

Attachment 1

FAILURE TO IMPLEMENT ALL OR PORTIONS OF THE PROPOSED HOUSING PLAN OR RECOMMENDATIONS

Background

Consideration needs to be given to the current and projected housing and socio-economic conditions within and throughout the Region, particularly of the EJ communities. As discussed in Chapter 2 of the SEI, the Great Recession has exacerbated a long term trend in the decline in both median and mean income as well as a loss in net worth of many households, as the gap between the wealthiest and poorest households has increased significantly, while the overall size of the middle class has been reduced and the ranks of low-income households have swelled. Both the widening gap and the growing population in poverty mean increasingly poor outcomes for EJ populations in terms of education, safety, environmental quality, and public health.

Numerous studies on income and racial segregation have shown that the Milwaukee metropolitan statistical area (Milwaukee, Ozaukee, Waukesha, and Washington Counties – also known as the MWOW counties) performs very poorly in comparison to other metro areas in terms of segregation measures, including income segregation, and in several studies has shown the highest rates of black-white segregation.

Recent studies have shown that the growing income inequality is having an increasingly detrimental impact on low-income neighborhoods and that there is a spatial correlation, that the widening income gap is creating more isolated neighborhoods. A 2009 study² by the National Bureau of Economic Research demonstrates that since 1970, rising residential segregation by income can be explained through growing income inequality. Inequality at the top is associated with increasing segregation of the rich, while inequality at the bottom along with declines in demand for less-skilled labor are associated with residential isolation of the poor. This form of income sorting impacts people's outcomes (particularly children) because of the distribution of role models, peers, and social networks, an absence of which can contribute to joblessness and social problems. Continued and growing income inequality is likely to perpetuate these problems, further concentrating the poor and confining them to low-income neighborhoods.

A recent study³ by Sean Reardon and Kendra Bischoff shows that metro Milwaukee (MWOW counties) ranks 11th (out of 117) in terms of family income segregation, based on 2007 data. The study shows that between 1970 and 2007, segregation worsened throughout much of the Northeast and Rustbelt and Milwaukee had the second largest increase in family income segregation, behind Philadelphia. These long-term increases were fueled by both suburban growth and the rising income inequality that accompanied the decline of the manufacturing sector.

The correlation between race and income cannot be ignored, nor can its impact on segregation. As John Logan, a professor from Brown University who specializes in demographics including race and segregation states "*racial segregation itself is the prime predictor of which metropolitan regions are the*

² Tara Watson *Inequality and the Measurement of Residential Segregation by Income In American Neighborhoods*, April 2009. NBER Working Paper No. 14908. Accessible at www.nber.org/papers/w14908.pdf?new_window=1

³ Sean Reardon and Kendra Bischoff, *More Unequal and More Separate: Growth in the Residential Segregation of Families by Income, 1970-2009*. Accessible online at www.s4.brown.edu/us2010/Data/Report/report111111.pdf

ones where minorities live in the least desirable neighborhoods".⁴ Blacks tend to face significant barriers to entering majority-white neighborhoods due to landlord price discrimination, mortgage market discrimination, racial steering or overt hostility against blacks from incumbent white residents.⁵ Both blacks and whites may be willing to pay a premium to live in neighborhoods where their own racial group is in the majority. Evidence on the importance of the 'neighborhood racial premium' argument suggests that white preferences for living in majority white neighborhoods are much stronger than black preferences for living in majority black neighborhoods.⁶

Segregation has a significant impact on life outcomes. A recent UCLA study⁷ shows that after decades of rising integration in most public school systems, the trend in many states is reversing, with growing segregation particularly in elementary schools. Elementary schools tend to be more geographically or neighborhood based, therefore impacted by segregation. The share of poor children in schools also significantly increased between 2001 and 2009. Based on this report, Wisconsin ranks 10th in terms of schools that are most segregated (black-white) with schools that have black student concentrations of 90 to 100 percent, and 17th most segregation (Latino – white). Additionally, black and Latino students in Wisconsin public schools are much more likely to be poor and more likely to be exposed to a greater percentage of other poor students. In Wisconsin, poor students comprise 37 percent of the student population; typical black student exposure (likelihood) to poor student is 65.2 percent, Latino is 55.4 percent, while typical white exposure is 31 percent.

Racial segregation indicators in metro Milwaukee are particularly troubling as Milwaukee has had the dubious distinction of being the most segregated in terms of the black and white populations. John Logan has published numerous studies that illustrate racial and income segregation patterns in metropolitan areas using Census and American Community Survey data. In his research, Logan has confirmed that the large metropolitan areas of the Midwest and Northeast tend to have the highest residential segregation patterns, and that Milwaukee ranks very high if not highest in terms of some segregation indices. His study⁸ using data from the 2005 to 2009 American Community Survey shows that in metro Milwaukee, blacks are more than 3 times as likely as whites to be in poverty; this is second highest only to Newark, NJ. Also, metro Milwaukee ranks 7th in terms of black household isolation, which is the extent to which a member of a particular race is exposed only to other members of his/her race. Although small but steady progress has been made in most metro areas throughout the U.S. since 1970, segregation in Milwaukee and certain other Midwest and Northeast cities remains stubbornly high.

⁴ John Logan *Separate and Unequal: The Neighborhood Gap for Blacks, Hispanics and Asians in Metropolitan America*, Brown University, 2011. Accessible online at www.s4.brown.edu/us2010/Data/Report/report0727.pdf

⁵ John Yinger *Evidence on Discrimination in Consumer Markets*, Journal of Economic Perspectives-Volume 12, Number 2-Spring 1998-Pages 23-40

⁶ Casey J Dawkins *Evidence on the Intergenerational Persistence of Residential Segregation by Race* Urban Studies March 2005 42: 545-555

⁷ Gary Orfield, John Kucsera, Genevieve Siegel-Hawley, *E Pluribus....Separation Deepening Double Segregation For More Students*, September 2012, UCLA. Accessible online at www.civilrightsproject.ucla.edu/research/k-12-education/integration-and-diversity/mlk-national/e-pluribus...separation-deepening-double-segregation-for-more-students/orfield_epluribus_revised_omplete_2012.pdf

⁸ John Logan *Separate and Unequal: The Neighborhood Gap for Blacks, Hispanics and Asians in Metropolitan America*, 2011. Accessible online at www.s4.brown.edu/us2010/Data/Report/report0727.pdf

A 2011 study⁹ by Logan and Brian Stults using 2010 Census data shows that metro Milwaukee ranked second to Detroit in both 2000 and 2010 for black-white segregation. In 2010, Milwaukee ranked 5th in black isolation; this and other trends and indices indicate that segregation remains a serious problem in Milwaukee, with many black Milwaukeeans experiencing extreme racial and economic isolation. Milwaukee, along with New York City, Chicago, Detroit, Newark, and Gary (Indiana), has the highest persistent level of black segregation.

William Frey from the Brookings Institution reports¹⁰ segregation indices¹¹ based on data from the American Community Survey (ACS) for the states and for the largest 100 metropolitan areas, including Milwaukee. The latest results are from the 2005 to 2009 ACS and show that in most metro areas, black segregation has lessened modestly but consistently over the past two decades. Frey attributes this to a rising black middle class as well as impacts from legislation including the 1968 Fair Housing Act. Again, metro areas in the Rustbelt and the Northeast tend to be the most segregated, led by Milwaukee, Detroit, New York, Chicago and Cleveland. Metro Milwaukee ranked 37th in terms of Asian-White segregation, 7th in terms of Hispanic-white segregation, and 1st in black-white segregation. More on William Frey's work is discussed in Chapter 3 of the SEI.

In 2010, Joel Rast at the Center for Economic Development produced a study¹² comparing Milwaukee (both metropolitan area and city) to 18 other comparable cities¹³ in the Midwest and Northeast ('Frostbelt' cities). Milwaukee's suburbs fare very well in comparison to the other metro areas in job and economic growth, as nearly all of the growth has been concentrated in its suburbs since 1980. Based on an analysis of indicators between 1990 and 2008, Milwaukee does not fare well in comparison to other metro areas or cities on income and segregation measures. Milwaukee remains one of the most segregated, with over 90 percent of the black population (MWOW counties) residing within the City of Milwaukee, and has generally failed to develop anything close to a robust black middle class. College attainment for blacks remains comparatively low, and the disparity between college-educated whites and blacks is particularly pronounced.

Marc Levine at the UWM Center for Economic Development has been tracking long term income and racial segregation trends in Milwaukee.¹⁴ Levine demonstrates that the income gap between the suburbs and the city has grown substantially, primarily due to 'white flight' or rather the 'secession of

⁹ John Logan and Brian Stults *The Persistence of Segregation in the Metropolis: New Findings from the 2010 Census*, 2011. Accessible online at www.s4.brown.edu/us2010/Data/Report/report2.pdf

¹⁰ William Frey, Brookings Institute. Summary and data accessible online at www.brookings.edu/research/opinions/2010/12/16-census-frey

¹¹ Segregation Indices are Dissimilarity Indices that measure the degree to which the minority group is distributed differently than whites across census tracts. They range from 0 (complete integration) to 100 (complete segregation) where the value indicates the percentage of the minority group that needs to move to be distributed exactly like whites.

¹² Joel Rast *The Economic State of Milwaukee, 1990-2008*, University of Wisconsin Milwaukee, 2010. Accessible online at www4.uwm.edu/ced/publications/milwecon_2010.pdf

¹³ Comparable 'Frostbelt Cities' include Baltimore, Boston, Buffalo, Chicago, Cincinnati, Cleveland, Columbus, Detroit, Indianapolis, Kansas City, Milwaukee, Minneapolis, Newark, Omaha, Philadelphia, Pittsburgh, St. Louis, Toledo, and Wichita.

¹⁴ Marc Levine *The Two Milwaukees: Separate and Unequal presentation*. Accessible online at www4.uwm.edu/ced/pdf/two_milwaukee.pdf

the affluent'.¹⁵ This contributed to the negative outcomes particularly in the poorest areas of the City.¹⁶ In 2006, incomes in the inner city were about half of the metro area as a whole (MWOW counties).¹⁷ There have been some improvements in income levels, primarily in neighborhoods ringing the downtown area, where substantial gentrification and an influx of CDBG funding has occurred (Brewer's Hill, Lindsay Heights, and City Homes). Most of the resurgence in the City of Milwaukee over the past decade has been concentrated in Downtown, the Third Ward, Bayview, and parts of the Lower Eastside neighborhoods, neighborhoods that are predominantly wealthier and white.

Although white suburbanization in Milwaukee has progressed about the same as the national average, black suburbanization lags here.¹⁸ Data from the 2000 Census indicates that Milwaukee ranked first in terms of racial segregation indices, with about 47 percent of black households with annual incomes over \$40,000 living in high-poverty neighborhoods (census tracts in which at least 20 percent of the population is poor); by contrast, only 3.5 percent of white households at this income level live in such poor neighborhoods. Even among affluent black households in Milwaukee, those with annual incomes above \$100,000, 42 percent live in high-poverty neighborhoods.

The Center On Wisconsin Strategy (COWS) also reports¹⁹ economic indicators in its State of Working Wisconsin report (most recently released in September 2012). This report shows that black prospects in Wisconsin remain bleak. Black unemployment was the worst in the nation (25 percent) in 2011, more than one in four black workers hold jobs that earn poverty wages, and median wages for black men and women lag those of their white counterparts. Black – white disparities in poverty, educational attainment, and incarceration rates rank Wisconsin (and therefore Milwaukee, given the high concentration of blacks in the City of Milwaukee) among the most unequal in the US. Worse, it appears that while all other states in the industrial Midwest have begun experiencing job growth, Wisconsin's job growth has been significantly worse and, as of the middle of 2012, Wisconsin ranked 42nd in private sector job growth (this estimate was confirmed by the Census/QCEW and reported by the Milwaukee Journal Sentinel²⁰). This does not bode well for all Wisconsinites, but it is particularly devastating for EJ communities.

The Regional Housing Plan Recommendations as an Intervention

The evidence that compares metro Milwaukee to the other U.S. metro areas in terms of black-white segregation should serve as a wake-up call to Southeastern Wisconsin. Milwaukee's status as one of the most segregated metro areas in the U.S. is an unfortunate distinction that merits a strong response from local and state policy makers. Economically, segregation is harmful to the Region in terms of attracting

¹⁵ Marc Levine *Suburban Sprawl and the 'Secession' of the Affluent: Metropolitan Polarization in Milwaukee: 1987-1997*, University of Wisconsin Milwaukee – Center for Economic Development, July 1999. Executive Summary accessible online at www4.uwm.edu/ced/publications/sprawl99.cfm

¹⁶ Marc Levine *Income Change in Milwaukee's Inner City, 2004-2005*, University of Wisconsin Milwaukee – Center for Economic Development, 2006. Accessible online at www4.uwm.edu/ced/publications/innercity1106.pdf

¹⁷ Marc Levine *The Economic State of Milwaukee's Inner City: 2006*, University of Wisconsin Milwaukee – Center for Economic Development, 2006. Accessible online at www4.uwm.edu/ced/publications/innercity51506.pdf

¹⁸ Marc Levine 'Getting the Facts Right on Segregation in Milwaukee' The Metropolitan Milwaukee Fair Housing Council's Fair Housing Keys Spring 2004 newsletter. Available online at www4.uwm.edu/ced/pdf/fairhousing.pdf

¹⁹ Center On Wisconsin Strategy *State of Working Wisconsin* September 2012. Accessible online at www.cows.org/_data/documents/1280.pdf

²⁰ John Schmid "Wisconsin Ranked 42nd in Job Creation at Midyear, Census Report Shows", Jan 8 2013. www.jsonline.com/business/state-ranked-42nd-in-job-creation-at-midyear-census-report-shows-3h89vns-186044541.html

business, developing a skilled workforce, and retaining a skilled workforce. City-suburb segregation, high crime rates, and high poverty levels all damage Milwaukee's image. And like all other Rustbelt cities, Milwaukee needs to continue its efforts to develop a skilled workforce as it transitions away from a manufacturing based economy to a skills- and knowledge-based economy. These efforts must include all members of the Region. Without a major intervention, the economic prospects for many black and Latino households and children remain bleak.

As a whole, the recommendations set forth in the Regional Housing Plan are part of that much needed intervention, but must also coincide with needed changes to education, transit access to suburban jobs, and an improved economy with more and better paying jobs. Based on the findings of the SEI, the housing plan recommendations would likely significantly benefit EJ communities, particularly low-income households, in terms of housing choice and affordability, and would help resolve some of the economic problems intrinsic to EJ communities such as access to more or better jobs and better schools. The RHP recommendations need to be implemented on a Regional basis, meaning that individual communities, and particularly sewerred suburbs, need to actively work towards achieving all of the goals set forth in the RHP.

Policies that open up the suburbs to more affordable housing and a greater diversity in the housing stock may reduce some of the pressure on the Region's urban cores. The key recommendations that promote changes to the land use regulatory framework through policy and planning, including proposed changes to zoning ordinances or comprehensive plans, are essential to addressing the RHP goals. These include Affordable Housing Recommendation 1, Fair Housing/Opportunity Recommendation 1, Job/Housing Balance Recommendation 1, and Accessible Housing Recommendation 1. Each of these recommendations must be implemented on a regional basis in order to allow for a wider distribution of affordable housing across the Region. More affordable housing near outlying job centers may increase access to jobs for those in need of employment. The lack of affordable housing near some outlying job centers may continue if changes to community comprehensive plans and zoning ordinances are not implemented as recommended in the RHP.

The key recommendations that incentivize affordable housing development must also be part of the equation. These include Fair Housing/Opportunity Recommendation 3 and Job/Housing Balance Recommendations 4 and 5. Requiring communities to take steps to begin addressing any job/housing imbalances by incentivizing economic development tools including TIF, CDBG funding, or other State programs may likely be the only route to providing affordable housing in some communities. State economic development dollars should encourage the wise use of land; therefore incentivizing their use should be a priority. If not implemented, communities with job/housing imbalances may continue to take advantage of State funding that not only spurs job growth but also exacerbates job/housing imbalances. Also, Housing Development Practices Recommendation 3 acts to remove barriers to affordable housing development by providing funding for brownfield redevelopment. Given that the costs of brownfield redevelopment are often substantially higher than greenfield development and act as a major disincentive to redevelopment, the proposed recommendation acts to level a very uneven playing field. Each of these recommendations would require a change in programming or legislation at the State level.

Although the recommendations, if implemented, would likely be very beneficial for low-income EJ communities, it is unclear how they would specifically benefit minorities. They might reduce *some* of the black-white segregation that has plagued the metro Milwaukee area, but not all of the problems associated with segregation can be resolved through changes to the regulatory system or zoning.

Housing and land use are only a part of the solution, along with transit and transportation, economic development, and education. Sound economic development and education strategies must also be developed in order to firmly establish a solid black and Latino middle class within the Region. Currently, all evidence indicates that this has been elusive in both Milwaukee and the State of Wisconsin.

What is clear, however, is that if the recommendations set forth in the Regional Housing Plan are not implemented, or if some of the suburbs continue to reject more inclusive forms of housing, the EJ communities will become even more isolated and outcomes will likely worsen. According to a recent Applied Population Lab briefing²¹, by 2020 poverty is projected to increase in the Region, but mostly in Milwaukee County and for all races and ethnicities (from about 15.3 percent to 17.6 percent of the population, or a 2.3 percent increase²²); it will likely continue to disproportionately affect blacks and Hispanics. This means that, without significant housing interventions, Milwaukee will continue to rank poorly in comparison to other metro areas in terms of segregation (both race- and income-based). Overall, the distribution of population will continue toward isolation, for both the growing EJ community and the wealthiest households due to the widening income gap.

As Watson points out²³ the rising residential segregation based on growing income disparity is not just associated with increasing segregation and isolation of the poor, but also of the wealthy. Watson attributes this growing income isolation or exposure of an income group primarily to itself to income sorting and 'white flight'. Since 1970, rising residential segregation by income can be explained through growing income inequality. Inequality at the top is associated with increasing segregation of the rich, while inequality at the bottom along with declines in demand for less-skilled labor are associated with residential isolation of the poor. As wealthier groups become increasingly geographically isolated, their exposure to persons with lower incomes diminishes. At the bottom, this form of income sorting impacts people's outcomes (particularly children's) because of the distribution of role models, peers, and social networks, an absence of which can contribute to joblessness and social problems. Continued and growing income inequality is likely to perpetuate these problems, further concentrating the poor and confining them to low-income neighborhoods due to poor life outcomes and a lack of opportunities.

The literature on the impact of poverty on childhood development and outcomes is voluminous. Children raised in low-income households are at risk for academic and social problems and more health problems, which can undermine achievement. School readiness or a child's ability to benefit from school has been associated with improved outcomes and access to opportunities at all economic levels; for those in poverty or low-income, improved school readiness and access to opportunities is critical for escaping poverty.²⁴ The link between poverty and low academic achievement is also well established and translates into limited economic and job opportunities, lower lifetime earnings, and contributes to a cycle of poverty.

²¹ Katherine Curtis and Heather O'Connell *Wisconsin's Applied Population Lab, Briefing 4: Wisconsin Poverty Projections Through 2020*, 2010. Accessible online at www.apl.wisc.edu/publications/WisPovertyBriefing-4.pdf

²² In comparison to Milwaukee County, each of the other counties in the Region will likely see less than an 1 percent increase in poverty rates, with the exception of Kenosha County, which is projected to increase by 1.0 to 1.5 percent.

²³ Tara Watson *Inequality and the Measurement of Residential Segregation by Income In American Neighborhoods*, April 2009. NBER Working Paper No. 14908. Accessible online at www.nber.org/papers/w14908.pdf?new_window=1

²⁴ Patrice Engel and Maureen Black *The Effect of Poverty on Child Development and Educational Outcomes*, Annals of the New York Academy of Sciences, 2008. Accessible online at www.digitalcommons.calpoly.edu/cgi/viewcontent.cgi?article=1002&context=psycd_fac

As mentioned in Chapter 3 of the SEI, a 2002 study²⁵ by Marc Levine documented this economic polarization in metro Milwaukee; affluent households²⁶ had been steadily moving to the suburbs for over half a century, but this movement surged during the 1990's when the economy was on the upswing. The total number of affluent households grew in the metro Milwaukee area, but the share within the City of Milwaukee declined significantly, from 15.6 to 10.7 percent. This demonstrates how metro Milwaukee has become a highly polarized and isolated region, with growing pockets of affluence in exurban areas that are becoming more and more disconnected from an increasingly impoverished central city. Joel Rast's study²⁷ from 2010 further confirms the growing economic polarization and racial and economic isolation and segregation in metro Milwaukee.

The recommendations set forth under the Regional Housing Plan are a necessary step towards slowing down or possibly reversing this long term trend, but in order to be effective, the proposed recommendations must be implemented on a region-wide basis. Changing zoning in order to allow for modest single family homes and multi-family units needs to be embraced across the Region. Providing State level economic development incentives to those communities that take steps to address their job/housing imbalances is also a good start. But in order to fully address the problems caused by polarization and isolation, there needs to be region-wide cooperation to address problems with access to jobs, effective workforce development, access to decent educational opportunities, and an effective transit system. As SEWRPC recommends, full implementation of the transit improvements recommended by the Regional Transportation plan must be a priority.

The ultimate test will be how the proposed recommendations impact both economic and racial segregation. Benchmarking efforts should include indices such as those developed by John Logan or William Frey in order to determine the effectiveness of the housing recommendations on measures of racial segregation. Ideally, when John Logan's study comes out in the year 2025, metro Milwaukee should have made significant progress.

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²⁵ Marc Levine *Metropolitan Polarization in an Era of Affluence: Income Trends in Metropolitan Milwaukee Since 1990*, University of Wisconsin Milwaukee Center for Economic Development, 2002. Accessible online at www4.uwm.edu/ced/publications/incometrends.cfm

²⁶ Households earning more than \$100,000 in adjusted gross income based on annual tax return data.

²⁷ Joel Rast *The Economic State of Milwaukee, 1990-2008*, University of Wisconsin Milwaukee Center for Economic Development, 2010. Accessible online at www4.uwm.edu/ced/publications/milwecon_2010.pdf