
NEIGHBORHOOD REVITALIZATION PROGRAM

EVALUATION REPORT

PHASE ONE: 1990-1999

TEAMWORKS

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EXECUTIVE SUMMARY

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EVALUATION HIGHLIGHTS

- According to a survey of over 1,100 households, sixty-six percent of adults in Minneapolis report they have heard of NRP.
- NRP has a significant positive impact on residents' ratings of how many conditions (e.g., providing parks and recreation) are getting better in their neighborhoods.
- There are some sharp differences between residents of the three NRP neighborhood types in how highly they rate their current neighborhoods. In protection neighborhoods, 65 percent of residents rate their neighborhoods as "excellent" and 94 percent as "excellent" or "good." The corresponding numbers for revitalization neighborhoods are 31 percent and 79 percent, and for redirection neighborhoods they are 11 percent and 56 percent.
- Spending NRP money on planning and on communication activities in particular seems to be useful in encouraging citizen participation.
- By June 30, 1999, of \$170 million allocated based on adopted plans, more than \$75 million was expended. More than \$50 million in early monies was given to neighborhoods, totaling 27 percent of all NRP funds. Thus far, the rate of spending is consistent but quite moderate.
- Redirection neighborhoods, which are identified as having the greatest level of needs, were, on average, funded at a level about 2.5 times those considered to be in the best initial condition. Revitalization neighborhoods were funded at about 1.5 times the protection-neighborhood level.
- More money was consistently allocated to neighborhoods with greater levels of poverty, higher percentages of substandard dwelling units, and higher concentrations of people of color and youth.
- As of September 1999, housing and housing-related activities constituted nearly 46 percent of NRP allocations, followed by economic development at 15 percent. The allocation for housing and housing-related activities falls short of the statute requirement of 52.5 percent.
- Between 1990 and 1999, NRP expenditures made a significant difference in the size of increase in homeownership rates in Minneapolis neighborhoods. All neighborhoods gained more homeowners than they would have without NRP.

- As measured by building permits, NRP expenditures had a significant impact on the increase in repairs and improvementss in the Minneapolis housing stock between 1992 and 1997.
- In sixteen neighborhoods for which data were available, home improvement assistance monies were not generally targeted to people with high degrees of need as measured by household income.
- During NRP's planning stages, two-thirds of the NRP organizations spent less than \$10,000 annually on their personnel costs. On average, organizations spent \$8,846 per year during planning. On average, redirection neighborhoods spent nearly three times as much as protection neighborhoods and one and one-half times as much as revitalization neighborhoods, on annual personnel costs.
- In general, neighborhoods that spent more money annually on personnel also received plan adoption in a shorter period of time.
- During implementation, neighborhood organizations spent \$11,317 per year on personnel costs. Also during implementation, personnel costs account for a smaller percentage of overall expenditures than during the planning phase.
- Limited progress has been made toward achieving public service redesign goals. As a result of MCDA and NRP organizations working together, there are more housing finance products (i.e., housing improvement loans and grants) available. Other areas where public service redesign took place were in the Department of Public Works (street lighting) and in the Department of Operations and Regulatory Services, Inspections Division (housing demolition procedures).
- Similarly, limited progress has been made toward intergovernmental collaboration. The one area of notable progress is with the Minneapolis Public Schools and the Minneapolis Park and Recreation Board.

OVERVIEW

INTRODUCTION

The following is the executive summary of a comprehensive evaluation of the first decade of the Neighborhood Revitalization Program (NRP), an innovative program started in 1990 “to make the city’s residential areas better places to live, work, learn and play.”¹ NRP emerged as a response to growing concerns in the mid-to-late 1980s regarding growing blight, crime, the decline of the public schools, and the flight of the city’s middle class to Minneapolis’s suburbs. In 1990 the Minnesota state legislature and the city council established the NRP and dedicated \$20 million a year for twenty years to fund its activities in the city’s eighty-one neighborhoods. NRP is governed by a joint powers agreement between five jurisdictions: the City of Minneapolis, Hennepin County, Minneapolis Public Schools, Minneapolis Park and Recreation Board, and Minneapolis Public Library.

Citizen empowerment through neighborhood-based planning is at the heart of NRP. Neighborhood residents organize and work with others, for example, businesses and government, to identify needs, set priorities, identify resources, and implement solutions to enhance the city’s livability.

The full evaluation report has seven chapters. This executive summary largely reproduces the report’s overview (Chapter One) and its recommendations (Chapter Seven). This summary presents the goals of NRP, provides a description of the overall research design, details the program’s theory of change, and has the key findings of each of the remaining chapters. Included are summaries of each of the chapters, designed to provide sufficient detail to understand what was studied and what was learned. Chapter Two, NRP Fund Use and Distribution, examines the “outputs” of NRP as defined by how money has been allocated and how it has been expended. The chapter explores how money has been targeted in neighborhoods and includes a study of beneficiaries. Chapter Three, Capacity, is an analysis of the levels of administrative support for program spending during the planning and implementation stages. Chapter Four, Sense of Place, contains several studies that examine the level of investment in Minneapolis’s neighborhoods, residents’ perceptions of their neighborhoods, and citizen participation. Chapter Five, Public Service Redesign, has two sets of studies that investigate how NRP has affected local government. There is a case review of the Minneapolis Community Development Agency and a review of redesign in the Department of Public Works and in the Department of Operations and Regulatory Services, Inspections Division. Chapter Six, Intergovernmental Collaboration, is a case review of joint projects being conducted by Minneapolis Public Schools and the Minneapolis Park and Recreation Board with several neighborhoods. And, Chapter Seven (reproduced in this executive summary), Recommendations, compiles our suggestions for future monitoring of NRP activity and offers actions to further its impacts. The appendix to the full evaluation report includes a

¹ The full evaluation report is available on NRP’s website, www.nrp.org.

copy of the final report from the random telephone survey of 1,100 households that was commissioned by TEAMWORKS to learn how Minneapolis residents feel about where they live.²

We start with a notable finding from the citywide survey: *two-thirds of Minneapolis adults say they have heard of NRP.*

NRP GOALS

There are four goals in the NRP Primer.³ These are the overarching goals that have guided the program from its outset. In preparing the “request for proposals” for this project, three other goals were distilled from a review of official documents by the NRP Evaluation Task Force, a Policy Board-authorized work team.

Goals from the NRP Primer are

- to build neighborhood capacity;
- to redesign public services;
- to increase intergovernmental collaboration; and
- to create a sense of place in the neighborhoods.

The three other goals are

- to improve the lives of the citizens of Minneapolis and enhance neighborhood stability;
- to bring neighborhoods to a level at which they will attract private investment; and
- to improve the physical characteristics of neighborhoods, especially as embodied in infrastructure and housing.

THE EVALUATION RESEARCH DESIGN

The research design for the evaluation was based upon an extensive review of documents, interviews with a wide range of stakeholders, analysis of the NRP database, tours of several neighborhoods, findings from a focus group, and input from the Evaluation Oversight Committee.⁴ TEAMWORKS read key historical documents such as the committee reports that outlined the initial program design for NRP, the authorizing statute, the joint powers agreement, and the city ordinance. We also examined a sample of the plans, memoranda explaining neighborhood allocations, key policy documents of the Policy Board, and other materials related to the roles played by various actors in the

² The citywide survey had a base of respondents (a total of 1,102 households), the normal sampling error of which is 3 percent at the 95 percent confidence level.

³ See Appendix A for a copy of the NRP Primer. This document includes a helpful glossary of terms used in this report.

⁴ A committee composed of Policy Board members and the private funders that contributed support to this evaluation (The McKnight Foundation and The Minneapolis Foundation).

program. We had the benefit of being trained on how to access NRP's database and enjoyed maximum opportunity to explore both the structure of the system and its data.

We interviewed over forty people, gathering essential history and diverse views on the evolution of the program. Our interviews included the initial framers of NRP's program design, the NRP staff director and the staff database specialists, elected officials (council representatives and the mayor), city department staff, Policy Board and Management Review Team members, neighborhood representatives, and others. A focus group of neighborhood representatives was organized by two of the Policy Board members and facilitated by a member of our team. Two meetings were conducted with the Evaluation Oversight Committee to gather input on questions and issues to cover in the interviews during the research design phase and suggestions regarding whom to interview.

This initial design stage led to TEAMWORKS providing the Evaluation Oversight Committee with a set of options for studies. Each study's approach was described, specifying its strengths and weaknesses against such criteria as responsiveness to the committee's interest in output types of information (rather than process), ability to generalize findings, availability of data, and cost. Agreement was reached on a set of over ten studies designed to address the progress NRP is making toward achieving its goals. Key to the overall evaluation approach would be the availability of data, from NRP as well as from the various jurisdictions that are part of the joint powers agreement.

As noted above, each chapter of this document details a specific set of research questions and the methodologies selected to answer them. The information-gathering techniques ranged from multivariate statistical analysis to interviews to a citywide telephone survey and document review.

The evaluation draws heavily upon data provided by NRP, from various city agencies and departments, and from other sources such as the U.S. Census. NRP has made a significant investment in a database designed to track allocations and the various activities supported with the program's funds. The database, known as PlanNet, attempts to capture an enormous scope of information at an extraordinary level of detail. NRP staff have had challenges obtaining consistent and high quality data from neighborhood organizations that often have limited staff and time to gather such data. Nevertheless, it is evident from our work that NRP staff have worked assiduously to maintain a viable database. We found this data essential for Chapter Two's examination of the status of NRP and for the study of targeting.

The NRP database, however, has its limitations. The most critical is that the database does not include physical output data. For example, it did not include information on housing outputs such as numbers of housing loans and units of housing produced. At the request of TEAMWORKS, NRP undertook the development of a basic database for housing outputs. Our work points out that this is an area where greater attention needs to be paid given the obligations associated with NRP expenditure on housing and the public's interest in outputs. A similar situation arose with data needed for the capacity

study (Chapter Three). Here, too, NRP staff responded by developing a database of personnel and various administrative costs.

In addition to NRP's database, TEAMWORKS drew upon other sources, including the Police Department, the Office of the Assessor, and the Department of Operations and Regulatory Services, Inspections Division. We were aided significantly by Minneapolis's investment in maintaining data and by its use, across its agencies, of the same set of neighborhood identification codes. But here, too, there were some limitations. Occasionally data were not available for the period of time we sought to cover, or they were not provided at the neighborhood-level unit of analysis. All of the data required extensive reformatting for the studies. Lastly, the studies used the U.S. Census for demographic information. The data sets are from the 1990 census, which provides the only true counts for race, housing, and other data—particularly at the level of analysis that was required.

The evaluation design also included a citywide telephone survey and several case studies. TEAMWORKS proposed conducting a citywide telephone survey in order to assess residents' perceptions of how their neighborhoods were faring, despite the challenge of correlating their perceptions with NRP. Such a survey promised to be the key means for determining feelings, and with random sampling techniques it would allow for generalizing findings to the "universe" of all Minneapolis citizens. TEAMWORKS worked with Minnesota Opinion Research, Incorporated (MORI) to develop a questionnaire that was successfully administered to 1,100 households. Finally, case studies were conducted to assess two of the NRP Primer goals—public service redesign and intergovernmental collaboration. In total, including the survey, nearly 1,300 people provided input into this evaluation.

The following describes the context in which NRP emerged. An initial assignment to TEAMWORKS was to determine NRP's "theory of change." This finding was presented in the proposed research design (submitted April 1998) that was used as the basis for selecting the evaluation study's approach.

NRP'S "THEORY OF CHANGE"

From the interviews carried out during this research design phase and a review of such key formative documents as the Twenty-Year Revitalization Plan and the statute authorizing the creation of the NRP, thoughts about the need for a comprehensive neighborhood revitalization program grew out of:

- a view that people were losing their sense of connection to their neighborhoods;
- concern about increased blight;
- diminished federal resources available for addressing neighborhood needs, most particularly, housing; and
- rising pressure from neighborhood leaders, who said that downtown was booming and the neighborhoods deserved more attention.

Within each of these concerns were nested many others. Thus, blight was linked to the loss of middle-income families to the suburbs while there was an increased in-migration of lower-income people. Clearly demographics were changing, and Minneapolis was then in the early stages of sudden changes in racial and ethnic make-up. Embedded in the rising distress of neighborhoods was a view that the Minneapolis Community Development Agency was overly subject to the political priorities of the city council and out-of-touch with neighborhood needs.

Evolving Theories of Change

Given the context, there were four factors that played a major role in shaping the NRP's initial program design. Three of these were the mechanisms that had been established to conceive the program. The three mechanisms were the Neighborhood Housing and Economic Development Task Force (1987), the Twenty-Year Revitalization Program Implementation Advisory Committee (1988), and the Technical Advisory Committee (1989). Although it may seem obvious, as the membership of the three program planning entities changed so did the philosophy of the best ways to arrest the growing destabilization of neighborhoods.

The fourth critical factor affecting the program design was the ability to access significant resources, specifically tax increment monies to finance the program. In 1990, the state legislature and the city passed laws and ordinances establishing the Neighborhood Revitalization Program and authorizing the use of resources from the city's tax increment districts. The authorizing legislation was notably flexible, though it did specify that 52.5 percent of all NRP funds had to be spent on housing programs and related activities.

Neighborhood Housing and Economic Development Task Force

In 1987 the mayor and city council established the Neighborhood Housing and Economic Development Task Force. This committee was charged with developing an approach to stabilizing and revitalizing the city's neighborhoods. Its members were mainly people associated with affordable housing, that is, nonprofit neighborhood developers, for-profit developers, and representatives from financial institutions. As a group, they shared considerable experience with various federal programs, categorical and otherwise, that had been used to finance neighborhood revitalization efforts since the 1960s.

Members of this group were especially cognizant of the dramatic changes in federal financing for affordable housing. During the late 1960s up to the mid-1970s, cities could look to the federal government for aid through such as programs as Model Cities, revenue sharing, and a host of specific housing programs that provided incentives for for-profit entities to invest in housing for lower-income people. By the late 1980s, the main sources for financing were the Community Development Block Grant and the Low Income Housing Tax Credit. Thus, there were fewer programs and resources, while needs were escalating.

The task force's members did not expressly articulate a theory of change, but it was implicit in their conceptualization of what would be required to stem the decline. In essence, their approach called for: (1) an emphasis on physical revitalization, that is, making rebuilding housing stock a priority; (2) concentrating (targeting) resources to areas of need; (3) involving neighborhoods in making decisions about their own needs; and (4) making a sustained commitment, projected to be twenty years (this was based on a reportedly successful paving program, which was initially planned to take twenty years). Finally, the task force held that significant net new resources were required, an amount estimated in the billions, to realize the goal. To a large degree, the approach favored by the task force was modeled on their experiences. The theory was that making investments in physical change, especially upgrading housing in blighted areas, would successfully arrest neighborhood decline.

Implementation Planning

The next stage was to develop an implementation plan. Before the task force could proceed, however, neighborhood organizations through the Minneapolis Neighborhood Working Group expressed their concern about the composition of the task force. The task force was consequently reconstituted as a fifteen-member Twenty-Year Revitalization Program Implementation Advisory Committee with a majority of representatives (eight) from neighborhoods. Though this group included nonprofit and for-profit developers and people associated with financial institutions, most of the new members included representatives from neighborhood associations.

The Implementation Advisory Committee met for a period of about nine months (summer 1988 through spring 1989). Our interviews and review of documents show that this group had a somewhat different set of emphases than its predecessor. Although there is attention paid to addressing physical needs, this group's revitalization approach included: (1) a focus on social factors such as reducing crime, improving education, and sound environmental practices; (2) a greater emphasis on neighborhood-based planning; and (3) the need to redesign public services so that better information was available and services were more responsive. The committee's final report underscores that its "plan proposes a new strategy rather than new programs."

The approach is decidedly citywide and is described as "coordinated and concentrated," realigning service delivery and focusing on the "sub-neighborhood, 'village' scale as a basic unit of neighborhood revitalization." There is no targeting to the areas of greatest need. Though it references focusing on sub-neighborhood scale, the village concept was not integrated into the rest of the approach. Much of the report is devoted to providing an elaborate and graphic description of the planning process that each neighborhood was expected to undertake. An example of how the anticipated planning process would work in a hypothetical neighborhood calls for "five workshops over three months."

The report assumes that resources would be reallocated when decisions were made by neighborhoods. In fact, this was to be an indicator of the changes in delivery of services and interagency cooperation. Accompanying scenarios focus on the potential for philanthropic support, citing the United Way, The Minneapolis Foundation, and the

Dayton-Hudson Foundation as examples of organizations that could be attracted to fund projects.

Technical Advisory Committee

Another group headed by the administrative deputy to the mayor, the Technical Advisory Committee, was formed to further develop the implementation plan. This body conceived the governance and administrative framework for NRP. It elevated the need for coordination across jurisdictions, and its membership included representatives from the schools, libraries, county, and parks, as well as from the Minneapolis Community Development Agency, the police, and other agencies. To be sure, though “coordination” like citizen participation is a theology that few would oppose, it has special meaning in Minneapolis, as many interviewees observed that the city’s government structure is highly decentralized.

The emphasis on coordination is mirrored in the committee’s recommendation for how the Policy Board would be composed (“. . .16-person Policy Board will comprise the Mayor and the presiding officer of each of the major elected boards in Minneapolis. . .”). An Implementation Advisory Committee was to be formed, composed of department heads and key staff of the participating organizations, which would provide technical assistance. Importantly, the Implementation Advisory Committee was expected “to approve citywide goals into which all Neighborhood Action Plans must fit.” The total staff for NRP was expected to consist of four people: a program director, two assistants, and one clerical aide.

Thus, the approach to developing a program to stabilize and revitalize Minneapolis’s neighborhoods underwent a metamorphosis. The initial set of assumptions included amassing new resources, focusing those resources on physical redevelopment, targeting resources to the neediest locations, and encouraging citizen participation in planning. The assumptions emphasized aiding specific hard-pressed neighborhoods rather than spreading resources citywide. The provenance of this approach can be found in the federal urban betterment programs of the 1960s. These programs were known to have their flaws. But they had their considerable strengths, and it was believed that Minneapolis could take its own ample talents and its successes from its downtown and translate that to the neighborhoods.

The new set of assumptions, embedded in the work of the Implementation Advisory Committee and Technical Advisory Committee, suggested that change had to come from within, that is, in how the city did its business, its relationship with other agencies, how it engaged neighborhoods, and how partnerships were developed with the foundation and corporate sector. There would be no net new resources; it would not be a new program. The emphasis was far more on process and giving neighborhoods maximum flexibility. It didn’t call for building ongoing or deep capacity to plan (the hypothetical model of planning in the report called for five workshops over a period of three months). There was a continuing reliance on the city to implement programs, as the concept did not address any needs to further capacity for implementation in the neighborhoods.

Tax Increment Financing

The final ingredient tossed into the mix was the availability of tax increment funding. On the one hand the program was expressly designed to operate without funding; on the other hand there were now massive resources. Importantly, these resources come with certain strings attached. Though people continue to debate the rigidity of those strings, there are certain historic assumptions associated with the intended uses of tax increment funding. From our interviews, a principal issue regarding the money was whether it would be used for housing or for economic development. Reportedly, there was a concern that for-profit businesses would take advantage of the funds. The emphasis on housing was meant to ensure that the money would be used for redevelopment, rehabilitation, and new construction of housing stock.

There was assuredly some flexibility provided in the broad statute authorizing the use of these monies for NRP. Yet the historic uses of these monies have been for physical redevelopment. The statute's list of qualifying costs are almost exclusively physical (for example, remove blight by clearing properties; rehabilitate and construct new low-income, affordable housing; encourage homeownership). It is evident from the interviews conducted in the course of this evaluation that some people feel strongly that the use of tax increment funds should be closely aligned with its historic uses. Further underscoring this view is a concern that the failure to invest in tax increment eligible properties will ultimately diminish or eliminate the source of revenues that are used to fund NRP's activities (and provide partial support for Minneapolis Community Development Agency). Others contend that the funds should support neighborhood priorities regardless of whether they are in tax increment districts, for other physical redevelopment, or otherwise.

Multiple Theories of Change

Thus, we find that there were several theories of change that affected the design of NRP. The program's design for implementation mixes the notion of an effort driven by fostering change from within with a funding source that is more closely aligned with the concepts of the earlier Neighborhood Housing and Economic Development Task Force. The conceptual framework of the Implementation Advisory Committee and Technical Advisory Committee, that the effort should be citywide,⁵ focused on redesign and intergovernmental cooperation, and foster citizen input through planning, is evident in the initial structure and strategy of NRP. Nevertheless, the inherent tension between the different approaches was not fully appreciated at the outset of the program and from our interviews appears to be the source, and reflection, of differing perspectives and expectations of NRP, its priorities, and approach.

Having fleshed out the theories that shaped the program design, the next step for the evaluation was to determine the "theory in action," that is, what assumptions are

⁵ It should be noted that the Implementation Advisory Committee report refers to focusing at the "village" or sub-neighborhood scale. This organizing framework is referenced several times in the report but did not get carried over into the NRP implementation. Notably, most of the interviews we conducted for the purpose of documenting the history of NRP did not mention the village notion. Thus, it is suggestive that the concept was not assimilated into thinking about the NRP strategy.

embedded in how NRP has been implemented, its fidelity to the initial program design, and the extent to which it has been an effective approach to the program's goals. These tasks were carried out as part of the overall assignment.

CHAPTER TWO: NRP FUND USE AND DISTRIBUTION

Over the last decade, NRP has made impressive strides toward involving local residents in planning and overseeing the implementation of community revitalization efforts in their own neighborhoods. One by one, Minneapolis neighborhoods mobilized community support, developed detailed action plans, and began implementation of improvement activities. The first part of this piece, "Status of NRP Activity," examines the progress Minneapolis neighborhoods are making in carrying out these tasks.

A significant piece of the discussion that led to the creation of NRP concerned whom it might be designed to serve—which neighborhoods and which groups of individuals. Issues included whether all neighborhoods should be assisted, how money should be allocated among them, and what if any kind of targeting should be done to people of low income and other characteristics. Ultimately, the program included few rules and guidelines about how money should be allocated to different neighborhoods. But even those few have important impacts on what area is served and who may benefit. The second part of this piece, "Targeting and Beneficiaries," focuses on the distribution of program funds.

Status of NRP Activity

This status analysis is a basic assessment of NRP activity, detailing how monies have been allocated and expended by Minneapolis neighborhoods from the program's inception through June 1999.

The key questions addressed are

- What is the progress in completing neighborhood plans?
- In those plans, how have neighborhoods allocated their funds among kinds of activity?
- How do the allocations among activities differ by type of neighborhood?
- To what extent have NRP funds actually been spent and on what?
- How does that spending progress differ for different types of activity and different types of neighborhoods?
- What measures of actual program outputs can be observed?

Findings

Plan Completion

Most Minneapolis neighborhoods have now completed their NRP plans. The planning periods were lengthy, and the average neighborhood has thus far spent slightly more time in planning than in implementation. Beginning in 1991, the initial

task for NRP was to engage all Minneapolis neighborhoods in directing the revitalization process in their communities. By the end of 1999, fifty-six of these neighborhoods had their completed plans adopted by the city council. Nine of the remaining ten had completed First Step plans detailing activities that will later be incorporated into their full plans and allowing use of NRP money to start the initial implementation.

In most neighborhoods, planning has been a time-consuming endeavor. The average time between the start of planning and plan adoption by the city council was 3.2 years. By design, neighborhoods were phased into NRP over time, with the first plans completed in August of 1992 and the last ten neighborhoods' plans yet to come.⁶ The average date of plan adoption was March 1997, meaning that NRP neighborhoods have had an average of only 2.8 years of implementation time since plan completion.

Among the three neighborhood types, the date of plan completion did not vary significantly. On average, redirection neighborhoods had 3.6 years of implementation time following plan completion, compared with 2.8 for protection neighborhoods and 2.5 for revitalization neighborhoods.⁷

Neighborhood Allocations

NRP funds were "allocated," or assigned for use, in two ways. Each neighborhood proposed an overall funding level in its plan. After consultation with NRP central staff and the Management Review Team, plans were reviewed by the Policy Board and submitted to the city council for adoption and fund appropriations. As part of its plan, each neighborhood also proposed allocations of its money to particular uses.

NRP fund allocations varied significantly among neighborhoods, even once size differences are taken into account. Redirection neighborhoods got the most money, followed by revitalization and then protection neighborhoods. By June 30, 1999, the sixty-six Minneapolis neighborhoods had targeted a total of \$170,545,474 for NRP activities, an average of \$2,584,022 per neighborhood. The per capita NRP allocation across all neighborhoods was approximately \$468. Total funds allocated to a neighborhood vary from less than \$0.25 million to over \$18 million. But much of the variation reflects simply variation in neighborhood size. The range of variation for allocations per capita is much narrower: the smallest allocations are about one-third to one-fourth of the \$468 average, and the largest are about twice the average.

Redirection neighborhoods as a group received an average of \$763 per capita. Revitalization neighborhoods were allocated an average of \$469 per person, while protection neighborhoods received \$293. Thus the neighborhoods that self-identified themselves as having the greatest level of need were, on average, funded at a level about

⁶ Within NRP there was early recognition that the neighborhoods had to be phased in so that funding could be evenly paced, and to ensure that there was adequate staff capacity to effectively manage demands.

⁷ A substantial number of neighborhoods started implementation activity before plan approval. Early monies were made available through programs such as First Step, Early Access, Participation Agreement, and Transition Funds.

2.5 times that of those considered to be in the best initial condition, and neighborhoods in the middle group were funded at about 1.5 times the protection-neighborhood level.⁸

Allocations to Various Activities in Neighborhoods

NRP provides wide latitude for neighborhoods in selecting how to use their funds. The neighborhoods showed both consistent patterns and some significant differences.

Consistent with NRP intent, by far the largest share of program money was allocated to housing. But the percentage share falls short of the program's housing mandate thus far. Housing and housing-related activities constituted nearly 46 percent of all NRP allocations; the balance of funding was widely spread across the other activity categories, led by economic development at only 15 percent. It is worth noting, however, that because of the program's overall size, even a modest share of the funds can be significant. Schools, parks, arts and culture, and planning—at 6 to 7 percent shares—were allocated about \$10 million each.

Despite the predominant focus on housing, housing's overall share falls short of NRP's one clear allocation rule. For the fifty-six neighborhoods with approved plans (by September 30, 1999), at least, housing is allocated 46 percent of the NRP funds, slightly below the program mandate of 52.5 percent. The nature of the remaining plans—none of which *individually* is required by the program to reach or exceed 52.5 percent for housing—will determine whether the program-wide mandate is met in the first ten years.⁹

NRP Allocations to More Specific Subcategories of Use

By far the largest specific planned use of funds is for housing rehabilitation and preservation. Another housing subcategory, removal of blighted or vacant property, though much smaller, is the third largest subcategory among all NRP uses. Neighborhoods allocated a total of \$78 million to housing and housing-related activities. Nearly \$51 million of this money went into housing rehabilitation, renovation, and preservation—almost all for homeowners. That is about 30 percent of *all* NRP allocations. An additional \$7.6 million of housing funds was allocated to the removal of blighted or vacant properties, the third largest specific piece of program funding.

Nearly all of the other broad categories of NRP funding allocations had one or two dominant subcategories within them. Significant subcategories include industrial and commercial financing and redevelopment; improvements to park play areas and buildings; community space, programs, and events; and school construction, expansion, and renovation. NRP's second largest broad category of planned expenditures, economic development, is directed principally toward industrial and commercial finance

⁸ With the exception of First Step, allocations were not based on whether a neighborhood was classified as protection, redirection, or revitalization.

⁹ In addition, actual spending could vary from approved plans, or amendments could be made. The housing total does not account for Transition Funds, or set-asides for Hennepin County and Minneapolis Public Schools that may have contributed to housing activity. (These monies are technically not part of the neighborhoods' plans and, as such, are not recorded as a financial obligation related to a plan.)

and redevelopment. At over \$12 million and nearly half of all economic development allocations, it is the second largest NRP subcategory overall.

Neighborhood Expenditures

Clearly, plans and allocations need to be translated into expenditures to begin to support and improve Minneapolis neighborhoods. This section documents the progress that neighborhoods have made in expending the funds that were allocated to their plans. In the absence of substantial information about the tangible outputs of NRP activities—houses built and rehabilitated, businesses assisted, parks renovated, services provided—expenditure data offer the best available measure of what the program has done since its inception.

Overall, by June 30, 1999, more than \$75 million was expended by the NRP on planned activities, approximately 44 percent of the total funds allocated for NRP activity in adopted neighborhood plans. Thus far spending is proceeding quite consistently over time but at only a moderate rate. Neighborhoods that completed their plans and began implementation longer ago show systematically greater progress in spending their allocations. But based on experience to date, it could nonetheless take them a long time to complete implementation. If spending rates remain unchanged as neighborhoods move into their later years, full spend-out of NRP dollars in a given neighborhood would occur after close to ten years of implementation.

The speed with which neighborhoods carried out their planned spending was reasonably consistent across the three neighborhood types and across the major categories of use of funds. Expenditures were 47, 46, and 35 percent of the funds allocated to redirection, revitalization, and protection neighborhoods respectively. The share of allocated funds that has been spent in each of the large categories of planned NRP spending is very close to the 44 percent spend-out experienced for NRP as a whole. The fastest rate was for parks and recreation at 56 percent, and the next was for housing at 50 percent. These two categories were the third and first largest, respectively, in spending. The second and fourth largest categories, economic development and human services, had spend-outs of 37 percent and 48 percent respectively. All of the larger categories of fund use—housing, economic development, parks, and human services—clustered around the overall spend-out rate.

Several spending subcategories within the large-spending categories stand out as making slower progress. These include major housing redevelopment, where spending had not begun; blight or vacant property removal, with a somewhat low spend-out in a very large subcategory; and planning, design standards, and land-use compatibility, as well as job creation and linkage, within economic development.

Although spend-out rates were consistent across neighborhood types and categories of expenditure, what neighborhoods spent their money for varied more. The variations generally reflect the differences in needs one might expect from the three groupings of neighborhoods. Redirection neighborhoods led the way in spending on economic development and human services and were second in housing. Revitalization

neighborhoods gave the highest share to housing and were second in economic development and in parks and recreation, as well as in other large categories in which protection neighborhoods had the highest shares. Protection neighborhoods were lowest in housing and economic development and highest in parks, community building, and plan coordination.

Early Monies

In order to encourage participation in the program and to help initiate the local revitalization process, NRP offered neighborhoods the opportunity to receive several types of early funding that would precede their adoption of a complete NRP neighborhood plan and gaining approval for it.¹⁰

Early NRP monies, allocated to neighborhoods outside of the overall neighborhood plan process, formed a significant share of total funding under the programs. Such monies were important in moving neighborhoods into the program and allowing them to take action while awaiting completion of lengthy planning activities. More than \$50 million in early monies, an average of \$763,062 per neighborhood, was given to neighborhoods through the four types of early-phase allocations, totaling 27 percent of all NRP funds. The scale of early funding and the length of time neighborhoods spent in getting plans to approval together make clear that the early monies provided for a great deal of activity that might otherwise have been substantially delayed while comprehensive neighborhood action plans were completed and ultimately approved. It is important to note, however, that a significant portion of the activities and dollars supported by early funding was later incorporated in neighborhood action plans.

Housing Outputs

A substantial number of households were assisted with their housing using NRP funds. Most were homeowners, aided in rehabilitating their homes at modest cost levels per unit. The two big categories were about 4,775 home improvement grants and loans, largely to homeowners, and 675 rental units built or renovated. The great bulk of households assisted—perhaps over 80 percent—were homeowners, and as the distribution of funding allocation and spending also previously suggested, the primary purpose of assistance was housing rehabilitation. Most of the rental units were developed with small NRP funding and larger contributions from other MCDA sources.¹¹

Housing outputs varied very sharply by neighborhood type. Revitalization neighborhoods in aggregate provided considerably more home improvement assistance and homebuyer assistance than the other neighborhood types. Redirection neighborhoods, on the other hand, did far more improvement and construction of rental units. Protection neighborhoods did virtually nothing but home improvement lending. There were stark differences in housing activities undertaken by

¹⁰ The four types were Participation Agreement, Early Access, First Step, and Transition Funds.

¹¹ See Chapter Five of the full evaluation report, the case study of MCDA. Data from MCDA indicates that NRP contributed to a larger number of rental units than reported here. The difference is a result of several factors including NRP obtaining incomplete housing output data from neighborhoods. According to MCDA information NRP contributed to 1,264 units (about half of which are in one project) between 1994 and 1998.

the three types of neighborhoods. Redirection neighborhoods accounted for 90 percent of the rental units constructed or improved, while protection neighborhoods have neither constructed nor improved a single rental unit to date. At the same time, redirection neighborhoods accounted for less than one-tenth of all home improvement loans and grants and less than 2 percent of the homebuyer assistance loans and grants.

Revitalization neighborhoods had by far the highest number of home improvement loans and grants, almost four times the number of instances of those kinds of assistance than protection neighborhoods and an even greater multiple in terms of spending. Redirection neighborhoods provided larger loans and grants to each recipient, however, more than twice the size in revitalization areas and about three times that in protection areas—no doubt in order to serve a population with on average fewer resources and homes more in need of repair.

Protection neighborhoods provided a significant number of home improvement loans and a modest set of grants. But other dimensions included only a few cases of assistance with homebuying and no aid of any type for rental housing. Overall, NRP-funded housing outputs tended to reinforce existing housing tenure patterns.

Targeting and Beneficiaries

An important question regarding any expenditure of significant public funds is, "Who will benefit?" The question is particularly relevant for NRP for at least two reasons. First, during the interchanges leading to the creation of the program, there were differing overall views about the extent to which the program should be focused on housing and economic development activities and on neighborhoods in relatively deteriorated condition, or distributed more evenly citywide with little restriction on fund use. That discussion primarily concerned the distribution and targeting of resources *among* neighborhoods.

Second, NRP is fundamentally an exercise in resident control, specifically over the allocation of funds *within* Minneapolis's neighborhoods. Given the opportunity to direct the distribution of improvements within their own communities, how neighborhoods apportion the money among people of different incomes, housing tenure, and other characteristics is an issue of substance.

Initially, there were no guidelines for the allocation of NRP funds by neighborhood types or any other demographic criteria. In 1995 guidelines were approved by the Policy Board to determine the suggested range for a given neighborhood's funding level using standards that included measures of need. Importantly, the choices about the allocation of funds to different uses and recipients within neighborhoods were left to the neighborhoods themselves, except for the mandated percentage of funds for housing activity.

This analysis examines two sets of patterns that may have developed regarding the recipients of NRP activity. The study first assesses neighborhood targeting—the overall distribution of NRP funds across neighborhoods—to see which types of communities,

defined by a range of population and housing characteristics, received more NRP support than others and how much more they received. The analysis then looks inside neighborhoods at individual beneficiaries, analyzing by income level how the benefits of some NRP housing activities were distributed among people. The beneficiary analysis would ideally have been much wider, covering other activities and other characteristics of program recipients, but the necessary data were not available.

Findings

Neighborhood Targeting

Redirection communities on average received significantly more funds per household than revitalization areas, which in turn were given larger allocations than protection neighborhoods. Did those designations and differences make sense in terms of conventional measures of neighborhood need?

The key finding of this section is that neighborhoods with more profound challenges and needs did receive systematically larger allocations of NRP funds, as did neighborhoods that were simply larger. More money was allocated, per household, to neighborhoods showing greater levels of poverty overall and family poverty in particular. The correlation between poverty rate and NRP allocation across neighborhoods was high and highly statistically significant. More money was consistently allocated to neighborhoods with higher percentages of substandard dwelling units and higher concentrations of people of color and youth.

Differences in measures of neighborhood need among communities were connected with quite substantial differences in NRP allocations. An average neighborhood allocation was about \$1,068 per household. The difference in allocation between a neighborhood somewhat on the more impoverished side and somewhat on the higher income side might be \$225 per household, or over 20 percent of the average. For neighborhoods with higher and lower percentages of people of color, the difference in allocation might be \$449 per household, and for percentage of dwellings that were substandard, the difference might be \$675.

Beneficiary Analysis

The targeting of NRP spending toward more impoverished and more predominantly minority neighborhoods, however, does not necessarily mean that poor residents and people of color were the primary beneficiaries of NRP funds and activities. Neighborhood level targeting statistics do not tell which people within a neighborhood actually benefit from neighborhood programs. To determine this, the beneficiary study looks inside a community's boundaries to see who are the actual individual recipients of neighborhood funds. The study used the limited beneficiary information available from one NRP partner organization, the Center for Energy and Environment (CEE), which administered home loan and grant programs for sixteen NRP neighborhoods.

The neighborhoods where CEE is the loan administrator offer a relatively representative microcosm of NRP neighborhoods overall, with average population size, median income,

racial composition, and poverty and homeownership rates not significantly different from that of all neighborhoods. The sample includes six protection neighborhoods, seven revitalization neighborhoods, and three redirection neighborhoods—roughly the same distribution as the city as a whole.

In these sixteen neighborhoods, CEE originated more than eight hundred loans and grants to local residents, totaling almost \$4 million. Average loan or grant size was approximately \$4,700. The activity represents almost 20 percent of all NRP home improvement efforts. By analyzing the income data for these recipients, it is possible to obtain a sense of the economic position of beneficiaries of this largest of NRP activities.

In the sixteen neighborhoods for which CEE administers their home improvement assistance, the programs were not generally targeted to people with high degrees of need, as measured by household income. Income targeting of a housing program is often assessed in terms of the number of beneficiaries with incomes under 30 percent, 50 percent, and 80 percent of the median, in this case of all households in the city of Minneapolis. Only 6 percent of the recipients had incomes below the 30 percent of median level, only 19 percent of the recipients had incomes under 50 percent of the median level, and only 41 percent had incomes below even the 80 percent of median level. Clearly the home improvement assistance was distributed, roughly speaking, to the average Minneapolis resident, rather than targeted to those with more significant difficulty affording housing on their own.

A majority of CEE-served neighborhoods provided home improvement assistance to residents with median incomes greater than that of all households even in their own neighborhoods, in some cases by as much as two or three times the neighborhood median. Nine of the sixteen CEE neighborhoods (56 percent) provided loan and grant assistance to residents with median incomes greater than the neighborhood median. The programs in these neighborhoods offered mostly revolving loans, requiring payback from the start, rather than grants or deferred loans. Typically the neighborhoods set no specific income limits for loan eligibility

NRP home improvement monies are less targeted to people of limited means than are home improvement funds administered by MCDA from other program sources. MCDA home improvement grant and loan programs using federal and state funds provide a basis for comparison of beneficiaries with those of NRP. Analysis shows that MCDA home improvement programming is much more specifically directed toward low-income residents. Between 1994 and 1998, nearly half of MCDA home improvement grants and loans were directed to households with incomes less than 30 percent of HUD median family income, compared with one-fifth for NRP. More than two-thirds of MCDA aid went to those with incomes less than 50 percent of the median, as opposed to only half the NRP assistance.

It is important to remember that the beneficiary analysis here was limited to home improvement programs by data availability. NRP reflects another beneficiary issue in committing the vast majority of its housing funds to homeowners rather than to rental properties. The city has in its other MCDA activities made significant non-NRP

investments in both rental and owner-occupied housing. A look at housing beneficiaries more broadly in Minneapolis must take into account both NRP's renter/owner choices and the uses of non-NRP funding.

CHAPTER THREE: CAPACITY

Building neighborhood capacity is at the top of the four NRP Primer goals. When NRP was launched, it was assumed that some neighborhoods were better prepared than others to pursue the activities associated with developing plans. The strategy for addressing the needs of neighborhoods was for NRP to broker and coordinate assistance from the partners participating in the joint powers agreement.

NRP's designers planned for a bare bones central staff of fewer than a handful of people.¹² The nitty-gritty of getting the plans done was expected to be chiefly the job of the neighborhood volunteers, as was the oversight of the plans' implementation. Capacity itself was not defined.

Below we summarize key findings from the citywide analysis. In essence the "inputs" for capacity were the presence of an organization that serves as a legal vehicle for administering NRP funds, the organization having the ability to account for funds, and the engagement of personnel to administer the planning and implementation phases; the outputs were completed plans and program expenditures. From the outset it was understood that these measures were simple and provide only a partial picture of capacity.¹³

Key research questions were

- Are organizations established (or do they pre-exist) to play a central role in planning NRP? In administering the implementation of NRP?
- What is the progress toward plan completion?
- To what degree are personnel—staff or consultants—used to assist with the planning phase? The implementation phase?
- Have financial audits been completed for all organizations receiving NRP funding?
- What relationship exists between expenditures on personnel and overall program expenditures (as a measure of activity) for the planning phase? For the implementation?

The evaluation team asked NRP staff to gather citywide (i.e., for all NRP neighborhoods) expenditure data in two categories, "administration" and "program," for four variables. Staff prepared a memorandum requesting expenditure information for the following categories.¹⁴

¹² NRP currently has fourteen full-time equivalent staff (the authorized level for the year 2000 is sixteen).

¹³ For example, interviews were not conducted to assess the scope and delivery of technical assistance. Thus, this study's findings cannot explain the extent to which the provision of such assistance made a difference. This is the type of research question that is well suited for case study investigation were there to be a second stage of analysis.

¹⁴ Memorandum from Jack Whitehurst to neighborhood specialists, April 5, 1999.

Administrative Personnel—This includes wages, taxes, and fringe benefits associated with the director, the bookkeeper, clerical staff, and contractors that work on organizational activities.

Administrative Non-Personnel—This includes the costs associated with rent, utilities, purchased services (legal, accounting, training, etc.), office equipment, xeroxing, postage, phone, insurance, computers, and basic office supplies (paper, pens, etc.).

Communications—This includes the printing and distribution costs associated with newsletters, mailings, large community meetings, web site development, and organizational brochures.

Other Program— This includes items such as staff positions; program-specific costs like printing, mailing, and space rental (if separate from the organization's general offices); professional services (trainers, architects, appraisers, etc.); and (in the case of some housing or economic development programs) loan and grant funds.

An important limitation is that the data for NRP personnel costs for implementation include only those ascribed to the NRP neighborhood organization itself. In other words, it is the *cost for administering implementation*. The data do not include personnel costs for vendors or sub-contractors retained for delivering services, that is, the actual program implementers. Finally, the data do not include non-NRP personnel expenditures made by organizations, either actual or in-kind, to assist with NRP implementation.

Findings

NRP designated organizations exist in sixty-five of the sixty-six NRP neighborhoods.¹⁵ All NRP groups are chartered nonprofit organizations with the State of Minnesota. Almost all of the neighborhood organizations pre-existed, in one form or another, the NRP program. NRP has a policy that provides assurance through an audit policy that NRP organizations can properly account for funds they receive. Fifty-three of the organizations had recently completed audits or fulfilled agreed-upon procedures. The balance of organizations include those that do not receive a sufficient level of funding to warrant a review, or they had a review completed outside of this time period. Two organizations received “qualified opinions,” meaning that financial records were not sufficient to allow the auditor to express a financial opinion.

Personnel Expenditures during the Planning Phase

As referenced earlier, costs are distinguished for *personnel*, *non-personnel*, *communications*, and *other programs*. *Total administrative* costs refer to personnel and non-personnel expenses. Communications is isolated as a program expense, because it was the principal activity for NRP organizations during the planning phase. *Other programs* covers costs for activities such as overseeing a housing grant or loan program.

¹⁵ NRP works with 66 neighborhood organizations that collectively represent the city's 81 neighborhoods.

Total expenditures refers to all costs, including personnel, non-personnel, communications, and other program expenses.

Sixty-four of the sixty-six neighborhoods for which there was data spent money on personnel during NRP planning stages. Two-thirds of the organizations spent less than \$10,000 annually on personnel. On average, organizations spent \$8,846 per year on personnel, representing 58 percent of total expenditures. Because the primary tasks of the planning phase involve coordination and organization, meeting with stakeholders, and drafting the plan, it is understandable that personnel would be retained for such activities and that staff costs would constitute the majority of expenditures.

The amount of money spent on personnel during the planning stage as a percentage of both total administrative expenses and total expenditures was consistent between protection, revitalization, and redirection neighborhoods. The portion of money spent on personnel ranged from 56 to 60 percent of total expenditures and 66 to 76 percent of total administrative expenses. Total administrative costs as a portion of total expenditures was consistent across neighborhood classifications, ranging from 79 to 85 percent.

In general, neighborhoods that spent more money annually on personnel also received plan adoption approval in a shorter time period. On average, redirection neighborhoods, which spent the most money annually on personnel, received plan adoption approval faster (in 2.87 years) than either revitalization (3.43 years) or protection (3.08 years) neighborhoods. Where the organizations differed was the rate at which the money was spent. Organizations that completed the action plan approval process in less than two years spent over twice as much money *per year* on personnel than organizations that required over four years to complete the process.

Personnel Expenditures during Implementation

During implementation, NRP organizations may oversee, manage, or directly operate programs. The primary role is to oversee, that is, to monitor, the implementation of efforts specified in the neighborhood's plan. Occasionally an NRP group decides to manage a project. In other words, it handles the financial relationship with a vendor. The other role, to actually operate a program, is less common.

Fifty-four of the fifty-nine NRP organizations that spent money on implementation spent dollars on personnel. The transition from planning to implementation activities saw a shift to a smaller share of total expenditures going toward personnel and total administrative expenses and a larger share toward total program expenses. On average, neighborhood organizations spent \$11,317 per year on personnel costs, 17 percent of the annual total expenditure average of \$59,486. The median per year personnel expenditure for all neighborhoods was just over \$5,000. The share of total expenditures that personnel represents was much smaller during implementation (17 percent) than planning activities (58 percent). This is the result of the NRP program allocating greater amounts of money during implementation.

Neighborhood classifications differed substantially in the percent of total expenditures going to personnel costs. During implementation, protection neighborhoods spend a larger share of money on personnel, non-personnel, and communication expenses, while redirection and revitalization neighborhood organizations spend more on programs. Personnel costs for the average redirection and revitalization neighborhoods represented 19 percent and 13 percent, respectively, of total expenditures. Personnel represented a much larger share of total expenditures (35 percent) for protection neighborhoods. This can be explained by the fact that protection neighborhoods were allocated less money for program implementation, causing personnel and communication expenses to assume a larger share of total expenditures.

As during the planning phase, redirection neighborhoods spent more real dollars on personnel than revitalization neighborhoods, which in turn spent more than protection neighborhoods. On average, redirection neighborhoods spent nearly three times as much as protection neighborhoods, and one and one-half times as much as revitalization neighborhoods, on annual personnel costs. Eight revitalization neighborhoods spent only 8.1 percent of \$8.7 million on personnel expenses, drastically reducing the average amount spent on personnel for the revitalization neighborhood figures. Among redirection neighborhoods, the Phillips neighborhood accounted for almost 60 percent of all per year personnel expenditures.

Neighborhoods that spent more money annually on personnel also spent more total dollars during implementation. The relationship between personnel costs and the level of annual other program expenses was significant.¹⁶ Organizations that spent over \$30,000 per year on other program implementation spent two to five times as much as other groups on personnel costs in real dollars.

CHAPTER FOUR: SENSE OF PLACE

“To create a sense of place in the neighborhoods” is one of four core goals for NRP presented in the NRP Primer. Clearly, expanding the positive connection between Minneapolis residents and the neighborhoods they live in—as well as taking action toward ensuring the quality of these neighborhoods—is one of the central missions of NRP.

The importance of this goal was further underlined by the language used in the NRP Evaluation RFP. It clarified two key aspects of the more ambiguous term “sense of place” to include: “to improve the lives of citizens of Minneapolis and enhance neighborhood stability” and “to bring neighborhoods to a level from which they will attract private investment.”¹⁷

The evaluation, therefore, was not just intended to document the physical activities and impacts of NRP but also to capture the accompanying changes in the way local residents feel about the places that they live. Although the quantification of attitudes and

¹⁶ Using a simple correlation between personnel and other program costs.

¹⁷ Request for Proposal, May 1997.

relationships is a challenging enterprise, this report addresses “sense of place” through a series of related investigations:

- Assessing the quality of Minneapolis neighborhoods as places to live over the past decade according to two measurements: (1) resident behavior, as illustrated by investments in housing made by residents and property owners, and (2) resident attitudes toward their neighborhoods and homes, as determined by a citywide telephone survey;
- Isolating the extent to which the quality of Minneapolis neighborhoods, as documented by the above measures, can be attributed *as a specific result of NRP*; and
- Enumerating the extent of resident participation in neighborhood meetings and activities, including NRP activities in particular, and the impact of NRP on that participation.

An Assessment of Minneapolis Neighborhoods without Distinguishing NRP’s Impact

Minneapolis residents and property owners made decisions about their housing and formed attitudes about their neighborhoods during the 1990s based on a host of factors, with NRP perhaps being one of many. This analysis looks first at how *housing* investment changed over the course of the decade and second at how citizens felt about their neighborhoods and the changes in them, without separating out NRP’s role.

Neighborhood Housing Investments without Distinguishing NRP’s Impact

The principal evaluation questions asked were whether for the city as a whole investment of each type went up or down during the 1990s and whether such changes varied significantly among neighborhoods. Particular attention was given to whether the variation was notable among the three neighborhood types designated in NRP planning.

Findings

Homeownership rates rose in Minneapolis over the period from 1990 to 1999 by about 3 percent. This is a quite sharp increase for a city whose ownership rate was already very high. Data from the Minneapolis Assessor’s Office allow measurement of the number of property parcels that are occupied by the property owner, because the files identify any property owner eligible for the special tax treatment accorded owner-occupants. The measure counts as owner-occupied both single-family houses and any property with one or more of its multiple housing units—or even multiple buildings if they are on a single parcel—occupied by the owner. Although this provides a somewhat different measure of owner-occupancy from that in the 1990 census (which uses dwelling units, rather than whole properties, as its basis of analysis),¹⁸ the annual data from the

¹⁸ The census asks each household whether it owns the housing unit it lives in, so it would count a parcel with multiple units and one owner-occupant as one owner-occupied unit and several renter-occupied units, whereas the Assessor’s Office data measurement created for this analysis would treat the parcel as a single entity and call it owner-occupied. Also, a parcel with many rental units counts as one parcel to the Assessor but as many rental units to the census. The

Assessor's Office allow tracking change in ownership rates over time, on a very up-to-date basis, as census data would not.

Owner-occupancy rates increased for the city as a whole from 82.8 percent on average in the years 1990–92 to 85.7 percent in the years 1997–99.¹⁹ That means that about one-sixth of the properties not occupied by their owners at the start of the decade were owner-occupied by the end. The sharpest growth was from 1991 to 1994, flattening thereafter.

The increase in owner-occupancy took place nearly across the board among Minneapolis neighborhoods. The increase was largest, however, in redirection neighborhoods, where ownership was lowest at the start. Redirection neighborhoods experienced ownership increases of 4.1 percent from the years 1990–1992 to 1997–99, compared with 3.0 percent for revitalization neighborhoods and 2.3 percent for protection neighborhoods. Note, however, that ownership rates are still significantly higher in the other two neighborhood types.

The growth in ownership was spread very widely. Only six neighborhoods experienced declining ownership levels during the period, and these were divided among the three neighborhood categories. There was significant variation between individual neighborhoods, with some showing ownership increases as large as 13 percent. The variation was more pronounced within each of the three neighborhood categories than between them, suggesting that very localized circumstances were more important than broad neighborhood condition measures in shaping that variation.

Investments to maintain and improve housing, as measured by building-permit activity, increased significantly during the 1990s. Citywide, the number of permits per property rose 10 percent from 1992 to 1997, and their dollar value increased 16 percent after adjustment for inflation.²⁰ Between the periods 1992–93 and 1996–97, average yearly permits rose citywide from 32.9 permits per hundred parcels to 36.2 permits. Since there are about ninety thousand residential parcels in Minneapolis, the total increase in permits for housing-related investments was about three thousand. During the same period, average annual permit expenditure per parcel rose over \$300, from just over \$1,000 to over \$1,300.

Increases in permit numbers and dollar value were spread quite widely across the city and among all three neighborhood categories. Redirection neighborhoods experienced a noticeably slower growth in numbers of permits but a sharper rise in

Assessor's Office data will therefore show higher rates of owner-occupancy for 1990 than the census (e.g., the Minneapolis homeownership rate in 1990 was 49 percent). For this study, the important issue is to have a consistent and up-to-date measure of owner-occupancy over time, which the Assessor data provide.

¹⁹ The analysis clumped the data into three-year averages in order to discount any year-to-year “jumping around” of the data and to concentrate on trend directions.

²⁰ The Inspections Division of the Department of Operations and Regulatory Services supplied electronic files detailing building permits for each property in the city, by year, for the period 1992–97. Permits included work on plumbing, heating, other mechanical systems, electrical systems, various types of building structure components, code compliance, and other specialty items such as elevators. Although repairs and improvements in every city are quite frequently made without permits, the permit data provide a reasonably consistent picture for assessing change in investment activity over time.

dollar value than did the other two neighborhood types, suggesting expansion in the number of major repairs and improvements. Numbers of permits per hundred parcels grew by 4.4 (13 percent) and 3.5 (10.8 percent) for revitalization and protection neighborhoods respectively but only by half those rates (1.6 or 5.3 percent) in redirection neighborhoods, where apparently less broadening of investment took place. But the size of dollar expenditures per parcel grew more rapidly in redirection neighborhoods, especially before 1996 and as a result for the whole period. Growth in permit dollars was \$450 per parcel in redirection neighborhoods, compared with \$300 and \$267 in protection and revitalization neighborhoods respectively.

Numbers of boarded buildings show a modest increase over time and are concentrated in a small number of neighborhoods, along with most building demolitions. Neither involves significant portions of the housing stock. Minneapolis has few boarded buildings in any year, at least according to the Inspections Division records, peaking at 132 out of some 90,000 parcels.²¹ The concentration of the small set of boarded structures is in five neighborhoods. Demolished buildings total 413 for the 1992–95 period, concentrated in six neighborhoods.

The share of single-family homes being sold increased modestly between the period 1990–92 and 1996–98, in a range that reflects generally good housing-market health. The average annual percentage of single-family homes sold (sales per parcel)²² rose citywide from 4.3 percent in the period 1990–92 to 5.1 percent in the period 1996–98. The small increase in percentage nonetheless means a nearly one-fifth increase in turnover rates of homes. Increased turnover could reflect healthy factors like improved loan availability and increased desire for homes in an area or negative ones like panic selling by homeowners fearful of continuing deterioration of an area in trouble. The still low sales rates at the finish of the period, together with rising home prices discussed in the next finding, indicate that increased sales in Minneapolis reflect healthy changes.

Increases in home sales were widely distributed across neighborhoods. But they were greater in redirection areas, which had started out with significantly lower and perhaps less healthy rates of turnover. The average annual percentage of single-family homes sold (sales per parcel) rose citywide from 4.3 percent in the period 1990–92 to 5.1 percent in the period 1996–98. The small increase in percentage points nonetheless means a nearly one-fifth increase in turnover rates of homes. The increase was about three times as great in redirection neighborhoods, where rates were previously low.

²¹ Chapter Five of the full evaluation report references information provided by MCDA and Inspections Division staff who cite a larger total of five hundred to six hundred boarded properties. The number 132, stated above, is for buildings, whereas the larger figure appears to reference units (i.e., a building can have multiple units, some of which or all might be boarded). Also, it appears that the larger figure is cumulative and includes boarded units for prior years that may not yet have been demolished.

²² The percentage is computed as the ratio of the number of single-family home sales to the number of all residential parcels. It is not quite a conventional “turnover” rate, because the denominator for that would be the number of parcels containing only a single-family home—data not available to us. However, so long as there was not a major change in the number of parcels with single-family homes on them relative to those with other residential structures on them during the 1990–98 period, the measure of interest here—single-family sales divided by residential parcels—serves as an accurate index over time of sales activity.

Prices of single-family homes increased significantly citywide in Minneapolis from the years 1990–92 to 1996–98 but did not skyrocket. Protection neighborhoods experienced the fastest rises, both in dollar and percentage terms, far more rapid than in redirection neighborhoods, which had the slowest price growth. For the city of Minneapolis as a whole, single-family home prices rose by 24.5 percent from the period 1990–92 to 1996–98. The average sale price went from \$86,500 to \$107,700 in that period (and to \$116,500 for 1998 alone). Protection neighborhoods saw average home-price increases of over \$45,000, compared with \$17,000 in revitalization neighborhoods and \$6,000 in redirection neighborhoods.

Overall, Minneapolis performed well during the 1990s in housing investment-related outcomes that might be expected to reflect stability, confidence, and a sense of place. The improvements in these measures were widely distributed across neighborhoods of all types. The neighborhoods that started the period as the weakest markets in general made progress comparable with other stronger areas. But important gaps remain. In addition, there remain important questions in both redirection and revitalization neighborhoods about who—which current residents and which potential newcomers—will benefit from such things as shifting from rental to owner-occupied housing and increases in home prices and who will pay in the form of stretched budgets, displacement, and other costs.

Resident Perceptions about Neighborhoods without Distinguishing NRP's Impact

This evaluation also fielded a substantial telephone survey, conducted by Minnesota Opinion Research, Inc. (MORI), using random sampling techniques, of just over 1,100 households to collect information directly about resident attitudes. It adds a 1999 snapshot of perceptions about neighborhood quality and residents' commitment to their communities.

Findings

Most Minneapolis residents like their neighborhoods. And many more feel that their neighborhoods are improving along various dimensions than feel they are getting worse. Over three-quarters of survey respondents rate their neighborhoods as “excellent” or “good.” For most neighborhood characteristics, three to five times as many people felt that conditions were improving as felt they were deteriorating. The exceptions were in traffic, parking, and noise.

There are some sharp differences between residents of the three NRP neighborhood types in how highly they rate their current neighborhood, but even in redirection neighborhoods significant majorities of residents think conditions are pretty good and getting better. In protection neighborhoods, 65 percent of residents rate their neighborhood as “excellent,” and 94 percent rate it as “excellent” or “good.” The corresponding numbers for revitalization neighborhoods are 31 percent and 79 percent, and for redirection neighborhoods they are 11 percent and 56 percent. More residents of all three-neighborhood types believe that specific conditions in their neighborhoods are improving than think they are deteriorating. One important challenge stands out: many of the renters plan to become homeowners, and they tend to look outside the city for first homes.

An Assessment of NRP's Impact on Minneapolis Neighborhoods

The previous section analyzed how Minneapolis neighborhoods fared in the 1990s in terms of people's investments in and feelings for them. But, in an evaluation of NRP, the central question to be answered is, *How did NRP activity impact the investments and attitudes citywide over time and in terms of variations between neighborhoods?*

The Impact of NRP on Housing Investment in Neighborhoods

The investment variable was measured in terms of its *change* between the early 1990s, when NRP activity was starting, and the most recent period for which data were available—after a number of years of NRP implementation. The analysis is structured on the notion that change in the investment measure in a given neighborhood is a function of NRP spending in the neighborhood, the number of years since NRP implementation began, and basic characteristics of the neighborhood such as income and crime rate.

Findings

Between 1990 and 1999, NRP expenditures made a significant difference in the size of increase in homeownership rates in Minneapolis neighborhoods. All neighborhoods together gained more homeowners than they would have without NRP. Neighborhoods with more NRP spending experienced greater increases in homeownership rates. The average Minneapolis neighborhood spent \$970 per parcel in NRP money during the years 1992–97. That spending level raised the increase in owner-occupancy per parcel by just under three-quarters of a percentage point (0.73 percent) over the increase if no NRP activity had been undertaken. The analysis of investment in Minneapolis neighborhoods without distinguishing NRP's impact showed an overall rise in owner-occupancy for the period, from all causes, of about 3 percent. Thus about one-quarter of the general increase in homeownership can be attributed to NRP. Citywide, all NRP expenditures added an estimated 653 homeowners during the period, or about ten homes per neighborhood.

As measured by numbers of building permits, NRP expenditures had a significant impact on the increase in repairs and improvements in the Minneapolis housing stock between 1992 and 1997. NRP activity raised the level of citywide permit work, and greater NRP spending in a given neighborhood increased its permit activity relative to other communities. Through 1997, the results are estimated at 2,674 additional permits citywide and forty-two in a typical neighborhood. How large is the variation in permit increases among neighborhoods as a result of differing NRP expenditures? An average-size neighborhood spending the most money per parcel would have had 311 permits more per year than a neighborhood with no NRP expenditures to date.

Between the periods 1990–92 and 1996–98, NRP activity made a significant difference in the size of increase in home sales rates in Minneapolis neighborhoods. The strongest connection was between the number of years since an NRP plan had been adopted in a given neighborhood and the increase in turnover, rather than between NRP

expenditure level and the turnover rise. By 1999, the impact had been to increase annual sales citywide by just under two hundred homes. In an average neighborhood, impact on turnover would now be about three sales per year above the seventy that would have typically occurred without NRP. NRP accounted for over a quarter of all increased turnover in Minneapolis during the 1990s.

At least at the neighborhood level, NRP did not have a significant impact on the sales price of houses in Minneapolis during the 1990s. Neither NRP expenditure nor years since plan adoption have any statistically significant impact in the analyses conducted. This result is consistent with findings in other studies that any price impact of neighborhood interventions is limited to the properties immediately adjacent to the actions and is not observable on a neighborhood-wide basis.

The above set of analyses of NRP's impact on investment indicates that the program increases homeownership rates, frequency of housing repairs and improvements, and property sales turnover—in Minneapolis as a whole and more greatly in the neighborhoods in which NRP activity is relatively large or longer in place. The impacts are of sufficient scale to make some real difference in those measures for the city and its communities and to play a significant role in determining the overall size of and variation in changes in those investments during the 1990s.

The Impact of NRP on Residents' Perceptions of their Neighborhoods

NRP may well have measurable effects not only on residents' investment behavior but also directly on how satisfied they say they are with their communities. What impact of NRP on those attitudes, as documented in the MORI opinion survey, can be observed? MORI respondents were asked which of thirteen conditions were improving or getting worse in their neighborhoods. These conditions included reducing noise, providing parks and recreation, managing traffic, and attracting people who will help rather than hurt the neighborhood. The responses were used to create an index of perceived neighborhood improvement (or decline), by counting the total number of items that a resident thought were getting better. The effects on that number from NRP activity and the other variables in the analysis were then measured.

NRP has a significant positive impact on residents' ratings of how many conditions are getting better in their neighborhoods. A first analysis found that residents of neighborhoods with greater NRP spending typically perceive significantly larger numbers of indicators of neighborhood conditions to be improving. A second regression revealed that residents of neighborhoods with more years since plan approval also perceived larger numbers of conditions improving.

Citizen Participation

Another crucial component of Minneapolis residents' sense of connection to their neighborhoods is their participation in shaping the work of neighborhood improvement. This section reports findings about citizen participation in NRP organizations and about NRP's role in fostering participation. It is based on a quite narrow set of data about participation, which nonetheless reveals some interesting patterns. The data sheds light

on several issues, including the extent of participation in and awareness of NRP activities, the attitude toward programs like NRP that involve direction by neighborhood residents and organizations, and the impact of NRP activity levels in the various neighborhoods on participation and attitudes. The information available allowed a look at four basic question areas:

- What has been the trend in citizen participation in NRP itself? Have people maintained a connection with the program or has interest waned after initial attention? Is the trend different across neighborhoods?
- To what extent is the wider citizenry—beyond those active in NRP—aware of the program and supportive of its mission?
- How does the progress of NRP activity through planning and implementation affect participation in each neighborhood?
- Does NRP spending—on the program overall or on particular components—affect neighborhood participation and attitude?

The evaluation did not have the resources to support examination of the quality of participation by direct observation of the meetings nor of who specifically (which subgroup) participated in planning and carrying out NRP activity.

Findings

Citizen participation in NRP in the city as a whole increased from 1994 to 1998 as measured by average head counts at NRP neighborhood meetings.²³ During the period 1994–95, 4,136 citizens attended 256 recorded NRP meetings. Average meeting attendance was thus 16.2. During the years 1996–98, attendance was 5,906 citizens at slightly fewer meetings (235). That meant an average of 25.1 residents attended a typical meeting, up 55 percent from the earlier period. The general trend in participation per meeting was upward, although it actually flattened from 1996 onward.

Whether they attend NRP meetings or not, a significant majority of residents throughout the city are aware of the program. According to the MORI survey, an impressive two-thirds (66 percent) of Minneapolis residents are aware of NRP. The range among neighborhood types is narrow: 64 percent in redirection neighborhoods, 67 percent in revitalization neighborhoods, and 69 percent in protection neighborhoods. People differing in income, homeownership, and education often show significant differences in awareness of a specific local program. For example, NRP is known to three-quarters of certain subgroups, including those over thirty-five, college graduates, homeowners, and those with incomes over \$35,000, and to only half of renters, people eighteen to thirty, and those with a high school education or less. More equal awareness across the three neighborhood types apparently reflects the complex mix of residents within each.

²³ This information is based on NRP staff observations that take place annually for a one-month period.

Residents believe in the notion, implicit and explicit in NRP, that neighborhood residents and organizations are the most effective agents in dealing with neighborhood issues. MORI respondents rated the effectiveness (on a one to five scale) of five groups in dealing with neighborhood issues: elected officials, city agencies with service delivery responsibilities, local businesses, neighborhood advocacy groups, and neighborhood residents. Residents most often rated the neighborhood residents (50 percent) and neighborhood advocacy groups (43 percent) as effective or very effective in dealing with their community's issues, just barely ahead of businesses (42 percent) and further ahead of city agencies (29 percent) and elected officials (27 percent).

Spending NRP money on planning and on communication activities in particular seems to be useful in encouraging citizen participation. In recent years as more neighborhoods move to implementation, greater expenditures on communication and on program implementation seem to attract additional citizen participation. Organizations with larger NRP spending on communication and larger total planning spending tended to have higher average meeting attendance over the 1994–98 period.

To summarize the overall findings, Minneapolis's residents sense of place is quite positive and NRP is an important contributing factor. Residents are investing more in their neighborhoods and see them as in good condition and improving. NRP has made a significant contribution to the progress. The improvements and benefits are dispersed widely among the neighborhoods. Citizen participation has grown in NRP, and people believe neighborhood participation is effective. In terms of this objective, NRP and Minneapolis are doing quite well, although there is more to do in support of the most troubled neighborhoods.

CHAPTER FIVE: PUBLIC SERVICE REDESIGN

Case Study of the Minneapolis Community Development Agency

One of the four overarching goals of the NRP Primer is to redesign public services. This exploration of the NRP's effect upon the Minneapolis Community Development Agency (MCDA) is one of a set of studies developed to examine whether agencies and jurisdictions changed how they provide services as a result of NRP. In the initial design phase of the evaluation, it was made clear that a primary motivation for the creation of NRP was a desire for the city to pay more attention to the neighborhoods and the wishes of their residents and business owners.

MCDA is the city's development entity. It finances the city's industrial, commercial, and residential development. MCDA-assisted developments range from the Target Corporation's downtown store to the Theatre de la Jeune Lune and the St. Anthony Square Townhomes. The proceeds from the tax increment bonds that fuel NRP are derived from projects financially assisted by MCDA. And statute requires that 52.5 percent of NRP's funds be directed to housing or housing-related activity—a fact that requires it to interact heavily with MCDA. It is for these reasons that the evaluation design called for a separate case review of the extent to which progress has been made achieving the NRP goal of redesign in the MCDA.

The key questions guiding this exploration are

- To what extent has MCDA changed, that is, grown more responsive to neighborhoods, as a result of NRP?
- What specific examples of “redesign” have occurred within MCDA, and to what extent is this attributable to NRP?
- What contributes to change? What has impeded change?
- What lessons can be drawn from this experience?

Findings

MCDA is a public development agency. It is guided by state statute. MCDA’s strategies are place-based or targeted to certain beneficiary groups. It works in locations where the market “fails,” that is, where private developers, lacking financial incentives, will not invest. And, requirements built into its financing often mandate that it support projects that are targeted for lower-income people, such as to establish affordable rental levels or to provide financing for home purchase or fix-up. Quite critically, its money is actually derived from multiple sources, including the federal government, the state, bonds, and tax increment. Every one of these sources has use restrictions. There are income criteria; guidelines for acceptable levels of risk; and a host of other conditions, such as whether financing can be used for rehabilitation or for new construction.

MCDA’s various departments depend on allocated monies, the purposes of and uses for which are pre-defined based on their funding source. For example, the Minnesota Housing Finance Agency (MHFA) provides financing for home improvement loans, but they must not exceed the levels of 45 percent debt-to-income and 100 percent loan-to-value. *The fact that MCDA’s financing is largely guideline-driven and that staff are expected to operate within those guidelines is central to appreciating the degree of flexibility that MCDA may or may not have to achieve the NRP goal of public service redesign.*

It could reasonably be argued that MCDA is an agency where the range in which change might occur is relatively narrow. In a sense, NRP’s culture is the opposite of MCDA’s, encouraging free-form rather than bounded thinking. NRP’s financing could offer MCDA needed flexibility, and thus move it closer to free-form, but to achieve that end MCDA would have to work more closely with the neighborhoods. MCDA would also be expected to be responsive to a multiplicity of neighborhoods, many with which it had no prior history.

Promising Areas of Change

To be sure, NRP has fostered increased contact between MCDA and the neighborhoods. MCDA has had relationships with neighborhood associations that long precede the creation of NRP. The emergence of NRP set the stage for MCDA’s staff to further increase their contact with the neighborhood associations. Because a substantial percentage of NRP money had to be channeled to housing, a mainstay of MCDA’s

responsibilities, the advent of NRP did significantly raise the level of contact between citizens and the MCDA. Some early impacts are

MCDA has been introduced to a broader geographic marketplace. NRP is a citywide program. MCDA's statute and financing cause it to focus most of its efforts in places that are designated "redevelopment" areas, though its homeowner and homebuyer programs are available citywide. MCDA staff now must service neighborhoods where they had not previously worked (some MCDA programs have long been available on a citywide basis).

MCDA has assisted in devising financing products that, with NRP involvement, both leverage funding and increase the range of customers. New financing products have been developed to expand the customer base for home improvement loans and to maximize the use of NRP funds for commercial improvement projects.

Citizens are increasing their understanding of development. NRP groups typically form a housing committee or a similar mechanism for determining development preferences. MCDA staff work with these committees. It is evident that understandings of how loan guidelines are developed and of MCDA's program financing have increased with the interactions of the MCDA and NRP.

Citizens are increasing their influence, particularly over housing development decisions. It is clear that NRP has created an infrastructure and nurtured a more informed citizenry, who, with the unique clout of money, can and do influence development patterns. Although NRP money at the neighborhood level is modest in the grand scheme of the significant cost of development, it must be underscored that its flexibility makes it worth exponentially more. It can be the seed money, the bridge, or the source for modifying the terms so that deals that otherwise would not happen receive needed lubrication.

Citizens are electing to invest monies set aside by NRP statute for housing and housing-related activity principally into homeowner-related assistance rather than assistance for renters. About \$78 million (46 percent) of NRP's allocations in its first ten years are targeted for housing and housing-related activity. Of this, citizens have allocated nearly two-thirds for rehabilitation, renovation, and preservation of housing, approximately 60 percent of which is for home improvement activities. The use of NRP support for multifamily rental units has been comparatively more modest. For these units, NRP's support is combined with MCDA's sources. Between 1994 and 1998, NRP contributed \$4.1 million (3 percent) toward a total of \$126.6 million MCDA invested in multifamily projects. NRP's support contributed to 37 percent of a total of 3,460 MCDA-assisted units in this period.²⁴

Where Progress Has Been Mixed

Some MCDA functions such as housing and property improvement are viewed as more responsive than others. Housing development receives the most mixed review.

²⁴ Data provided by MCDA, "Funding Priorities Matrix," and e-mail from Jerold Boardman, March 13, 2000. This includes project information for which financing has closed in the period 1994–1998.

Based on comments from interviewees, MCDA has an image problem. It receives little credit for what it does well and is blamed for things it may well have little control over or even does not have any relationship to whatsoever. The most frequent criticisms of MCDA conveyed by the interviewees were its overly aggressive posture on removing blighted units, its purported preference for infill over preservation, its alleged unbending position on allowing lots to be used for community gardens, and its slowness in moving contracts.

There are several mechanisms for communication between NRP staff and MCDA staff that have aided in building their working relationship. There has been little effort over the years at the most senior level, however, to provide a shared sense of mission, priorities, and strategies. When NRP began, its relationship to MCDA, policywise and administratively, was not outlined. NRP reports to its Policy Board (and ultimately to the council); MCDA reports to the council. Contact between NRP staff and MCDA staff, however, is quite limited. For the past handful of years, there was little contact between the leadership of the two organizations. A new director has recently been appointed to head MCDA who has a strong background working in neighborhoods. MCDA reports that it has formed a working group to examine ways of improving communication.

Case Studies of the Department of Public Works and the Department of Operations and Regulatory Services, Inspections Division

The second of the four goals of NRP is to encourage the redesign of public services. This section examines a number of innovations in public service design, delivery, and funding. NRP itself was a novel idea that encouraged all participants (elected officials, government staff, and citizen volunteers) to take risks or break new ground. NRP offered them a framework and resources to try to do things differently, and they did. As with many experiments, the results are mixed. Some redesign efforts may have long-lasting and permanent effects on the ways of doing business among the cooperating jurisdictions, while others may be more temporary. This study describes the most commonly identified examples of public service redesign and tries to draw some lessons to guide policy makers, administrators, and citizens.

The key research questions are

- To what extent did NRP foster, encourage, create, or cause changes in the extent of public service redesign?
- What changes occurred? Who fostered the change? What was the impetus for the changes? What obstacles impeded change?
- What lasting impacts resulted from this public service redesign? What are the key benefits? To whom?
- What are the key lessons learned? What work remains to be done? What are the implications for the future of NRP?

Findings

NRP offered opportunities to experiment with alternative products and delivery mechanisms for public services. It challenged many city departments that were tied to historical patterns and the status quo. It also challenged NRP program promoters who were mandated to limit the use of NRP funds to “activities that would otherwise not occur and that will enhance the tax base and create new employment.”²⁵

The NRP process encouraged neighborhoods to create solutions for problems in tandem with the public agencies that were responsible for delivering them. NRP helped to build personal relationships between government staff and citizens who were regularly called upon to solve problems when they arose. City agencies gained capacity to deliver services with neighborhood priorities in mind. It is this larger attitudinal change that NRP really sought to, and did, create.

NRP did encourage the redesign of public services in at least a few areas. The richest examples of public services redesign with NRP include street lighting, traffic calming, and a street repaving program, as well as code compliance inspections and demolitions of boarded property. A case study of each was conducted. This report describes these redesigns and suggests when, how, and to what extent they were internalized during the process of NRP implementation. Their success depended largely upon the nature of the interactions between neighborhoods and city staff, the scope of the issue to be addressed, and the scale of resources required to respond effectively.

Below is a set of overarching findings.

NRP led to a more interactive approach to local service delivery that offered more service options to neighborhoods. Departments became more proactive in putting together systems to offer customized services or varied levels of service across neighborhoods, such as pedestrian-level street lighting or commercial area streetscaping. Public service providers also developed menus or service options for other public services, including traffic calming, street repaving, demolitions, and occupancy permits.

The NRP process made neighborhood residents better consumers, more well-informed, and effective users of public services. Interaction between city departments and neighborhoods in the NRP planning process also offered an opportunity for education and promotion of city services and issues. The information and assistance provided by city staff was highly valued and instrumental in moving forward the desires of neighborhoods in areas such as safety, commercial area redevelopment, and housing rehabilitation.

NRP fostered creativity, innovation, and creative problem solving, especially on longer-term issues. NRP brought a different set of demands for public services to the attention of city departments. Department of Public Works staff provided expertise for streetscaping—especially in the design and planning phases. It responded to growing

²⁵ “Minneapolis Neighborhood Revitalization Program Funding: 1990–2009,” August 13, 1992.

requests for new types of residential street lighting. Its new street renovation program includes options for pedestrian-level street lighting and traffic management in residential areas. The city is now considering ways to adopt ornamental lighting citywide. Similarly, working with neighborhoods, Inspections Division staff created system-oriented solutions for vacant and boarded properties: NRP matching funds for Chapter 249 demolitions and a temporary occupancy permit. These both helped to prompt the idea of adopting a citywide early-warning system to avoid boarded and vacant properties in the future.

Accountability of all parties (neighborhood, city council, NRP staff, and city/agency staff) shifted as they adopted a more systematic approach to planning and implementing public services. Over the past ten years, the city council began to shed some of its traditional power prerogative in determining service delivery and was challenged to attain a greater role in policy-making and systems development and monitoring. NRP provided more and broader discussion and planning for public services within a neighborhood prior to requests for funds and approval by the city council. The increased involvement brought shared responsibilities. Council committees were active and informed on policy matters. New agreements, policies, and standards were adopted to guide housing demolitions, occupancy permits, street lighting petitions, and maintenance of commercial area improvements.

NRP helped public officials and citizens to begin to better understand the scope and scale of projects that are appropriate for system-level versus neighborhood-level interventions. Some public services defy the type of decentralized demand encouraged by NRP—examples include traffic management, commercial corridor redevelopment. Others such as pedestrian-level street lighting or larger recreational facilities become more cost effective as greater numbers adopt them. Although NRP offered an opportunity to act as an integrating force among neighborhoods by aggregating their priorities and funds, multi-neighborhood projects have not met their full potential. For example, the cooperation and momentum gained from planning/designing the Hennepin Avenue commercial corridor by multiple neighborhoods has not been sustained through the implementation phase. In other neighborhoods, most neighborhood traffic-management alternatives were not implemented due to limited funds and unlimited scope, and few fully equipped multi-neighborhood park facilities were developed.

NRP created new relationships between citizen volunteers and city staff members that enhanced the implementation of the new public services. The working relationships between neighborhood residents and city staff formed by working on housing, lights, or traffic concerns built a new form of social capital. This sustained level of information exchange and trust did not exist previously. Even at the level of city departments, there is now an expectation that new approaches and ideas will have been discussed with neighborhoods before they are brought to council for approval.

Case Studies

Street Lighting, Streetscaping, and Traffic Calming and Management

NRP plans and activities found the public spaces of streets to be fertile ground for redesigning public services. Out of NRP, new public service options were born, such as

“ornamental” or “pedestrian-level” street lighting, “traffic calming” or management, and streetscaping of commercial areas.

For safety and aesthetic reasons, more than a handful of neighborhoods considered installing new types of lighting to replace the wooden poles that the city had installed in the 1960s and 1970s. NRP had various levels of involvement in the spread of the demand for this new public service. NRP paid for 100 percent of the costs of installations in city parks, subsidized costs in residential and commercial areas (initially at no more than 25 percent of the cost and later at no more than 90 percent), or simply helped to reveal the benefits and availability of such lighting to residents and property owners who later (once a sufficient percentage of properties’ owners signed petitions) assessed themselves for the entire cost of lighting installations. Now that more than a handful of areas have identified lighting as a priority, the city is trying to determine the costs and feasibility of adopting this type of lighting citywide.

The street traffic within neighborhoods was also a priority concern of NRP plans. More than two dozen studies of traffic were completed in neighborhoods; many alternatives for traffic management—circles, humps, tables, throating, and diverters—were considered, but few were adopted. There were two reasons for this: (1) a lack of adequate funds to “solve” traffic issues within and across entire neighborhoods and (2) the policy limitation that traffic may not be pushed on to another neighborhood. In the end, the city gained a greater appreciation of the level of neighborhoods’ concerns for traffic management and built service options into their new street renovation program. Neighborhoods learned about the contentiousness, complexity, and expense of traffic management.

Streetscaping and commercial area revitalization are more lasting investments from NRP. Several neighborhoods recognized the importance of a vital commercial district to their quality of life. Although many NRP plans identified the importance of commercial districts, fewer put NRP funds toward the planning and design of their revitalization, and even fewer put funds into implementation. The efforts did yield renewed attention by the Department of Public Works on the possibilities for streetscaping and urban design in these commercial corridors, and the department initiated a new policy about creating public service districts to support the added street and sidewalk improvements. As with street lighting, these activities led to property owners agreeing to additional tax assessments to pay for the installation and maintenance of these investments.

Vacant and Boarded Housing

This case examines NRP-led redesigns that are both temporary and systemic. The temporary fix was to get neighborhoods to match the funding for the demolition of houses under Chapter 249 "Vacant and Boarded Buildings, Nuisance Condition" of the city code. For several years in the mid-1990s, the Inspections Division’s annual allocation for demolitions began to run out mid-year. The numbers of buildings on the 249 list continued to increase. In response, the division head and NRP staff attended NRP planning meetings and offered consultation with neighborhoods—in effect giving neighborhoods the final say as to whether a structure would be torn down—in exchange for neighborhoods paying one-half of the costs with NRP funds.

Twenty neighborhoods signed on, and over \$3.5 million of NRP funds was set aside for this purpose. They gained more control of demolitions at the neighborhood level and they gained the assistance of Inspections Division staff to walk through the properties with neighborhood housing committees or other volunteers and staff and to help estimate the costs and worthiness of renovation for these boarded and vacant structures. From these relationships came the creation of a temporary occupancy permit, allowing home owners to live for eighteen months in a property that had been boarded and did not yet meet full code compliance as long as basic health and safety measures were met and progress toward completion was being made. This helped buyers of these houses to better afford the costs of renovation, since the different level of code compliance for structures once they are boarded increases the costs as much as 30 percent.

The Central Neighborhood Improvement Association started to examine how to market boarded and vacant houses and further how to predict whether a property would become boarded and vacant. Through another university-funded pilot project, the association began to work with six neighborhoods to devise an early warning system—tracking indicators that would signal a property was likely to become boarded and vacant. This early-warning system is in the early stages of adoption by the city; it was identified by the council as a needed technology change and by the mayor in her recent budget framework as worthy of staff time.

CHAPTER SIX: OVERVIEW OF INTERGOVERNMENTAL COLLABORATION

Introduction

"To increase intergovernmental collaboration" was among the four goals set forth in the NRP Primer. As partners in this effort, five local governmental jurisdictions—the City of Minneapolis, Hennepin County, the Minneapolis Park and Recreation Board, Minneapolis Public Schools, and the Minneapolis Public Library—helped to design and implement neighborhood-generated and funded strategies for community stabilization and revitalization. Key benefits sought included increased communication and coordination, which would in turn yield more "benefit per dollar of public expenditure and improve the ability of government to effectively address neighborhood needs and priorities."²⁶

NRP projects involving schools and parks are used as a case study of intergovernmental collaboration. This section looks more at the jurisdictions' effectiveness in addressing neighborhood needs and priorities than at the cost-effectiveness of their investments. It focuses on the nuances of how and why this collaboration played out, the role of NRP in making it so, and any lasting impacts or administrative or organizational changes left in its wake.

²⁶ The NRP Primer, 1991, page 1.

The Minneapolis Park and Recreation Board (Park Board) and Minneapolis Public Schools (School Board) have a long tradition of joint projects and programs.²⁷ Although NRP intended to increase intergovernmental collaboration, the program's design provided no incentive for agencies to seek collaboration, except as invited by neighborhoods. Many joint projects were proposed, planned, and implemented due to both the added NRP funds and opportunities born from a new cycle of construction by Minneapolis Public Schools.

The School Board and Park Board had very different approaches and results. In NRP's early years, the School Board was reactive, setting aside funds to match neighborhood priorities. In later years it formed an internal committee to spend its set-aside to help implement community schools. Meanwhile, the Park Board marketed its opportunities to neighborhoods during their NRP planning phases. Its entrepreneurial approach may have been the reason that since the program's inception, total NRP funds allocated to parks were \$14,262,358 (about 8 percent of NRP total allocations), whereas the sum allocated to schools (and libraries) was \$5,217,307 (about 3 percent of NRP total allocations).²⁸ The Park Board later cooled its enthusiasm as it began to anticipate the pending operating costs, and it instituted a policy that no new capital expenditures could be approved without identifying a source of operating funds.

Key research questions are

- To what extent did NRP foster, encourage, create, or cause changes in the extent of intergovernmental collaboration?
- What changes occurred? Who fostered the change? What was the impetus for the changes? What obstacles impeded change?
- What lasting impacts resulted from this intergovernmental collaboration? What are the key benefits? To whom?
- What are the key lessons learned? What work remains to be done? What are the implications for the future of NRP?

Findings

Collaboration between the School Board and the Park Board has occurred for many years. NRP pushed this collaboration to another level. Introducing neighborhoods into the mix was a new dynamic that produced new results. It wasn't just participation. It was neighborhoods armed with both NRP funds and well-voiced neighborhood priorities that changed the nature of these intergovernmental collaborations. This inquiry examines

²⁷ For the purposes of this document, the terms "Minneapolis Public Schools" and "School Board" will be used interchangeably.

²⁸ Minneapolis Neighborhood Revitalization Program, "Making Visions a Reality: 1990-2000 Progress Report," January 2000, page 6. TEAMWORKS figures reported in Chapter Two of the full report differ modestly for the Park Board (\$13,575,860) because the data captured plan allocations through October 1999, an earlier date than the publication referenced here. The annual spend-down rate for both parks and schools (and libraries) is about 20 percent a year. Each has expended roughly half of its allocation.

these changes by drawing largely from joint projects with Whittier, Windom, and Harrison neighborhoods.

Since 1990, more than a dozen joint projects have been planned and developed using NRP funds, including gymnasiums, classrooms, community activity centers, media centers, playgrounds, neighborhoods offices and meeting rooms, landscaping, and related improvements such as land acquisition and housing demolition. The partners included the two jurisdictions and the neighborhood. Usually the deals started with each entity putting in one-third of the money, but in several cases the amount of the contributions had more to do with availability of funds than the partners' pro rata costs and benefits. In essence, each deal was different and was dependent upon the skills, needs, and timing of those entities crafting them.

NRP's role in fostering collaboration was critical. The collaborating parties sanctioned NRP staff to serve as broker, facilitator, mediator, or innovator. The respect and attention paid by these staff to each collaborator at key intervals lubricated these deals. The School Board was strongly motivated to *get in* to NRP-related joint projects by its needs for expeditious community approval for required facilities. The Park Board was interested in additional funds for capital construction projects. Motivation for both the Park Board and the School Board to *stay in* negotiations for joint projects came from the encouragement and intervention they received from NRP staff.

A favorable set of conditions external to NRP provided the foundation for collaboration. During the period of NRP implementation, Minneapolis Public Schools shifted to community-based schools. The district was in a mode of expansion—building new schools—after an era of retraction during the 1980s. These changes enhanced the School Board's responsiveness to the collaborative opportunities and philosophies of NRP. As a result of NRP, a number of better coordination and communication mechanisms were established both internally and across jurisdictions and neighborhoods. Project-specific design conversations and monthly project-management meetings led to new working relationships among all parties and better long-range planning and coordination between the two governmental units.

The manner in which public facilities evolved from intergovernmental collaboration with NRP was “more, better, and sooner.” NRP's collaborative projects were different. The addition of neighborhood input and funding fundamentally changed the nature of the collaborative projects in terms of size, quality, design, location, and timing.

- *More.* The size of the gymnasium at Whittier Park was larger than it would have been with only the Park Board's original development, and several new gymnasiums were built that would not have been without NRP funds. Citizens they got more access to existing facilities. Building more joint facilities with the Park Board and having more pupils from the surrounding area helped the School Board to provide increased community access to its facilities.

- *Better.* The product changed. Due to NRP, many Minneapolis schools now have playgrounds, landscaping, and media centers. Schools with Park Board gymnasiums have better quality ones than those typically built by the school system. These items are lower priorities for the School Board than the basic maintenance and repair of the schools' physical plants. The Park Board also has a higher standard for playgrounds. At times funds and flexibility found in NRP allowed the School Board and the Park Board to swap land so that a playground adjacent to a school could be installed under School Board standards, with lower costs and volunteer labor. Challenges with specific sites brought other opportunities for product improvement. Fitting multiple uses on one site led to underground parking, new security features, and school designs adaptable for future gymnasium additions. It is too soon to tell if the basic package of school facilities will one day include all the additions of the NRP-funded ones. But it is interesting to see that at their own cost the School Board included community rooms or neighborhood offices in the designs for two of the four new schools being constructed. Facility siting improved. Neighborhood priorities did drive location decisions—within the park in Whittier and away from the park in Hawthorne. The School Board now routinely uses the NRP-designated neighborhood organizations to identify potential sites for new schools. This reduces the time it takes to gather community input and allows the School Board to work with neighborhoods to successfully target specific housing for demolition—especially those houses that are overrun with drug problems or are badly deteriorated.
- *Sooner.* The Park Board's project priority list for capital improvements changed in response to neighborhood-generated opportunities. The provision of community activity buildings, gymnasiums, media centers, and playgrounds occurred sooner than they would have given the pre-existing budgeting and priority-setting mechanisms of the School Board and Park Board. In a few cases, Park Board funds may have been available to support a project, but neighborhood and school system priorities were not aligned at the time funds were available, and the funds were then reallocated.

The new status achieved by neighborhood organizations in NRP projects challenged collaborating governmental units in new ways. The three neighborhoods studied successfully negotiated more resources to themselves, particularly space for their neighborhood organizations' activities. If this is a trend, it may be the ultimate empowerment, but not all governmental partners endorse the designation of public resources to such uses as neighborhood offices. Through NRP, attitudes within governments have changed, but the lines of public and private or local and citywide have not been defined. The attitudes and relations of Minneapolis Public Schools toward neighborhoods blossomed over the past ten years—from hostile to embracing. Developing new schools and joint projects under NRP helped the schools to realize and to practice their new-found ethos: “nothing happens without community input.” The Park Board, on the other hand, began the decade of NRP implementation with community advisory councils for each of its fifty facilities and still uses them. Although the Park Board initially solicited neighborhood organizations to devote their NRP funds for parks, it continues to operate under a set of institutional policies that emphasize uniformity and citywide service delivery.

Collaboration has hidden costs in the form of time, budget, and strain on organizational missions and customers. Collaboration requires more time. Unforeseen costs include transaction costs—added staff time and talent in meetings. Projects took longer to design than they would have otherwise. All parties agreed that while it was not the most efficient process, it was necessary, and the results were most often better. In addition, most agree that citizens value (and perhaps use) these facilities more than they would have without having invested in the NRP process. NRP's focus on capital expenditures overlooked the future burden of operating and administrative costs. Early agreements did not require projects to provide for or justify their additional operating expenses. That led to friction and new policies. A policy was adopted by the NRP Policy Board on June 27, 1994, which states that, "Any parks, public works, housing or economic development project which requests NRP funding must indicate the ongoing maintenance and operation costs for a 10 year period (i.e. operating budget) following completion or initiation before it will be considered for funding. This projection must indicate the magnitude of these costs, the methodology used to develop the projection and who will be responsible for them." Despite these policies, unresolved issues of accountability around who among the collaborating partners is responsible for these operating costs remain.

Tension around negotiating and managing the use of and access to shared facilities also remains. NRP allowed neighborhoods to leverage funds of other jurisdictions to meet localized priorities. As a result, schools got more playgrounds, the Park Board got more gymnasiums, schools got better gymnasiums, and communities got more facilities and programming. Due to its devotion to neighborhood priorities, NRP did not address systemwide priorities of schools and parks, such as needs for maintenance and repair or staffing. NRP brought more community "ownership" to park facilities but did not take into consideration that these facilities serve citywide athletic events of both the School Board and adult recreation programs. The School Board and Park Board are challenged to be responsive at both neighborhood and citywide levels. The scarcity of public funds for operations and differing missions are not well communicated or understood. The tension between citywide or systemwide priorities and neighborhood priorities continues today.

Case Studies

The following cases describe the process and outcomes of three of these intergovernmental collaborations: Whittier, Windom, and Harrison.

The Whittier Dream: Community Is Possible

Whittier was among the first group of six neighborhoods to go through the "NRP planning process." This case shows the complex web of relationships, influences, actions, and reactions necessary to create and complete a collaborative project. It also chronicles the convergence of a community's desire for a "school with predominantly neighborhood attendance" with the adoption of community-based schools.²⁹ It demonstrates the flexibility and innovation of NRP funding required to bring a project to

²⁹ Whittier Neighborhood Action Plan, July 13, 1992, page 12.

fruition. It also shows the willingness of staff from both the School Board and Park Board to create new ways to adapt to multiple uses on a limited piece of valuable park land.

To achieve their 1992 vision, the neighborhood and its collaborators had to weather controversies, misunderstandings, and cost barriers related to enlarging the park, repairing the park building and adding a gym, dealing with opposition until park staffing changed, addressing legal challenges of the school board, and spending fewer project dollars than they anticipated. Despite these issues, their NRP plan continued to specify a school for neighborhood children. It acknowledged the challenge facing Minneapolis Public Schools in establishing such a school, given their federal desegregation ruling, and allocated NRP funds to study this issue. Finally many forces converged. The state said that if the city would agree to rectify housing by race and income, the School Board could institute community schools.

At the same time, the School Board faced a severe classroom shortage and a class-size referendum. It needed to build three new schools. Whittier was finally chosen as one site. Once the school was approved, the collaborators made some design changes to fit the school on the property and acquired several adjacent lots with burnt-out housing so they could build the school along the park. The neighborhood got a larger gym with the joint school facility, parking built underneath school to avoid losing more housing around the park, and a neighborhood early learning center. The joint project also included an elementary school, a bookmobile, and some related youth programming. The Whittier neighborhood invested nearly \$3 million of the total \$17.1 million (this did not include the cost of constructing the gymnasium, which was completed two years earlier). Open in 1996, it is now a unique center called Whittier Community School for the Arts. The neighborhood continues to build on the arts theme in its other community revitalization work.

Windom: Staying Power of Community Vision

In this case, the tenacity of the neighborhood association took an idea born out of a survey of neighborhood residents in 1991 through an eight-year process to its completion. The organization triumphed over animosity with the School Board, the lack of suitable and available sites (despite great efforts by the neighborhood and Park Board to find alternatives), and the loss of Park Board funds and the gain of more NRP dollars. Keys to the project's success were a change in a school's principal and use of mediator/facilitator (an NRP staff person) to negotiate the deal.

In the end, the community got a gymnasium and park services for the first time in its history. The Windom Open School/ Community Center project included building a new gym and converting an old gym into a media center and classroom. It had a full-time parks employee to manage the space and activities, a place for congregate dining, an assembly or performance space, a shared kitchen and office, and a workroom. The neighborhood association got priority access to meeting space and exclusive use of a storage closet. The total cost was \$2.6 million (not including the science lab and other exclusively school-related improvements), of which \$1.6 million was paid by the Windom neighborhood's NRP allocation.

Harrison Trio: NRP Fulcrum—Leverage and Trade-Offs

The Harrison Community Center project involved the construction of a new school for emotionally disturbed children (Level V) and a community center. The total cost of the project was over \$9 million. For the community center, both the School Board and the Park Board equally matched the neighborhood's \$300,000 NRP contribution, but the neighborhood added \$400,000 it raised from private foundations. It also helped to raise \$800,000 from the state. This changed the balance point in terms of negotiating the features and use of the joint facility. The community traded acceptance of an unwanted facility for a shared facility. It also traded its NRP and other funding to get dedicated space for the neighborhood association's use and community access to the gym and media lab during the school's off hours. The school got a nicer gym than it would have had otherwise. The neighborhood, especially its youth, also got a gym and community center.

Despite a long history of animosity, the School Board was highly motivated to make this project work with the neighborhood association. Facing mounting pressures to replace the Harrison facility, the School Board asked the Harrison Neighborhood Association to accept the school for emotionally disturbed children. The neighborhood recognized an opportunity within the School Board's plight. In 1990, Harrison Park had two big structures on it but no park programming. The West Central Academy (a general education elementary facility completed in 1995) was to be located along one edge of the park, but it had no public facilities. While creating its NRP plan, the neighborhood agreed to allow the school on the park grounds if the neighborhood could also have a new community center, meeting rooms, and offices there. The facility is now built, but issues of shared use are not resolved. The major issue is that the Park Board would like to have uniform policies throughout its fifty-one facilities citywide, and the neighborhood association wants unconventional access times without additional fees. The parties are still negotiating the shared-use agreement, and resolution is imminent.

RECOMMENDATIONS

In anticipation of NRP's second phase, the evaluation team was asked to focus on suggestions for future monitoring. In response to this request, many of the recommendations concentrate on data development and management. Other recommendations are presented so that policy makers can reflect and make informed choices, for example, on the mix of NRP activities, the rate of the spend-out of funds, and the distribution of funds.

NRP FUND USE AND DISTRIBUTION

Two sets of issues arise from the findings about the status of NRP and the nature and extent of targeting it provided. First is the issue of lack of available data to track the basic activity and results of the program. In short, some of the key items are not being tracked. Changes might be made to obtain the information in the future if it is deemed sufficiently important to pursue.

Second is the issue of satisfaction with the measured progress and targeting. This evaluation provides some first-time information about how well the program is proceeding in carrying out its tasks and about where—to which neighborhoods and people—benefits are going. The evaluation cannot determine whether the results are satisfactory to the citizens of Minneapolis and their representatives. But the members of the community might choose to judge their satisfaction and seek changes if, by some indicators' measures, results are not what they would like to see.

The following recommendations highlight principally these two sets of issues.

- **Obtaining output data.** The data available on tangible outputs of NRP is limited—it is not fully complete in housing, non-existent in other fields, and not being systematically recorded. If NRP continues, such data would be central to tracking how it performs. Obtaining it would best be done by gaining agreement from neighborhoods and contractors to record it in standardized ways, with NRP program staff responsible for combining it into usable reports, likely integrating it with the PlanNet database.
- **Gathering beneficiary information.** The data available about NRP beneficiaries is still more fragmentary than output information, and there is currently no push or means for it to be recorded. If members of the community are concerned about this aspect of program results, such data would need to begin to be collected in a systematic way. Specific needs are for information outside the CEE service areas and the home improvement field and for beneficiary characteristics besides income. Again, this would best be done by neighborhoods and their contractors in

standardized ways developed by NRP staff in consultation with them. NRP staff would again be responsible for integrating the information. Both output and beneficiary fields are included in the PlanNet database format, but they are not being filled in as yet.

- **Filling data gaps.** In general, there seems to be some imbalance between the sophisticated detail of the PlanNet database as laid out and the level of systematic obtaining and recording of data other than that in the neighborhood plans. It is not uncommon in early stages of a program that the system for tracking results is completed while data input lags. But more seems to need doing to ensure that the data is being collected systematically in the field as operations proceed, so that it can eventually end up filling in the database's blank spaces. NRP staff were cooperative in trying to retrieve information, but the task would be much easier and more efficient if built into operations for each actor (neighborhoods, contractors, public agencies and departments, and NRP staff) in the NRP implementation system.
- **Addressing lengthy planning periods.** The typical time periods for neighborhood planning were lengthy. That plus the phase-in processes of adding neighborhoods to NRP over time meant that, at least into mid-1999, neighborhoods had spent as much time in the planning phase as in implementation (this was offset by the multiple mechanisms for allocating funds prior to plan completions). The next round of program adjustment should include thinking about (1) whether and how to simplify and speed planning and (2) what, if any, options to provide for early spending if significant rework and updating of comprehensive neighborhood plans are to be part of a next stage of NRP.
- **Reviewing allocations among neighborhoods.** The program's guidelines for allocation of funds among neighborhoods, together with the decisions made by the Policy Board, produced significant differences among neighborhoods in funding allocations after adjustment for neighborhood size. But NRP targeting by neighborhood is modest compared with, say, a typical CDBG program with a deliberately tighter geographic and individual focus on neighborhoods and people in lower economic strata. Policy actors should consider whether they are satisfied with the roughly 2.5 to 1.5 to 1.0 ratio of funding allocations among redirection, revitalization, and protection neighborhoods and adjust guidelines for the next round if a change in distribution of allocations is desired. The guidelines appear to be effective in shaping decisions to date and deserve continuation, either as is or, if desired, with adjustment.
- **Meeting the housing mandate.** Though dependent on the final shape of ten neighborhood plans still underway, it seems quite possible under allocations/plans to date that NRP will fall at least modestly short of the program mandate that 52.5 percent of the money be spent for housing. Policy makers should consider what action to take to meet the guidelines. Examples of possibilities include some adjustment in planned allocation within each neighborhood for its unused funds, commitments regarding use of next-phase funds, or perhaps an agreement about counting re-use of

revolving housing loan funds.³⁰ Consideration should also be given to mechanisms that would ensure meeting the mandate in the future—perhaps, for example, including a minimum housing allocation in each neighborhood or a shift in fund allocations toward neighborhoods with greater housing needs.

- **Considering the speed of implementation.** At current rates of spend-out, full use of NRP allocations will take a long time even after all planning is complete. It is conceivable, at least, that the implementation periods could even grow in a next phase of programming, in which immediate major projects have been pursued and some important consensus needs met. Depending on their satisfaction with the current pace of action, policy and neighborhood actors may wish to consider mechanisms for speeding the implementation processes. Such an undertaking might include devoting effort to identifying bottlenecks in neighborhood, public agency, and contractor operations and to correcting any major systematic constraints observed. Money might also be reallocated from slow-moving programmatic areas or even from neighborhoods with continuing slow action.
- **Assessing possible bottlenecks in smaller programs.** The data on NRP spend-out rates by category and subcategory of activity pinpoint slow spending in a smaller set of specific types of efforts. These might be given some special attention in at least quick analysis of bottlenecks, but since most are smaller categories of allocation they should not be the sole focus.
- **Sequencing and timing additional funding.** Careful thought should be given to how to time and sequence any additional round of NRP funding for neighborhoods. With only about half the initial funding spent overall, there are still very substantial funds in the hands of most neighborhoods. Such issues as the sequencing of neighborhoods in the receipt of new funds, perhaps in relation to their disbursement of the first round monies; the point at which new funds are presumed to be needed for release to a neighborhood still in the process of spending its first allocation; acceleration of the funding process for the fewer neighborhoods already completing spending of initial funds; the possible temporary redirection of funds to other activities until neighborhoods' spend-out of current monies indicates readiness for renewed NRP activity; and the availability of repayments from some housing loans may well deserve attention.
- **Considering shaping home improvement programs.** Loans and grants for improvements to owner-occupied homes have constituted nearly one-third of the NRP program. Their benefits have not been much targeted on the basis of need. If the lack of targeting is a concern, policy makers may want to consider whether to guide the direction of these benefits. That could be done through various program choices or restrictions regarding income eligibility, the form of assistance (grants, deferred loans, amortizing loans), or the scale of activity in this field.

³⁰ This evaluation has not tried to assess the legal obligations and constraints imposed on the various options by the original mandate, which would of course need to be taken into account.

- **Reviewing housing policy options.** The differences in types of housing activities undertaken with NRP funds by the three categories of neighborhoods are very striking—especially in terms of serving renters and owners. Insofar as Minneapolis maintains citywide housing goals about aid to homeowners and renters, new construction and rehabilitation, and other basic options, it may wish to consider the role played by NRP funds in that overall context. Choices about the allocation of NRP funds among neighborhoods, the size of NRP funding relative to that of other housing-directed programs, and the use or avoidance of guidelines or requirements about how neighborhoods use their money in the housing area will clearly have impacts on who is served by housing assistance and where.

CAPACITY

This study was an indirect analysis of capacity, asking first whether there were basic legal and financial thresholds for the NRP organizations and then using personnel as a proxy to understand the capacity of NRP groups to perform the tasks of planning and implementation. The organizations are chartered by the State of Minnesota, and NRP enforces an audit policy. The findings provide a benchmark for the relative levels of personnel spending during planning and implementation phases and across the three types of neighborhoods. In dollar amounts the costs for operating the NRP organizations seem quite modest given the overall levels of planning and implementation expenditures. The following recommendations focus on the need for continued and even deeper monitoring of this most critical dimension of NRP functions.

- **NRP staff update the database created for the capacity study.** This should, at minimum, be done on an annual basis. Staff should also continuously update the audit status database that was developed for this study.
- **Incorporate the database into PlanNet.** The database should be integrated with PlanNet so that relationships between various allocation and expenditure categories can be examined against “sub-categories” and “activities.”
- **Perform analysis of capacity data in relation to outputs.** Assuming that NRP commits to placing a sharper focus on gathering such data, the organization should endeavor to run information from the capacity database against tangible output information. With these data available, the analysis should explore differences between and among neighborhoods, focusing on the relationship between personnel expenditures and outputs. This will provide a measure of the monitoring and overseeing capacities of NRP groups. It is also an indirect measure for determining the capacity of vendors to deliver goods and services.
- **Supplement citywide statistical analysis with case studies of capacity.** In the course of developing the research design for this study, there was considerable dialogue over the value of using case studies as a means for studying capacity. Though the statistical study that was conducted here produced a number of riches, it cannot tell the story of what transpires “on the ground” in individual neighborhoods on the NRP steering committees, in participants’ negotiations with city and other agencies, and with the various players who are involved in ultimately commissioning

vendors. Of necessity, a citywide statistical study provides an aerial view alone. It is only through case studies that the deeper experiences of how capacity is built and their lessons will be better understood.

SENSE OF PLACE

The findings of this chapter about Minneapolis residents' sense of place and stability in their neighborhoods are generally positive. Residents say their neighborhoods are improving, and they are increasingly investing in their homes and neighborhoods. Further analysis suggests that NRP is significantly contributing to those trends. In addition, residents are actively participating in, aware of, and positive about NRP and other neighborhood-driven efforts.

The recommendations for this chapter cover three areas: continuing useful initiatives, monitoring future progress and making appropriate adjustments, and exploring further potential regarding citizen participation.

- **Retaining NRP's impact on sense of place.** NRP has clearly contributed to the improving health of Minneapolis neighborhoods over the last decade. In terms of this key "sense of place" standard, the data support retaining the NRP in some form similar to the present.
- **Continuing the tracking of neighborhood health.** It is very feasible to track the health of Minneapolis neighborhoods using data like the investment measures employed in this evaluation. Most of the necessary data collecting is already undertaken in the city. Such tracking should be continued and subject to the kind of analysis presented here.
- **Using survey data.** The MORI survey data are sufficiently rich to deserve analysis beyond what was undertaken to answer the prime questions in this evaluation. In addition, repeating the survey, with a high percentage of questions allowing direct comparison, would be worthwhile. Such a repeat might be undertaken after perhaps five years, or sooner as new concerns arise.
- **Extending the measurement of neighborhood conditions.** Some valuable additions and adjustments might be made to better track progress. Crime is rated as important to residents, and analysis shows it has important impact on neighborhood investment behaviors. The evaluation was not able to obtain neighborhood-level crime data that is available in many other jurisdictions and could usefully be produced in Minneapolis. More important still would be some measurement of the condition of renters: their rents, housing affordability, and quality of their circumstances. Many of the most vulnerable people in any community are renters, but the best information available about housing conditions is mostly about owner-occupancy.
- **Paying attention to spreading the benefits of improving neighborhood conditions and of NRP's contribution to them.** In general, the benefits of positive neighborhood trends and of NRP's impacts in Minneapolis have been spread to many

redirection, revitalization, and protection neighborhoods. But some important matters deserve continuing attention, particularly in the most distressed neighborhoods. These include trends in (1) housing improvements and repairs and (2) vacant buildings. In redirection neighborhoods, permit activity went up in dollar value but not in numbers of permits. It will be important to see whether numbers increase in the future, which would indicate that a fuller set of housing units is receiving investment. And vacant buildings, though few in number, are highly concentrated in a few neighborhoods. Continued tracking is appropriate, as may be additional intervention, whether with NRP or other dollars.

- **Examining additional patterns in citizen participation.** At least two quite basic aspects of citizen participation could not be analyzed within the resource constraints of this evaluation but deserve attention. They are (1) who participates and (2) what is the quality of participation. In each neighborhood, there is a question of whether participants reflect the community well or are predominantly from specific subgroups (e.g., owners/renters, wealthier/poorer). And there is a question of what “participating” means in terms of quality of discussion, decision-making, oversight, and other possible activities. Perhaps various academic and other researchers could be encouraged to look at these and other related questions. Also NRP staff should be more systematic and thorough in their effort to conduct attendance counts at neighborhood organization meetings. This should also be done more than just one month per year.
- **Encouraging participation by spending money.** Analysis showed that spending modest NRP funds specifically on communications helps encourage participation, as does getting NRP implementation money actually spent on projects. Both of these activities are worth encouraging on their own merits and to help expand resident participation.

Overall, these types of adjustments would help to track and maintain the good results of NRP in terms of sense of place, as well as helping to strengthen neighborhoods and resident action still further.

PUBLIC SERVICE REDESIGN

Case Study of the Minneapolis Community Development Agency

During the past decade, the economy has undergone a seismic shift from being in the doldrums to exuberant. When NRP was formulated, commercial areas of the city were dotted with carcasses of businesses. These same areas are getting face-lifts called streetscaping and are now poised for redevelopment. In the early 1990s, housing vacancy rates exceeded 10 percent in some of Minneapolis's neighborhoods. While vacancies were high, poverty was increasing, and there was a stark shortfall of truly affordable housing for lower-income people. Now vacancy rates reportedly average less than 1 percent citywide. According to the U.S. Department of Housing and Urban Development, there are about 20,000 households in Minneapolis with incomes less than

half the area median and who pay over half of their income for rent or who are living in severely substandard housing.³¹

As this report is being written, the mayor and council are in a healthy dialogue with the citizens of Minneapolis regarding citywide priorities and whether there will be set-asides for NRP monies in Phase II. The resolution of that discussion will determine whether MCDA has additional flexible resources to pursue development priorities, particularly affordable housing. Additional resources for housing would conceivably provide opportunities for more development and for bringing the cost of debt down to make units more affordable. Were additional resources to become available for commercial activity, it could advance activity in the corridors, as well as in other locations. Regardless of whether there is a set-aside or not, MCDA will have to continue to interact with NRP. Groups will still have access to significant funds and will be able to use them to influence housing and other choices. Staff will have to continue to artfully respond to NRP-driven expectations voiced by the neighborhoods and those of the council it reports to.

The following recommendations are provided in the spirit of advancing NRP Phase II goals:

- **Promote a sense of partnership between NRP and MCDA.** During Phase I, much of the relationship between these organizations was framed in “us versus them” dialectic. NRP positioned itself as the advocate for the neighborhoods. MCDA was put on the defensive, painted with a broad brush connoting that it had little interest in neighborhoods. At the extreme, grassroots activists framed the discussion as a difference between pure democracy and one that was dominated by narrower interests. Either council members were out of touch with neighborhood priorities, or they were seen as captive to a small group of developers. From the city council’s perspective, there are citywide priorities that rightfully supersede the wishes of individual neighborhoods—and occasionally, too, neighborhoods can become captive to small bands of citizens. This debate is not likely to end in the near future. Minneapolis government has long been decentralized, and NRP has furthered that. It is essential, however, that MCDA and NRP develop a common vision and closer partnership. Put simply, partnership should be the strategy for change.

It is imperative that NRP raise citizens’ understandings of housing and economic development. Although it is important to stimulate big ideas among the volunteers, it is NRP’s job to foster realistic thinking. Its neighborhood specialists, though mainly facilitators, should work more closely with MCDA staff to gain a better appreciation of the agency’s financing and products.

There are already a number of cases where the cooperation between the two entities has generated better products for the city’s citizens. Two excellent examples are the expansion of property improvement and commercial-revitalization loans. NRP’s flexible dollars, though limited, are a rich resource for seeding and stretching activities. These are two clear cases where the whole is greater than the sum of the

³¹ Cited in “Minneapolis Affordable Housing Task Force Report” July 15, 1999, page 13.

parts. NRP and MCDA need to build on these examples, drawing lessons from them and other examples of where the relationship has been cooperative and productive.

- **Better mechanisms for communication between MCDA and NRP should be created.** With a new leader at the helm of MCDA, the time is opportune for MCDA and NRP to find ways of more routinely communicating with each other, from the leadership level on down. This discourse should be part of a process, one that may start with meetings of the top-ranking staff and continue through all other levels. Suggestions might be solicited from staff and from the neighborhoods directly. A work group might be appointed, conceivably including staff from both organizations. Regardless of the approach, the effort should result in an action plan that includes specific directions for staff, incentives, and even discussion of how people will be held accountable to their efforts to foster better understandings between NRP and MCDA.
- **MCDA needs to further step up its efforts to explain its work.** MCDA has certainly made strides to better explain and market its products. It has a number of helpful brochures and an informative website. But most of its education is done by staff through their communication with NRP neighborhoods and with various vendors. Given the complexity of its work, there are understandable limits to what can be expected. Nevertheless, it is evident that much of the frustration expressed about MCDA is rooted in a lack of understanding of its work and in staff's varying capacities to effectively communicate with diverse citizens. This challenge is a significant one, but it goes to the heart of much of the friction MCDA encounters with NRP.

Foremost, the leadership of MCDA needs to give greater priority to this issue. Staff should be expected to report on their interactions with neighborhoods. MCDA might want to directly, or with the assistance of a third party, commission a survey to better learn how it is perceived and how it might more effectively communicate, educate, and shape its image. It also might consider investing in staff development directed to improving communication and education skills. And, MCDA should consider educational fairs and assigning liaisons whose job is to explain how programs operate. All staff will not transform themselves into educators, but a basic skill set can be taught, and those who are stronger in this area should be given the opportunity for more public interaction.

An education effort provides opportunity for MCDA to partner with other organizations, such as the Local Initiatives Support Corporation, the Family Housing Fund, and Minneapolis community development corporations. One specific focus should address how to better explain how housing development works, its mission, how it is structured, its financing sources, guidelines, rationale for those guidelines, and where there is room for flexibility.

Case Studies of the Department of Public Works and the Department of Operations and Regulatory Services, Inspections Division

The following recommendations are drawn from findings from two case studies. Although the findings were specific to the cases, elements of them can be generalized. The recommendations are written in the spirit of their being widely applicable to other opportunities for redesign.

- **Track process standards.** During the period of NRP implementation, there were a number of changes in the process standards for obtaining various levels of public services. These included such policies as (1) the city council's role in setting a uniform percentage of signatures needed, (2) the change by the NRP Policy Board regarding the level of subsidy allowed to be paid with NRP funds, and (3) the requirement to establish public service districts when adding to the menu of public improvements in a commercial corridor. These policy standards guide the process of public service delivery. It is important to identify their substance and rationale, and the extent to which they facilitate public service improvements.
- **Account for leverage and participation.** Neighborhoods used their NRP funds to purchase services and leverage financial participation from a number of public and private players. Examples include assessments for shared costs of street lighting and other street improvements. Accounting for other directly related investments such housing rehabilitation or other property improvements in commercial areas would enable interested parties to measure impacts. It is important to be able to review the various levels of public services provided across communities, why these levels were chosen, and who paid what share of the total costs for these improvements. It might also be instructive to examine the extent to which additional public improvements such as street lighting or traffic management were more affordable to neighborhoods with higher incomes or property values than others and how the carrying costs of these improvements balance with costs in less affluent areas.
- **Monitor cost impacts and burdens.** Given the advent of more-customized public services, the determination of what is part of the city's set of basic services, what is extra or optional, and impacts of various choice or service mixes on public safety and city budgets may be worthy of some examination. Lessons can be drawn from the effects of redesigns like the maintenance costs of street lighting, temporary exemptions from regulations such as occupancy permits, or mandatory consultation and approvals of housing demolitions. It would be informative to monitor the extent to which systemic changes led to more effective use of public dollars. An example might be to examine the impacts of the adoption of an early warning system that guides public investments away from demolitions and toward public education, housing rehabilitation finance, and greater interaction between neighborhoods and city staff such as inspectors and police.
- **Examine the quality of systems for maintenance and upkeep.** The next phase of NRP needs to focus on the quality of city services related to maintenance and operation of capital improvements created with NRP funds and participation. City

staff demonstrated great enthusiasm and responsiveness in design, development, and innovation of commercial corridor projects. NRP must now build and foster systems and attitudes to maintain these investments. Particular attention to issues of contracting for services within public services districts, as well as street lighting and other new public services, is critical to the stewardship of NRP's contributions to improved public services.

- **Benchmark and reward innovation.** The city already has a number of quality-oriented programs and initiatives to reward innovation and improvement, but a special effort to seek out innovations directly related to NRP should be made and continued. These would involve the Center for Neighborhoods, individual neighborhood organizations and residents, NRP staff and leadership, and staff and elected officials of city departments and cooperating jurisdictions. Countless stories of hard work, determination, and risk taking by staff are part of NRP's history. These have produced the redesigns reported here and probably many more now in the making. Benchmarking some of these achievements with what comes out of other comparable cities may also provide learnings as well as pride in what the NRP has accomplished and can yet achieve in the area of redesigning public services.

INTERGOVERNMENTAL COLLABORATION

Similar to the case studies presented in Chapter Five, the following recommendations are drawn from findings in the case study of the Minneapolis Public Schools and Minneapolis Park and Recreation Board collaboration. Although the findings were specific to the case, elements of them can be generalized. The recommendations are written in the spirit of their being widely applicable to other opportunities for collaboration.

- **Track total capital, operations, and program expenses, as well as related spin-offs.** Tracking only capital expenses will not tell the true cost of services or benefits received. Capital facilities are a necessary but insufficient resource for neighborhood revitalization. Examining the extent to which these facilities enabled higher levels of programming and innovative joint services and offered greater access or use, both public and private, would offer insights into the program's efficacy. Understanding the level of use and the nature of the users may be important, particularly as NRP funds remain focused on supporting local priorities.
- **Revisit each governmental collaborator and reexamine existing cases over time to measure new process and product innovations.** Further investigation and new case studies in the next five years, reviewed by all five of the collaborating governments, is suggested. Examples might include examining how Hennepin County Community Works learned from NRP's neighborhood participation process. It would be particularly interesting to examine the extent to which any current or future innovations or change brought about by NRP-related projects or examples were incorporated into the governments' regular products or processes (e.g.,

community rooms in schools or a continued role for community advisory councils of the Park Board).

- **Track total costs and amounts leveraged by source.** It would be important to be able to track and examine the levels of other public and private funds leveraged by these joint projects. Each jurisdiction seems to know its share, but even in this inquiry it was not possible to find a list of all School Board/Park Board projects and each project's total cost. Reports of \$5:\$1 from the Whittier neighborhood are interesting, but they are not very meaningful without a sense of what the funds are used for and what other similar projects have generated.
- **Examine intergovernmental cooperation within the context of changes in public finance, particularly changes in tax capacity, tax rates, and tax burden.** Seeing NRP funds within the context of overall public expenditures by agencies would be valuable. For example, beginning to answer the question of whether Minneapolis residents now have more park and recreation services in their public-services market basket than before could be interesting. Measuring the increased capacity to support special assessments for public works improvements and examining the reduction in duplicative capital outlays for gymnasiums, media centers, or playgrounds and how those savings are translated in to new facilities or programs would be valuable. Continuing to examine the extent to which these capital investments anchor residents to neighborhoods and induce more property investment and build greater tax capacity is important. Continued monitoring of household composition, school enrollments, private reinvestment activity, and changes in property values would also be useful.

APPENDIX A

NRP PRIMER

APPENDIX B

KEY INFORMANTS

APPENDIX C

TEAM MEMBER BIOGRAPHIES
