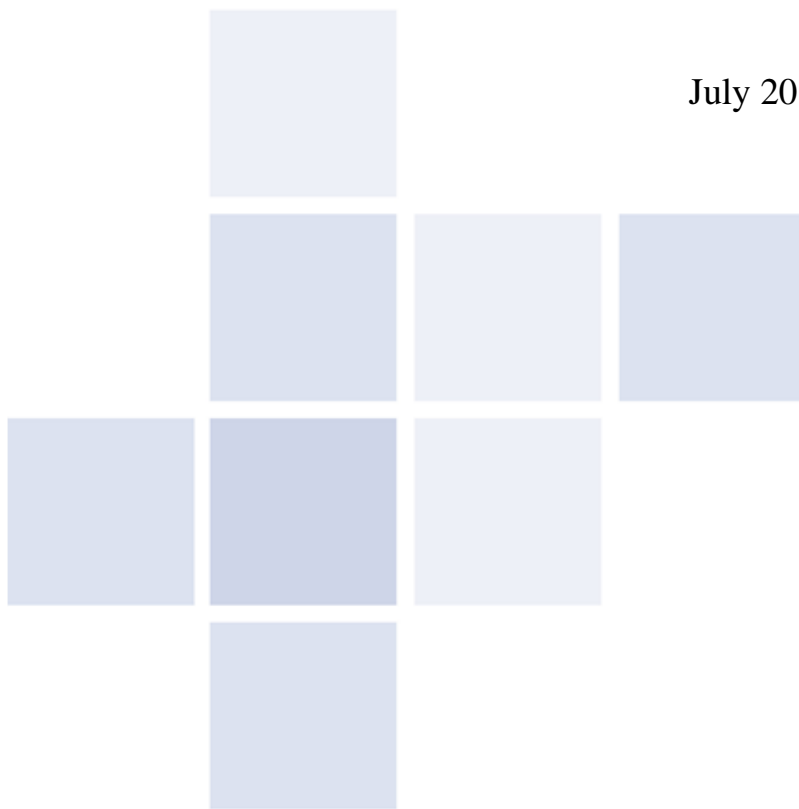




Endangered Suburbs in The Twin Cities

Draft Report

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ENDANGERED SUBURBS IN THE TWIN CITIES

Many Twin Cities suburbs are in imminent danger. While some cities in the region have prosperity to share, an expanding ring of diverse suburbs around the central cities of Minneapolis and Saint Paul are facing an intense threat from outside forces. That threat: unchecked housing discrimination, illegal steering, mortgage lending discrimination, and poor regional planning decisions – all causing segregation and poverty concentration in suburban schools and neighborhoods, and undermining their near-term social and economic stability.

Well-known Minnesotan cities like Brooklyn Park, Richfield, Bloomington, Crystal, Robbinsdale, South Saint Paul, and Brooklyn Center are now among the most threatened. Their economies are showing deep signs of weakness, and their schools are struggling to keep up with disproportionate numbers of vulnerable, high-need students. There are many indications that these communities are gradually – or rapidly – becoming less attractive to a large class prospective new residents.

Suburban leaders may not have caused this process, but they will suffer the consequences of it. Over time, left unchecked, these suburbs are almost certain to become much less diverse and less prosperous. Many are likely to transform into suburban hubs of poverty and privation. Suburbs, without the major industrial or commercial tax base of the central cities, are much less resilient to economic decline. In regions like Chicago, resegregated suburbs have been stuck in decades of deep economic misery. There is no reason the same could not occur in Minnesota.

Altogether, about one-fourth of the total Twin Cities population lives in an endangered suburb – nearly 750,000 Minnesotans. Moreover, working-class people and families of color are especially likely to live in these communities and suffer from these trends. If current trends continue, both groups risk falling further behind, reinforcing racial and class disparities that have already ripped apart the region.

This report describes the problems faced by endangered suburbs. It also suggests rapid reforms at the regional and state level that could help slow and reverse these trends. As they represent a very large share of population, and represent the state's most critically endangered communities, diverse suburbs are a vitally important Minnesota political constituency.

A variety of state, regional, and local policies might help endangered suburbs. This report focuses on two unique state-agency pathways to reform that take advantage of existing legal tools and processes in Minnesota:

- The Metropolitan Council and other regional housing policymakers can institute fair-share housing policies and other efforts to eliminate the effects of discrimination and segregation.
- The Minnesota Department of Education can institute policies to promote integrate education and prevent school segregation from destabilizing residential housing markets in diverse municipalities.

Warning signs have been growing for decades. Like the proverbial frog in the boiling pot, leaders and policymakers in the Twin Cities have gradually acclimated to unsettling new realities.

The dangers of suburban racial resegregation were first identified in other metropolitan areas decades ago, long before any dramatic transformation reached the Twin Cities. In regions like Chicago, dozens of fully resegregated suburbs have suffered almost total collapse. Decades of middle-class flight have left these places with virtually no tax base and falling populations, trapped with almost no hope of recovery. Elsewhere, like Ferguson, Missouri, resegregated suburbs have given rise to racialized police violence and unrest that have rocked the nation.

But in Minnesota, key state and regional agencies have reacted to the problem with complacency.

In 2013, some Twin Cities suburbs sounded the alarm. The Institute on Metropolitan Opportunity hosted a forum for officials from diverse suburbs to discuss challenges and opportunities. Many could see the threat looming within their cities. An official from Brooklyn Park—one of the region’s most threatened suburbs—noted that his city “had lost a lot of wealth,” which had “impacted [its] buying power, [its] retail, [its] housing values.” These leaders recognized that, in their cities, housing, economic growth, and education were all intertwined. “If our school district goes, so does our community,” pointed out the superintendent of Eden Prairie schools.

But the warning went unheeded, and poverty and segregation continued to deepen in these places. In the past decade, the number of Twin Cities residents living in census tracts threatened by resegregation has increased by about 350,000—mostly in the suburbs. The region has added three new resegregated school districts. In another 11 highly diverse major suburban districts, existing integration is likely unstable, and for many of these districts, resegregation lies only a few years in the future.

Time is now growing short. A number of the region’s largest municipalities risk becoming mired in decades of poverty, segregation, and decline—becoming places where families have no opportunity to build wealth, schools struggle to graduate students, businesses fight to stay open, and elected officials are unable to provide jobs and services to their constituents. Police violence and civil unrest have scourged the Twin Cities in recent years, and two of the highest-profile police killings have taken place in rapidly diversifying suburbs—that of Daunte Wright in Brooklyn Center, and Philando Castile in Falcon Heights. More insidious, but scarcely less worrying, are clear declines in measures of quality of life and individual wellbeing among residents of diverse suburbs. Job opportunities, incomes, and homeowner wealth have declined, housing cost burden has increased, and academic test scores have fallen. Twin Cities’ endangered suburbs are not offering their residents the bright opportunities they used to.

To ward off a gloomy future, the Twin Cities region must find ways to slow or halt patterns of resegregation and poverty concentration in the neighborhoods and schools of its diverse suburbs.

There are proven remedies that can stabilize communities and produce long-lasting, prosperous racial integration. Regional K-12 integration planning, including the creation of strong new magnet schools in struggling districts, can protect schools and housing markets alike. Likewise, regional efforts to balance the construction of affordable housing, and eliminate the incentive of affluent suburbs to free-ride on the efforts of others while providing virtually no affordability of their own, can slow or stop the gradual drain of middle-class residents out of endangered suburbs.

Solutions exist, but they must be proactive and they must be regional. The forces creating endangered suburbs are far larger than any one community; they cannot be solved by piecemeal by affected cities. They must be addressed by the region working together as one. Responsibility for this shared problem falls on *regional* and *state* leaders, not individual city leaders.

Fortunately, the Twin Cities are gifted with a robust infrastructure for regional action, and a history of using it. The Metropolitan Council, the area's regional government, was designed to coordinate exactly this kind of solution—ensuring that struggling cities receive the financial and infrastructural support they need, while monitoring affluent cities to ensure they contribute their fair share. In the past the Met Council has aggressively pursued these duties, and several actions, including a federal fair housing complaint overseen by the U.S. Department of Housing and Urban Development, are seeking to restore those previous efforts. In addition, Minnesota courts are currently hearing a challenge to the growing segregation of Twin Cities schools, including in endangered suburbs. The resolution of this case, if supported by key suburban stakeholders, could include major efforts to bolster K-12 education in diverse suburbs.

Like other major 21st century problems such as climate change, the Twin Cities' suburban transformation is ultimately a test of resolve. At each step, it may be easiest for officials to choose to do nothing—but if nothing is ever done, communities will soon find themselves in an unrecognizable world defined by insurmountable challenges. It remains an open question whether the region's leaders will seize the opportunities for change in front of them.

Key Findings

- Racial diversity is rapidly increasing in Twin Cities suburbs. The share of suburban residents living in a predominantly white city has declined from 93 percent to 24 percent between 2000 and today, while the number of diverse or predominantly nonwhite suburbs in the Twin Cities has grown from 8 to 57.
- Data suggests that integrated suburbs are strong and prosperous communities. Compared to other community types, most diverse suburbs fare well on measures of median income and income growth, job growth, poverty and poverty growth, property tax base, and K-12 academic achievement.
- However, private-market discrimination and poor regional planning creates extreme demographic instability in integrated suburbs. As a result, many suburbs are at critical risk of residential resegregation. The vast majority of census tracts more than 45 percent nonwhite in 2000 have become nonwhite segregated today.

- Resegregated suburbs exhibit much lower incomes and income growth, reduced job growth, growing poverty, lower tax base, and reduced K-12 academic achievement. Nationally, fully resegregated suburbs show the worst performance on these measures of any type of metropolitan municipality, including central cities.
- Twin Cities suburban school districts are also rapidly resegregating. In 2000, the region's suburbs contained 40 predominantly white school districts and 6 diverse districts. Today, the region's suburbs contains 13 predominantly white districts, 24 diverse districts, and 7 predominantly nonwhite districts.
- Housing resegregation is worsened by statewide housing policy, which concentrates affordable housing in less-affluent communities, while school resegregation is worsened by statewide school policies like open enrollment and a defective state school integration rule.
- Diverse suburbs should seek ways to preserve their current diversity while staving off the danger of resegregation.



Overview

The Twin Cities region is made up of many kinds of communities, and many of them are growing. At the region's core are the central cities of Minneapolis and Saint Paul. After decades of population decline, these two cities are adding residents again. Elsewhere in the region, there are the traditional wealthy suburbs—predominantly white enclaves of affluence, where, for a premium, a resident can purchase a newly-built home in a top-ranked school district. Beyond it all lies many miles of exurban cities and bedroom commuter communities, which continue to sprawl further out to the region's edge.

But hundreds of thousands of Twin Cities residents live in a fourth type of city: the diverse suburb. These are cities like Richfield, Brooklyn Center, South Saint Paul, and Burnsville. In diverse suburbs, new development has often slowed or stopped, and most land available for development is already taken. The diverse suburbs are often adjacent to the two central cities, although some can be found further out. They tend to be older, and as a result, most of their housing stock is also older and somewhat smaller than in other suburbs.

Many of the diverse suburbs are thriving today. But regional forces outside their borders are eroding their potential for future prosperity.

The main culprit is suburban resegregation. “Resegregation” refers to a process of demographic transition, where suburbs transition from being predominantly white and affluent through a period of temporary racial and economic diversity. But without outside help, diverse suburbs are rarely stable. Instead, the transition continues, and segregation reasserts itself – this time in the form of predominantly nonwhite and lower-income communities.

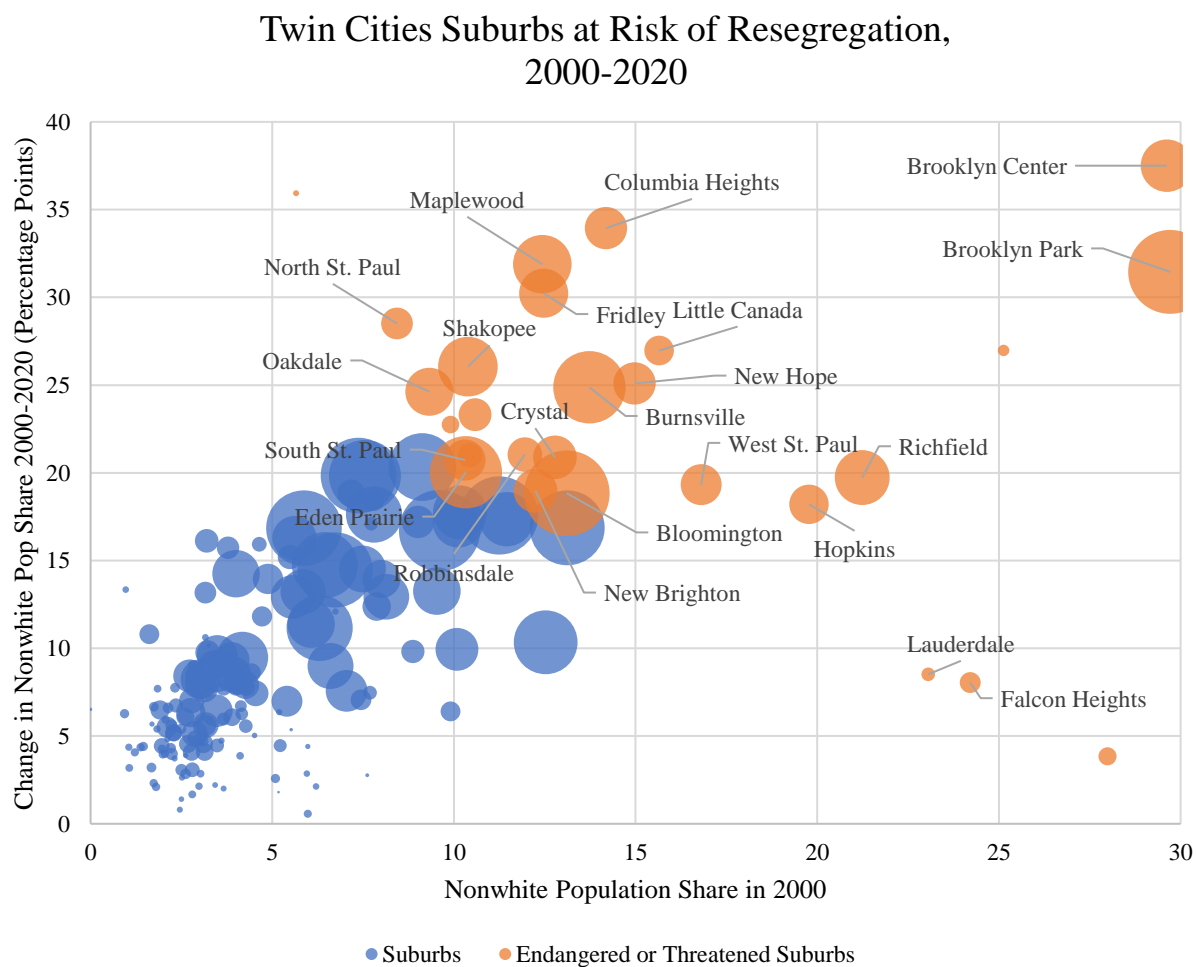
Resegregation causes many harms. Residents in resegregated suburbs suffer from growing rates of poverty and the looming prospect of racial segregation and isolation. They face endemic discrimination in private markets, including notorious real-estate practices like redlining or racial steering. Schools almost always suffer, with falling academic achievement, graduation rates, and less college attainment. Worse still, all of these changes become self-perpetuating: left unchecked, resegregation causes middle-class residents to think twice when considering a new home in a suburb. Over time, the population of a resegregating suburb may stagnate, or even fall.

Many diverse Twin Cities suburbs show telltale signs of resegregation. Demographic transitions are already underway within their borders. While new diversity is positive, many of these same places fare poorly when compared to the rest of the region on other measures of individual or community welfare. And if the experience of other metropolitan regions is any guide, the worst is yet to come.

Endangered Places in the Twin Cities

A large number of Minnesotans live in suburbs facing resegregation risk. About one quarter of Twin Cities residents, or 748,000 people, live in a suburb endangered or threatened by resegregation within a decade.¹

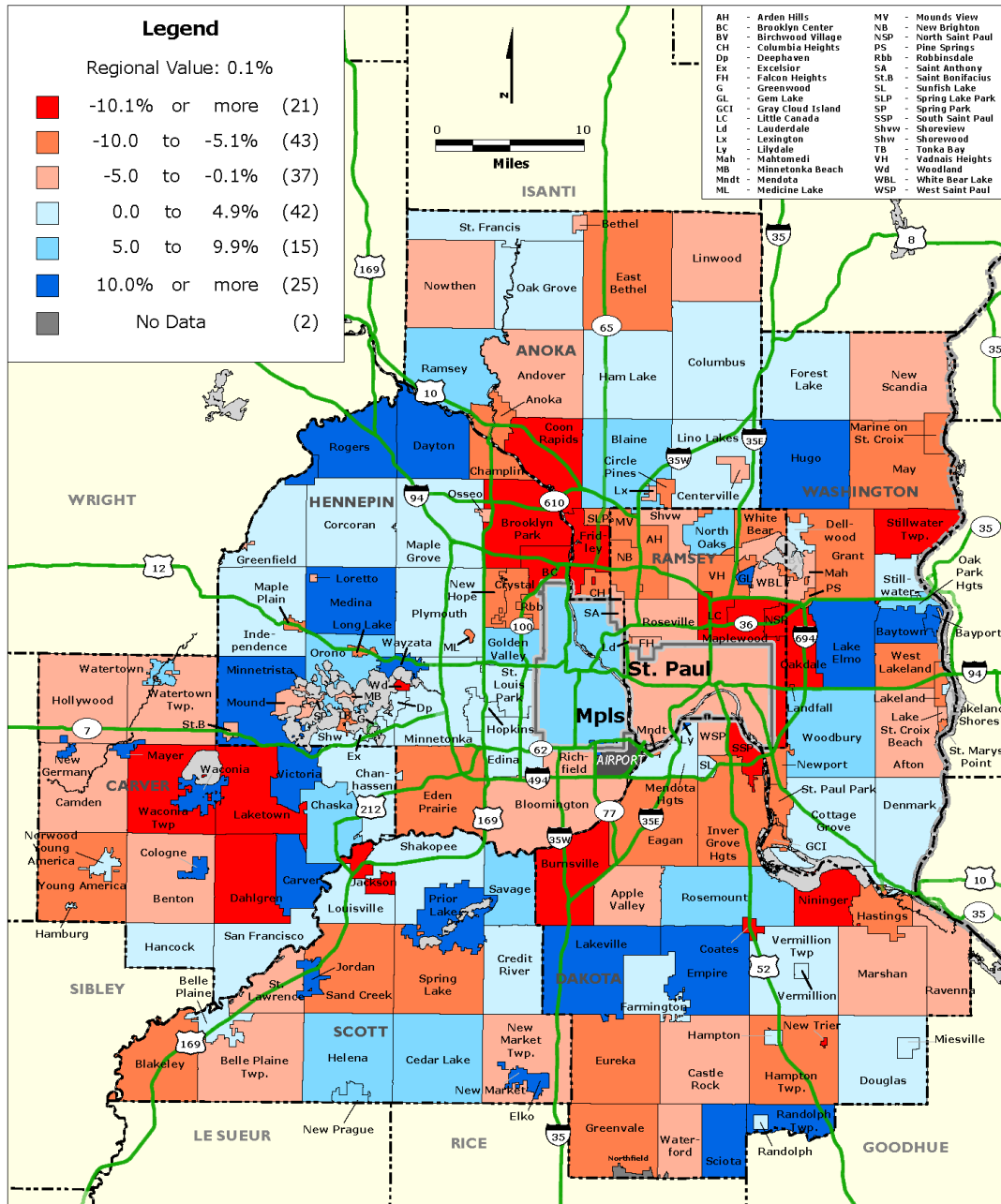
It is important to emphasize that diversity does not make a suburb not inherently unstable – many diverse places are successful, prosperous, and attractive. But in a geographically segregated region, a diverse city is at perpetual risk, because demographic pressures almost always push diverse suburban neighborhoods towards greater segregation and poverty.



¹ Although there is no precise cutoff below which risk of resegregation becomes a nonfactor, this report defines “endangered or threatened suburbs” as those with greater than 30 percent nonwhite population share. This is because the nonwhite population share in a number of significant suburbs increased by more 30 percent since 2000. A similar change in the coming decades would make the endangered or threatened suburbs predominantly nonwhite, virtually ensuring that many of the harms of resegregation would be felt in these places.

MINNEAPOLIS - ST PAUL 7- COUNTY REGION

Percentage Change in Non-Hispanic White Population, 2010 to 2020



Data Sources: National Historical GIS, University of Minnesota; U.S. Census Bureau, SFI and Redistricting data.

The Twin Cities region has one suburb that is already suffering serious effects of resegregation, Brooklyn Center. Major suburbs at high risk include Brooklyn Park, Richfield, Columbia Heights, Maplewood, and Fridley. Many other suburbs are at moderate risk, including Burnsville, Shakopee, West St. Paul, Oakdale, Crystal, Robbinsdale, and the largest Twin Cities suburb, Bloomington.

Brooklyn Center, as the most resegregated Twin Cities suburb, is currently suffering from serious problems related to poverty concentration, serious discrimination, and economic hardship. In early 2021, the Institute on Metropolitan Opportunity published a report examining outcomes in Brooklyn Center in a comparative regional context. That report found that the city exhibited many of the worst outcomes in the region:

Brooklyn Center ranked at the bottom or near the bottom of the region in measures of economic viability. Out of 118 communities, it had the fourth highest poverty rate (and the second highest of all suburbs). It had the twelfth lowest median household income. It had the 16th largest decline in jobs between 2008 and 2015 - an 11 percent reduction. It currently has the worst tax capacity per capita of any municipality in the entire region, as well as the largest decline in tax capacity between 2008 and 2015, falling 27 percent over that span. It had the lowest median home values. Between 2000 and 2016, census data indicates Brooklyn Center suffered the third-largest percentage decline in middle- and upper-income residents of any community, losing 15 percent of such residents.

However, the same comparative analysis shows that many other communities endangered or threatened by resegregation also rank at the bottom of regional metrics of economic and fiscal wellbeing. The tables below show the 20 Twin Cities communities larger than 1000 people with the lowest median household incomes, the lowest home values, the lowest tax capacity per capita, and the highest poverty rate. Endangered or threatened suburbs are colored orange. Despite making up only of 19.5 percent of Twin Cities municipalities larger than 1000 people, endangered and threatened suburbs make up a clear majority of these struggling communities.

Another characteristic of these places is that many of them are suffering from high levels of white flight and white population loss. The map that follows show white population loss between 2010 and 2020, at the municipal level. Most endangered and threatened communities have seen significant levels of white flight.

City Name	Rank	Lowest Median HH Incomes
Spring Park	1	\$50,678
Little Canada	2	\$52,842
Lauderdale	3	\$53,684
West St. Paul	4	\$56,097
Hopkins	5	\$56,390
Lexington	6	\$57,025
St. Paul	7	\$57,876
Columbia Heights	8	\$57,882
Osseo	9	\$57,946
Anoka	10	\$58,576
Newport	11	\$59,167
Brooklyn Center	12	\$59,550
New Hope	13	\$60,675
Oak Park Heights	14	\$61,181
Spring Lake Park	15	\$62,477
Minneapolis	16	\$62,583
South St. Paul	17	\$63,247
Fridley	18	\$63,836
North St. Paul	19	\$64,722
Maple Plain	20	\$66,641
City Name	Rank	Per Capita Tax Capacity
Lexington	1	214
Brooklyn Center	2	250
Columbia Heights	3	261
North St. Paul	4	274
St. Francis	5	280
St. Paul Park	6	288
Watertown	7	292
Robbinsdale	8	297
South St. Paul	9	297
Jordan	10	299
Norwood Y. America	11	299
Belle Plaine	12	313
Circle Pines	13	321
Spring Lake Park	14	327
Falcon Heights	15	328
Crystal	16	328
Mounds View	17	328
St. Paul	18	329
Mayer	19	330
Bayport	20	336

City Name	Rank	Percentage Below Poverty
Minneapolis	1	19.1
St. Paul	2	18.9
Lauderdale	3	15.2
Jackson	4	15.2
Brooklyn Center	5	15.1
Jordan	6	14.3
Falcon Heights	7	13.4
West St. Paul	8	13.4
Lexington	9	12.1
Columbia Heights	10	12.0
Newport	11	11.9
New Brighton	12	11.3
South St. Paul	13	11.0
Anoka	14	10.3
North St. Paul	15	10.3
Mounds View	16	10.2
Spring Lake Park	17	10.2
New Hope	18	10.0
Fridley	19	9.6
Little Canada	20	9.5
City Name	Rank	Median Home Values
Brooklyn Center	1	\$172,800
Lexington	2	\$176,100
Columbia Heights	3	\$177,300
Norwood Y. America	4	\$187,800
Spring Lake Park	5	\$190,400
St. Paul Park	6	\$191,800
South St. Paul	7	\$192,100
Circle Pines	8	\$197,100
Crystal	9	\$197,300
Fridley	10	\$198,200
Osseo	11	\$198,600
West St. Paul	12	\$199,400
Robbinsdale	13	\$201,100
Anoka	14	\$203,100
Coon Rapids	15	\$204,700
Lauderdale	16	\$206,100
North St. Paul	16	\$206,100
Mounds View	18	\$206,700
St. Paul	19	\$208,000
Watertown	20	\$208,300

Another characteristic of these endangered places is that they tend to have a relatively high share of affordable housing. As the table below shows, while endangered and threatened suburbs rank poorly on many economic indicators, they are *not* unaffordable places to live. Indeed, data suggests that, compared to regional averages, endangered and threatened suburbs are among the most affordable places in the entire Twin Cities. While affordable housing is often regarded as an unalloyed positive for a community, as the following section will discuss, one of the key factors that starts a community down the path toward resegregation is the concentration of affordable housing in that community, while more affluent neighboring places remain inaccessible to moderate incomes.

City Name	Rank	Housing Aff. to 50% AMI
Jackson	1	51.1
Norwood Y. America	2	47.1
Lexington	3	46.2
Columbia Heights	4	45.3
Lauderdale	5	44.5
Brooklyn Center	6	43.1
St. Paul	7	43.0
South St. Paul	8	41.8
Osseo	9	41.6
Mounds View	10	41.6
Hopkins	11	40.5
Fridley	12	39.6
Anoka	13	39.2
Newport	14	38.8
Watertown	15	38.8
Robbinsdale	16	38.6
Little Canada	17	38.5
West St. Paul	18	38.2
Excelsior	19	37.1
Hastings	20	36.6

Endangered suburbs are places where it is difficult for families to build or utilize wealth. Most Americans' wealth is primarily tied to the value of their home. But endangered suburbs have weaker real-estate markets compared to other suburbs, and suffer from significant private-market mortgage discrimination. As shown in the charts above, endangered suburbs disproportionately exhibit some of the lowest median home values in the metropolitan region. And homeowners have trouble extracting wealth from those homes, because it's harder to refinance a mortgage in an endangered suburbs. Below, the Twin Cities suburbs with the highest mortgage refinances

rejection rates are ranked. Once again, endangered suburbs dominate the ranking and fare poorly. Indeed, in Brooklyn Center, almost exactly half of mortgage refinance applications are rejected.

City Name	Rank	Mortgage Refinance Rejection Rate
Brooklyn Center	1	49.9%
Lexington	2	48.1%
Brooklyn Park	3	47.9%
Dellwood	4	47.2%
Columbia Heights	5	46.3%
Fridley	6	45.6%
West St. Paul	7	44.7%
South St. Paul	8	44.5%
Greenfield	9	44.1%
Crystal	10	43.9%
Spring Lake Park	11	43.8%
Burnsville	12	43.8%
Maplewood	13	43.7%
Circle Pines	14	43.6%
Newport	15	43.5%
Richfield	16	43.2%
Mound	17	43.1%
Deephaven	18	42.7%
Robbinsdale	19	42.7%
East Bethel	20	42.6%

Endangered suburbs also tend to contain schools with high levels of student poverty and highly diverse or predominantly nonwhite student bodies. While racially isolated, high-poverty schools have existed in the Minneapolis and Saint Paul districts for decades, they are a recent trend in the region's suburbs. A review of the region's 30 fastest-resegregating suburban schools reveals that all but six are located in an endangered suburb. Moreover, change has often come at a breakneck pace, with the low-income student share in some schools increasing by more than 50 percentage points or more since the turn of the century – essentially transforming the school from a middle-class suburban institution to a high-poverty institution reminiscent of resource-strapped central city school districts. Although school policy is not under direct control of cities, such rapid change in the K-12 education environment poses tremendous challenges for suburban governments, as will be discussed in greater detail below.

Twin Cities Suburban Schools with the Fastest-Changing Demographics, 2000-2020

School Name	School City	Low-Income Students		Students of Color	
		<i>Growth</i>	<i>Total</i>	<i>Growth</i>	<i>Total</i>
Hidden Valley Elementary	Savage	+64%	79%	+71%	85%
Webster Elementary	North Saint Paul	+50%	76%	+68%	85%
Valley View Elementary	Columbia Heights	+38%	73%	+67%	86%
Edinbrook Elementary	Brooklyn Park	+50%	58%	+65%	88%
Sky Oaks Elementary	Burnsville	+55%	71%	+65%	83%
Columbia Heights Senior High	Columbia Heights	+45%	72%	+64%	85%
Richardson Elementary	North Saint Paul	+42%	67%	+64%	79%
Columbia Academy	Columbia Heights	+42%	77%	+64%	85%
Robbinsdale Middle	Robbinsdale	+50%	65%	+63%	76%
Palmer Lake Elementary	Brooklyn Park	+45%	66%	+62%	92%
John Glenn Middle	Maplewood	+43%	65%	+61%	73%
Central Park Elementary	Roseville	+54%	70%	+60%	82%
North Park Elementary	Fridley	+38%	73%	+59%	78%
M.W. Savage Middle	Savage	+41%	54%	+59%	71%
Indian Mounds Elementary	Bloomington	+40%	64%	+59%	78%
Castle Elementary	Oakdale	+44%	59%	+58%	68%
Maplewood Middle	Maplewood	+43%	61%	+58%	68%
Fridley Senior High	Fridley	+46%	62%	+58%	69%
Carvery Elementary	Maplewood	+31%	49%	+58%	72%
Fridley Middle	Fridley	+35%	67%	+57%	72%
Weaver Elementary	Maplewood	+40%	62%	+57%	72%
Hayes Elementary	Fridley	+37%	62%	+56%	66%
Stevenson Elementary	Fridley	+36%	69%	+56%	71%
Willow Lane Elementary	White Bear Lake	+40%	62%	+55%	66%
Noble Elementary	Golden Valley	+40%	60%	+55%	76%
Evergreen Park Elementary	Brooklyn Center	+44%	73%	+54%	93%
Gatewood Elementary	Minnetonka	+46%	57%	+54%	64%
North Senior High	North Saint Paul	+42%	56%	+54%	65%
Robbinsdale Cooper Senior High	New Hope	+37%	59%	+52%	78%
Oak Point Elementary	Eden Prairie	+18%	24%	+51%	61%

How Suburbs Resegregate

Suburbs nationwide are changing – growing less affluent and more racially diverse. In many major metropolitan areas, this process is much further along than in the Twin Cities. When there are no policy interventions to interrupt the process of suburban transition, the trajectory of the transition varies little between region. As a result, by examining the experiences of suburbs elsewhere in America, it is possible to see the likely fate of the Twin Cities’ diverse suburbs, if current trends persist.

Ironically, suburban transition starts with something hopeful: families seeking a better life in established, thriving suburban communities. For decades of the 20th century, lower-income Americans, particularly if they were nonwhite, clustered in segregated central city neighborhoods. In large part, this isolation was the result of endemic real estate discrimination, which made it difficult or even impossible for a nonwhite homebuyer to find an affordable house in a suburban area. But over time, civil rights laws like the Fair Housing Act have reduced – though not eliminated – the barriers posed by real estate discrimination. Simultaneously, the United States has grown much more diverse, with immigrant Hispanic and Asian populations rapidly growing as the white population share has shrunk. Because of these shifts, there has been a significant influx of families of color into suburbs that were previously predominantly white.

Suburban change has historically begun with the arrival of middle- and upper-class nonwhite families from the central city. These families seek suburban homes for the same reasons that Americans have moved to the suburbs for decades: bigger homes, safer streets, and most of all, better schools. Fairly or unfairly, a house in the suburbs has been a symbol of family prosperity in the United States since the 1950s.

Almost always, the fastest changes can be seen in older, inner-ring suburbs. Because regions grow outwards over time, the oldest suburbs are those in the first ring, closest to central cities. Older suburbs are a natural landing spot for working-class families seeking new opportunities. Their residential areas typically date to an earlier era, so the homes are usually smaller, older, and on smaller lots than in younger suburbs. As a result, the housing stock in these places is typically more affordable. In addition, many new suburban arrivals are former central city residents. Because people tend to resettle in familiar areas, the suburbs most adjacent to the central cities are an obvious option.

For a time, these older suburbs serve as hubs of opportunity. Especially compared to segregated central city neighborhoods, they offer safer streets, better housing, and better schools. The new racial and economic diversity, combined with existing middle-class prosperity, promises something close to the American dream – or even something close to Martin Luther King’s “Beloved Community,” where justice and prosperity is shared by all.

But these newly integrated and diverse suburbs are still embedded in a regional landscape that is highly geographically divided by race, and in a society where racial discrimination is still a powerful force. Once a neighborhood’s racial demographics begin to shift, the powerful vise of American institutional racism starts to tighten. Several things begin to happen almost simultaneously. First, the process of racial “steering” starts to affect home sales. Real-estate

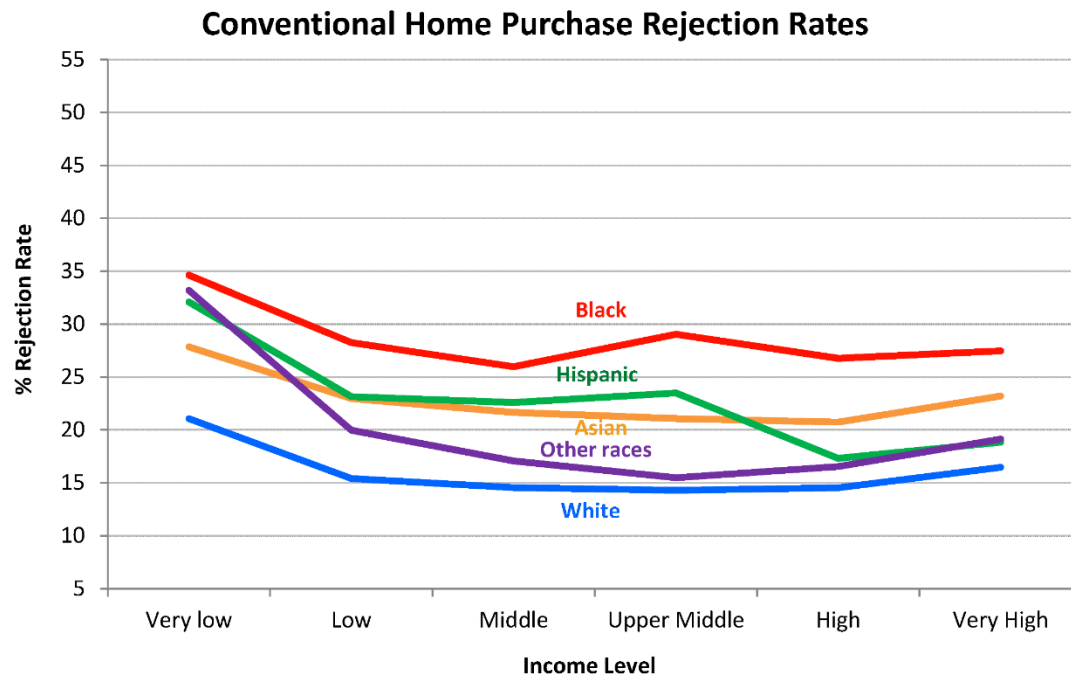
steering occurs when real-estate agents direct potential homebuyers towards neighborhoods which match the purchasers' own racial characteristics. In other words, implicitly or explicitly, many real-estate agents assume that white homebuyers will only be interested in homes in heavily white neighborhoods, while purchasers of color are more likely to be interested in areas with substantial concentrations of racial minorities. The effect of steering may be subtle at first: ordinary churn in the housing market resulting in white homeowners leaving a neighborhood, with the resulting vacancy disproportionately likely to be filled by a nonwhite homeowner. Although this trend is, in isolation, subtle and perhaps even undetectable, residential nonreplacement is the first step down a steep and dangerous slope.

Neighborhood change brings school change. Then, school change causes faster neighborhood change.

Schools tend to become racially diverse before neighborhoods do. This is for several reasons: families with children are younger, and younger families are less likely to be white. Moreover, in practical terms, higher-income families have more school options, including open enrollment in neighboring districts and private schools. As a result, neighborhood schools tend to reflect the middle- and working-class population, which is also disproportionately nonwhite. The charts on the following page show the rate of school change in the Twin Cities' endangered suburbs outpacing the overall demographic change in the cities.

Even moderate racial transition in schools can severely impact housing markets. Social science research shows that parents strongly factor school quality into housing decisions, and families with children make up approximately a quarter of the residential housing market. A suburb perceived to have low-performing or unstable schools is typically unattractive to these families. As a result, rapid school resegregation massively impairs the residential housing market in diverse suburbs. Reduced demand for housing in a municipality, because of school change, also reduces home values of current residents, reducing their wealth.

Other forms of institutional discrimination also reinforce the process. There is significant evidence that real-estate redlining still occurs, with even high-income minority families being much less likely to receive a prime-rate mortgage than low-income white families. Analysis of Home Mortgage Disclosure Act data for the Twin Cities reveals that black and Asian families have a higher rejection rate for conventional home purchases at all income levels than white families do. In other words, even a very-high income black or Asian homebuyer is more likely to be rejected for a conventional mortgage than a very-low income white homebuyer. Hispanic homebuyers face similarly discriminatory patterns, although slightly reduced at higher incomes.



Mortgage discrimination has multiple effects, placing downwards pressure on the real-estate market in diverse areas, while severely limiting the choices of nonwhite families, often placing affluent, high-cost suburbs out of reach.

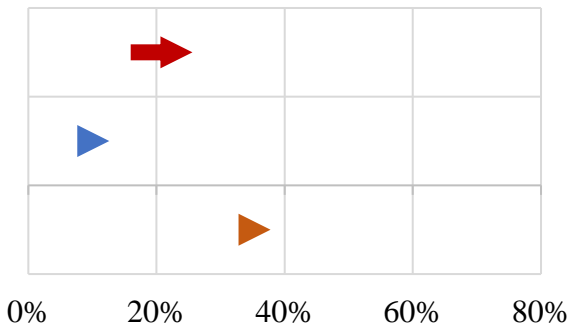
As a result of these processes, when a suburb becomes more racially diverse, home sales in that community are also depressed. Property values stagnate – or grow less slowly than whiter neighboring communities – which cuts off residents from a key avenue of wealth creation.

Stagnant property values also place pressure on municipal and school finances by cutting into the jurisdiction's property tax base. This places communities at a comparative disadvantage to neighboring wealthier, whiter places, by forcing them to choose between higher taxes for equivalent services or reduced service quality. This, too can help dissuade new residents from entering a community – or, if the fiscal squeeze grows pronounced, drive existing residents out. Over time, declining municipal finances can cut into a city's bond rating, diminishing its ability to fund public projects.

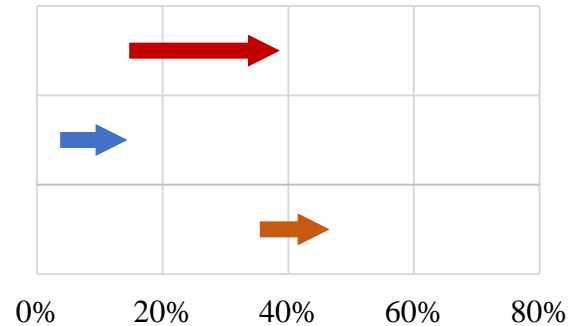
School Demographic Change Is a Leading Indicator of Neighborhood Change in Twin Cities Suburbs

Demographic Change in Municipalities

Average Low-Income Share,
Major Twin Cities
Municipalities, 2000-2019

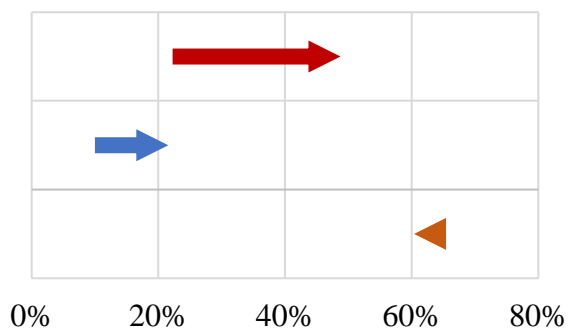


Average Nonwhite Share,
Major Twin Cities
Municipalities, 2000-2020

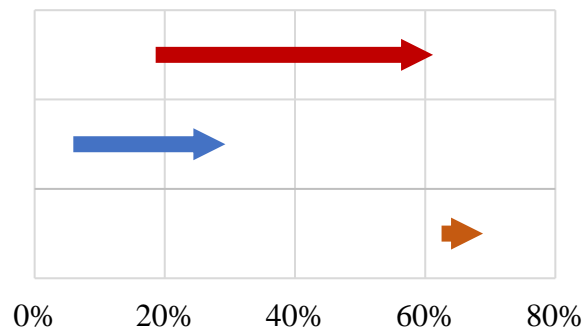


Demographic Change in Schools

Average Low-Income Share,
Traditional K-12 Public
Schools, 2000-2020



Average Nonwhite Share,
Traditional K-12 Public
Schools, 2000-2020



➡ Endangered Suburbs ➡ Other Suburbs ➡ Central Cities

Over time, as these trends accelerate, many highly diverse suburbs began to reach what social scientists refer to as a tipping point. Rather than a gradual increase in diversity, cities begin to experience an exodus of white and affluent residents. This can create a self-perpetuating feedback loop, where families with economic means seek homes elsewhere, which in turn intensifies poverty and segregation within the community, inducing even more families to leave.

Resegregation and Suburban Economic Collapse

The endpoint of the process of suburban resegregation is near-total racial and economic isolation in a community. Suburbs across the United States have experienced this collapse. For instance, a number of suburbs adjoining Chicago's heavily segregated South Side have suffered from decades of economic decline and population loss, and exhibit levels of nonwhite racial concentration and segregation that are comparable to any central city neighborhood.

Economic decline can and does continue long after a community has resegregated. In many of Chicago's South Side suburbs – cities such as Harvey, Markham, Dolton, or Riverdale – resegregation is complete, and white resident share cannot fall any longer simply because so few white residents exist. But an Institute on Metropolitan Opportunity analysis in 2012 showed that the communities are stuck in a loop of ever-falling population, losing thousands of residents apiece between 2000 and 2010. Median home values in these places are often less than half the metropolitan average and continue to fall against a regional baseline.

Meanwhile, the communities neighboring these long-resegregated suburbs have now also become fully resegregated. Somewhat further south in the Chicago metro, another set of more than half-dozen Chicago suburbs – places like Chicago Heights, South Holland, Park Forest, and Lynwood – have rapidly become racially isolated, while losing population and experiencing significant declines in income and home values. To a large extent, this shift is a consequence of the persistent segregation in Chicago's South Side and the other suburbs: these more recent transitions are a product of the disproportionate outmigration of lower-income residents to places with affordable housing, while more exclusive, expensive, and whiter suburbs, only a few miles away, remain firmly off-limits.

Long before a suburb reaches this endpoint, its overall economic prosperity and social wellbeing suffers tremendously from rapidly increasing segregation. Residents find themselves unable to build wealth. Health outcomes may decline. The schools, wrenched by rapid change, struggle to provide a stable environment of students. Alternative school options, like charter schools, may pop up in response, further undermining once-strong suburban school districts.

In extreme cases, fault lines may form between older and more recent residents, or existing institutions and new arrivals. As recent years have demonstrated, these fault lines are especially dangerous when they involved law enforcement. Conflicts between police – often heavily white – and more diverse residents replicates the incendiary encounters that occur in central cities. In recent years suburban police violence has given rise to significant civil unrest.

In some respects, suburbs are even more vulnerable to resegregation than central cities. This is because, unlike central cities, residentially-oriented suburbs often do not have a large

commercial or industrial tax base. A suburban city's fiscal strength depends heavily on residential property values. When the wealth of residents declines and real-estate markets turn south, suburban cities suffer a financial body blow with very little padding. The fiscal viability of a suburban municipality can collapse much more abruptly than that of a major central city.

As suggested previously, it is essential to note that the spiral described above, and the associated negative effects, are *not* caused by the increase of racial diversity in a community. They are caused by a combination of two factors: the increase of racial diversity in one community, while other communities in the region remain predominantly white. In this second scenario, the whiter communities act as sieve, skimming off residents, wealth, tax base, school enrollments, and outside investment. In short, the problem is not suburban racial diversity, but suburban racial segregation.

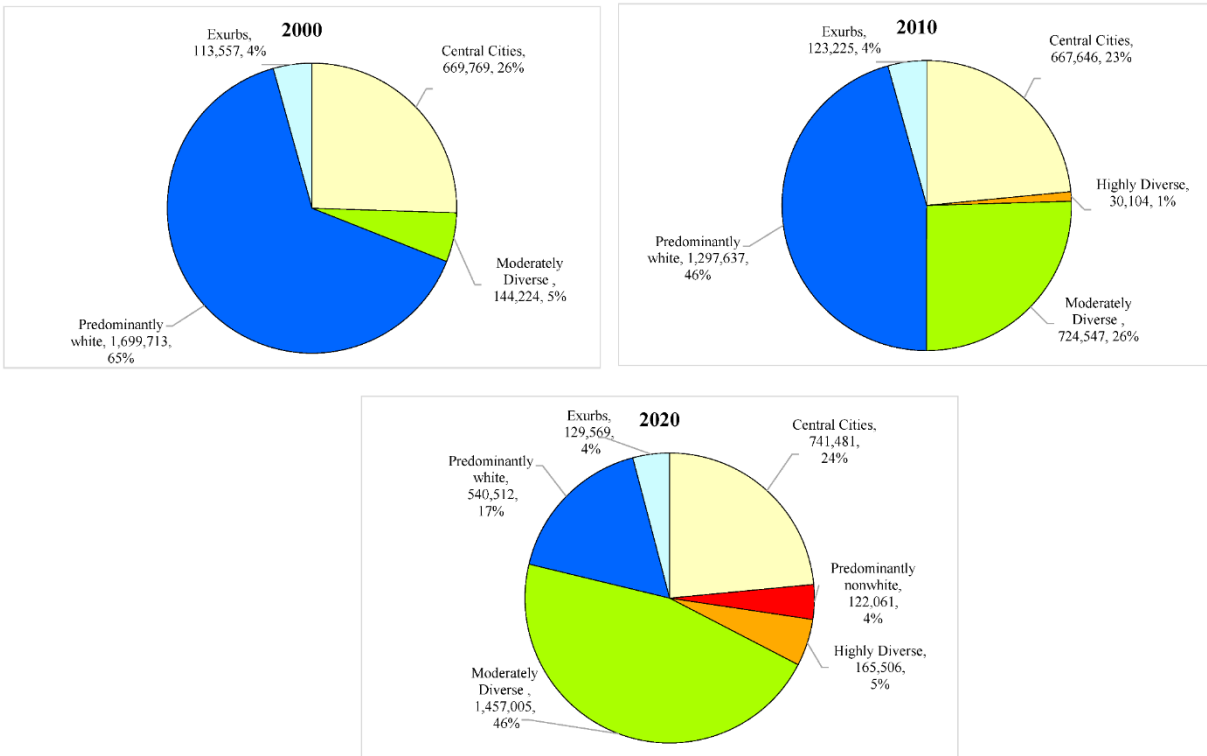
The New Metropolitan Geography of the Twin Cities

Resegregation is under way in the Twin Cities. In the last two decades, the region has undergone a dramatic transformation of the metropolitan landscape. At one time, it was possible to divide the region into two distinct halves: the two diverse central cities, and then the surrounding white suburbs. But the white homogeneity of suburbs has collapsed. Cities that were once almost uniformly white have experienced a stark increase in demographic diversity. As a consequence, suburbs have started down very different economic and social trajectories.

From 2000 to today, approximately 30 percent of regional population lived in a traditional suburb, with about 4 percent living in a low-density exurb and the remainder living in a central city. But the composition of those traditional suburbs has changed. As recently as 2000, 93 percent of the Twin Cities suburban population lived in a predominantly white city, where more than 80 percent of residents were white. Today, only 24 percent of suburban population lives in such a city. These shifts are displayed in Chart 1, below.

Twin Cities, 7-County Metro Area

Distribution of residents across community types

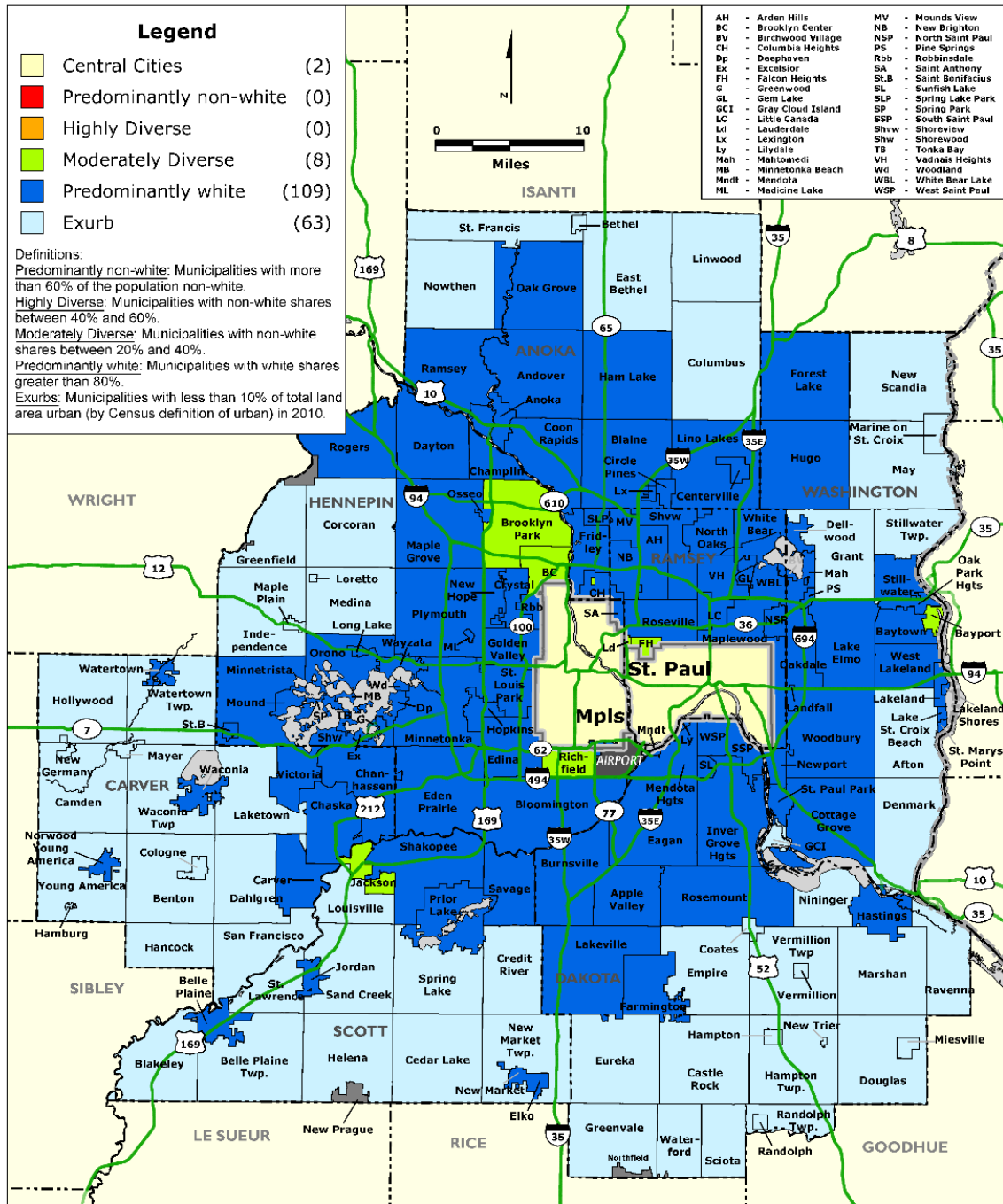


Data Sources: Census Bureau, 2000 and 2010 SF1, 2020 Redistricting data.

At the turn of the millennium, there were 109 predominantly white Twin Cities suburbs and 8 moderately racially diverse suburbs, where white population share ranged from 80 to 60 percent. Today, there are 60 predominantly white suburbs – mostly smaller communities – and 45 moderately diverse suburbs. There are an additional eight highly diverse suburbs, where white population share fell between 60 and 40 percent. Finally, there are four predominantly nonwhite suburbs, where less than four out of ten residents is white.

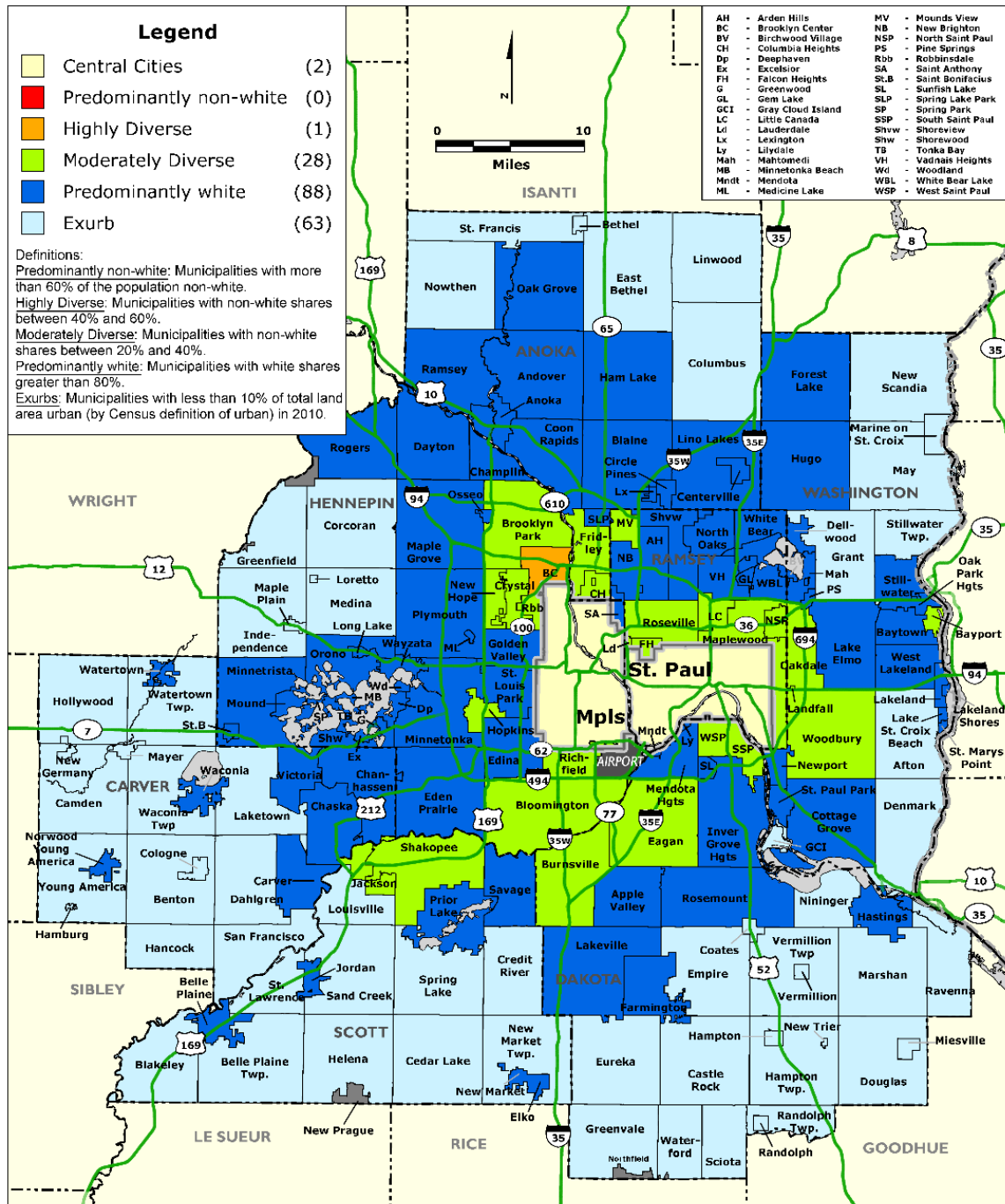
These changes are visible in Maps 1-3, below. Dark blue areas represent predominantly white suburbs, green areas represent moderately diverse suburbs, orange areas represent highly diverse suburbs, and red areas represent predominantly nonwhite suburbs where resegregation has fully taken hold. Light blue areas are low-density exurban development. As can be seen in the maps, the vast majority of Twin Cities suburban land area has transitioned from being part of predominantly white city to part of a racially diverse or predominantly nonwhite city. In fact, the most dramatic shift has come since 2010, in the last ten years, showing the remarkable speed of this transformation.

MINNEAPOLIS - ST PAUL 7- COUNTY REGION Community Type by Municipalities in 2000



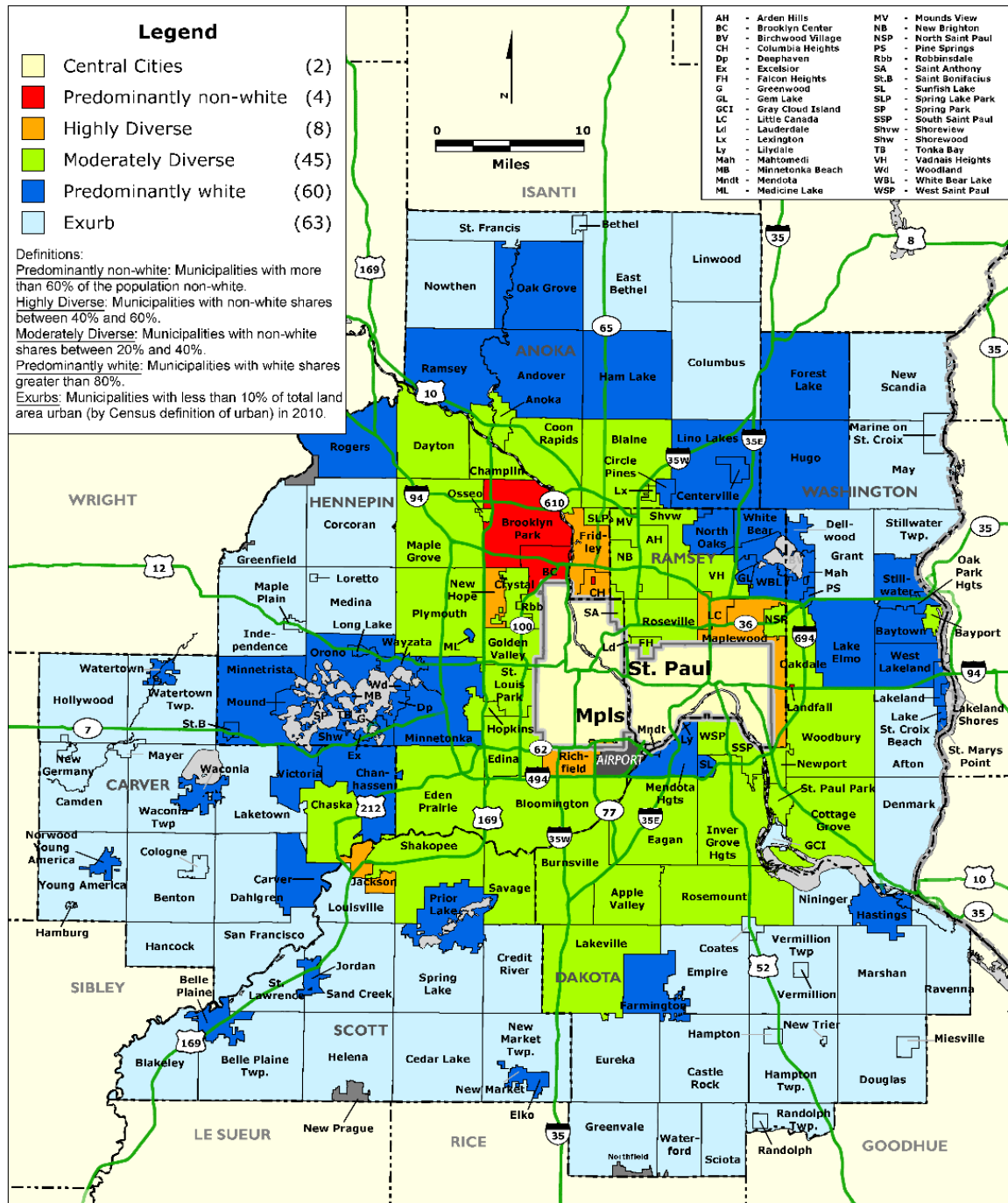
Data Sources: U.S. Census Bureau.

MINNEAPOLIS - ST PAUL 7- COUNTY REGION Community Type by Municipalities in 2010



Data Sources: U.S. Census Bureau.

MINNEAPOLIS - ST PAUL 7- COUNTY REGION Community Type by Municipalities in 2020



Data Sources: National Historical GIS, University of Minnesota; U.S. Census Bureau, Redistricting data.

These same shifts are displayed in numerical form in Table 1, below. Table 1 demonstrates how suburbs tend to proceed regularly from lower levels of diversity to higher levels of diversity. Since 2000, 45 percent of the Twin Cities’ predominantly white suburbs have become more racially diverse. The vast majority (39 percent) have become only moderately diverse.

However, over half the suburbs that were moderately diverse in 2000 became either highly diverse or predominantly nonwhite by 2020. In addition, forty percent of suburbs that moderately diverse as recently as 2010 became highly diverse or predominantly nonwhite over the subsequent ten years. As discussed above, once racial transition takes hold in a suburb, it can progress with great speed.

Table 1

Racial transition in Twin Cities Suburbs: 2000 to 2020.

2000 classification	2020 classification				Total
	Predominantly nonwhite	Highly Diverse	Moderately Diverse	Predominantly white	
Moderately Diverse	3	2	3	0	8
	38%	25%	38%	0%	100%
Predominantly white	1	6	42	60	109
	1%	6%	39%	55%	100%
Total	4	8	45	60	117

Sources: 2000 U.S. Census of Population; 2020 U.S. Census Redistricting File.

Racial transition in Twin Cities Suburbs: 2010 to 2020.

2010 classification	2020 classification				Total
	Predominantly nonwhite	Highly Diverse	Moderately Diverse	Predominantly white	
Highly Diverse	1	0	0	0	1
	100%	0%	0%	0%	100%
Moderately Diverse	3	8	17	0	28
	11%	29%	61%	0%	100%
Predominantly white	0	0	28	60	88
	0%	0%	32%	68%	100%
Total	4	8	45	60	117

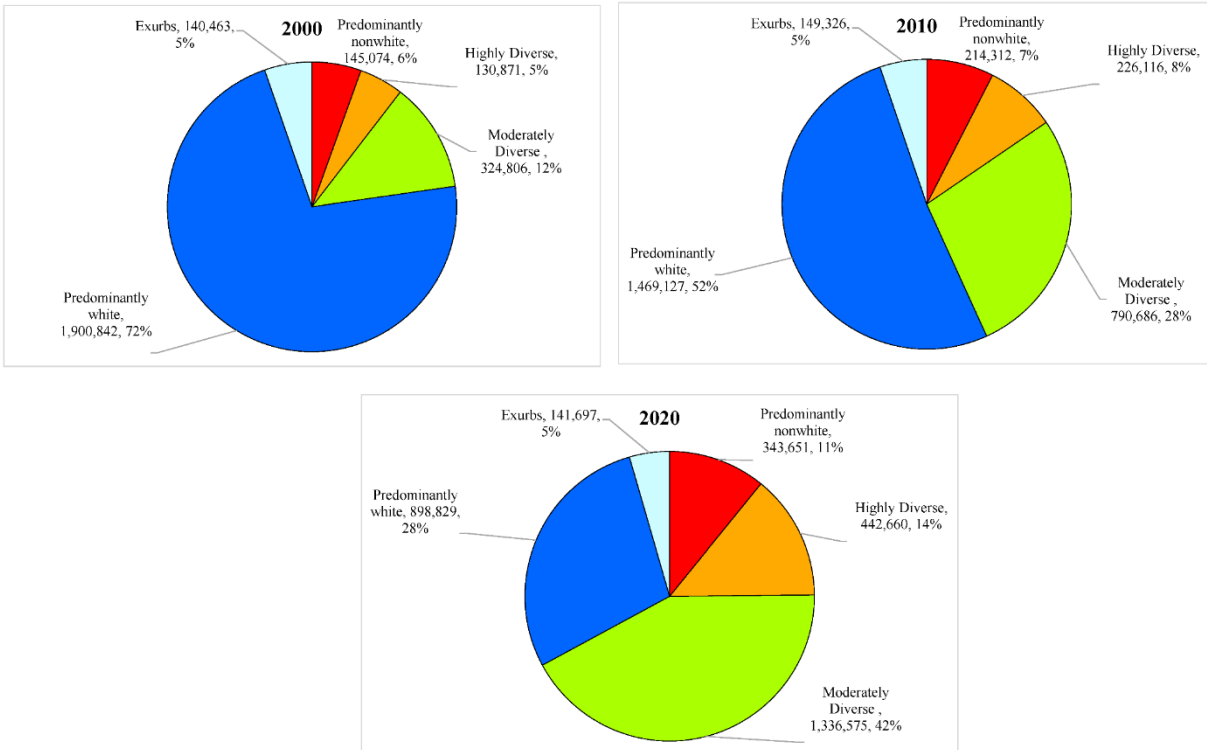
Sources: 2010 U.S. Census of Population; 2020 U.S. Census Redistricting File.

Increasing racial diversity appears at the neighborhood level, too. See Chart 2, below. In 2000, across the Twin Cities region, 72 percent of regional population – 1.9 million people – lived in a predominantly white census tract. But today, that share has fallen to 28 percent, or less than 900,000 people. While in 2000, only 12 percent of residents lived in a moderately diverse tract, today 42 percent do – a plurality. An additional 14 percent of residents currently live in highly diverse tracts. And 11 percent people in the Twin Cities live in a predominantly nonwhite tract where fewer than four out of ten residents is white. Overall, the number of Twin Cities residents

living somewhere at least moderately diverse has increased from approximately 600,000 in 2000 to 2.1 million today – or from less than one-third of regional population to more than two-thirds. The bulk of this shift has come in the suburbs.

Twin Cities, 7-County Metro Area

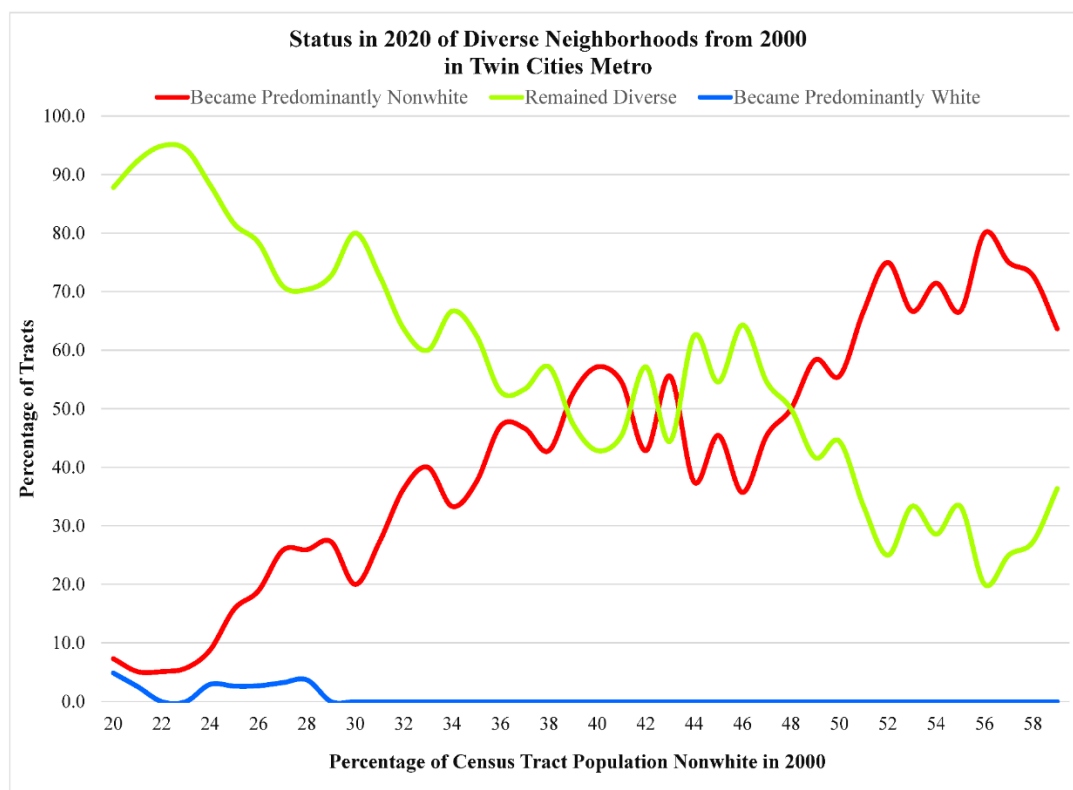
Distribution of population across census tract types



Data Sources: U.S. Census Bureau, 2000 and 2010 SF1, 2020 Redistricting data.

Analyzing this census tract data can provide a window into the exact point that risk of resegregation increases. Chart 2, below, shows the likelihood that a diverse census tract would become predominantly white, stay diverse, or become predominantly nonwhite between 2000 and 2020, based on its nonwhite population share in 2000. Tracts that were below approximately 45 percent nonwhite in 2000 were more likely to stay diverse in the following 20 years.

Chart 2



Although greater diversity is generally associated with a higher likelihood of racial “tipping,” there is significantly greater demographic stability until the nonwhite population share approaches nearly 50 percent – much larger than the nonwhite population share of the region as a whole. Beyond that point, demographic tipping becomes very likely. This data suggests that sustainable integration is very achievable for the Twin Cities, which could greatly slow the process of demographic transition with relatively modest increases in the overall degree of residential integration.

Effects on Suburban Resegregation on Educational and Economic Welfare

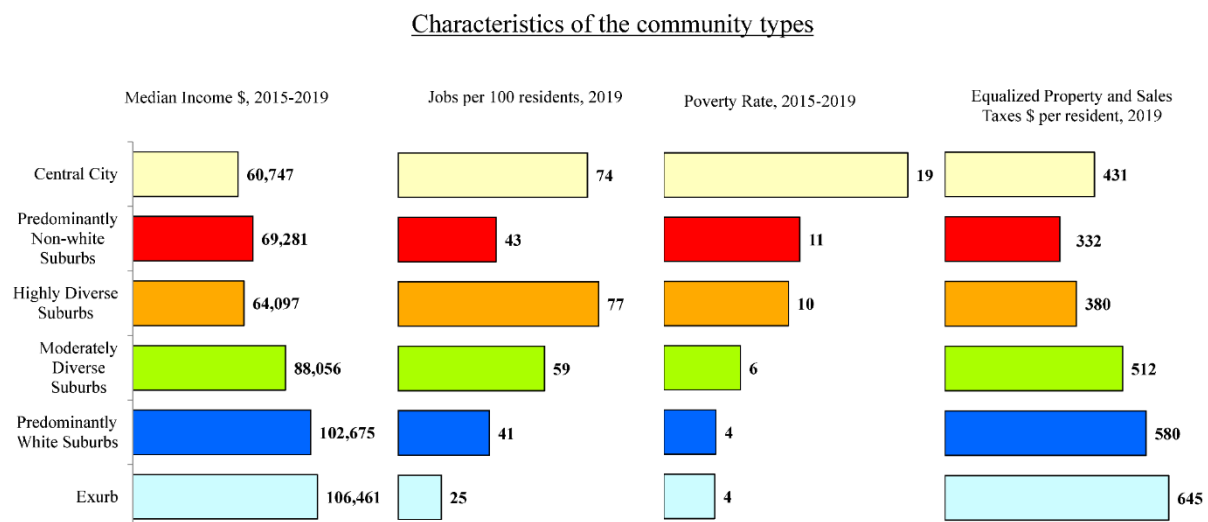
In regions around the nation, suburban resegregation has been associated with rapid shifts in school demographics, declines in school performance, declines in resident income and wealth, and weakened municipal economic fundamentals. Data from the Twin Cities shows that this region is no exception. While diverse suburbs remain attractive places to live and work, suburbs generally fare worse on economic measures as they move towards resegregation, and their school districts are resegregating more rapidly than the cities themselves – with associated achievement declines.

Charts 3 shows various economic characteristics of municipalities by type, using the most recently available data. Chart 4 shows changes in those characteristics in approximately the past two decades.

Across measures of income, poverty, and per capita tax revenue, predominantly white suburbs and exurbs fared well, while moderately diverse suburbs fared nearly as well. Highly diverse and predominantly nonwhite suburbs, however, perform poorly, with lower incomes, higher poverty, and less sales tax. Chart 4 shows that while the fastest economic growth was occurring in exurbs – reflecting their rapid expansion – predominantly white suburbs and moderately diverse suburbs once again performed well. But highly diverse and predominantly white suburbs showed clear signs of resegregation, with lagging income growth, rapid poverty growth, and declining tax revenue per resident.

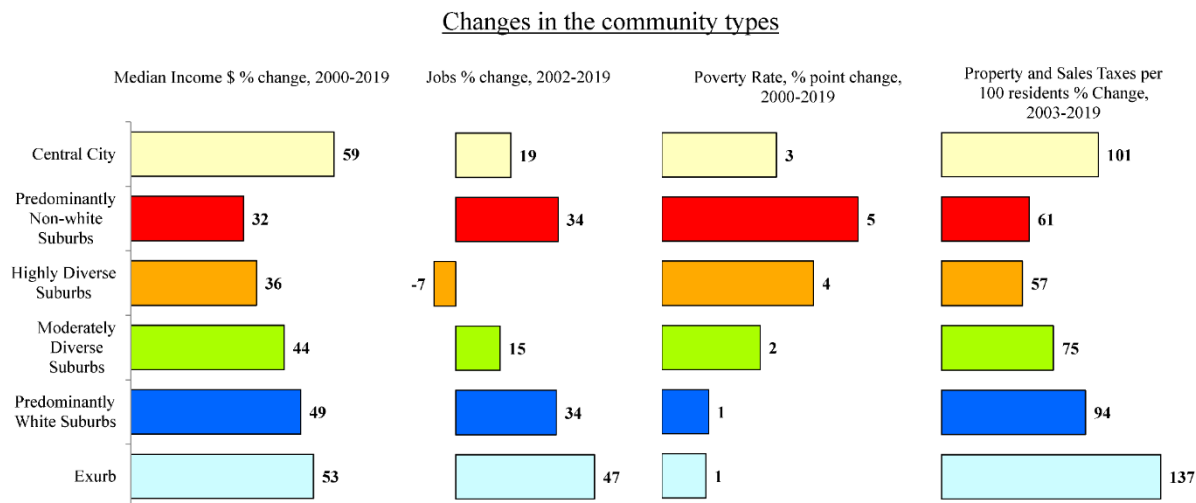
The only metric to defy this clear trend was job availability. Perhaps reflecting their central location, highly diverse suburbs contained more jobs per capita than other community types. However, predominantly nonwhite suburbs – equally central – contained fewer jobs per capita than most other community types. In addition, jobs per capita is actually falling in highly diverse suburbs, while growing in other types.

Chart 3



Data Sources: Population, income and poverty—Census Bureau; Jobs—Local Employer-Household Dynamics Program; Tax base—MN Department of Revenue.

Chart 4



Data Sources: Population, income and poverty—Census Bureau; Jobs—Local Employer-Household Dynamics Program; Tax base—MN Department of Revenue.

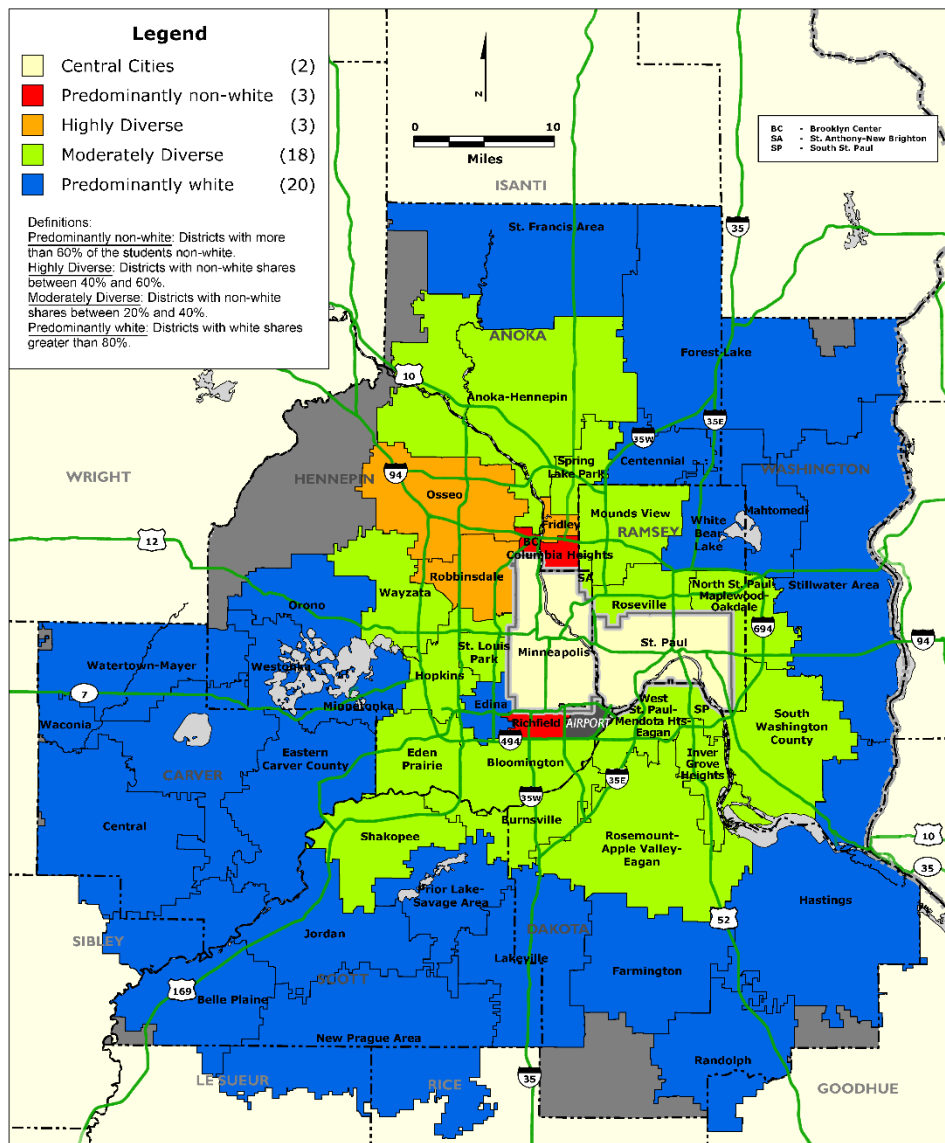
Twin Cities school districts are resegregating even faster than municipalities, reflecting the tendency of schools to serve as a leading indicator of demographic change. See Maps 4-6, below. In 2000, the region, excluding Minneapolis and Saint Paul, contained 40 predominantly white school districts, 5 moderately diverse districts, and 1 highly diverse district. Today, there are only 13 predominantly white districts, 15 moderately diverse districts, 11 highly diverse districts, and 7 predominantly nonwhite districts.

These changes represent explosive growth of racial diversity in the region's schools, and an equally explosive growth of racial isolation. Because school demographics are such a powerful force in driving family housing decisions, these dramatic changes cannot help but accelerate the resegregation of surrounding neighborhoods and cities.



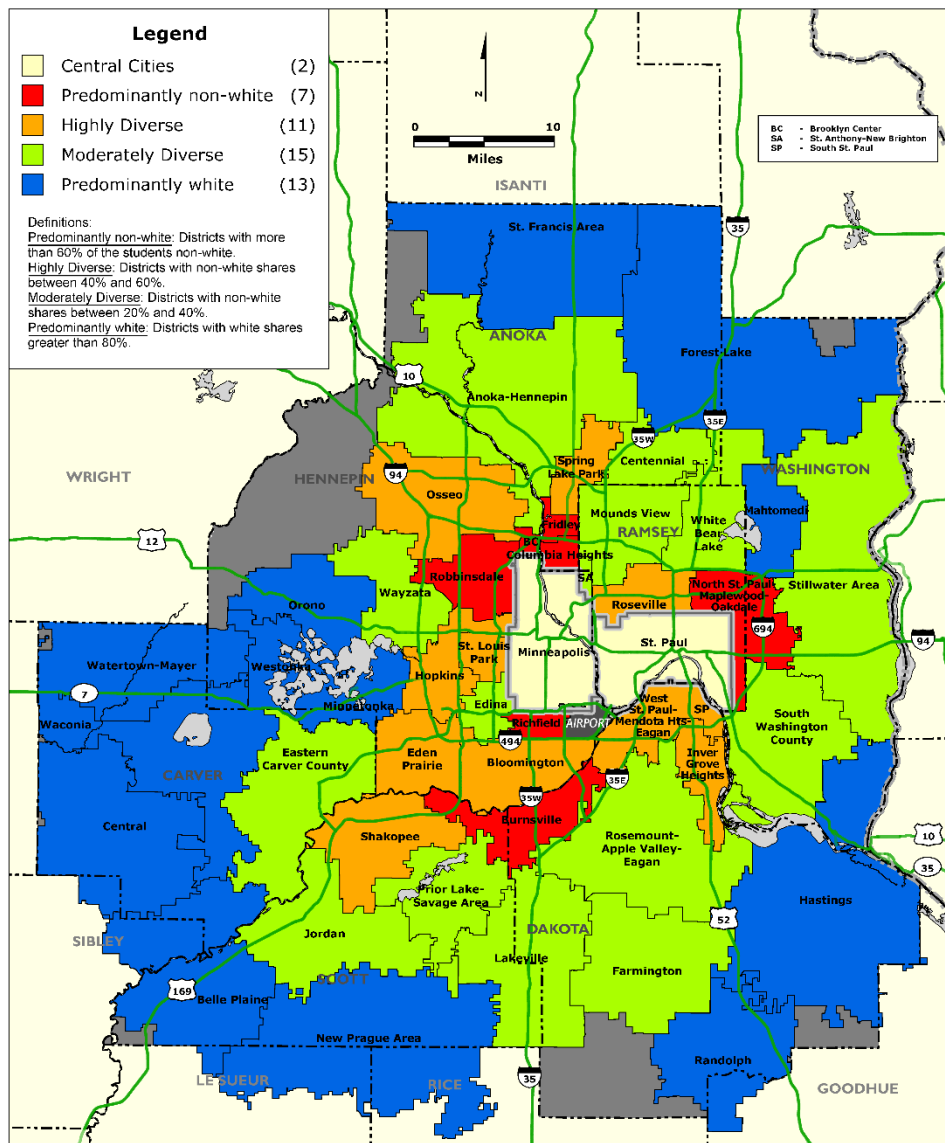
MINNEAPOLIS - ST PAUL 7- COUNTY REGION

Community Type by School Districts in 2010



Data Sources: Minnesota Department of Education.

MINNEAPOLIS - ST PAUL 7- COUNTY REGION Community Type by School Districts in 2020



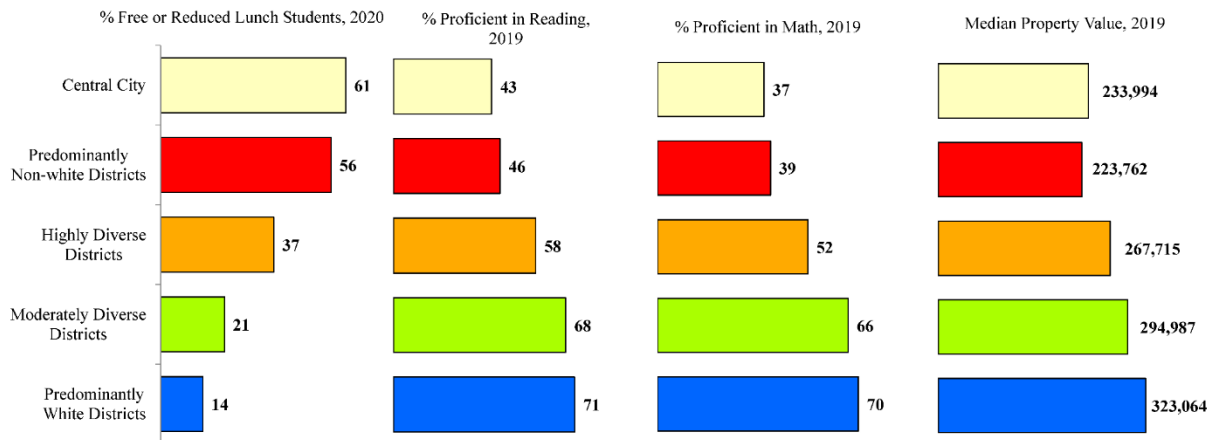
Data Sources: Minnesota Department of Education.

In addition, school resegregation can be linked to declining academic performance in schools. Charts 5 shows key characteristics of schools by community type. Chart 6 shows changes in those characteristics by time.

Schools in predominantly nonwhite districts exhibit some of the region's worst math and reading proficiency, as well as having low median property values – essential for school funding – and high shares of free and reduced lunch students. Indeed, in the aggregate, the schools in predominantly nonwhite districts are virtually undistinguishable in these metrics from central city districts. Meanwhile, moderately diverse districts exhibit high proficiency in both subjects, include higher property values, and a smaller share of low-income students. In the aggregate, these schools closely resemble affluent, predominantly white districts. Highly diverse districts are caught somewhere in between: they fare better than predominantly nonwhite suburbs, but the harms of resegregation are still evident.

Chart 5

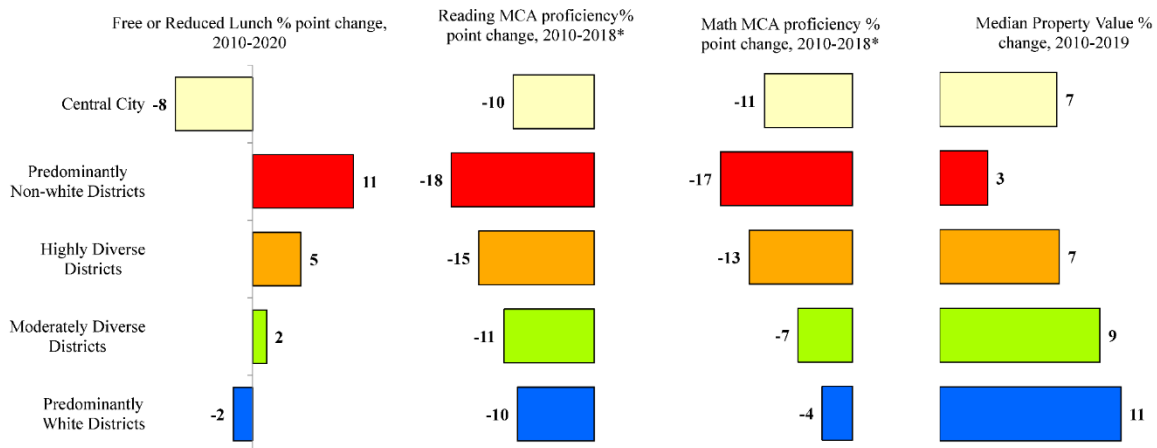
Characteristics of the school district types



Data Sources: Free or Reduced Lunches, MCA/MTAS Testing Proficiency -- Minnesota Department of Education; Housing Value—Census Bureau, ACS.

Chart 6

Changes in the school district types



*Note: MCA test changed from MCA II to more rigorous MCA III between 2010 and 2018

Data Sources: Free or Reduced Lunches, MCA Testing Proficiency -- Minnesota Department of Education; Housing Value—Census Bureau, ACS.

Potential Opportunities for Twin Cities Suburban Renewal

As discussed above, suburban resegregation in the Twin Cities is driven by the interaction of several powerful forces:

- An overabundance of affordable housing in older suburbs, combined with a lack of affordable housing in newer and wealthier suburbs.
- The resegregation of schools in older suburbs.
- Discrimination in real-estate markets, redlining older suburbs with mortgage lending discrimination and steering affluent residents away from them.

In some cases, these factors have been uniquely exacerbated by policies unique to the Twin Cities. For example, the Metropolitan Council sets affordable housing goals for regional municipalities. In the past, the Council has allocated low-income and workforce housing to communities on a fair-share basis, to ensure that each city provides for its own share of the region's total housing need. But more recent goals, set in the past several decades, have not maintained this fair-share balance. Instead, higher affordability goals have been set for communities in the urban core, despite those communities already having some of the region's most affordable housing. In addition, the Met Council has less aggressively pursued enforcement of housing goals, allowing wealthier suburbs to shirk their regional contributions. The combined effect of these policies has been to produce much less affordable housing in outer suburbs, which in turn concentrates lower-income residents in diverse suburbs, accelerating resegregation.

Met Council housing policies are exacerbated by subsidized housing funding policies. At present, the primary source of affordable housing funding in the Twin Cities is the federal Low-Income Housing Tax Credit. This tax credit is allocated by the Minnesota Housing Finance Agency, or, in Dakota and Washington Counties, by county development authorities. For decades, the state housing agency has disproportionately awarded tax credits to more diverse areas, using a set of allocation priorities that favored communities where low-income residents already live. While new subsidized units provide temporary housing relief to some residents, the failure to produce affordable housing in higher-income areas reinforces the overarching regional pattern of racial segregation, which in turn accelerates resegregation.

School resegregation has also been intensified by state-level policies. In 1999, the state of Minnesota adopted a new statewide school desegregation/integration rule. Prior to the adoption of this rule, the State Board of Education proposed a strong metropolitan integration system, which would have required predominantly white districts to work with more diverse neighboring districts to eliminate racial segregation and concentration in metropolitan schools. But this proposed rule was never adopted. In its place, Minnesota adopted a rule which weakened integration requirements and allowed "racially identifiable" schools to persist indefinitely with little incentive to integrate.

Worse still, the Minnesota integration rules exempted several key drivers of school segregation: charter schools and open enrollment. Minnesota passed the nation's first charter school law in

1993, and adopted an expansive open enrollment policy which permitted parents to enroll their child in virtually any district they wished. Despite assurances from advocates, both policies have become intense drivers of school resegregation by facilitating white flight. Charter schools, which can be opened virtually anywhere, have worsened suburban school segregation by siphoning away students from diversifying districts. Open enrollment has allowed affluent parents in diversifying districts to migrate their children to a neighboring suburb, speeding the process of demographic change in their home district.

Some districts have even exploited these rules in a way that benefits themselves, but destabilizes neighboring districts. For instance, the Minnetonka school district – one of the whitest in the entire region – has proactively sought to increase its open enrollment student population. To do so, it has gone as far as to run advertising campaigns in neighboring districts while those districts were debating redrawing boundaries to increase integration.

New Opportunities for Stability and Prosperity

Despite these many challenges, two ongoing legal proceedings may create opportunities for diverse suburbs to insist that Minnesota state agencies take policy proposals for suburban stabilization and revitalization more seriously.

In 2014, several diverse suburbs, including Brooklyn Park, Brooklyn Center, and Richfield, partnered with the regional fair housing organization MICAHA to file a HUD fair housing complaint against the Metropolitan Council and Minnesota Housing Finance Agency. The housing complaint alleged violations of fair housing law related to the relaxed fair-share housing policies described above, as well as racially concentrative subsidized housing policies. At present, HUD is still considering that complaint. Potential resolutions might include a range of actions both to address affordable housing imbalances in the Twin Cities metro, and to combat illegal housing discrimination by private markets. Potential policy tools include:

- Reinstitution of true fair-share housing policies by the Metropolitan Council.
- Prioritization of federal transit funding to suburbs that have provided a fair share of affordable housing – which are disproportionately the region’s endangered suburbs.
- Coordination of Met Council affordable housing policies with state housing funding, to ensure adequate funds are directed to all community types.
- Increased enforcement of affordable housing goals in high-income suburbs.
- New policies, such as real-estate testers, to search for and eliminate redlining, mortgage lending discrimination, and real-estate steering.

In addition, there is also a unique opportunity to slow and reverse suburban school resegregation in the Twin Cities. In 2015, a metropolitan school desegregation lawsuit was filed against the State of Minnesota. The plaintiffs in this case, entitled *Cruz-Guzman v. State of Minnesota*, alleged that existing levels of K-12 racial and economic segregation, as well as segregative policy enactments such as those described above, violated the Education Clause of the state constitution. The *Cruz-Guzman* case survived several preliminary trial motions, which were appealed to the state supreme court. The Minnesota Supreme Court held in the plaintiffs’ favor,

stating that it is “self-evident that a segregated system of schools” violates the state constitutional requirements.

Today, the *Cruz-Guzman* case is moving towards resolution, either in a trial verdict or a negotiated settlement. Any effective remedy must include revitalization and stabilization of suburban school districts. Potential policy tools include:

- Modification of open enrollment rules to limit its role as a driver of school segregation.
- Institution of a magnet school program that would open new, attractive schools in highly diverse suburban districts.
- Increased funding to diverse districts to support stronger academic outcomes and prevent enrollment loss.
- Limitations to charter schools, including limitations to their ability to operate within areas at risk of resegregation.