Minnesota's Housing: Shaping Community in the 1990s

by John S. Adams, Barbara J. VanDrasek, and Elvin K. Wyly

Where we live tells us much about ourselves. Our sense of financial security, our social aspirations and relations, and our personal tastes all influence our housing decisions. Because housing in the United States traditionally has been built durably and rather expensively, it forms a relatively permanent feature of our settlements, leaving a lasting imprint on the physical landscape of our cities and towns. And because our society stores large amounts of real capital in its housing, housing in turn tends to stabilize our society, making regional economies and populations far less susceptible to change than they otherwise would be.

Social change does occur, however, and shifts in the housing landscape often parallel changes in the direction of our society. Since the 1930s, the federal government has sponsored systematic surveys of the nation's housing, the most important of which is the decennial Census of Population and Housing. Drawing primarily on census data, this report presents a profile of selected features of Minnesota's housing landscape in the early 1990s, and describes changes in this landscape over the preceding decade or two.

Because the census reports are our principal data source, they also define much of...
our terminology. Some of the most frequently used terms in this report are housing units, households, and householders. Housing units are any units (a house, an apartment, a mobile home, a group of rooms) intended for occupancy as separate living quarters. A household includes all persons who occupy a housing unit as their principal place of residence, whether or not they are related by blood, marriage, or adoption. Each household has a designated householder, usually the person in whose name the housing unit is owned or rented.

Census data show that most Minnesota households enjoy comfortable, affordable housing. As the state’s residents and jobs have concentrated in its metropolitan areas, however, and as the composition of Minnesota’s households has changed, there are signs that the available housing supply has not necessarily kept pace with the changing needs of the state’s households. This report focuses on some of the most significant changes affecting Minnesota’s housing and households, and considers what implications these changes might have for housing policy in the state.

Jobs, Population Growth, and Housing

The census data show Minnesota’s population and economic growth concentrating in the state’s five “metropolitan statistical areas” (MSAs). MSAs are metropolitan areas having either an incorporated place with a minimum population of 50,000 or a total population of 100,000 within a Census Bureau-defined urbanized area. They are not closely associated with other metropolitan areas, and are typically surrounded by nonmetropolitan counties. The five MSAs in Minnesota, home to a majority of the state’s residents, are Duluth, MN-WI; Fargo-Moorhead, ND-MN; Minneapolis-St. Paul, MN-WI; Rochester, MN; and St. Cloud, MN. The report considered only the Minnesota portion of these MSAs.

The state’s five MSAs now contain almost three million people (67.7 percent of 4.4 million people living in the state). And while their populations have been increasing steadily, the rest of the state has barely held its own. The MSAs gained 187,000 people in the 1970s and 339,000 in the 1980s. In comparison, nonmetropolitan areas gained only 83,000 residents in the 1970s and then lost 40,000 in the 1980s.

This population change reflects economic change. Minnesota lost more than 9,300 farms between 1982 and 1987 alone, while the amount of land being farmed dropped by over one million acres. Most counties in the southwestern agricultural corner of the state lost more than 10 percent of their population during the 1980s, typically from 1980 population bases of 10,000 to 15,000 people. Other areas losing population were in northwestern Minnesota along the Red River Valley and in the iron mining and tourist areas of the far northeast.

These shifts in population and economic health are reflected in the age of housing stocks across the state, and in the rate of new housing construction during the 1980s. Statewide, Minnesota’s housing stock is fairly new. Half of the housing units in Minnesota were constructed after 1963, and almost 20 percent were built during the 1980s. Most of this new construction has occurred in the state’s MSAs, leaving rural areas with older housing. Whereas 30 percent of rural housing units pre-date 1940, this fraction drops to less than one in four in urban areas. And the shrinking number of Minnesota farms is reflected in the age of state farmhouses—well over half pre-date 1940.

On the other hand, the rate of new housing construction in the MSAs demonstrates their economic vitality, especially apparent in the corridor of counties stretching from St. Cloud through the Twin Cities to Rochester (Figure 1). Fifty-nine percent of the 355,000 new housing units built in the state during the 1980s were in the Minneapolis/St. Paul MSA. The other four MSAs each built 5 percent or less of the new housing units, while the rest of the state shared the remaining 30 percent. The Rochester MSA resembled Minneapolis/St. Paul, however, in that more than one in five units in both MSAs in 1990 had been built during the 1980s. St. Cloud’s growth rate was even faster, with more than one-fourth of its 1990 housing units built in the 1980s. The Minnesota portions of the Duluth and Fargo-Moorhead MSAs lagged well behind the other three MSAs in housing construction, so their housing stocks are comparatively older.

How Affordable is Minnesota Housing?

Where the economy is strongest and population expansion greatest, housing prices are highest. Accordingly, the Minneapolis/St. Paul MSA has the highest housing prices in the state. The median value of owner-
occupied Twin Cities housing in 1990 was $87,500, and median monthly contract rent was $445. Rochester, also experiencing strong growth and high incomes, followed the Twin Cities, while Duluth, with its generally stable population and economy, had the lowest housing prices of the five MSAs. The median value of owner-occupied housing in Duluth was less than half that of Minneapolis/St. Paul.

Higher housing prices in the Twin Cities and Rochester were matched by higher household incomes as well. The mean income for Twin Cities households owning their home was the state's highest, $52,073, while Rochester was a close second with $48,905. Duluth was lowest of the five MSAs, with a mean household income of $33,088. Similarly, the Twin Cities had the highest mean incomes for renter households ($24,961), while Moorhead had the lowest ($14,929).

Median housing values and mean incomes give a general impression of the relative value and affordability of housing among the state's MSAs. But these numbers can be deceptive. For example, although the Twin Cities MSA has the highest median income in the state, and a significantly lower percentage of households living in poverty, it also pays less than 30 percent of households lacking affordable housing. A more precise sense of affordability is provided by defining housing costs as a percentage of household income and considering this percentage for different income groups.

Table 1. Housing Costs as a Percentage of Income in Minnesota's Metropolitan Areas, 1989

<table>
<thead>
<tr>
<th>MSA*</th>
<th>Income Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than $20,000</td>
</tr>
<tr>
<td>Mpls-St. Paul:</td>
<td></td>
</tr>
<tr>
<td>No. of households (in 1,000s)</td>
<td>65</td>
</tr>
<tr>
<td>Housing costs as % of income</td>
<td>28.9</td>
</tr>
<tr>
<td>Duluth:</td>
<td></td>
</tr>
<tr>
<td>No. of households (in 1,000s)</td>
<td>14</td>
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<tr>
<td>Housing costs as % of income</td>
<td>21.1</td>
</tr>
<tr>
<td>(Fargo-) Moorhead:</td>
<td></td>
</tr>
<tr>
<td>No. of households (in 1,000s)</td>
<td>2</td>
</tr>
<tr>
<td>Housing costs as % of income</td>
<td>23.4</td>
</tr>
<tr>
<td>Rochester:</td>
<td></td>
</tr>
<tr>
<td>No. of households (in 1,000s)</td>
<td>3</td>
</tr>
<tr>
<td>Housing costs as % of income</td>
<td>25.2</td>
</tr>
<tr>
<td>St. Cloud:</td>
<td></td>
</tr>
<tr>
<td>No. of households (in 1,000s)</td>
<td>7</td>
</tr>
<tr>
<td>Housing costs as % of income</td>
<td>24.6</td>
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</tbody>
</table>

II. Renter-Occupied Housing

<table>
<thead>
<tr>
<th>MSA*</th>
<th>Income Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than $10,000</td>
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<td>Mpls-St. Paul:</td>
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</tr>
<tr>
<td>No. of households (in 1,000s)</td>
<td>65</td>
</tr>
<tr>
<td>Housing costs as % of income</td>
<td>50.0+</td>
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<tr>
<td>Duluth:</td>
<td></td>
</tr>
<tr>
<td>No. of households (in 1,000s)</td>
<td>9</td>
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<tr>
<td>Housing costs as % of income</td>
<td>44.7</td>
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<tr>
<td>(Fargo-) Moorhead:</td>
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</tr>
<tr>
<td>No. of households (in 1,000s)</td>
<td>2</td>
</tr>
<tr>
<td>Housing costs as % of income</td>
<td>50.0+</td>
</tr>
<tr>
<td>Rochester:</td>
<td></td>
</tr>
<tr>
<td>No. of households (in 1,000s)</td>
<td>2</td>
</tr>
<tr>
<td>Housing costs as % of income</td>
<td>50.0+</td>
</tr>
<tr>
<td>St. Cloud:</td>
<td></td>
</tr>
<tr>
<td>No. of households (in 1,000s)</td>
<td>5</td>
</tr>
<tr>
<td>Housing costs as % of income</td>
<td>50.0+</td>
</tr>
</tbody>
</table>

* Only the Minnesota parts of these Metropolitan Statistical Areas (MSAs) are included.
** Rounds to zero.


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Because census data report income, but fail to report wealth holdings directly, affordability data can be hard to interpret. For example, a certain number of households reporting an extremely high percentage of income devoted to housing (sometimes exceeding 100 percent) are presumably retired persons drawing down their savings to augment their incomes. Similarly, some upper-income households consume little housing, whether they rent or buy, choosing to save their income or spend it on other goods and services. Nonetheless, the data show a distinct correlation between income level and the share of income that is spent on housing, and a comparative analysis of past census data indicates that the differences are widening between income groups and the affordability of housing available to them.

Foreign-Born Residents

Minnesota residents are still overwhelmingly of European descent. Over 97 percent of householders in owner-occupied housing units in the five MSAs are white, and of the 21,000 such householders who are nonwhite, almost all live in the Twin Cities (about 1,500 live in the other four MSAs combined). The picture is a bit different for renter-occupied housing units. Eleven percent of MSA householders in rented units identified themselves as nonwhite, although again almost all live in the Twin Cities. The differences between owner-occupied and rental housing reflect both historic patterns of immigration (older immigrants have had more time to establish themselves financially) and income disparities between the state's majority and minority populations.

The high number of white residents in Minnesota is the product of early immigration to the state. In the late nineteenth century, most immigrants came from northwest Europe, especially Germany and Scandinavia, and settled in Minnesota's farm areas and major cities. In the decades preceding World War I, immigrants from eastern, southeastern, and southern Europe came to work in the Iron Range mining area of northeastern Minnesota. But after the immigrant exclusion acts of the 1920s, there was little fresh immigration of foreign-born residents into Minnesota until the end of the Vietnam War in the 1970s.

Since foreign immigration to the state resumed in the 1970s, the countries of origin and settlement patterns of Minnesota's foreign-born residents have changed. Most new immigrants come from Asia, Latin America, Africa, the former socialist states of Eastern Europe, and the former Soviet Union. The state's foreign-born population went from 98,000 to 107,000 during the 1970s (a 9.8 percent increase), and then to 113,000 in the 1980s (an increase of 5.2 percent). Unlike their predecessors, however, these immigrants are settling almost exclusively in the state's MSAs, where educational and job opportunities are now concentrated in low-income housing areas in inner south Minneapolis, in publicly assisted housing areas of North Minneapolis, and in areas of east Minneapolis near the University of Minnesota. In St. Paul, major concentrations of tracts with increasing numbers of foreign-born residents lie just northwest, north, and northeast of downtown, where there are significant concentrations of Southeast Asian newcomers. Foreign-born population decreases are occurring around the edges of the central cities and first-tier suburbs. Such changes usually signify elderly foreign-born populations who died or relocated to retirement housing.

Minority Populations

Racial and ethnic minority populations are also increasing in the state, and housing patterns for these groups are similar to those for newly arrived foreign-born residents. Our study condensed the Census Bureau's sixteen racial categories into five groups:

Figure 2. Change in Number of Foreign-Born Persons, 1980 to 1990

![Map showing change in number of foreign-born persons](image-url)
White, Black, Asian, American Indian/Eskimo/Aleut, and other. In addition, racial self-identification, persons can also identify themselves as of Hispanic origin. Because these racial and ethnic categories are self-identified, counts can vary from time to time for people of mixed ancestry, or as sensitivity to or criteria for racial or ethnic designations change. Thus, these data can be somewhat less reliable than other census data.

The state’s reported racial and ethnic minority populations grew quickly over the 1970s and 1980s. The Black population, for example, grew from 35,000 to 53,000 in the 1970s (a 51 percent increase) and from 53,000 to 95,000 during the 1980s (a 79 percent increase). Similarly, the 54,000 persons reporting Hispanic origin in 1990 represent a 68 percent increase over a population of just over 32,000 in 1980.

Blacks form the largest of the state’s minority groups, and housing patterns for the Black population highlight some of the problems experienced to a greater or lesser degree by the state’s minority populations generally. As is the case for most minority populations, Minnesota’s Black population is concentrated in the MSAs, predominantly the Twin Cities. Growth in the Black population has resulted primarily from immigration from other states and some recent immigration from Africa (especially the war-torn nations of Somalia, Ethiopia, and Eritrea), and from children born of young migrants to Minnesota. As a result, the Black population is on average quite young. The median age of Hennepin County’s Black residents is 24.4, and that of Ramsey County’s is 24.1.

Poverty populations* within the Black community have risen sharply. In the six Minnesota counties with minority populations large enough to permit cross-tabulation of income by race, the Black poverty population rose from 15,000 to 32,000 in the 1980s (a 106 percent increase, compared with the 79 percent increase in the Black population generally). Black poverty populations are concentrated in three Twin Cities areas: inner south Minneapolis, Near North Minneapolis, and the Summit-University neighborhood of St. Paul (Figure 3). All three areas were vacated in the years following World War II by upwardly mobile middle-class households that moved to find newer housing farther out. Initially, these departing households left behind good-quality structures that were occupied by newcomers to the cities. As these structures aged and as relative incomes fell, those who could afford to leave the area. This intensified the concentration of poverty households and increased their segregation from the other areas of the city. Compounding this problem is the fact that many of the Twin Cities area’s new jobs, including lower-paying jobs, have been added to the outlying suburbs, far from the central cities.

The census data raise three pressing concerns regarding the state’s largest minority population:

- Too many Black persons in the Twin Cities live in poverty.
- Too many of these persons are children.
- The low-income Black population is becoming geographically concentrated in housing areas increasingly segregated from the mainstream of population, life, and opportunities in the greater Twin Cities area.

Housing patterns for American Indians in the Twin Cities MSA are similarly segregated, concentrated southeast of the central Minneapolis business district and in North Minneapolis and a small portion of upper Northeast Minneapolis. For Asians, the situation is a bit more complex. As noted in our discussion of foreign immigration, recent Southeast Asian immigrant communities have concentrated in the areas to the northeast, north, and northwest of downtown St. Paul. At the same time, Asians who have lived in the state long enough to acquire unmortgaged owner-occupied housing units are well dispersed throughout the major metropolitan areas of the state, a pattern consistent with generally average to above-average disposable household incomes and general integration into the housing stock of these areas.

The housing situation is also more complex for persons identifying themselves as Hispanic. Although a significant number of the reported Hispanic population was living below the poverty line in 1990, most of the group appeared to be in middle-income households. The Hispanic population was again concentrated in the state’s MSAs (and also in Freeborn and Kandiyohi Counties, centers for meat-packing and agricultural processing industries). But the distribution of Hispanic households within the Twin Cities MSA, for example, was much less concentrated than it was for Blacks and American Indians, even for Hispanic households reporting poverty-level incomes.

* In 1989, the poverty threshold was $12,674 for a four-person household and $6,310 for a single individual.

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Figure 3. Change in Number of Black Persons in Poverty Households, Minneapolis-St. Paul MSA, 1980 to 1990

[Image: Map showing the change in number of Black persons in poverty households in the Minneapolis-St. Paul MSA from 1980 to 1990. The map uses circle size to indicate absolute change in number of Black persons, with larger circles indicating greater change, and circle shading to indicate percent change, with more than 10% to 10% increase highlighted. The map highlights areas with significant increases in Black poverty populations, including inner south Minneapolis, Near North Minneapolis, and parts of Ramsey and Hennepin Counties.]
Changing Households

Most Minnesota housing has been built for what has been regarded as the traditional family—a married couple living with dependent children under the age of eighteen. 1990 census data, however, indicate that only 35 percent of all Minnesota households are represented by the traditional family. Young singles, elderly couples and singles, childless couples, single-parent families, extended and multi-generation families, and persons in group homes and institutions are examples of the nontraditional households that comprise the remaining 65 percent. And the group of households defined by the Census Bureau as nonfamily (unrelated by birth, marriage, or adoption) has been one of the fastest growing populations in Minnesota.

Nonfamily households include single persons (never married, divorced, separated, widowed) living alone, unmarried and unrelated roommates, same-sex couples, and unmarried male-female couples. Each of these groups has been increasing in number, and combined they represented three in seven of the 306,000 households added in Minnesota over the 1970s, and almost half of the 202,000 households added during the 1980s (Figure 4). Across the state, the counties with significant absolute and relative increases in the number of nonfamily households lie in and around the corridor running through the St. Cloud, Twin Cities, and Rochester MSAs, and in the recreation and retirement areas of north-central Minnesota. Only two counties, Wilkin and Big Stone, saw a decrease in the number of such households and both experienced significant general population declines during the 1980s.

Are Housing Markets Adapting to Change?

The overall picture of Minnesota housing thus shows a concentration of new housing growth in the state’s MSAs, particularly in the corridor stretching from St. Cloud to Rochester with the Twin Cities at its center. It is also within these MSAs, especially the Twin Cities, that issues of access to and affordability of housing are most pronounced. The economic vitality of the state’s MSAs has created a dynamic housing market that ideally should respond to the needs of those households seeking jobs and educational opportunities there. And to a significant extent, the complex engine of the housing market has provided good shelter for the majority of people living in the MSAs.

There are, however, some troubling disparities between what the housing market is supplying and what residents of the state’s MSAs require. Foremost among these is a mismatch in the Twin Cities MSA between the location of new jobs and the location of affordable housing. In 1992 and 1993, the Twin Cities area received 60 percent of the state’s net gain in new jobs. Many of these new jobs were added in and near the outer suburbs. But nearly half were in low-paying industries (salaries averaging under $26,000 a year), while persons seeking lower-wage jobs are disproportionately living near the central cities of Minneapolis and St. Paul. Moreover, the overlapping concentrations of poverty and minority populations in the more affordable housing areas of the central cities means that lack of access to affordable housing near jobs in outlying suburbs has a disproportionate impact on the Twin Cities’ minority populations.

The different housing needs of growing numbers of nontraditional family and nonfamily households also are not necessarily being met by the present housing market. As we noted, housing in Minnesota traditionally has been constructed for the traditional family. This means large numbers of relatively expensive, low-density, single-family detached housing units. Yet elderly couples whose children have left home, childless couples, single-person households, and single-parent households may find such housing neither desirable nor affordable. To the extent that an area does not provide alternatives to traditional family housing, such households may find it necessary to move elsewhere, even if they would prefer to remain near jobs, friends, or family.

Solutions to these problems are not easily identified. For example, a large volume of modestly priced houses already exists in the Twin Cities suburbs, especially those developed in the years following World War II (for example, Richfield, St. Louis Park, Roseville, and West St. Paul). Yet inadequate transportation systems in suburban areas may still pose difficulties for poorer families trying to live outside of the central city without a motor vehicle. At the same time, the capital investment needed to develop public transportation systems in areas with low job-site, population, and housing densities may outweigh the benefits of establishing such systems.

One clear impediment to change in Minnesota’s metropolitan housing markets is the state’s fiscal framework. The problem

Figure 4. Change in Number of Nonfamily Households, 1980 to 1990

CIRCLE SIZE indicates absolute change in numbers:

- 1,000
- 2,000
- 3,000
- 4,000
- 5,000
- 6,000
- 7,000
- 8,000
- 9,000
- 10,000
- 11,000
- 12,000
- 13,000
- 14,000
- 15,000
- 16,000
- 17,000
- 18,000
- 19,000
- 20,000

CIRCLE SHADING indicates rate of change:

- 5%
- 10%
- 15%
- 20%
- 25%
- 30%
- 35%
- 40%
- 45%
- 50%
- 55%
- 60%
- 65%
- 70%
- 75%
- 80%
- 85%
- 90%
- 95%
- 100%
Minnesota's fiscal framework encourages local governments to overzone for expensive, low-density housing.

is that local units of government (municipalities or school districts, for example) are required to raise much of their money from local real estate taxes to pay for general government services such as schools, libraries, law enforcement, and courts, while also paying for optional local services such as swimming pools or parks. Consequently, the system encourages local governments to use zoning and land-use codes in ways that enhance the yield of real estate taxes per resident while keeping local government costs as low as possible. These policies lead to overzoning for commercial-industrial land and expensive, low-density housing, and to underzoning for low- and moderate-income housing.

Encouraging expensive housing and discouraging inexpensive housing thus is understood to be a good financial strategy for a local community. And as long as certain governmental expenses that could (and perhaps should) otherwise be borne by general revenues from income and sales taxes must be paid from locally generated revenues, local governments are encouraged to continue practices that exclude lower-income and nontraditional households—not because they want to discriminate, but because state law leaves them little choice.

Conclusion
Because housing is such a durable part of our landscape, and so important to our sense of ourselves as a society, decisions to maintain or to change policies affecting housing patterns often have broad political implications. Housing policies and zoning laws are deeply embedded in a society’s collective decisions of where and how families and other households should live. Thus, tensions between what we demand from our housing and what we get—as individuals and as a society—are likely to persist into the indefinite future.

John S. Adams is a professor of geography, planning, and public affairs at the University of Minnesota, where his teaching and research focus on American cities and on the former Soviet Union. Barbara VanDrasek is a doctoral candidate in geography at the University of Minnesota, currently doing research on the transition to a market economy in post-socialist regions. She serves as a research assistant in the Department of Geography, working on problems of race and poverty in American cities and on changes in the western European urban system since unification. Elvin K. Wyly was a doctoral candidate in geography during the course of this project. He currently holds a postdoctoral fellowship at the Center for Urban Policy Research (CURP) at Rutgers University. His research interests include urban housing and poverty, transportation, and women’s employment.

This article presents a sampling of the authors’ full publication—Minnesota’s Housing: Shaping Community in the 1990s—which is the fourth publication in the series What the 1990 Census Says About Minnesota. Copies of the full publication are available free of charge and may be ordered on the CURA Publications Order form in this CURA Reporter, by calling 612/625-1551, or through CURA’s World Wide Web site: http://www.umn.edu/cura.