



## MEMORANDUM

**To:** CMAP Housing Committee

**From:** CMAP Staff

**Date:** May 19<sup>th</sup>, 2016

**Re:** ON TO 2050: Approach to Inclusive Growth

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Research indicates that regions with higher inclusion enjoy greater and longer-term economic growth. Inclusive growth is economic growth that creates opportunity for all residents, resulting in better monetary and quality of life outcomes for the region. Promoting inclusive growth can build on many aspects of CMAP's work, including transportation, housing, and economic development strategies. This cross-cutting approach resembles how peer regional planning agencies with established programs and policies related to this topic are approaching the issue.

This memo reviews evidence on the economic benefits of inclusion and assesses the equity related activities of peer regional agencies. Focusing on inclusion and its economic benefits offers an economic rationale for improving equity in the region. Drawing on this research, CMAP presents a vision for inclusive growth that focuses on providing all residents in all parts of the region economic opportunity – broadly considered as opportunities like quality housing, good jobs, educational resources, and transportation resources. This definition includes fostering new opportunity in all areas of the region, including areas that are underinvested. Future work will outline priorities for advancing inclusive growth in CMAP's work and assessment of strategies to implement those priorities.

### **Regional economic benefits of inclusive growth**

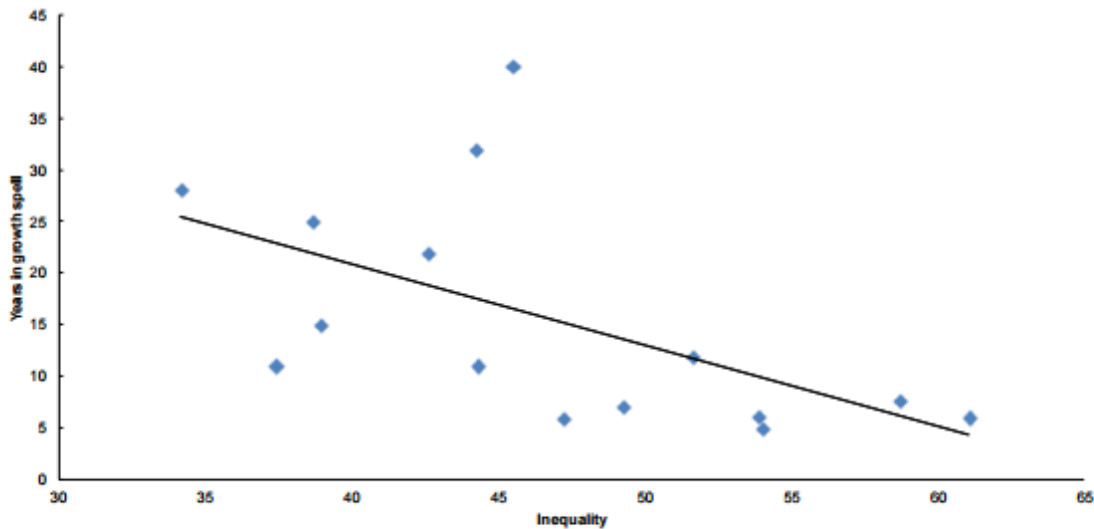
The concept of inclusive growth has gained international interest over the past 15 years and wide consensus has emerged that greater inclusion yields greater economic success. Inclusive regions have been shown to have greater and longer economic growth periods, lower poverty levels, and more economic mobility. Therefore, promoting shared prosperity and inclusion in metropolitan economies has gained interest among regional and municipal leaders.<sup>1</sup>

### **Inclusive regions have sustained economic growth**

Many studies explore the connection between inclusiveness and long-term economic growth.<sup>2</sup> For example, the International Monetary Fund (IMF) has compared the growth periods<sup>3</sup> of 140 countries and found a strong correlation between greater income equality and more sustained economic growth, as measured by changes in Gross Domestic Product (GDP) over time.<sup>4</sup> The

chart below illustrates that the length of a country's growth periods tends to be longer when there is less inequality. This finding reflects several earlier investigations on the relationship between inequality and growth.<sup>5</sup>

**Fig. 1 Countries with greater inequality have shorter growth periods**



Source: Penn World Tables and Wider World Income Inequality Database.

Note: This figure includes spells that end in-sample (completed spells) only, because the length of incomplete spells is unknown. For this figure, minimum spell length is five years.

The connection between inclusion and economic growth applies to regions as well as countries, and measures of regional economic well-being extend beyond GDP growth. These measures assess the extent to which increased growth is shared among all segments of the population and how these factors drive the long-term success of regional economies.<sup>6</sup> For example, the Federal Reserve's analysis of growth factors for 118 U.S. regions showed that a skilled workforce, ethnic diversity and minority businesses, racial inclusion, increased income equality, and less concentrations of poverty increase regional economic growth.<sup>7</sup> This suggests that building a skilled workforce, promoting racial inclusion, and increasing income equality could contribute to greater economic growth – or, put another way, it suggests that regions with greater economic inequality will face lower growth rates and suffer economically.

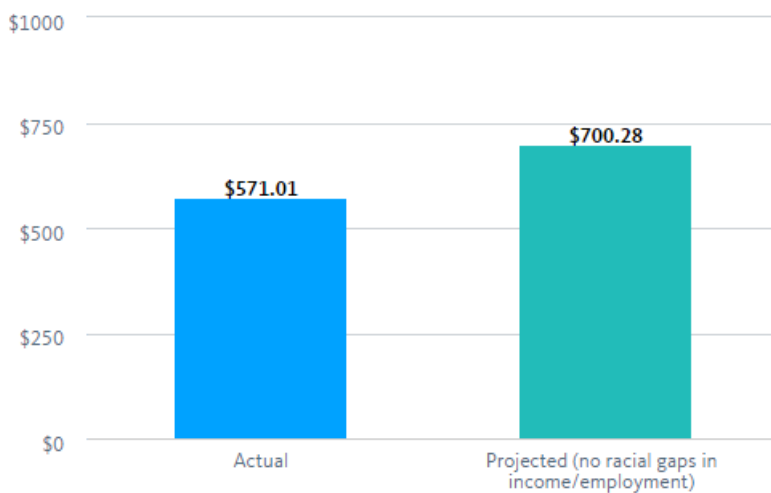
Metropolitan growth across the country was uneven after the 2008 recession, but regions that were more inclusive experienced more growth. A Brookings review of the nation's 100 largest regions indicated that of the 41 regions that experienced greater economic growth after the recession most also had more racial inclusion, as measured by the difference for each group between median wages, relative income poverty by race, and employment by race.<sup>8</sup> This indicates that new strategies to better include minority and low-income populations and foster economically strong communities throughout the region might help drive greater and more sustained economic growth, while also augmenting productivity, improving standards of living, and closing gaps by race and income.<sup>9</sup>



Promoting overall economic mobility, meaning residents can build wealth and move up the economic ladder, improves inclusion and can have broad regional benefits. Economic mobility can vary by income and race, where not all residents have the same opportunity to improve their economic status.<sup>10</sup> Regions with high economic mobility for all residents are characterized by lower segregation, lower income inequality, greater family stability<sup>11</sup>, increased social capital, and better school quality.<sup>12</sup>

Promoting a more inclusive model of economic growth can not only improve outcomes for low-income and minority communities, but can also increase the size of the economic pie, benefitting everyone in the metropolitan area. This is partly because low-income and minority populations in more inclusive regions have better access to opportunities.<sup>13</sup> This strengthens regional economic competitiveness and fosters more sustained economic growth. For example, regions with greater inequality may have “stunted” economic growth, resulting in not fully realizing the region’s economic potential.<sup>14</sup> Analysis from the National Equity Atlas indicates that gross domestic product in the Chicago region would have been approximately \$700 billion in 2012, or \$130 billion larger, if there were no racial gaps in income in the regional economy.<sup>15</sup>

### Potential Chicago Metropolitan Statistical Area Gross Domestic Product with Racial Equity



Source: National Equity Atlas, “Chicago-Naperville-Joliet IL-IN-WI Metro Area Data Summary”

As shown in the discussions on economic mobility and concentrations of race and poverty above, strategies to promote inclusive growth must address multiple factors. Many strategies can help to establish an inclusive region that fosters sustained economic growth. These include promoting economic opportunity, transportation connections, reinvestment in underinvested areas, educational resources, and quality housing options both through connecting residents to existing areas with opportunity and improving economic investment in low-income and minority communities. Undertaking these strategies will require coordination across multiple agencies and sectors. Strategies often focus on reducing concentrations of race and poverty within regions.<sup>16</sup> These efforts seek to create opportunity for the region’s most vulnerable residents, minimizing concentrations of poverty and long-term income and racial disparities to benefit the region as a whole.



# Inclusive growth at peer agencies

A number of metropolitan regions are pursuing strategies to promote inclusiveness. CMAP analyzed how major metropolitan planning organizations (MPOs) and other regional planning agencies incorporate equity into their planning and policies. This provides a range of approaches and offers best practices from other regions that could be used to incorporate inclusive growth into CMAP’s programs and policies.

In defining equity, most regional planning agencies include language about access and opportunity, and specifically target low-income and minority populations. Some agencies take a more narrow approach to equity; for example, Denver focuses on transit programs and Philadelphia on environmental justice. Finally, some other agencies are most focused on social equity. As shown below, the approaches to equity at other regional agencies range from “developing” to “maturing” to “established.”

## Spectrum of regional planning agency actions on inclusive growth



Source: Chicago Metropolitan Planning Agency’s analysis of peer agencies

The “developing” category identifies regional actors that have made initial steps to understand equity issues in their region. The Houston regional planning agency, for example, has completed an overview of the state of equity and identified initial strategies, including: a snapshot of equity in the region, strategies to mitigate inequality, methods to link low-income populations with job training, and how to foster economic opportunity. While efforts like a snapshot represents a significant effort to better understand equity in their region, agencies in the “developing” category have not yet taken steps to adopt any principles, goals, or indicators to improve equity in their region.

The “maturing” category of regional planning agencies have completed in-depth analyses of equity in their region and have developed strategies to improve opportunity for low-income and minority populations that help guide investments. These efforts are focused on one component of the agency’s work, rather than used as a comprehensive strategy to promote inclusive growth. For example, the Denver MPO evaluated how investments in new rail and bus service provide access to opportunity and increase quality of life, particularly for those residents that are economically disadvantaged.<sup>17</sup> Also, the Philadelphia MPO has a robust environmental justice (EJ) program that tracks progress on their policies and implementation strategies, identifies EJ communities and encourages their participation, and evaluates the long-



term planning process. In addition to creating a snapshot of equity in their region, the Kansas City MPO has incorporated equity as a core principle to guide its plans and projects.<sup>18</sup>

For “established” agencies, including Boston, Seattle, the Twin Cities, and Atlanta, advancing equity policies and programs is a major component of their work. These agencies have analyzed equity in their region and have policies, goals, indicators, and procedures in place to improve equity. Inclusiveness is also used as an overarching principle for planning and policy development in each agency’s work. For example, equity is one of five key outcomes for the Twin Cities’ comprehensive plan and is addressed through several overarching strategies like guiding investments that create a more equitable region. In Boston’s comprehensive plan, two of the six key principles guiding the plan focus on equity and nine equity-related goals address housing options, segregation, transportation investments, health outcomes, and economic tools.

## CMAP’s inclusive growth approach

This review of how other regions approach equity revealed that many of CMAP’s peer planning agencies are actively addressing and promoting inclusion in their work. While all of the peer agencies reviewed are doing more to understand and address inclusive growth than CMAP has to date, CMAP is just beginning to formalize an approach to inclusive growth. Other MPOs have focused on the social results of equity and inclusion. This is somewhat because this economic lens to equity has more recently gained traction. CMAP’s proposed approach takes an economic lens to promoting equity, where inclusive growth is an output of that greater inclusion. CMAP has undertaken inclusive growth-related strategies in a diverse array of agency work:

- The *Fair Housing and Equity Assessment* (FHEA) was a substantive starting point for discussing inequality in the region. This analysis indicated that places that have good schools, jobs, and access to transit are largely beyond the reach of people of color and of limited means.<sup>19</sup>
- CMAP has assessed the prevalence of limited tax capacity and discussed its implications for low capacity communities. Tax capacity is a tracked indicator in GO TO 2040.<sup>20</sup>
- GO TO 2040 recommends improving connections between workers, educational opportunities, and employers. Regional economic indicators track middle-skill jobs and workforce training and document the skills gap for middle-wage jobs.<sup>21</sup>
- A toolkit on immigration outlines strategies to integrate immigrant communities in the region.<sup>22</sup>
- The Local Technical Assistance (LTA) program prioritizes projects in communities that have limited resources.<sup>23</sup>
- An LTA project analyzed how the CTA Red Line South extension would increase opportunity for residents in several distressed neighborhoods.<sup>24</sup>
- Staff have proposed performance-based programming criteria that evaluate the impact of transportation projects on low-income and minority communities.
- Communities with a hardship, defined as low tax capacity, are eligible for Congestion Mitigation Air Quality funding for Phase I engineering.<sup>25</sup>



- GO TO 2040 analyzed scenarios and major capital projects for their impacts on low-income and minority areas. The analysis examined growth and access to jobs in these areas.<sup>26</sup>
- Staff is in initial stages of exploring various measures of transportation access for low-income and minority populations.

While each is an important contribution to discussions of inclusive growth, these individual parts are not connected to an overarching strategy that addresses inclusive growth in the CMAP region. The inclusive growth strategy paper is therefore an opportunity for CMAP to investigate how this topic may be addressed in ON TO 2050.

Though CMAP's traditional work in land use and transportation could offer opportunities to advance inclusivity, CMAP cannot address all elements of an inclusive growth strategy alone. Therefore, the approach should identify opportunities to engage the region's stakeholders and collaborate with them in developing and implementing strategies. In order to build this consensus, it will be important for CMAP to highlight how inclusion benefits all areas of the region, not just low-income and minority communities. Finally, any recommendations must also respect the local land use and transportation authorities and the diverse interests and capacities of the 284 municipalities in the CMAP region.

In conjunction with the Metropolitan Planning Council (MPC), CMAP staff is exploring the connection between inclusiveness, disparity, and economic growth in the Chicago region. With a grant from the MacArthur Foundation and the Chicago Community Trust, MPC is partnering with the Urban Institute to understand the cost of segregation in Chicago, with the expectation that reducing segregation will improve economic growth and quality of life in Chicago. MPC's analysis will provide an estimate of the current and future cost of economic isolation and inequality in the Chicago region as well as analyze the 100 largest U.S. regions to understand the relationship between economic isolation, income inequality and metropolitan prosperity. This analysis, as well as ongoing conversations with key stakeholders, will be used to develop strategies that can support an inclusive region that promotes economic growth over the long term.

## **Establishing a vision for inclusive growth**

Developing ON TO 2050 presents a new opportunity to consider a broader approach to inclusive growth. In order to set the framework for new policies, however, CMAP first needs its own vision of an inclusive region that fosters inclusive growth. To develop a vision for an inclusive region, CMAP staff (1) reviewed relevant literature and research on inclusive growth, (2) reviewed peer regional planning agencies' work towards inclusive growth, and (3) convened a resource group that includes regional experts on inclusive growth in fields such as transportation, housing, and economic development.





### *Vision statement*

An inclusive Chicago region provides (1) **meaningful** (2) **economic opportunities** for (3) **all residents**, regardless of race, ethnicity, national origin, ability, or income, in order to foster (4) **sustained economic growth**.

This vision is built around four core ideas:

- (1) Meaningful involvement – not all forms of economic participation are equal, those opportunities that allow for wealth building should be prioritized. For example, middle and high skill jobs provide greater salaries and opportunities for economic advancement.
- (2) Economic opportunities – promoting meaningful economic inclusion should focus on improving opportunity everywhere by both connecting residents to existing opportunity areas and improving economic investment in low-income and minority communities. Opportunity is broadly considered as quality jobs, housing, education, and other quality-of-life measures.
- (3) Universal participation – all the region’s residents should have the opportunity to participate in the economy, including minorities, immigrants, and low-income populations.
- (4) Sustained economic growth – an inclusive region can improve the region’s long term economic success.

## **Next Steps**

ON TO 2050 could help create a more inclusive Chicago region that fosters shared prosperity and promotes sustained economic growth. To develop strategies to foster a more inclusive region, CMAP staff is collaborating with partner groups to discuss potential approaches. CMAP and MPC are co-convening a group of stakeholders on inclusive growth, drawing from a wide range of sectors such as economic development, housing, transportation, foundations, and other community groups. Additionally, CMAP staff will be reaching out to partner agencies to hold topical focus groups to develop strategies.

To supplement this collaboration with our partners, CMAP will identify the geography of vulnerability in the region that will be used to analyze disparities and inequality in the region. Additionally, MPC will be providing analysis in the summer of 2016 highlighting the relationship between economic isolation, income inequality, and metropolitan prosperity among the 100 largest regions. Both the collaboration with partner agencies and analytical work will help staff to develop and assess strategies for CMAP and partner agencies to promote inclusive growth. This work will be shared with CMAP committees.



# Endnotes

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<sup>1</sup> Brookings, Metropolitan Policy Program, *Tracking growth, prosperity, and inclusion in the 100 largest U.S. Metropolitan areas*, (2016). See <http://www.brookings.edu/~media/research/files/interactives/2016/metro-monitor/metromonitor.pdf>; U.S. Conference of Mayors, "Cities of Opportunities Task Force," (2014). See:

<http://www.usmayors.org/pressreleases/uploads/2015/0320-advisory-coomeeting.pdf>

<sup>2</sup> The World Bank, the United Nations, the International Monetary Fund (IMF), the World Economic Forum, and the Organization for Economic Cooperation and Development (OECD) have all published material on the subject.; Andrew Berg and Jonathan Ostry, "Inequality and Unsustainable Growth: Two Sides of the Same Coin?" International Monetary Fund (2011). See

<http://www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf>

<sup>3</sup> Defined as periods of at least 2% per capita income growth

<sup>4</sup> Berg, a., Ostry, J.D., & Zettelmeyer, J. (2012), "What makes growth more sustained?" International Monetary Fund, *Journal of Development Economics*, 98(2), 149-166. Doi:10.1016/j.jdeveco.2011.08.002

<sup>5</sup> cf. Ostry et al (2014) for a review of relevant literature on inequality and growth and discussion of the difficulty measuring cause and effect

<sup>6</sup> OECD *Inclusive Growth Initiative, Going for Growth*; Brookings, Metropolitan Policy Program, *Tracking growth, prosperity, and inclusion in the 100 largest U.S. Metropolitan areas*

<sup>7</sup> Eberts, Randall W., George Erickcek, and Jack Kleinhenz, 2006. "Dashboard Indicators for the Northeast Ohio Economy: Prepared for the Fund for Our Economic Future," Federal Reserve Bank of Cleveland, Working Paper no. 06-05.

<sup>8</sup> Brookings, Metropolitan Policy Program, *Tracking growth, prosperity, and inclusion in the 100 largest U.S. Metropolitan areas*, (2016). See <http://www.brookings.edu/~media/research/files/interactives/2016/metro-monitor/metromonitor.pdf>; Racial inclusion as measured by the difference for each group between median wages, relative income poverty by race, and employment by race

<sup>9</sup> *Ibid.*

<sup>10</sup> <http://www.pewtrusts.org/en/archived-projects/economic-mobility-project>

<sup>11</sup> Family stability is based on the faction of 1) children in single-parent households, 2) adults who are divorced, 3) adults who are married. See [http://www.equality-of-opportunity.org/images/mobility\\_geo.pdf](http://www.equality-of-opportunity.org/images/mobility_geo.pdf)

<sup>12</sup> The Equality of Opportunity Project, (2016). See <http://www.equality-of-opportunity.org/>

<sup>13</sup> The Equality of Opportunity Project, (2016). See <http://www.equality-of-opportunity.org/>

<sup>14</sup> Benner C. & Pastor M. 2015. *Equity, Growth, and Community: What the Nation Can Learn from America's Metro Areas*. California: University of California Press. DOI: <http://dx.doi.org/10.1525/luminos.6>

<sup>15</sup> National Equity Atlas, "Chicago-Naperville-Joliet IL-IN-WI Metro Area Data Summary," 2016. See [http://nationalequityatlas.org/data-summaries/Chicago-Naperville-Joliet\\_IL-IN-WI\\_Metro\\_Area/](http://nationalequityatlas.org/data-summaries/Chicago-Naperville-Joliet_IL-IN-WI_Metro_Area/)

<sup>16</sup> Li, Huiping, et al., "Spatial Mismatch and Economic Growth across US Metropolitan Areas." *Urban Studies*, 50. (2013): 2642-2660. See: <http://usj.sagepub.com/content/50/13/2642>; Glaeser, Edward L., Matt Resseger, and Kristina Tobio. "Inequality in Cities." *Journal of Regional Science* 49.4 (2009): 617-646. See: <http://scholar.harvard.edu/files/resseger/files/glaeserressegerertobiojrs.pdf>

<sup>17</sup> Denver Regional Council of Governments, "Denver Regional Equity Atlas," 2016. See: <http://www.reconnectingamerica.org/assets/Uploads/equityatlas-complete-final-web.pdf>

<sup>18</sup> Mid-America Regional Council, "Creating Sustainable Places, Guiding Principles" See: <http://www.marc.org/Regional-Planning/Creating-Sustainable-Places/Creating-Sustainable-Places/Guiding-Principles>

<sup>19</sup> CMAP report, "Fair Housing and Equity Assessment: Metropolitan Chicago," 2013. See: <http://www.cmap.illinois.gov/livability/housing/fair-housing>





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- <sup>20</sup> CMAP Policy Update, “Using Indicators to Chart Progress toward a More Equitable Regional Tax System,” August, 2013. See: [http://www.cmap.illinois.gov/about/updates/-/asset\\_publisher/UIMfSLnFfMB6/content/using-indicators-to-chart-progress-toward-a-more-equitable-regional-tax-system](http://www.cmap.illinois.gov/about/updates/-/asset_publisher/UIMfSLnFfMB6/content/using-indicators-to-chart-progress-toward-a-more-equitable-regional-tax-system)
- <sup>21</sup> CMAP Regional Economic Indicators website. See: <http://www.cmap.illinois.gov/economy/regional-economic-indicators>
- <sup>22</sup> CMAP toolkit, “Immigrant Immigration Toolkit,” 2014 . See: <http://www.cmap.illinois.gov/programs-and-resources/local-ordinances-toolkits/immigrant-integration>
- <sup>23</sup> CMAP memo, “Local Technical Assistance (LTA) Project Selection,” October 2015. See: <http://www.cmap.illinois.gov/documents/10180/476063/JointMemo--LTA%28selection%2Brationale%2910-07-2015.pdf/07c014aa-eef5-414a-a1c2-2f4b37a1c424>
- <sup>24</sup> CMAP analysis of the CTA Red Line South Extension, 2012. See: <http://www.cmap.illinois.gov/mobility/transit/red-line>
- <sup>25</sup> CMAP “Congestion Mitigation and Air Quality Improvement Program and Transportation Alternatives Program Application Booklet,” 2015. See: <http://www.cmap.illinois.gov/documents/10180/359448/Application+Booklet+FY16-20+CMAQ+and+FY15-16+TAP/cf4d2d17-fdee-4ea0-9762-65e1c88572f1>
- <sup>26</sup> CMAP report, “Preferred Regional Scenario: An interim product of the GO TO 2040 plan,” 2010. See: <http://www.cmap.illinois.gov/documents/10180/30040/FY10-0070+regional+scenarios+lowres.pdf/f990dc5a-afe1-45e0-b202-c6480b5ebbd4>

