Housing Cooperatives to Community Land Trusts:
Exploring Community Wealth Building Strategies for Black Homeownership

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Abstract

The issues of Black homeownership and racial inequality in Minnesota are abysmal. The homeownership gap between Black and White communities continues to increase. This stems from a long history of policies enacted by the U.S. government and has impacted Black homeownership and wealth attainment. The Great Recession and, most recently, the COVID-19 pandemic impacted the economic and housing markets at high rates. At each turn, Black people were and continue to be some of the most vulnerable because policies and programs such as the New Deal, the G.I. Bill, and more that have produced lasting impacts, often felt throughout generations. This paper explores the homeownership gap in the U.S. with a direct focus on the Twin Cities. Adequate housing for all people is a human right. The data gathered in this paper indicates that Black households in Minnesota consistently hold lower rates of homeownership before and after the Great Recession. This paper also dives into the Community Wealth Building strategies of housing cooperatives and community land trusts as alternative housing models that offer affordable and sustainable ownership while building collective communities. Centering community and valued-based strategies give the power back to the community to have opportunities for ownership and wealth. Organizations, philanthropy, local and state governments must uplift the community wealth-building strategies and offer the chance to build generational wealth.

Keywords: Black homeownership, community wealth building, community land trust, cooperatives, human rights, racial inequality, the racial wealth gap

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"We've got to own our own land, we've got to raise our own food, we've got to have affordable housing; and cooperatives are the way to do that" (Fannie Lou Hamer).

Introduction

A New York Times article described Minnesota as a desirable progressive state that offers high incomes, long life expectancy, a large number of corporate headquarters, and a rich cultural scene (Leonhardt, 2020). However, this only paints a small picture of the beautiful state. Besides the desirable factors, grim statistics provide clearer indications of some of the most significant racial inequalities in the United States. Dr. Samuel L. Myers Jr., an economist, and professor at the University of Minnesota's Humphrey School of Public Affairs coined the terminology "the Minnesota paradox" to describe the juxtaposition between the perceived progressive legacy of Minnesota and the reality of the existing racial gaps. Minnesota is notorious for poor rankings in racial inequity. When it comes to the median income, health, education, employment, the poverty rate, and more, Black Minnesotans face the harsher realities of the Minnesota paradox. Homeownership is another glaring disparity that continues to plague Minnesota.

The history and legacy of inequitable housing is not a new phenomenon for most Black Americans. The U.S. has a contentious history with Black people pre-dating the enslavement of African people over 400 years ago. The practices of slavery, segregation, and Jim Crow continue to shape systemic inequalities in the U.S. Today, Black communities continue to struggle with inequities compounded over centuries through land and housing. Programs and policies such as the New Deal, the G.I. Bill, and more have contributed to land loss, racial covenants, federally enforced segregation, predatory lending, and other practices that intentionally excluded Black people from accumulating wealth over generations. This contributes to the growing racial wealth gap and homeownership gap in Minnesota.

This paper will examine the history of Black homeownership in Minnesota with a focus on the Twin Cities metro area. This paper will also explore Community Wealth Building (CWB) strategies such as housing cooperatives and community land trusts. Cooperatives and land trusts have deep roots in Black economic and civil rights that have often been whitewashed throughout history. This paper offers the opportunity for the reclamation of Black ancestral wisdom and practice. Adequate housing is a human right and an asset that promotes a connection to the community. It also offers an in-depth perspective into the affordability and sustainability of collective homeownership and wealth-building strategies that promote the wellbeing of a community.

Literature Review

The literature provides evidence about the cause of inequality between Black homeownership and White homeownership in the U.S. and more specifically, Minnesota. This section will discuss the historical background and provide evidence about the racial wealth gap, redlining, racial covenants, modern-day segregation, predatory lending practices, and the Great Recession of 2008 that explains the growing gap of Black and White homeownership in Minnesota.

Historical Background

The Racial Wealth Gap

Wealth accumulation is an integral part of the economic structure. It is inclusive of assets such as houses, stock, bonds, cars, works of art, and anything else that can be converted to cash, minus debts which can include auto loan debt, credit card debt, etc. (Lui et al. 2006, p.2). Wealth can also include things that money cannot buy. Lui et al. suggests there are additional factors that make us economically secure as well as help us feel better off such as, “family, social, community networks, education and skills, public infrastructure and a healthy environment, religion and spirituality” (2006, p.2). The type of wealth described by Lui et al. is a form of social capital. While social capital is an important feature of wealth, this paper focuses on the financial and holistic impacts of wealth. In the Netflix Documentary *Explained: The Racial Wealth Gap*- Professor and author Merhsa Baradaran says, "Wealth is where past injustices breed present suffering" (2019). The U.S. has built its wealth on the backs and labor of the enslaved Africans and stolen Indigenous land. Over time, the wealth has accumulated but has only benefited those that were able to participate in the game of capitalism, often at the expense of Black and Brown bodies.

Wealth is transferred intergenerationally. Melvin Oliver and Thomas Shapiro argue that about 80% of the wealth in America is passed down from one generation to the next (1995, p. 29). A 2019 Consumer Finance Survey (SCF) indicated that White families had the highest median family wealth which was $188,200 while Black families had considerably less median family wealth which was $24,100 (Bhutta et al., 2020).

There is a history and legacy of violent and often traumatic disruption in Black wealth and prosperity. For example, the most notable is Black Wall Street in Tulsa, Oklahoma. May and June 2021 will mark the 100-year anniversary of the Tulsa Race Massacre, a tragic event in history that claimed the lives of Black people and tore apart a vibrant city with thriving businesses and more at the hands of White violence. Baradaran wrote:

> The wealth gap is where the injustices sown in the past grow imperceptibly in the present. The cumulative effects of discrimination, segregation, and the economic detour for Black businesses have created self-perpetuating forces that continue to make Black wealth accumulation difficult (2017, p.249).

Black families have not benefited from intergenerational wealth, unlike some White families that have had the opportunity to do so over time. It is imperative to acknowledge the historical impacts that wealth building and wealth accumulation has had for White people in comparison to Black people. Wealth provides a safety net that is critical for when a country is experiencing an economic downturn. The racial wealth gap not only means that Black families have greater difficulty ascending the economic ladder; it also means that it is much easier for these families to fall (Baradaran 2017, p. 261).

The racial wealth gap leaves Black families more vulnerable during a crisis such as the Great Recession of 2008 or even more recently during the COVID-19 pandemic, which had devastating effects on the economy. In 2019, SCF found that the "Black families' median and mean wealth is less than 15 percent that of White families" (Bhutta et al., 2020). The racial wealth gap sets the foundation for a plethora of inequalities faced by Black communities. One of the most visible appears in the history of housing and the policies that have perpetuated the divide.

Historical Analysis of Housing in Black America

The history of housing discrimination in the U.S. is complicated. It is also rooted in a long history of racist policies dating back to slavery. Segregation did not accidentally occur or happen overnight. It was a policy-driven strategy that existed in the south and the north. Federal policies began during the era of the New Deal, a program introduced by President Franklin D.

Roosevelt in the 1930s. In *The Color of Law: A Forgotten History of How Our Government Segregated America*, Richard Rothstein wrote, "The New Deal's programs followed a pattern of segregation in housing, construction, emollition, and other job opportunities "(Rothstein, 2019, p.19). The federal legislation was designed to segregate metropolitan areas around the country. On the other hand, Keeanga - Yamahtta Taylor, author of *Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership,* found that redlining constrained who could get decent mortgages for good homes and where the homes were located (2019, p. 12). All of these policies created compounding factors of inaccessible homeownership for Black people, while White people were freely participating in the availability of homeownership opportunities. The process of redlining created a dual credit market based on race (Baradaran, 2017, p.105). The color line drawn on maps and even in the marketplace fueled the act of housing discrimination.

The 1930s were dedicated to making homeownership more affordable for middle-class families in the U.S. By 1933, when President Roosevelt launched the creation of the Home Owners' Loan Corporation (HOLC) (Rothstein, 2017, p.63). HOLC was part of the New Deal program focused on housing and mortgages. After the war, homeownership was inaccessible for most Americans, and this program provided affordable and attainable homeownership opportunities. HOLC purchased existing mortgages that were facing foreclosure and then issued new mortgages with extended repayment schedules (Rothstein, 2017, p.293). HOLC redlined neighborhoods and over the years, the impacts of redlining continue to exist in communities[1]. HOLC was largely responsible for mapping out America's racial geography, and this legacy

[1] **Appendix A:** HOLC map of Minneapolis indicating areas that were redlined - **Appendix B:** HOLC map of St. Paul indicating areas that were redlined.

lives on through the infamous green blue, yellow, and red maps that used race as a proxy for desirability and perceived risk (Baradaran, 2017, p.105). Black homeowners were stuck in the least desirable neighborhoods marked red.

In 1934, the National Housing Act (NHA) established the Federal Housing Administration (FHA) within the U.S. Department of Housing and Urban Development (HUD) (Rothstein, 2017, p.199). The FHA was established to insure mortgages for small, owner-occupied suburban homes as well as private multifamily housing. The FHA subsidized mass-production builders of entire subdivisions and entire suburbs and added requirements that the homes should not be sold to African Americans (Rothstein, 2017, p.9). The FHA created redlining and segregation policies that became standard practices across the country. They were codified policies that systematically drew Black homeowners further away from home or land ownership, creating more obstacles for intergenerational wealth accumulation. The Veterans Administration (VA) also played a large role in housing inequity through programs such as the Servicemen's Readjustment Act or the G.I. Bill.

After World War II, the G.I. Bill of 1944 was passed by President Roosevelt. It provided benefits such as low-cost mortgages, one year of unemployment compensation, tuition assistance, and more for White veterans but unfortunately, Black veterans did not receive the same benefits (Turner & Bound, 2002). The benefits from the G.I. Bill afforded opportunities for White veterans who participated in WWII to start to build wealth. The VA denied mortgage subsidies, restricted education, and employment training, and in some cases refused to process college applications for Black veterans (Rothstein, 2019, p. 167). Black veterans were not able to gain equity and pass down the wealth the same way the White veterans did.

By 1968, under a new program created by HUD, low-income and poor people were able to purchase homes with a small down payment and low-interest rate government-insured mortgage backed by the FHA (Taylor, 2019, p. 1). These were marketed as opportune and attainable home buying options to Black folks that were previously excluded from the market. At first glance, Taylor wrote, "the low-income homeownership programs used federal subsidies, long amortization periods, and mortgage insurance guarantees. The programs were exploitative to their core. The new program offered transitions from exclusionary policies and practices to inclusionary policies - but in practice, they were exploitative in their nature" (2019, p.3).

By the 1970s, the government moved away from redlining. The abolition of redlining led to something that Taylor describes as predatory inclusion, "how African American home buyers were granted access to conventional real estate practices and mortgage financing, but on more expensive and comparatively unequal terms" (2019, p.5). This model allowed bankers and real estate brokers to work with the government who supported housing policies that fortified racial inequalities and enriched the private sector. Black homeowners did not have any protections, the harmful effects of which were apparent when the recession of 2008 broke the housing bubble. Black homeowners were more vulnerable to losing any wealth gained and their homeownership status.

The Great Recession started in 2007 and lasted until 2009. It had a significant impact on the racial wealth gap across the country and increased the homeownership gap. A report published by the American Civil Liberties Union found that predatory loans which encompassed unnecessarily high fees or risky features, such as complicated, changing interest rates in communities of color, were partly responsible for the housing boom and subsequent housing crisis and Great Recession of the last decade (2012, p.3). Predatory lending and subprime loans often go hand in hand. Subprime lending and race were linked and a feature that had a disproportionate impact on Black homeowners. Studies have found that, throughout the subprime market, Black borrowers stood a significantly higher chance of receiving higher-cost and higher-risk loans than White borrowers, even when controlling for factors related to creditworthiness (Briggs, 2005).

Following the economic recession of 2008, economists from Johns Hopkins University conducted a study exploring the relationship between homeownership, the net worth of low- and moderate-income first-time homebuyers. In the study, they found that timing matters when purchasing a home and is a factor of wealth (Newman and Holupka 2016). Homebuyers that purchased a home during a period of stability were more likely to build wealth over time compared to people who purchased a home during a period of instability.

In 2019, economists from Tufts University conducted a study to determine the Federal Government's rationale for homeownership for low-income communities as a method to accumulate wealth (Wainer & Zabel, 2019). There was a downturn in the housing market and a large rise in foreclosure that disproportionately affected Black homeowners. The study found that low-income homeowners did not gain any wealth and would have been much better off renting unless the Federal Government provided additional support so low-income homeowners could stay for a longer time and achieve stability, then they could gain wealth. This was another scar on the contentious history of Black American homeownership. The literature has covered a macro-level view of homeownership; when focusing on the micro-level of homeownership, the literature follows similar trends for Black homeownership in Minnesota.

The State of Black Homeownership in Minnesota

Minnesota continues to hold the legacy of inequity. Homeownership disparities contribute to the racial inequality gap. In 2020, the *Star Tribune* reported that there are only 24% of Black homeowners in Minnesota compared to 77% of White homeowners (Palmer, 2020). The gap has barely changed in the past ten years. Black homeownership in Minnesota is three times lower than the rate of White homeowners in Minnesota. The gap is wide because of historical practices as segregation, redlining, and racial covenants that have lasting impacts.

The President of the Minnesota Homeownership Center, Julie Gugin, cited the use of redlining, racial covenants on deeds, predatory lending practices that targeted Black communities during the Great Recession, and mass purchase of foreclosed homes by owner and investors (Palmer, 2020). There are additional policies and practices that have also contributed to the growing Black homeownership gap in Minnesota. Mapping Prejudice is an initiative led by geographers, historians, digital humanists, and community activists who have been working together to unearth racial covenants around Minnesota. Racial covenants are:

> Tools used by real estate developers to prevent people of color from buying or occupying property. Often just a few lines of text, these covenants were inserted into warranty deeds across the country. These real estate contracts were powerful tools for segregationists. Real estate developers and public officials used private property transactions to build a hidden system of American apartheid during the twentieth century (Mapping Prejudice, n.d.).

The racist practices of racial covenants have shaped the Twin Cities landscape. The Mapping Prejudice research team found that racial covenants first appeared in Minneapolis in 1910 and remained in effect legally until 1962 when Minnesota passed the Fair Housing Act (Palmer, 2020). By the time the Fair Housing act passed, racial covenants had shaped the demographics of neighborhoods and created a system of neighborhood desirability. The research conducted by the Mapping Prejudice team found that the deeds collected told a sobering story. Racial covenants had a compounding effect on redlining, banking practices and eliminated chances for BIPOC people to buy homes for wealth accumulation (Delegard & Ehrman-Solberg, 2017, p.73). The history of racial covenants and the current wealth disparities present a clear picture of how we got here and why we are faced with a massive housing crisis across the metro area.

The Great Recession of 2008 impacted many Americans as it had a huge effect on the housing market, and many were left unable to pay their mortgages. It was one of the most severe economic recessions since the Great Depression. According to MPR News, APM Research Lab found that "Minneapolis and St. Paul ranked among the bottom in the nation in homeownership rated for Black households" (Nelson, 2018). The APM Research Lab surveyed 128 cities across the country and found that there are over 40% of Black homeowners and over 70% of White homeowners nationally (Nelson, 2018). The gap was more significant in the Twin Cities. The data collected for this paper indicates that between 2015 to 2019 there were 77.6% White homeowners compared to 24.7% of Black homeowners. There is three times the number of White homeowners to Black homeowners in the Twin Cities.

One of the consequences of the Great Recession was the erosion of Black homeownership. According to Myers and Lee, "since the recession, racial disparities in homeownership have widened, in part due to greater racial gaps in credit lending, which plays a key role in homeownership, especially among the black families" (2018, p.48). The Great Recession pushed former homeowners into the rental market. Some of the lasting impacts of the Great Recession include Black homeownership at far lower rates than white households (Nelson, 2018). The history of redlining, segregation, racial covenants, predatory lending practices, and more illustrates that there have been decades and decades of policies that have been stacked against Black households creating a large wealth gap and making ownership seem impossible.

Contributions to the Literature

This paper aims to explore ownership inequities between Black, Indigenous, and People of Color (IPOC) and White homeowners in Minnesota. This paper focuses on the inequities between Black and White homeowners while acknowledging the disparities that also exist between the larger BIPOC community. The overall objective is to determine the gaps in homeownership, the causes of the growing gaps, and the systemic inequities that continue to make Black homeownership inaccessible. There is substantial literature and study about Black homeownership nationally because of the growing racial wealth gap that the U.S. is trying to grapple with. This paper offers a perspective that draws on historical practices of collective ownership that center community. It looks beyond the traditional forms of economic development and offers value-based and culturally based solutions. I argue that the CWB framework and strategy offer more attainable and more sustainable means of homeownership. This research is specific to the Twin Cities. It highlights the work being done and a call to amplify it. There are alternative methods that are community-driven and open the path for generational wealth-building opportunities.

Methodology

Quantitative Data

This study examines Minnesota's homeownership data from 2000 to 2019 and analyzes the data leading up to the housing crisis and the period after the housing crisis. The study includes secondary data analysis from the U.S. Census Bureau's American Community Survey

Data (ACS) and retrieved from the Integrated Public Use Microdata Series (IPUMS) and Minnesota Compass, a project of Wilder Foundation (MN Compass, n.d.). The data is exploring homeownership trends in Minnesota. This study compares the homeownership gaps between Black, White, Indigenous/ American Indian, Asian, and Latina/Latino households. The data sets collected include data covering homeownership rate, geography, race and ethnicity, and populations living below the federal poverty level.

Data and Results

Figure 2: Homeownership Rate by Race in the Twin Cities, Minnesota, and U.S. from 2000 - 2019

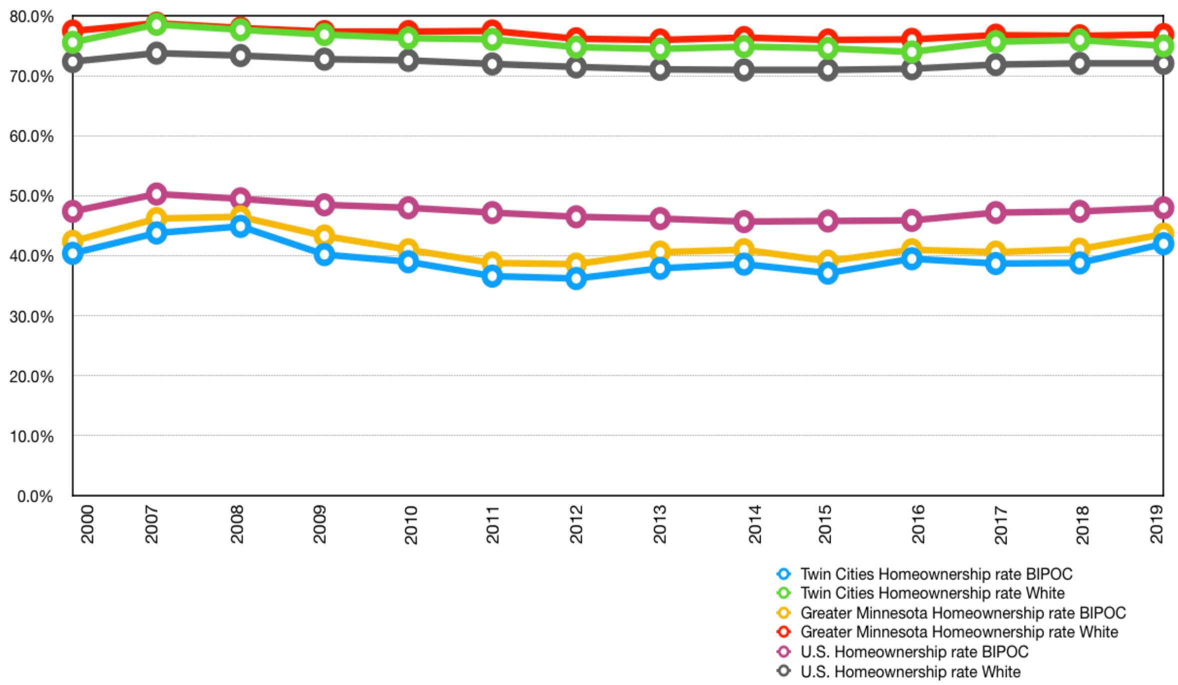

Figure 2 indicates the homeownership rate by race in the Twin Cities, Greater Minnesota, and the U.S. This examined the different rates of homeownership between BIPOC (people that identified as Black, American Indian[2], White, Asian, and Hispanic[3]) communities on a local level, Twin Cities[4], statewide, Greater Minnesota, and national level, U.S. This was the preliminary study to trace the gaps with a broader set of data. This includes over 69 million respondents over a 19-year period who identified as the heads of households in occupied homes.

From 2000 to 2008, the homeownership rate for White homeowners in the U.S. homeownership rates for White and BIPOC was the highest. The U.S. was experiencing a housing boom and widespread mortgage availability. Even in the era of the housing boom, BIPOC households were facing large homeownership gaps in comparison to White homeowners. In the U.S., the average White homeownership rate was 73.2% compared to the BIPOC homeownership rate which was 49%. In Greater Minnesota, the average White homeownership rate was 78.1% compared to the BIPOC homeownership rate which was 44.9%. In the Twin Cities, the average White homeownership rate was 77.3% compared to the BIPOC homeownership rate which was 43%.

The Great Recession started in 2007 and lasted until June 2009. From 2009 to 2012, the period after the recession, homeownership rates for White and BIPOC decreased. The data indicates that the decreasing rates for BIPOC homeowners were more significant. The fall of the market in 2008 also caused the housing market to crash. The data shows that the impact of the housing crash was more prevalent by 2012. In the U.S., the average White homeownership rate was 72.2% compared to the BIPOC homeownership rate which was 47.5%. The rates for Greater Minnesota indicated that the average White homeownership rate was 77.1% and the BIPOC

[2] American Indian is labeled as Indigenous/ American Indian for the whole data set and results.
[3] Hispanic is labeled as Latina/ Latino for the whole data set and results.
[4] 7-county Twin Cities region: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties.

homeownership rate was 40.4%. The Twin Cities data shows that the average White homeownership rate was 76% compared to the BIPOC homeownership rate which was 38%.

The most recent data from 2019, 11 years after the Great Recession, shows that the U.S. homeownership rates increased and exceeded homeownership rates before the Great Recession. The data indicate that the White homeownership rate in the U.S. was 72.1% compared to 48% for BIPOC homeownership. The homeownership data for White homeowners in Greater Minnesota was a little higher compared to the national rate. White homeowners in Greater Minnesota held a 76.9% homeownership rate compared to a 43.6% BIPOC homeownership rate. The homeownership rates were the lowest in the Twin Cities. White homeowners had a 77.3% homeownership rate, and BIPOC homeowners had a 42 % homeownership rate. While the homeownership rates increased, BIPOC communities still face more challenging homeownership efforts. Housing distress lasted well beyond the Great Recession. This is reflected in the significant homeownership gap between White and BIPOC homeowners 11 years after the Great Recession.

A significant rate of White people across the Twin Cities, Minnesota, and the U.S have a consistent homeownership rate trend from 2000 to 2019. After the Great recession in 2008, there were some changes in the homeownership rates for White and BIPOC homeowners in the Twin Cities, Greater Minnesota, and the U.S. The decreases in homeownership rates were more significant for BIPOC people compared to White homeowners. This was due to the downturn in the housing market. Overall, the data indicates that the Twin Cities had lower homeownership rates for BIPOC people compared to Greater Minnesota and the U.S. The next data takes a closer look at the homeownership rate by race and ethnicity with a focus on the Twin Cities.

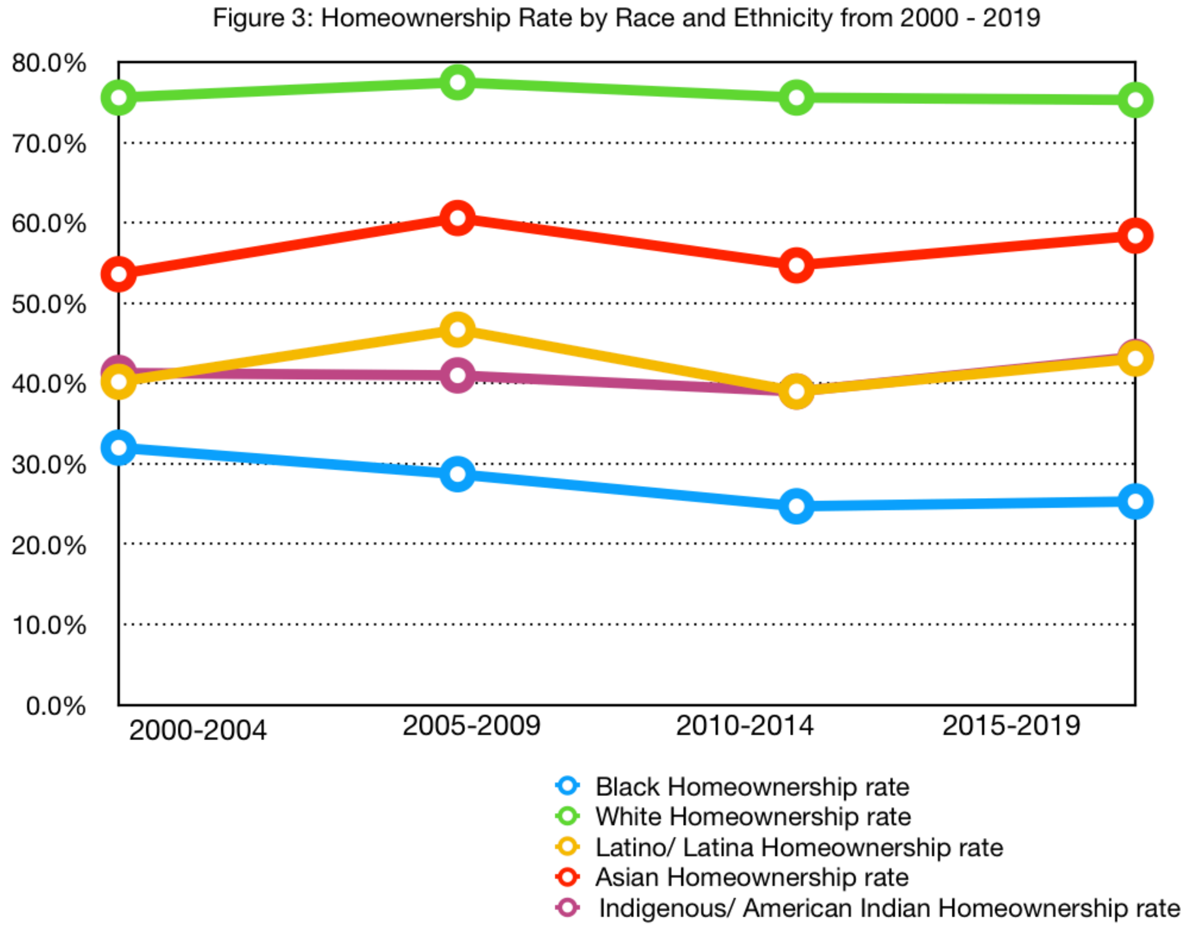

Figure 3 illustrates homeownership rate by race and ethnicity: This examined the different rates of homeownership between race and ethnicity (people that identified as Black, Indigenous /American Indian, White, Asian, and Latina/Latino) in the Twin Cities seven-county metro area. This includes a population size of over 700,000 respondents over a 19-year period who identified as the heads of households in occupied homes.

The graph above indicates that Black people in Minnesota have the most significant homeownership gap from 2000 to 2019. In contrast, the data indicates that White homeownership rates were more significant consistently from 2000 to 2019. As indicated earlier, the 2000s were a prosperous era for prospective homeowners because the market was experiencing a housing boom. In 2000, eight years before the Great Recession, the homeownership rate for White homeowners was 75.6%, Asian homeowners had a 53.6% homeownership rate, Latino/Latina homeowners has a 40.2% homeownership rate, Indigenous/ American Indian homeowners had a 41.3% homeownership rate, and Black homeownership was at 32%. The homeownership rate remains at the lowest rates for Black homeowners than IPOC homeowners during the housing boom.

From 2010 to 2015, the market was still feeling the impacts of the housing crash. The Great Recession impacted the economy the homeownership rates impacted some of the people in the data set. The homeownership rates between 2005 and 2009 for White homeowners was 77.6%, Asian homeowners were at 54.7%, Latino/Latina homeowners were at 39 %, Indigenous/ American Indian homeowners were at 39 %, and Black people were at 24.7%. After the Great Recession, Black, Latino/Latina, and Indigenous homeowners saw a decrease in the homeownership rate. Black homeownership decreased by 7.3 %, the most significant rate compared to the racial and ethnic groups represented in the data set. Asian homeowners saw a slight increase in homeownership rates.

Finally, between 2015 and 2019, the homeownership rate for White homeowners was 77.3%, Asian homeowners were at 58.8%, Latino/Latina homeowners were at 43.1%, Indigenous/ American Indian homeowners were at 43.3%, and Black homeowners were at 25.3%. By 2019, the Black homeownership rate increased by 0.06%. White homeownership was three times the rate of Black homeownership. This is consistent with the literature about Black and White homeownership in Minnesota.

The graph above indicates that Black people in Minnesota have the largest homeownership gap from 2000 to 2019. A larger number of White people in Minnesota have a consistent trend of homeownership from 2000 to 2019. The homeownership rates between White Minnesotans are also almost double the rate of Black homeowners. A significate rate of White people in Minnesota have a consistent trend of homeownership from 2000 to 2019. This data provided more details on homeownership trends in the Twin Cities between the various racial and ethnic groups. By the Great Recession, Black homeownership rates dropped more significantly than White homeownership rates. This data follows the trends of Figure 2 with lower homeownership rates across the board for the BIPOC groups represented compared to White homeowners. All the demographics in the data set experience an increase in the homeownership rate.

Figure 4: Homeownership Rate by Annual Household Income from 2000 - 2019

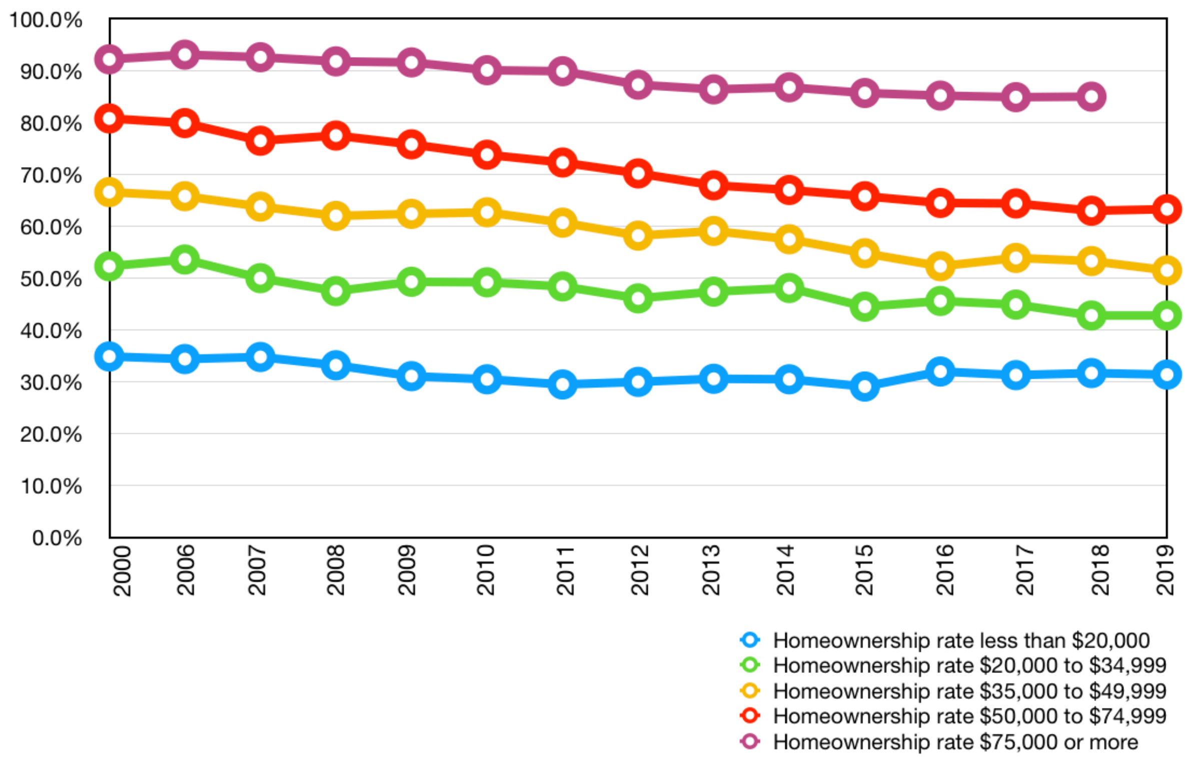

Figure 4 shows homeownership rate by annual income: This examined the correlations between homeownership rate and the annual household income. This data set does not include any racial identities which is a limitation, but that is how the data was aggregated. This includes a population size of over 700, 000 respondents over a 19-year period who identified as the heads of households in occupied homes. The data results indicate that respondents with higher levels of income between 2000 to 2019 had higher homeownership rates. The lower the income level, the lower the homeownership rate. In June 2020, *NPR* reported that the median Black family earns $38,178.00 a year, while the median family income for a White family is $84,459.00 a year in Minnesota (Rosalsky, 2020). Based on the evidence in the literature, Black homeowners will hold lower income rates following the significance of the racial wealth gap in Minnesota.

In the 2000s, when the market experienced a housing boom, homeowners with higher income had significantly higher homeownership rates. Homeowners that had an income of $20,000 or less had a homeownership rate of 34.9%. Homeowners that had an income between $35,000 to $49,000 had a homeownership rate of 66.6%. Homeowners that had an income between $50,000 to $74,999 had a homeownership rate of 80.8%. In comparison, homeowners with an income of $75,000 or more have a homeownership rate of 92.2%. Homeowners with an income of $75,000 or more had a 57.3% higher homeownership rate compared to homeowners with an income of $20,000 or less.

In 2010, two years after the recession, the homeownership rates shifted. Homeowners that had an income of $20,000 or less held a homeownership rate of 30.5%. The homeownership rate for the $20,000 or less income group dropped by 4.4% between 2000 and 2010. Homeowners that had an income between $20,000 to $34,999 had a homeownership rate of 49.2 %. Homeowners that had an income between $35,000 to $49,000 had a homeownership rate of 62.7%. Homeowners that had an income between $50,000 to $74,999 had a homeownership rate of 73.8%. Homeowners that had an income of $75,000 or more have a homeownership rate of 90.1%. Respondents with lower income levels saw a significantly higher decrease in homeownership rates than respondents with higher income.

Lastly, by 2019, eight years post the recession, some of the homeownership rates increased. Homeowners that had an income of $20,000 or less had a homeownership rate of 31.4%. Homeowners that had an income between $20,000 to $34,999 had a homeownership rate of 42.8 %. Homeowners that had an income between $35,000 to $49,000 had a homeownership rate of 51.5%. Homeowners that had an income between $50,000 to $74,999 had a homeownership rate of 63.3%. In 2018, homeowners with an income of $75,000 or more had a homeownership rate of 85.0%. There was no data available for homeowners with an income level over $75,000 in 2019. Homeowners that had an income of $20,000 or less did not reach the rates of homeownership held before the Great Recession.

Figure 5: Percent of the Population Below the Federal Poverty Level by Racial and Ethnic Group from 2006- 2019

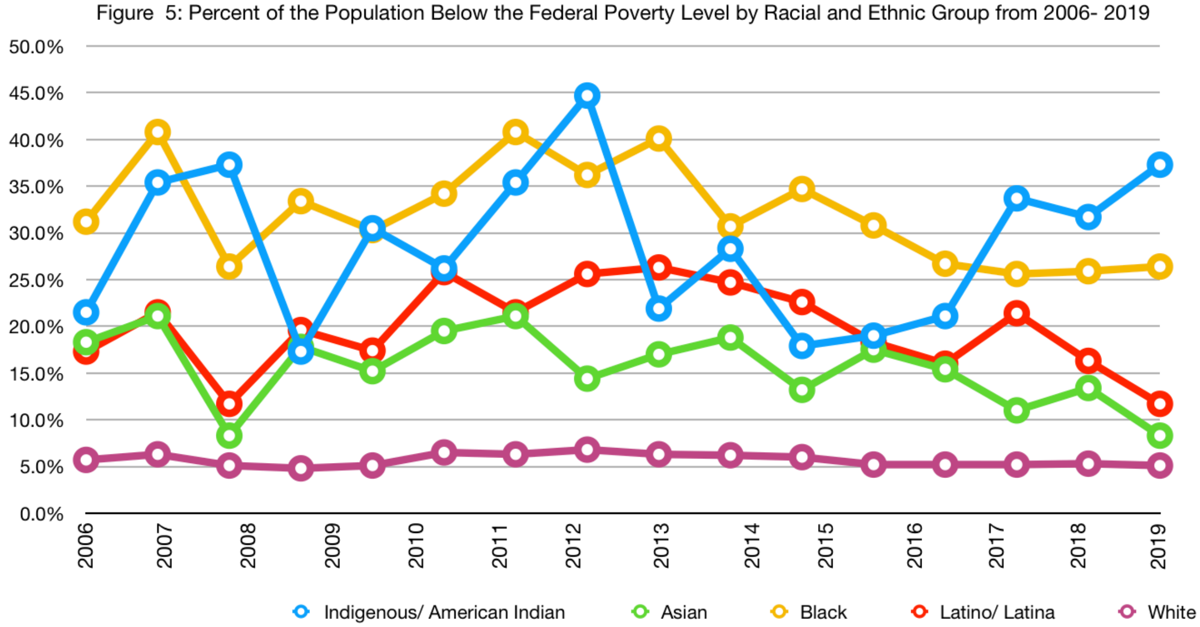

Figure 5 shows the percentage of the population living below the federal poverty level by racial and ethnic group from 2006 to 2019. This data set is inclusive of White, Black, Asian, Indigenous or American Indian, and Latino or Latina respondents. This includes a population size of over 300,000 respondents over a 13-year period who identified as the heads of households in occupied homes. This provided deeper insights into the homeownership and racial wealth gap overall. From 2006 to 2019, Black and Indigenous people in the Twin Cities metro area hold the highest poverty rates.

In 2006, two years before the Great Recession, there were 31.2% of Black households that were living under the federal poverty level in the Twin Cities Metro areas. There 21.5% of Indigenous or American Indian households that were living under the poverty level. There were 18.3% Asian households living under the poverty level. 17.3% of Latino/Latina households were living under the poverty level. 5.7% of White households were living under the poverty level.

In 2010, two years after the recession, the number of people living under the federal poverty level increased for some households. Black households were ay 40.8%, Indigenous or American Indian households were at 35.4%, Asian households were at 21.1%, Latino/Latina households 21.5%, and White households were at 6.3%.

By 2019, 11 years after the recession, some of the households were able to recover, while some continue living under the federal poverty level. Black households were at 26.5%, Indigenous or American Indian households were at 37.3%, Asian households were at 8.3% Latino/Latina households 11.7%, and White households were at 5.1%. From 2006 to 2019, Black and Indigenous people in the Twin Cities metro area hold the highest poverty rates.

Discussion

The data indicates a large homeownership gap between White homeowners and Black homeowners in the Twin Cities. The White homeownership rate is three times more than Black homeownership in Minnesota. The findings are consistent with the historical and current literature related to homeownership in the U.S. and Minnesota. Figure 2 compared homeownership rates between BIPOC and White homeowners in the U.S., Greater Minnesota, and the Twin Cities. Figure 2 was the foundational graph to illustrate the homeownership gap on a national level using broader data. In Figure 2, homeownership rates were significantly lower for BIPOC homeowners, and which were between 43%- 49% compared to White homeowners, which were between 73.2% to 78.1% from the housing boom of the 2000s to the Great Recession of 2008. BIPOC homeownership was at the lowest rate in the Twin Cities compared to Greater Minnesota and the U.S. The data aligns with the deep disparities faced by BIPOC people in Minnesota**.** The pattern in Figure 2 reflects a homeownership gap between White and BIPOC homeowners in the Twin Cities, Minnesota, and the U.S. The pattern is consistent with the argument that homeownership rates between White and BIPOC people indicate inequity and disparities.

Figure 3 provided a more detailed perspective into homeownership between Black, White, and IPOC homeowners. The data in Figure 3 gave a deeper view into the Black homeownership gap. From 2000 to 2019, Black homeownership rates were the lowest compared to White and IPOC homeownership rates. The most important data is that White homeownership was always three times more than Black homeownership from the housing boom to the Great Recession and finally to 2019. From 2000 to 2019, the White homeownership rate ranged between 75.6% to 75.3%, and the Black homeownership rate ranged between 32% to 25.3%.

Finally, the data also measures homeownership rates by income and a separate data set assessing the percent of the population living under the federal poverty level. The homeownership rate by annual income data does not indicate race and ethnicity. Based on the literature, wealth inequality and income exist. The data shows that homeownership increases with income. The data measuring households living under the federal poverty level indicated that

Black and Indigenous/ American Indian households had higher rates. Poverty perpetuates, especially when there is a lack of systemic and wealth-building solutions. Comparatively, White households were well below the federal poverty level at rates between 5%- 7% from 2006 to 2019.

Grounding Framework

CWB *Framework*

CWB is a community-based economic development strategy. It offers opportunities for systematic economic transformation that are embedded in community values. CWB also offers a more holistic approach to traditional economic development. CWB aims to democratize ownership of wealth from the ground up. Steve Dubb, a Senior Fellow at The Democracy Collaborative, explained that “CWB is an asset-based approach that works to address economic inequality and poverty by investing and building upon existing local talents, capacities, capital, and expenditure flows to develop community-owned businesses that are anchored in place” (2016, p.6). This strategy offers more sustainable approaches for communities. CWB can be an effective strategy when driven by communities and their leaders. CWB is rooted in place-based economics and democratic participation. CWB became practice as income and wealth disparities rose and community members were looking for strategies to revitalize struggling neighborhoods (Dubb, 2016, p.3). The CWB approach is different from individual asset-building initiatives because it considers broad-based approaches that center the community and view culture as an asset. It takes on a holistic approach that centers on restoring local wealth through a myriad of avenues like housing, food justice, or workforce development. Traditional economic development strategies prioritize profits over people and contribute to the wealth gaps that Black communities continue to face. Below is a table[5] that compares and contrasts the different approaches of CWB and traditional economic development with the different drivers (place, ownership, multipliers, collaboration, inclusion, workforce, and systems). CWB is not a get-rich scheme but rather an approach that recognizes a community's well-being over the increasing profit that only benefits a few. The seven drivers work together to move away from the traditional economic systems and create a new system where the community has the opportunity to thrive collectively.

CWB Strategies		Traditional Economic Development Strategies
Develops under-utilized local assets of many kinds, for the benefit of local residents.	Place	Aims to attract firms using incentives, which increases the tax burden on local residents.
Promotes local, broad-based ownership as the foundation of a thriving local economy.	Ownership	Supports absentee and elite ownership, often harming locally owned firms.
Encourages institutional buy local strategies to keep money circulating locally.	Multipliers	Pays less attention to whether money is leaking out of the community.
Bring many players to the table: nonprofits, philanthropy, anchors, and cities.	Collaboration	Decision- making led primarily by government and the private sector, excluding local residents.
Aims to create inclusive, living wage jobs that help all families enjoy economic security.	Inclusion	Key metric is the number of jobs created, with little regard for wages or who is hired.
Links training to employment and focuses on jobs for those with barriers to employment.	Workforce	Relies on the generalized training programs without focus on linkages to actual jobs.
Develops institutions and supportive ecosystems to create a new normal of economic activity.	System	Accepts the status quo of wealth inequality, hoping benefits will trickle down.

Table 1: illustrating the difference between CWB strategies and Traditional Economic Development Strategies

CWB offers strategies and solutions that promote wealth and sustainability for the community. The strategy helps create a new vision for an economic system where shared ownership and control creates more equitable outcomes for the community. CWB supports

[5]Table 1 was adapted from *Shelterforce's* graphic on the differences between CWB and traditional economic development.

democratic collective ownership through a range of models, including worker cooperatives, housing cooperatives, farm cooperatives, investment cooperatives, community land trusts, Community Development Financial Institutions, and credit unions or community-centered banks, and a relationship with anchor institutions along with municipal and local support to enact system economic change (Guinan & O'Neill, 2019). CWB comes in different forms, and when it is practiced and executed with intentionality, and centers community, there are opportunities for transformative change. I will be using a CWB as a framework as a foundation for the recommendations to increase homeownership opportunities for Black Minnesotans.

Recommendations

It is imperative to uplift and amplifies CWB strategies being utilized in the Twin Cities. It is time that more local organizations, philanthropy, and local governments embedded this strategy. There are organizations in the Twin cities have been engaged in this work and have proven that CWB is effective when it is led and run by the community, For example, Nexus Community Partners[6], a local Black-led and BIPOC majority intermediary, uses a CWB framework to challenge practitioners, community leaders, and investors to think and act differently about community revitalization in ways that are culturally relevant and promote economic justice (Nexus Community Partners, n.d.). Nexus' CWB framework also acknowledges how systems impact wealth inequities. According to a Nexus report about strengthening the local economy, Nexus also centers and values cultural practices in CWB. Economic strategies must be tailored for the specific communities they are designed to benefit

[6] **Appendix C** includes a graphic with Nexus Community Partner's values and principles that guide the organization's CWB strategies.

(Gaarder, 2015.). Culture is a resource for creating and expanding wealth-building options.

A large component of CWB is working alongside the community and working alongside partners. There is an ecosystem of community wealth-building partners and practitioners throughout the Twin Cities metropolitan area, including Northside Economic Opportunity Network, Hope Community, Appetite for Change, City of Lakes Community Land Trust, African Economic Development Solutions, Hmong American Farmers Association, and more. This method of CWB is culturally based, and it is an ecosystem-based approach. This is not a top-down approach; it is an approach led by the people that live and are represented by the communities.

It is essential that community-led organizations, philanthropy, and government support CWB practices when addressing homeownership disparities in Minnesota. It is also imperative that federal, state, and local policies also lift and offer this housing model to promote affordability and sustainability. The situation in Minnesota is dire, especially when the Black homeownership rate is three less than the White homeownership rate. The wealth gap and homeownership will continue to increase unless we amplify the community-centered practices that exist within the CWB framework. Communities need more engaged, value-based, and culturally based strategies that center and put them first. Minnesota cannot afford to further marginalize and disenfranchise Black communities that call this state home. The use of cooperatives and community land trusts offers more attainable and more sustainable options that will build generational wealth.

Cooperatives

Cooperatives are essential in creating community and collective wealth in Black communities. They also have an extensive history in Black communities despite the whitewashing their history. American Economist and Cooperative Scholar Dr. Jessica Gordon Nembhard described cooperatives as companies that are owned by the people who use their services which are made up of member-owners gathered for a particular purpose; to satisfy an economic or social need at an affordable price (2014, p.2). Founded in 1895, the International Cooperative Alliance (ICA) determined the seven cooperative principles and values that cooperatives govern by. The cooperative principles include voluntary and open membership, democratic membership control, members' economic, participation, autonomy and independence, education, training, and information, cooperation among cooperatives, and concern for community; the values include self-help, self-responsibility, democracy, equality, equity, and solidarity (ICA, n.d.). One of the most critical cooperatives features is one member-one vote- ensuring a democratic process within the cooperative.

In Nembhard's book, *Collective Courage, A History of African American Cooperative Economic Thought and Practice,* she traces back Black cooperative history to the enslavement of African people citing the underground railroad, mutual aid societies, and more different forms of cooperation. Cooperatives were often used as a means of survival in Black history. The collective history of pooling resources for survival is familiar in some cultural communities. There is power in resident-controlled community ownership models that are permanently affordable and provide dignified housing options for Black communities. Through these strategies, communities can start to rebuild wealth and also engage in permanently affordable and community-controlled land and co-op housing that will provide a space for communities to have access to spiritual, cultural, and economically sound options.

Housing Cooperatives

Housing cooperatives form when people join on a democratic basis to own or control the housing or community facility where they live. Housing cooperatives can be made affordable and still allow for individual home equity (Nembhard, 2014, p.107). Cooperative housing offers an attainable housing solution. Cooperative housing can serve as a viable, affordable housing solution. The cooperative structure is unique because it offers an accessible purchasing option. The Metropolitan Council Affordable Homeownership Report found that:

> Unlike traditional homeownership arrangements, individual households do not need to take out a mortgage to access housing in a co-op. The co-op itself holds the mortgage, with members paying their share of the overall cost. There are no "closing costs" and other transactional fees when a unit changes hand (2019, p11).

The most affordable form of the housing cooperative is limited equity cooperatives (LEC). A LEC limits the resale value of membership shares to keep them affordable and restricts purchasers to those within certain income limits. There were 11 limited-equity co-ops in Minneapolis in 2015 (Grounded Solutions Network, 2019, p.11). Cooperatives are widespread throughout this state and housing cooperatives are not a new or unique solution for the state of Minnesota. This means that communities do not have to recreate the wheel when thinking about cooperative housing for Black Minnesotans as one form of ownership method.

Minnesota has friendly cooperative laws. According to the City of Minneapolis, by almost every measure, Minnesota is a national leader in the cooperative field with over 1,000 cooperatives of various industries across the state (Minneapolis Office of Community Planning and Economic Development, 2016, p.7). In terms of housing co-ops, the inventory and assessment from the Minneapolis Office of Community Planning and Economic Development found that there were 35 housing cooperatives located in Minneapolis, which include apartments and multi-family housing units (2016, p.15).

There is momentum in the Twin cities to reclaim unaffordable housing and inadequate housing options: Inquilinxs Unidsx por Justicia (IX) or United Renters for Justice. IX is an organization that has fought for adequate and affordable housing by getting rid of a slum landlord Stephen Frenz and pushing the City of Minneapolis to pass an affordable housing right of first refusal ordinance in 2019 (Desmond, 2020). IX is forming a housing cooperative that will be owned and managed by the tenants. They are also organizing with communities in north Minneapolis after seeing success with their organizing efforts in South Minneapolis. The building is currently operating as a cooperative and provides a more affordable and sustainable option for the previous tenants, who are now cooperative owners. The reduced rate and limited-equity, co-op members, share ownership and gain equity on the property.

A large portion of a housing cooperative's appeal is the affordability and economic advantages. Compared to traditional homeownership or even traditional rental models, housing cooperatives offer a lower down payment or member shares, lower closing cost, and longer mortgage term. This cooperative and collective ownership model does not center profit-making strategy. Collective ownership centers the value of housing as a human right and not a commodity. Collective ownership is a practice of economic democracy and economic justice. The use of housing cooperatives as a Black homeownership strategy centers on creating Black-led and Black-owned housing based on stewardship and mutuality. In addition, cooperatives play an important role when the is a housing shortage, recessions, economic downturns. As mentioned, cooperatives have a deep history in the Black community. The use of housing cooperatives as a Black homeownership strategy acknowledges the history and calls into practice a means of existing in a collective way that will enrich the community and the following generations. Housing cooperatives offer an opportunity for ownership and wealth building

Community Land Trusts

The City of Lakes Community Land Trust defines a land trust as:

> A nonprofit, community-based organization that works to provide perpetually affordable homeownership opportunities. CLT acquires land and removes it from the speculative, for-profit real estate market. CLT's hold the land they own "in trust" forever for the benefit of the community by ensuring that it will always remain affordable for homebuyers. (n.d.).

CLT's offer affordability and stability for homeowners that would often not be able to participate in the traditional housing market. The first land trust in the U.S. dated back to 1969 and grew out of the Civil Rights Movement. New Communities, Inc., a collective farm located in Albany, Georgia, is widely recognized as the first model for land trusts. New Communities Inc's legacy continues to live on, and today, the U.S. has robust land trusts (New Communities Inc., n.d.).

There are five community land trusts currently operating in the Twin Cities metropolitan area, and each approaches the work differently. The CLTs include the City of Lakes Community Land Trust (CLCLT), Homes Within Reach (HWR), Carver County Community Land Trust, Two Rivers Community Land Trust, Rondo Community Land Trust (Grounded Solutions Network, 2019, p. 6). CLT's offer affordability and stability for homeowners that would often not be able to participate in the traditional housing market. The map[7] below illustrates the areas

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[7] Map retrieved from Carver County Community Land Trust, Homes Within Reach, Two Rivers Community Land trust, Rondo Community Land Trust

in the Twin Cities and greater Minnesota that are served by CLTs. The reach has increased over the years as they have gained more support and recognition from public entities.

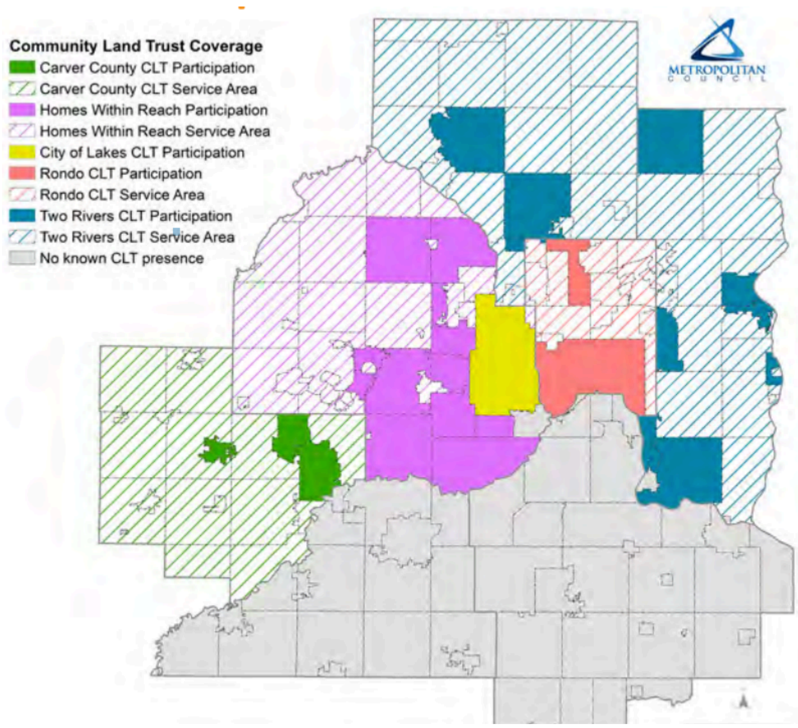

Figure 6: Image of the map illustrating CLTs and regions they service throughout Minnesota.

Land trusts offer an innovative method of ownership. The structure works by separating the ownership of land and housing, which prevents market factors from causing prices to rise significantly and guarantees that housing will remain affordable for future generations (Democracy Collaborative, n.d.). CLTs play a critical role in building community wealth. They provide people with the opportunity to build equity through homeownership. Because of the length of the land lease, CLT's provide permanently affordable housing. This ensures that existing communities that have faced disinvestment can remain in the neighborhoods despite any changes that occur, such as gentrification and revitalization. Lastly, CLTs also protects owners from economic downturns because people are not overextended; thus, foreclosure rates for land trusts have been as much as 90 percent less than conventional home mortgages (Democracy Collaborative, n.d.). More importantly, land trusts led by Black people will take the land and property out of the speculative market and helps hold the property in perpetuity. The Land Trust Alliance, an organization that advocates for Black land trusts through policy and education, stated that:

> This comprehensive program is designed to reduce the rate of African American land loss by educating landowners in five specific areas: clear land ownership, intergenerational land protection and estate planning, easements and other conservation tools, intergenerational financial management and green economies, and 21st-century options for land use (McGrory-Klyza, n.d.).

Homeownership through CLT is a means to ownership and creating lasting community wealth. Similarly to housing cooperatives, CLTs offer opportunities for collective community ownership of land. CLTs are viable options to provide economic securing because of the affordability built into their structure.

Conclusion

The CWB strategies of housing cooperatives and CLTs open the possibilities to more attainable and sustainable means of ownership. It is lasting affordability that can withstand economic downturns and keep Black homeowners safer compared to the past when they were more vulnerable. Housing inequality is a driver for growing inequality and increases wealth for homeowners while driving non-homeowners into greater debt and poverty. States should establish strategies to address obstacles to the right to housing, such as discrimination, predatory lending, and land grabbing to achieve justice and equitable living. Discriminatory housing exacerbates and reinforces inequality and deprives Black communities of owning housing or land, which is perpetuates inequality.

The CWB housing strategies of housing cooperatives and CLTs are rooted in history, and they are rooted in values. Black cooperatives were often used as a means of survival because Black people were excluded from market systems, so they built solidarity economies as a means of survival. Black housing cooperatives and community land trusts are a practice of reclaiming the history and legacy once practiced and using it to build collective communities. They are also more sustainable and offer more long-term solutions, so communities have the chance to build wealth over time. They increase homeownership options and offer lasting impacts of affordability. The Twin Cities metropolitan area has CWB organizations that are community-led. The cities also have incredible programs that offer cooperative housing and community land trusts. These programs are rooted in the community and are driven by values. There is an opportunity to strengthen these programs and broaden the approaches moving forward.

This is a call to government leaders and key stakeholders who need to engage in dialog about the opportunities that CWB provided compared to traditional economic models. They need to invest in CWB strategies such as housing cooperatives and land trusts and let the people most impacted steward the process. This is one way to start centering Black homeowners and start to generate wealth in the Black community. It is time that Minnesota makes intentional efforts to decrease the racial disparity gaps. This is not re-inventing the wheel; it is just opening broad-based and community-based opportunities that center Black Minnesota and offer the chance to build long-lasting wealth.

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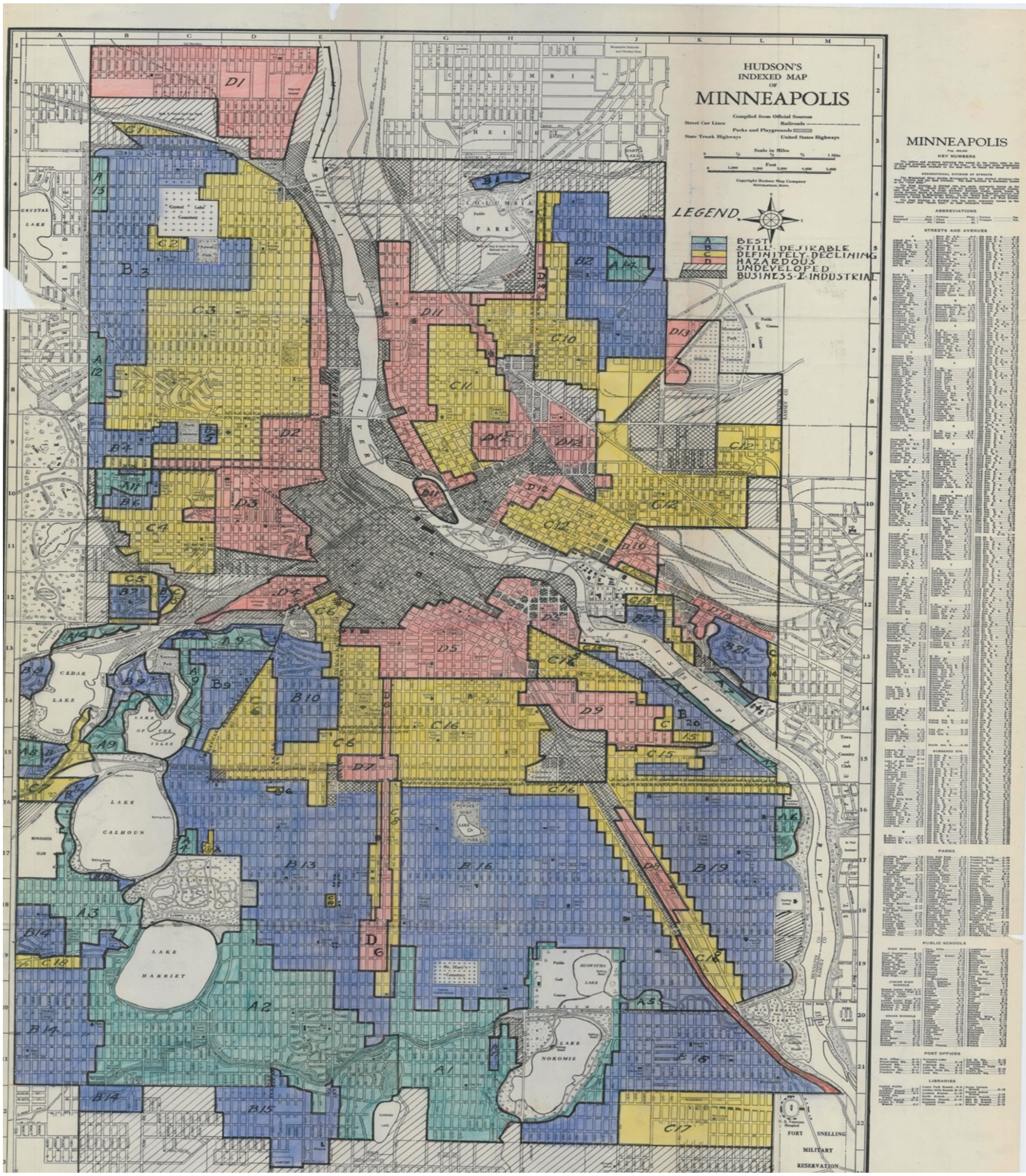
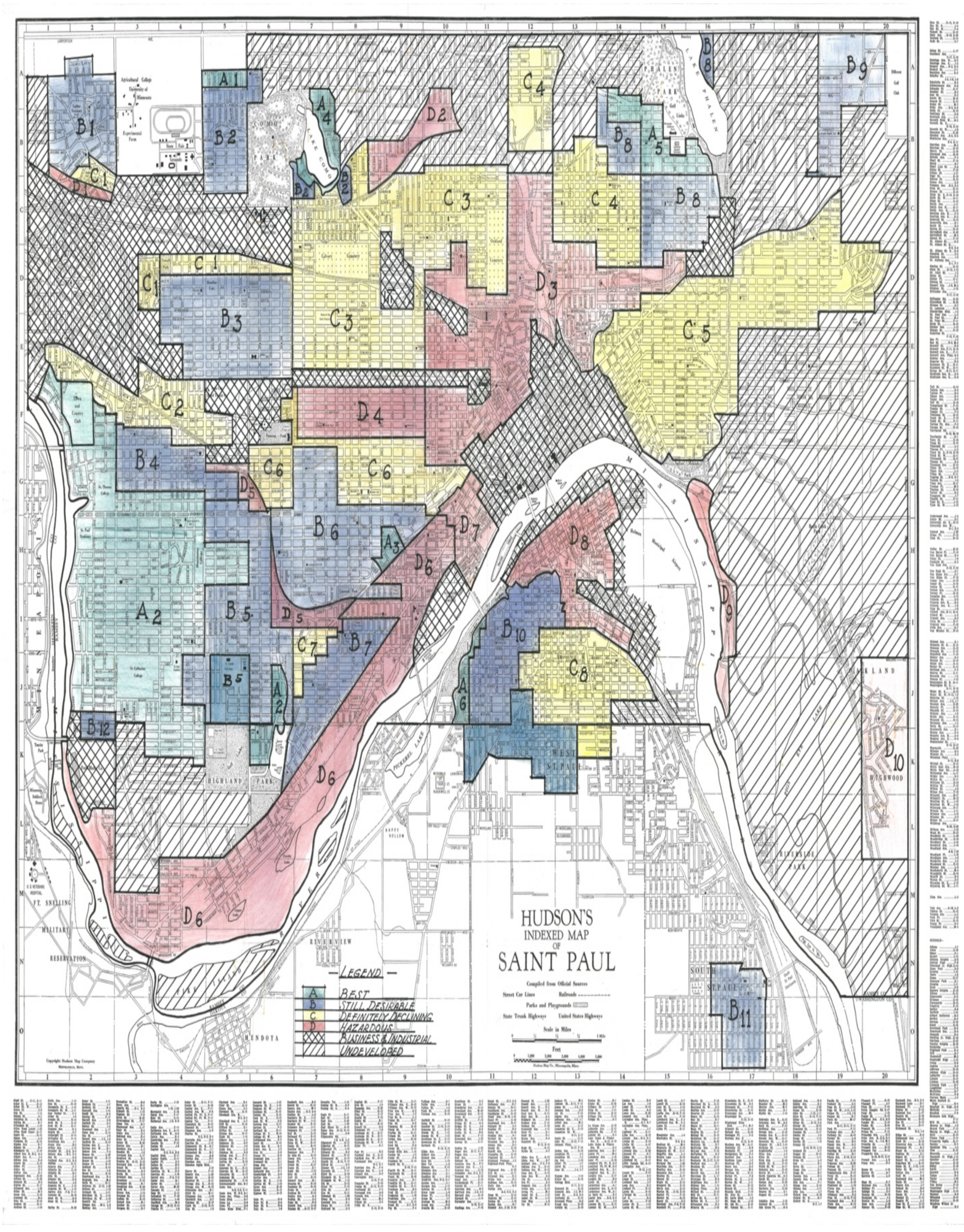
Appendices

Appendix A

HOLC map of Minneapolis indicating areas that were redlined.



Appendix B
HOLC map of St. Paul indicating areas that were redlined.



Appendix C

Example of CWB values and principles from local organization, Nexus Community Partners.

COMMUNITY WEALTH BUILDING

VALUES & PRINCIPLES

EQUITY

Equity must necessarily be the central lens for the work in order to take full advantage of opportunity structures, and truly eliminate racial and economic disparities. We all do better when we all do better.

CULTURAL PRACTICES

Cultural practices hold solutions. Economic strategies must be tailored for the specific communities they are designed to benefit. Culture is a resource for creating and expanding wealth building options.

LOCAL OWNERSHIP

Local ownership increases the circulation of resources "within" community and builds more resilient economies. This fosters individual and family wealth, helps stabilizes economies, and strengthens ties between people and place.

DEVELOP COMMUNITY ASSETS

Develop productive community assets that support multiple wealth building strategies and systems. Create multi-lane strategies that reinforce one another, and contribute to the "economic fabric" of community. Education and training are key variables.

ANCHOR INSTITUTIONS

Anchor institutions are key partners to community wealth creation. Anchor institutions that have a sense of mutual exchange and "interdependence" with community can be instrumental in shaping the neighborhood's long-term economic viability.

POLICY, SYSTEMS AND LEADERSHIP

Policy, systems and leadership must shift to realize sustainable change. Policy making tables should reflect the communities they are designed to impact. Formal leadership development pipelines are fundamental to achieving sustainable change.

MUTUALITY

Mutuality should be at the center of all partnerships and shared efforts. Understand that mutual care and responsibility are core ingredients to civil and communal life and work.

STEWARDSHIP

Stewardship moves residents to a place of being both consumers and producers in the economy. As stewards of local wealth, residents exercise roles of economic governance and responsibility.

nexus
COMMUNITY PARTNERS