

# The Abell Report

*What we think about, and what we'd like you to think about*

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## Foreword to "Baltimore Unbound"

When I first read an article by David Rusk on "inelastic cities," I was impressed by his grasp of data concerning regional disparities and failing cities. So much of the discussion prior to Rusk lacked data that demonstrated the decline that many cities face because of uneven regional growth and inflexible political boundaries. I was anxious to find out in more detail about the problems and solutions surrounding Baltimore, given that Rusk had already proclaimed it an inelastic city past the point of no return.

In this publication, Rusk tells the story of a city that he believes is fated to see its problems intensify (dragging the region and state with it) unless there is a dramatic alteration in the balance of wealth and poverty throughout the region. He argues for programs that require that 5 percent of all new housing built in the seven-county region be dedicated to house low-income residents from Baltimore City who elect to move. It is a story that is both troubling and encouraging.

Troubling is the fact that dramatic efforts will be required to balance the regional equation. The source of the leadership required to make the necessary changes is unclear. Also troubling is the possi-

*(continued on page 6)*

## "Baltimore Unbound"; New Study Warns: Foundering Baltimore City Could Pull Baltimore Region Down With It; Presents New Recommendations For Survival And Growth of Suburbs, City.

*"Baltimore Unbound" is the latest book written by renown urbanologist David Rusk. The book, available in October, is being distributed by the Johns Hopkins University Press and has been funded by The Abell Foundation.*

*In his earlier and highly acclaimed book, "Cities Without Suburbs," Mr. Rusk explained why regions with wealthy suburbs surrounding a poor central city face continuing economic hardship. Now in "Baltimore Unbound," he applies his ideas in a study of Baltimore's continuing economic stagnation, offering a frank assessment of its causes and specific recommendations for solutions.*

By David Rusk

What is the future of the Baltimore region? Will a resurgent Baltimore City prosper as the employment, cultural, and civic heart of urban Maryland—a great place to work, to visit, and to live? Or will a slowly foundering Baltimore City become a second Detroit—a once great metropolis now treated as a giant public housing project—and

pull the whole Baltimore region down with it?

This is the choice that the governor and the Maryland General Assembly face. The city and the state have carried out exemplary (if traditional) revitalization efforts. Unfortunately, Charles Center, the Inner Harbor, Oriole Park at Camden Yards, and the hundreds of millions of dollars of state subsidies have only slowed but not reversed Baltimore City's steady erosion as a place to live.

### THE NECESSITY

Quite simply, Baltimore City is programmed for inexorable decline. Like so many "inelastic" cities, Baltimore City is prevented from growing along with its metropolitan region. During four decades of constant urbanization, the Baltimore region has expanded from three counties to seven counties, but "inelastic" Baltimore City has been locked within its 80.8 square miles since 1918. While the Baltimore region added 910,000 new residents from

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1950 to 1990, Baltimore City lost 182,000 residents. In 1950, the average city family earned 92 percent of the average suburban family's income; by 1990, city family incomes had slid to only 59 percent of suburban levels. Although the civil rights revolution has opened up suburban neighborhoods, most black suburbanites are overwhelmingly middle class. The result is that poor blacks are increasingly isolated within older Baltimore City neighborhoods.

As a community to live in, Baltimore City is programmed to decline because it must house a disproportionate share of the region's poor blacks. Within the region, Baltimore City contains more than twice its proportionate share of the urban poor of all races and 86 percent of all poor blacks. Almost half of city neighborhoods are "poverty neighborhoods" where 20 percent or more of the residents fall below the poverty line. In one-fifth of city neighborhoods, more than 40 percent of the residents are poor.

Of the region's 137,000 poor blacks, almost three-quarters (72 percent) live in poor neighborhoods—almost 32 percent live in neighborhoods of extreme poverty. By contrast, of the region's 90,000 poor whites, only one in four (24 percent) live in poor neighborhoods.

Such hyperconcentration of minority poor creates social dynamite—high crime rates, drug addiction, family disintegration, welfare

dependency, and illegitimacy. Caught between rising service needs and a relatively shrinking tax base, Baltimore City government is in a constant fiscal squeeze. Social dynamite and fiscal crisis are the topic of daily headlines and TV news reports. It is not the role of this study to document the well-known catalog of problems once again but to emphasize that inner-city social chaos is the inescapable result of patterns of metropolitan development the Baltimore area shares with many other metro areas.

There is a "point of no return" for cities—a combination of high population loss, disproportionately high minority population, and great disparities between city and suburban income levels. There are 34 American cities, including, by 1980, Baltimore City, that have passed the point of no return. *Not one of these cities has subsequently ever closed the income gap with its suburbs by so much as one percentage point!* No combination of urban renewal, downtown development, model cities programs, community development corporations, and, I predict, enterprise or empowerment zones has ever reversed the downward slide of such cities. There is no factual basis for believing that more of the same, including Baltimore City's new federally funded empowerment zone, will reverse Baltimore City's decline—and Baltimore City has been one of the ablest practitioners of such programs.

To be beyond the point of no return is not cause for abandoning all hope. Progress, however, requires recognizing and acting on the core problem: the city's growing social and economic isolation.

As places to live, such cities are slowly being abandoned to the black poor, who are themselves the primary victims of such abandonment. To end growing isolation requires conscious, purposeful public policies either to enlarge the city geographically (hence socially and economically as well) or to end the city's role as poorhouse for the region's minority poor.

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## THE ALTERNATIVES

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No community is exempt from America's social ills, but there are hundreds of more "elastic" cities that have largely avoided similar social and economic isolation within their metropolitan regions. They have the legal authority to expand their boundaries as their regions grow. Many cities such as Houston, Charlotte, and Columbus have expanded through aggressive annexation of urbanizing areas. A few cities such as Indianapolis, Nashville, and Jacksonville have consolidated city and county governments. Both methods enlarge cities geographically to incorporate large areas of their "suburbs" **within their** own city boundaries.

It is too late to enlarge Baltimore City geographically. A state constitutional amendment adopted in 1948 prevents Baltimore City from further annexations or (probably) from city-county consolidation without approval of suburban voters. That approval would never be given. Moreover, expanding Baltimore City by annexing, for example, all of Baltimore County inside the Beltway would not change Baltimore City's character as a

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poorer, blacker enclave at the region's core. Consolidating Baltimore City and all of Baltimore County would have a much greater positive impact; however, city-county consolidation would not open up access to the metro area's most rapidly growing neighborhoods, particularly in Howard and Anne Arundel Counties.

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What must be done is to relieve Baltimore City of its role as the region's poorhouse. The mayor and council of Baltimore City cannot accomplish this by themselves. They have neither the financial tools nor the legal authority to end Baltimore City's isolation among its neighbors. Nor is it likely that cooperative intergovernmental agreements could be reached voluntarily among city and suburban officials. At the center of the "urban problem" are the toughest political issues in American society—poverty and race. Local officials may be willing to "take care of our own poor" (sometimes in very enlightened ways, as in nearby Montgomery County). Local officials never voluntarily agree to take care of their neighbors' poor.

State government must take the lead. State government determines how local governments are organized

and what their responsibilities are. The state legislature and the governor must act as a metro-wide policy body. They must, in effect, reprogram how the Baltimore region works to reverse Baltimore City's social and economic isolation. The key is to require the entire metro region to become home of the metro area's poor on a "fair share" basis.

Sharing the burden of poverty is a more daunting political task than it is a heavy social or economic burden. Of every 100 residents of the Baltimore region, fewer than four are both poor and white (and three out of four poor whites are already living in middle class neighborhoods, mostly in the suburbs). And of every 100 residents of the Baltimore region fewer than six are both poor and black (but almost three out of four poor blacks live in poor inner-city neighborhoods). In 1990, the 2.4 million residents of the Baltimore region earned \$32 billion of annual income and owned most of the area's \$100 billion in commercial, industrial, and residential property. Unlike many Third World societies, the Baltimore region is not overwhelmed by hordes of poor people. In the Baltimore region the poor are few, the middle class are many. The problem is not the overall level of poverty. The problem is the high concentration of poverty among black residents in many Baltimore City neighborhoods.

The Baltimore region as a whole has the social and economic capacity to absorb the minority poor into middle class neighborhoods readily if it has the will to do so. That political will must be supplied through the political processes of state government.

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## THE STRATEGY

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To reprogram how the Baltimore region functions, the Maryland General Assembly should enact a state statute to create a Municipality of Metropolitan Baltimore, or "Metro" (following legislatures' precedents for Portland, Oregon and Toronto, Ontario). Metro's jurisdiction would cover Baltimore City and the six counties that currently comprise the Baltimore Metropolitan Statistical Area (Baltimore County and Anne Arundel, Carroll, Harford, Howard, and Queen Anne's Counties).

Metro would function as the upper tier of a two-tier system of local government. No existing local government would be abolished. However, Metro's central mission would be to carry out the metro-wide planning, zoning, and housing assistance programs that are necessary to dissolve the high concentration of poverty in many Baltimore City neighborhoods. At the same time, Metro would protect suburban neighborhoods from becoming the next generation's slums, as is now occurring in so many older, inner suburbs around the country. "Diversity, balance, stability" would be Metro's themes.

Metro would be governed by a Metropolitan Council, directly elected to represent the seven districts into which the metro area would be divided (again, examples are Portland and Toronto). It would be headed by a directly elected Metro Executive (Portland).

Metro would be endowed by the General Assembly with the general powers of any other municipal-

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ity (and of any county to the extent that counties have powers that are not available to municipalities). However, Metro would only carry out policy functions and public services assigned it by the General Assembly, requested by local governments, or approved by vote of its constituents (as in Portland).

Metro's purpose would not be to provide general governmental services but, as stated in its central mission, to redirect patterns of urban development that are now fostering growing social inequities by race and income class. Its key responsibilities and powers (as authorized by the General Assembly) would include

1. enacting a metro-wide "fair share" low- and moderate-income housing ordinance (as Montgomery County has had in operation for 23 years) and monitoring local governments' adherence to its provisions;

2. establishing a Metro-operated "Housing Opportunities Commission," which would

- a. absorb the assets, operations, and responsibilities of the various public housing agencies maintained by constituent governments to manage a regionwide public housing program (like Metro Toronto);

- b. take over the housing finance functions of housing finance agencies of local governments or the State of Maryland for the metro area; and

- c. establish a range of rental assistance and purchase programs for low- and moderate-income households throughout the Baltimore region similar to the array of programs operated by Montgomery County.

To provide the comprehensive development policy framework for its housing programs, the state-au-

thorized powers for Metro would also include

3. establishing a regionwide comprehensive land use plan in conjunction with local governments (Portland, Toronto, Seattle);

4. designating an urban growth boundary (Portland, Seattle) and establishing adequate public facilities requirements (Montgomery County, Toronto) to bring about rational growth management and to balance housing production with demand throughout the region;

5. monitoring adherence of local plans, infrastructure investments, and zoning actions with the adopted general plan (Portland, Toronto, Seattle);

6. serving as the Metropolitan Planning Organization for transportation planning within the region, including the allocation of federal funds under the Intermodal Surface Transportation Efficiency Act (Portland); and

7. establishing a regionwide revenue sharing program (Metro Tax Base Pool) by pooling a portion of property tax base growth from new commercial, industrial, and high-end residential property throughout the region (Twin Cities).

Metro's core administrative costs would be supported by a small uniform property tax millage levied against all residential, commercial, and industrial property throughout its jurisdiction. This millage rate, including any maximum ceiling, would be set forth in the authorizing legislation by the General Assembly (Portland).

Metro's housing programs would be supported by the combination of federal and state grants that currently fund such programs

plus use of whatever portion of the Metro Tax Base Pool the Metro Council decides is necessary to achieve its low-income housing goals. For any other nonhousing activity, Metro could levy taxes for its operating budget and capital requirements only as authorized by the General Assembly, participating local governments, or a majority of voters of its jurisdiction.

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## **A. THE "FAIR SHARE" HOUSING PROGRAM**

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As authorized by state law, Metro's "fair share" housing program would be patterned on Montgomery County's highly successful Moderately-Priced Dwelling Unit (MPDU) policy. Metro's housing policy would require that, for every proposed housing development of 50 or more units, the developer would have to sell or rent 10 percent of the units to moderate-income households and sell another 5 percent of the units directly to Metro's Housing Opportunities Commission (HOC) as scattered site public housing. (The developer would be compensated for potential loss from selling or renting 15 percent of the units at below market prices by receiving a "density bonus" allowing construction of up to 22 percent more units than allowable by normal zoning standards.)

If, in the seven-county region, 20,000 new housing units are built each year for the next 20 years, Metro's HOC would acquire about 500 newly constructed units each year scattered throughout the metro area. Most would be in the most rapidly developing new areas. At current prices, it would cost about

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\$50-60 million a year to acquire the units. Metro's HOC would never build "public housing projects." It would simply buy or rent standard housing on a highly scattered basis for deep-subsidy households.

If each suburban county's fair share of poor households were set, for example, at 6.5 percent of its total population, over the next 20 years Harford, Howard, and Queen Anne's Counties would meet their fair share goals entirely through the HOC's purchase of its 5 percent share of new construction in those counties. Anne Arundel, Carroll, and Baltimore Counties would meet at least two-thirds of their goals through the HOC's share of new construction.

To fulfill the remaining need, the Metro HOC would have to purchase or rent existing housing in existing neighborhoods. Great care would be taken not to affect any existing suburban neighborhoods adversely by acquiring too much housing for low-income households. Saving city poverty neighborhoods by creating new slums in the suburbs makes no sense. By focusing on new construction, the 5 percent set-aside for the HOC's direct purchase is both a *minimum and a maximum* for low-income households in *new* neighborhoods.

After 20 years the net effect of such policies would be that each suburban county's population would have 6.5 percent poor households compared with a current range of 2.2 percent (Howard County) to 4.9 percent (Carroll County), yet this would still be less than the projected regional average of 8 percent. The proportion of poor black households would range from 3.0 percent (Baltimore County) to 4.6

percent (Howard County). Meanwhile, the level of poverty in Baltimore City overall would have been cut in half, and poor black residents would be just 7.1 percent of all city households. Overall, the level of poverty within the region would probably drop from 10 percent to about 8 percent simply by moving poor households out of inner-city neighborhoods that offer little opportunity into suburban areas that offer better educational and employment opportunities.

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## B. THE METRO TAX BASE POOL

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Under another state law, Metro would institute a tax base sharing program like the Twin Cities Fiscal Disparities Plan that has been in operation since 1975 for the seven-county, 188-municipality Minneapolis-St. Paul area. From the inception of the Metro tax base sharing program, 40 percent of the *increase* in assessed value of commercial, industrial, and high-end residential property (i.e., homes at 150 percent of the metro area's median home value) would be allocated to the Metro Tax Base Pool. Local governments would keep 60 percent of the increased value and would retain full control over all past property valuation (i.e., the level prior to the initial year of the tax base sharing program).

The Metro Council would set the tax rate for the Metro Tax Base Pool and control its allocation. For example, the Metro Council might set the uniform rate on pooled property at 4 percent of assessed value. This would be well below Balti-

more City's current rate (5.95 percent) but above current suburban county rates (2.35-2.90 percent). If we anticipate a 5 percent annual increase in assessed valuation, this would yield about \$19-20 million in revenues the first year. Actual revenues collected would increase steadily as the Metro Tax Base Pool expanded with each year's annual growth increment. By the twentieth year, the pool's revenues would exceed \$600 million per year.

For the first three years, the Metro Council should allocate all the pool's revenues to its own housing programs. By the third year, however, the pool's growth would exceed Metro's housing needs (i.e., \$50-60 million per year). It could then begin to share revenues back with local jurisdictions.

The small property tax increase proposed would represent less than two-tenths of 1 percent of personal income for all the region's residents. For this monetary sacrifice, the people of the Baltimore region could substantially end the high concentration of poor people in Baltimore City neighborhoods and arrest the spread of poverty to older suburbs of Baltimore County and Anne Arundel County. By ending the high concentration of poverty, regional crime rates would fall, unemployment would drop, welfare rolls would shrink, and school achievement levels would rise. Over time, with crime and welfare falling, state taxes might fall as well. The key is to have the right policy and to apply that policy in a sustained, consistent manner over 15-20 years.

What the Baltimore region currently needs most is neither the example of a successful plan (which

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Montgomery County offers) nor more money (the region can afford the cost of corrective action itself). What the Baltimore region needs is a political breakthrough. That breakthrough must come from Maryland's governor and legislature.

The policies recommended here are neither politically painless nor

politically easy. Poverty and race combine to create the toughest political issue in America. The Baltimore region stands on the threshold of the 21st century. Today, Baltimore City—Maryland's signature city—is gripped relentlessly by a process of slow economic and social decline. The State of Maryland

must summon the political will and the political courage to recapture for Baltimore City that front rank among American communities it once proudly held. And with the renewed health of Baltimore City comes the best assurance of sustained, vigorous economic growth for the whole Baltimore region.

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## “Baltimore Unbound;” Foreword

(Continued from page 1)

bility that it may again take legal action, as was required to ensure civil rights, to enact a program that provides low-income individuals with opportunities and access to housing in the suburbs. It is troubling that the issue of expanding opportunities for low-income African Americans, especially, is still seen as an arguable proposition when it should be a matter of fact.

But the story presented by Rusk is also encouraging because it is an attempt to get at the root of the problem facing cities: stagnant boundaries and an overwhelmingly disproportionate number of the region's poor people to care for. Promoting a deconcentration of poverty in the city will, in the first instance, provide access to jobs and education for thousands of low-income children and their parents—access they are now denied. Second, it will provide fiscal relief for both city residents and taxpayers alike, in addition to alleviating the social dynamite that is created by concentrated poverty: crime, inadequate education, teenage pregnancy, poor health, and welfare dependency. Deconcentration should also serve to attract a middle class

back to the city through the resulting tax relief, an improved quality of life, and better services to those who pay for them.

A recent study by the Federal Reserve Board of Philadelphia concluded that suburbs sink or swim along with their urban center. A drowning city is likely to pull its surrounding region down with it. By making sure that the urban poor are not just reconcentrated in existing, lower-income *suburban* neighborhoods, the recommended program ensures that the problems now facing the city will not be replicated again in, or shifted to, the suburbs. Rusk adds that in Montgomery County, Maryland, neighborhoods that included low-income units in their developments found their resale values to grow faster than their counterparts. A regional housing strategy, properly implemented, appears to be an economic win for all involved.

Most encouraging, however, is the hope that a regional housing strategy will open up opportunities for poor people to succeed in the suburbs, which has been successfully demonstrated in Chicago through the Gautreaux Housing Ini-

tiative. In Chicago, public housing residents who elected to move to suburbs under a court-induced program fared far better than their counterparts who did not move in high school graduation rates, college entrance, and employment. As many others have already found, the suburbs can be a truly uplifting experience for all. People who choose to live in the suburbs should be provided an opportunity to do so.

Though Baltimore, like many older communities, takes slowly to change, there is much precedent for it in the region's history. The pattern appears to be indelible: at first, there is resistance; then resistance becomes acceptance; and very soon the change that was once feared is embraced as invaluable to the community's well-being.

The Rusk report makes bold recommendations that deserve discussion and, if found to be valid, action. On behalf of The Abell Foundation, I am pleased to offer this report as a contribution to what needs to be an ongoing debate about the issue.

**Robert C. Embry, Jr.**  
President, The Abell Foundation

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