

Understanding the Black-White Homeownership Gap in the Twin Cities

Who is experiencing the most harm, and what strategies can help?

Yonah Freemark, Eleanor Noble, and Yipeng Su

WHAT FACTORS ARE CONTRIBUTING TO THE GROWING BLACK-WHITE HOMEOWNERSHIP GAP?

Rising poverty levels, caused in part by broader economic inequities that limit the wealth of people of color, **make it difficult for some families to pay for basic needs such as food and shelter**, let alone a down payment on a home.

During the Great Recession, Black, Latinx, and low-income families were targeted by predatory lending practices, reinforcing a century of systemic racism in the real-estate market. Now, discrimination that produced poorer credit scores for Black families has combined with tight credit and housing markets to make it difficult for families with imperfect credit to buy homes.

Housing has become more expensive, particularly in areas seeing gentrification. Housing has been built and renovated primarily at the high end of the market, leaving a shortage of supply at the low end of the market.

Homeownership offers an avenue for families to build wealth and find stability in a community. But access to homeownership in the Twin Cities, just as in the rest of the United States, is not equitably distributed. In fact, the Twin Cities region has the largest Black-white homeownership gap in the country, and that gap is growing. This stark divide, which is rooted in historical and ongoing housing and economic discrimination, limits wealth-building opportunities for the region's hundreds of thousands of Black residents.

We examined homeownership trends in Hennepin and Ramsey Counties between 2000 and 2018 to explore what factors may be contributing to the Black-white ownership gap, where the gap is expanding most quickly, and how local policymakers can promote Black homeownership and wealth-building opportunities.

KEY INFORMATION ON THE TWIN CITIES' BLACK-WHITE HOMEOWNERSHIP GAP

We found the following trends in Hennepin and Ramsey Counties:

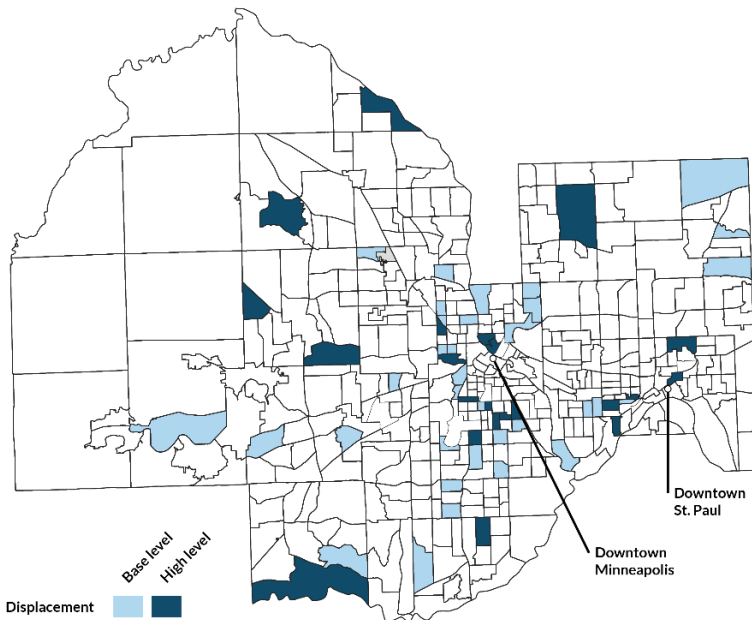
- Between 2000 and 2018, white homeownership in the Twin Cities remained relatively stable at around 70 percent.
- Black homeownership declined quickly in that time, falling from 31 percent in 2000 to 24 percent in 2010 and 21 percent in 2018. Latinx homeownership also declined over that period, but not as dramatically.
- That drop in Black homeownership caused the Black-white homeownership gap to grow 10 percentage points from 2000 to 2018.
- The number of Black households grew by more than 30,000 between 2000 and 2018 (increasing from 7 to 11 percent of the counties' total), but only about 2,000 of those new households became homeowners. That means a more diverse region has not yet had more access to home buying, so low- and moderate-income Black families are more likely to rent and thus face the possibility of eviction.
- The Black-white homeownership gap is growing even faster in majority-white neighborhoods. The homeownership gap in the typical neighborhood where more than 90 percent of residents are white doubled between 2000 and 2018.

WHICH NEIGHBORHOODS ARE SEEING THE BIGGEST DECLINES IN BLACK HOMEOWNERSHIP?

We examined homeownership trends in communities we identified as “displacement neighborhoods,” or places where low-income families are leaving and higher-income families are coming. These are the places where gentrification is occurring.

Neighborhoods undergoing displacement and gentrification are the same places where Black homeownership is declining the fastest. In these “displacement neighborhoods,” many of which are in areas surrounding downtown Minneapolis and St. Paul and in close-in suburbs, median rent increased 19 percent (adjusted for inflation), and the Black-white homeownership gap increased by more than 10 percentage points between 2000 and 2018.

Neighborhoods Experiencing Displacement Are Concentrated in Areas Ringing Central Minneapolis



Source: Urban analysis of 2000 and 2018 US Census data in Hennepin and Ramsey Counties.

Note: Based on Institute on Metropolitan Opportunity (2019) classification system.

These findings show that policymakers should be concerned not only by the displacement of Black renters but also by the displacement of Black homeowners. Homeownership among Black families must be reinforced to ensure they benefit from ownership as much as their white peers do.

This fact sheet draws from the Urban Institute report Who Owns the Twin Cities? See the report at <https://urban.is/3gnUW5Q> for more information about property ownership. For more policy recommendations, see the Urban Institute brief “Closing the Gaps: Building Black Wealth Through Homeownership” at <https://urban.is/3940BvQ>.

POLICY STRATEGIES TO CLOSE THE BLACK-WHITE HOMEOWNERSHIP GAP

Acknowledge that both renters and homeowners are potentially under threat in gentrifying neighborhoods.

Renters may bear the most visible burdens as neighborhood change occurs (such as increased monthly costs), but homeowners are also affected. Black families who own their homes are leaving gentrifying communities at a rapid rate and for many reasons, including economic displacement, cultural displacement, personal choice, and higher property taxes.

Consider the implementation of rent stabilization, and fund affordable housing in changing communities.

To ensure residents can afford their homes, local lawmakers can direct city, county, and state resources to preserve low-income people’s ability to pay rent. This could include limits on how much rent can be increased and the development of new, guaranteed low-cost housing.

Provide enhanced assistance for homeowners and potential buyers.

Families who own a home or who are looking to buy need access to homeownership counseling and resources to prevent foreclosure. These initiatives can help ensure Black residents can enjoy the wealth-building benefits of homeownership while ensuring neighborhoods remain diverse.