Are Minneapolis and St. Paul Gentrifying?

Institute on Metropolitan Opportunity

University of Minnesota Law School

Follow this and additional works at: http://scholarship.law.umn.edu/imo_studies

Part of the Law Commons

Recommended Citation

INSTITUTE ON METROPOLITAN OPPORTUNITY, ARE MINNEAPOLIS AND ST. PAUL GENTRIFYING? (2016).

This Article is brought to you for free and open access by the University of Minnesota Law School. It has been accepted for inclusion in Studies collection by an authorized administrator of the Scholarship Repository. For more information, please contact lenzx009@umn.edu.
ARE MINNEAPOLIS AND ST. PAUL GENTRIFYING?
Debunking Myths about Neighborhood Change in the Twin Cities

January, 2016
Executive Summary

Analysis of twelve key economic and demographic indicators shows little or no evidence of gentrification in any Minneapolis or St. Paul neighborhood. This work examines a range of characteristics associated with gentrification for the period from 2000 to 2013, including income, poverty, racial transition, displacement, home ownership, house values, rents, vacancies and affordability of the housing stock.

Many of the neighborhoods which are frequently cited as candidates for gentrification instead show signs of decline. These include Camden, Near North, Northeast, and Phillips in Minneapolis, and Battle Creek/Dayton’s Bluff, North End/Thomas Dale, Payne-Phalen and West Side/ W 7th St./Downtown in St. Paul. While one candidate neighborhood, Powderhorn, saw moderate increases in white population and in median rents over the period, it also exhibits below-average incomes, owner occupancy rates, rents, and home values, while maintaining a poverty rate that is both above-average and rising.

The only neighborhoods showing any strong signs of declining affordability, growing average incomes, and declining poverty were areas such as Southwest Minneapolis, which are already home to above-average incomes, expensive housing, and very little poverty.

The Twin Cities compare very favorably to other cities across the nation which are perceived to be suffering from gentrification, with lower housing costs, more stable cost trends, and significantly higher housing affordability.

Taken together, the data indicate that housing and development policy which focuses on preventing or remedying gentrification is combatting a threat that is largely imagined. Instead, if present trends continue, a much greater danger is a growing gap between struggling and prosperous neighborhoods in Minneapolis and St. Paul. Instead of getting sidetracked into a rancorous – but ultimately misguided – debate over gentrification, regional leaders would be wise to pursue policies that arrest neighborhood decline and open up expensive, affluent areas to lower-income populations.

Introduction

Once again, the specter of gentrification has been raised in the Twin Cities. Spurred in part by local and federal interest in exploring new approaches to fair housing and economic development, a chorus of local politicians, commentators and activists have emerged to warn that the region’s community development system is a necessary bulwark against ongoing gentrification. These voices have argued that unless resources to gentrifying neighborhoods are maintained or even increased, long-time residents will find themselves pushed into ever-more-marginal living conditions.

This is nothing new. Predictions that various low and moderate income neighborhoods were on the verge of gentrifying have arisen at various times since the mid-1990s. Over time, a variety of causes and culprits have been blamed, including the Minneapolis Neighborhood Revitalization
Program (Goetz and Sidney, 1994), the Transit Oriented Development movement (James, 2012), various state and local economic development/redevelopment programs (Mehta, 2015a; Hallman, 2008), light rail development (James, 2012; Twin Cities LISC, 2012), federal housing policy (Goetz, 2003), and market-driven private development (Reitmulder, 2015; Clement et al., 2006). Most recently, two on-going fair housing complaints to the U.S. Department of Housing and Urban Development by several local government, non-profit and advocacy groups (Mehta, 2015b) have been cited as both symptoms and sources of gentrification pressures.

But both the historical and recent discussions frequently take gentrification as a given, immediately skipping ahead to discuss harms, remedies, and solutions. Very rarely do commentators stop to measure whether neighborhood change is occurring at all, or, if it is, what direction that change is going.

The following report attempts to answer that question by reviewing recent social and economic trends in the neighborhoods most often mentioned in these warnings. It shows that the predicted gentrification has not occurred. This is not to say that these neighborhoods are not in transition: most of them are in fact moving backwards. In areas where gentrification fears are felt most acutely, poverty and segregation is growing, with potentially dire impacts on local schools, the economic wellbeing of residents, and access to opportunity.

This should not be surprising. Nationwide, gentrification is a rare phenomenon, occurring extensively in only a few large cities like New York, Chicago, Washington D.C., Los Angeles and San Francisco. For instance, there were 3,373 census tracts with non-white population shares above 80 percent in the central cities of the 50 largest U.S. metropolitan areas in 1990. By 2005-09, only 202 of these tracts had made racial transitions consistent with gentrification – 197 (5.8 percent) had experienced increases in white populations large enough to bring their non-white share down enough to be classified as racially diverse (non-white population between 20 percent and 80 percent) while only 5 (0.1 percent) had made the transition all the way to predominantly white (non-white shares less than 20 percent). 137 of the 202 total (68 percent) were in just six metropolitan areas – Atlanta, Chicago, Los Angeles, New York, San Francisco and Washington D.C. ¹

Why do so many feel that their neighborhood is gentrifying, when such change is rare and there is little empirical evidence of it locally? One factor is surely the sheer number of prominent local figures expressing concern about gentrification, including politicians, community leaders, and journalists. Confirmation bias means that inevitable turnover in businesses or residents can look like gentrification. Another factor may be housing costs. Some previous studies of neighborhood change have suggested that, in stagnating or declining neighborhoods, real incomes gradually fall, even as rents remain the same (Cortright and Mahmoudi, 2014). Increased housing cost pressure or even displacement may result – problems generally blamed on gentrification, even when neighborhood decline is a more likely culprit.

¹ None of the five census tracts in the Twin Cities that were predominantly non-white in 1990 made the transition to racially diverse or predominantly white. Only two tracks that were racially diverse in 1990 made the transition to predominantly white and these tracks were very close to being predominantly white already in 1990 (with white population shares of 74 and 78 percent). These findings use data compiled from census tract level data compiled by Geolytics, Inc. into tract definitions that are consistent across census years.
The following sections will evaluate the extent to which gentrification has been occurring in Minneapolis and St. Paul neighborhoods since 2000. First, the process of gentrification will be examined to select a set of characteristics of neighborhood change and hypotheses to be examined in the data analysis. Data for these neighborhood characteristics will be then be presented to evaluate the extent to which gentrification is actually occurring Minneapolis or St. Paul neighborhoods.

The Dimensions of Gentrification

No single, universal definition of gentrification exists. However, there are a handful of elements common to most definitions of the phenomenon, including displacement of lower-income households by higher-income residents, replacement and/or rehabilitation of housing stock, and displacement of racial minorities by higher-income white residents. The changes are also usually depicted as being very rapid in nature – in other words, not the product of gradual neighborhood changes, but the product of economic and social forces “pushing” against resident populations. A neighborhood experiencing gentrification should therefore exhibit a few or all of a set of characteristics including:

- Changes in the composition of the population, reflected in higher incomes, lower poverty and increasing percentages of white residents;
- Changes in the composition of the housing stock, reflected in increasing home-ownership rates; and
- Cost pressures on the housing market, reflected in higher house values, increasing rents, lower vacancy rates and decreasing affordability of the housing stock.

Several indicators were selected to capture changes in each of these dimensions. Census tract level data for 2000, 2005-09 and 2009-13 was collected from the Bureau of the Census and other sources and aggregated to the neighborhood definitions used by each of the cities in designing and evaluating public programs. One variable – home values – was also collected from home sale records from Zillow.com. The neighborhoods were then compared to each other and to city- and region-wide data to test whether any likely candidate neighborhoods were showing signs of gentrification during the period. The variables chosen for the analysis include:

- Changing composition of population
  - Median household income

---

2 Webster’s definition is: “The process of renewal and rebuilding accompanying the influx of middle-class or affluent people into deteriorating areas that often displaces poorer residents.” Dictionary.com defines it as: “The buying and renovation of houses and stores in deteriorated urban neighborhoods by upper- or middle-income families or individuals, thus improving property values but often displacing low-income families and small businesses.” It has been defined in social science and planning literature as follows (Clark, 2005): “The process involving a change in the population of land users such that the new users are of a higher socio-economic status than the previous users, together with an associated change in the built environment through a reinvestment in fixed capital.” In short, definitions vary as to whether gentrification is a measure of property values or personal incomes, whether it describes residential or commercial changes, whether it necessarily involves displacement of low-income individuals, and whether it exclusively concerns areas that were previously low-income.
• Population in households above and below the poverty line
• Low-income students in neighborhood elementary schools
• Non-Hispanic white population
• Non-Hispanic white students in neighborhood schools

Changing composition of housing stock:
• Owner occupancy rate

Pressure on housing market:
• Vacant housing
• Median owner-occupied house value (from two sources)
• Median contract rent
• Housing affordable at 50 percent of the regional median income

Analysis of Neighborhood Characteristics and Change, 2000 – 2013

Data for each the selected indicators is shown in the following charts for 20 neighborhoods in the two cities – 11 neighborhoods in Minneapolis and 9 in St. Paul. The neighborhoods were derived from definitions used by each of the cities. St. Paul has 17 city-defined neighborhoods. To reduce differences between the boundaries of census tracts and the city-defined neighborhoods, eight neighborhoods were merged into others, resulting in a total of nine St. Paul neighborhoods. Minneapolis has 87 defined neighborhoods, much smaller than St. Paul's, that are organized by the City into 11 larger communities. These larger communities, more easily assembled from census tract data and which more closely resembling the sizes of the St. Paul neighborhoods, were used in the analysis. The map below shows the neighborhood names and boundaries.

Separate charts for each city show the neighborhoods clustered into two groups, showing the areas most often mentioned as candidates for gentrification first (on the left) followed by the remaining neighborhoods. City, suburban and regional totals are shown at the right for comparison. The indicators are shown in two forms – in absolute values and as a percentage of the respective city-wide averages. The percentage-of-city-average versions are often more useful because they control for city-wide changes that affect all neighborhoods to some degree.

3 Tract-level data for median income, median housing value, median rent and poverty rate was examined to ensure that the neighborhoods used in the analysis are relatively homogeneous. The neighborhoods showing the most variation across census tracts were Central and University in Minneapolis and Summit Hill/University Hill and Merriam Park-North Macalester-Grove-River in St. Paul. Overall, the gentrification candidate neighborhoods were among the most homogenous neighborhoods. For instance, in 2013 the Northeast, Powderhorn, Camden and Phillips showed the least average variation for the four variables among the 11 Minneapolis neighborhoods. In St. Paul, the four candidate neighborhoods ranked as the second through fifth most homogeneous neighborhoods.

4 The indicators for median income, median home value and median rent are adjusted for inflation, using the metropolitan level consumer price index for all urban residents for the Minneapolis-St. Paul metropolitan area (Bureau of Labor Statistics). All values are expressed in 2000 dollars. The definition of the Twin Cities metropolitan areas used for the suburban and full region indicators is the 11 counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright Counties.
CITIES OF MINNEAPOLIS AND SAINT PAUL

Neighborhoods Derived From Census Tract Boundaries

Data Sources: City of Minneapolis; City of Saint Paul; U.S. Census Bureau.
Income

Median household income is a good general indicator of the socioeconomic status of a neighborhood. One would expect to see rapidly increasing incomes in a neighborhood experiencing gentrification. Charts 1 through 4 show that this did not happen in any of the gentrification prospects in either city between 2000 and 2009-13. All of the gentrification candidate neighborhoods show income levels significantly below city-wide averages in 2009-13. In addition, all of the Minneapolis candidate neighborhoods show declining or stable incomes as a percent of the city-wide average between the beginning and end of the period. Powderhorn shows a small bump upward in the second half of the period, but only to a level roughly equal to 2000. The neighborhoods with the highest initial incomes also produce the most consistent income increases over the full period.

St. Paul shows less overall income inequality across its neighborhoods, and two of the four gentrification candidates show increasing relative incomes. However, these increases are very small and median incomes remain well below the city-wide average in 2009-13.

In short, none of the gentrification candidate neighborhoods show rapid or sustained income growth.
Chart 1: Median Income by Minneapolis Neighborhood, 2000 : 2009-13 (adjusted for inflation)

Chart 2: Median Income by Neighborhood, 2000 : 2009-13 (% of Minneapolis Average)

Poverty

Poverty data can illustrate two phenomena associated with gentrification: higher-income residents moving into a neighborhood (resulting in declining poverty rates), and lower-income households being displaced by higher-income residents (resulting in declining absolute numbers of residents below the poverty line and increasing numbers of residents above the poverty line).

Poverty rates increase virtually across the board in both cities between 2000 and 2009-13 (Charts 5 through 8). Even the highest-income neighborhoods show increases. The percent-of-citywide-average charts do show some equalizing trends in both cities. Higher-poverty neighborhoods – the gentrification candidates for the most part – show slower increases than the other neighborhoods, but not by dramatic amounts. For instance, Near North shows the greatest relative decline among the Minneapolis neighborhoods, but its poverty rate still increased in absolute terms from 34 percent to 40 percent during the period, maintaining a rate more than 75 percent higher than the citywide rate of 22 percent in 2009-13.

Absolute figures of poverty populations by neighborhood show clearly that widespread displacement of low-income households did not occur in any neighborhood (Charts 9 through 12). Every neighborhood in both cities showed increasing numbers of poor residents, even the neighborhoods like Powderhorn where poverty rates rose more slowly than elsewhere. Similarly, every one of the gentrification candidate neighborhoods and nearly every one of the non-candidate neighborhoods showed declining absolute numbers of non-poor residents.

None of the gentrification candidate neighborhoods exhibit the poverty changes one would expect from gentrification.

Poverty data can also be generated for neighborhood schools, where similar patterns appear (Charts 13 through 16). Low income shares (measured by the percentage of students eligible for free or reduced price lunch in elementary schools) increased nearly everywhere in both cities between 1999-2000 and 2012-13. (The lone exception was Northeast in Minneapolis, where the rate declined from 67 to 64 percent.) The only neighborhoods that showed significant declines either in absolute terms or relative to city-wide averages were Southwest in Minneapolis and Highland/South Macalester-Groveland in St. Paul.

---

5 Wage data also show no clear evidence of displacement. The Longitudinal Employment Household Dynamics data set shows that the percentage of jobs that were low wage declined virtually everywhere in the region between 2002 and 2013 (at least partly because of inflation, of course). However, the percentage declined less rapidly or at roughly the same rate in most of the gentrification candidate neighborhoods compared to elsewhere.
Chart 5: Poverty % by Minneapolis Neighborhood, 2000 : 2009-13


(% of Minneapolis Average)


Chart 14: % Low Income in Elementary Schools by Minneapolis Neighborhood, 1999-2000 : 2012-13
(% of Minneapolis Average)

Source: Minnesota Department of Education.

(% of St. Paul Average)

Source: Minnesota Department of Education.
Racial transition

Most definitions of gentrification include a racial component, with white households displacing black, Latino, Asian, or other minority population as neighborhood incomes, house values and rents increase. One would therefore expect gentrifying neighborhoods to exhibit increases in the share to the population that is white – or, in cities or regions undergoing rapid racial transition, perhaps slower than average decreases.

The white share of population has been declining steadily city- and region-wide in the Twin Cities for decades, with transition rates increasing in the 2000s in many areas, especially the suburbs. The white share of the population for the region as a whole fell from 84 percent in 2000 to 77 percent in 2009-13; from 91 percent to 83 percent in the suburbs; from 63 percent to 61 percent in Minneapolis; and from 64 percent to 55 percent in St. Paul.

The neighborhood breakouts show a similar trend (Charts 17 through 20). The portion of the population that was white declined in every neighborhood except one – Powderhorn in Minneapolis, where it increased from 45 percent to 51 percent. The white share also declined more quickly than the city-wide averages in every gentrification candidate neighborhood except Powderhorn. Eight of the nine candidate neighborhoods also began the period with white shares that were already lower than citywide averages. In most neighborhoods, the racial transitions that occurred were the opposite of that predicted by the gentrification model.

Indeed, some of the candidate neighborhoods – Camden and Battle Creek-Dayton’s Bluff, in particular – have actually undergone relatively rapid transitions from majority-white to majority-minority. Others – like the Near North, Phillips, North End/Thomas Dale and Payne-Phalen – have become more intensely non-white segregated.

Once again, neighborhood data for schools largely reflect city-wide trends (Charts 21 through 24). In Minneapolis, where the white share of the elementary school student population rose from 28 to 32 percent, several neighborhoods showed increasing white percentages. In the gentrification candidate neighborhoods, this meant modest increases in already very low white percentages in a few neighborhoods – from 4 to 6 percent in the Near North, from 9 to 15 percent in Phillips and from 13 to 24 percent in Powderhorn – with declining white shares in the others. In St. Paul, where the white share declined from 32 to 25 percent, every one of the gentrification candidate neighborhoods showed absolute declines.

None of these resident or school patterns, with the possible exception of Powderhorn, is indicative of gentrification.

---

Only elementary schools were included in the comparisons because their attendance areas are less likely to cross neighborhood boundaries. Middle and high schools tend to have attendance areas that are significantly larger and which therefore cross neighborhood boundaries more frequently. Some of the neighborhood comparisons over time are affected by attendance boundary changes made by the two school districts and by changes in the open enrollment options available to students. The options available for students to open enroll across neighborhood boundaries decreased significantly, especially between 2006-07 and 2012-13. The changes were particularly dramatic in central areas of Minneapolis that included large segments of the Phillips, Powderhorn, Central, Northeast, and University neighborhoods. In 2006-07, students residing in these areas could attend any school in a large area that included parts of all of these neighborhoods. By 2012-13, they were limited to neighborhood schools.
Chart 17: % White by Minneapolis Neighborhood, 2000 : 2009-13

(% of Minneapolis Average)


(% of Minneapolis Average)

Source: Minnesota Department of Education.

(% of St. Paul Average)

Source: Minnesota Department of Education.
Owner occupancy rate

Owner occupancy rate was selected as an indicator of changing composition of the housing stock. Most descriptions of gentrification suggest that owner occupancy rates should be increasing in gentrifying neighborhoods, because higher income, white households are more likely to own their homes than any other segment of the population.

A variety of factors in the 2000s, in addition to possible gentrification, had significant effects on owner-occupancy rates. The foreclosure crisis in particular affected every part of the region to some degree. This means that the statistics comparing neighborhoods to citywide averages are most revealing in this case.

Owner occupancy rates declined region-wide during the full time period, with all of the decline coming in the second half of the period. As seen in Charts 25 through 28, the pattern across neighborhoods is decidedly mixed. However, all of the gentrification candidate neighborhoods except two show both absolute and relative declines in owner-occupancy – a pattern clearly inconsistent with gentrification.

The exceptions are Powderhorn and Battle Creek-Dayton’s Bluff. In both of these cases, very small absolute increases in owner-occupancy generated modest increases in their position compared to citywide averages. However, Powderhorn’s percentage was still well below the Minneapolis average in 2009-13 while Battle Creek/Dayton’s Bluff finished the period very close to the St. Paul average. In other words, neither neighborhood showed a change indicative of rapid gentrification.

Four indicators were selected to measure the kinds of pressure on neighborhood housing markets implied by gentrification – vacancy rates, median home values, median contract rents, and the percentage of the housing affordable at 50 percent of the regional median income.


Chart 26: Owner Occupancy by Neighborhood, 2000 : 2009-13 (% of Minneapolis Average)


Vacancy Rate

Vacancy rates are a good indicator of upward or downward pressure on home prices and rents in a neighborhood. The influx of higher income residents into a gentrifying neighborhood should push vacancy rates downward. Of course, other influences also affect vacancy rates and these factors appear to dominate the data across the region. Charts 29 through 32 show that vacancy rates more than doubled in each of the cities and region-wide between 2000 and 2005-09 and then declined slightly in the second part of the period. The patterns across the neighborhoods are very mixed. In general, vacancy rates are higher in the gentrification candidate neighborhoods than elsewhere, but the changes over time are very erratic. Some candidate neighborhoods, like Camden, the Near North, Battle Creek/Dayton’s Bluff and North End/Thomas Dale are volatile or show increases. Others, like the Northeast, Phillips and the West Side/W. 7th St./Downtown show decreases. Finally, Powderhorn was stable.

The lack of consistency or correlation with other factors suggests that little is to be learned regarding gentrification from this indicator.
Chart 29: Vacancy Rate by Minneapolis Neighborhood, 2000 : 2009-13

Chart 30: Vacancy Rate by Neighborhood, 2000 : 2009-13
(% of Minneapolis Average)


Chart 32: Vacancy Rate by Neighborhood, 2000 : 2009-13
(% of St. Paul Average)

House values

Median house values are a good indicator of changes in the owner-occupied housing market. Upward pressure on values would be expected in a gentrifying neighborhood.

Home values did spike upward during the first half of the period from 2000 to 2009-13. However, the pattern was region-wide — every neighborhood in both cities and the suburbs as a whole showed this pattern. The subsequent bursting of the housing price bubble resulted in home price declines in both cities, every neighborhood, and the suburbs.

Charts 33 through 36 illustrate that the gentrification candidate neighborhoods generally outperformed other neighborhoods in the first half of the period (when prices spiked everywhere). However, their values then declined by more when the housing bubble burst and they have been slower to recover since then. House values as a percentage of city-wide averages declined between 2005-09 and 2009-13 in every candidate neighborhood except one (West Side-7th St.- Downtown in St. Paul). In the end, home values in the candidate neighborhoods still lagged city averages by significant margins — from a low of 60 percent of the Minneapolis average in Camden to a high of 91 percent of the St. Paul average in West Side-7th Street-Downtown.

Another source of home values that is based on actual sales data and which provides more recent data — the Zillow Value Index — shows the same pattern. The Zillow data clearly demonstrates that the gap in housing values between the city’s most- and least-expensive neighborhoods widened during the period. In Chart 37, which shows monthly median home values in Minneapolis neighborhoods, the gentrification candidate neighborhoods (represented by thick lines) did worse overall than the other neighborhoods. As a consequence, neighborhood disparities have increased. In 2000 the ratios of prices in the two highest-price neighborhoods (Calhoun-Isle and Southwest) to the lowest price area (Phillips) were 3.9 and 2.4. By 2013 (when Camden was the lowest price area) the ratios had increased to 4.8 and 3.0.

Chart 38 displays the same data in a somewhat different fashion, showing housing values in each neighborhood as a percentage of the neighborhood’s peak value during the entire 13-year period. It illustrates very clearly that the gentrification candidate neighborhoods lost a greater proportion of their value when the housing bubble burst, and are still significantly below their peak values from 2006 — at 67 percent in Camden, 73 percent in the Near North and 77 percent in Phillips, 88 percent in Powderhorn and 91 percent in the Northeast. The city’s other neighborhoods, on the other hand, have recovered more of their peak values — at 91 percent in University, 94 percent in Central, Longfellow and Nokomis, 96 percent in Calhoun/Isle and 100 percent in Southwest.

The widening gap suggests that the greatest risk is not that the lower-priced neighborhoods are gentrifying; it is that they are falling further behind.

Charts 39 and 40 illustrate a similar pattern in St. Paul. The gentrification candidates lag behind the other neighborhoods. (The one exception is Greater Eastside, which follows a pattern much like the candidate neighborhoods). The ratio in median home value between the most- and least-expensive neighborhood increases in St. Paul as well, from 2.2 to 2.7. Like Minneapolis, the gentrification candidates have also regained less of their peak value than other neighborhoods —
72 percent in North End/Thomas Dale, 73 percent in Payne Phalen, 76 percent in Battle Creek/Dayton’s Bluff and 81 percent in West Side/W 7th St./Downtown. All of the other neighborhoods (again, with the exception of Greater Eastside) have regained more than 89 percent of their peak values.

In short, one of the most critical indicators of housing market pressures – house values – provides no support at all for assertions that gentrification is ongoing.
Chart 37: Monthly Median Value of Single Family Homes (Zillow Value Index) 
Neighborhood Averages, Minneapolis, 2000 - 2015

Chart 38: Monthly Median Value of Single Family Homes (Zillow Value Index) 
as a Percentage of Peak Value Neighborhood Averages, Minneapolis, 2000 - 2015

Source: Zillow.com.
Chart 39: Monthly Median Value of Single Family Homes (Zillow Value Index) 
Neighborhood Averages, St. Paul, 2000 - 2015

Chart 40: Monthly Median Value of Single Family Homes (Zillow Value Index) 
as a Percentage of Peak Value Neighborhood Averages, St. Paul, 2000 - 2015

Source: Zillow.com.
Rents

The rental side of the housing market does not necessarily track home values. Rising rents are often cited as a symptom of gentrification.

Like housing values, rents increased city- and region-wide between 2000 and 2005-09, although by a much smaller amount. Unlike housing values, regional rents have not fallen significantly between 2005-9 and 2009-13. In this later period, median rents rose slightly in Minneapolis and fell slightly in St. Paul.

Throughout the period in both cities, the rental market much smaller disparities between neighborhoods than in home values, with neighborhood median rents only varying by 10 or 15 percentage points above or below the city median (Charts 41 through 44). The overall trend in most gentrification candidate neighborhoods closely tracked the city trend, with the exception of Camden, where rents consistently grew over the period relative to the city overall. By 2009-13, rents in Camden exceeded the city median, and rents in Northeast and three of the four St. Paul candidate neighborhoods were virtually indistinguishable from their respective city medians. (It should be emphasized that Camden, more than any other neighborhood, shows strong indicators of decline in other metrics.) Median rents in the remaining candidate neighborhoods were below city medians. This was particularly true of Phillips, which maintained the largest gap between neighborhood and city median rents (or for that matter, regional median rents) of any measured area.

For the most part, however, rents were stagnant relative to city and regional averages throughout the period. There is no indication of ongoing gentrification in the rent data.


Housing Affordability Rates

The final measure of neighborhood conditions is the percentage of housing affordable at 50 percent of the regional median household income.\(^7\) Affordability should decline significantly in gentrifying neighborhoods. Affordability measures go a step beyond simple measures of rents or home prices by controlling for overall changes in regional incomes.

It should be noted, however, that affordability rates are very sensitive not just to changes in home prices, incomes, and rents, but also to interest rates and the overall balance within a neighborhood of rental and owner-occupied units.

As can be seen in Charts 45 through 48, affordability rates increased region-wide and in St. Paul during the period but declined slightly in Minneapolis. Affordability measures differ from housing cost measures primarily because regional median household income increased substantially during the first half of the period (by 19 percent from 2000 to 2005-09) but by only a small amount during the second half (by four percent from 2005-09 to 2009-13).

Patterns in individual neighborhoods are mixed. Affordability rates improved in two of five gentrification candidate neighborhoods in Minneapolis and declined in three. But the declines in the Northeast, Phillips and Powderhorn were modest and affordability rates remained well above the city-wide average in Phillips and Powderhorn. Affordability rates in Northeast closely tracked the city-wide pattern. A similarly mixed pattern is evident in the St. Paul data. The West Side/W 7th St./Downtown neighborhood moved from slightly above average affordability to slightly below average at the end.

In Greater Eastside, affordability rose dramatically in the second half of the period. This is a consequence of the neighborhood adding over 2,000 rental units in a short span with no concomitant decrease in owner-occupied units. A significant part of this large increase, however, is likely the result of adjustments to census tract boundaries: neighboring Battle Creek/Dayton’s Bluff lost nearly 1,000 rental units over the same period.

Despite these caveats, the overall affordability patterns show no evidence of dramatic changes in any of the gentrification candidate neighborhoods, consistent with the home value and rent data.

\(^7\) This measure was calculated by combining data from the Census on home values and rents with data from other sources on property taxes, insurance costs and interest rates to estimate the number of owner-occupied and rental units that could be purchased or rented with 30 percent or less of the total income of a household with an income that was 50 percent of the regional median income in each of the three years in each of the neighborhoods.
Sources: Census of Population, 2000; American Community Survey, 2005-09, 2009-13; Home Insurance, LLC; (State and Local Government Finances, Bureau of the Census, 2010.)
Chart 47: Affordability: % of Housing Stock Affordable at 50% of RMI, by St. Paul Neighborhood, 2000 : 2009-13

Chart 48: Affordability: % of Housing Stock Affordable at 50% of RMI, by Neighborhood, 2000 : 2009-13 (% of St. Paul Average)

Sources: Census of Population, 2000; American Community Survey, 2005-09, 2009-13; Home Insurance, LLC; (State and Local Government Finances, Bureau of the Census, 2010.)
The Twin Cities in a National Context

Politicians, policymakers, and community activists frequently express worries about gentrification, despite the minimal evidence that gentrification is actually occurring in the Twin Cities. In part, these fears probably arise from national events and national reporting. Popular news sources regularly report on rapidly rising rents and home prices. One does not have to search national news outlets for long to find breathless accounts of battles between long-term residents and wealthy in-movers in places like San Francisco or New York. And reporters are not shy about using these events to stoke fears in broader swaths of the country, as Newsweek did in October of 2015 when it published an article entitled “The Tech Industry Is Stripping San Francisco of Its Culture, and Your City Could Be Next.”

It seems that many in the Twin Cities really do feel that Minneapolis or St. Paul could be next. For example, a Minneapolis city councilmember hosted a community forum on the topic, which was attended by several hundred local residents. Panelists at the forum presented videos showing neighborhood battles in San Francisco as an example of the problems facing Minneapolis.

But places like San Francisco or New York make for poor analogies to the Twin Cities. This section compares Minneapolis and St. Paul to a set of major American cities undergoing nonwhite-to-white racial transition that may be indicative of gentrification. Notably, this set includes New York, San Francisco, and Washington, D.C. – the cities most frequently featured in media coverage of gentrification. The comparisons rely on three fundamental measures of local housing markets – median home value, median rent and median income. Ultimately, they show how the housing market in Minneapolis and St. Paul differs noticeably from much of the nation. At times, this difference is dramatic.

The most striking differences are in median home prices (Chart 49). In all cities, home prices reflected the housing boom and bust, rising between 2000 and 2005-09, and falling between 2005-09 and 2009-2013. But at every point in time, the median housing price in Minneapolis or St. Paul is lower than in any comparison city.

Regional differences are less dramatic when comparing median rents (Chart 50). Indeed, in 2000, median rents in the two Twin Cities were higher than median rents in Atlanta and roughly equivalent to those in Chicago. But by the most recent period, all comparison cities had become significantly more expensive than either Minneapolis or St. Paul. Also of note is the general trend in each city: while median rents were stable between 2005-09 and 2009-13 in Minneapolis,

---

9 See, e.g., Vivian Yee, Gentrification in a Brooklyn Neighborhood Forces Residents to Move On, N.Y. TIMES (Nov. 27, 2015); Darnell L. Moore, The Disregarded Consequences of Gentrification in This New York City Neighborhood, MIC.COM (Oct. 5, 2015); Hamilton Nolan, The Only Three Non-Gentrifying Neighborhoods in New York City, GAWKER (June 8, 2015); Ryan Carol Pogash, Gentrification Spurs an Upheaval in San Francisco’s Mission District, N.Y. TIMES (May 22, 2015).
(adjusted for inflation)

and actually fell in St. Paul, the comparison cities all saw sustained increases across the entire thirteen-year period.

Ironically, the city most often cited as a portent for the Twin Cities – San Francisco – was by far the most distinct in terms of rents and housing prices. The median San Francisco rent in San Francisco grew steadily throughout the period and consistently exceeded those in Minneapolis and St. Paul by 50 to 100 percent. And the differences in median home value were even starker: by 2009-13, the ratio between median home prices in San Francisco and Twin Cities had grown to 3.4 in Minneapolis and to 3.9 in St. Paul.

Of course, higher housing costs may not be of significance if they merely reflect higher average incomes. But this is not the case here: with the exception of San Francisco and Washington D.C., there is minimal variation in median income across the comparison cities (Chart 51). Moreover, after adjusting for inflation, incomes in most cities remained flat while rents and home prices rose. Even in San Francisco and Washington D.C., the income differences are smaller than the gap in housing costs. For instance, while median income in San Francisco in 2009-2013 is 60 percent greater than in St. Paul and 51 percent greater than Minneapolis, median rents are 93 and 84 percent higher, respectively.

The intercity comparisons are summarized in the final two charts, which present median rents and home prices as a fraction and multiple, respectively, of 50 percent of median income (Charts 52 and 53). The takeaway from these charts is clear: extreme care must be taken when comparing Minneapolis or St. Paul to cities with prominent gentrification fights, because for most residents, housing is far cheaper to obtain here than in those cities. Relative to these places, the Twin Cities have become more affordable over time.
Policy Implications of Findings

Regardless of whether they are well-founded, concerns over gentrification can have a real impact on municipal and regional policy. Efforts to spur economic growth in struggling neighborhoods are often criticized as a cause of ongoing displacement, while efforts to make affordable housing available in suburbs or higher-income neighborhoods sometimes come under attack as “dispersion” intended to clear the way for gentrification of poorer neighborhoods. When the degree of ongoing neighborhood change is exaggerated, these critiques take on an undue urgency.

For this reason, it is essential that policymakers not be misled about the true scope of gentrification in the Twin Cities. As laid out above, analysis of twelve key indicators shows little to no evidence of gentrification in any Minneapolis or St. Paul neighborhoods. The neighborhoods that are most often cited as candidates for gentrification – Camden, Near North, Northeast, Phillips and Powderhorn in Minneapolis and Battle Creek/Dayton’s Bluff, North End/Thomas Dale, Payne Phalen and West Side/W 7th St./Downtown in St. Paul – were more likely to show signs of decline between 2000 and 2009-13 than signs of gentrification.

One candidate neighborhood – Powderhorn – did show increases in its white population and in rents compared to Minneapolis averages. However, at the end of the period, the area still showed more characteristics of a neighborhood at risk of decline – lower than average income, higher than average poverty, increasing poverty populations, lower than average owner-occupancy, lower than average home values and rents and greater than average amounts of low-income housing – than of an area undergoing gentrification.

The only neighborhoods that showed any consistent signs of increasing housing and rental costs, increasing incomes, slower-growing poverty, and declining affordability for low-income households were areas that already showed greater than average incomes and housing costs, lower than average poverty, and less affordable housing.

In short, neighborhoods commonly cited as candidates for gentrification are both currently more affordable than other neighborhoods, and more likely to be economically declining relative to other neighborhoods. To the extent that housing affordability is a problem in the Twin Cities, it is not a consequence of changes within these neighborhoods. There is, however, strong evidence that affordability is a serious and worsening issue in more affluent neighborhoods such as Southwest Minneapolis.

For policymakers, the takeaway from this data should be clear. In the Twin Cities, further decline in already disadvantaged neighborhoods, increasing disparities between neighborhoods, and loss of access or affordability in high-income neighborhoods are much greater risks than gentrification.

Unfortunately, these realities do not seem to inform housing policy in Minneapolis and St. Paul.

If sited with care, subsidized housing units could be used to improve access to expensive and inaccessible neighborhoods. In actuality, however, the majority of subsidized units in the Twin
Cities are located in the gentrification “candidate” neighborhoods where there are signs of decline. As of 2013, the five Minneapolis and four Saint Paul neighborhoods in this category contained 53.3 percent of all subsidized units in the two cities, but only 43.3 percent of housing units. The table below depicts these figures on per-city and per-neighborhood basis.

If anything, these figures understate the problem. Neighborhood characteristics do not always neatly conform with formal neighborhood boundaries, and areas in decline often extend across these borders. As the map below reveals, much of the subsidized housing located outside declining neighborhoods is located quite near the borders of those neighborhoods: for instance, the enormous concentration of units in the Cedar-Riverside section of Longfellow, which is closer to Phillips than to the majority of its own neighborhood, or the tendency of subsidized units in Central to be placed in the neighborhood’s southern half, near Phillips and Powderhorn.

Meanwhile, Southwest Minneapolis, the single most prosperous neighborhood in the Twin Cities, and the neighborhood with the second largest-number of occupied housing units, has the smallest share of subsidized units and the lowest absolute number of units – only 214 in total.

In other words, most of the publicly provided affordable housing in Minneapolis and Saint Paul is located in neighborhoods that are both already more affordable and less likely to become expensive. Rather than providing access to opportunity, subsidized housing policy, on balance, corrals residents into neighborhoods where lower income families are already clustered. This system allows affluent families to enrich their schools and neighborhoods without sharing those benefits with the less advantaged.

To begin remedying this situation and narrow the gap between the Twin Cities’ haves and have-nots, policymakers should focus on providing a more equitable distribution of subsidized and affordable housing units. Leaders should recognize that public and private economic development of struggling neighborhoods is to be welcomed, not feared. Concerns about displacement, dispersion, and disruption may be well-intentioned, but they do not appear to be well-founded. When struggling areas are held apart, inundated with subsidized housing, and treated with unusual delicacy for fear of causing gentrification, it only helps cement the divide between their residents and the residents of the region’s most prosperous places. All neighborhoods in Minneapolis and St. Paul should be permitted to benefit from economic growth and expansion; all residents should have access to the cities’ thriving neighborhoods.
## Distribution of Subsidized Housing:
### Minneapolis and St. Paul Neighborhoods in 2012

<table>
<thead>
<tr>
<th></th>
<th>Percentage of Subsidized Units</th>
<th>Percentage of Rental Units</th>
<th>Percentage of All Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Minneapolis</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Camden</td>
<td>2.1</td>
<td>3.9</td>
<td>6.6</td>
</tr>
<tr>
<td>Near North</td>
<td>13.3</td>
<td>7.6</td>
<td>6.7</td>
</tr>
<tr>
<td>Northeast</td>
<td>7.3</td>
<td>8.7</td>
<td>9.6</td>
</tr>
<tr>
<td>Phillips</td>
<td>14.3</td>
<td>6.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Powderhorn</td>
<td>11.0</td>
<td>15.4</td>
<td>13.3</td>
</tr>
<tr>
<td>Calhoun-Isle</td>
<td>1.9</td>
<td>13.4</td>
<td>11.0</td>
</tr>
<tr>
<td>Central</td>
<td>23.0</td>
<td>16.0</td>
<td>11.4</td>
</tr>
<tr>
<td>Longfellow</td>
<td>7.7</td>
<td>6.1</td>
<td>7.7</td>
</tr>
<tr>
<td>Nokomis</td>
<td>1.8</td>
<td>4.2</td>
<td>10.0</td>
</tr>
<tr>
<td>Southwest</td>
<td>1.1</td>
<td>5.4</td>
<td>11.0</td>
</tr>
<tr>
<td>University</td>
<td>16.4</td>
<td>12.6</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Minneapolis</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>St. Paul</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Battle Creek/Dayton's Bluff</td>
<td>10.1</td>
<td>10.8</td>
<td>12.0</td>
</tr>
<tr>
<td>N End/Thomas-Dale</td>
<td>19.2</td>
<td>14.8</td>
<td>12.5</td>
</tr>
<tr>
<td>Payne-Phalen</td>
<td>5.6</td>
<td>8.4</td>
<td>8.9</td>
</tr>
<tr>
<td>W Side/W 7th/Downtown</td>
<td>26.5</td>
<td>16.1</td>
<td>14.1</td>
</tr>
<tr>
<td>Como/Midway/St. Anth</td>
<td>8.6</td>
<td>12.0</td>
<td>12.8</td>
</tr>
<tr>
<td>Greater Eastside</td>
<td>6.7</td>
<td>7.6</td>
<td>8.6</td>
</tr>
<tr>
<td>Highland/S Mac-Grove</td>
<td>3.1</td>
<td>9.9</td>
<td>11.7</td>
</tr>
<tr>
<td>Merr. Park-N Mac Grove-Riv</td>
<td>5.5</td>
<td>9.5</td>
<td>10.5</td>
</tr>
<tr>
<td>Summit Hill-University Hill</td>
<td>14.7</td>
<td>10.9</td>
<td>9.0</td>
</tr>
<tr>
<td><strong>St. Paul</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Sources: American Community Survey, 2009-13; HousingLink.
References


James, Ashley (2012). Don’t Pass Us By, Center for Urban and Regional Affairs NPCR Report Number 1337.


