11,477,225)	3,093	($3,711)
23	Tualatin	($93,133,710)	15,013	($6,204)
24	Tigard	($186,416,026)	29,344	($6,353)
25	Lake Oswego	($259,517,716)	30,576	($8,488)
26	Durham	($7,488,928)	748	($10,012)
27	Happy Valley	($22,411,803)	1,519	($14,754)
28	Wilsonville	($119,686,188)	7,106	($16,843)

DATA SOURCES:
1990 Population: 1990 Census of Population and Housing Summary Tape File 3A
FY 94-95 Tax Base: Tax Assessors' Offices of Clackamas, Multnomah, and Washington Counties
Tax-Base Sharing Calculations: Tom Luce and Anne Heitlinger of the University of Minnesota's Hubert H. Humphrey Institute of Public Affairs

Methodology:

Each town is required to contribute 15% of its 1994 tax base into a tax-base pool.
Then, a "distribution index" is calculated to determine what percentage share each town will get back out of the pool. This distribution index is equal to the town's population multiplied by the ratio of the metropolitan region's tax base per capita to the town's tax base per capita.
Each town's distribution index is then divided by the sum of all the distribution indexes to arrive at each town's percentage share of the tax-base pool. This percentage is then multiplied by the tax-base pool amount to determine the actual amount the town receives back.
Finally, the amount the town contributes is subtracted from the amount the town receives to arrive at the net distribution to the town.

Step 1: 1994 municipal tax base * 0.15 = Municipal Contribution
Step 2: municipal pop. * ((region's tax base/region's pop.)/(municipal tax base/municipal pop.)) = Distribution Index
Step 3: Distribution Index/sum of Distribution Indexes = Municipal Share of tax base to be distributed

Step 4: Municipal Share * sum of Municipal Contributions = Municipal Distribution
Step 5: Municipal Distribution - Municipal Contribution = Municipal Net Distribution

Tax-Base Sharing Run 6: Distribution of 40% of Tax Base Growth 1990 to 1994 According to Tax Base per Capita

	City	Net Distribution	Population, 1990	Per Capita Win/Loss
1	Gaston	$12,373,662	563	$21,978
2	Banks	$8,059,543	563	$14,315
3	Estacada	$23,788,770	2,016	$11,800
4	Molalla	$41,196,362	3,651	$11,284
5	Cornelius	$63,085,484	6,148	$10,261
6	Wood Village	$27,222,591	2,814	$9,674
7	King City	$18,885,814	2,060	$9,168
8	Forest Grove	$102,659,265	13,559	$7,571
9	Gladstone	$68,038,888	10,152	$6,702
10	Sandy	$22,253,131	4,152	$5,360
11	North Plains	$3,456,428	972	$3,556
12	Oregon City	$48,948,223	14,698	$3,330
13	Milwaukie	$60,327,244	18,692	$3,227
14	Canby	$20,481,354	8,983	$2,280
15	Gresham	$137,168,274	68,235	$2,010
16	**Portland**	**$373,007,215**	**437,319**	**$853**
17	Fairview	$21,987	2,391	$9
18	Hillsboro	($17,552,491)	37,520	($468)
19	Beaverton	($44,847,491)	53,310	($841)
20	Troutdale	($31,206,031)	7,852	($3,974)
21	West Linn	($97,384,940)	16,367	($5,950)
22	Tualatin	($109,366,288)	15,013	($7,285)
23	Tigard	($221,783,002)	29,344	($7,558)
24	Sherwood	($29,354,933)	3,093	($9,491)
25	Lake Oswego	($298,011,948)	30,576	($9,747)
26	Durham	($9,938,312)	748	($13,287)
27	Wilsonville	($125,854,970)	7,106	($17,711)
28	Happy Valley	($45,673,829)	1,519	($30,068)

DATA SOURCES:
1990 Population: 1990 Census of Population and Housing Summary Tape File 3A
FY 90-91 and FY 94-95 Tax Base: Tax Assessors' Offices of Clackamas, Multnomah, and Washington Counties
Tax-Base Sharing Calculations: Tom Luce and Anne Heitlinger of the University of Minnesota's Hubert H. Humphrey Institute of Public Affairs

Methodology:

Each town is required to contribute 40% of its 1990-1994 tax base growth into a tax-base pool. Then, a "distribution index" is calculated to determine what percentage share each town will get back out of the pool. This distribution index is equal to the town's population multiplied by the ratio of the metropolitan region's tax base per capita to the town's tax base per capita. Each town's distribution index is then divided by the sum of all the distribution indexes to arrive at each town's percentage share of the tax-base pool. This percentage is then multiplied by the tax-base pool amount to determine the actual amount the town receives back. Finally, the amount the town contributes is subtracted from the amount the town receives to arrive at the net distribution to the town.

Step 1: 1990-94 municipal tax base growth * 0.40 = Municipal Contribution

Step 2: municipal pop. * ((region's tax base/region's pop.)/(municipal tax base/municipal pop.)) = Distribution Index

Step 3: Distribution Index/sum of Distribution Indexes = Municipal Share of tax base to be distributed

Step 4: Municipal Share * sum of Municipal Contributions = Municipal Distribution

Step 5: Municipal Distribution - Municipal Contribution = Municipal Net Distribution