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Patrick Malloy

May 8, 2009

Cities of the 21st Century

**Burnsville, Minnesota's Heart of the City Development and Its Implications for
Addressing the Suburban Shortage of Affordable Housing**

Introduction

A common feature of American metropolitan areas is a large supply of housing affordable¹ to lower-income people in the central city and select suburban areas and a relative shortage in many other suburban areas (Dreier et al. 2001). Though the placement of affordable housing remains a volatile political issue, the negative impacts on lower-income people of having limited options for suburban housing are well-documented. They include difficulty reaching higher paying jobs in upscale suburban areas and neighborhood social conditions that make escaping poverty very hard (Cervero 1989; Dreier et al. 2001; Goetz 2003; Wilson 1987). Furthermore, cities with large low-income populations often face fiscal difficulties because their populations require larger amounts of expensive services than wealthier populations (Orfield 2002). Such problems have led the federal government and some state, metropolitan, and local governments to pursue policies aimed at increasing the affordable housing stock in suburbs (Goetz 2003). Many of these policies though face major impediments to implementation due to economic dynamics that often favor more expensive housing and suburban resident

¹ This paper will use the current Metropolitan Council definition of affordable. Under this definition, a rental unit is affordable if a household earning less than 50 percent of the area median income (AMI) can rent the unit for less than 30 percent of its monthly income. An ownership unit is affordable if the mortgage payment for that unit is less than 30 percent of the monthly income of a household earning 80 percent of the AMI. In 2010, the definition will no longer distinguish between ownership and rental units and will set the AMI threshold at 60 percent for both.

opposition, known as Not-In-My-Backyard opposition (NIMBYism), which can prevent construction of affordable housing (Orfield 2002).

Burnsville, Minnesota and its Heart of the City (HOC) project begin to provide insight into how economic constraints and NIMBYism uniquely combine to influence the geography of affordable housing in fiscally pressured suburbs. In 1999, the city government of Burnsville initiated HOC, which was a redevelopment of a deteriorating shopping strip into a mixed-use, pedestrian-friendly development with affordable housing units. Large public subsidies from various levels of government have been an important source of funding for the project. A major motivation was to increase the tax base, but the city government also hopes that it will make the city more appealing for current and future residents and potential investors (City of Burnsville 2009b).

Though the deliberate inclusion of affordable units in HOC challenges the notion that all suburbs are exclusive, it does not signify the absence of either of the two major barriers to affordable housing development. It instead represents the product of a tension between economic pressures to redevelop land, public subsidies tied to affordable housing, and political pressure to develop affordable units on one side, and citizen preferences for owner-occupied, market-rate housing on the other. Economic considerations were the strongest influences in the city's decision to include affordable units, but potential resident opposition strongly shaped the appearance of those units. HOC accordingly demonstrates that by altering the political economy of housing development, public subsidies tied to the inclusion of affordable housing units can induce suburbs to facilitate the construction of such units despite resident opposition.

Nevertheless, it also demonstrates that suburban residents can have considerable influence over certain aspects of housing development policy.

I will use the political economy perspective to analyze the development of affordable housing in HOC. The first section will present relevant literature on affordable housing. It will explain the dominant geography of affordable housing, the reasons some policymakers have tried to expand the affordable housing stock in suburban areas, and the social, political, and economic forces that influence its placement. The interplay between social, political, and economic forces will demonstrate the relevance of the political economy framework to the study of affordable housing in general. The following section will explain the data and methods with a particular focus on the theoretical basis of the political economy perspective. The paper will then present an analysis of the social, political, and economic forces that led to the development of affordable housing in HOC. Finally, it will conclude with a discussion of the implications of the findings for other suburbs and avenues for future research.

Towards Explaining the Geography of Affordable Housing

Suburban Shortage

A basic assumption of this paper is that there is a shortage of affordable housing in suburban areas of the United States and that this arrangement should be changed. Available statistical data powerfully demonstrate this point. First, it is clear that the demand for housing affordable to low-income households greatly exceeds the supply. In 2005, 5.73 million households that earned below 50 percent of the area median income (AMI) where they lived were severely rent burdened, meaning they spent over 50 percent

of their monthly income on rent. The U.S. Department of Housing and Urban Development (HUD) and many experts believe that housing costs that exceed 30 percent of a household’s monthly income are dangerously high because small changes in income could easily force the household into homelessness or cause it to go without basic necessities (HUD 2007). Second, as Table 1 below demonstrates, the shortage is disproportionately acute in suburban areas. It shows the number of housing units, by thousands, in each monthly cost category in central cities and suburbs. It covers all metropolitan statistical areas (MSAs) in the United States for the year of 2007. The expected value represents the number of units in each cost category an area would have if, keeping the number of total units constant, it had a proportionally equal share of the units in that category. In every category over \$1,000, suburbs have a disproportionately small number of units. It is important to note that because the threshold for affordability is based on the AMI of an MSA and AMIs vary by MSA, these data are not a direct representation of the number of affordable units in each area. No such dataset exists due to the difficulty of collecting it. Nevertheless, the data provide a striking picture of the geography of housing costs in the United States.

Table 1: Distribution of Housing by Price and Location in Metropolitan Area

<i>Monthly Cost Category</i>	Central City			Suburbs		
	<i>Expected</i>	<i>Actual</i>	<i>Percent Difference</i>	<i>Expected</i>	<i>Actual</i>	<i>Percent Difference</i>
Total	31602	31602	0.00	52062	52062	0.00
No cash rent	556	607	9.17	916	865	-5.57
\$1-499	6,628	7,322	10.47	10919	10,225	-6.36
\$500-\$999	10,543	11,862	12.51	17371	16,051	-7.60
\$1000-\$1499	6,389	6,009	-5.95	10526	10,906	3.61
\$1500-\$1999	3,278	2,623	-19.98	5,400	6,055	12.13
\$2000-\$2499	1,706	1,313	-23.04	2,810	3,203	13.99
\$2500 or more	2,501	1,864	-25.47	4,121	4,758	15.46

(Source: American Housing Survey 2007)

The historical patterns that influenced the prevailing geography of affordable housing are well-understood. The pattern became deeply entrenched as suburbanization gained speed in the years following World War II. Taking advantage of lower mortgage payments as a result of loan guarantees as well as an opening of the exurban fringe through interstate highway construction, many middle-class families began moving to suburban areas. At the same time, most states passed laws allowing suburban areas to incorporate as independent municipalities, and many did so. Central cities were then unable to influence the geography of affordable housing in most suburban areas. Race and class discrimination, often institutionalized through restrictive zoning and development laws, left many suburban areas open only to middle-class whites. Though racial barriers have decreased and many suburbs have added affordable housing units since the initial years of post-war suburbanization, there remains a marked disparity between the suburban and central city affordable housing supplies (Dreier et al. 2001).

The placement of affordable housing remains a volatile political issue, but the need for a more equitable distribution is well-established. One of the central arguments in favor of expanding affordable housing units in the suburbs is the spatial mismatch hypothesis. Kain (1968) first introduced the idea when he argued that discrimination in housing markets negatively impacted the ability of African-Americans to obtain employment by geographically isolating them from jobs. More recently Cervero (1989) demonstrated that for many suburban residents, commute distances between homes and jobs were increasing due to a lack of affordable housing near job centers. For lower-income people dependent on public transportation, this mismatch could prevent them from even having access to better paying jobs. Larger supplies of affordable housing

units in suburban areas would take steps towards addressing the spatial mismatch by providing low-income households easier access to increasingly suburban jobs.

Expanded suburban supplies of affordable housing would also be an indirect but effective way of addressing the problem of concentrated poverty in the central-city. Wilson (1987) argues that the concentration of joblessness and poverty in small areas makes it extremely difficult for residents of such areas to escape poverty because “people experience social isolation that excludes them from the job network system that permeates other neighborhoods” (p. 57) and because concentration “generates behavior not conducive to good work histories” (p. 60) since residents are accustomed to casual work instead of regular long-term work. At the time he was writing, the concentration of poverty in the United States was peaking, with 21.8 percent of people in poverty living in census tracts with over 20 percent of the population being in poverty in 1990. By the 2000 Census, that statistic had declined to 19.5 percent, but that is only a slight decline (Bishaw 2005). High levels of poverty, particularly concentrated poverty, also have a negative impact on central cities as a whole because impoverished residents require larger quantities of expensive services such as health clinics and housing than wealthier populations. High service expenditures can result in fiscal difficulties in cities with high levels of poverty (Orfield 2002). Increased suburban supplies of affordable housing would help to reduce poverty concentration by providing new residential locations for current residents of high poverty areas and would ease the fiscal difficulties cities with large impoverished populations face by distributing the need for services more evenly across metropolitan areas. The following sections will offer the dominant explanations for why increasing the suburban supply has been so difficult.

The Economic Explanation

One body of literature argues that the shortage of affordable housing in suburban areas is a symptom of fiscal incentives to favor more expensive housing units. A fundamental necessity of any municipality is to raise tax revenue, and one of the primary ways municipalities do so is through property taxes. A problem with using property taxes though is that they yield the same revenue for a given parcel regardless of the residential density of that parcel. For services such as schools and infrastructure whose costs are determined by the number of people they serve, higher density development, which is often more affordable, yields fewer tax dollars per person than lower density development. This situation creates an incentive for cities to raise lot size, which excludes affordable development. If the city chooses not to increase the minimum lot size, it may have to raise taxes, which makes it less competitive for attracting businesses and residents, which in turn has a negative impact on the tax base (Gyourko 1991).

Empirical evidence for the economic explanation is strong. Rolleston (1987) examined zoning decisions for vacant land in 360 municipalities in northeastern New Jersey. She found that when a larger portion of a city's tax base came from non-residential uses, which typically yield more taxes per given amount of land than residential uses, the city allocated less vacant land to any residential uses. Furthermore, the land that was allocated as residential was more restrictive in the types of units that could be built on it, which restricted affordability of new units. Additionally, she found that the ratio of a city's total fiscal capacity to the fiscal capacity of adjacent cities is a statistically significant predictor of how much vacant land a city zones as residential and how restrictive that residential land is. Cities with smaller fiscal capacities relative to

neighboring cities tended to zone less vacant land for residential uses and the land that was zoned for residential uses was zoned more restrictively. A study of 132 cities in Connecticut again found that larger proportions of non-residential land-uses correlated negatively with the amount of vacant land zoned as residential, though the effect was small (Bates and Santerre 1994). Finally, one study found that the use of impact fees, which theoretically eliminate the fiscal impact of higher density residential development, increase construction of multi-family and single-family units. This suggests that by removing the fiscal disincentive to allowing higher density, affordable units face fewer obstacles to construction (Burge and Ihlanfeldt 2006a; Burge and Ihlanfeldt 2006b).

The Not-In-My-Backyard Explanation

The other dominant explanation for the suburban shortage of affordable units is that suburban residents mount NIMBY opposition to affordable units, resulting in local governments attempting to exclude affordable units. In 1991, the Advisory Commission on Regulatory Barriers to Affordable Housing declared, “In community after community across the country, local governments employ zoning and subdivision ordinances, building codes and permitting procedures to prevent development of affordable housing” (p. 3). The report recognizes that some exclusionary efforts may be based on empirical evidence about fiscal impacts of affordable housing, but it also argues that many emerge from unsubstantiated fears about the effects of affordable housing on property values, crime, schools, congestion, and community aesthetics. HUD reiterated the findings of the panel’s 1991 report in a 2005 report, and added environmental concerns as another reason that suburban residents may object to affordable housing.

Though NIMBYism outwardly usually focuses on property value, service, and quality of life issues, many observers have long contended that racism and class biases underlie it. Danielson (1976) influentially argued from this perspective in his book *The Politics of Exclusion*. He writes, “Middle-class families commonly equate personal security, good schools, maintenance of property values, and the general desirability of a residential area with the absence of lower-income groups” (p. 6). He argues that class is intertwined in the minds of many whites with race when he writes, “Large numbers of whites identify almost all blacks with poverty, crime, broken families, and other undesirable characteristics of lower-class populations” (p. 11). Exclusionary zoning provisions, which are those that restrict the development of lower-income housing, as well as stringent building codes, strict code enforcement, and outright exclusion of subsidized housing have worked to maintain economic and racial segregation. Though he recognizes that fiscal considerations may motivate such policies to some extent, he attributes them primarily to the desire of suburban residents to maintain the economic and racial character of their suburbs.

Indeed, there is strong historical evidence and some more recent evidence supporting Danielson’s argument. First, at least until the time Danielson wrote his book, many whites had systematically excluded blacks from predominantly white neighborhoods. Through practices such as redlining², steering³, intimidation, and violence, the federal government, banks, neighborhood associations, and white individuals had established and maintained a highly racially segregated residential pattern

² Redlining was the practice of not providing home mortgages in areas deemed to be high risk. Areas with predominantly black populations were almost always considered high risk (Massey and Denton 1993).

³ Steering is a real estate agent practice of showing clients properties disproportionately in areas in which those clients would be in the racial majority (Massey and Denton 1993).

(Danielson 1976; Massey and Denton 1993; Sugrue 2005). There is significant debate about the present impacts of racism on real-estate market dynamics, but there is limited evidence that it may still play a role in NIMBYism. In her study of New Jersey cities, Rolleston (1987) found that cities that had smaller minority populations than their surrounding areas had more restrictive residential land-use zoning. There is also evidence suggesting that class bias may still provoke NIMBY opposition. Bates' and Santerre's (1994) study of Connecticut cities found that cities with a smaller population of residents in poverty than surrounding areas were more likely to zone vacant land for non-residential uses, most likely to exclude future low-income housing development.

At the same time though, many other researchers have contended that the expressed objections of NIMBYism are true reflection of the beliefs of residents. The best documented examples of NIMBYism are those focusing on environmental concerns posed by facilities such as industrial plants or waste dumps (Schively 2007). In such cases, it is unlikely that opposition is based on anything other than concern for health and quality of life within a neighborhood. Fischel (2001) extends the argument for less nefarious sources of NIMBYism beyond environmental considerations. He presents the compelling hypothesis that opposition may simply be a rational economic response to the uncertainty of whether a new land-use will diminish property values. Though research in Baltimore County, Maryland actually showed new rental units made affordable through HUD's Section 8 program⁴ increased property values slightly in surrounding areas when they were present in low concentrations, if residents are acting without that knowledge or

⁴ Under Section 8, qualifying low-income households occupy private market housing and pay 30 percent of their monthly income in rent while HUD pays the difference between that value and market rate (Galster et al. 2003).

are not convinced by it, the objections they express are an accurate reflection of their motivations (Galster et al. 2003).

Though evidence exists for both arguments, it is extremely difficult to evaluate residents' true motivations in relation to NIMBYism towards affordable housing. Most importantly, there is very little work focusing directly on NIMBYism and housing (Schively 2007). The most closely applicable body of work focuses on the placement of human services facilities such as group homes and AIDS clinics. Researchers in this field have found, however, that levels of opposition vary greatly by region and location in metropolitan areas, as well as the political orientation of communities (Segal et al. 1980; Takahashi and Dear 1997). The implication is that predicting a NIMBY response is difficult, and it is therefore difficult to draw conclusions about what motivates people to mount such a response.

Two of the only studies that do address NIMBYism and housing directly highlight the difficulty of separating race or class discrimination from more socially acceptable concerns. The first found that out of 182 housing developments studied in the San Francisco Bay area, in only one case did someone object to a development on the grounds that it included subsidized affordable housing. Most complaints focused on environmental, infrastructural, or aesthetic concerns. However, opposition was 38 percent more likely to emerge when affordable units were included (Pendall 1999). The units may have simply presented to a greater extent the issues about which existing residents were concerned, or residents may have been masking discrimination with more tenable complaints. An extended case study of the wealthy New York City suburb of Bedford found that even though policies meant to maintain a rural aesthetic directly

excluded Latino immigrants and the poor, most residents did not recognize this in interviews and were hesitant to support changing policies. It is probable that residents' aesthetic concerns are genuine, but they may have also be intertwined with issues of class or ethnicity of which residents may or may not be conscious (Duncan and Duncan 2004). I will now turn to evaluating the balance and interaction between economic pressures and NIMBYism in the development of affordable housing in Burnsville's HOC.

The Case Study Approach to Heart of the City

The Political Economy Perspective as an Analytical Framework

As the literature demonstrates, both political and economic factors influence the geography of affordable housing, so to conduct a case study such as the one I have done on HOC, an analytical framework that can accommodate this duality is essential. The political economy of place perspective explicitly addresses the dual nature of affordable housing placement, and is therefore what I will use to analyze the inclusion of affordable housing in HOC. In its most essential form, the political economy perspective is the view that the economy and politics are not separate spheres operating independently of each other, but rather that politics is an arena that shapes the economy, while at the same time the economy constrains the spectrum of political activity and may encourage politics to proceed in particular directions. By rejecting the idea that the economy is a force independent of human action, the political economy framework implicitly accepts some level of human agency in determining the course of development and therefore attempts to address questions about who or what has power in the development process.

In *Urban Fortunes* Logan and Molotch (1987) explicitly link political economy to geographic place. According to their argument, a fundamental characteristic of places is that they have both use and exchange values. Use values are those non-economic benefits that actors derive from a place, whereas exchange values are the economic benefits. Favoring one often diminishes the other, so there is a constant struggle between actors interested in use values and actors interested in exchange values, which ascribes a fundamentally political character to development. For instance, established residents often oppose new housing developments on the grounds that those developments will make the area more congested and diminish the rural character the area had when they moved to it (Pendall 1999). The developers would profit economically, but the quality of life of existing residents might decline. A political struggle also occurs within the group of actors pursuing exchange values. The authors write, “Property prices go down as well as up, but less because of what entrepreneurs do with their own holdings than because of the changing relations among properties” (Logan and Molotch 1987, p. 24). Place entrepreneurs therefore have an interest in channeling growth in such a fashion that their holdings increase in value, which in turn hurts the value of other place entrepreneurs’ holdings. Because government regulates land use, “the elite can mobilize the government to bolster growth goals” (Logan and Molotch 1987, p. 35).

While the general political economy framework as described in the previous section is useful for understanding how places develop, it is open to many interpretations of how it operates. Most importantly, it leaves open the question of who or what has power in the process of growth, and how much power each agent has. Answering this question requires an understanding of the structures that constrain every agent’s spectrum

of possible action. A wide variety of perspectives have emerged on the above question, complicating the political economy framework, yet the multiple interpretations are ultimately useful in understanding the nature of growth in particular places.

After providing a general sketch of the political economy of place, Logan and Molotch (1987) present a highly developed and particular characterization of how political economy operates. They believe that the central component of political economy is the growth machine, “[a]n apparatus of interlocking progrowth associations and governmental units” that stand to gain economically and politically from growth in a particular place (Logan and Molotch 1987, p. 32). Utilities, businesses, and rentiers, who are actors deriving profits directly from land, are the most important pieces of the growth machine because of the substantial profits they directly receive from growth.

Governments often view growth as a means of getting ahead in competition with other cities, so they also have a major place. Finally, politicians often rely on other growth machine actors for funding campaigns, so they stand to gain from growth.

From the growth machine idea emerges a highly curtailed picture of individual agency. Pointedly, residents, who the authors argue derive primarily use values from place, are not part of the growth machine. In fact, the authors contend that growth machines pursue “value-free development”, which is “the notion that free markets alone should determine land use,” leading to degradation of the use values residents favor (Logan and Molotch 1987, p. 32). The authors concede that residents are occasionally able to form neighborhood organizations that can challenge the desires of the growth machine, but believe that typically “elites use their growth consensus to eliminate any alternative vision of the purpose of local government or the meaning of community”

(Logan and Molotch 1987, p. 51). Thus the components of the growth machine are extremely powerful and residents are very weak.

Paul Peterson (1981) more explicitly addresses the issue of inter-municipality competition, and in doing so presents a highly deterministic view of the political economy. Peterson's (1981, p. 20) main contention is that cities pursue policies that are in their interests, which are those that "maintain or enhance the economic position, social prestige, or political power of the city, taken as a whole." He believes that economic position is the most important of these three concerns. As a result, he writes, cities can pursue only to a very limited extent policies that benefit primarily people paying less than the average person in taxes. Extensive implementation of such policies would result in increased taxes, which would cause a decline in a municipality's competitiveness vis-à-vis other municipalities and a subsequent decline in economic position, social prestige, and political power. Therefore, in Peterson's model, as with the growth machine model, the capitalist economy powerfully structures policy and causes cities to favor growth. However, his model argues for far less agency for cities and even more curtailed agency for residents. Cities may choose various policies, but they must inevitably achieve growth. Residents can only influence policy to the extent that their desires are compatible with growth.

As with any theoretical framework though, the growth machine idea and the economic determinist model do not explain the full range of real possibilities. In *A Contemporary Critique of Historical Marxism*, Anthony Giddens (1995) proposes Structuration Theory, an alternative view of structure and agency that though not specifically dealing with growth is highly relevant to understanding the political economy

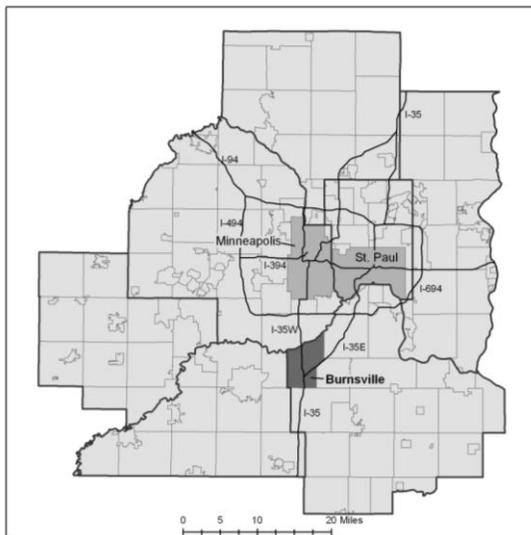
of place. At the center of his theory is the idea that “all social action consists of social practices, situated in time-space, and organised in a skilled and knowledgeable fashion by human agents” (Giddens 1995, p. 19). However, “[S]uch knowledgeability is always ‘bounded’ by unacknowledged conditions of action on the one side, and unintended consequences of action on the other” (Giddens 1995, p. 19). Structures thus affect agents’ actions, but because the agents are empowered, they can change the structures slightly in the process of reproducing them (Giddens 1995). The ideas about structure and agency embodied in Structuration Theory are in contrast to those presented by Logan and Molotch (1987) and Peterson (1981). Though Giddens recognizes that structures such as capitalism and laws constrain action, he maintains that because individuals are involved in reproducing structures, they have the ability to change them. With development, his theory would therefore suggest that actors favoring use values would have the ability to shape development to some extent.

Background and History of Heart of the City

Understanding the context and history of HOC is important to applying the political economy framework to affordable housing development in HOC. Burnsville is a suburban municipality in Dakota County, which is part of the seven-county Twin Cities metropolitan area. Burnsville is 14 miles directly south of downtown Minneapolis and 17 miles southwest of downtown St. Paul (see Map 1 below). It incorporated as a municipality in 1964 as its population began to grow rapidly. Growth peaked in the 1970s and 1980s, and then began to slow in the 1990s. At present, 98 percent of the land is developed, meaning that it is considered by the Metropolitan Council, which is the

regional government of the seven-county metropolitan area, a “fully developed” city. The city estimates its population to be 61,048 people. Though the city is primarily a residential area, it is directly adjacent to the job centers of Bloomington and Eagan and only a 15 mile drive to the job center of Eden Prairie. HOC is located near the center of Burnsville (see Map 2 below) between State Highway 13 and Burnsville Parkway, two major arterials in Burnsville. It is at the former site of a K-Mart and other small retail businesses (City of Burnsville 2008).

Map 1: Location of Burnsville



(Sources: Metro GIS, Metropolitan Council)

Map 2: HOC's Location in Burnsville



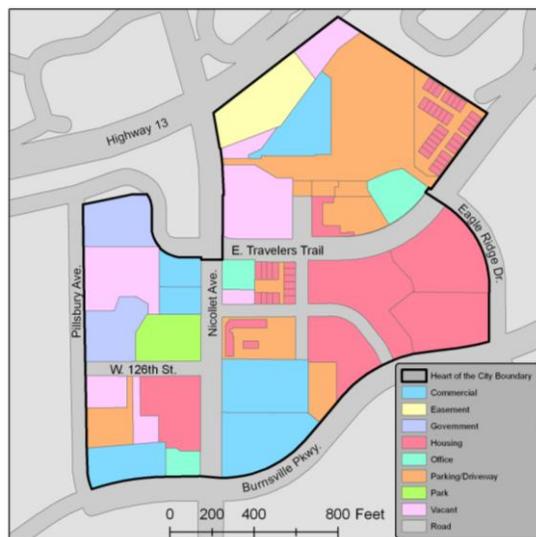
(Sources: Metro GIS, Metropolitan Council)

The city government of Burnsville describes HOC as “a smart-growth based, mixed-use, pedestrian friendly downtown area” (City of Burnsville 2009b). It encompasses 54 acres and includes retail, a grocery store, a performing arts center, parking, and 361 new housing units⁵ (see Map 3 below). The existing new housing units

⁵ A senior housing development called Eagle Ridge Place is also in the area considered to be HOC, but it has been in place since before redevelopment began is not factored into any calculations by the city government of the number of total housing units and affordable housing units in HOC. I have therefore chosen not to include it in my analysis.

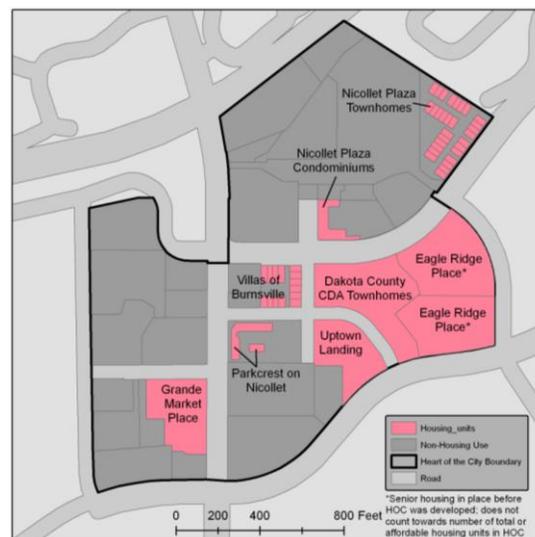
are spread across six projects, and the city intends to add one additional housing development as well as more units to Nicollet Plaza and Uptown Landing (see Map 4 below). As Table 2 below indicates, 80 of the existing new rental units are subsidized in order to be affordable and 12 of the ownership units were built to be affordable. An additional 30 owner-occupied units qualify as affordable based on their most recent sales prices, though the developer did not build them with the goal of making them affordable. According to the City of Burnsville (2009a), 123 of the 361 housing units, or 34 percent of the total, were affordable in December 2008.

Map 3: Land Use in HOC



(Sources: City of Burnsville, Metro GIS)

Map 4: Housing in HOC



(Sources: City of Burnsville, Metro GIS)

HOC represents a departure from the type of development that has typified Burnsville for the last 45 years. The project has its origins in the early 1990s when the city conducted the “Partnerships for Tomorrow” project, which was a visioning process that solicited input from citizens. According to the city, there was interest in having a downtown with an urban character, so it established the “Vision for Tomorrow” project, out of which the city says the concept of the Heart of the City originally emerged (City of

Burnsville 2009c). In 1999, the city council approved two new zoning categories in order to allow mixed-use development at the site and began seeking master developers for the project (City of Burnsville 2009d). Upon failing to find a developer that was willing to redevelop the area in line with the city's vision, the city council decided in 2000 to make the city the master developer (Gessner 2000). The city began purchasing land in 2001 and construction began in 2002. Residents began moving into Grande Market Place in 2003, and additional housing opened in subsequent years. The HOC project is the first example of mixed-use redevelopment in Burnsville (City of Burnsville 2009d).

Table 2: Housing Projects in Heart of the City

Project	Total Units	Tenure Type	Affordable Units in Contract	Total Units Built	Total Affordable Units Built
Dakota County CDA Townhomes	34	Rental	34	34	34
Grande Market Place	113	Rental	46	113	46
Nicollet Plaza	232	Ownership	14	76	12
Villas of Burnsville	14	Ownership	0	10	0
Parkcrest on Nicollet	91	Ownership	0	91	22
Sherman & Assoc. Condominiums	35	Ownership	0	0	0
Uptown Landing	111	Ownership	0	37	9
<i>Total</i>	<i>628</i>		<i>94</i>	<i>361</i>	<i>123</i>

(Source: City of Burnsville)

Data and Methods

I have consulted primary and secondary written sources and conducted interviews in order to analyze the inclusion of affordable housing in HOC. I first consulted internet resources from the City of Burnsville that focus specifically on Heart of the City in order to develop an understanding of the project's history. I next reviewed the "Land Use Report", "Housing Report", and "Land Use Alternatives Report" sections of *City of Burnsville 2030 Comprehensive Plan Update* to understand the city's official policies related to affordable housing, as well as to begin to develop an understanding of citizen's

desires, which were expressed in the “Land Use Alternatives Report” section. Next, I reviewed all newspaper articles in *The Dakota County Tribune*, *The Minnesota Sun*, *The Star Tribune*, and *The Pioneer Press* in order to obtain more information about the history of HOC as well as information about city politics surrounding the issue of HOC and affordable housing. I then conducted three semi-structured interviews with government officials in order to understand the considerations that went into developing HOC, citizen responses to the project, and government reactions to those responses. One of the officials was a senior employee of the Burnsville city government, one was an elected official of the Burnsville city government, and one was a senior employee of the Dakota County Community Development Agency (CDA). I selected the elected official because of his prominence in affordable housing debates. My initial contact in the city planning department referred me to the city employee, and a subsequent contact through that employee referred me to the Dakota County CDA employee.

The Political Economy of Affordable Housing in Heart of the City

Economic Pressures to Redevelop

More than any other factor, economic pressure to redevelop land led the city government of Burnsville to develop HOC, without which there would not be as many affordable units on the site as there are today. Understanding the economic motivation is therefore critical to understanding the political economy of affordable housing at HOC. Maintaining its economic viability is one of the chief concerns of Burnsville. As Orfield (2002) explains, Burnsville is an “At-Risk Low-Density” community. In such communities, the housing stock is old, levels of poverty are higher than in surrounding

areas, and the tax base is growing slowly. In addition, they have relatively little commercial land use, which yields higher taxes per land area than residential use, and the residential units are at low densities. At-Risk Low-Density communities are in danger of having their tax bases start to shrink and their competitiveness vis-à-vis other cities begin to diminish. The problem is especially worrisome for Burnsville because none of the cities surrounding it except Bloomington are in a high risk category.

Burnsville does not publicly acknowledge its economic situation as being nearly as precarious as Orfield would suggest, but its comprehensive plan update clearly indicates that it is aware of its need to boost its tax base. Most importantly, goal four of its land-use plan reads, “Continue to actively pursue redevelopment,” and goal seven reads, “Promote redevelopment of the Minnesota River Quadrant,” which is a quarry in northwest Burnsville for which there are plans to eventually convert it to a mixed-use development (City of Burnsville 2008, p. II-3-4). Redevelopment is the only viable option available for boosting the tax base because, as mentioned previously, 98 percent of the land area is occupied by some function, meaning the tax capacity of developed land must be increased in order to grow the tax base. Beyond the absolute need to grow the tax base, Burnsville appears to believe that it must improve its situation relative to the cities around it. In the chapter of the master plan entitled “Economic Development” (2008, p. III-15), there is language such as, “To stand out from other cities, Burnsville will focus on attracting medical device, biotechnology, nanotechnology, telemedicine, research facilities, incubator programs, and related businesses and services to the city.”

One of the main goals of HOC was to address the need to redevelop land in Burnsville. The city’s online description of the development explains, “Along with

cultural development, the Heart of the City is aiming at economic development. At full development, the Heart of the City area will generate approximately \$2-\$3 million in property taxes annually compared to the \$200,000 it did before redevelopment” (City of Burnsville 2009b). By 2008 it was yielding \$700,000 per year in property tax revenues (Burnsville Economic Growth Committee 2008). A city official explained in an interview that this amount was what the city had estimated the project would yield at its present stage in development.

The economic pressure to redevelop forms a crucial part of the political economy of affordable housing in HOC. In developing the HOC, Burnsville was deliberately trying to improve its economic situation both in absolute terms and relative to the cities around it. By responding to the powerful structure of the capitalist economy, Burnsville was thus acting largely in the way that Peterson’s (1981) economic determinism model would predict. The simple presence of a need to redevelop the land that became HOC does not explain why the city directly pursued affordable housing though. In the next section, I will discuss how public subsidies and, to a much lesser extent, political pressures explain why Burnsville included affordable units in HOC.

The Role of Subsidies

Including affordable housing units in HOC made significant subsidies available for the broader development of HOC. The city received \$8 million from the state and federal government in grants that were tied to affordable housing. The largest portion of the grants, \$4.1 million, came from the Metropolitan Council as Livable Communities Act (LCA) grants. The Minnesota legislature passed LCA in 1995 in response to

increasing suburban shortages of affordable housing. The Minnesota Land Use Planning Act (LUPA), a 1976 bill, had required that each municipality build its “fair share” of affordable housing units as determined by the Metropolitan Council. It resulted in increased building of affordable units in the suburbs into the early 1980s, but large cuts in federal housing subsidies under the Reagan Administration ultimately led to the Metropolitan Council ceasing its efforts to enforce LUPA. LCA reiterated the provisions of LUPA and provided grants and loans for building affordable and lifecycle housing, cleaning up polluted sites, and developing transportation-oriented development to communities that voluntarily decided to participate (Goetz 2000). The Burnsville City Council unanimously agreed to participate in LCA in 1996. The Heart of the City grants, which required that 20 percent of the housing units in the entire development be affordable, paid for land acquisition, the construction of Nicollet Commons Park, and infrastructure. The federal grants, which came from HUD, are also tied to affordable housing, but just as with the LCA grants, they did not pay directly for housing units. Instead they paid for the construction of a parking garage (Burnsville Economic Growth Committee 2008). George Sherman, the primary developer of Grande Market Place, also received a \$3.4 million low interest loan from the Minnesota Housing Finance Agency because the development included affordable units (Werner 2002).

The subsidies played an important role in the decision to deliberately include affordable housing units in HOC. In explaining the reasons for including affordable units, the Burnsville city employee bluntly explained:

Money. We got Livable Communities grants. We built the parking ramp with grants. Like any place else in Burnsville, we’re always going to have affordable housing, but that was certainly a major incentive to us...It’s also the reason we worked with Dakota County CDA to do their

townhome project. It was all subsidized. We wanted them to put it in here, A, for the grants, and B, again, it's the way we've done business all along.

In a later comment, he stated that had the subsidies not been available, Burnsville would still have put affordable units into HOC, but might not have completed some of the other elements of the development, such as the park. An official from the Dakota County CDA agreed that the grants were the primary reason for including affordable housing units in HOC, but he offered a conflicting response to what he believes the city would have done without them when he stated, "Without those resources, there's just no way you would get the affordable units within Grande Market Place."

Ultimately, it is very difficult to determine with certainty what Burnsville would have done had subsidies not been available, but what is clear is that they significantly altered the political economy of affordable housing development in HOC. First, they made it so that including affordable units would not be a net drain on city resources. As the comments of the city employee and the Dakota County CDA employee show, there were doubts about the economic feasibility of including affordable units in the absence of subsidies that largely follow the arguments articulated by Gyourko (1991) and the Advisory Commission on Regulatory Barriers to Affordable Housing (1991). The subsidies did not negate the role of the capitalist economy and private market in shaping HOC, but they did significantly lessen the constraints that they posed and even created a situation in which including affordable units offered more benefits to the city than not having them. Subsidies thus targeted the economic constraints that often work to hinder affordable housing development, resulting in the construction of affordable units in HOC.

Subsidies also created a political environment more conducive to developing affordable housing by significantly altering the actors that were involved in development. When the city made the decision to become the master developer, it largely shut private developers out of the process of making major decisions about the shape the development would take. While the exchange value of an increased tax base was a major motivation to the city to develop HOC, it also pursued goals that were distinctly use values such as a pedestrian-friendly environment. As Structuration Theory would suggest, the city would have had some ability to pursue use values, but it is clear that the subsidies expanded its ability to exercise discretion. George Sherman is quoted in a newspaper article as saying, “I don’t believe this concept could have happened [without public subsidy]. Something could have been built, but it wouldn’t have been this European urban village with the integration of all these components” (Werner 2002). Moreover, the city was specifically able to select a developer that specialized in designs such as that of HOC that required the use of public subsidies. Though the developer’s final goal was still to make a profit just as the developers Logan and Molotch (1987) describe, it did so by finding an economically viable way to realize the city government’s vision, not by pursuing value-free development. Without public subsidies, Burnsville most likely would have had to sacrifice use values in the name of the developers’ profits because without developers, it would have had no way to redevelop the land that is now HOC.

The Role of Political Pressure to Build More Affordable Housing

In addition to subsidies, political pressure from several directions led Burnsville to create affordable units in HOC, yet the manifest weakness of that political pressure

further demonstrates the primacy of economic considerations. The Metropolitan Council has pushed Burnsville, along with every LCA municipality in the Twin Cities, to develop more affordable units. Once a municipality decides to participate in the LCA, it negotiates an affordable housing goal with the Metropolitan Council. By 2010, Burnsville is to add 917 owner-occupied units. It does not have an obligation to add any rental units. As of 2007, it had added 673 owner-occupied units and 174 rental units (City of Burnsville 2008). HOC represented an opportunity to work towards the 2010 LCA goal. Nevertheless, the political pressure from the Metropolitan Council is relatively weak. Goetz (2000) has criticized LCA for setting its goals too low because they emerge from negotiations with the cities, meaning the cities often reduce the goals from what the Metropolitan Council initially decides is each city's fair share. Furthermore, availability of grants is tied only to cities making efforts to reach the goals, not to how effectively they are making headway. Consequently, a city could receive grant funds simply for having a project include affordable housing units, regardless of whether the city is going to reach its 2010 goal. Additionally, Burnsville's decision to include affordable rental units in HOC despite being under no political obligation to do so indicates that it was responding to other motivations besides pressure from the Metropolitan Council.

The limited extent of internal pressure to build affordable units points to those motivations being economic. The comprehensive plan (2008, p. IV-15) notes, "Business leaders indicated that affordable housing is a benefit to the city." At the same time though, business leaders would like to see more high-end housing in order to

accommodate executives, so the pressure they exert is relatively diffuse. In terms of pressure from residents, a city employee explained:

You have to have a place for your entry-level workers to live, and your administrative workers, so we've always concentrated that we want to be able to do that...[A] beginning teacher in Burnsville should be able to live here. One of our starting cops should be able to live here. In order to do that you have to have housing that they can afford, so it's been a long, ongoing goal to concentrate on having that available.

He noted that there is generally support for affordable units when people see them as providing housing for important city workers. Nonetheless, building more affordable housing is not an issue that motivates most constituents, so the pressure from them is very weak. These examples are still important in that they begin to demonstrate that residents' and businesses' political attitudes are a factor in structuring the political economy of affordable housing development, but the weakness of the pressure does support my contention that economic considerations were the primary factor motivating the city to include affordable units in HOC.

NIMBYism and Heart of the City

Though residents and businesses may have had relatively little impact on the decision to include the units, the threat of their opposition gave them considerable influence in shaping HOC once the city had made the decision to include affordable housing units in HOC. It is clear that there is a generally negative attitude in Burnsville toward rental housing, especially that which is for low-income people. Most noticeably, a goal in the city's 2008 update to its comprehensive plan reads, "Achieve city-wide housing goal of 70% owner-occupied units and 30% rental units" (p. IV-3). The motivation of the goal is to address "the oversupply of senior and rental housing in

Burnsville” (City of Burnsville 2008, p. IV-3). The goal is significant because currently 68 percent of Burnsville’s housing units are owner-occupied and 32 percent are renter-occupied, so it represents an effort to decrease the proportion of renter-occupied units. Granted, even if Burnsville achieved its goal, it would still have a higher percentage of rental than the Dakota County average, which is 22 percent, so it should not be viewed as a strongly anti-rental or anti-affordable housing (City of Burnsville 2008).

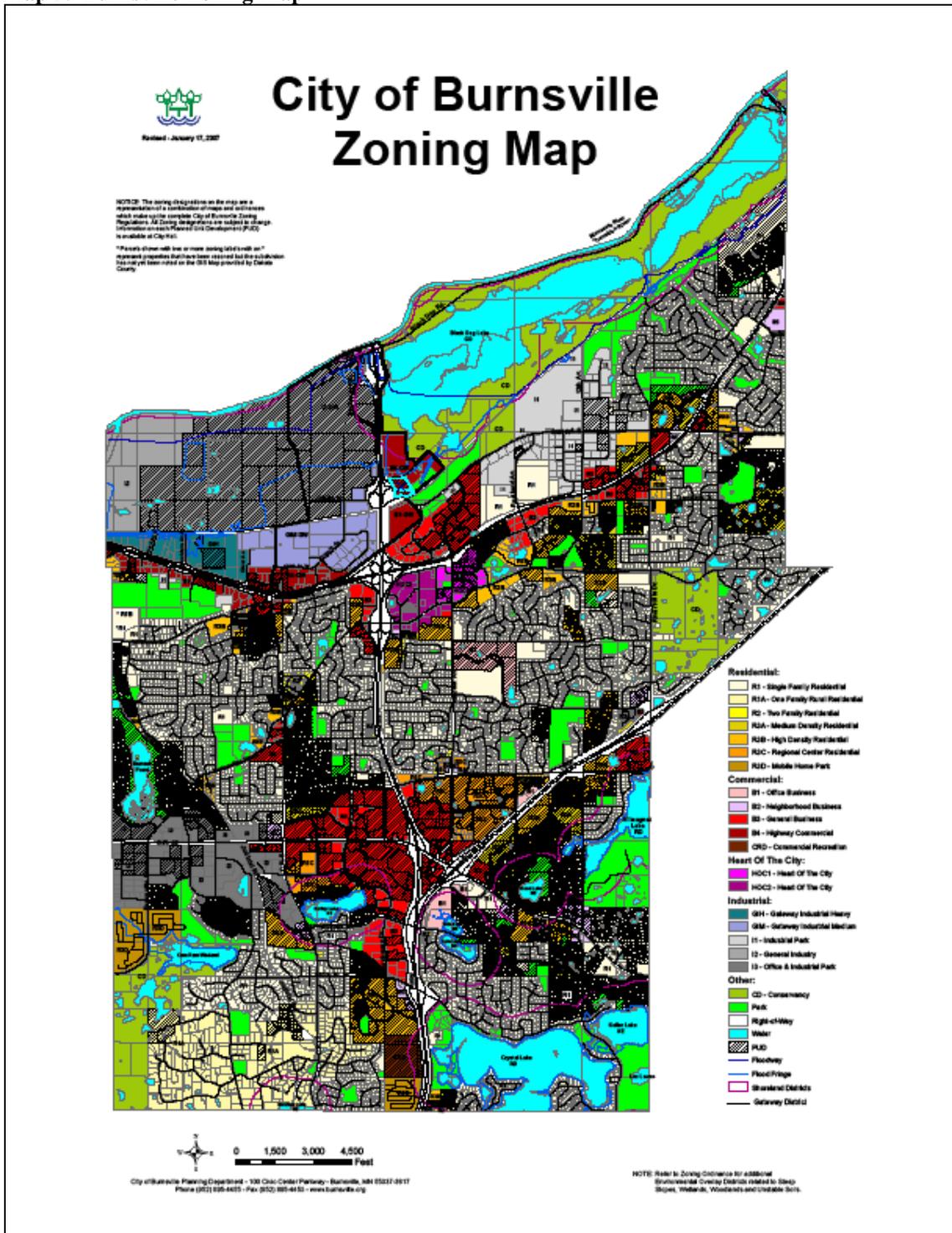
Burnsville’s higher than average percentage of rental stock though does not mean that it is without direct resident opposition. Evidence from interviews strongly suggests that this opposition is present in some groups. A city employee explained, “It [rental housing] has a negative mental effect on our residents. The ‘r’ word, for a number of years, has been a negative in Burnsville.” He attributes this to a number of factors. First, he notes that early in Burnsville’s development, city officials located much of its rental housing at major intersections (see Medium-Density Residential and High-Density Residential categories in Map 5 below). He went on to explain:

The downstroke to that is when you drive around Burnsville, you see all these apartments, and you assume then that there’s even more apartments than there really are because you don’t, even as a citizen, you don’t necessarily realize the apartments are all sitting out where they can be seen in the buffer. So, for at least twenty years now we have consistently heard from our residents, “No more apartments.”

In addition, he stated, “[T]here is a stereotype of an apartment dweller that they’re low-income and that they may be on welfare.” An elected official I interviewed may have been reflecting these sentiments when he stated in reference to the decision to pursue a 70-30 ratio between owner-occupied units and renter-occupied units:

I think it was based on the feeling that homeowners tend to do more to keep their neighborhoods in good shape than do renters, and so we wanted to be sure that there was an appropriate proportion of homeowners.

Map 5: Burnsville Zoning Map



(Source: City of Burnsville)

Lastly, direct studies of resident opinions lend support to the idea that there is a moderately negative view of rental and affordable housing. A 2005 study found that 23

percent of respondents felt that there was too much affordable rental housing, though only two percent felt that there was too much affordable owner-occupied housing (Decision Resources, Ltd. 2005). A 2007 survey of resident opinions showed that 6 percent of respondents viewed high density housing as the most serious issue facing the city. Out of 13 issues identified, it was the sixth most frequently identified (Decision Resources, Ltd. 2007). Finally, when the city was conducting its 2008 comprehensive plan update, it sent a questionnaire to 500 people and then compiled their responses in the Land Use Alternatives Report. On question 7, which reads, “What changes would you need in your current home neighborhood or in the City to keep you here throughout your lifetime?,” seven responses related specifically to affordable or rental housing and five of them called for less. For instance, one reads, “Enough already of low income housing! I know this sounds racist but the elements attracted by these programs drive hard working, tax paying, citizens out of the city” (City of Burnsville 2008, p. C-31). The responses in the Land Use Alternatives report cannot be considered representative of the population, but they do demonstrate that there is opposition among some groups to certain types of affordable housing.

The negative attitudes towards affordable rental housing would suggest that the housing aspects of HOC should have generated at least a moderate level of controversy, but they did not. Analysis of newspaper articles related to Heart of the City reveal only one instance of opposition specifically to the housing. A newspaper article quotes City Councilman Charlie Crichton as saying, “We’re ruining our downtown. I think that’s terrible. We’re ruining ourselves.” In the same article, he is later quoted as saying, “I think affordable housing is wonderful, but we have enough. You’re saying we have to

build cheap houses. I think it's terrible" (Goldsmith 2006). He did, however, ultimately vote in favor, along with the rest of the council, for the measure that elicited the above response. Both the city employee and the elected official I interviewed could not recall any citizens groups that mounted opposition to the housing provisions.

The lack of controversy does not demonstrate though that NIMBYism had no role in HOC, but rather that the awareness on the part of officials and developers of the potential for NIMBYism affected decisions about how to develop the project from the outset. First, the city employee with whom I spoke noted that the city began using the term "workforce housing" in place of "affordable housing" at the time that it began pitching the idea of HOC at public meetings in order to associate the affordable units with public employees such as teachers, police officers, and firefighters instead of the stereotypical low-income, welfare recipient from the inner city. In addition to an alternative terminology, the city established stringent design standards in HOC, even for the affordable units, in order to preempt any opposition ostensibly related to aesthetic concerns. In fact, the employee of the Dakota County CDA explained that his agency has long used this strategy to mitigate opposition to its projects, and did so in HOC. Both the CDA employee and the city employee mentioned that potential homebuyers from all income levels had approached the builder of the CDA townhomes to inquire about purchasing them, not knowing that they were subsidized rental units only open to low-income people. The city employee further noted:

Joe Citizen who comes in the Heart of the City and attends an event in that park, while they're sitting on the hill watching let's say the jazz performance when we do "Art and All That Jazz," I will absolutely guarantee you that if they don't know anything and they turn around and look at the apartment building behind them [Grande Market Place], they will have no concept that 40 percent of that building is subsidized.

He concluded his remarks about citizen perceptions of affordable housing in HOC by saying, “Nobody even thinks about affordable housing in Heart of the City anymore.”

The nature of affordable housing in HOC demonstrates the power residents can have in the political economy of affordable housing development. Though they never mounted any serious opposition to the housing provisions of the project, their known preferences and the potential threat of their opposition led the city and other actors involved in the project to design housing in a way that most residents would not know it was affordable. In the case of HOC then, citizens exercised a passive form of power to influence the nature of development in such a way that it does not diminish the use values they derive from living in Burnsville. They were not acting as the kind of “knowledgeable agents” Giddens (1995) describes, but they had power nonetheless.

The role of the mere threat of NIMBYism in developing HOC has important theoretical implications for the political economy perspective. Most importantly, it challenges the idea in both Logan’s and Molotch’s (1987) growth machine model and Peterson’s (1981) economic determinism model that residents have a very limited ability to impact the nature of development. In terms of the growth machine, it engages the concept that place-based elites make nearly all decisions related to development with only profit in mind. Government officials and developers did make most of the decisions related to development in HOC, but they did so only after taking citizen preferences into consideration. In terms of Peterson’s model, it challenges the idea that residents have little power because economic pressures dictate that cities pursue the most economically optimal policy. The extra costs imposed by the HOC design standards might have made the project less attractive to developers or future tenants paying market-rate rents, but the

city pursued it anyway as a direct result of perceived citizen preferences. Finally, it demonstrates the need to reevaluate the concept of agency. As HOC indicates, residents can influence development even when they do not take direct action. Thus, while Giddens' (1995) concept of the "knowledgeable agent" is important in understanding one way residents could influence development, it does not describe the more passive power that I explained above.

Conclusion

A clear picture emerges in the synthesis of the various economic, political, and social factors at work in HOC of why the government of Burnsville chose to include affordable housing units in the development. The decision to redevelop the area that became HOC emerged from economic pressures to redevelop land in Burnsville into uses that yield higher tax revenues. Once the city had decided to develop HOC, the availability of large subsidies tied to the inclusion of affordable units led the city to deliberately include such units. Without them, it is unclear whether the city would have acted as Peterson (1981) would predict and not include the affordable units, or as Structuration Theory suggests it could and decide to include them. Despite the uncertainty, it is clear that the subsidies fundamentally altered the political economy of including those units because they made it economically advantageous to include them. The city was also responding to legal structures that encouraged it to develop affordable units and some very limited desires from residents and businesses to develop more affordable units. Once the city had made the decision to include the units, it took resident

preferences into account so that the project would not generate a potentially devastating NIMBY response.

The evident role of both political and economic forces makes the political economy perspective necessary for understanding the development of affordable housing in HOC, but it is not without its weaknesses. Logan and Molotch (1987) make the important contribution of pointing out that there are many empowered actors in the development process, but they never explain that external forces can substantially alter which of those actors are most powerful. For instance, in Burnsville the provision of public subsidies from higher levels of government empowered the city government to take the leadership role instead of simply acting in the interests of developers and landowners. At the same time, they do not explicitly address the role of economics, which Peterson (1981) clearly articulates. He ascribes an overly deterministic quality to the economy though, ignoring the fact that resident preferences can have an important effect. Giddens (1995) does raise the possibility of residents having agency, but he sees it in active terms whereas in Burnsville, residents had influence even without taking direct action. The political economy perspective is therefore very useful in that it highlights the dual role of politics and economics and draws attention to the need to locate sources of power in the decision-making structure. Attempts to make it more specific though are sure to encounter many exceptions that ultimately undermine its explanatory power.

The development of affordable units in HOC also has important implications for conceptualizing and addressing the suburban shortage of affordable housing. As it demonstrates, both economic constraints and NIMBYism can act on a particular place at

the same time. HOC represents just one case study, so it would be erroneous to assume the dynamics present there are the same throughout the metropolitan area. Nevertheless, it represents a clear model of affordable housing development in suburban areas in which the decision to develop affordable units is a function of a municipality's fiscal security, with lower fiscal security resulting in higher affordable housing development when there is land available for development, coupled with the political inclination of its residents to mount NIMBY responses. As economic pressures increase, the effectiveness of NIMBYism decreases. Future research should test the applicability of this function hypothesis in municipalities across the metropolitan area. Such research would make significant inroads into understanding the economic, political, and social factors that influence the metropolitan geography of affordable housing.

An important issue to address in such research in the context of the Twin Cities is the role of subsidies. Due to LCA, greater subsidies are available for affordable housing in the Twin Cities metropolitan area than in many other metropolitan areas. As Burnsville has demonstrated, these subsidies can significantly alter the economic calculus of including affordable units. Thus in the Twin Cities, we might expect to see a situation in which fiscally pressured suburbs that participate in LCA build more affordable units than less fiscally pressured suburbs whereas in other cities without subsidies we might expect to see a smaller impact. If findings largely conformed to expectations, such a study would further support the idea that NIMBYism loses influence when subsidies effectively target economic vulnerabilities of municipalities.

In conjunction with the avenues for future research that this case study opens, it also may have some important practical implications that policymakers should consider.

If the balance I have explained between economic pressures and NIMBYism applies to other suburban areas facing the threat of fiscal decline, this study may suggest the primacy of economic considerations and a more secondary role for NIMBYism in such places, which may suggest that public subsidies tied to affordable housing are a very effective way to generate construction of affordable housing units. There is no reason to believe that subsidies could not be effective in a broader range of suburban municipalities, but in more fiscally secure suburbs that can afford to provide greater deference to NIMBYism, the subsidies would have to be larger to alter the political economy of development, and thus less feasible for the subsidy-granting agency. Another important insight from this case study is that careful attention to the aesthetics of affordable housing developments may be an effective way to prevent NIMBYism.

The need for research aimed at refining our understanding of the factors that influence the geography of affordable housing is urgent. Without it, it is difficult or impossible for all levels of government to effectively address the suburban shortage of affordable units. Moreover, a failure to address the issue means a continuation of contemporary problems such as the spatial mismatch and concentrated poverty that are associated with limited affordable housing in suburbs. In the absence of intervention, such problems could even become worse if metropolitan growth continues at the same rapid pace of the last several decades. Nevertheless, this paper provides reason for optimism, as it shows that well-designed policy interventions can take important steps toward creating places that serve the needs of all of their residents. We must now gain the knowledge necessary to extend its lessons across metropolitan areas throughout the United States.

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