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# The Political Economy of Affordable Housing Development in Suburban Hennepin County, Minnesota

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# **The Political Economy of Affordable Housing Development in Suburban Hennepin County, Minnesota**

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**Honors Thesis  
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## **Abstract**

A shortage of housing affordable to low- and moderate-income households in job-rich suburbs is one of the biggest obstacles to upward mobility for those households, yet our understanding of the factors influencing the distribution of affordable housing development is weak. Focusing on suburbs in Hennepin County, Minnesota, I use qualitative case studies of eight cities and a statistical analysis of 39 to demonstrate that the geography of economic incentives to develop affordable units has the strongest influence. Contrary to common beliefs, opposition of middle-class suburbanites to affordable housing is a weak factor. Public policy should therefore focus on altering economic incentives.

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## Table of Contents

|  |     |
|--|-----|
| CHAPTER ONE: INTRODUCTION.....   | 1   |
| CHAPTER TWO: LITERATURE REVIEW.....                                      | 7   |
| Introduction.....  | 7   |
| The Case for Expanding Suburban Supplies of Affordable Housing.....      | 8   |
| Toward Explaining the Suburban Shortage of Affordable Housing.....       | 13  |
| Theoretical Underpinnings of Affordable Housing Development.....         | 22  |
| Conclusion.....  | 31  |
| CHAPTER THREE: RESEARCH CONTEXT, DATA, AND METHODS.....                  | 33  |
| Hennepin County and the Twin Cities Metropolitan Area.....               | 33  |
| The Research Design.....   | 40  |
| Geography of Case Study Selection Variables.....                         | 52  |
| CHAPTER FOUR: RESULTS.....   | 60  |
| Introduction.....  | 60  |
| Statistical Analysis.....  | 61  |
| Plymouth – Higher Need, Higher Production, Higher Tax Capacity.....      | 63  |
| St. Louis Park – Higher Need, Higher Production, Lower Tax Capacity..... | 67  |
| Edina – Higher Need, Lower Production, Higher Tax Capacity.....          | 72  |
| Spring Park – Higher Need, Lower Production, Lower Tax Capacity.....     | 76  |
| Bloomington – Lower Need, Higher Production, Higher Tax Capacity.....    | 81  |
| Maple Grove – Lower Need, Higher Production, Lower Tax Capacity.....     | 86  |
| Minnetrista – Lower Need, Lower Production, Higher Tax Capacity.....     | 90  |
| Mound – Lower Need, Lower Production, Lower Tax Capacity.....            | 94  |
| CHAPTER FIVE: ANALYSIS.....  | 97  |
| Introduction.....  | 97  |
| Research Question One.....   | 97  |
| Research Question Two.....   | 102 |
| Research Question Three.....   | 106 |
| Research Question Four.....  | 107 |
| Implications for Political Economy of Place Theory.....                  | 108 |
| CHAPTER SIX: CONCLUSION.....   | 109 |
| REFERENCES.....  | 114 |
| Appendix One: Affordable Housing Finance Programs.....                   | 123 |
| Appendix Two: Sample Interview Questions.....                            | 125 |
| Appendix Three: Complete Correlation Matrix.....                         | 126 |

### *Tables*

|  |    |
|--|----|
| 2.1 Distribution of Housing by Price and Location in Metropolitan Areas, 2007..... | 9  |
| 3.1 Seven-County Metropolitan Area Population and Housing Data.....                | 33 |
| 3.2 Medians of National Population and Housing Data, 2000.....                     | 36 |
| 3.3 Affordable Housing Matrix.....   | 46 |
| 3.4 Profile of Interview Respondents.....  | 50 |
| 4.1 Thirty-Nine City Study Area Comparison Values.....                             | 60 |
| 4.2 Case Study Selection Values.....   | 61 |
| 4.3 Correlation Matrix.....  | 62 |
| 4.4 Regression Summary.....  | 62 |
| 4.5 Regression ANOVA Summary.....  | 62 |
| 4.6 Regression Coefficients.....   | 62 |

### *Figures*

|   |    |
|---|----|
| 3.1 Twin Cities Metropolitan Statistical Area.....      | 34 |
| 3.2 Percent Affordable of All Units, 2000.....          | 41 |
| 3.3 Study Area.....                                     | 42 |
| 3.4 City Matrix Categories.....                         | 47 |
| 3.5 Percent Affordable of All New Units, 2000-2007..... | 53 |
| 3.6 Job Proximity Ratio.....                            | 54 |
| 3.7 Supply Index.....                                   | 56 |
| 3.8 Composite Need Score.....                           | 57 |
| 3.9 Tax Capacity per Capita, 2000.....                  | 59 |

## ***Chapter One: Introduction***

For centuries, the idea that the United States is a land of limitless opportunity where even the most downtrodden can become wealthy if they work hard enough has dominated the national psyche, drawing people from all parts of the world hoping to have their chance at material success. Undoubtedly, many have prospered in the United States, yet the powerful ideal of endless opportunity belies the fact that tens of millions of people cannot even meet their basic needs and have little chance of upward mobility. Over ten percent of the population lives in poverty, leaving those individuals unable to afford simple healthcare, quality housing, and in many cases even enough food to adequately feed their families. The higher education that would offer the surest opportunity for escaping poverty is completely out of reach. An even larger portion of society may be able to meet its basic needs, but faces enormous obstacles to further advancement due to the high costs of post-secondary education and housing, the replacement of many moderate-wage industrial jobs with low-wage service jobs, and major debt burdens incurred from medical and other emergencies.

Among the obstacles, a severe shortage of lower-cost housing is one of the biggest preventing many households from meeting their basic needs and achieving upward mobility. The most profound consequences of the shortage are for low- and very low-income households, which are defined as those earning below 50 percent of an area median income (AMI) and below 30 percent of an AMI, respectively. They are often forced to spend such a large portion of their incomes on housing that they are at great risk of becoming homeless as a result of even a small change in income and have no possibility of saving money for improved housing, education, or other investments (U.S.

Department of Housing and Urban Development 2007). Furthermore, with jobs increasingly being located in suburbs with high housing costs, low-income households often experience a “spatial mismatch” in which they live at great distance from most jobs, significantly limiting their employment prospects (Cervero 1989; Kain 1968). In addition, the only neighborhoods in which many low-income households can afford to live have high crime, unemployment, and welfare dependency, all conditions that appear to negatively impact the educational achievement and future career outcomes of children growing up in those areas (Ellen and Turner 1997). For moderate-income households, which are those earning between 50 and 80 percent of an AMI, the issue is less about finding housing they can afford, but rather finding it in the areas with the most job and educational opportunities. For the city as a whole, having many people commute long distances from their homes to work increases traffic, which in turn increases pollution and decreases worker productivity (Cervero 1989).

There is thus a major public interest in expanding the supplies of both rental and owner-occupied affordable housing, especially in suburban areas. In an effort to expand affordable housing supplies in suburban areas, county, metropolitan, and state governments, as well as the United States Department of Housing and Urban Development (HUD) have enacted many policies such as building public housing, subsidizing private development, and requiring cities to develop a certain number of affordable units, yet there remains an acute shortage of lower-cost housing in many of these areas (Dreier et al. 2001; HUD and U.S. Department of Commerce 2008). One reason for the shortcoming of many policies may be the poor understanding of affordable housing development dynamics in suburban areas. Some researchers have explained the



suburban shortage as a consequence of economic incentives that cause cities to favor higher-cost housing and higher-income people at the expense of lower-cost housing (Fainstein and Fainstein 1983; Gyourko 1991). Others have argued that opposition from middle-class suburban residents to lower-cost housing, known as Not-In-My-Backyard syndrome (NIMBYism) is to blame (Danielson 1976). Evidence suggests that both play a role, but researchers have made few efforts to integrate both explanations across a metropolitan area and to determine how they interact with each other. Without a thorough understanding of the factors that influence the development and placement of affordable housing at the metropolitan scale, we cannot expect policies that try to encourage development in suburban areas to be effective.

I approach this issue through a study of affordable housing development between 2000 and 2007 in the suburban cities of Hennepin County, Minnesota, the largest and most populous county in the Twin Cities metropolitan area. For the remainder of this paper, I will use the definition of “affordable” used by the Metropolitan Council, the regional government of the Twin Cities metropolitan area. Under the current Metropolitan Council (2009) definition, a rental unit is affordable if a household earning 50 percent of the AMI can rent it monthly for 30 percent or less of its monthly income. The thresholds are adjusted for unit size. In 2007, the AMI was \$78,500, so an efficiency unit was considered affordable at \$687 per month, a one bedroom at \$736 per month, a two bedroom at \$883 per month, and a three bedroom or larger at \$1,020 per month. An ownership unit is affordable if a household earning 80 percent of the AMI spends 30 percent or less of its monthly income on housing costs. In 2007 a unit costing less than \$206,800 qualified as affordable.

I will draw on the political economy of place framework of development, which attempts to explain how the interaction of political and economic factors across space produces particular development outcomes. In all iterations of the theory, there is recognition that economic forces play an important role in structuring development, but that politics not based in economic considerations also impact decisions. At the same time though, the framework holds that neither element is autonomous of the other, but that instead both influence each other in ultimately shaping what development occurs and how it occurs. It assumes that the balance of forces affecting development changes over space, so by comparing the geography of such forces, it is possible to understand why different development outcomes for affordable housing occur in different cities. Using the political economy of place framework, I will investigate the following research questions:

- 1) What are the major factors influencing the development and placement of affordable housing at the metropolitan scale?
- 2) Can resident opposition be broadly effective in blocking affordable housing development? If so, under what circumstances is it effective?
- 3) Is there intent by suburban cities to exclude affordable housing?
- 4) Is there continuity across the metropolitan area of factors that influence the development and placement of affordable housing that a model can describe?

I have drawn the conclusions of this study from a combination of qualitative and quantitative research methods. Based on quantitative data about each city's production of

affordable housing between 2000 and 2007, need for additional affordable housing as of 2000, and tax capacity per capita in 2000, I developed an eight-category typology of cities, and from each category I systematically selected one city on which to conduct a case study. In each case study, I reviewed city documents and newspaper articles, and then interviewed individuals familiar with affordable housing dynamics in that city. Once I completed the case studies, I conducted a correlation and regression analysis of data for all cities in the study area in order to test conclusions drawn from the case studies.

Based on my results, I advance an argument that largely supports the economic explanation for the continued shortage of affordable housing but also recognizes and clarifies a role for non-economic considerations. In Hennepin County, it is clear that cities generally are motivated first by maintaining or improving their fiscal situation and keeping taxes low and second by maintaining the architectural status quo for residential areas. While NIMBYism can in some cases significantly alter or block an affordable housing development, it is not a major explanatory factor in Hennepin County during the study period. Only in limited cases when affordable housing is architecturally vastly different than the housing that is already in the community, is there an actual intent to exclude it. Because maintaining fiscal standing is the primary concern of most cities, adequate financial incentives are often sufficient to spur affordable housing development. However, subsidies appear to favor infill development, which is development that occurs on previously developed land, in areas that already have large affordable housing stocks, not greenfield development, which is development on previously undeveloped land, in the areas with the highest need. In the Twin Cities then, public policy should focus on better targeting subsidies to the areas of highest affordable housing need. Future research

should test the applicability of my findings to other metropolitan areas in order to determine if such a policy would be effective throughout the country.

I present the results and make my argument in five chapters that will follow this introduction. In Chapter Two, I review literature related to affordable housing. In that chapter, I demonstrate that there is a suburban shortage of affordable housing, present the arguments in favor of increasing the supply in suburbs, detail the various explanations for why development remains difficult, and then introduce the political economy of place framework upon which I have based this research. In Chapter Three, I present background information on affordable housing development in the Twin Cities metropolitan area and Hennepin County, and then explain my data and research methods. In Chapter Four, I present the results of the eight case studies and the statistical analysis. In Chapter Five I analyze the results. Finally in Chapter Six, I conclude by offering policy prescriptions and avenues for future research.

## ***Literature Review***

### ***Introduction***

There is extensive research devoted to the broad forces that have shaped and continue to shape the development of American metropolitan areas, yet the more specific forces that influence the distribution and amount of affordable housing development are less clear. Data demonstrate that there is indeed a present shortage of affordable housing and literature does an excellent job of establishing past economic, political, and social forces that have helped create this shortage as well as the contemporary reasons why it should be reduced. However, literature falls short of comprehensively explaining the continued difficulty of developing affordable housing in suburban areas because the relevant studies are ultimately outdated, anecdotal, or only partially related to affordable housing. Consequently, policymakers have an inadequate knowledge base from which to craft effective policies to encourage future development of both owner-occupied and rental affordable housing units in suburbs.

The political economy of place framework provides a useful foundation upon which to build a more refined understanding of the metropolitan dynamics of affordable housing development. It argues that both economics and politics play an important role in development and integrates the two by proposing the conditions that influence the balance of dominance between them. Furthermore, it calls our attention to how such forces vary over space, making it ideal for use in a geographic study. It therefore provides a firm basis for investigating the broad range of actors and forces beyond simple economics that the literature loosely suggests plays a role in affordable housing dynamics and begins to offer possible explanations for how those forces interact.

### *The Case for Expanding Suburban Supplies of Affordable Housing*

A dominant feature of the American housing market is a general failure to accommodate the needs of a significant portion of low- and moderate-income people. First, the demand for low-income housing far exceeds the supply. In 2005, 5.73 million households that earned below 50 percent of the AMI where they lived were severely rent burdened, meaning they spent over 50 percent of their monthly income on rent. HUD and many housing 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 2.1 below demonstrates, the shortage of affordable housing is disproportionately acute in suburban areas. It shows the number of housing units, in 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 2007. The expected value represents the number of units in each cost category that an area would have if, keeping the number of total units constant, it had a proportionately equal share of the units in that category. In every category over \$1,000, suburbs have a disproportionately large 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. Nevertheless, the data provide a striking picture of the geography of housing costs in the United States.

**Table 2.1: Distribution of Housing by Price and Location in Metropolitan Areas, 2007**

| <i>Monthly Housing Cost</i> | <b>Central Cities</b> |               |                           | <b>Suburbs</b>  |               |                           |
|-----------------------------|-----------------------|---------------|---------------------------|-----------------|---------------|---------------------------|
|                             | <i>Expected</i>       | <i>Actual</i> | <i>Percent Difference</i> | <i>Expected</i> | <i>Actual</i> | <i>Percent Difference</i> |
| Total (in thousands)        | 31,602                | 31,302        | 0.00                      | 52,062          | 52,062        | 0.00                      |
| No cash rent                | 556                   | 607           | 9.17                      | 916             | 865           | -5.57                     |
| \$1-\$499                   | 6,628                 | 7,322         | 10.47                     | 10,919          | 10,225        | -6.36                     |
| \$500-\$999                 | 10,543                | 11,862        | 12.51                     | 17,371          | 16,051        | -7.60                     |
| \$1,000-\$1,499             | 6,389                 | 6,009         | -5.95                     | 10,526          | 10,906        | 3.61                      |
| \$1,500-\$1,999             | 3,278                 | 2,623         | -19.98                    | 5,400           | 6,055         | 12.13                     |
| \$2,000-\$2,499             | 1,706                 | 1,313         | -23.04                    | 2,810           | 3,203         | 13.99                     |
| \$2,500 or more             | 2,501                 | 1,864         | -25.47                    | 4,121           | 4,758         | 15.46                     |

(Source: HUD and U.S. Department of Commerce 2008)

As the data presented above begin to suggest, the need to expand affordable housing supplies, especially in suburban areas, is strong. One of the principal arguments in favor of an expanded suburban supply of affordable housing is the spatial mismatch hypothesis, which Kain (1968) first proposed in a paper about employment of African Americans in Chicago and Detroit. By demonstrating that they were employed in smaller numbers than their population size would suggest in areas more distant from major concentrations of African Americans, he showed that the inability to access housing in most suburban areas due to discrimination and affordability constraints limited the employment opportunities of inner-city blacks, resulting in high unemployment and diminished opportunities to escape poverty. Recent work by McLafferty and Preston (1996) showed that based on commute times, whites and Latinos in all areas of northern New Jersey did not experience a spatial-mismatch, whereas inner-city African Americans did, with women experiencing a more severe spatial mismatch than men. No suburban groups experienced a spatial mismatch, indicating that simply living in a suburb offers increased job opportunities. Preston and McLafferty (1999) reinforce the latter finding by noting that recent spatial mismatch research has supported the contention that spatial

mismatches impact employment, though the research has been inconclusive on the strength of the impact.

While the above discussion focuses exclusively on race and gender, its applicability to low- and moderate-income people is obvious. In fact, Cervero (1989) demonstrates that in the Chicago and San Francisco areas, there is a spatial mismatch for many workers and that it is worsening because jobs are increasingly located in suburban areas while at the same time the housing costs in those suburbs preclude many of the workers from living there. For low-income people without cars, commuting to suburban jobs may be impossible, effectively shutting them out of the most vibrant job markets, just as was the case with African Americans when Kain was writing. Furthermore, a central part of Cervero's argument is that widening spatial-mismatches due to insufficient affordable housing supplies is the primary factor resulting in increased traffic congestion, a problem that impacts not just low-income people, but nearly all metropolitan residents. Finally, essential but lower-wage city employees such as teachers, police officers, and firefighters may be unable to find housing in some suburbs, which in turn makes it more difficult for those suburbs to hire such employees (Duncan and Duncan 2006).

The advantages to reducing the spatial mismatch by increasing supplies of affordable housing in suburbs are therefore very clear. For a metropolitan area as a whole, it would mean less traffic, which would equate to higher worker productivity, less pollution, and a higher quality of life for many people. For some cities, it would make hiring city employees easier. For lower-income people, it may increase their levels of employment and possibly reduce poverty. Indeed, an extensive study of the Gautreaux program in Chicago supports such a contention. The program emerged from a lawsuit



settlement in 1976 in which HUD and public housing agencies in the Chicago area recognized that concentrating subsidized low-income housing in certain areas of the central city was racially discriminatory and agreed to provide Section 8 housing vouchers so that program participants could live in market-rate apartments in locations of their choosing in both the central city and suburbs. Through the Section 8 program HUD subsidizes the rents of low-income households in market-rate apartments by paying the difference between the rent and 30 percent of the household's monthly income. Over 5,000 families have now participated in the Gautreaux program, and those that have chosen to relocate to suburbs have higher employment and their children do better in school than those families that choose to remain in predominantly African American inner-city neighborhoods (Rosenbaum 1995).

A major part of the success of the Gautreaux program is likely the simple fact that it put many poor individuals in closer proximity to jobs, but it may also be because of less tangible "neighborhood effects" of relocating to more stable and affluent areas. For decades, researchers have considered the possibility that the impacts of a neighborhood's socioeconomic status on the lives of its residents exceed what would be expected based on residents' current socioeconomic status because of the varying behavioral norms and social networks that exist in neighborhoods of different socioeconomic classes. Proponents of the neighborhood effects argument hold that neighborhoods of higher socioeconomic class have residents with behaviors more conducive to long-term educational and economic success and social networks that provide more support and connections to job opportunities. Ellen and Turner (1997) conducted a review of the extensive literature related to neighborhood effects and found for adolescents a strong

positive relationship between neighborhood and educational attainment, a moderately positive relationship for employment, a moderately negative relationship for sexual activity and pregnancy, and a weakly negative relationship for crime. Neighborhood appears to influence adults' employment prospects, though there have been far fewer studies of the topic. Rosenbaum's (1995) study of the Gautreaux program is a clear example of Ellen's and Turner's broader findings. Not only did adults in more affluent suburban areas achieve higher employment rates, but their children tended to do better in school. A later ethnographic study of single women who moved to suburbs as participants in the Gautreaux program provides support for the idea that social networks have a tangible effect on opportunity (Rosenbaum et al. 2005). It found that their new suburban neighbors were far more willing and able than their former urban neighbors to offer to watch children if they were at work late, provide material assistance in difficult times, and bring the women to work if their cars were broken. The women felt that the strong suburban support networks helped them and their children to improve their life opportunities. Increased supplies of affordable housing in suburban areas would help many low-income people take advantage of positive neighborhood effects.

Finally, 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 (U.S. Census Bureau 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 that cities with large impoverished populations face by distributing the need for services more evenly across metropolitan areas.

### *Toward Explaining the Suburban Shortage of Affordable Housing*

A complicated web of social, political, and economic forces helped to establish and perpetuate the present geography of affordable housing in American cities. Though small-scale suburbanization began as early as the late 1800s in many American cities, it began at a massive scale in the years immediately following World War II as a result of subsidy programs established by the federal government during the Great Depression. The Home Owners Loan Corporation, established in 1933, refinanced at low interest rates with longer repayment periods over one million loans that were in default. The following year, the federal government greatly expanded its involvement in the housing market by

establishing the Federal Housing Administration (FHA). Instead of directly financing lending, the FHA guaranteed many mortgages issued by private banks, greatly increasing lending, further lowering interest rates, and extending the repayment period to 25 to 30 years. The net result of FHA programs over the next three decades was a sharp increase in housing construction and home ownership (Jackson 1985).

Development was, however, spatially uneven and strongly favored white, middle-class households. The FHA engaged in a practice of rating the lending risk of an area, and refused to guarantee loans in areas labeled as high risk. The FHA considered any inner-city areas, and any area that was predominantly African American high risk though, meaning that the FHA favored fringe development in primarily white areas. Private banks began using the practice, known as redlining, even when they were not taking advantage of FHA loan guarantees, further restricting development to predominantly suburban areas. Then, in 1956, President Eisenhower signed the Federal Highway Act, initiating the construction of the Interstate Highway System. By providing easy access to the exurban fringe, interstates greatly accelerated suburban housing development, although due to discriminatory lending practices, living in suburbs continued to be an option, for the most part, only to middle-class whites (Jackson 1985). With the initially middle-class character of post-war suburbia established, many suburban municipalities and their residents actively tried to exclude housing that might attract the poor. In the decades immediately preceding and following World War II, many states passed legislation allowing suburban areas to incorporate as municipalities separate from the central city, and thousands did so. Empowered to determine land-use regulation, many

restricted minimum lot size and prohibited apartment development in order to exclude cheaper housing that would attract low-income populations (Jackson 1985).

In recent decades, highway construction has slowed, redlining and discriminatory real-estate practices have become illegal, and many states as well as the federal government have made efforts to expand the supply of affordable housing in suburban areas (Dreier et al. 2001), though the suburban shortage persists. Furthermore, evidence suggests that municipalities continue to use a variety of methods to exclude or discourage the development of affordable housing. 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). HUD reiterated the findings of the panel’s 1991 report in a 2005 report, and added stringent environmental regulations as another tool that municipalities now use to restrict affordable housing development.

HUD’s findings inevitably reflect the urban policy agendas of the presidential administrations that commission them, yet independent empirical evidence largely corroborates the claim that suburban municipalities have the ability to restrict the development of affordable housing. In a review of the extensive literature on this topic, Ihlanfeldt (2004) concludes that restricting development and enacting characteristics zoning, which is specifying characteristics of development beyond simply the land use, increases the cost of housing and thus reduces affordability. The effect may be particularly strong for rental units, which house the majority of low-income urban and suburban residents. Levine’s (1999) examination of growth controls across California

found that limiting the amount of development that could take place in an area strongly discouraged local rental housing development and pushed it to less controlled areas. As a result, minority and low-income residents moved in large numbers to areas with less stringent regulation, indicating that regulation can effectively exclude affordable rental housing and accordingly the populations that live in it. However, the patterns described above are not universal. Glaeser and Gyourko (2002) find that only in certain areas with very high real-estate values, such as California and the Northeast, upon which many of the studies described above focus, do zoning regulations have a large effect on housing prices. The critical point, however, is that municipalities can effectively use regulation to exclude affordable housing. Two dominant explanations exist in the literature to explain why suburbs would continue to try to exclude it.

One argues that exclusion is a symptom of fiscal incentives to favor more expensive housing units. Fainstein and Fainstein (1983, p. 251) succinctly describe the basis of the economic explanation:

U.S. cities raise the majority of their revenue locally, with property taxes the most important source. While municipalities differ considerably in the per-capita magnitude of their expenditures, the system of finance compels every local state to at least maintain its revenue base by attracting investment which contributes to the market value of real property. Moreover, because lower-income populations contribute much less to revenue than they do to expenditures, local states (even those with majorities of poor people), have an interest in excluding such households.

Not only does the explanation argue that it is in the economic interests of cities to exclude low-income people, but it also holds that it is in a city's interest to exclude higher density development, which tends to be more affordable than low-density housing. This results from the fact that property taxes yield similar revenue for a given parcel regardless of the

residential density of that parcel, assuming that the parcel is being used to its maximum potential. 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 less in taxes per person than lower density development. This situation creates an incentive for cities to raise minimum lot sizes, which can exclude 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 restrictively zoned 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, two studies 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 affordable units face fewer obstacles to construction when impact fees remove the fiscal disincentive to allow higher density housing (Burge and Ihlanfeldt 2006a; Burge and Ihlanfeldt 2006b).

The other dominant explanation for the suburban shortage of affordable units is NIMBYism against affordable housing, which results in local governments attempting to exclude it. Though NIMBYism outwardly usually focuses on property value, service, and quality of life issues (Pendall 1999), many observers have long contended that racism and class biases underlie it. Danielson (1976, p. 6) influentially argued from this perspective when he wrote, “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.” 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 helped 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 redlining, intimidation, and violence, the federal government, banks, neighborhood associations, and white individuals had established and maintained a highly racially segregated residential pattern (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 are a 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 program increased property values slightly in surrounding areas when they were present in low concentrations, if residents are acting without that knowledge or 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 national 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 and what types of people are more likely to do so.

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. The authors write in relation to exclusionary land use regulations, “[I]n fact the goal is not always social exclusion in itself but to preserve the ‘look of the landscape,’ which is central to the performance of particular social identities that depend on lifestyle, consumption patterns, and aesthetic sensibilities” (p. 159). A focus on aesthetic concerns allows residents to ignore the exclusionary impacts of their political decisions. While their aesthetic concerns are genuine, they are also intertwined with issues of class and ethnicity of which residents may or may not be conscious (Duncan and Duncan 2006).

A major issue with the NIMBY argument, however, is that it may not be as serious of an issue as much of the literature suggests. Lang et al. (2008) cite several recent real-estate surveys that find that people would support affordable housing in their neighborhoods if it fit in with the neighborhood. While the authors recognize that NIMBYism can be an issue, they believe the larger obstacle to affordable housing development is that housing costs are simply not a major national political issue because highly visible housing programs are targeted only at a small, very poor group, minimizing the importance of the programs to the larger middle-class constituency. The researchers find evidence that housing costs are growing in importance in people’s

minds, but at the moment there is little national political will to address the issue of affordable housing. The author's argument cannot negate the NIMBYism explanation, but it does give reason to approach the argument with caution and skepticism.

Both the economic and NIMBYism arguments provide useful foundations for analysis of affordable housing dynamics, but the bodies of literature that form them are problematic for developing a clear understanding of the factors that influence affordable housing production. First, the majority of the literature for both arguments assumes that cities have the intent to exclude. In cases of NIMBYism, that assumption is probably valid, but in the case of economic constraints, a city may simply be responding to an incentive to have one type of housing development versus another instead of actively deciding to exclude affordable housing because of the fiscal consequences of having it. Second, much of the literature, especially that related to NIMBYism, is two to three decades old. In many other situations, age might not be a problem, but we can expect attitudes towards racial minorities and lower socioeconomic classes to change over time. Lastly, almost none of the literature deals directly with affordable housing. Only Pendall (1999) studies it explicitly, whereas most of the other literature is only partially related. Consequently, the available evidence does not adequately explain the factors that influence the quantity and location of affordable housing development. Several theoretical arguments offer some additional, albeit imperfect, insight into those factors.

### *Theoretical Underpinnings of Affordable Housing Development*

The supposed influence of both economic constraints and political opposition on the development and placement of affordable housing points to the complexity involved

in uncovering the dynamics of affordable housing development at the metropolitan scale. In order to reduce the complexity, it is necessary to begin with a broad analytical framework that accommodates the dual nature of affordable housing development in providing a model for the development process. More than any other theoretical approach, the political economy of place approach can do this. In its most essential form, political economy of place is the view that in urban development 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.

Logan and Molotch (1987) sketch the basic premises of political economy of place by arguing that 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 (p. 24), “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.” Place entrepreneurs, who are actors with an interest in a particular geographic place, therefore have an incentive to channel growth in 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” (p. 35).

Beyond simply accounting for the interaction between politics and economics, political economy of place also succeeds at explaining the geographic variation in that interaction. The non-uniformity of the geography of affordable housing development demonstrates that the political economy of place is acting differently across space. Though Logan and Molotch (1987) offer a very specific group of possible actors involved in the political economy of place, which I will explain in a moment, an implicit argument of their work is that each actor’s influence depends on the strength of its tie to a geographic place and its relative prominence in that place. Variation in local circumstances will thus lead to different development outcomes. Whereas an economic study might require only a macro-understanding of the forces affecting housing development, a study such as mine focusing specifically on the location of development must be able to account for this variation. It is for this reason that geographers continue to draw on the political economy of place framework to explain the geography of urban policy (Martin et al. 2003), and why I have also decided to do so. However, researchers do not agree on the dynamics of political economy of place.

Logan and Molotch (1987) refer to their specific interpretation of political economy of place as the growth machine. Molotch (1976, p. 309-310) first proposed the concept when he wrote, “I speculate that the political and economic essence of virtually any given locality, in the present American context, is *growth*.” He writes (p. 313) that growth “is not the only function of government, but the key one.” A key point though is that governments seek growth because of the presence of a growth machine that demands it, not because of bare economic necessity. In a later work, Logan and Molotch (1987) articulate the concept in much more detailed terms. In it, they define the growth machine as, “[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. Accordingly, affordable housing development could occur under a growth machine, but only if it benefited its members. Affordable housing development is clearly not occurring at the rate necessary to satisfy demand, and while the growth machine would unequivocally argue that such is the case because affordable housing development generally must not be in the interests of the growth machine, it does not explain in detail why the interests of lower-income people are rarely in line with those of the elite that control development. Stone’s (1980; 1989; 1993) articulation of regime theory provides a thorough argument related to the question.

An early basis of his argument is stratification theory, in which he argues, “[P]ublic officials form their alliances, make their decisions and plan their futures in a context in which strategically important resources are hierarchically arranged – that is, officials operate in a stratified society. The system of stratification is a motivating factor in all that they do; it predisposes them to favor upper- over lower-strata interests” (Stone 1980, p. 979). Upper-strata interests have a disproportionately large influence because of their extensive economic resources, role as leaders of large organizations, and social prestige. Furthermore, because government favors upper-strata interests, it is more difficult for other groups to even be heard in government, further discouraging their participation and consequently increasing the power of upper-strata interests. As a result, upper-strata interests possess systemic power, which is “that dimension of power in which durable features of the socioeconomic system...confer advantages and



disadvantages on groups...in ways predisposing public officials to favor some interests at the expense of others” (Stone 1980, p. 980).

From stratification theory emerges regime theory. Stone (1989) presented the idea in an applied context in a book about post-World War II politics in Atlanta. He argues that African American leaders formed a governing coalition, which he often refers to as a regime, with white business leaders that endured for decades. It retained popular support by providing occasional benefits to the African American majority such as jobs or low-income housing construction. Meanwhile, the city government strongly backed downtown redevelopment programs that led to huge profits for business leaders but displacement of many African American residents because business leaders had the power and resources to force government officials to back their interests. Stone recognizes that the dominance of Atlanta’s business community is more extreme than in many other cities, but it does highlight several theoretical points that he explains in detail in a later paper. He writes (1993, p. 6), “Urban regime theory assumes that the effectiveness of local government depends greatly on the cooperation of nongovernmental actors and on the combination of state capacity with nongovernmental resources.” He goes on to explain (p. 9):

Transaction costs mean that established relationships have great value in facilitating future cooperation. Hence, once formed, a relationship of cooperation becomes something of value to be protected by all of the participants. Furthermore, because a governing coalition produces benefits it can share or withhold, being part of an established coalition confers preemptive advantages.

Thus, once a regime exists that favors upper-strata interests, simple inertia helps that regime stay in power. Nevertheless, even the dominant actors of the regime are

constrained, which Stone (p. 12) recognizes when he writes, “[T]he ready availability of means rather than the will of dominant actors may explain what is pursued and why.”

However, implicit in his statement is that greater means confer greater power, resulting in most regimes favoring upper-strata interests to some extent.

Peterson (1981) informs a structuralist interpretation of political economy of place by arguing that the economic structure rather than the upper-strata or growth machine interests determine the course of development. His primary contention is that “[c]ity politics is limited politics” (p. 4). He writes, “The place of the city within the larger political economy of the nation fundamentally affects the policy choices cities make. In making these decisions, cities select those policies which are in the interests of the city, taken as a whole” (p. 4). He later explains, “[P]olicies and programs can be said to be in the interest of cities whenever the policies maintain or enhance the economic position, social prestige, or political power of the city” (p. 20). 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 city’s competitiveness vis-à-vis other cities and a subsequent decline in economic position, social prestige, and political power. The implications for affordable housing are profound. If Peterson’s argument held, it would be extremely difficult for cities to provide any kind of subsidy for affordable housing, which may be necessary in metropolitan areas in which high land values preclude affordable housing development. Furthermore, he explicitly states that the

dominance of economic considerations is a powerful incentive to cities to exclude low-income people since they require more services but pay fewer taxes.

The critical flaw of structuralism is to assume that growth is the only viable policy option for cities. Whereas Peterson (1981) argues that development is the best way to increase a city's economic position, Molotch (1976) and Logan and Molotch (1987) contend that large-scale development can actually be extremely costly. For example, they point to the massive subsidies cities provide developers in the form of paying to extend infrastructure to previously un-served areas in order to make construction possible. Molotch (1990) attacks structuralism from a slightly different angle when he presents case studies of three California cities in order to demonstrate that cities can shape development. With varying success, the cities have been able to restrict growth, and when it occurs, to get exactions from developers to devote to programs such as low-income housing. Clavel and Kleniewski (1990) do not directly address housing, but make a similar point. They highlight cities such as Boston and Chicago that, in exchange for allowing development, were able to get the developers to pay fees used for providing services to the poor or make commitments to hiring low-income local workers. Nevertheless, structuralism does make the valuable point that cities operate within a powerful economic structure that we cannot ignore in any analysis of city policies.

None of the scholars of political economy discussed above extensively addresses affordable housing development, and each of their approaches have some shortcomings, but as a whole, they provide an extremely useful theoretical framework with which to analyze the dynamics of affordable housing development in suburbs. All assume and convincingly argue that economic forces play a preeminent role in housing development,

whether they are the economic constraints proposed by Peterson, the profit motive proposed by Logan and Molotch, or the political advantages conferred by economic resources proposed by Stone. While their writings represent a range of views on the importance of the larger market structure versus the economic desires of wealthy individuals and companies, all maintain that in order to understand any kind of development, including affordable housing development, it is necessary to understand the economic forces at work.

Political economy of place also informs the understanding of the political element of affordable housing development that is often addressed in applied literature in relation to NIMBYism. All three perspectives discussed above assume that cities can make decisions based on non-economic considerations, although Peterson questions the long-term fiscal sustainability of decisions that deliberately challenge market constraints. Logan and Molotch especially, but also to a lesser extent Stone, identify a number of discrete actors that make political decisions related to development, and all are actors who either themselves possess large economic resources or have the power to direct the flow of large amounts of public resources and benefits. In none of the authors' views would small neighborhood groups that might oppose a development be particularly powerful. As such, the three perspectives within political economy assume that economics and politics cannot be decoupled. By integrating both the economic and political elements of the development process, the collective body of political economy of place literature avoids the shortcomings of applied literature that tend to address one element of the process in isolation from all others.

A framework based around three ideas emerges that I will use to evaluate the dynamics of affordable housing development. First, economic constraints and the profit motive will always play a role in affordable housing development. Consequently, I will investigate the nature and magnitude of any constraints, as well as the economic interests of the actors involved in housing development in each city. Second, there is a political element of affordable housing development that cannot be fully explained by economics but is intrinsically linked to it. I will thus also focus on who or what the powerful actors in a city are and what influences each of them to make the decisions they do related to housing. In relation to identifying powerful actors, it will be especially important to reconcile the discrepancy between the applied literature, which argues that NIMBYism is a powerful force in shaping affordable housing development, and theoretical literature, which ascribes very limited power to small groups of residents. Finally, the interests of low-income people, the group most in need of affordable housing, hold little sway in the political economy of affordable housing development. Accordingly, I will identify the motives of powerful actors for developing affordable housing and will use those as a lens into the economic and political considerations that I identified previously.

### *Conclusion*

A synthesis of the literature related to affordable housing development raises a number of important questions that I will work to address in this paper. First, though many researchers have noted various constraints on affordable housing development, they tend to identify a constraint in isolation without assessing the other factors that are also present. Accordingly, the literature leaves unclear what the major factors

influencing the development and placement of affordable housing are at the metropolitan scale. Second, the small place reserved for NIMBYism in the broad models of development politics means it will be important to assess whether NIMBYism is broadly effective and, if so, under what circumstances that is the case. Third, the NIMBY literature uncritically assumes intent to exclude affordable housing, so it will be important to determine if that intent exists. Finally, the implication that there is continuity across the metropolitan area of factors that influence development, albeit with the strength of each factor varying across space, deserves investigation. The magnitude of the above questions demonstrates that an in-depth study of affordable housing dynamics at a large scale is both justified and necessary. Addressing them in the context of Hennepin County, Minnesota will thus bridge a number of major gaps in our understanding of affordable housing development.

### ***Chapter Three: Research Context, Data, and Methods***

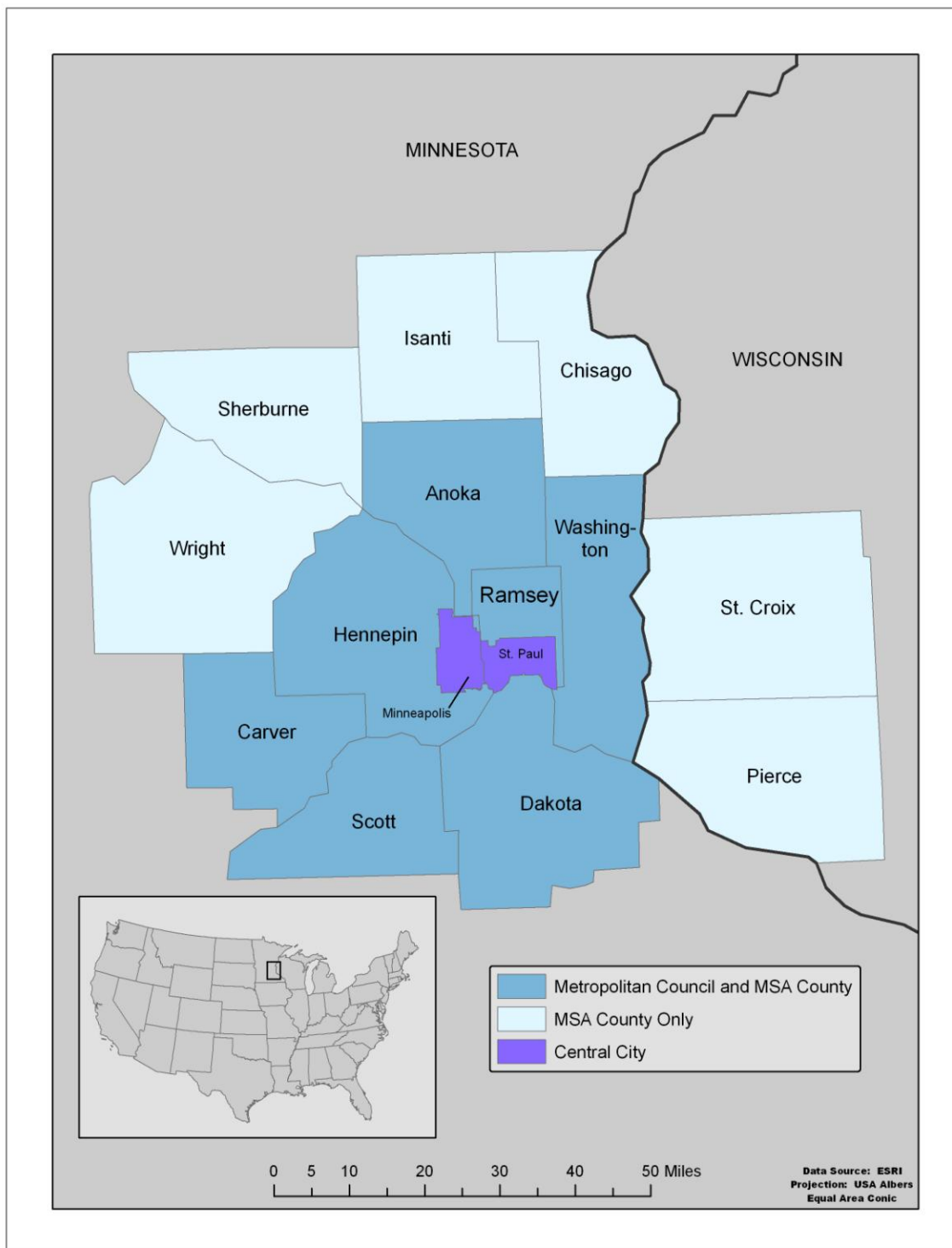
#### ***Hennepin County and the Twin Cities Metropolitan Area***

This study focuses on Hennepin County in the Minneapolis – St. Paul – Bloomington MSA, also known as the Twin Cities. According to the U.S. Census Bureau (2009b), the MSA is composed of eleven counties in Minnesota and two counties in Wisconsin (see Figure 3.1 below). It is anchored by the two central cities of Minneapolis and St. Paul, and has extensive suburban development in the seven Minnesota counties of Anoka, Carver, Dakota, Hennepin, Ramsey, and Scott. Since 2000, the area has experienced moderate population growth. The 2000 Census estimated the population of the thirteen-county area at 2,968,806, making it the sixteenth largest MSA in the country. By 2007 the American Community Survey placed the population at 3,208,212, a growth rate of approximately 8.06 percent (U.S Census Bureau 2009a). Of the seven primary counties in the metropolitan area, Table 3.1 below shows that Hennepin County was by far the most populous in 2000. None of the primarily suburban counties exceeded 300,000 in population.

**Table 3.1: Seven-County Metropolitan Area Population and Housing Data**

| <i>County</i>                    | <i>Population, 2000</i> | <i>Percent Population Growth, 2000-2007</i> | <i>Percent Housing Units Owner-Occupied, 2000</i> |
|----------------------------------|-------------------------|---|---|
| Anoka                            | 298,084                 | 9.45  | 83.38   |
| Carver                           | 70,205                  | 26.00                                       | 83.48   |
| Dakota                           | 355,904                 | 9.71  | 78.25   |
| Hennepin (including Minneapolis) | 1,116,200               | 1.83  | 66.16   |
| Hennepin (minus Minneapolis)     | 733,582                 | 7.07  | 74.34   |
| Ramsey (including St. Paul)      | 511,035                 | -2.18                                       | 63.47   |
| Ramsey (minus St. Paul)          | 223,884                 | 4.35  | 74.34   |
| Scott                            | 89,498                  | 41.50                                       | 86.46   |
| Washington                       | 201,130                 | 12.60                                       | 85.68   |

(Sources: U.S. Census Bureau 2009a, 2009b)

**Figure 3.1: Twin Cities Metropolitan Statistical Area**



Taken as a whole, suburban Hennepin County is not representative of the seven counties mentioned above, though it is the most useful for drawing conclusions about affordable housing dynamics at the metropolitan scale. Even with Minneapolis and St. Paul excluded from their respective counties, Table 3.1 above shows that Hennepin County had a lower than median percentage of owner-occupied housing units and population growth rate. The differences result from the presence of many fully-developed suburbs in Hennepin County, of which there are far fewer in the five counties lacking a central city. Like all of the counties except Ramsey County though, Hennepin County also has many rapidly developing and semi-rural suburbs. Thus, focusing on Hennepin County offers insight into the broadest possible range of suburban affordable housing dynamics, making it possible to generalize findings from it to the broader metropolitan area in a way focusing on no other county could.

However, caution is necessary when generalizing the results of a study of the Twin Cities MSA to other large MSAs. Table 3.2 below shows medians of five demographic and housing values from the 2000 Census for the Twin Cities MSA and the other 24 largest MSAs in terms of population. As the data demonstrate, the Twin Cities had less ethnic diversity, higher incomes, a higher proportion of owner-occupied housing units, and a higher median value of owner-occupied units in 2000. While such values are a strong indication that its affordable housing dynamics do not represent those of many other large MSAs, the Twin Cities MSA is a valuable point of comparison for a subset of MSAs. Demographically and in terms of tenure status, the Twin Cities MSA is broadly similar to other MSAs with populations under 3,000,000 in 2000. Furthermore, its values are very similar to several MSAs with similar population sizes, including those of Denver,

Portland, and St. Louis. Consequently, it is likely that the Twin Cities MSA will have many similarities to other MSAs with populations just above or below 3,000,000 that are expanding moderately.

**Table 3.2: Medians of National Population and Housing Data, 2000**

|                                      | <i>Twin Cities<br/>MSA</i> | <i>25 largest<br/>MSAs</i> | <i>Top 25 MSAs<br/>under 5,000,000</i> | <i>Top 25 MSAs<br/>under 3,000,000</i> |
|--------------------------------------|----------------------------|----------------------------|--|--|
| Percent white alone                  | 86.15                      | 73.01                      | 79.11                                  | 80.77                                  |
| Median household income              | \$54,304                   | \$47,067                   | \$45,502                               | \$46,090                               |
| Percent housing units owner-occupied | 72.44                      | 65.19                      | 66.76                                  | 67.95                                  |
| Median value of owner-occupied units | \$139,200                  | \$132,600                  | \$117,450                              | \$115,300                              |
| Median rent                          | \$641                      | \$660                      | \$651                                  | \$608                                  |

(Source: U.S. Census Bureau 2009b)

Another important factor to consider when comparing the Twin Cities to other metropolitan areas is the presence of a strong metropolitan government that is active in affordable housing development. A comparable situation exists only in the Portland, Oregon metropolitan area. The Minnesota state legislature passed a bill in 1967 to create the Metropolitan Council, a regional planning authority for Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties. In 1971 the Metropolitan Council formally committed itself to expanding the stock of affordable housing in suburban areas and in 1973 began administering federal housing programs in suburbs without their own housing authorities. Also in the early 1970s, it gradually adopted a fair share housing program in which it set a goal of each city's "fair share" of affordable housing units. Its power expanded in 1976 when the legislature passed the Land Use Planning Act (LUPA), which required each city to submit a comprehensive plan to the Metropolitan Council, part of which had to be a housing plan detailing how the city would meet affordable

housing goals set by the Metropolitan Council. Aggressive efforts by the Metropolitan Council to enforce fair share provisions resulted in significant expansions of affordable housing in suburban areas into the 1980s. However, the Department of Housing and Urban Development severely cut funding for subsidized housing under the Reagan Administration, and Minnesota state governors during the period were relatively unsupportive of the Metropolitan Council. Consequently, the Metropolitan Council stopped enforcing fair share goals, resulting in a decline in affordable housing production in the Twin Cities suburbs. In response to the shift, legislators passed the Livable Communities Act (LCA) in 1995, which reiterated the goals of LUPA and established three grant funds that provided cities money for affordable and life-cycle housing, pollution cleanup, and transportation-oriented development. Joining LCA was voluntary, but cities could only access the grants if they joined it and agreed to affordable housing goals negotiated by the Metropolitan Council and the city (Goetz 2000; 2003).

The impact of the Metropolitan Council and LCA on the regional dynamics of affordable housing is mixed. On one hand, the political pressure they apply makes it very difficult for a city to reject outright for an extended period the development of affordable housing within its boundaries. As I will discuss in the presentation of results, this does not mean that affordable development occurs in every city. However, it does mean that cities have less leeway to prevent affordable housing development than they may in a metropolitan area without a fair share housing program or metropolitan government. On the other hand, it is possible that LCA has actually reduced the amount of affordable housing construction that would have occurred between 1996 and 2010, the years for which it is active, compared to what would have occurred had it not been in effect. Goetz

(2000; 2003) notes that LCA provides the political cover for a city to stop allowing the development of affordable units once it meets its goal and to even demolish affordable units if it has surpassed its goal. Furthermore, he points out that many cities were successful in negotiating with the Metropolitan Council to reduce the initial goals. Assuming that affordable housing production rates would have continued at the same pace they did in the early 1990s, Goetz argues that LCA has resulted in a net reduction in the number of units that will be produced between 1996 and 2010. His argument recognizes that LCA has impacted the geography of affordable housing development, but maintains that the goals the Metropolitan Council set were not high enough.

In addition to the Metropolitan Council and LCA, there is a complex group of financing sources available from the federal government that help to stimulate and fund affordable housing development in the Twin Cities metropolitan area. One of the most common sources for rental housing is the Low-Income Housing Tax Credit, also known as Section 42 funding. Funded by the federal government and administered in Minnesota through the Minnesota Housing Finance Agency (MHFA), a state agency tasked with providing funding for low- and moderate-income housing, it gives developers an income tax credit for a percentage of the cost of developing low-income rental units. The developer then sells the tax credit to investors and uses the money from that sale to finance the development (MHFA 2009b). Another common program is HUD's Section 8 program. Administered through local housing authorities, it allows qualifying low-income residents to live in private, market-rate apartments. They pay only 30 percent of their income and HUD pays the difference between that amount and the market rate. With tenant-based assistance, individuals receive a voucher and they can select any

housing unit that accepts Section 8 vouchers. With project-based assistance, a housing unit receives a subsidy that varies depending on the income of the tenant (Goetz 2003).

A number of funding opportunities are also available from sources within Minnesota. There is a wide variety of other grants and low-interest loans for developing, acquiring, or rehabilitating affordable rental housing, as well as several MHFA-sponsored loans to help households purchase a home that is made affordable by reducing or deferring loan interest (MHFA 2009a, 2009b).<sup>1</sup> Individual cities are occasionally willing to provide funding of their own. A common way is to establish a tax increment financing (TIF) district, which provides funding to a developer and then pays for that funding using the increment. The increment is all property tax from the newly developed property above the amount it was yielding pre-development. The amount of taxes the property yielded before development continues to go into the city's general fund. Frequently cities require the developer benefitting from a TIF district to include some affordable units if the development includes any housing (Minnesota House of Representatives House Research 2008). In the cities researched for this paper, developers typically drew simultaneously on many of the above funding sources to finance affordable housing.

Assessing the full impact of LCA and other funding sources is beyond the scope of this study, but it is clear that at the beginning of the study period, the distribution of existing affordable housing was very uneven. Figure 3.2 on page 41 shows the percent affordable of total housing units in 2000 by city.<sup>2</sup> The data breaks are quartiles.<sup>3</sup> Distinct

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<sup>1</sup> See Appendix One for a detailed table of specific state programs aimed at developing affordable housing.

<sup>2</sup> As explained in the introduction, the definition of affordable is different for a rental unit versus an ownership unit. Though Figure 3.2 shows the percent affordable of all units, it has applied each definition to its respective type of unit.

<sup>3</sup> All following maps in this section will have quartile data breaks.

regions of affordability are apparent. The cities in the top quartile of affordability are in a wedge extending north from Minneapolis, as well as the southern inner-ring suburb of Richfield and the distant western city of Maple Plain. Several other inner-ring suburbs such as St. Louis Park, as well as Maple Grove and several western cities are also above the median percent affordable. Less affordable cities include most of the developing suburbs such as Plymouth and Eden Prairie. The least affordable places are primarily those cities that surround Lake Minnetonka in the west, as well as the upscale inner-ring suburb of Edina.

### *The Research Design*

I began this study by establishing the study area within Hennepin County, which Figure 3.3 below displays. There are two major advantages to studying only Hennepin County. First, as I explained above, it offers the most complete profile of suburban affordable housing dynamics short of studying all counties in the MSA, for which there were insufficient resources. Second, it is possible that differences in county-level housing policies would introduce a variable into cross-county analyses of cities for which it would be difficult to control, a problem studying only one county eliminates. Within Hennepin County, I then limited the study area to only those cities that had at least a portion of their land area within the Metropolitan Urban Service Area line because it is very difficult to build housing at the densities required to be affordable outside this line, which resulted in the exclusion of Hanover. Next, in order to remove the variable of other counties' housing policies, I eliminated all cities not entirely within Hennepin County, which included Chanhassen, Dayton, Rockford, and (continued on page 43)

**Figure 3.2: Percent Affordable of All Units, 2000**

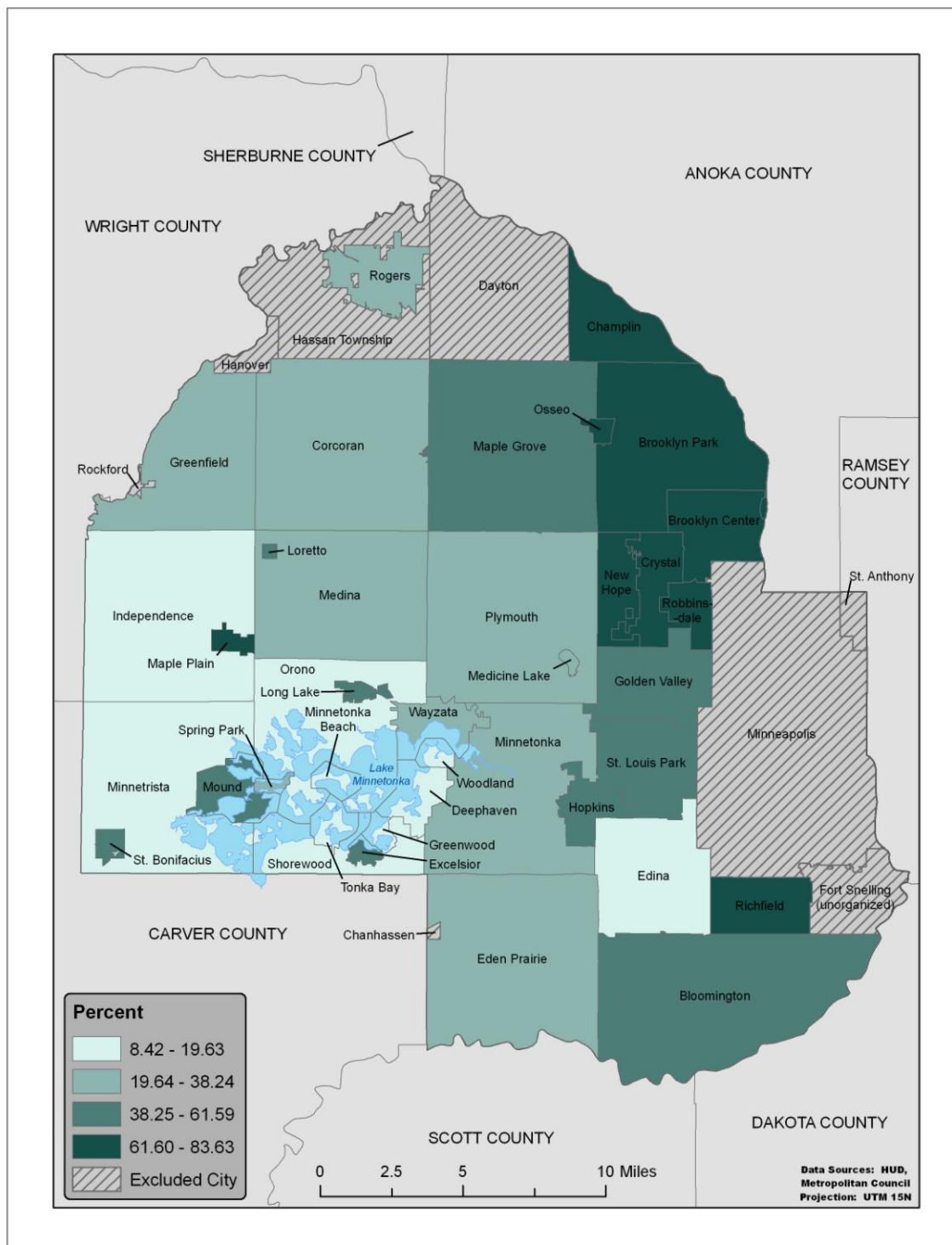
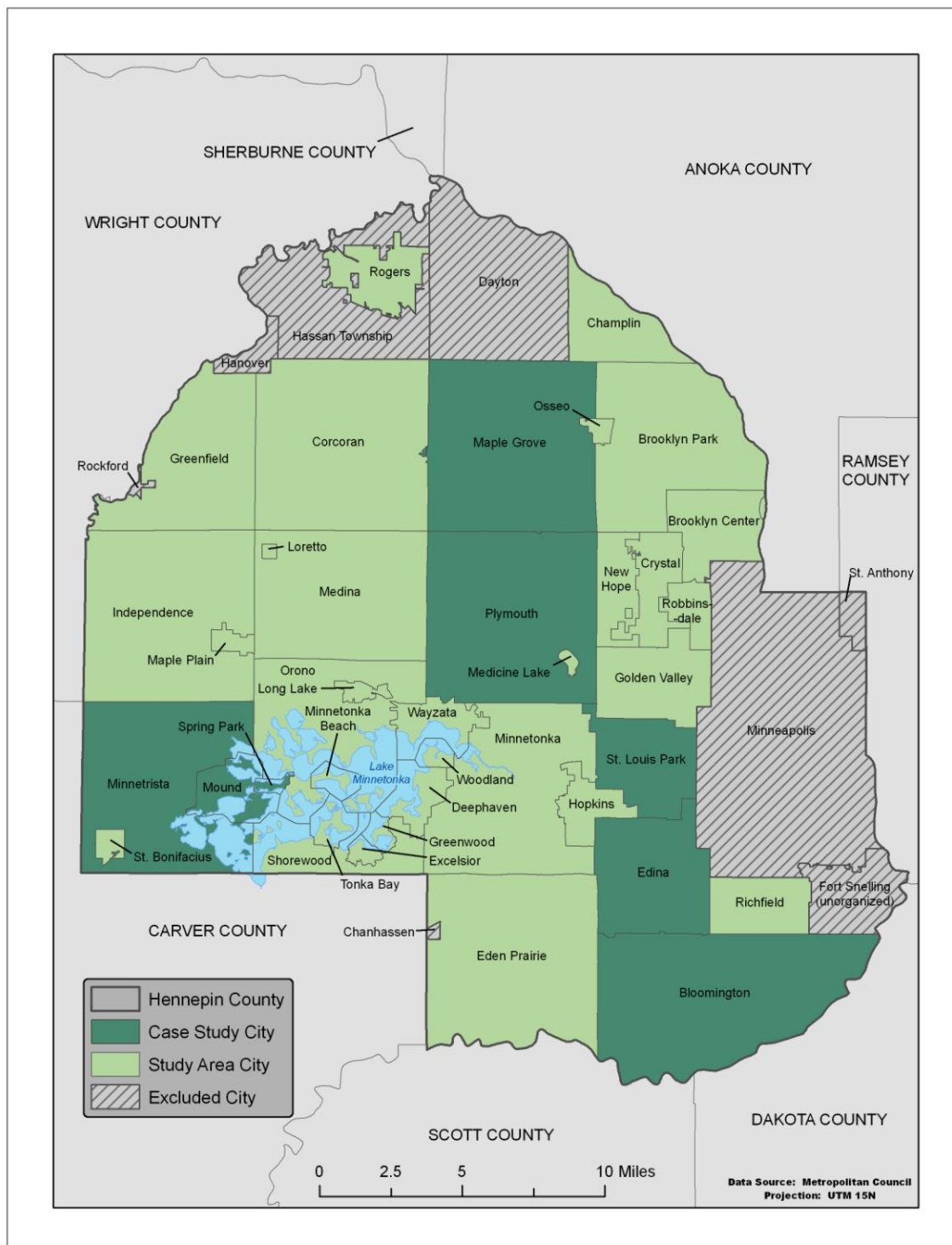


Figure 3.3: Study Area





St. Anthony. Next, I excluded Minneapolis because it is the central city and experiences largely different housing dynamics than many suburban areas. Finally, I excluded Hassan Township because of data availability constraints for townships. Thirty-nine cities remain in the study area.

I next compiled data detailing the geography of affordable housing production, affordable housing need, and municipal tax capacity in order to select case studies. To represent production, I calculated the percentage affordable of total production, for each city in the period from 2000 to 2007 using data supplied by the Metropolitan Council (2009). My study works to explain variation in the production variable. The study period begins in 2000 because it is the earliest year for which data necessary to detail both the production and need of affordable housing are available. I end with 2007 because it is the last year for which data about production of affordable housing were available during the research stage of this thesis.

Need is based on the housing requirements of both potential residents and current residents. Because one of the central arguments in favor of expanding suburban supplies of affordable housing is amelioration of spatial mismatches, I used the Metropolitan Council's (2006) Job Proximity Ratio, the best available measure of spatial mismatch for low-income workers, to quantify demand for affordable housing for people not already living in the city. The value is a ratio of low-wage jobs within 10 miles of a city's center point to low-income workers in the same area. It is derived from the U.S. Census Bureau's Local Employment Dynamics data set for 2003.<sup>4</sup>

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<sup>4</sup> Because the data are from 2003, it is not ideal for this research, but the U.S. Census Bureau does not publicly provide the data used in the Metropolitan Council's calculations aggregated at a small enough scale for me to calculate the value for another year.

To quantify need for existing residents, I calculated a normalized measure of surplus or shortage for the existing low and moderate income population in each city which I have termed the “supply index.” To do so, I first used the Comprehensive Housing Affordability Strategy (CHAS) database maintained by the HUD to calculate the number of rental units and the number of owner-occupied units that were affordable in each city in 2000. Next, I again used the CHAS data to calculate the number of renting households earning below 50 percent of the AMI and the number of home-owning households earning below 80 percent of the AMI in each city. I then subtracted the number of affordable units of each tenure type of housing from the number of households living in that tenure type needing affordable housing.<sup>5</sup> I then divided that value by the number of households in that tenure type needing affordable housing of that tenure type. I finally calculated a mean of the rental and owner-occupied supply indices weighted by the number of households needing affordable housing in each tenure-type category and multiplied the value by 100.

The resultant supply index value expresses the percentage of low- or moderate-income residents for whom it would be impossible to find affordable housing in the city of the same tenure type in which they currently live. A positive value indicates a shortage while a negative value indicates a surplus. This measure does not take into account situations in which higher-income households instead of lower-income households occupy affordable units, but since such a situation is dependent on local market conditions, it is impossible to standardize for study across the county. In contrast, the supply index is a standardized measure. Finally, I developed a composite measure of

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<sup>5</sup> There are frequently more households needing affordable units in a city than there are affordable units in that city, meaning many households are living in units unaffordable to them.

need, ranking cities based on the job proximity ratio mentioned above, with the city having the highest ratio being ranked with one, ranking the cities based on the supply index, with the city having the highest positive value being ranked number one, and then summing the two ranks. Lower scores indicate higher need.

I then calculated the tax capacity per capita for each city in 2000. Tax capacity per capita is included because that value will indicate a city's relative ability to devote funds to affordable housing development, whether or not it chooses to do so. To calculate the value, I collected data for city tax capacity in 2000 from the Minnesota Office of the State Auditor (2002a; 2002b), and then divided the value for each city by that city's population in 2000. Tax capacity is calculated by multiplying the taxable value of each property by a factor determined by the type of land use of the property and then summing those values for the city. Because the state does not cap the property tax rate a city can charge, it is an imperfect measure of the amount of revenue a city can generate through property taxes (Minnesota House of Representatives House Research 2009). Nevertheless, it is the only means of comparing the fiscal standing of cities.

Next, I selected case studies by comparing the cities in terms of need, production, and tax capacity per capita. I first determined the median percent affordable of all housing development from 2000 to 2007 in each city and labeled each city as higher than the median or lower than the median. I then determined the median need score and labeled a city as having above or below median need. Finally, I determined the median tax capacity per capita in 2000 and labeled each city as being above or below it. Since there are 39 cities in the study area, one was the median value for each of the three measures. I assigned the median city to the category in which the numerically closest

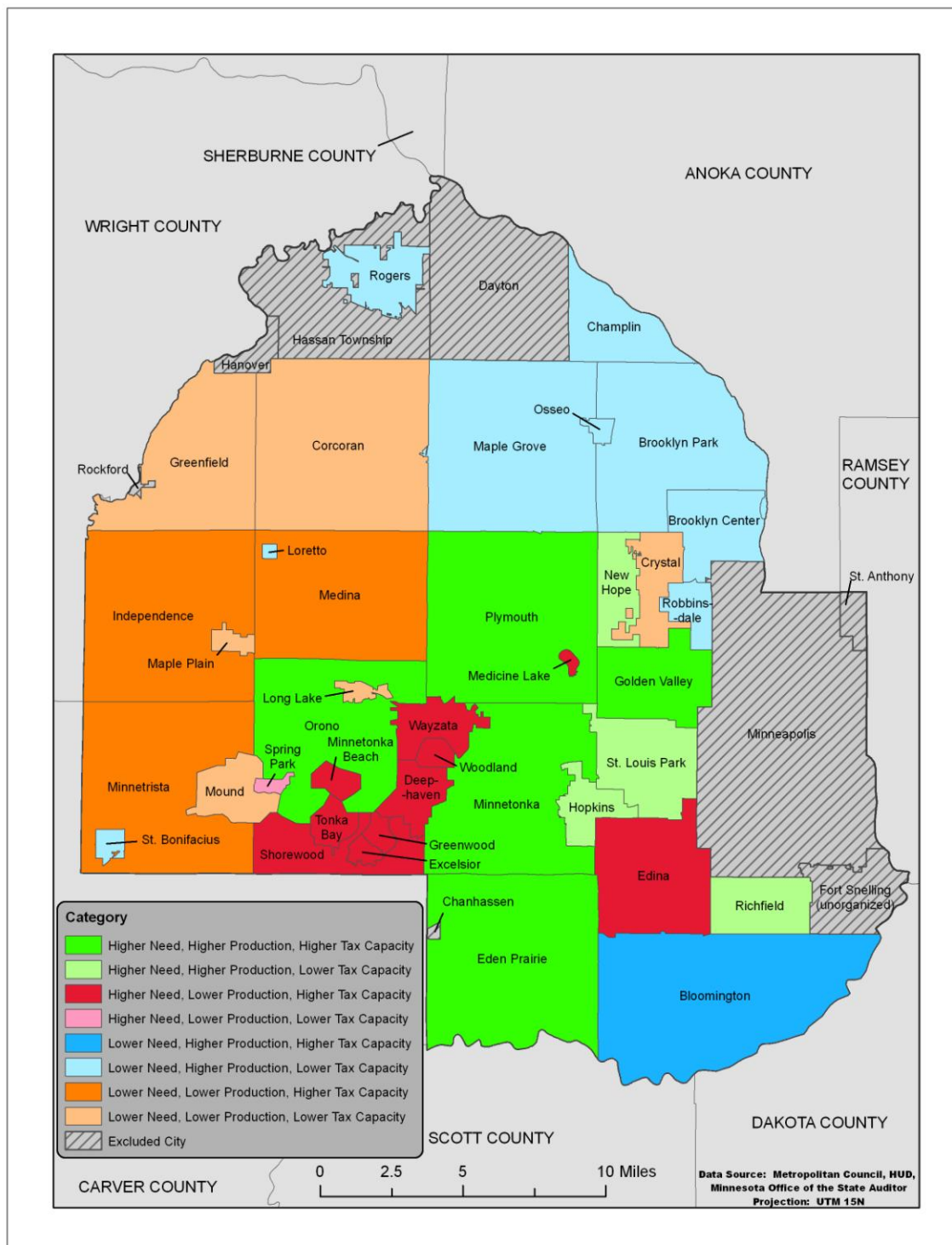
city fell. I then assigned all cities to the appropriate cell of the matrix shown as Table 3.3 below. The geographic distribution of each category is shown in Figure 3.4 below.

**Table 3.3: Affordable Housing Matrix**

|  | <i>Higher Need</i>  | <i>Lower Need</i>   |
|--|---|---|
| <i>Higher Production /<br/>Higher Tax Capacity</i> | Eden Prairie<br>Golden Valley<br>Minnetonka<br>Orono<br><b>Plymouth</b>   | <b>Bloomington</b>  |
| <i>Higher Production /<br/>Lower Tax Capacity</i>  | Hopkins<br>New Hope<br>Richfield<br><b>St. Louis Park</b>   | Brooklyn Center<br>Brooklyn Park<br>Champlin<br>Loretto<br><b>Maple Grove</b><br>Osseo<br>Robbinsdale<br>Rogers<br>St. Bonifacius |
| <i>Lower Production /<br/>Higher Tax Capacity</i>  | Deephaven<br><b>Edina</b><br>Excelsior<br>Greenwood<br>Medicine Lake<br>Minnetonka Beach<br>Shorewood<br>Tonka Bay<br>Wayzata<br>Woodland | Independence<br>Medina<br><b>Minnetrista</b>  |
| <i>Lower Production /<br/>Lower Tax Capacity</i>   | <b>Spring Park</b>  | Corcoran<br>Crystal<br>Greenfield<br>Long Lake<br>Maple Plain<br><b>Mound</b>   |

Once the matrix was complete, I selected case studies based on population data. The areas with the largest populations and the most rapid growth are those where the absolute affordable housing stock can increase the most with improved public policies. Accordingly, within each matrix category, I ranked each city based on its total population in 2000, with the largest population receiving rank one, and separately on its population growth rate between 2000 and 2007, with the largest growth rate (continued on page 48)

Figure 3.4: City Matrix Categories



receiving rank one. The 2007 population figure is an estimate from the Minnesota State Demographic Center (2009). I then summed the ranks and selected the city with the lowest sum for the case study. All of the case study cities are shown in bold in Table 3.3.

I next completed a systematic research process for each case study city. Comprehensive plans represent a city's primary statement of policy on development issues, including housing, so I first reviewed the two most recent comprehensive plans of each city. Each of the eight cities had a comprehensive plan that took effect between 1998 and 2000 and had drafted a new plan between 2008 and the present. The earlier comprehensive plan gives an indication of policies in the earlier part of the study period, and the later one, though outside of the study period, reflects the trajectory of changes in attitudes and policy during the study period. After evaluating the two most recent comprehensive plans, I searched databases of the *Star Tribune*, the major newspaper covering Minneapolis and Hennepin County suburbs, and local newspapers for each city about any articles related to affordable housing development between 2000 and 2007 in that city. I reviewed minutes from city council and planning commission meetings in cases where an article provided insufficient information.

Following document review, I visited each city to conduct interviews.<sup>6</sup> In total I conducted fourteen interviews in June, July, and September of 2009 with city staff members, elected officials, individuals involved in non-profit organizations that provide affordable housing or advocate for its development, private individuals that have been heavily involved in affordable housing in their communities, and one person who had

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<sup>6</sup> See Appendix Two for a sample of typical interview questions.

worked for a non-profit developer of affordable housing.<sup>7</sup> I selected city staff members by calling relevant departments to speak to housing specialists. I contacted elected officials and other respondents either by identifying them through newspaper articles or meeting minutes as being active in affordable housing debates, or by being referred through previous respondents. For Mound, Minnetrista, and Spring Park I conducted only one interview each because all had relatively small populations and Mound and Minnetrista were low-need, low-production communities. Consequently the affordable housing dynamic in each became very clear through one interview. For Bloomington, I conducted three interviews because opportunities for additional interviews presented themselves. All interview respondents provided informed consent on the condition that I maintain confidentiality. Table 3.4 on the next page indicates a general profile of the respondents. I have also drawn on three interviews from an earlier study of affordable housing in the Heart of the City development in Burnsville, a Dakota County suburb, and three interviews from a study of city-wide affordable housing development in Richfield, a Hennepin County suburb, in order to reinforce the findings from the case studies.

After completing a full analysis of case study data, I conducted a brief statistical analysis of all of the cities in the study area to test some of the tentative conclusions that emerged from the case studies. Using all of the non-ordinal variables from the case study selection process, as well as the percent affordable of the total housing stock, the percent growth in population between 2000 and 2007, the 2000 mean of the percent of the

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<sup>7</sup> I interviewed this individual specifically in relation to his/her role in a particular city in a different capacity, but he/she also spoke to the broader role as a developer throughout the Twin Cities. In this paper I will refer to these two roles as if they are two separate individuals in order to maintain confidentiality because linking the two could potentially disclose the respondent's identity. The developer will not appear in the table below providing general backgrounds of the interview respondents.

population in poverty in adjacent cities weighted by adjacent city population, the 2000 mean of the percent of the population that was minority in adjacent cities weighted by adjacent city population, the 2000 median household income, the 2000 median value of owner-occupied units, and the 2000 median monthly rent of rental units, I determined a correlation coefficient for each variable with the percent affordable of all new housing development between 2000 and 2007. The additional variables emerged as potential factors in literature and during the case study research process. I then tested all independent variables that had a correlation coefficient that was significant at the .05 level for covariance with each other. I excluded from the final regression any variables with covariance significant at the .05 level except for the variable with the highest correlation coefficient with the dependent variable. I then developed a linear regression model to explain the distribution of affordable housing development.

**Table 3.4: Profile of Interview Respondents**

| <i>City</i>    | <i>Respondent Affiliation</i>   |
|----------------|---|
| Plymouth       | Interview 1 – Elected official<br>Interview 2 – City staff person   |
| St. Louis Park | Interview 1 – City staff person<br>Interview 2 – Non-profit staff person with<br>Project for Pride in Living  |
| Edina          | Interview 1 – City staff person<br>Interview 2 – Private citizen  |
| Spring Park    | Interview 1 – Elected official  |
| Bloomington    | Interview 1 – City staff person<br>Interview 2 – Non-profit staff person with<br>All Parks Alliance for Change<br>Interview 3 – Non-profit member with All<br>Parks Alliance for Change |
| Maple Grove    | Interview 1 – Non-profit member with<br>Housing for All<br>Interview 2 – City staff person  |
| Minnetrista    | Interview 1 – Disclosure would identify<br>individual   |
| Mound          | Interview 1 – Disclosure would identify<br>individual   |



The research method I have used has a number of important strengths that make it the most appropriate way to approach the research questions at this stage. While a detailed statistical approach would be useful to effectively develop new housing policies, the metropolitan dynamics of affordable housing development are not understood well enough to be able to select variables with relative certainty that no crucial variables have been overlooked. My primarily qualitative approach takes the steps necessary to begin building the knowledge base to conduct a thorough statistical analysis. Categorizing cities by how they relate to some basic descriptors of affordable housing development geography avoids major assumptions about the factors that are involved in creating that geography and provides a diverse cross-section of cities with different housing dynamics and housing policies. By then using a very basic statistical analysis, I largely confirm my case study findings, suggesting that the study does a good job of explaining the dynamics of affordable housing development in Hennepin County suburbs.

Nonetheless, there are several important caveats to note about the case study selection method. First, the comparison of cities is a relative, not absolute, comparison. Labeling a city as being below the median in a particular measure does not mean that it does not need to develop more affordable housing units, that its production was extremely limited, or that its tax capacity is dangerously low. The binary divisions of each measure contain a wide variety of cities. Nevertheless, having eight categories in the matrix is meant to limit the within-group variation. The general pattern of geographic grouping of cities within categories suggests that my methodology has done so. Second, my measure of need for affordable housing is simple, and as a result, does not fully describe the geography of need. Need also encompasses transportation connectivity, the

amount of land available for development, personal preferences of low- and moderate-income households, and many other factors (Metropolitan Council 2006). Incorporating all of those variables though would have been extremely difficult for a study of this scope. Moreover, since the focus of this paper is the economic consequences for low- and moderate-income households of not having an adequate suburban supply of affordable housing, a measure encompassing jobs is an adequate measure of need.

### *Geography of Case Study Selection Variables*

Production of affordable housing between 2000 and 2007 has several distinct patterns. Figure 3.5 below shows the percent affordable of all housing units added between 2000 and 2007. The areas of proportionately highest production are several inner-ring suburbs with already large stocks of affordable housing, as well as Maple Grove and several rural cities. Also above the median are most of the other inner-ring suburbs and the developing suburbs. It should be noted that the inner-ring suburbs have low absolute amounts of production because there is very little developable land in those areas. Still, a large portion of the development that does occur is affordable. Most of the more distant western suburbs are below the median. Edina and Spring Park are the only suburbs with no affordable production during the study period. Edina and most of the cities around Lake Minnetonka generally have very high median home prices and rents. The rural areas with low affordable housing production may have little demand for development in general, especially low- and moderate-income development.

The geography of need conforms to a largely different pattern. Figure 3.6 shows the first measure of need, the job proximity ratio. Based on this (continued on page 55)

**Figure 3.5: Percent Affordable of All New Units, 2000-2007**

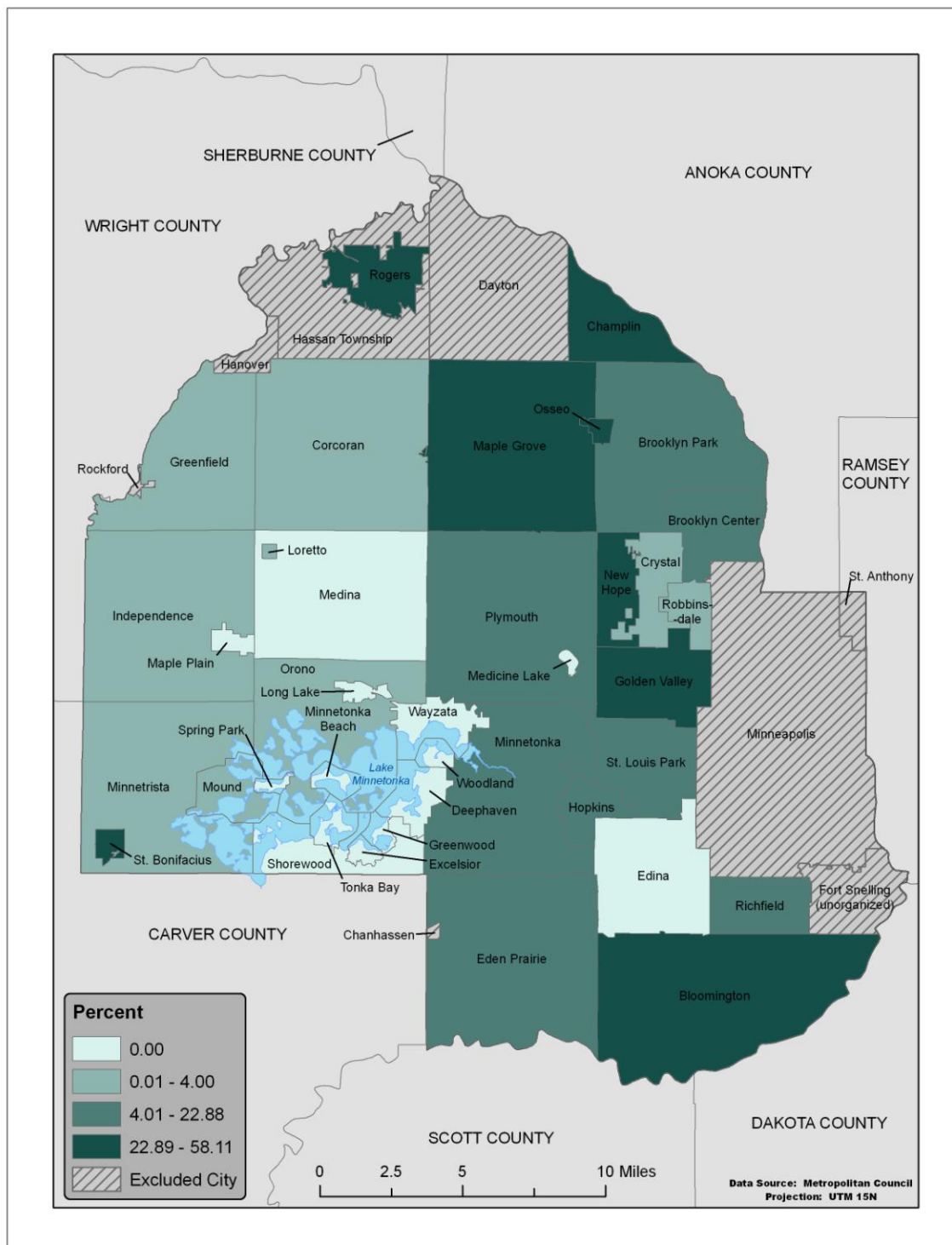
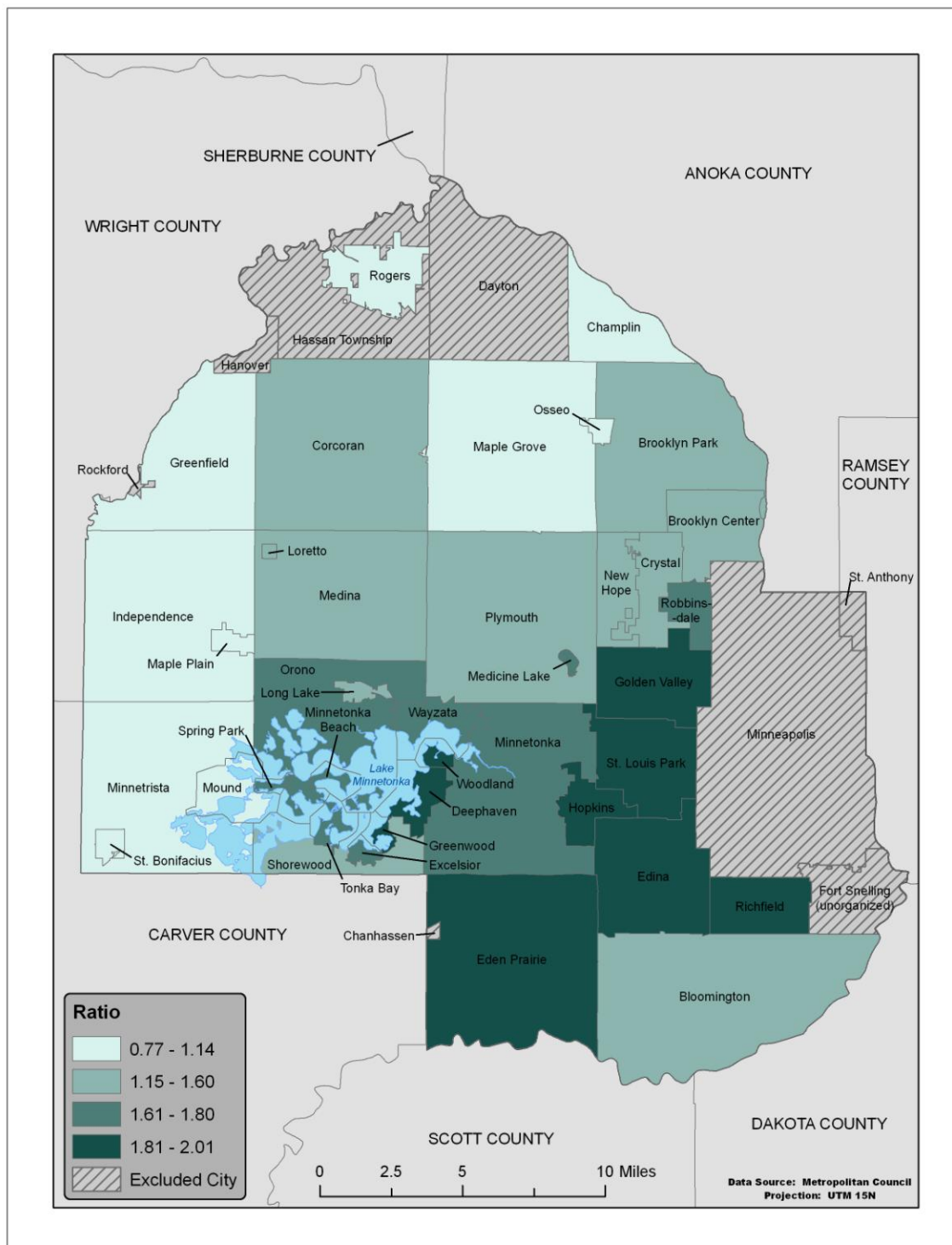


Figure 3.6: Job Proximity Ratio



measure the strongest need is in the western and southern inner-ring suburbs, Eden Prairie, and several of the cities around Lake Minnetonka. Predictably, more distant areas have less need. The inner-ring suburbs to the north of Minneapolis are also below the median. It should still be noted however that the majority of cities have a ratio over one, indicating a lack of enough housing to accommodate low-income workers. The other measure of need is the supply index, which Figure 3.7 shows. Any area with a positive value has fewer affordable units than it does residents in need of those units. The suburbs bordering Lake Minnetonka, as well as Edina and Plymouth, have higher than median need based on the supply index. Inner-ring suburbs and the northern suburbs without major lake amenities have lower than median need. Figure 3.8 shows the composite need score. Lower values indicate higher relative need for additional affordable units. The areas in the highest quartile of need are several of the cities around Lake Minnetonka, as well as Edina, Eden Prairie, and Hopkins. Except in the case of Hopkins, these are all suburbs with very high land values. Most of the other inner-ring and developing suburbs to the west of Minneapolis have higher than median need. Areas of lower relative need are the more distant exurban areas, the northern inner-ring suburbs, Mound, and Bloomington. The distant areas have few jobs, and the nearer suburbs and Mound already have very large stocks of affordable housing.

The data reveal a moderate mismatch between the geographies of production, need, and fiscal capacity to develop affordable housing. While need is highest in Edina, Eden Prairie, and the suburbs at the eastern end Lake Minnetonka, only Eden Prairie had a percentage affordable of new development over the median. Cities in the second quartile of need tended to experience production more (continued on page 58)

Figure 3.7: Supply Index

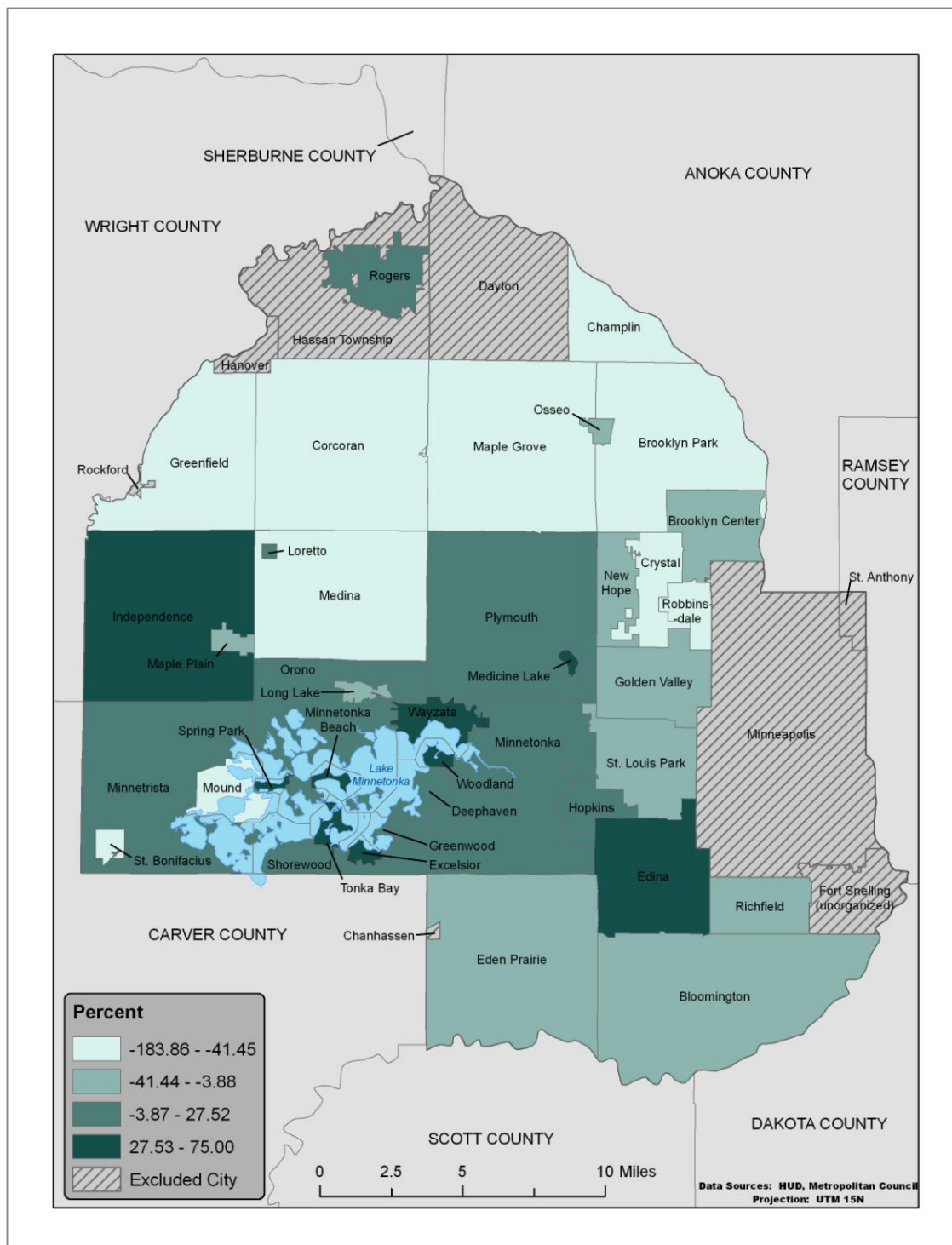
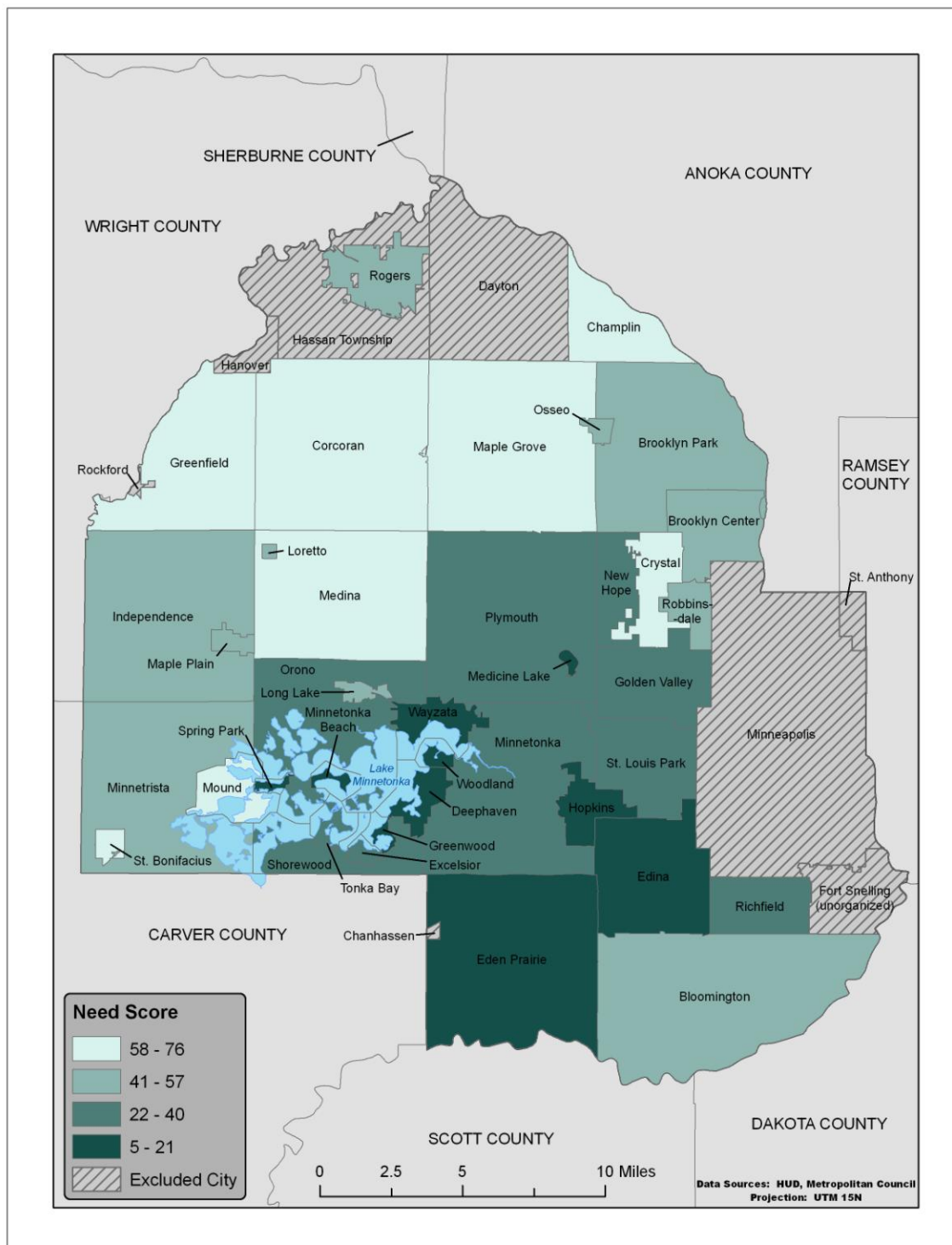


Figure 3.8: Composite Need Score

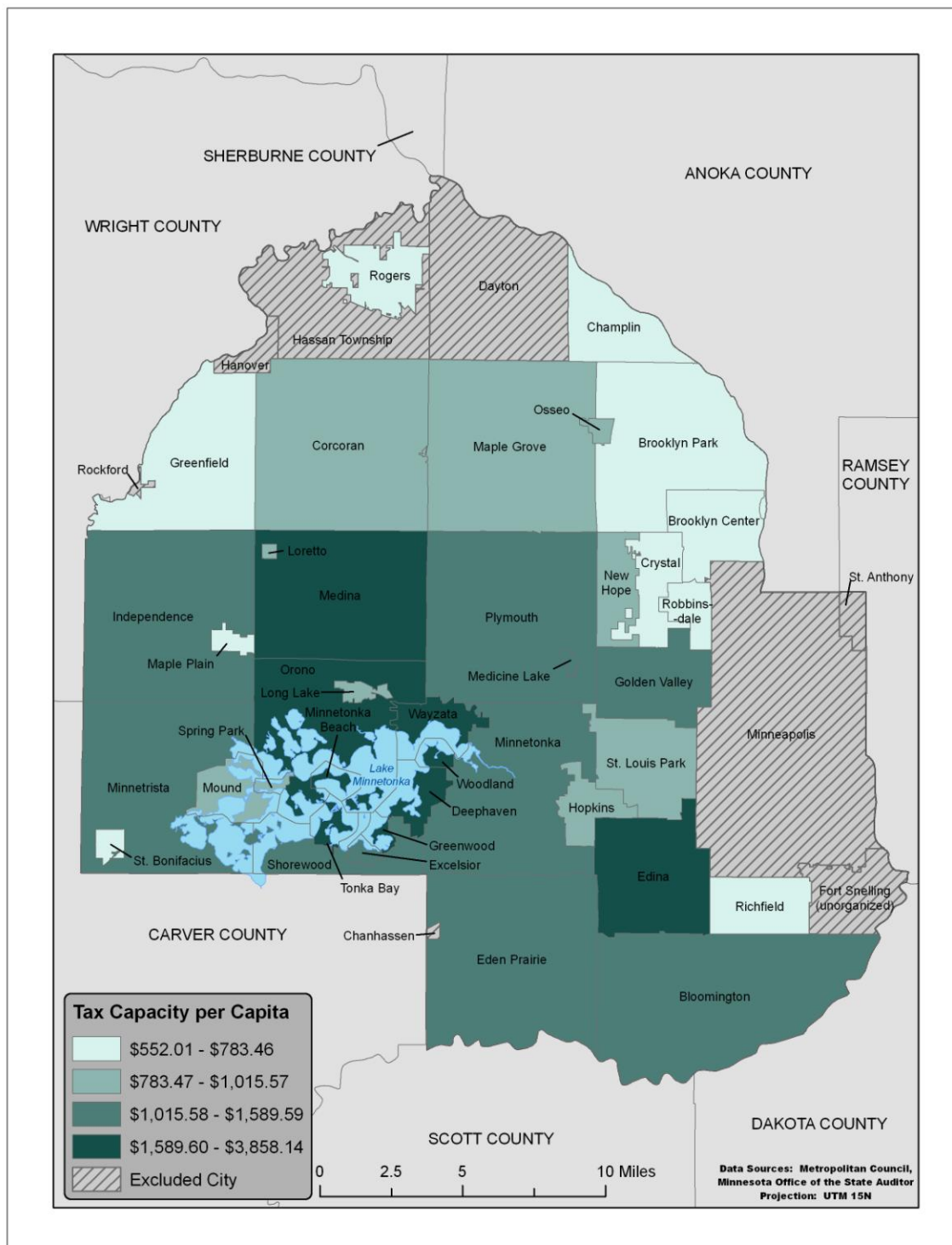


commensurate with need. A notable outlier though is Maple Grove, which despite lower need had very high production, both in proportional and absolute terms. Some of the closer suburbs such as Bloomington and Brooklyn Center with lower need had high production. The mismatch between the geography of production and the fiscal capacity is more striking. Figure 3.9 below shows the tax capacity per capita in each city in 2000. Cities with lower tax capacities per capita tended to have higher percent affordable production whereas cities with the higher tax capacities per capita had lower values.

In the typology of cities that emerges from the above analysis, the majority of cities are grouped with similar cities and separated from different cities, suggesting that the typology is an effective categorizing tool. The “Higher Need, Lower Production, Higher Tax Capacity” cities all have the highest housing costs. The “Higher Need, Higher Production, Higher Tax Capacity” cities are primarily developing suburbs that have somewhat lower housing costs. The “Higher Need, Higher Production, Lower Tax Capacity” cities are all inner-ring suburbs. The “Lower Need, Lower Production, Lower Tax Capacity” cities have already large supplies of affordable housing and are mostly developed. The “Higher Need, Lower Production, Lower Tax Capacity” city of Spring Park, is very similar except that it is located closer to job centers. The “Lower Need, Higher Production, Higher Tax Capacity” city of Bloomington is fully developed yet has a large range of housing types and extensive commercial land use. The “Lower Need, Lower Production, Higher Tax Capacity” cities are largely rural and have generally affluent populations. The only category with significant variation within is the “Lower Need, Higher Production, Lower Tax Capacity” group, which includes inner-ring suburbs, developing areas, and semi-rural.



Figure 3.9: Tax Capacity per Capita, 2000



## ***Chapter Four: Results***

### ***Introduction***

Through the results we begin to see a political economy of affordable housing development that is particular to each city, but one that across cities is chiefly, but not completely, motivated by a diverse set of economic concerns. As this section will demonstrate, there is much consistency between cities, but we cannot even begin to fully account for the varying balance of economic constraints and resident opposition between cities with a linear model. The process involves an intricate interaction of social, political, and economic forces, many of which are unique to each city. In this chapter, I will detail these forces in each city while also relating them to the broader statistical analysis. Each case study will address my research questions as they relate to the case study city. The following chapter will synthesize and analyze all of the results. The order in which I present case studies in this chapter is simply a linear progression through the matrix. Though I conducted the statistical analysis after the case studies, I present it first because it provides a useful macro-analysis against which to compare case studies. Tables 4.1 and 4.2 present data that are useful to situating each case study in the broader study area.

**Table 4.1: Thirty-Nine City Study Area Comparison Values**

| <i>Variable</i>                         | <i>Value in Study Area</i> |
|---|----------------------------|
| Population in 1990                      | 651,621                    |
| Population in 2000                      | 719,851                    |
| Population estimate in 2007             | 755,122                    |
| Percent growth in population, 1990-2000 | 10.47                      |
| Percent growth in population, 2000-2007 | 4.91                       |
| Median household income, 2000           | \$54,304 <sup>8</sup>      |
| Percent households in poverty, 2000     | 3.84                       |

(Sources: Minnesota State Demographic Center 2009; U.S. Census Bureau 2009b)

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<sup>8</sup> For the MSA as a whole; no sufficiently precise data is publicly available for only the study area.

**Table 4.2: Case Study Selection Values**

|                          | <i>Percent affordable of housing units added, 2000-2007</i> | <i>Job proximity ratio</i> | <i>Supply index</i> | <i>Need score</i> | <i>Tax capacity per capita, 2000</i> |
|--------------------------|---|----------------------------|---------------------|-------------------|--------------------------------------|
| <b>Study Area Median</b> | <b>2.38</b>   | <b>1.60</b>                | <b>-3.88</b>        | <b>40</b>         | <b>\$1,015.57</b>                    |
| <i>Plymouth</i>          | 14.37   | 1.59                       | -3.60               | 40                | \$1,276.10                           |
| <i>St. Louis Park</i>    | 6.64  | 1.86                       | -13.33              | 31                | \$1,015.57                           |
| <i>Edina</i>             | 0.00  | 1.93                       | 44.75               | 5                 | \$1,627.12                           |
| <i>Spring Park</i>       | 0.00  | 1.71                       | 56.19               | 16                | \$905.56                             |
| <i>Bloomington</i>       | 37.30   | 1.46                       | -18.97              | 51                | \$1,270.88                           |
| <i>Maple Grove</i>       | 30.16   | 1.14                       | -180.72             | 68                | \$878.43                             |
| <i>Minnetrista</i>       | 1.37  | 1.09                       | 16.88               | 45                | \$1,589.69                           |
| <i>Mound</i>             | 1.43  | 1.13                       | -59.23              | 66                | \$834.47                             |

(Sources: HUD 2009; Metropolitan Council 2006; Minnesota Office of the State Auditor 2002a, 2002b)

### *Statistical Analysis*

The statistical analysis suggests that across the study area economic constraints played a far greater role in shaping the geography of affordable housing development than did resident opposition. Table 4.3 below shows the correlation coefficients for independent variables with the percent affordable of new housing units. The supply index and tax capacity per capita in 2000 co-vary strongly with the total percent affordable in 2000,<sup>9</sup> so they are not included in the regression analysis, the results of which Tables 4.4, 4.5, and 4.6 below show. Most importantly, neither the mean adjacent poverty nor the mean adjacent minority variables, both of which would capture intent to exclude, are significant. The median household income, median owner-occupied unit value, and median rent value would also indicate intent of wealthier or more expensive cities to exclude, but none are significant. Finally, a negative correlation with the percent growth variable would indicate that developed communities were hesitant to change their existing housing composition, but the relationship is positive and not significant. While

<sup>9</sup> See Appendix Three for a complete correlation matrix.

the significance of total percent affordable in 2000 could indicate an impact of resident opposition, the insignificance of variables meant to capture opposition suggests that economic constraints are more to blame. The significance of the jobs proximity ratio probably indicates that a greater commercial presence attracts higher-value housing. Nonetheless, the weakness of the regression analysis demonstrates the complexity of the forces influencing the geography of affordable housing development. The following case studies highlight many of the factors for which the statistical analysis cannot account.

**Table 4.3: Correlation Matrix**

|  | <i>Job proximity ratio</i> | <i>Supply index</i> | <i>Tax capacity per capita, 2000</i> | <i>Total percent affordable, 2000</i> | <i>Percent population growth, 2000-2007</i> |
|--|----------------------------|---------------------|--------------------------------------|---------------------------------------|---|
| <i>Percent affordable of new housing units</i> | -.376*                     | -.349*              | -.367*                               | .413**                                | .248  |

|  | <i>Mean adjacent poverty</i> | <i>Mean adjacent minority</i> | <i>Median household income, 2000</i> | <i>Median owner-occupied unit value, 2000</i> | <i>Median rent, 2000</i> |
|--|------------------------------|-------------------------------|--------------------------------------|---|--------------------------|
| <i>Percent affordable of new housing units</i> | -.139                        | -.168                         | -.294                                | -.402   | -.227                    |

\* - significant at the 0.05 level

\*\* - significant at the 0.01 level

**Table 4.4: Regression Summary**

| <i>R</i> | <i>R Square</i> | <i>Adjusted R Square</i> | <i>Standard Error of the Estimate</i> |
|----------|-----------------|--------------------------|---------------------------------------|
| .509     | .259            | .218                     | 13.28097                              |

**Table 4.5: Regression ANOVA Summary**

| <i>Model</i> | <i>Sum of Squares</i> | <i>Degrees of Freedom</i> | <i>Mean Square</i> | <i>F</i> | <i>Significance</i> |
|--------------|-----------------------|---------------------------|--------------------|----------|---------------------|
| Regression   | 2,223.142             | 2                         | 1,111.571          | 6.302    | .005                |
| Residual     | 6,349.828             | 36                        | 176.384            |          |                     |

**Table 4.6: Regression Coefficients**

|                                | <i>Coefficient</i> | <i>t</i> | <i>Significance</i> |
|--------------------------------|--------------------|----------|---------------------|
| Constant                       | 19.75              | 1.794    | .081                |
| Total percent affordable, 2000 | .229               | 2.397    | .022                |
| Jobs proximity ratio           | -12.75             | -2.079   | .045                |

*Plymouth – Higher Need, Higher Production, Higher Tax Capacity*

Located approximately 12 miles northwest of downtown Minneapolis, Plymouth is an affluent, developing suburb. It has experienced heavy residential development since 1970, as well as large-scale commercial development in more recent years. The decade of 1970 saw the most rapid relative increase in population, with a 74.9 percent increase between 1970 and 1980. Growth began to slow in the 1980s, although it remained higher than the study area as a whole in both the period of 1990 to 2000, during which the growth rate was 29.5 percent, and 2000 to 2007, during which the growth rate was 8.0 percent (City of Plymouth 2000; U.S. Census Bureau 2009b). Only the northwestern quadrant of the city remains undeveloped, but it is expected to support the development of up to 5,775 more housing units before 2030. With only 54 percent of the housing stock being single-family detached and 46 percent being attached, it has a balanced housing stock. However, owner-occupied housing dominates, composing 71 percent of housing units (City of Plymouth 2009). The median value of an owner-occupied unit in 2000 was \$197,600<sup>10</sup> and the median rent of a rental unit was \$895. Median household income in 2000 was a high \$77,008 and the household poverty rate was a low 2.46 percent (U.S. Census Bureau 2009b).

Both Plymouth's official documents and its actions suggest a stronger than average commitment to increasing the city's supply of affordable housing. The *2000 Comprehensive Plan* explains in unusual detail both the challenges to developing affordable housing in Plymouth and the reasons the city needs more. For example, it explains, "Given the cost of housing in the City and the make-up of the City's job market,

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<sup>10</sup> All dollar values quoted in this section are in terms of the year being referenced.

high housing costs are likely an obstacle to non-residents who work in Plymouth” (City of Plymouth 2000, p. 5.9). Its 2009 draft plan reiterates the conclusions in the 2000 plan and includes as one of its three primary housing goals, “Promote the development and preservation of a supply of quality housing that is affordable at all income levels and at all stages of life” (City of Plymouth 2009, p. 4.1). As a point of departure, it still accepts new Metropolitan Council goals as worthy to attempt to achieve, but qualifies its intention by stating, “Nevertheless, the City’s affordable housing goal will be difficult to meet due to several factors including high land prices, inflationary pressure on building materials, transportation infrastructure in undeveloped areas of the city and limited availability of land for commercial purposes” (City of Plymouth 2009, p. 4.7-4.8). It is uncertain and impossible to ascertain whether this means the city has no intention of meeting the goal or will try but does not expect to meet it because the only people who know, government officials, would not have revealed that information to me.

Plymouth’s actions between 2000 and 2007 indicate that the city will make its best effort to achieve the goal, and has no intent to exclude affordable housing. In 2001, its Housing and Redevelopment Authority (HRA), which manages the Section 8 program in Plymouth, actively sought additional Section 8 vouchers to fill a need for additional affordable rental units (“HRA offers Section 8 rental assistance” 2001). Furthermore, the elected official I interviewed explained that in the development approval process, the city usually discusses the possibility of including affordable housing. The city staff member corroborated this point by saying, “When a developer comes in and they start talking with the Planning Department about developing some certain site or parcel, I often get brought into second or third conversations with them just to talk about affordability, because you

want to make sure the developers know that it is a priority of the city.” While there is no reason to doubt that the city actually pressured developers to include affordable units, there was no evidence from the study period that the city successfully convinced a developer that originally had no intention of including affordable units to include them in its final plans. That point notwithstanding, the city has directly contributed funding to projects. For Lancaster Village, a 160-unit apartment building with 16 affordable units, the city provided \$2.9 million in financing through city bonds (Thompson 2001). For both Vicksburg Commons, a mixed-income senior rental development with affordable units, and Stone Creek Village, a 130-unit apartment building with 34 affordable units, the city established TIF districts (Thompson 2001; 2006).

The seemingly successful efforts to develop affordable housing belie the serious economic obstacles that inhibit affordable housing development in Plymouth. The elected official with whom I spoke explained that as a result of high land values in Plymouth, “Really, by and large, our biggest hang up getting it [affordable housing development] done in Plymouth is funding.” The city staff member agreed and added that the land available in northwest Plymouth will be very expensive to develop because it has many wetlands and forests. Of the affordable housing development that does occur in the city, the staff member explained, “We certainly don’t see too much single-family detached projects coming through with an affordability component, and it’s simply because of the cost of land issue.” Even among those, the staff member believed that none could have been completed without government subsidies or other non-market sources. Undoubtedly Plymouth has a strong fiscal standing and could devote additional resources to overcome economic obstacles if it chose to do so, but the elected official

expressed the sentiment that raising taxes would be unacceptable to constituents.

Accordingly political will to develop affordable housing is strong compared with other cities, but it is unlikely that the city will expand its efforts.

Resident opposition has little impact on the unlikelihood that the city will promote affordable housing development more aggressively. Both respondents noted that neighborhood opposition to affordable developments had occurred in the study period, but neither felt that the affordability component was the reason people opposed the project. The city staff member aptly explained the situation:

The residents – in general, I would say – they come out when a development, whether it's got affordability in it or not, has some impact on them or there's some kind of change going on in an area that they feel would impact them, in an adjacent site or something. And it's pretty much a mix of the folks that are for it and the folks that are against it. You never know what's going to happen with each development, what they're going to say and the reasons they don't think it should be developed or the reasons they're going to say it should be developed. I think a lot of people just don't like to see the open space that they might have enjoyed but never owned go away.

The staff member later explained, “We’ve had developments occur where people have argued that their property values will decline if affordable housing is built near them,” but later explained that in the one case in mind, the city approved the project anyway.

However, the elected official noted, “Over the years I have just seen less and less and less resistance.” Even if people do oppose affordable housing developments, the elected official added, “I think that there may have been some people that maybe kind of thought, maybe choosing the words, ‘I don’t want *those people* in my backyard,’ but I really think that it takes a lot of courage anymore to use those words.” It thus makes it difficult to determine the cause of the only instance of major opposition, which was to Stone Creek



Village, which many surrounding residents opposed on environmental and traffic-related grounds (Thompson 2002). Whatever the cause though, the dynamics of opposition in Plymouth indicate that the majority of residents would accept increased affordable housing development if it did not offend their aesthetic sensibilities.

The presence of moderate political support for existing efforts supports such a hypothesis. Though residents have rarely come to City Council and Planning Commission meetings in large numbers to express support for developments because they include affordable units, both respondents recognized that a small number of people often do. Furthermore, several faith-based organizations, including Metropolitan Interfaith Council on Affordable Housing and Interfaith Outreach are active in Plymouth, both in advocating for approval of specific developments and in lobbying for changes to city policy that are favorable to affordable development (Hanks and Nichols 2001). A survey of residents found that a small majority favored development of more affordable housing, despite most of the respondents not needing affordable housing for themselves (Thompson 2004). Resident support does not necessarily translate into affordable housing development, but many developers appear willing to add affordable units, as the staff member explained in saying, “I think for the most part, the main developers here in this metro area and the ones that focus here on Plymouth are very open to looking at putting in a wide variety of product options in their subdivisions.”

*St. Louis Park – Higher Need, Higher Production, Lower Tax Capacity*

In contrast to Plymouth, St. Louis Park is a fully-developed, inner-ring suburb with a large existing supply of affordable housing. There was a boom in housing

construction in the late 1930s, and again from the end of World War II until 1960. Until 1960, nearly all of the housing construction was of single-family homes, but following 1960, nearly all construction was of multi-family housing, leading to the current balance of 55 percent single-family housing and 45 percent multi-family. By 1980, nearly all of the land in the city had been developed, and given that much of the housing stock is relatively old, the city has begun to focus heavily on redevelopment (City of St. Louis Park 1999). By 2007, the population had reached 44,126, and it is expected to grow slowly if the city succeeds in spurring redevelopment (Minnesota State Demographic Center 2009). That population had a relatively low median household income of \$49,260 in 2000 and a household poverty rate of 5.06 percent. The fact that nearly 56 percent of the housing stock was affordable in 2000 reflects the lower than average socioeconomic status of many of the city's residents (HUD 2009). Nevertheless, it is important to note that St. Louis Park had the highest tax capacity per capita of the cities in its category and does not face issues of decline to the same extent as those cities.

City policy during the study period favored higher-end housing over affordable housing, though the city still supported affordable housing development and preservation. For example, in response to the old, generally small-sized, and comparatively low-amenity housing in St. Louis Park, the *Comprehensive Plan 2000-2020* explains, "The creation of move-up housing [larger, more expensive housing for households ready to move out of starter homes], either through rehabilitation of existing homes, redevelopment of blighted properties or brownfields, or development of existing vacant lots is one of the City's highest priorities for its housing policies and programs" (City of St. Louis Park 1999, p. D-9). The plan recognizes (p. D-16) "there is still an insufficient

number of units available within reach of lower income families, especially larger families,” and adopts Metropolitan Council affordable housing goals, though it never suggests that affordable housing is a top priority comparable to move-up housing. The *Comprehensive Plan 2010-2030 – May 2009 Draft* (p. D-22) repeats the same goals, and adds in even stronger language: “At the present time, the greatest deficit and need is for the creation and maintenance of detached, owner-occupied single family housing [units] which are large enough to accommodate families. City housing efforts and resources should primarily address this need,” indicating that move-up housing became an even higher priority during the study period (City of St. Louis Park 2009).

Written policies seem to suggest that the city does not consider affordable housing development a priority, but actions show that the city contributed considerable efforts and resources to the issue during the study period. The city is highly unusual in that it has its own public housing authority that manages 268 units of Section 8 housing and 159 units of public housing. During the study period, the Section 8 program expanded by 18 units and the public housing program expanded by 12 units (City of St. Louis Park 2008). The city also provided funding to numerous non-profit providers of affordable housing. Most notably, it provided \$140,000 of its Community Development Block Grant (CDBG) in the form of a grant to Project for Pride in Living (PPL), a non-profit organization based in Minneapolis, to assume ownership of 11 of the 15 buildings in Louisiana Court, a dilapidated apartment complex, rehabilitate them, and assure their affordability for 30 years. In 2006 the city provided a \$400,000 loan financed through bonds to PPL as well as assistance in seeking \$4 million in additional funds to undergo improvements and refinancing (Kelsh 2006). Finally, the city has used TIF districts to assist affordable

developments. For example, in 2004 it established a TIF district for Aquila Commons, a senior cooperative with affordable units (Kelsh 2004).

The dynamics of redevelopment present the biggest obstacle to developing affordable housing in St. Louis Park. Most importantly, the extremely short supply of vacant land typically precludes large-scale development of any kind, meaning the absolute number of new affordable units was small. Excelsior and Grand, a 344-unit mixed-use development with 18 Section 8 units, is the only example during the study period, and it required a challenging acquisition of parcels through eminent domain, according to the city staff person I interviewed. Furthermore, the staff person noted that for a new development to be affordable in St. Louis Park, subsidies are necessary. In the case of Excelsior and Grand and other smaller redevelopment projects, the high costs of redevelopment made seeking funding with affordable housing requirements necessary, but when developers did not directly seek subsidies, the city did not tend to require them to include affordable units because the city prefers higher-value move-up housing over affordable housing. A large portion of development is thus affordable not because the city promotes affordable development, but rather because many redevelopments must draw on subsidies that require inclusion of affordable units.

Nonetheless, the political climate is relatively supportive of affordable housing, which made the development of a large proportion of affordable housing and the preservation of existing units possible. The respondent from PPL explained:

I do think the city of St. Louis Park is mindful of the fact that as an older suburb, there is a portion of the population there – not folks that moved out from Minneapolis to try and take over the community or whatever people imagine happens in those situations, but people who live in St.

Louis Park – who are genuinely poor and need the support of the community in order to live safe lives.

The respondent had worked in a number of inner-ring suburbs of Minneapolis, and felt that St. Louis Park had been more consistently committed to affordable housing development than had others. Louisiana Court is indicative of a very limited opposition to affordable housing in St. Louis Park. The city staff person explained, “There was not resident push-back on that at all because the properties were in pretty tough shape to begin with, so it was kind of like, if someone can come in and help this out, yeah, we want that to happen.” The respondent from PPL said that the organization chose the site for exactly that reason, noting, “When we can step into a place where, somewhat like St. Louis Park, we can step into a situation that is being badly mismanaged and say we can do better than that, we’re a lot more likely to get neighborhood support.” Indeed, as the following statement by the same respondent indicates, there was cautious support:

So, in general, there was pretty good support. I think that there was also kind of alongside that a real anxiety among some folks, not so much about introducing low-income or affordable housing, so much as being afraid that there would be a big change and that there would be a lot more poor people and that there would be a lot more trouble.

Nevertheless, the concern was not great enough to derail city plans to contribute significant financing to the project on two occasions and demonstrates powerfully that there is no government intent to exclude affordable housing from St. Louis Park.

Resident support is contingent though on the project not drastically changing the character of a neighborhood. The city staff person explained, “If we were to come in and do a wholesale redevelopment of the site [a proposed redevelopment site], and put in concentration of affordable housing, there would be issues.” Regardless of the

concentration of affordable housing, density is a major concern for residents. Aquila Commons generated some opposition because of its high density, but the developer removed from the plan 8 of the originally proposed 122 units and changed the location of the buildings on the property, after which he received approval. As the city staff person explained “Some of the immediate neighbors had more concerns about development, period. The affordability wasn’t really an issue.” The fact that small changes quieted opposition reinforces the staff person’s point. Consequently, while affordable development can occur, it must not represent a drastic departure from the land use in the surrounding neighborhoods. Maintaining continuity with the surrounding neighborhoods may have limited the number of affordable units that were developed, but it did not prevent affordable housing projects from proceeding.

*Edina – Higher Need, Lower Production, Higher Tax Capacity*

An inner-ring suburb immediately west of southwest Minneapolis, Edina is one of the most affluent cities in the Twin Cities metropolitan area. It began developing in the late-1800s and reached full development by 1970. There is now very little land for new development, so the city is turning to infill redevelopment of land (City of Edina 2008). As of 2000, 63 percent of housing units were single-family, and of the total housing stock, 73 percent were owner-occupied. The median value of an owner-occupied unit in 2000 was \$248,500, and had risen rapidly to \$435,000 by 2005 (City of Edina 2008; U.S. Census Bureau 2009b). The median rent in 2000 was \$864. Median household income in 2000 was \$66,019, and the household poverty rate was 3.33 percent (U.S. Census Bureau 2009b). Relative to the other case study cities, it is an extreme case in that it has

both a very high need for more affordable housing and ample resources to devote to its development, but it developed no affordable units during the study period.

City policy in regards to affordable housing development is extremely weak compared with most other case study cities. The *1998 Comprehensive Plan* (p. 2.11) places as its only objective related to residential land use, “Protect and maintain the quality of single dwelling neighborhoods while providing for life cycle housing choice for all residents.” The plan’s language clarifies its priorities. It uses powerful operative words such as “allow,” “provide,” and “restrict” related to maintaining the character of single-family neighborhoods, but it uses much more ambiguous and non-committal language related to affordable development, such as the stated objective, “Seek opportunities to increase the supply of affordable housing as detailed in the Housing Element” (p. 2.11). *Edina 20/20*, a vision statement created in 2000 and revised in 2003 with the intention of guiding the 2008 comprehensive plan update, offers only one objective related to housing, which reads, “Maintain strong residential neighborhoods,” and never mentions affordability (City of Edina 2003, p. 3). The *Edina Comprehensive Plan Update 2008* acknowledges in detail that the lack of affordable housing in Edina is putting pressure on lower-income residents and is preventing many other people, such as the children of older Edina residents, from moving into the city. However, it only adopts the Metropolitan Council goal of adding 212 affordable units between 2011 and 2020 and offers no means of achieving the goal. Because there was no affordable development during the study period, it is impossible to know what kinds of subsidies the city would have considered extending for affordable developments.

Undoubtedly some of Edina's reticence to develop robust policies to encourage affordable housing development is rooted in the major economic obstacles to building affordable units. A city staff person explained, "The expense of land is really making it difficult for developers." Significant subsidies would therefore be necessary for widespread affordable housing development. A panel discussion among developers hosted by the city during the most recent comprehensive plan draft process revealed that developers believe Edina is less willing to provide subsidies than other cities (City of Edina 2007a). When asked why this was the case, the city staff member responded, "I think they haven't had to [offer subsidies] in the past because the market has taken care of it. The city hasn't had the need to get involved." Given that interest in development is high even without incentives to developers, the city has little short-term justification for spending public money on affordable housing subsidies. Speaking in regards to the economic constraints though, the citizen suggested, "It's a real obstacle, but other communities have had high land values and figured out ways to do it [affordable housing] also. Plymouth, Minnetonka, Maple Grove, Woodbury – they're all upscale communities. You have to assume that land is fairly pricey there also, and they figured out a way to do it. I think if Edina had the political will, they could figure out how to do it also." The city can therefore block affordable housing development by doing little to promote it.

The lack of political will goes beyond a simple absence of economic incentives to also account for intense resident opposition to the higher density housing necessary to produce affordable units in Edina. In 2004, the Edina City Council established the Housing Task Force, a panel of private citizens and city staff people to study the issue of affordable housing in Edina and produce recommendations that would be considered for



the 2008 comprehensive plan update. In October of 2006, the panel released the *Housing Succession Plan*, which concluded that Edina had a serious shortage of affordable housing. Most importantly, it established the goal of making 500 new units of affordable housing by 2020, 212 of which would be targeted at households earning 60 percent of the AMI, 175 at households earning 80 percent of the AMI, and 113 for families earning up to 115 percent of the AMI. To achieve these goals, it called for the common measures of increased density in some areas, mixed use redevelopment, and other creative financing mechanisms. In addition though, it made the radical proposal for an inclusionary zoning ordinance (Housing Task Force 2006). Inclusionary zoning, not in place anywhere in Minnesota, requires that developers make a certain percentage of units in every new development affordable or pay a penalty. Often developers can build at slightly higher densities to offset the added costs of making a unit affordable. While the *Housing Succession Plan* was incorporated into initial drafts of *Edina Comprehensive Plan Update 2008*, the City Council ultimately voted in the face of intense public opposition to remove all of the policy provisions except for the goal of 212 affordable units for households at 60 percent of the AMI, because the Metropolitan Council required the adoption of that goal (Smetanka 2008).

The public opposition was wide in scope and focused on several issues. The private citizen with whom I spoke was a member of the Housing Task Force. The individual explained that affordability was not the biggest point of opposition, but rather, “The more serious issue is density. There’s a strong aversion to high and medium density housing. I think there’s a fair number of people that support affordable housing initiatives.” Indeed, in four public comment sessions meant to discuss the housing plan,

people in each one mentioned a need for more affordable housing while others opposed higher density. In some cases one person took both positions (City of Edina 2007b-f).

While such opposition might have been genuine, the citizen believed it might have also masked an anti-affordable housing bias. The citizen explained:

They don't want to admit that they're classist. They don't want to admit that they're carrying out some prejudices. That would be perceived as racism, so instead you get traffic. You get density. You get environmental issues, and they'll throw those out, and that's not to say that those aren't legitimate issues, because they can be legitimate issues, but I think they come up more when people are talking about affordable housing, or mental housing, or high-density housing, than it does with housing types that they perceive to be more desirable.

Furthermore, both the citizen and the city staff person noted that there is a widespread negative attitude towards rental housing in the city. The citizen even explained, "Some of the people on our Housing Task Force were having difficulty accepting rental housing. They wanted to see us provide all of our affordable housing initiatives through something that was owner-occupied." That the city responded to public opposition by weakening proposed affordable housing policies does not necessarily indicate intent to exclude affordable housing, but does demonstrate intent to exclude the densities of housing necessary to achieve large amounts of affordable housing development in Edina.

### *Spring Park – Higher Need, Lower Production, Lower Tax Capacity*

At only 210 acres in area, Spring Park is a tiny city uniquely dominated by rental housing. It began in the 1880s as a Lake Minnetonka resort town, and grew slowly until after World War II. Then, between 1950 and 1990, its population grew from about 200 to more than 1,500 (City of Spring Park 2008). Population continues to grow slowly,

with a population of 1,717 in 2000 and 1,926 in 2007 (Minnesota State Demographic Center 2009; U.S. Census Bureau 2009b). However, the city has been fully developed since the 1980s, so population increase is a result of redevelopment to higher density land use. In fact, Spring Park has, on average, the highest housing density of any case study city. As of 2006, 68.1 percent of the housing units were in buildings with more than 20 total units. Of the total housing stock, 73.3 percent was renter occupied in 2000 (City of Spring Park 2008). While in 2000 the median household income was a low \$36,071, the median home value was \$194,200, and the median rent was \$724, the city began attracting a wealthier population during the study period as it saw property values rise at unprecedented rates due to its location on Lake Minnetonka. By 2006, the median home value had risen to \$458,990 (City of Spring Park 2008). Although much of its housing stock remains affordable, the quantitative data suggest that it is struggling to fulfill the needs of even its existing residents, and it is close to job concentrations in suburbs not far to the east, hence it is in the higher need category.

Spring Park is the case study city with the least well-developed affordable housing policies. Its 1998 amendment to the 1991 comprehensive plan makes only one mention of affordable housing, noting that the wide variety of housing types means that there are many affordable options in the city. The main thrust of the stated policy was to maintain the housing stock and tax base (City of Spring Park 1998). Objectives such as, “Reinforce and improve community identity,” and, “Maintain and protect the tax base for the city,” are emblematic of the plan (City of Spring Park 1998, p. 20). The plan does not indicate that the city was negligent, but rather that because the city’s housing stock was

relatively affordable at the time and it was meeting all Metropolitan Council goals, there was no need for more detailed policies.

The new comprehensive plan begins to emphasize redevelopment, and for the first time has an affordable housing section. Interestingly though, the affordable housing component notes, “The City believes that with 40 percent of its housing already affordable that it already has the capacity to accommodate 31 additional households within its current housing stock” (City of Spring Park 2008, p. 126). The plan goes on to explain that the city believes more Section 8 vouchers will come to it and that job growth in the city will be less than Metropolitan Council projections (City of Spring Park 2008). Spring Park thus accepts the Metropolitan Council’s housing goal of 31 additional affordable units between 2011 and 2020, but refuses to establish policies to achieve the goal, believing it can already accommodate additional low- and moderate-income households. According to an elected official, the Metropolitan Council required revisions to the first draft of the housing portion, but accepted the second draft, which only added more detail for why the city felt a 31-unit goal was excessive.

Such an approach does not, however, represent growing hostility to affordable housing, but rather is indicative of recognition of the significant economic obstacles to developing affordable housing in Spring Park that the city must now confront because of pressure from the Metropolitan Council that it did not experience in 1998. Given that no affordable units were developed in Spring Park during the study period, an elected official explained, “The cost of the land is probably the biggest obstacle. The second obstacle is probably the size of our parcels is small, so to assemble enough parcels to have a high enough density to be able to create a significant number of units, it’s tough.”

The only two major developments that occurred during the study period demonstrate the official's point to some extent. Both Lakeview Lofts, a 39-unit condominium building, and The Mist, a 120-unit condominium building, were completed in 2005 as very high-value developments with no affordable units. The elected official noted, "There was no way that the developer could make one of those condominium units, any of them, affordable without some sort of subsidy. It just never even entered into the equation because the cost of the land is just so high."

Of course, the city could have chosen to subsidize the developments, and in fact the city created a TIF district for Lakeview Lofts to finance pollution cleanup, but did not offer funding for affordable housing. One explanation offered in the comprehensive plan is that increasing land values threaten to force existing residents out by driving up their property taxes. High-value developments such as Lakeview Lofts and The Mist provide enough taxes to the city that it can afford to not raise taxes as quickly, enabling existing residents to stay in their homes (City of Spring Park 2008). Another explanation, though, is that city residents are opposed to seeing city resources go to subsidize development. The elected official explained, "I think that in general any city money going toward any development project, I don't think that would be taken very strongly here." The official is probably correct because the comprehensive plan explicitly states that residents value fiscal conservatism, and in a public hearing before the Planning Commission related to Lakeview Lofts, one resident voiced opposition to the use of city money for pollution cleanup (City of Spring Park 2004c; City of Spring Park 2008).

Opposition for non-economic reasons also occurred, but there is little evidence that affordable housing would generate significantly more intense opposition. In

reference to the two condo developments, the elected official explained, “Those really divided the city into those that wanted to keep what was there remaining, and those that wanted to clean up the area.” The official added, “Because we are a fully developed city, having any kind of change like that is tough for residents that are long-term residents. It’s hard for them to see past what’s already there and to envision something that might be different, but better.” The issue was not just resistance to change. Rather, the official explained, “I think it was just that people didn’t want that scale of development. Both of those developments required a significant amount of variances, conditional use approvals that I think the residents just thought was too much.” At a Planning Commission meeting in which the Planning Commission ultimately recommended the approval of Lakeview Lofts, ten residents spoke about the project. Five were against it because of the height, four simply had questions, and only one voiced support for the project (City of Spring Park 2004c). There are no records of contentious public hearings about The Mist, though the elected official feels that project was divisive as well. Despite resident opposition and concern by the City Council about issues such as density, parking, and aesthetics, the City Council approved Lakeview Lofts unanimously in September 2004 and The Mist unanimously in November 2004 (City of Spring Park 2004a; 2004b). Furthermore, in early 2005, the developer of The Mist requested an amendment of the plan to increase the project from 112 to 120 units, which the City Council approved unanimously despite frustration with the request (City of Spring Park 2005).

Two points about the outcome of Lakeview Lofts and The Mist are important. First, they generated opposition for the same reasons many affordable housing developments generate opposition: they were major projects and were somewhat

different from the surrounding area, which has slightly shorter buildings. They were high-value developments though, which suggests that the extra opposition affordable housing might generate when it is a well-designed project is small. Second, and more importantly, the City Council approved the projects despite the significant opposition and only lukewarm support. Barring corruption, which there is no reason to believe existed in these instances, the only explanation for the council's action is that is that it was responding to the fiscal incentives to allow high-value housing development.

*Bloomington – Lower Need, Higher Production, Higher Tax Capacity*

Like St. Louis Park and Edina, Bloomington is a developed, inner-ring suburb, although, owing to a somewhat different course of development, it has more opportunities to promote affordable housing development. As with both Edina and St. Louis Park, its peak development occurred in the two decades following World War II, but because it covers a much larger area than either, it retained some undeveloped land into the 1980s (City of Bloomington 2009). The population peaked at just over 86,000 in 1990, and by 2007 it had dropped slightly to 85,504, though moderate growth is expected in the next 20 years (Minnesota State Demographic Center 2009; U.S. Census Bureau 2009b). Almost 57 percent of the total housing stock is single-family detached homes, most of which was built before 1960, but unlike St. Louis Park, there is a variety of size in single-family homes since portions of the city developed after 1960. Housing does remain relatively affordable, with a 2000 median owner-occupied price of \$147,000 and a median rent of \$753. Median household income is slightly above average at \$54,638, and the household poverty rate is slightly above average at 4.00 percent (U.S. Census

Bureau 2009b). Need for affordable housing is lower than in both other cities because Bloomington offers a large affordable housing stock while at the same time having a lower job proximity ratio due to many of its jobs being higher-paying corporate jobs.

Similar to other inner-ring suburbs, Bloomington views its most pressing housing concern as ensuring that its housing stock remains healthy, but it has a stronger commitment to increasing the affordable housing stock than St. Louis Park. For example, the *Comprehensive Plan 2000* states, “The foremost housing priority is to keep the existing housing stock in good condition”, and indeed one of the three housing goals is to achieve continued good maintenance (City of Bloomington 1999, p. 3.1). Instead of simply adopting Metropolitan Council affordable housing goals, the plan also commits the city to increasing density and facilitating the construction of more affordable rental units. The plan even goes so far as to specify that 100 units should be for small families, 50 units should be for large families, and 30 units should be for special needs individuals (City of Bloomington 1999). Of the case study cities, only Edina even attempted to specify in such detail its affordable housing plans, and ultimately it dropped the language. The new comprehensive plan makes no substantive changes in policy, indicating a continued and essentially unchanged stance towards affordable housing (City of Bloomington 2009). Compared with St. Louis Park, Bloomington can afford to divide its efforts more evenly between rehabilitation or redevelopment and affordable housing because its housing stock is significantly more diverse in terms of age and size.

Bloomington used fewer policy instruments than other cities during the study period to promote affordable housing, but it was effective in encouraging affordable development. Primarily the city contributed CDBG funds to projects that include



affordable units. Major examples during the study period include The Crossings at Valley View, a 50-unit apartment building with all affordable units,<sup>11</sup> the Lyndale Avenue Apartments, a 47-unit complex with 14 affordable townhomes, and Reflections, two mixed-income condominium buildings with 22 affordable units. The city also expanded its scattered-site public housing program by six units in 2001 when it purchased several market-rate duplexes, tore them down, and rebuilt townhomes on the parcels (City of Bloomington HRA 2008). Many smaller rental and owner-occupied projects across the city also included affordable units during the period, and received administrative support from the city in obtaining outside funds. While Bloomington was clearly conducive to affordable development, it is important to note that The Crossings at Valley View replaced a 70-unit manufactured home park.<sup>12</sup> The Shady Lane Park was likely the most affordable housing in the city, so the new development actually represented a net loss of affordable units at the site (Rockwood 2006).

Shady Lane was largely a victim of the constellation of economic constraints inner-ring suburbs face. A Bloomington HRA staff member enumerated some of the main economic obstacles in Bloomington:

One is finding land, finding a parcel that is large enough that you can get the scale that you need in order to do a project that's going to make financial sense, so you can get enough units on it. And secondly, if you're doing affordable [housing], somebody's basically got to write a check at some point to subsidize the development.

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<sup>11</sup> Residents did not begin moving in until 2009, but the city contributed \$600,000 in funding between 2004 and 2007.

<sup>12</sup> At the request of All Parks Alliance for Change, a tenants union for residents of manufactured home parks, I will use the term "manufactured home" instead of "mobile home" or "trailer." APAC points out that in most cases, the volume of repairs necessary to move a manufactured home from one park to another is so great that it is financially impossible for the resident to move the unit. Therefore, the organization believes that referring to them as mobile homes or trailers reinforces the misconception that residents can easily move to another location if their park is closed.

As a result, the staff member added, “It’s very difficult to do redevelopment in most cases without some sort of city involvement.” As in any city, government involvement can be a powerful tool for affordable development because as the city staff member explained, “If you’re involved in the project and they’re coming and asking you for money – that’s one reason you want to be involved – is that you can influence what the project is going to be and if there’s going to be housing on it, to make sure that some of it is going to be affordable.” Even though the city can pressure developers to include affordable units, it must also respond to the need to increase its tax base, which makes the continued existence of cheap but dilapidated housing such as Shady Lane tenuous from a fiscal perspective. Furthermore, Shady Lane represented a rare instance in which a single owner possessed a parcel big enough to support a large multi-family redevelopment. Given the pressure to redevelop Shady Lane combined with city involvement, it is not surprising both that redevelopment occurred and that it included affordable units.

Indeed, there is evidence that the city had fiscal considerations in mind during the park closure. The HRA staff person explains, “It [the closure] was completely private, so the city was not involved in that at all.” However, while the two respondents from All Parks Alliance for Change (APAC), a manufactured home park tenants union that unsuccessfully tried to prevent Shady Lane’s closure, do not dispute the claim that it was a private transaction, the APAC staff member counters, “They certainly weren’t neutral referees in the process. They had a number of comments along the way that made it fairly clear that they saw a benefit to the redevelopment project going forward, and we often received unsupportive feedback in attempting to make the counterargument for why

that land should be maintained as it was.” The APAC volunteer shared this view in saying, “The city really wanted that park closed and out of there.”

Examining the impact of resident opposition, both in relation to Shady Lane and to other projects, begins to show dynamics very similar to those in cities I have previously discussed. First, the HRA staff member noted, “I think there’s always that NIMBY factor, but surprisingly we have not seen that as much as in the past.” Still, the staff member added that first, “People don’t like rental housing,” and second, “I’m sure there are neighborhoods in the city that would fight tooth and nail if we tried to do a[n] [affordable] project.” Both the Lyndale Avenue Apartments and The Crossings at Valley View generated some opposition ostensibly as a result of density, aesthetics, and potential traffic congestion (City of Bloomington 2006; Rockwood 2001). Several residents also spoke in support of The Crossings at Valley View, arguing that it would be superior to a manufactured home park (City of Bloomington 2006). The City Council approved the former project unchanged despite the objections, whereas in the latter the developer lowered the height of one building, after which he received approval. In addition, the expansion of the scattered-site public housing program received support because, as the HRA staff member explained, “I know the neighborhood was very happy to see the – there was a series of old, crummy duplexes we acquired and took out that were notorious as far as police calls and bad tenants and that sort of stuff – so they were happy to see that go.” There were no examples of resident opposition derailing projects during the study period. Opposition then has limited efficacy when projects do not differ significantly from the surrounding neighborhood.

*Maple Grove – Lower Need, Higher Production, Lower Tax Capacity*

Like Plymouth, Maple Grove is a developing suburb with a predominantly affluent population. Maple Grove remained relatively undeveloped until 1970, after which residential development began to accelerate. The largest absolute increase in population of about 18,000 occurred between 1980 and 1990, but growth has continued at a rapid pace. By 2000, the population had topped 50,000, and by 2007 it had reached 59,458, though large tracts of land remain undeveloped, so the population will probably continue to grow quickly (City of Maple Grove 2009; U.S. Census Bureau 2009b). Through the 1980s, most of the development in the city was relatively affordable, and even by 2000 the median owner-occupied home value was only \$155,300, but the city is rapidly shifting to a higher-end community. Even in 2000, the median household income was a high \$76,111, and by 2007, the median owner-occupied home value was \$286,983. Rents have always been expensive in the city due to a low number of rental units, with the median rent being \$891 in 2000 and \$981 in 2008 (City of Maple Grove 2009; U.S. Census Bureau 2009b). The city thus resembles Plymouth in many ways, although it has far fewer businesses and jobs due to its more recent development boom, which helps to explain its lower tax capacity per capita and lower need for affordable housing. Before moving forward, it is also important to note that Maple Grove's matrix category has the most diverse group of cities in terms of housing dynamics, so even though it offers important insights about developing suburbs, arguably the areas with the most potential for affordable housing development, it is not fully representative of its category.

Maple Grove's affordable housing policies demonstrate that the text of written policies can obscure the reality of affordable housing development. The *City of Maple*

*Grove 1998 Comprehensive Plan* presents the standard commitment to affordable housing of adopting Metropolitan Council goals and also notes that the city was the first to sign onto the Livable Communities Act (City of Maple Grove 1999). It further states, “The City of Maple Grove promotes the accommodation of all racial and ethnic groups in the purchase, sale, rental, and location of housing within the city” (City of Maple Grove 1999, p. 82). However, the above plan came at the end of a period in which residents routinely packed City Council meetings to express their opposition to affordable housing proposals, even single-family detached Habitat for Humanity homes, singularly and explicitly because they included affordable units. Moreover, the City Council usually heeded the opposition of residents during the late 1990s (Goetz 2003). Such incidents occurred even in 1999 when the City Council approved the plan, which strongly indicates that the plan does not represent the reality of what the city would tolerate at that time.

The city’s stated policy did not change significantly between 2000 and 2007, but the approach to affordable housing development began to align more closely with that policy. First, the *City of Maple Grove 2008 Comprehensive Plan* again adopts Metropolitan Council goals and uses the exact same language in terms of accommodating all people. But as the high proportion of the units that were affordable demonstrates, the city began to approve affordable units in far greater numbers. An important indication that it has shifted to a more proactive approach was the adoption of the Project Points System in 2004. Meant to encourage better-designed neighborhoods, the system requires developers to receive a certain number of points, which they obtain by meeting specific conditions, before they receive approval. Developers receive points for including affordable units (City of Maple Grove 2009). The city during the study period did not

contribute significant financial resources to affordable housing development, although it was active in helping developers leverage funds from other sources. The major exceptions were three developments in the Gravel Mining Area, a gravel mine in which the city is underwriting many site preparation costs to develop a dense, mixed-use downtown on areas of the mine that are depleted (City of Maple Grove 2008).

The high proportion of affordable units in new developments does not mean there are not economic obstacles to its development. Speaking about the largest obstacles, a city staff member explained, “It’s simply economics. When you take the land value, which is something that a city really has very little control over, and the cost to build a structure, which again a city has very little control over, those things add up to be not affordable to a family.” The staff member added though, “Things that we do I think well here is provide an ample amount of land for townhomes, medium density, higher density. We’re starting to see more stuff in the Gravel Mining Area that has increased densities, so that you can have more units per acre, which can help bring down the cost per unit.” Still, given that affordable developments in Maple Grove require outside funding, the staff member added the following challenge: “Each one of those [funding] sources may have different standards as far as how big a unit must be or how many bedrooms it must be, and trying to balance all of those requirements in order to get that grant has, I know, been exceptionally challenging for some of those folks [developers].”

Respondents’ specific insights about developers and housing regulations present economic and political obstacles. A member of Housing for All, an affordable housing advocacy group based in Maple Grove, said that during the comprehensive plan update

process, the organization pushed for inclusionary zoning, similar to that advocated for in

Edina. The individual explained:

The city has been very resistant to that, partially because, I believe, because they invited what's called BATC, the Builders' Association of the Twin Cities, to come to some of those early meetings on that, and BATC, interestingly, if you talk about the concept of inclusionary housing with them, they say they support that, but they totally fight it when you say inclusionary housing and we want to have this in a community.

The city staff member took a slightly different approach, arguing that the city would support inclusionary zoning if it were implemented on a regional scale, but that now state law does not adequately allow it, which would mean it would generate a law suit if the city passed an ordinance instituting it. As a result, the staff member explained, "So many of our resources would be spent on dealing with a lawsuit that it's not necessarily clear we would win because of how state law is written, that we're better off working with what we have right now and trying to encourage it [affordable housing] as much as possible." What is clear is that powerful interests believe inclusionary housing would be too costly, and the city is unwilling to devote the resources necessary to implement it.

Resident opposition, while still existing, has ceased to be a major obstacle in Maple Grove, though its strength at one point in time demonstrates that it can be a powerful deterrent. The member of Housing for All explained that in 1999, opposition was pervasive, but that now many projects receive approval without incident. A recent example of an uncontroversial project was Maple Ridge Townhomes, 45-unit, all-affordable development. Even though the only access was through a neighborhood, the City Council encountered no major opposition and approved it (Miller 2006). As the city staff member explained, "I think in a city like Maple Grove where so many people who

are here are new, they recognize that it's growing and that there's going to be growth and that's just part of the process for a long time in the city." The statistical analysis offered no broad support for the hypothesis, but it may be true in Maple Grove. Another project, Maple Village, a 104-unit, all-affordable apartment complex, generated significant opposition from a neighborhood abutting the site. Interestingly, residents said they opposed it because highway noise from Interstate 94 would have exceeded state regulations and thus negatively impacted the new residents (Miller 2007a). In spite of the opposition though, the City Council approved the project at the end of 2007 (Miller 2007b). In regards to the project, the city staff member explained:

It is hard to say what their exact motives are without being in their mind, but there were a number of issues that were brought up that were seemingly brought up to, in the idea that we're trying to help the people out that are going to be living here and make it better for them, that were a little bit over and above what you would normally expect. There seemed to be an impression of trying to stall and block it from happening using these things.

The Housing for All member stated that in private meetings with residents, "It was more quote on quote 'those people,' they won't fit in, that type of thing." What changed so that such opposition was ineffective is unclear. It is possible that once some affordable projects were developed at the end of the 1990s, affordable housing began to seem less threatening. What is important though is that Maple Grove demonstrates that expensive, developing suburbs can be leaders in affordable housing development.

#### *Minnetrista – Lower Need, Lower Production, Higher Tax Capacity*

Almost 25 miles from downtown Minneapolis, Minnetrista is a predominantly wealthy, sparsely populated, semi-rural city. It did not incorporate as a city until the



1970s, and it continued to have a relatively small population of 6,234 in 2007. Though the population is small in comparison with most of the case study cities, it has been experiencing rapid relative growth. Between 1990 and 2000, the population grew almost 27 percent, and between 2000 and 2007 it grew over 43 percent. In 2000, 1,382 out of 1,443 housing units were single-family units, and 95 percent of all units were owner-occupied. Housing costs are very high, with the median owner-occupied unit being valued at \$278,500 and the median rent at \$1,083 in 2000. Income is also high, with a median household income in 2000 of \$90,347. The household poverty rate in the same year was a low 2.39 percent (City of Minnetrista 2009; U.S. Census Bureau 2009b). As a result of the general wealth of its residents and its distance from major job centers, Minnetrista's need for affordable housing is slightly lower than the study area median.

City policies related to housing make affordable development very difficult. The *1999 Comprehensive Plan* states as its first housing goal, "Preserve Minnetrista's rural character" (City of Minnetrista 1999, p. 5.6). The plan does present the possibility of higher density multiple-family housing, but it only uses the terms "allow up to" and "consider" in relation to such development and does not make a definitive statement calling for it. Indeed such development has not yet occurred. In the *2008 Comprehensive Plan Review Draft*, it accepts the Metropolitan Council's affordable housing goal of 209 new affordable units between 2011 and 2020, but calls for cumulative density in newly developed areas to not exceed the Metropolitan Council minimum density of 3.0 units per acre. The high density area that will likely accommodate all of the affordable units is in one area of southeastern Minnetrista. The city has no HRA, public housing, or assisted housing (City of Minnetrista 2009).

Part of the explanation for Minnetrista's scant development of affordable housing is a set of economic restraints related to its rural character. Land values are very high, partially as a result of natural amenities such as Lake Minnetonka and the rural character, but also because of the city's low density limits. Notably, Mound, a case study city bordering Minnetrista on the east in which 58 percent of the housing stock was affordable in 2000, suggests that affordability is possible around Lake Minnetonka. Despite the partially self-created constraints, it may be difficult for Minnetrista to increase density and maintain its high tax capacity per capita. As the respondent from Minnetrista explained, "The primary goal is to maintain the existing quality of housing. People always say it's kind of a euphemism for, 'We want high-end housing.' The reason for that is tax-base reasons. A place like Mound has a lot of commercial, so you kind of have to make a choice. Do you want to encourage and do whatever you can to keep high-end housing, or do you want to allow commercial?" The respondent later explained, "They [city councilors] have intentionally chosen not to have commercial, and have intentionally chosen to encourage high-end housing by squeaking up those lot sizes."

At the same time though, much of the existing population has a strong desire and interest in restricting any type of growth in Minnetrista, but especially growth in affordable housing. The respondent explained that residents in Minnetrista are prone to react negatively to high-density and lower-cost housing, but then added, "The residents in Minneapolis are just as concerned about their property values and the perception of density and the perception of renters as the people out here. They really are. They just have less to lose." City Council action strongly reflects the desire to maintain low density. Beyond enshrining that value in the last two comprehensive plans, it has

disputed density regulations with the Metropolitan Council. In 2006, the Metropolitan Council sanctioned the city for developing below the 2.2 unit per acre limit prescribed for cities such as Minnetrista. According to the respondent, the city councilors resented the action, but had no choice but to amend the *1999 Comprehensive Plan* to accept a 3.0 unit per acre overall density floor after 2008 (Schwarze 2006). In addition, two developments that were proposed during the study period only received preliminary approval after lowering the density to the minimum allowed by zoning (Schwarze 2007a; 2007b). One, Halstead Pointe, received preliminary approval slightly after the study period<sup>13</sup> for a plan above the maximum density, but the site is a manufactured home park and city councilors expressed a desire to “clean up the park.” Some nearby residents, however, were concerned about the density (Schwarze 2008).

Minnetrista’s approach to affordable housing would be concerning if it were a more populous area with a higher need for affordable housing, but it is unlikely that such a place with opposition like that in Minnetrista would exist in the Twin Cities. Minnetrista clearly intends to exclude the kinds of housing that could be affordable, though it will probably permit some due to Metropolitan Council pressure. That intent, however, flows from a desire to maintain a rural aesthetic. Such a desire would not exist closer to the central cities where there would be a heightened need for affordable housing. Minnetrista therefore represents a highly unusual situation that while informative, is not as problematic as exclusion in Edina.

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<sup>13</sup> I am including this example because it represents the culmination of a process that occurred almost completely within the study period.

*Mound – Lower Need, Lower Production, Lower Tax Capacity*

Mound is a fully developed suburb on the western edge of Lake Minnetonka with a large supply of affordable housing. The city began as a lake cabin retreat in the 1920s and 1930s, and then grew rapidly in 1950s and 1960s. By 1980, the city had become fully developed, so the limited amount of new building is typically infill redevelopment (City of Mound 2007). Seventy-seven percent of the housing is single-family detached, and 80 percent of the total stock is owner-occupied (City of Mound 2007; U.S. Census Bureau 2009b). The population in 2007 was estimated to be 9,753. The median household income in 2000 was \$60,671, and the percent of households in poverty was 3.34, making it comparable to the study area average. Housing costs in Mound are some of the lowest in the study area, with a 2000 median owner-occupied home value of \$140,300 and a median rent of \$581 (U.S. Census Bureau 2009b). Accordingly, as the case study selection data indicate, Mound fulfills the affordable housing needs of most of its residents. Moreover, its distance from most job centers means that it does not have a strong imperative to increase its affordable housing stock.

The city's official policies are supportive of affordable housing development, although they do not recognize additional affordable development as a top priority. The only goal in the *2000 Mound Comprehensive Plan* related to housing states, "Provide opportunities for all residents, supporting creative multi-family housing while emphasizing the construction and maintenance of high quality, single-family dwelling units" (City of Mound 2000, p. 3.3). None of the six policies listed to achieve this goal mention affordability, and one specifically states, "Maintain the predominantly single family housing base throughout the city" (City of Mound 2000, p. 3.3). Given the

general affordability of Mound's housing stock, however, such a goal would not have had the effect of inhibiting affordable development. The *2010 Mound Comprehensive Plan Draft* takes largely the same approach, though it uses slightly more forceful language in support of affordable housing in the single housing goal, which reads, "Promote and encourage the provision of life-cycle housing opportunities for all residents, supporting creative multi-family housing while emphasizing the construction and maintenance of high quality, single-family dwelling units" (City of Mound 2007, p. 3.2). One of the six policies specifically calls on the city to "[p]romote and support the development of new affordable housing units" (City of Mound 2007, p. 3.3). Because so little affordable development occurred in the study period, it is difficult to know which tools the city would use to promote affordable housing. The city does, however, have an HRA that manages a public housing building, and it has used TIF districts for other projects, so there is some precedent for active involvement in the development process.

The biggest challenge to developing new affordable units will be finding land and providing funding. As already stated, there are very few vacant parcels of land in Mound. Second, the city's small tax capacity per capita limits its ability to directly provide funding and induces it to favor more expensive development. A large project that began during the study period and is aimed at redeveloping the downtown is emblematic of this challenge. The respondent in Mound explained:

Our downtown redevelopment plan focused on a wide range of housing, different styles of housing, mixed use, vertically integrated, but it was anticipated that, for the project to work, it would be of a medium to higher value. It had to make the numbers work. At that time, there was not an affordable component included in there, and it wasn't proposed from the developer as well. And I think there's also some thought process that

substantial improvement in the tax base of downtown Mound would be a benefit.

Speaking more generally about affordable housing in Mound, the respondent stated, “We’ve not done an affordable housing project here yet, mainly because I’m not certain that the city has the financial wherewithal to do it by itself. We would need some sort of partner.” Of course, the city could raise taxes, but it is unlikely that it would do so. Nevertheless, because of the low value of land in Mound, new development is occasionally affordable even without subsidies. Village by the Bay, a project with 99 housing units, some of which are affordable, was built during the study period. It provided the bulk of the affordable units added during the study period. A for-profit developer built the project without using public money.

Public opposition to affordable housing did not prove to be a major issue during the study period. According to the respondent, Village by the Bay generated some concern among nearby residents because it was going to replace a closed school that some of the residents would have preferred to become a community center. The opposition was not stiff though, and the project went forward. The primary reason opposition was minimal is probably that on one side of the project is a major road, so even though the surrounding neighborhoods are composed of single-family homes, it is doubtful that the residents would have been surprised to hear that higher density development was being proposed. Also, the fact that all of its units are market-rate may have mitigated potential opposition. Village by the Bay’s easy approval combined with the comprehensive plan shows that there is no intent to exclude affordable housing from Mound.

## ***Chapter Five: Analysis***

### ***Introduction***

From the rich body of data provided by the statistical analysis and the case studies it is possible to draw general conclusions about regional affordable housing dynamics. The case study suburbs do not represent the full range of city types in Hennepin County, and therefore do not precisely represent the dynamics in other cities. However, they do provide a good approximation by encompassing a broad spectrum of housing dynamics and correspond well to the county-wide statistical findings. Consequently, they can represent more general trends across Hennepin County and the Twin Cities region. In the following sections of this chapter, I will highlight such trends as I integrate and analyze my results to address the four research questions presented in Chapter One.

*Research Question One: What are the major factors influencing the development and placement of affordable housing at the metropolitan scale?*

With shocking consistency, the results indicate that the local economics of housing development combined with a political calculus centering on developers' interests and taxation are the strongest predictors of the distribution of affordable housing development. In every case study except Mound, respondents cited high land values as a deterrent to affordable development. Mound though is a low-need area with limited development potential, so it is insignificant to the broader development of affordable housing that land is comparatively cheap there. In addition, respondents from fully developed suburbs facing possible fiscal decline such as St. Louis Park and Mound expressed that their cities have a strong incentive to promote higher-value development,

just as Fainstein and Fainstein (1983) argue. Finally, the fact that the percent affordable of the total housing stock in 2000 is the most statistically significant variable in predicting affordable development in the study period, and is positively correlated, offers support for high land value precluding increased affordable development.

Likewise, affordable housing thrives where it can make a positive contribution to a city's fiscal standing. In the cases of Bloomington and St. Louis Park, redevelopment is the only way to grow the tax base, and many of the necessary subsidies for redevelopment require the inclusion of affordable units. In Plymouth, Stone Creek Village occupied a marginal site that probably would not have been developed by a for-profit developer, and in Maple Grove, affordable housing has proven an effective way to get development in the Gravel Mining Area. As I will discuss at length in the following section, resident opposition only has the ability to shape affordable development, but does not play a major factor in the metropolitan geography of that development.

We cannot view economic constraints as autonomous forces though, since the case studies strongly demonstrate that those constraints are inextricably linked to local politics. The respondent from PPL explained, "I don't want to say it's [land value] a non-issue because of course more expensive suburbs will drive up the cost, but I will say that I think there are some public agencies who see the value of having affordable housing in some of the more expensive suburbs." Moreover, the private citizen from Edina noted that comparably expensive suburbs such as Plymouth and Minnetonka have managed to encourage large proportions of affordable development whereas Edina has not. Indeed, the Metropolitan Council has stated that it sees value to having affordable housing in all areas, and will subsidize a development regardless of its location. The federal



government and state agencies will also subsidize development in most areas. Such points demonstrate that other contingent forces also play a role.

In several case study cities, one force was the politics of taxation circumscribing the economic realm in which city governments made decisions. Minnesota law does not cap the property tax rates cities can charge, so hypothetically a city could simply raise taxes in order to generate the revenue necessary to subsidize affordable development. Elected officials are accountable to residents though, and most residents are unwilling to pay higher taxes, especially for housing that would not personally benefit them. Respondents in Plymouth, Spring Park, and Minnetrista communicated such a constraint, albeit to a different extent in each city. While the issue did not come up in other cities, there is no reason to believe that it does not restrict the action of city governments. The emergent theme echoes Peterson's (1981) argument, which states that cities have a very limited capacity to fund projects that do not contribute to their overall economic wellbeing and that they cannot raise taxes significantly above those of other cities without driving out residents and businesses. Peterson, however, assumes that the same dynamics prevail throughout a metropolitan area, whereas my results show that the electorate of each city has different expectations regarding taxation. My research does not attempt to explain in-depth the politics of taxation in each city, though doing so would surely allow a more precise analysis of affordable housing dynamics.

The role of subsidies both supports and complicates Peterson's thesis in relation to affordable housing. He recognizes that goals such as affordable housing development are important, but given the economic constraints cities face, feels that only higher levels of government can accomplish them. Indeed, higher levels of government such as the

Metropolitan Council, MHFA, and HUD partially funded all large-scale affordable housing projects in the case study cities. However, most of the same projects also received city funding through bonds, TIF, and other instruments. Plymouth, the city with the most aggressive subsidy policy, has a solid fiscal standing and appears to only be getting stronger, not weaker as Peterson would predict. Furthermore, the use of higher government subsidies that required affordable units was only absolutely necessary in Bloomington and St. Louis Park, where developers would be unable to build without subsidies due to high redevelopment costs. In other cases, affordable development was a result of a non-profit developer voluntarily drawing on such subsidies or city pressure to include affordable units. In those cases, development would not have included affordable units without subsidies, but it could have gone forward in some other form with purely private funding. An element of politics then is involved in most decisions to use affordable housing subsidies, as evidenced by the PPL respondent's statement that, "One of the things I've seen in some suburbs is a city council who is persuaded to participate in some funding, in some positive way in supporting affordable housing, largely because there is one or two people on that council who understand housing is an issue and end up being advocates, and if those people leave the council, the attitude and opinion can change just that fast." Any comprehensive geography of affordable housing then must include an understanding of the politics of leaders throughout the region.

Focusing only on the perspective of cities and their residents though obscures the impact of developers on affordable housing dynamics. First, the example of BATC resisting inclusionary zoning proposals in Maple Grove indicates that the Twin Cities development community is broadly opposed to stringent affordable housing regulations

because of the impact they would have on profitability. Second, respondents often speak of having to encourage or require developers to include affordable units, with the obvious implication that they do not originally include them in their plans. Taken together with the previous point, it is clear that developers do not view affordable housing development as being in their best interests. Finally, that numerous projects received approval despite significant opposition signals that in many city governments a pro-growth attitude aligned with developers' interests trumps the opposition of some residents. By figuring prominently in city policies, developers' interests probably result in a smaller overall production of affordable housing than would otherwise occur. Such a dynamic is a perfect example of the growth machine described by Logan (1976) and Logan and Molotch (1987), and accordingly presents a more complicated picture than Peterson of why insufficient amounts of affordable housing are developed in most suburbs. Where developers are more active, namely developing suburbs, we can expect their interests to shape development to a greater extent than elsewhere.

A final political consideration is that businesses and residents place little pressure on cities for affordable development, and also have little ability to stop it. While many businesses support the idea of affordable housing because many of their workers need it, they do not appear to invest much effort into its development. For instance, in Plymouth and Maple Grove, the strongest advocates for affordable housing were faith-based organizations, not businesses. Except in the case of executives from a hospital under construction in Maple Grove, businesses did not appear at contentious city council meetings to voice support for affordable projects. One possible reason proposed by the Maple Grove city staff person was that most businesses are headquartered outside of the

Twin Cities, and so have little connection to local housing matters. In regards to residents, only in Edina was there significant concern among some residents that housing was unaffordable, and still that did not prove strong enough to encourage development during the study period. At the same time, only in Edina and Minnetrista is it possible to demonstrate that resident opposition or the threat of it blocked affordable housing development, a point I will address at length in the next section. As Logan and Molotch (1987) would predict then, residents and non-place-based businesses have little impact on housing dynamics.

*Research Question Two: Can resident opposition be broadly effective in blocking affordable housing development? If so, under what circumstances is it effective?*

There is irrefutable evidence in the study area that resident opposition can block development, but there are so few examples of it that it becomes clear that the NIMBYism argument cannot explain the distribution of affordable housing development. Maple Grove stands out among the case study cities as the only one where resident opposition to affordable housing for the sole reason that it was affordable proved in recent years to significantly limit development, and even it eventually embraced affordable housing. Edina and Minnetrista are examples of where the broader politics of development have limited affordable housing development by precluding the types of land uses that could financially support such development. The critical point then is that it would be erroneous to discount the potential impact of resident opposition on affordable development.

Nonetheless, opposition or the potential for it had little effect in the study area on the geography of affordable housing development. First, we would expect either or both of the means for percent of the population of adjacent cities being in poverty or being minority to have a negative correlation to the percent affordable of total development if a desire to exclude was indeed influencing development, as Rolleston (1987) argues. The correlations for both though are slightly positive and statistically insignificant. Even median household income, for which a negative correlation might indicate that suburbs with more affluent populations were attempting to exclude affordable housing, is not statistically significant. Indeed, the case studies revealed very little stiff opposition. The only project that generated an overwhelmingly negative response that appears to be strongly related to affordability was Maple Village in Maple Grove, but the City Council approved the project without changes. Edina is another example of opposition, but due to being fully developed, there are relatively few opportunities for affordable development in the city anyway. We would expect opposition in Minnetrista, but it is a low-need area, so the opposition is relatively unimportant.

Many affordable housing proposals generated some opposition, but affordability was almost never what residents were protesting. In Plymouth, St. Louis Park, Bloomington, and Maple Grove, residents frequently cited traffic and density as reasons to oppose a project. The PPL project in St. Louis Park generated some concern for the effect that bringing poor residents into the area might have, but it never evolved into outright opposition. In Bloomington, opposition resulted in the developer of The Crossings at Valley View reducing the height of the building, and in St. Louis Park it resulted in the developer of Aquila Commons reducing the density of the buildings and

reorienting them, but those are the only examples of a project changing after reaching the formal proposal stage. In all cases it is possible, as Pendall (1999) suggests that concerns about traffic, density, and aesthetics are simply masking an anti-affordable housing bias, and indeed numerous respondents believed that this was the case. However, that The Crossings at Valley View and Aquila Commons successfully mitigated opposition by addressing those concerns and that even high-value projects such as Lakeshore Lofts and The Mist in Spring Park generated opposition nearly identical to that of the affordable projects suggests that anti-affordable housing bias is not the primary motivation of residents. Whatever the motivations for opposition, city councils did not reject any affordable housing projects that reached the formal proposal stage.

The question then arises of who has the power to influence decisions related to affordable housing. It is easy to dismiss residents through both Peterson's (1981) and Logan's and Molotch's (1987) models, but the role of residents in the political economy of affordable housing development is more complicated than either model would suggest. First, respondents in every city were aware of resident preferences for lower-density, owner-occupied housing. Second, the non-profit employee respondents and the developer both recognized that opposition is something that developers must strategically plan to counter. Third, only in the case of The Crossings at Valley was a new project much higher density than in the surrounding neighborhood. Finally, in no cities would projects be immediately identifiable as affordable housing in the way that inner-city housing projects developed in the 1960s and 1970s were.

The above points suggest that anticipated resident opposition ensures that developers plan affordable housing projects to be on carefully chosen sites and to blend

into surrounding neighborhoods in order to mitigate resident opposition. When projects do not significantly disrupt the status quo, city councils are unlikely to deny them due to the economic advantages development can bring and the political pressure from the Metropolitan Council to encourage affordable development. Such a dynamic points to a restricted form of Stone's (1989; 1993) regime theory. Middle-class homeowners form the political base of most of the case study cities. Inasmuch as their preferences circumscribe government action and influence developers, they constitute a weak regime that can require some consideration for the use values of their homes. An earlier study I conducted of Heart of the City, a large mixed-use development including affordable housing in Burnsville, Minnesota, a Dakota County suburb bordering Bloomington to the south, reinforces the finding. Though there was minimal resident opposition to including affordable units, the city adopted extremely high aesthetic standards for the buildings and used the term "workforce housing" instead of "affordable housing" in an effort to preempt potential resistance. Residents did not directly impact the decision to include affordable units, but their known preferences influenced the character of the development.

It is possible that the threat of resident opposition broadly limits affordable housing development in suburbs. Indeed, the PPL respondent explained that a potential project in Richfield never went forward to a proposal because resident opposition was already stiff. Evaluating the possibility throughout the metropolitan area is very difficult though, since it involves uncovering what might have occurred but did not. However, it is unlikely to be a major explanatory factor. A respondent from a secondary study that I conducted in Richfield, a suburb similar to St. Louis Park but in more danger of fiscal decline, believed opposition may have been motivated by racial and class prejudice to the

poor Latinos that would primarily have resided in the project, but another respondent noted that the project was high-density in a single-family neighborhood. Opposition was thus not inconsistent with the opposition seen in the case study cities. Furthermore, we would, in general, expect to see stronger resistance from residents in city council meetings throughout the county if the possibility of opposition was a significant deterrent to even proposing projects. Nevertheless, potential opposition probably does influence the development geography within cities by limiting the number of viable sites.

*Research Question Three: Is there intent by suburban cities to exclude affordable housing?*

The results do not reveal widespread intent to exclude affordable housing. Plymouth, Maple Grove, and Bloomington actively sought new affordable housing. Bloomington did support the removal of some of its most affordable housing in the Shady Lane Park, which indicates that suburbs may exclude the cheapest and most unsightly housing, but it hardly indicates a deep-seated intent to exclude. St. Louis Park and Mound were less active in seeking new affordable housing, but were supportive of preserving their current affordable housing stock and welcomed some new units. Although Spring Park saw no affordable development, there is no reason to believe that it would attempt to exclude it. In contrast, Edina and Minnetrista did demonstrate intent to exclude the kinds of housing that could be affordable in those cities, but not necessarily intent to exclude housing on the basis of affordability. In both cities, residents were highly opposed to the increased density that would be needed to allow for affordable units. It is possible that residents have strong anti-affordable housing biases, but it may



also be that they have a strong value of a particular aesthetic that is not compatible with affordable housing, as Duncan and Duncan (2006) describe in the upscale New York City suburb of Bedford. That there is only weak evidence, at best, to support intent to exclude affordable housing in the most upscale suburbs in the sample highlights the weakness of the NIMBYism argument in explaining the continued shortage of affordable housing in suburban areas.

*Research Question Four: Is there continuity across the metropolitan area of factors that influence the development and placement of affordable housing that a model can describe?*

As the general weakness of the statistical model indicates, a mathematical model would be difficult to develop, but several continuities do exist across the study area. The model's weakness is not surprising given the wide deviations from the regression just in the case study cities. For instance, Plymouth had a low percentage of affordable units at the beginning of the study period, yet it still developed a high proportion of affordable units over the next seven years. Further research could probably develop a stronger mathematical model, but the heavy importance of difficult-to-quantify political factors would continue to hinder the model's explanatory power. Consequently, focusing on qualitative continuities among cities would be a more productive approach to future research. My research has revealed five major continuities that will be useful in developing a model of affordable housing development. First, all cities try to maintain and enhance their fiscal standing. Second, in cases when affordable housing represents redevelopment, development of a challenging site, or development that would not have otherwise occurred, it can be fiscally beneficial to a city even if it requires subsidies.

Third, the only cities absolutely requiring subsidies for development are fully developed areas not in the upper echelons of land value. Fourth, most suburban electoral constituencies do not demand affordable housing. Fifth, it is difficult for residents to successfully oppose a project when it does not deviate significantly from the surrounding developments in appearance and density. Accordingly, to develop a model, it would be useful to catalog areas where affordable development would be advantageous to the fiscal standing of a city and would be aesthetically similar to other development in the city.

#### *Implications for Political Economy of Place Theory*

Structuralism tempered by elements of a growth machine and regime politics emerges as the political economy of affordable housing development. Suburbs must maintain their fiscal standing and so are not keen to spend tax dollars on affordable housing unless that housing has a positive impact on their fiscal statuses. Evaluating where such a positive effect can occur goes a long way to understanding the geography of affordable housing development. At the same time, developers are a powerful influence in most city governments, and many resist calls for mandated affordable housing development, limiting affordable development across the metropolitan area. The regime of middle-class residents has little say in whether most projects get approved, but that is primarily because the threat of its opposition ensures that the projects are of a sufficiently high quality to receive approval. There is no widespread intent to exclude affordable housing, but the economic and political structures in which suburbs exist restrict affordable development to varying degrees depending on the local context.

## ***Chapter Six: Conclusion***

A detailed analysis of affordable housing dynamics in Hennepin County's suburbs both supports and challenges the conventional narratives of affordable housing development. The economic forces identified by many authors are a powerful factor in shaping the geography of affordable housing development. However, economic constraints are not simply the product of autonomous market forces, but reflect the political and economic interests of developers and middle-class residents, two important suburban constituencies. My research then is a strong testament to the false nature of the dichotomy between politics and economics that pervades the applied literature. Also striking, though, is the weak impact of resident opposition on affordable housing development. Residents certainly shape the types and intra-city locations of projects developers propose, but they are highly ineffective at blocking projects outright when they do not deviate significantly from surrounding areas in terms of density and appearance. Unusually strong opposition does block projects, but most residents are either not so strongly opposed or are unwilling to mount the effort necessary to block the project. The finding that resident opposition is weak thus seriously undermines the applicability of conventional NIMBYism literature to affordable housing development. A more fruitful approach would analyze the more subtle impact of anticipated opposition on the distribution of affordable housing development.

The findings are both heartening and discouraging in the context of improving affordable housing policy to better promote development in the areas needing it most. More than any other finding, the weakness of resident opposition highlights the broad latitude policymakers have to develop more aggressive public policies. Even though

policies would be unlikely to generate widespread enthusiastic support among suburban residents, most of those same residents would not obstruct the policies out of opposition to having more affordable housing in their cities. This finding completely alters the perception of the political climate within which policymakers believe they are operating. It is also promising that, owing to the preeminence of economic forces in affordable housing development, more financial resources and a refined incentive structure could go a long way towards achieving a more optimum quantity and distribution of such development. The necessity of an economic remedy is simultaneously very discouraging. It would, of course, require certain levels of government to devote more resources to affordable housing, which is not an important political issue to most people. It is difficult to imagine a scenario in which a majority of the population would support increasing taxes or cutting funding from other programs to support affordable housing development. However, just as the finding that resident opposition was weaker than expected was surprising, more support may exist than we currently believe.

Certain policies could be effective in the Twin Cities regardless of the amount of additional funding available. Counties, the Metropolitan Council, state agencies, and the federal government should refine their subsidy structures to offer larger subsidies in higher need areas than lower need areas. The only places affordable housing subsidies were absolutely necessary for development to occur were in developed, inner-ring suburbs, whereas the use of subsidies in higher need developing areas relied on developers voluntarily drawing on them or city councils demanding their use. A for-profit developer under no pressure could have declined subsidies and developed a project with no affordable units. A more compelling subsidy in higher need areas could spur

more developers to draw voluntarily on the subsidy. Governments could accomplish such a policy with no additional funding by shifting the way they spend current levels of resources, though it would be more effective with additional resources. Nonetheless, it would be important to compensate for reductions in suburbs in danger of fiscal decline that rely on redevelopment subsidies for new projects that expand the tax base. However policymakers refine subsidies, they should couple those efforts with a streamlining of subsidies into a smaller number of programs that are easier to access. Doing so would reduce the expertise needed to develop affordable housing, making more for-profit developers willing to participate.

If a politically favorable climate existed, several additional policy changes would vastly expand affordable housing development in the Twin Cities. Inclusionary zoning would be the most direct way to address the presently low quantities of development, though it would require the state legislature to change state law to permit inclusionary zoning, and would also probably require state action to require all cities in the Twin Cities metropolitan area to adopt it. The state legislature could also take into account each city's relative success with affordable housing development when determining future aid payments to cities. Those cities that are less successful or less willing would lose a portion of their aid, or if they receive no aid, would have to pay a penalty, and those that are successful would receive a bonus. Doing so would offset the fiscal benefits of avoiding affordable housing development and the fiscal consequences of pursuing it. With both measures though, the state would need to increase its funding to cities in order to effectively address the underlying economic structures that impede affordable housing development and to avoid charges of creating an unfunded mandate.

Potential city-level policies are more modest. Most importantly, city policymakers should recognize that in most instances, their constituents will not vote them out of office for approving well-designed affordable housing developments, and so they should not resist or stall such projects. Cities should also be more proactive in identifying sites where affordable housing is feasible, because there are non-profit developers anxious to find good sites. Finally, cities should not resist new metropolitan area-wide affordable housing policies when those policies address the underlying economic forces that may make it advantageous to favor higher value development. Most cities would benefit from such policies in increased funding.

There is little reason to believe that economic factors would not also prevail in other metropolitan areas in the United States, but more research is needed to understand if the policies that would be effective in the Twin Cities would be effective nationally. The role of resident opposition is the area most in need of attention. Maple Grove in the 1990s demonstrates that when it is severe, resident opposition can block affordable housing development. Consequently, my research cannot rule out the possibility that resident opposition is a powerful explanatory force in other metropolitan areas lacking strong government support for affordable housing development. Furthermore, my research does not address the reasons opposition is not strong in the Twin Cities. Strong federal policy would require an understanding of the dynamics in all metropolitan areas, and if opposition is indeed a problem in some, it would require knowledge of strategies for reducing broad opposition. The Twin Cities could provide an ideal environment for studying the latter question.

Uncovering the factors that produce different policy outcomes from seemingly similar cities would be a boon to policymaking in both the Twin Cities and elsewhere. Altering the economics of housing development may be the clearest path to success in increasing affordable housing development, but the fact still remains that it will not solve a portion of the problem. The political beliefs of residents towards issues of taxation and government involvement in social policy as well as the personal leadership qualities of elected officials appear to affect the distribution of affordable housing development, yet my study only began to address such factors, and theory offers few potential hypotheses. A detailed political geography of the suburbs would provide invaluable information that would enable policymakers to tailor policies to unique local circumstances and thus account for the explicitly political aspects of development that more resources and a refined incentive structure will not change.

Armed with the information we need to effectively intervene in an undeniably pressing issue, there would be no excuse not to develop new affordable housing policies. Benefits would be spread across society, with low-income households gaining access to jobs and beneficial neighborhood characteristics previously out of reach, moderate-income households being able to access the best schools possible, and all people facing less traffic, commute time, and pollution. Our cities would be more fiscally secure, which would in turn safeguard all households' financial investments in their homes. The sacrifices would be few, limited only to a small possible increase in taxes and the willingness of residents to reevaluate their personal views on living in a socio-economically diverse area. It is within our reach to create a more equitable housing geography in the Twin Cities and the rest of the United States. Let us now do it.

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### *Appendix One: Affordable Housing Financing Programs*

#### **Major Programs for Rental Housing Development Available in Hennepin County**

| <b>Program Name</b>   | <b>Type of Assistance</b>      | <b>Description</b>   |
|---|--------------------------------|--|
| Low and Moderate Income Rental Program (LMIR)                                     | Amortizing first mortgage loan | Mortgage funds for new construction/substantial rehabilitation of rental housing, or refinance/debt-restructure  |
| Flexible Financing for Capital Costs  | Deferred loan                  | Loan provided in conjunction with LMIR loan  |
| Housing Tax Credit Program  | Tax credit                     | Provides Tax Credits to reduce federal income tax liability for qualifying property owners who agree to rent to low and moderate income tenants  |
| Preservation Affordable/Rental Investment Fund                                    | Deferred loan                  | Loans for acquisition/rehabilitation, debt restructuring or equity takeout   |
| Housing Trust Fund Capital  | Deferred loan                  | Development, construction, acquisition, preservation, and rehabilitation of low-income rental housing  |
| Housing Trust Fund and Ending Long-Term Homelessness Initiative Operating Subsidy | Grant                          | Operating subsidies are available to fund two forms of operating expenses:<br>1) Unique costs of supportive housing developments that are critical to both the economic viability of the building and households being served<br>2) Revenue shortfall to reduce the difference between costs of operating and the rents that tenants are charged |
| Housing Trust Fund and Ending Long-Term Homelessness Initiative Rental Assistance | Grant                          | Rental assistance is available in two forms:<br>1) Tenant-based rental assistance program funds<br>2) Sponsor-based rental assistance program funds  |
| Ending Long-Term Homelessness Initiative Fund                                     | Deferred loan and grant        | Funds for tenant and sponsor-based rental assistance, operating subsidies, acquisition, rehabilitation, development or construction for permanent supportive housing for households experiencing long-term homelessness  |
| Economic Development and Housing Challenge Program                                | Deferred loan                  | Provides loans for housing which will support economic development activities or job creation/retention. Fifty percent of funding must be awarded to proposals with non-state resources (local governments, philanthropic, religious, or charitable contribution(s)).  |
| Home Rental Rehabilitation  | Deferred loan                  | Federal HOME funds for the rehabilitation of existing rental properties in MHFA's jurisdiction area. No interest deferred loan. 5-year forgivable loan available for requests less than \$100,000.   |
| Publicly Owned Housing Program  | Deferred loan                  | Provides funds for development, construction, acquisition, and/or rehabilitation. Reserves, operating expenses, and certain costs cannot be financed with state bonds.   |
| Rental Rehabilitation Loan Program  | Amortizing loan                | Funds for rehabilitation loans for existing rental properties utilizing authorized local lenders   |
| Bridges   | Grant                          | Rental assistance grant for persons with serious mental illness waiting for a permanent housing subsidy  |
| Family Homelessness Prevention and Assistance Program (FHPAP)                     | Grant                          | A flexible grant program designed to assist families, youth, and single adults who are homeless or are at risk of homelessness   |

|   |                                 |  |
|---|---------------------------------|--|
| 501c(3) Bonds   | Deferred loan                   | Development, construction, acquisition, and rehabilitation of low-income rental housing primarily for long-term homeless households. At least 90% of the units financed with 501©(3) Bonds must serve long-term homeless households and those at significant risk of long-term homelessness. The remaining 10% can serve homeless households or those at risk of homelessness.                                 |
| Non-Profit Capacity Building Revolving Loan Program     | Short term pre-development loan | Funds for predevelopment costs in conjunction with the development of low and moderate-income housing  |
| Family Housing Fund                                     | Deferred loan                   | Funds for the seven-county Twin Cities metropolitan area. Priority will be given to developments or redevelopment projects that provide supportive housing for families with children, projects that create affordable, healthier, more energy-efficient housing through implementing the Minnesota Green Communities criteria and/or projects that create housing with strong linkages to jobs and/or transit |
| Local Housing Incentives Account – Metropolitan Council | Grant                           | Funds for the seven-county Twin Cities metropolitan area. Grants may only be awarded to cities, which in turn pass the fund through to assist affordable housing developments.   |

(Information quoted from MHFA 2009b)

### **Major Programs for Ownership Housing Development in Hennepin County**

| <b>Program Name</b>                                | <b>Providing Agency</b>                         | <b>Description</b>   |
|--|---|--|
| Minnesota Mortgage Program                         | MHFA  | Loan for low- and moderate-income first-time homebuyers with possibility of a deferred, zero interest loan to cover closing costs and the down payment   |
| Community Activity Set-Aside Program               | MHFA  | Loan for low- and moderate-income first-time homebuyers  |
| Home Ownership Assistance Fund                     | MHFA  | Deferred, zero interest loan to cover closing costs and down payment for households earning below 60 percent of the AMI  |
| HOME Homeowner Entry Loan Program                  | MHFA  | Deferred, zero interest loan to cover closing costs and down payment for low- and moderate-income households buying a home in targeted zip codes   |
| Homeownership Opportunity Program                  | MHFA  | Loan for moderate income households to purchase and rehabilitate vacant homes or homes on verge of foreclosure   |
| Land Trusts  | West Hennepin Affordable Housing Land Trust     | Agency purchases land and low- or moderate-income household purchases house or both parties take a share in both land and house and sign agreement dividing any returns when house is sold; keeps house affordable for owner-occupants because they are insulated from land value appreciation |
| Non-profit provision of affordable ownership units | Non-profit agencies (e.g. Habitat for Humanity) | Organizations provide affordable ownership units   |

(Sources: Homes Within Reach 2009; MHFA 2009a)

*Appendix Two: Sample Interview Questions*

- 1) Can you tell me about your involvement in ----- city government?
  - Why did you originally decide to get involved?
  - What influence, if any, did housing affordability have for you?
- 2) Why has the city council decided to make developing affordable housing a top/low priority?
  - Do current residents demand that policy?
- 3) How high is the demand for affordable housing in -----?
- 4) What groups are most active in pushing for affordable housing development in -----?
  - What role do businesses play?
  - What role do residents play?
  - What role do non-profit organizations play?
- 5) What are the primary obstacles to developing affordable housing in -----?
  - Is it possible to develop affordable housing without subsidies?
  - How extensive is resident opposition to affordable housing?
  - Why do you think some residents appear to strongly desire affordable housing?
  - How do environmental restrictions affect affordability?
- 6) (Questions relating to specific developments, policies, or portions of comprehensive plan)
- 7) How does the city finance affordable housing development?
- 8) How much power does the city have to influence developers to include affordable housing in their developments?
- 9) (Question related to tax base)
- 10) How would you compare resident opinions towards owner-occupied versus renter-occupied affordable housing?

***Appendix Three: Complete Correlation Matrix***

|   | Percent affordable of new housing units | Total percent affordable, 2000 | Jobs proximity ratio | Supply index | Tax capacity per capita, 2000 | Percent population growth, 2000-2007 | Adjacent poverty | Adjacent minority | Median household income, 2000 | Median owner-occupied value, 2000 | Median rent, 2000 |
|---|---|--------------------------------|----------------------|--------------|-------------------------------|--------------------------------------|------------------|-------------------|-------------------------------|-----------------------------------|-------------------|
| Percent affordable of new housing units | 1                                       | .413**                         | -.376*               | -.349*       | -.367*                        | .248                                 | -.139            | -.168             | -.294                         | -.402*                            | -.277             |
| Total percent affordable, 2000          | .413**                                  | 1                              | -.202                | -.519**      | -.745**                       | -.298                                | -.198            | -.195             | .730**                        | -.767**                           | -.551**           |
| Jobs proximity ratio                    | -.376*                                  | -.202                          | 1                    | .479**       | .426**                        | -.476**                              | -.210            | -.076             | .081                          | .285                              | .234              |
| Supply index                            | -.349*                                  | -.519**                        | .479**               | 1            | .539**                        | -.026                                | .209             | .257              | .217                          | .514**                            | .167              |
| Tax capacity per capita, 2000           | -.367*                                  | -.745**                        | .426**               | .539**       | 1                             | -.071                                | .080             | .043              | .816**                        | .898**                            | .429**            |
| Percent population growth, 2000-2007    | .248                                    | -.298                          | -.476**              | -.026        | -.071                         | 1                                    | .184             | .202              | .137                          | .016                              | -.077             |
| Adjacent poverty                        | -.139                                   | -.198                          | -.210                | .209         | .080                          | .184                                 | 1                | .784**            | .100                          | .162                              | -.045             |
| Adjacent minority                       | -.168                                   | -.195                          | -.076                | .257         | .043                          | .202                                 | .784**           | 1                 | .083                          | .123                              | .005              |
| Median household income, 2000           | -.294                                   | -.730**                        | .081                 | .217         | .816**                        | .137                                 | .100             | .083              | 1                             | .890**                            | .465**            |
| Median owner-occupied value, 2000       | -.402                                   | -.767**                        | .285                 | .514**       | .898**                        | .016                                 | .162             | .123              | .890**                        | 1                                 | .479**            |
| Median rent, 2000                       | -.227                                   | -.551                          | .234                 | .167         | .429**                        | -.077                                | -.045            | .005              | .465**                        | .479**                            | 1                 |

\* Significant at the .05 level

\*\*Significant at the .01 level