COVER STORY

STILL BEHIND

The region is still not growing inclusively. And it's causing economic pain.

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The past decade of economic growth in Greater Washington has not been fairly spread out across the entire region. And in many ways, it's just gotten worse in the last few years. ¶ Those are the conclusions of a new study from Brookings Metro that charted inclusive growth in major cities across the country both before and during the pandemic, and found a rather grim picture of Greater Washington. ¶ Worsening gaps between the annual earnings of white residents and people of color, persistent poverty and barriers to employment continue to define a region struggling with inequities, one where gross metropolitan product (GMP) is growing – but it's being nerve-rackingly outpaced by other urban regions of its size, or smaller.

Ultimately, researchers ranked this metropolitan region as one of the country's worst when it comes to widespread inclusive growth. Our region ranked 176th out of 192 markets for inclusive growth for nearly a decade leading up to the pandemic, and a near celebratory 116th in the period from 2019 to 2021. It was one of 52 regions that ranked in the bottom half during both periods, a category Brookings dubbed "stagnant."

Among the 56 largest markets Brookings studied? We were in 51st place for inclusive growth and dead last for racially inclusive metrics.

Groups like Connected DMV, D.C. Policy Center, Greater Washington Board of Trade, Greater Washington Partnership and others have homed in on how to grow the regional economy in an inclusive manner, meaning all pockets of our geography are benefiting from its prosperity. GWP released an updated inclusive growth dashboard March 1 intended to better track the region from Baltimore to Richmond on six pillars – access to education, health equity, access to capital, infrastructure developments, affordable housing and workforce development – all of which also show persistent gaps. The dashboard is intended to be a tool "for data-driven decision-making" in the region, said GWP CEO Kathy Hollinger, which she said is key to transforming inclusive growth.

While such reams of data outlining the gaps is helpful, it's not the final step in solving the problem. The region's numerous economic development-oriented organizations, local governments, nonprofits and others have attempted to design and implement changes to tackle inclusive growth in recent years, but the slow-going progress makes it clear that more needs to be done across this next decade.

"I think [the study] is revealing that once we 'recover' from the pandemic, these inequities are probably not going to go away by just getting back to neutral," said Joe Parilla, director of applied research at Brookings Metro and one of two authors of the group's study. "They're long-standing and need to be treated as not a two-year problem, but a two-decade problem."

Numbers tell a sobering picture

In the new Metro Monitor report, the D.C. area was matched up against nearly 200 fellow metropolitan statistical areas (MSAs) with at least 250,000 in population across five main categories: growth, prosperity, overall inclusion, racial inclusion and geographic inclusion.

That meant looking at things like the total number of jobs in this

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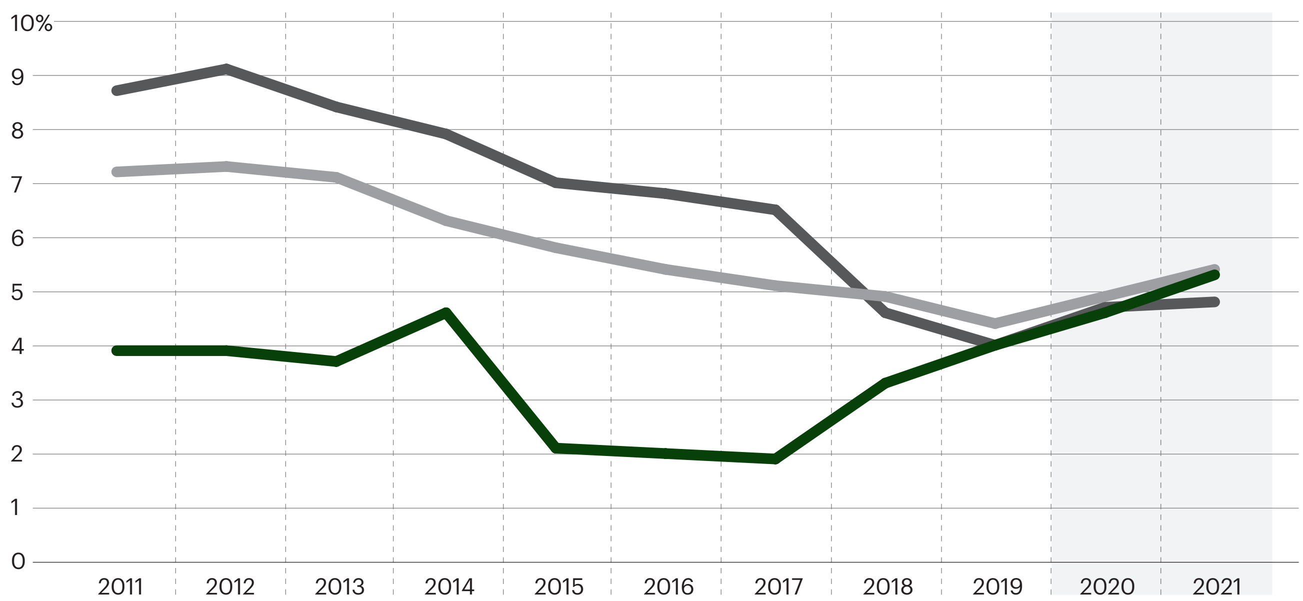
GAPS BETWEEN WHITE WORKERS AND WORKERS OF COLOR

Across the board on a trio of metrics to gauge metro-area racial inclusion, the Washington area rated poorly, falling behind all 55 of the largest metros studied by the Brookings Institution's latest Metro Monitor for its widening gaps between white workers and people of color in employment rates, median earnings and relative poverty rates.

In the nation — In very large U.S. metro areas — In the DMV

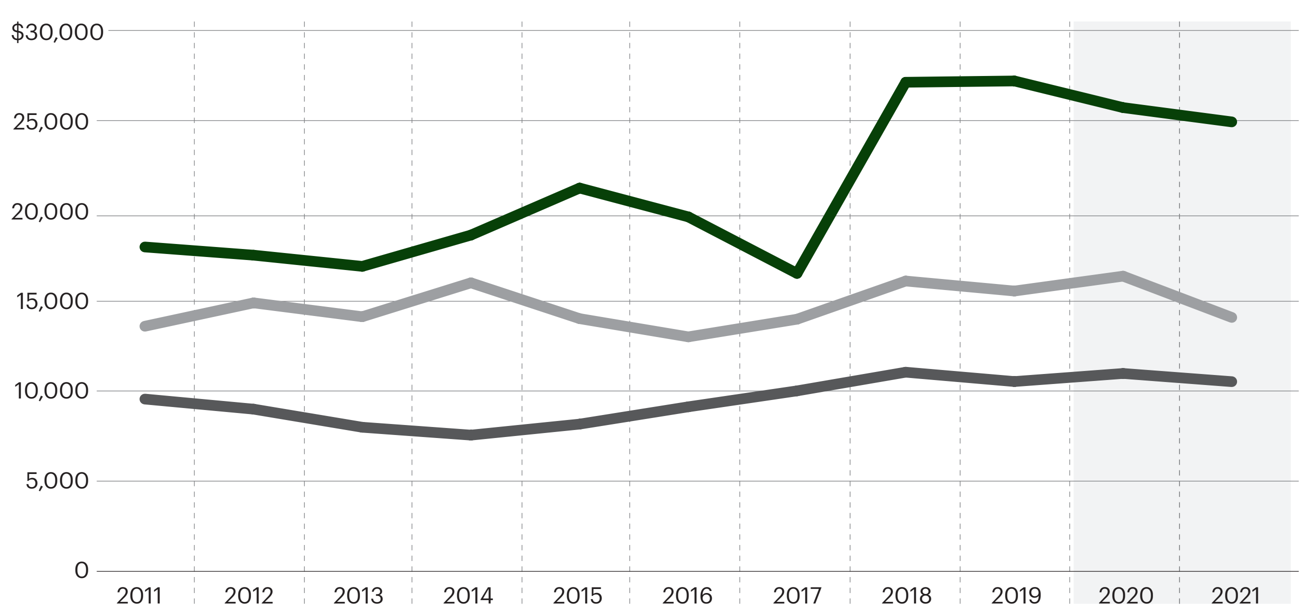
DMV EMPLOYMENT GAP

This sped up during Covid to 5.3%, topping 2011's 3.9%, even as U.S. and large metro market averages fell in that time.



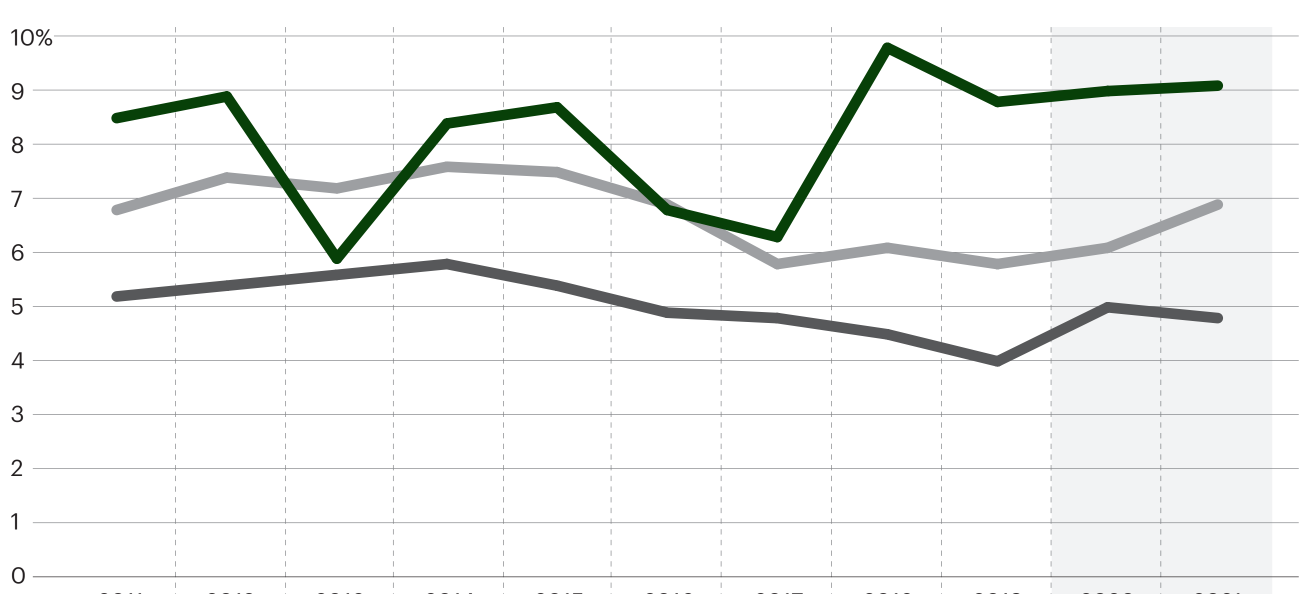
DMV EARNINGS GAP

Our income gap soars above that of our peers. Since 2011, our gap grew 39% to the U.S.'s 10% and large metros' 3.6%.



DMV POVERTY GAP

After up-and-down years, our racial poverty gap rose from 9% in 2020 to 9.1% in 2021. The U.S. gap fell from 5% to 4.8%.



SOURCE: The Brookings Institution

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region – which in the 10 years from 2011 to 2021 only rose 5%, according to the report – and changes in our area's relative poverty rate, or the percentage of residents earning less than 50% of the median wage in Greater Washington – which has hovered just below 30% since at least 2011. Meanwhile, the gap between the percentage of Black residents and white residents under the region's relative poverty rate widened from 3.6% in 2011 to 7.9% in 2021.

Other very large metro areas that ended up in the "stagnant" category were nearby Baltimore, Philadelphia, and Richmond and Virginia Beach, as well as further-out Rochester and Buffalo in New York, St. Louis, Las Vegas, New Orleans and Honolulu.

Parilla noted that the Washington region has "pockets of extreme wealth and prosperity, as well as pockets of poverty," and that "the region still has a fair amount of racial segregation" – divisions that didn't really improve during the pandemic years. On two out of three geographic inclusion-related indicators Parilla examined for the study, the region saw gaps decrease between the least and most advantaged census tracts in the region, but only by 1%. On the third indicator – the gap between median household income between the least and most advantaged census tracts in the region – the gap grew by $8,287.

Recent outmigration trends haven't helped, said Yesim Taylor, executive director of the D.C. Policy Center. During the pandemic, higher-income workers who had the newfound capacity to telework left expensive cities in droves, seeking out lower-cost alternatives and driving up employment and wage indicators for those places.

In a study published by the D.C. Policy Center last fall, the labor market's recovery was shown to differ in high-cost metro areas versus lower-cost metro areas. "The comparison shows that lower-cost metro areas have emerged from the pandemic as more economically competitive than their high-cost peers, which may shift workforce dynamics to the D.C. region's detriment," read the report.

"We aren't able to fill jobs the way we were," Taylor said in an interview. The solution is to "attract more people," opening up land use policies to build more housing to bring down costs so that the region can compete against lower-cost metros, she said. "There is a hard period ahead," she warned.

But affordable housing is hard to come by. According to the Greater Washington Partnership's inclusive

"[Inclusive growth] will be solved by making sure people from all backgrounds have access to ways in which they can be college- and career-ready. That goes back to the K-12 education."

YESIM TAYLOR,
executive director, D.C. Policy Center

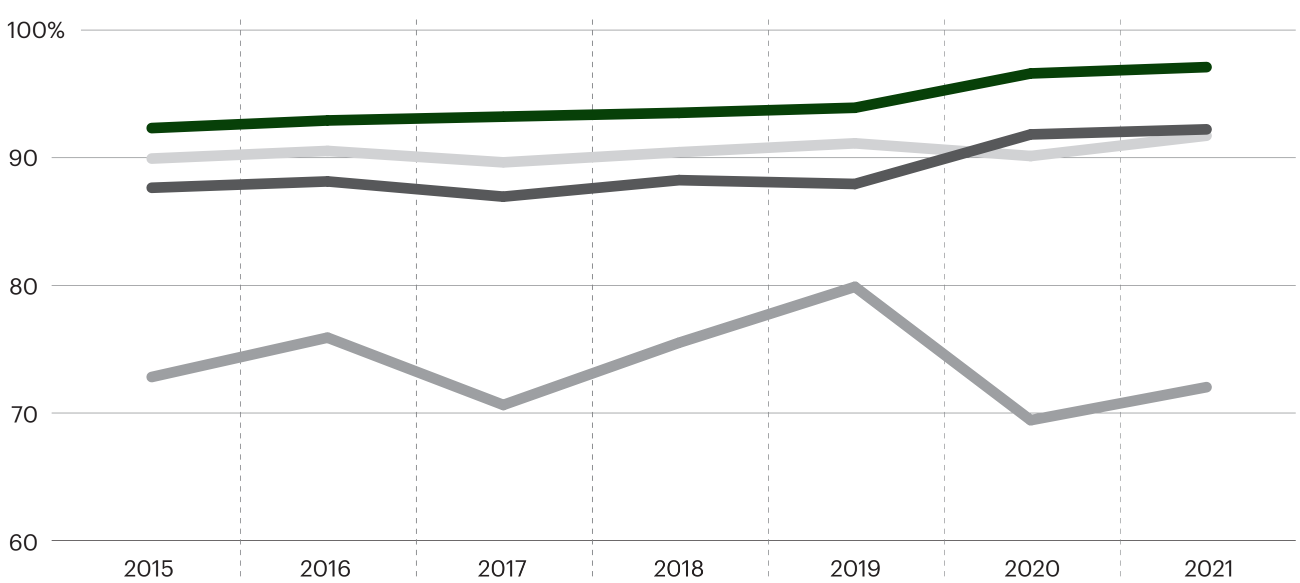
THE EDUCATION GAP

As one of its six pillars — the others being workforce, affordable housing, access to capital, infrastructure and health equity — the Greater Washington Partnership delved into metrics that gauged educational success based on race across the region. Generally, D.C.-area white students continue to achieve at higher rates than Black and brown students, both of whom oftentimes performed below the regional average in graduating high school and getting bachelor's degrees.

White students · Black students · Hispanic students · Overall

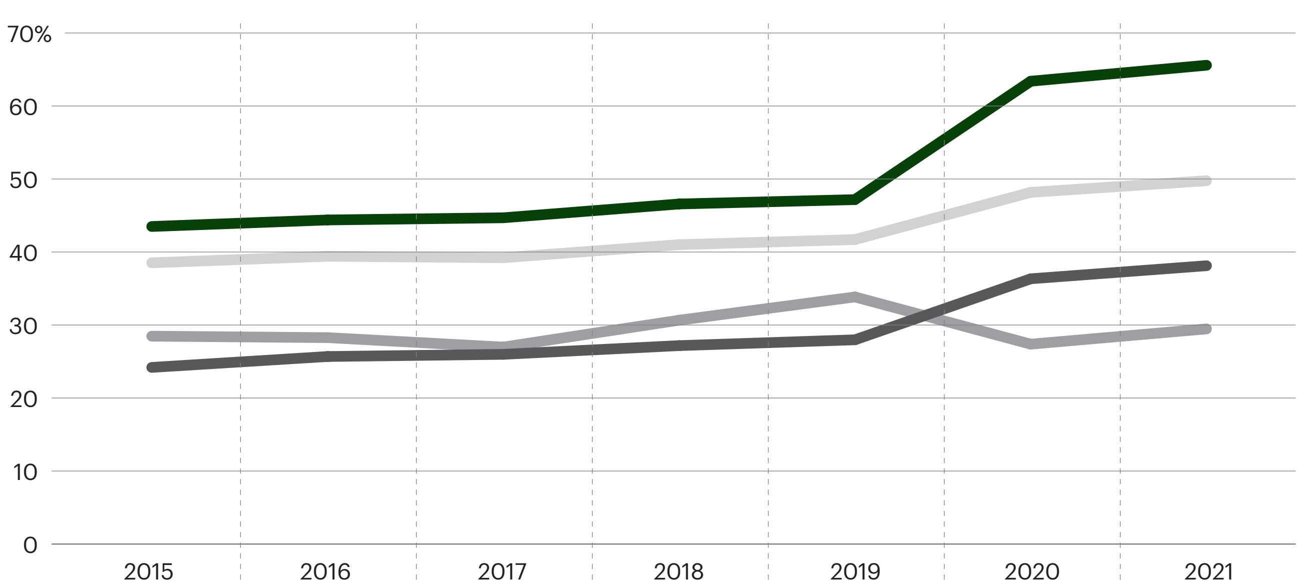
HIGH SCHOOL GRADUATION RATES

Rates were lowest for Hispanic students, but white student graduation rates topped those of Black and brown classmates.



ATTAINMENT OF BACHELOR'S DEGREES

Black and Hispanic students essentially swapped places in ability to get a bachelor's. Both were topped by white students.



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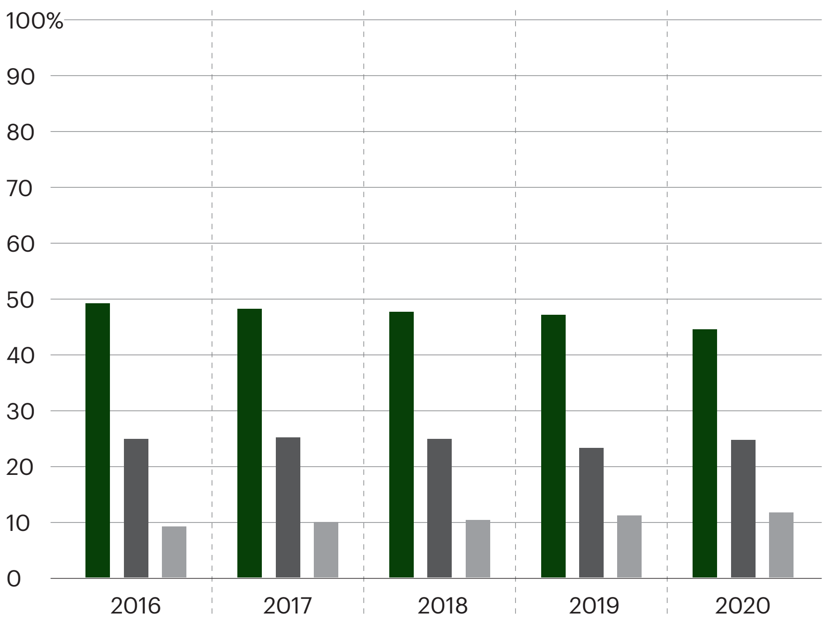
POST-GRAD ENROLLMENT BY STATE

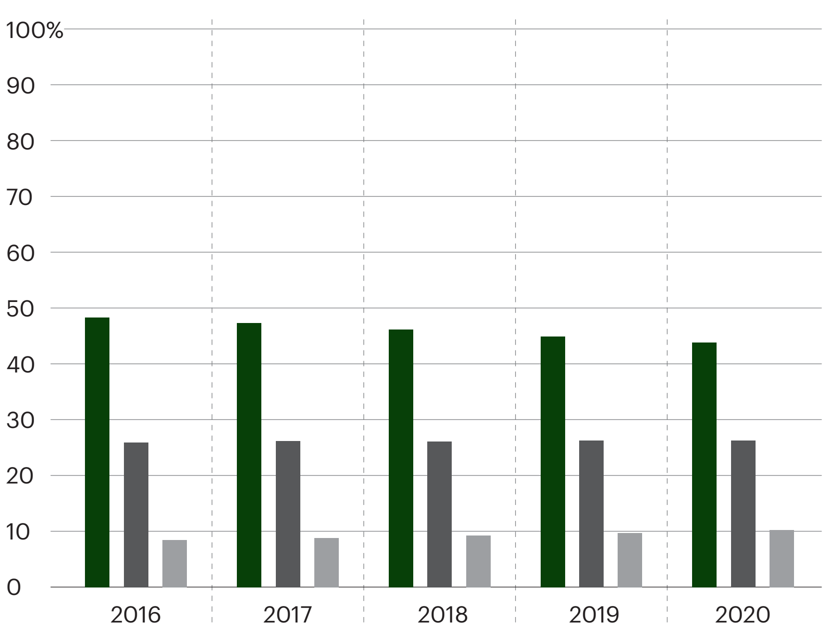
Lower educational achievement can have a direct effect on a family's ability to generate wealth and the region's ability to maintain a healthy workforce. In D.C. and Maryland, Black university enrollment was roughly half that of white students and Hispanic enrollment was one-fourth. Virginia's gaps are wider.

White students / Black students / Hispanic students

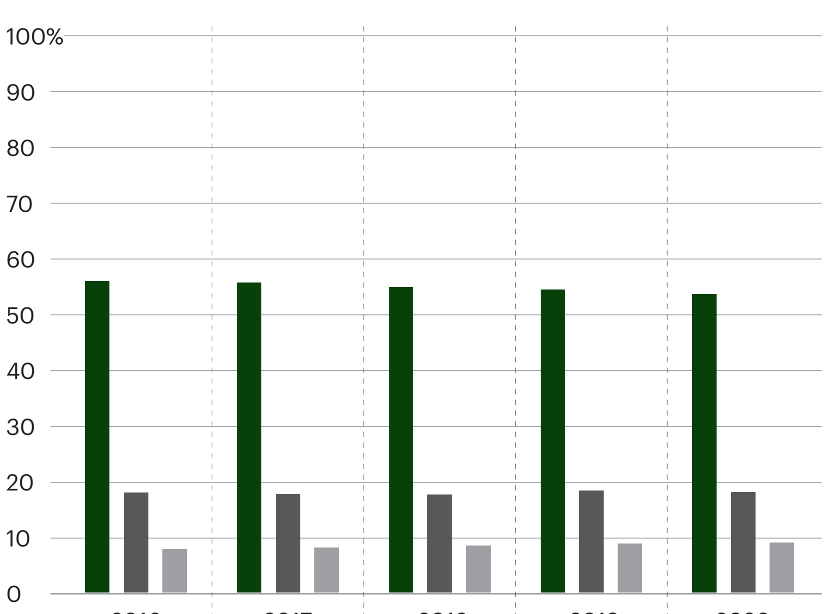
IN THE DISTRICT



IN MARYLAND



IN VIRGINIA



SOURCE: Greater Washington Partnership, National Center for Education Statistics

growth dashboard, only 18% of renters in the Washington MSA are paying less than 30% of their household income on housing costs in a commonly adopted formula for financial sustainability. That number drops to 16% in the Baltimore and Richmond MSAs. That means the remaining 82%, or more, are considered burdened by housing costs, meaning they're spending roughly a third or more of their monthly pay just to make rent and related bills. That can be particularly taxing for low-income families who are left with minimal funds to spend on food, clothing, educational and other crucial expenses.

Homeowners are significantly less housing-cost burdened overall, the GWP's dashboard shows, with roughly half of homeowners in the Baltimore, D.C. and Richmond MSAs spending more than 30% of their income on such costs. That still reflects a level of inequality, though. The homeownership gap between white and Black area residents is in the double-digits across the region – reaching 32% in the Baltimore region, 26% in Richmond and 21% in Washington.

Adding to the challenges ahead, this month, families in Maryland, D.C. and Virginia who receive Supplemental Nutrition Assistance Program (SNAP) benefits are seeing a pandemic-era bump to that assistance coming to an end. Each household will see a decrease of $95 or more per month as those increases instated during the pandemic expire across the country and put more families into vulnerable situations.

The end of pandemic-related assistance lends an urgency to the problem that isn't always addressed in proposed solutions.

"Additional efforts to shine a light on the problem are helpful, but only modestly," said Stu Solomon, president and CEO of Connected DMV. "Our efforts need to be on actually doing the things."

What real change really takes

None of the fixes are easy, or readily available – but business leaders across the region are working to piece some together.

Connected DMV is working to create more jobs that pay a living wage in Greater Washington with initiatives like its H2DMV, where it identifies new projects that can bring hydrogen technology to the region and make them commercially viable as quickly as possible. It was created by the group's National Capital Hydrogen Center, consisting of representatives from the public and private sectors, such as the Washington Metropolitan Area Transit Authority (WMATA), George Mason University, Virginia Tech, the National Resources Defense Council, the U.S. Department of Transportation Office of Innovation, Washington Gas and Bloom Energy.

Meanwhile, it's worked to gather funding and support for a regional bid to capture a share of the billions of dollars the Department of Energy plans to parcel out to create regional hydrogen hubs in the country. Each region that gets selected will get approximately $1 billion, Solomon said, but Connected DMV has also gone on to raise $1.5 billion in additional commitments from undisclosed partners as part of its proposal. He expects to learn by year's end if the D.C. region is chosen for the funding, with work beginning in 2024.

"That is economic development, but it's inclusive economic development," Solomon said. "Our social equity objectives are built into the heart of that."

In a Hydrogen Greenprint the group released in June, Connected DMV estimated that the adoption of hydrogen power in key sectors such as data centers and long-haul trucking could not only generate 8,900 well-paying jobs in the D.C. region by 2030, tapping underemployed individuals, but could also significantly reduce health care costs for residents and employers by removing an estimated 2.7 million metric tons of carbon dioxide from the atmosphere.

Taylor also thinks the problem goes back to workforce issues – and she thinks improving public schools is one of the keys. From her view, inclusive growth "will be solved by making sure people from all backgrounds have access to ways in which they can be college- and career-ready," she said. "That goes back to the K-12 education."

The latest State of D.C. Schools report, which the D.C. Policy Center publishes annually, found that of a given 100 ninth-grade students who enroll at D.C. public high schools, 75 will graduate in four years, and of those, 38 will enroll in college. And of those, only eight will ultimately graduate within six years, in part because the system does not prepare them for such a path. The percentage of Black students who pass high schools' college readiness metric each year is hovering around 9%, Taylor said.

She knows educational change is a long road. She's heartened, however, by the D.C. government's investment in things like dual enrollment, apprenticeships and career academies.

As part of a 10-year inclusive growth plan for the region that it released in June, the Greater Washington Partnership stopped short of setting specific targets or time frames for improvement on any of the pil-

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lars – which were part of the original plan – but it did lay out possible steps for employers to implement.

It encouraged employers to "consider subsidizing education and training to grow the application pool for in-demand roles," to provide more work-study programs, to "deemphasize degree requirements where possible" in order to strengthen and diversify the workforce, to hike wages and to offer employee financial assistance for housing and child care, including more on-site child care beyond traditional working hours.

The partnership is working internally to track its own progress in advancing that 10-year plan, Hollinger said, including in areas such as access to capital.

She said she plans to "roadshow" results of the new dashboard, also an element of the 10-year plan. That will translate to sundry meetings with public officials, business, economic development and nonprofit leaders, and employers "to use the dashboard to elevate the region's assets and showcase the value of investing in this region," she said.

"We know that if we want to really grow inclusively and economically vibrant as a region, we have to make sure that our workforce is robust, we have to make sure that our minority-owned small businesses are positioned for success," Hollinger said. "And we also know we're going to have to work with others, work together to think about some of the challenges we have before us."

The partnership has also worked to make a business case for inclusive growth. It's something Hollinger said the many regional CEOs on her board recognize – that their own success as employers would rise if growth was more inclusive.

Solomon, who worked as a managing director at Accenture for 30 years, said employers will "solve their growth challenges within their own corporations," and gain access to a richer talent pool by making a commitment to invest in things like bringing good jobs to the region and taking part in improving educational access, for example.

"I do think that many corporate institutions have abdicated social responsibility for the community to philanthropists and to places of worship and community organizations and basically are saying, 'Hey, they'll take care of the community,'" Solomon said. "And then many corporations or companies occasionally will help out and sprinkle some people or money on the region to help out with key initiatives. All well-meaning, all well-intentioned, but I think it's not enough."

CAPITAL CONCENTRATED IN SAME AREAS

A new report from the Urban Institute found that four counties in Greater Washington led the country in average annual overall investment per household between 2010 and 2020, a period in which investment in the region skyrocketed and then leveled off. Loudoun County, Falls Church City, Fairfax City and D.C. occupied the top four spots among the 100 largest U.S. counties — with Prince George's as the only locality in the region to not appear in the top third for investment.

Indeed, the suburban Maryland county was in the bottom half at $17,973 on average, compared with $44,257 for No. 1 Loudoun County.

The Urban Institute found that Greater Washington may have attracted heightened investments, but they haven't been evenly distributed regionwide, causing economic disparities, "pricing many out of their communities," and "making the region's future growth uncertain." Much of that investment imbalance sways along income levels and racial lines, where majority-white and higher-income neighborhoods receive considerably

more investments than those that are majority of color or lower income.

Of the region's total investments, the bulk stems from its housing sector, primarily single-family homes, said Brett Theodos, senior fellow and director of the Urban Institute's community economic development hub during a March 14 panel discussion about the report. "That does, in a way, mask some areas of weakness in the region," he said.

Beyond housing, a much smaller portion of investments are those in small businesses, for example. The average annual small business investment in D.C. is $3,425 per employee, putting it in the bottom four jurisdictions out of the country's 100 largest. Arlington, Prince George's and Montgomery counties aren't far off, with the Northern Virginia counties all faring better and Loudoun landing in the top five.

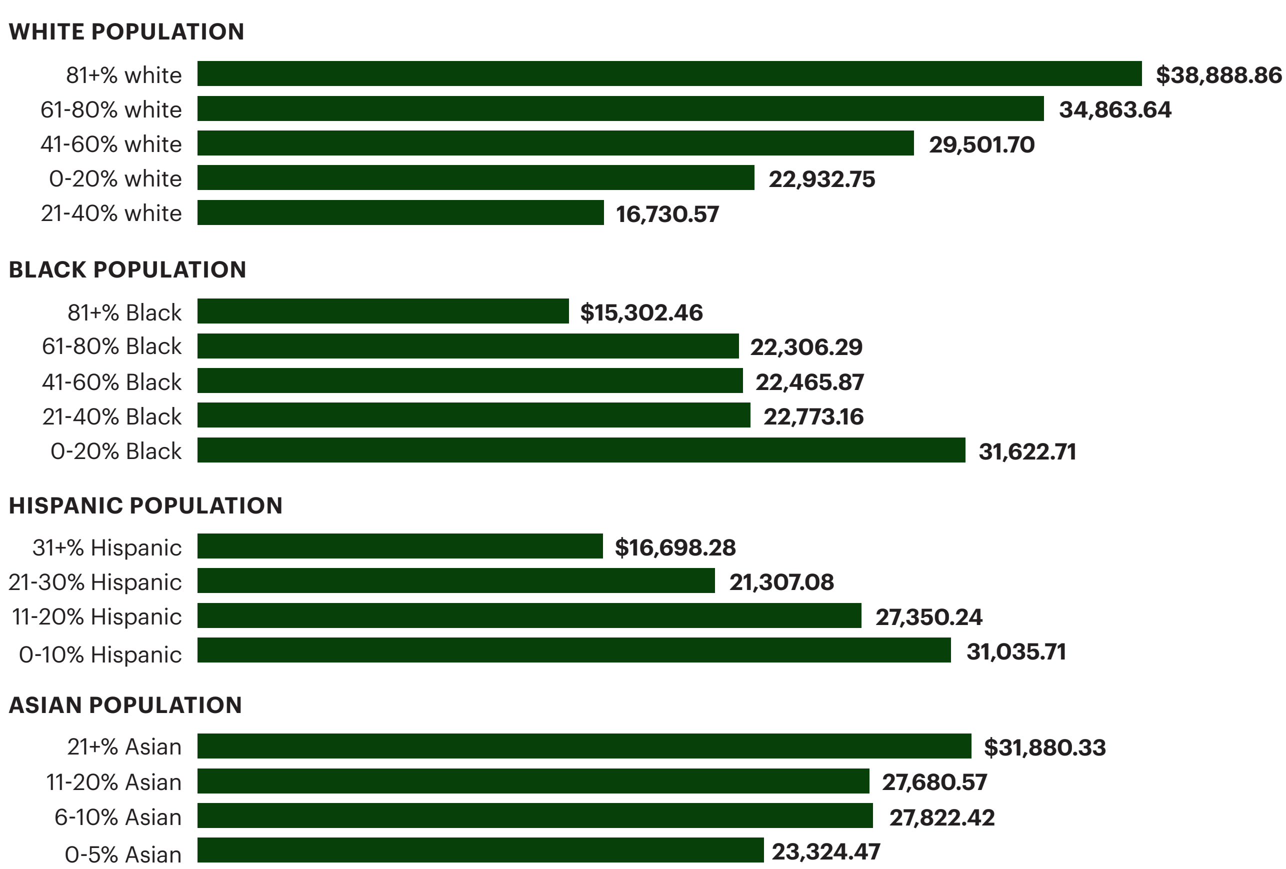
The region's community development financial institutions (CDFIs) and other socially motivated lenders — who played a crucial role in getting capital to entrepreneurs and small business owners of color, especially over the course of the pandemic — made up $4.6 billion or just 1% of total investment dollars in the region between 2010 and 2020, the Urban Institute found.

Despite its best efforts, the sector carries "some gaps in the financing continuum for small businesses," said Amir Kirkwood, president and CEO of Virginia Community Capital, a CDFI. The highest share of small business investments went to higher-income neighborhoods ($4,902 per small business worker) and majority-white areas, at $5,027 versus $3,996 for majority-Black areas and $3,989 for areas with high Latino populations.

– Ana Lucía Murillo

AVERAGE ANNUAL INVESTMENT DOLLARS PER HOUSEHOLD, 2010-2020

Per the Urban Institute, areas with mostly white residents log roughly 2.3 times more investments than areas with the fewest white residents. While that aligns with areas with high Asian populations, the inverse is true of Black and brown residents.



INVESTMENTS BY CENSUS TRACT POVERTY LEVEL, 2010-2020

The study found that neighborhoods that suffered from higher poverty rates had less chance of scoring investments per household than those with higher income levels, often perpetuating the current cycles of wealth distribution.

SOURCE: Urban Institute