
NEIGHBORHOOD REVITALIZATION PROGRAM

EVALUATION REPORT

PHASE ONE: 1990-1999

TEAMWORKS

NEIGHBORHOOD REVITALIZATION PROGRAM

EVALUATION REPORT

PHASE ONE: 1990-1999

SUBMITTED JUNE 2000

Renee A. Berger, President
Candace Campbell
Gabriel Kasper
Neil Mayer
Jack Sylvan

TEAMWORKS
9 Van Buren Street
San Francisco, CA 94131
Tel. 415.469.0300 Fax 415.469.0304
raberger@earthlink.net

ACKNOWLEDGEMENTS

TEAMWORKS would like to express its thanks to the Evaluation Oversight Committee of the Neighborhood Revitalization Program's Policy Board for its guidance in developing the research design for this project. This report could not have been done without the cooperation of the Neighborhood Revitalization Program's central staff who provided access to the data needed for this project. Specifically, we want to recognize Jack Whitehurst who has overseen the development of the PlanNet database and was always ready to decipher, clarify, and gather data to respond to our many requests. Staff from the Minneapolis Community Development Agency were also extremely helpful. Bob Cooper served as an able liaison and vital source for data. Also, we want to recognize Bob Miller, the Director of the Neighborhood Revitalization Program for allowing full access to information, Ann Berget, in her role as the Chair of the Evaluation Oversight Committee, Kathleen O'Brien, the City Coordinator, who facilitated contact with various agencies and jurisdictions to ensure requisite information was available, and Jackie Cherryhomes, City Council President, who provided essential guidance and set the tone for this research to be successfully undertaken.

TABLE OF CONTENTS

EVALUATION HIGHLIGHTS.....	v
CHAPTER ONE OVERVIEW	1
Introduction	1
NRP Goals.....	2
The Evaluation Research Design	2
NRP’s “Theory of Change”.....	4
Chapter Two: NRP Fund Use and Distribution	9
Chapter Three: Capacity.....	17
Chapter Four: Sense of Place	20
Chapter Five: Public Service Redesign.....	28
Chapter Six: Overview of Intergovernmental Collaboration	35
CHAPTER TWO: NRP FUND USE AND DISTRIBUTION	42
NRP Program Status.....	42
Targeting and Beneficiaries	68
CHAPTER THREE: CAPACITY.....	79
Introduction	79
The Research Approach	80
Creating a Database for the Study.....	82
Findings.....	83
CHAPTER FOUR: SENSE OF PLACE.....	93
Section One: An Assessment of Minneapolis Neighborhoods without Distinguishing the Role of NRP.....	94
Section Two: An Assessment of NRP’s Impact on Minneapolis Neighborhoods.....	105
Citizen Participation.....	117
CHAPTER FIVE: PUBLIC SERVICE REDESIGN.....	124
Case Study of the Minneapolis Community Development Agency	124
Case Studies of the Department of Public Works and the Department of Operations and Regulatory Services, Inspections Division.....	137

CHAPTER SIX: INTERGOVERNMENTAL COLLABORATION	153
Introduction	153
Research Approach	155
Findings	155
The Whittier Dream: Community Is Possible	162
Windom: Staying Power of Community Vision	164
Harrison Trio: NRP Fulcrum—Leverage and Trade-Offs	166
Key Lessons Learned	168
 CHAPTER SEVEN: RECOMMENDATIONS	 169
NRP Fund Use and Distribution.....	169
Capacity.....	172
Sense of Place.....	173
Public Service Redesign.....	174
Intergovernmental Collaboration	178
 APPENDIX A: NRP PRIMER	
 APPENDIX B: MINNESOTA OPINION RESEARCH, INC. CITYWIDE SURVEY	
 APPENDIX C: KEY INFORMANTS	
 APPENDIX D: TEAM MEMBER BIOGRAPHIES	

TABLE OF FIGURES

Figure 2-1: NRP Plan Completion Status	44
Figure 2-2: Duration of NRP Planning (from start date to plan approval date).....	46
Figure 2-3: NRP per Capita Allocations by Neighborhood Type.....	49
Figure 2-4: NRP Total Allocations by Neighborhood Type.....	49
Figure 2-5: NRP Allocations by Activity Category.....	51
Figure 2-6: NRP Expenditures as a Percentage of Allocations by Neighborhood Type	57
Figure 2-7: NRP Expenditures by Category as a Percentage of All Expenditures	61
Figure 2-8: NRP Expenditures by Category across Neighborhood Types.....	62
Figure 2-9: Early-Phase NRP Allocations	64
Figure 2-10: Housing Assistance Recipient Median Income Relative to Neighborhood Median Income	76
Figure 3-1: Annual Personnel Expenditure Categories.....	85
Figure 3-2: Administrative Expenditures by Length of Plan Adoption Approval Process.....	87
Figure 3-3: Annual Personnel Expenditure Categories.....	89
Figure 3-4: Average Expenditure Category Percentage: Implementation of Activities.....	89
Figure 4-2: Average Owner Occupancy by Neighborhood Type, 1990-1999.....	96
Figure 4-3: Permit Numbers and Dollars per Parcel, Citywide 1992-1997	97
Figure 4-4: Average Yearly Number of Parcels by Neighborhood Type, 1992-97.....	98
Figure 4-5: Average Yearly Permit Dollars per Parcel by Neighborhood Type, 1992-97	98
Figure 4-6: Homes Sold as a Percent of Total Parcels, Minneapolis, 1990-1998.....	100
Figure 4-7: Percent of Single-Family Homes Sold per Parcel by Neighborhood Type, 1990-1998	101
Figure 4-8: Change in Average Single-Family Home Sales Price by Neighborhood Type	102
Figure 4-9: Average Citizen Participants per NRP Meeting, 1994-1998	119
Figure 4-10: Average Citizen Participants per NRP Meeting by Neighborhood Type 1994-98 .	120
Figure 4-11: Percent of Respondents Participating in Activity in Past Three Months	121

TABLE OF TABLES

Table 2-1: NRP Allocations by Neighborhood	47
Table 2-2: NRP Allocations by Subcategory	52
Table 2-3: NRP Expenditures and Spend-out Rates by Neighborhood	55
Table 2-4: NRP Expenditures by Activity	58
Table 2-5: Percentage of Neighborhoods Expending Funds by Activity Category	63
Table 2-6: Percentage of Neighborhoods by Type Expending Funds in Each Category	63
Table 2-7: Housing Outputs by Neighborhood Type	67
Table 2-8: Correlations between Selected Neighborhood Characteristics and NRP Allocations per Household	71
Table 2-9: Comparison Percentages of Assistance Recipients by Income Level	78
Table 3-1: Percent of Total Expenditures by Category	85
Table 3-2: Average per Year Expenditures by Category	86
Table 3-3: Average per Year Personnel and Total Administrative Expenses by Plan Adoption Status	88
Table 3-4: Annual Implementation Expenditures by Category	90
Table 3-5: Median Annual Implementation Expenditures by Category	90
Table 3-6: Expenditures by Program Dollars Per Year	91
Table 4-1: Boarded Buildings, 1988-98, and Demolitions, 1992-95	99
Table 4-2: Impact of NRP Spending on Investment in Minneapolis and its Neighborhoods	109
Table 4-3: Meeting Attendance by Planning Period Expenditures	122
Table 4-4: Meeting Attendance by Implementation Period Expenditures	122

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 resident 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 improvements 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.

CHAPTER ONE

OVERVIEW

INTRODUCTION

The following is an 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.” 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.

This evaluation report has seven chapters. This first chapter is an overview. It 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 six chapters. Included in this first chapter are summaries 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, Recommendations, compiles our suggestions for future monitoring of NRP activity and offers actions to further its impacts. The appendix includes a 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.¹

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.² 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.³ 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 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.

¹ For the base of respondents (a total of 1,102 households), the normal sampling error is 3 percent at the 95 percent confidence level.

² See Appendix A for a copy of the NRP Primer. This document includes a helpful glossary of terms used in this report.

³ A committee composed of Policy Board members and the private funders that contributed support to this evaluation (The McKnight Foundation and The Minneapolis Foundation).

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,⁴ 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 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.

⁴ 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.

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.⁵ 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.⁶

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 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.⁷

⁵ 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.

⁶ 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.

⁷ With the exception of First Step, allocations were not based on whether a neighborhood was classified as protection, redirection, or revitalization.

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.

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 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.⁸

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.⁹

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 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

⁸ The four types were Participation Agreement, Early Access, First Step, and Transition Funds.

⁹ See Chapter Five, 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.

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 turned 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.¹⁰ 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.¹¹

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.¹²

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

¹⁰ NRP currently has fourteen full-time equivalent staff (the authorized level for the year 2000 is sixteen).

¹¹ 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.

¹² Memorandum from Jack Whitehurst to neighborhood specialists, April 5, 1999.

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.¹³ 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. *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

¹³ NRP works with 66 neighborhood organizations that collectively represent the city’s 81 neighborhoods.

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.¹⁴ 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.”¹⁵

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

¹⁴ Using a simple correlation between personnel and other program costs.

¹⁵ Request for Proposal, May 1997.

- 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),¹⁶ the annual data from the

¹⁶ 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 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.

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 1997–99.¹⁷ 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.¹⁸ 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 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

¹⁷ 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.

¹⁸ 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.

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.¹⁹ 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)²⁰ 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.

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

¹⁹ Chapter Five of this 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.

²⁰ 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.

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.²¹ 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.

Residents believe in the notion, implicit and explicit in NRP, that neighborhood residents and organizations are the most effective agents in dealing with

²¹ This information is based on NRP staff observations that take place annually for a one-month period.

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.²²

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.

²² Data provided by MCDA, "Funding Priorities Matrix," and e-mail from Jerrold 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, policy wise 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.”²³

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

²³ “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 many 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."²⁴

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.

²⁴ 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.²⁵ 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).²⁶ 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

²⁵ For the purposes of this document, the terms "Minneapolis Public Schools" and "School Board" will be used interchangeably.

²⁶ Minneapolis Neighborhood Revitalization Program, "Making Visions a Reality: 1990-2000 Progress Report," January 2000, page 6. TEAMWORKS figures reported in Chapter Two 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 is it 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.²⁷ It demonstrates the flexibility and innovation of NRP funding required to bring a project to

²⁷ 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.

CHAPTER TWO

NRP FUND USE AND DISTRIBUTION

NRP PROGRAM STATUS

In order for NRP to meet its goals of involving residents in planning and overseeing the implementation of Neighborhood Action Plan objectives, neighborhoods need to pursue a series of tasks. These include developing plans for the improvement activities, deciding how the funds they receive will be used, gaining approval of the plans and funding, spending the money, and getting the activities implemented. The first part of this chapter, “status,” examines the progress Minneapolis neighborhoods are making in carrying out those tasks.

As discussed in Chapter One, 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. In other words, as the program proceeds, where would its benefits go?

Ultimately, the program included a few, and only a few, rules and guidelines related to how money should be allocated to different neighborhoods. But those few have important impacts on what area is served and who may benefit. The second part of this chapter, “targeting and beneficiaries,” focuses on the distribution of program funds.

Description of Status Analysis

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?

The analysis draws heavily on information accumulated specifically about NRP in the PlanNet database, especially for data on progress in planning and allocation. Additional data, notably about expenditures, comes from the Minneapolis Community Development Agency (MCDA) financial records, and data about housing program outputs is taken from NRP records. The analysis also draws on information about each neighborhood from the U.S. Census.

The means of analysis are straightforward. Most are (1) computations and tabulations of spending and activity planned and carried out and (2) tabulations to determine if there are differences between the results for different neighborhood types and characteristics. Where appropriate, statistical tests were carried out to determine whether such differences were sufficiently large and systematic to be statistically significant. In a few instances, the additional statistical techniques of correlation and regression were used to analyze the connections between NRP results and other conditions and circumstances.

The data and therefore the analysis have important limitations. The most significant is that little output information exists. Only in housing is there information about what tangible results were produced, as distinct from dollars spent, and even that information is not complete. For non-housing activities of NRP work, there is no output information at all. The program did not at the outset create systems for tracking outputs. No standardized system was developed for contractors to maintain such data, and although substantial effort has been made retrospectively to gather information, it provides only partial answers.

Section I: NRP Planning

Plan Completion

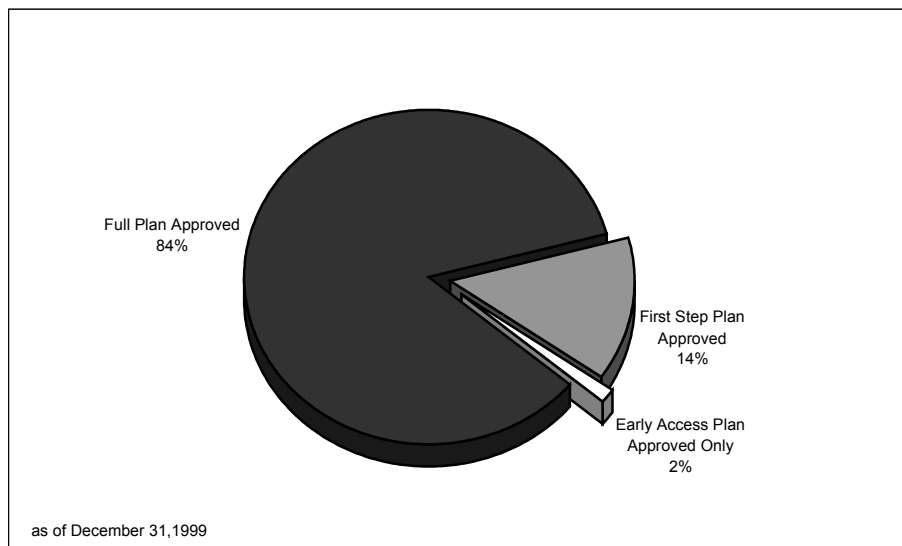
Most Minneapolis neighborhoods have now completed their NRP plans. The planning periods were lengthy, and the average neighborhood has thus far spent slightly more time in planning than in implementation.

The initial task for NRP was to engage all Minneapolis neighborhoods in directing the revitalization process in their communities. In 1991, neighborhoods began the process of developing action plans. By mid-1992, only fourteen neighborhoods had plans officially started. New leadership at NRP helped to refocus efforts on getting plans completed, and by mid-1996 all sixty-six neighborhoods had signed participation agreements and commenced the neighborhood planning process.

By the end of 1999, fifty-six of these neighborhoods had their completed plans adopted by the city council (Figure 2-1). 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. Only Cedar-Riverside, now in the midst of a highly participatory planning process, has not filed a First Step plan. But that neighborhood completed an Early Access plan, which also provides for activities to be funded while comprehensive planning is completed.

In most neighborhoods, planning has been a time-consuming endeavor. The average time between the start of planning and formal plan adoption by the city council was 3.2 years. The neighborhood of Kenwood completed its plan in the shortest period, just 1.2 years, while Victory has yet to complete its plan after 5.3 years.²⁸ Lengthy planning periods are consistent with the core importance NRP places on communities shaping their own efforts, but some of the longer-running planning processes are rather extraordinary even in that context. The duration of planning processes varied only slightly across the different neighborhood types. Protection neighborhoods completed their planning in an average of 3.1 years, compared with 2.4 years for revitalization neighborhoods and 2.9 years for redirection neighborhoods, differences that are not statistically significant.²⁹ Figure 2-2 details beginning and end for all sixty-six neighborhoods individually.

Figure 2-1: NRP Plan Completion Status



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.³⁰ The average date of plan adoption was March 1997. This means that NRP neighborhoods have had an average of 2.8 years of implementation time since plan completion. The earliest participating neighborhoods have had as long as 7.4 years of implementation time since formal plan adoption and appropriation of funds by the city council, while others have had far less time. It is important to note, however, that the number of years since plan approval is only an approximation of implementation time. In many neighborhoods,

²⁸ These figures use the approval date December 31, 1999, as a proxy for uncompleted plans. Note, however, that later in this study, expenditure figures are compared with plan completion data that uses June 30, 1999, as the proxy for uncompleted plans in order to maintain consistency with the timing of available expenditure data.

²⁹ These figures also use the December 31, 1999, date as a proxy for uncompleted plans. Differences between group means were not significant using a 95 percent confidence interval.

³⁰ 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.

implementation of projects through early-phase funding programs began before the approval date of the full plan. Transition Funds, Participation Agreement, Early Access, and First Step all provided resources for implementation without requiring approval of a completed plan.

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

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 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.

Table 2-1 summarizes NRP allocations by neighborhood. The neighborhoods differ widely in size, and therefore the last column, per capita allocation, provides a much better basis for comparing the extent of allocations to one neighborhood relative to another than does the first column’s measure of total funds.

Figure 2-2: Duration of NRP Planning (from start date to plan approval date)

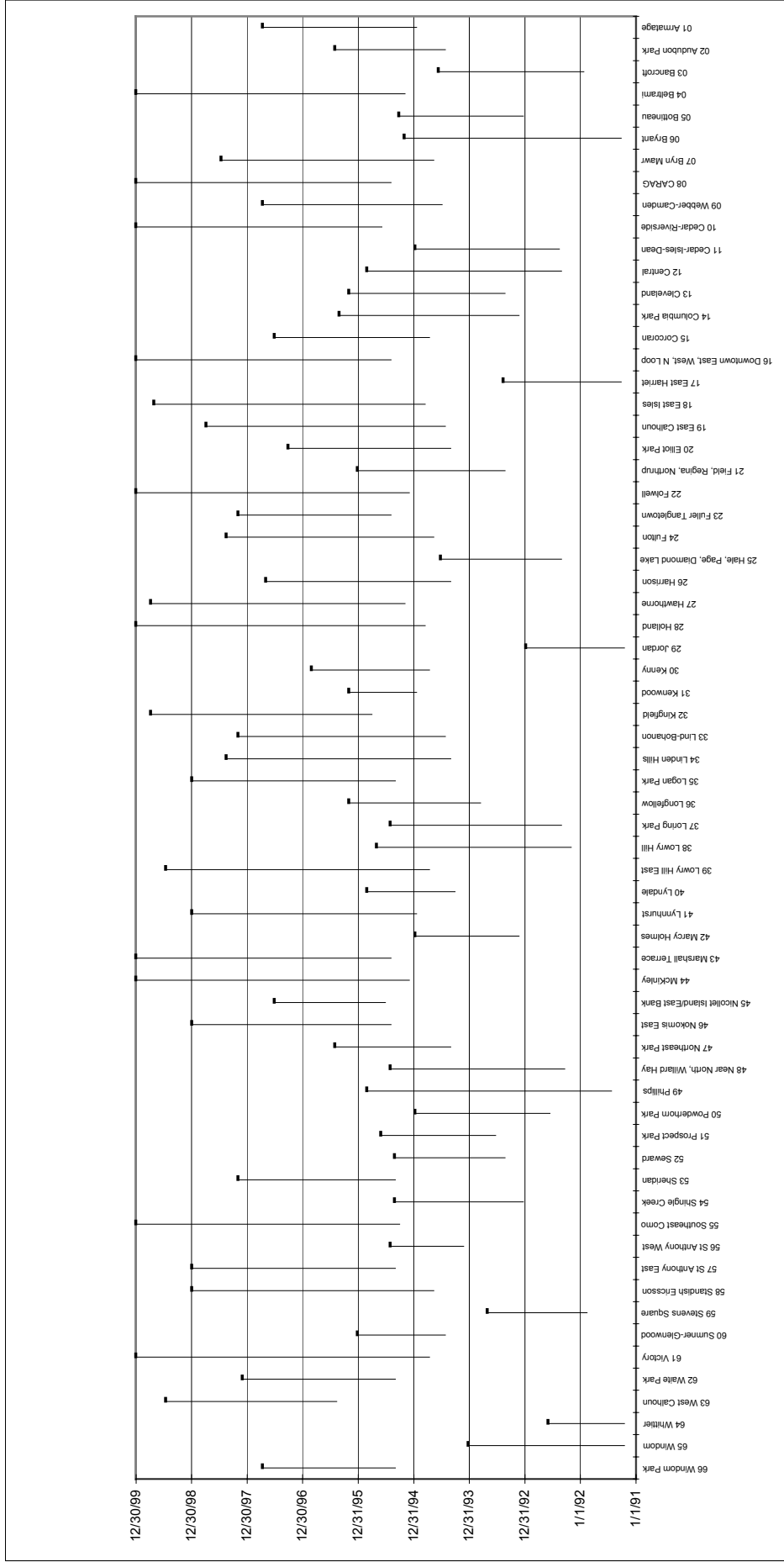


Table 2-1: NRP Allocations by Neighborhood

Neighborhood	Total Funds Allocated	% of Total	Per Capita Allocation
01 Armatage	\$1,109,832	0.7	\$224
02 Audubon Park	\$2,798,845	1.6	\$491
03 Bancroft	\$2,000,000	1.2	\$607
04 Beltrami	\$374,250	0.2	\$328
05 Bottineau	\$1,545,666	0.9	\$1,253
06 Bryant	\$2,050,000	1.2	\$747
07 Bryn Mawr	\$713,000	0.4	\$253
08 CARAG	\$674,250	0.4	\$116
09 Webber-Camden	\$2,527,350	1.5	\$516
10 Cedar-Riverside	\$1,550,000	0.9	\$243
11 Cedar-Isles-Dean	\$829,600	0.5	\$373
12 Central	\$6,040,000	3.5	\$791
13 Cleveland	\$1,059,096	0.6	\$327
14 Columbia Park	\$478,000	0.3	\$291
15 Corcoran	\$2,563,645	1.5	\$684
16 Downtown East, West, N Loop	\$544,500	0.3	\$106
17 East Harriet	\$1,661,000	1.0	\$418
18 East Isles	\$1,130,853	0.7	\$327
19 East Calhoun	\$794,375	0.5	\$309
20 Elliot Park	\$4,459,701	2.6	\$865
21 Field, Regina, Northrup	\$2,674,874	1.6	\$278
22 Folwell	\$485,000	0.3	\$99
23 Fuller Tangletown	\$1,107,383	0.6	\$238
24 Fulton	\$1,348,340	0.8	\$223
25 Hale, Page, Diamond Lake	\$2,112,950	1.2	\$201
26 Harrison	\$2,937,686	1.7	\$856
27 Hawthorne	\$4,582,900	2.7	\$764
28 Holland	\$1,456,468	0.9	\$383
29 Jordan	\$6,691,000	3.9	\$863
30 Kenny	\$614,220	0.4	\$168
31 Kenwood	\$440,000	0.3	\$225
32 Kingfield	\$3,011,144	1.8	\$389
33 Lind-Bohanon	\$1,644,879	1.0	\$370
34 Linden Hills	\$1,762,956	1.0	\$232
35 Logan Park	\$1,263,500	0.7	\$562
36 Longfellow	\$9,299,592	5.5	\$432
37 Loring Park	\$3,497,500	2.1	\$540
38 Lowry Hill	\$1,109,613	0.7	\$294
39 Lowry Hill East	\$3,288,514	1.9	\$557
40 Lyndale	\$4,750,000	2.8	\$677
41 Lynnhurst	\$1,016,683	0.6	\$174
42 Marcy Holmes	\$4,324,913	2.5	\$466
43 Marshall Terrace	\$260,000	0.2	\$196
44 McKinley	\$485,000	0.3	\$148

Table 2-1: NRP Allocations by Neighborhood, continued

Neighborhood	Total Funds Allocated	% of Total	Per Capita Allocation
45 Nicollet Island/East Bank	\$240,780	0.1	\$363
46 Nokomis East	\$4,415,369	2.6	\$293
47 Northeast Park	\$510,000	0.3	\$685
48 Near North, Willard Hay	\$8,330,250	4.9	\$571
49 Phillips	\$18,089,283	10.6	\$1,060
50 Powderhorn Park	\$5,195,400	3.0	\$670
51 Prospect Park	\$3,236,910	1.9	\$636
52 Seward	\$4,733,030	2.8	\$650
53 Sheridan	\$2,034,000	1.2	\$720
54 Shingle Creek	\$800,000	0.5	\$267
55 Southeast Como	\$445,230	0.3	\$79
56 St Anthony West	\$1,403,959	0.8	\$613
57 St Anthony East	\$1,196,100	0.7	\$567
58 Standish Ericsson	\$3,439,035	2.0	\$345
59 Stevens Square	\$4,204,100	2.5	\$924
60 Sumner-Glenwood	\$2,502,000	1.5	\$764
61 Victory	\$726,500	0.4	\$155
62 Waite Park	\$1,036,250	0.6	\$179
63 West Calhoun	\$605,000	0.4	\$313
64 Whittier	\$7,766,000	4.6	\$600
65 Windom	\$1,749,200	1.0	\$339
66 Windom Park	\$2,818,000	1.7	\$489
TOTAL NRP	\$170,545,474	100.0	\$468

Note: The neighborhoods without plans approved are 16 Downtown East, West, N Loop; 43 Marshall Terrace, 61 Victory, 04 Beltrami, 08 CARAG, 10 Cedar-Riverside, 22 Folwell, 28 Holland, 32 Kingfield, 44 McKinley, and 55 Southeast Como.

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.³¹

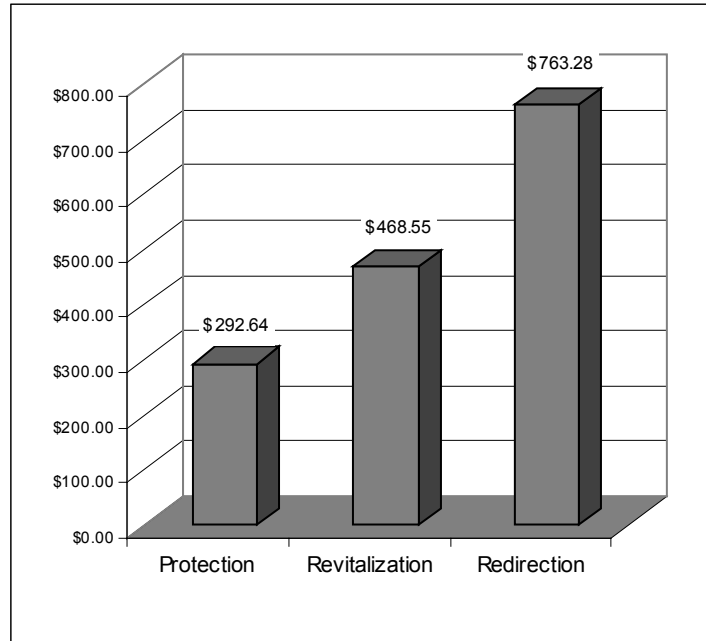
Almost 30 percent of the total funds were allocated to five neighborhoods: Phillips, Longfellow, Near North/Willard Hay, Whittier, and Jordan. But of these, only two received significantly more per capita than the overall city average, and one received less.

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 (Figure 2-3). Thus redirection neighborhoods, on average, were funded at a level about 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.³²

³¹ One neighborhood has closer to three times the average.

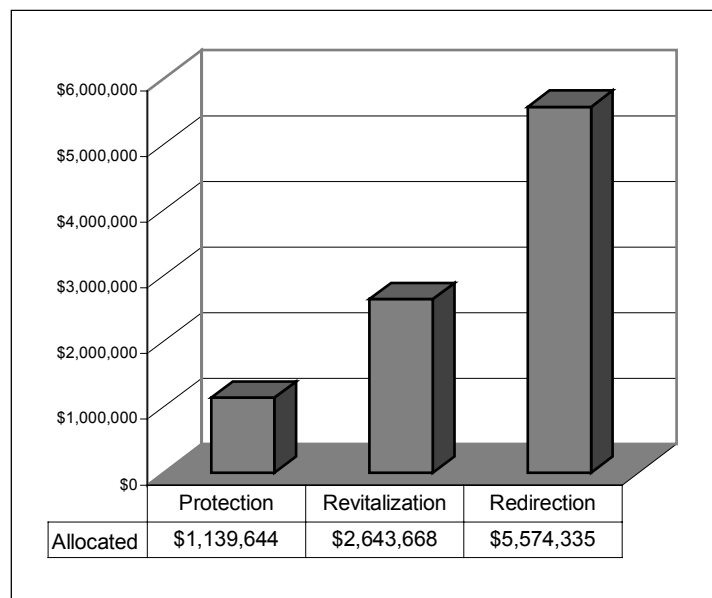
³² Allocation decisions (except for First Step) were not based on the neighborhood's classification.

Figure 2-3: NRP per Capita Allocations by Neighborhood Type



In terms of total dollars, redirection neighborhoods were allocated an average of \$5,574,335, more than double the average for revitalization neighborhoods (\$2,643,668). Revitalization areas in turn allocated two times more than protection neighborhoods (\$1,139,644).³³ (See Figure 2-4.) Again, size differences coupled with intensity of need to increase differentials compared with per capita comparisons.

Figure 2-4: NRP Total Allocations by Neighborhood Type



³³ There was a statistically significant difference between the three group means with a confidence level greater than 99 percent.

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 (Figure 2-5). The second largest amount of funding went to economic development, but that activity was at 15 percent, only one-third the size of the housing allocation. No other activity received even a double-digit share.

It is worth noting, however, that because of the program's overall size, even a modest share of the funds can be significant. Community building, arts and culture; parks and recreation; human services; and planning—at 6 to 7 percent shares—were each allocated about \$10 million.

Despite the focus on housing, housing's overall share falls short of NRP's one clear allocation rule. For the fifty-six neighborhoods with approved plans, at least, housing is assigned 6.5 fewer percentage points of the NRP fund total than 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.³⁴

NRP Allocations to More Specific Subcategories of Use

Within each of the broad categories of NRP work, NRP allocations were directed toward a wide range of specific activities. The distribution of NRP allocations by these subcategories is detailed in Table 2-2 below.

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.

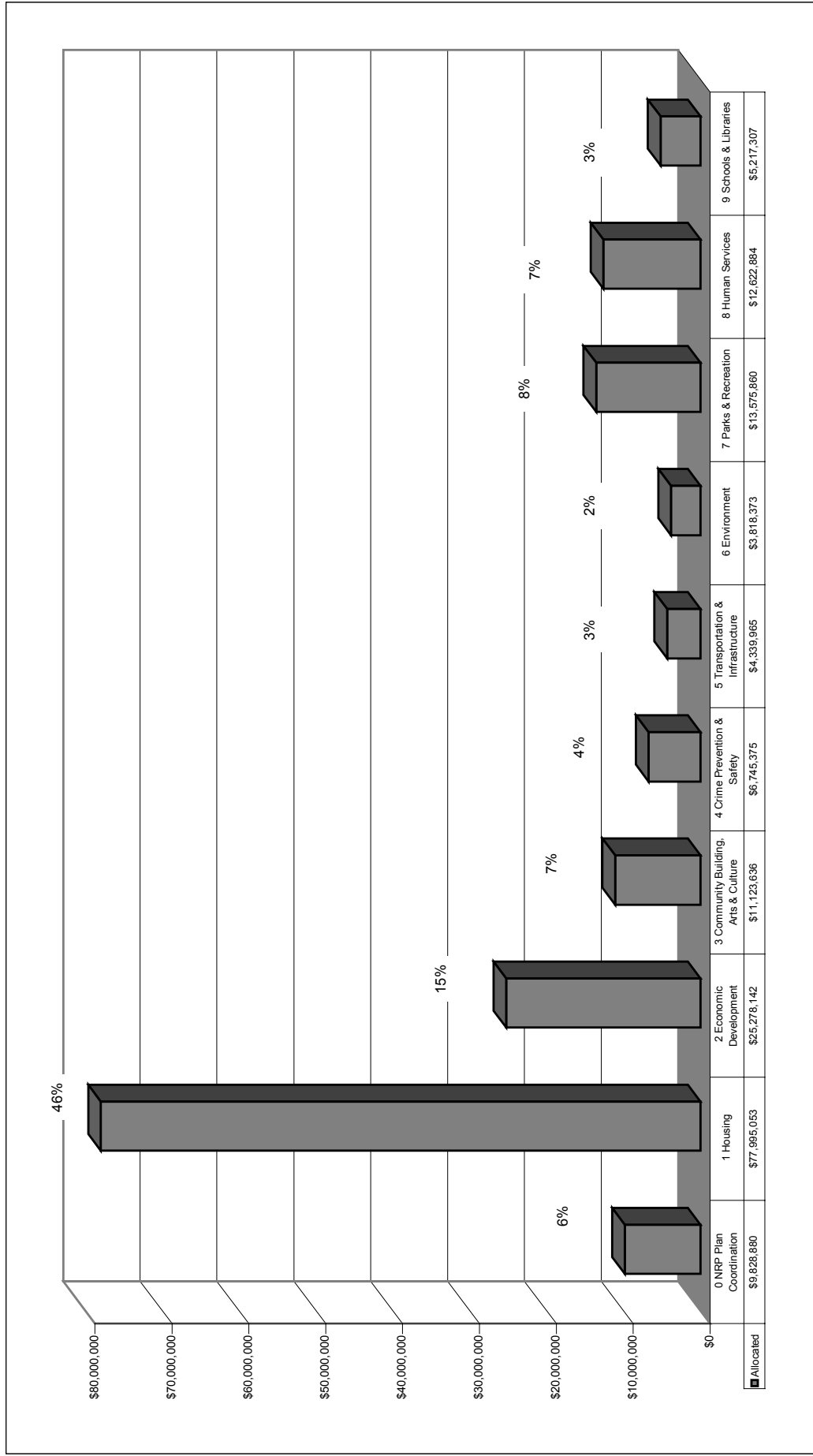
Neighborhoods allocated a total of \$78 million to housing and housing-related activities.³⁵ Of this total, about \$55 million (71 percent) was allocated to direct investment in housing, as distinct from related services and demolitions.³⁶ Nearly \$51 million of this money went into housing rehabilitation, renovation, and preservation. That was about 30 percent of all NRP spending. The remaining \$4 million of direct housing money went to new housing development and major housing redevelopment.

³⁴ 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.)

³⁵ It is important to note, for future comparisons, that the definition of housing and housing-related uses was expanded to include a percentage of administrative costs shortly after the June 30, 1999, threshold for the evaluation to receive data. The administrative spending is therefore not included in this data set.

³⁶ The list of housing-related activities includes advocacy, educational activities, inspections, housing counseling and homebuyer assistance programs, and demolitions.

Figure 2-5: NRP Allocations by Activity Category



An additional \$7.6 million (10 percent) of housing funds was allocated to the removal of blighted or vacant properties, and almost \$5 million was directed to homeownership and rental assistance programs that helped people afford housing. The funds for blight removal, at 5 percent of total NRP allocations, constituted the third largest specific piece of program funding.

Table 2-2: NRP Allocations by Subcategory

Cat	Subcategory	Allocated	% of Category	% of All NRP
0	NRP Plan Coordination			
	NRP Plan Coordination	\$9,828,880	100	6
	TOTAL (NRP Plan Coordination)	\$9,828,880	100	6
1	Housing			
	Education, Information, Analysis, Promotion	\$1,432,365	2	1
	Home Ownership and Rental Assistance	\$4,938,500	6	3
	Housing Advocacy, Access, Choice	\$4,436,400	6	3
	Home Environmental Quality	\$1,035,279	1	1
	Standards, Codes, Inspections	\$943,100	1	1
	New Housing Development	\$2,988,065	4	2
	Rehab, Renovation, Preservation	\$50,893,668	65	30
	Blighted or Vacant Property Removal	\$7,678,754	10	5
	Major Housing Redevelopment	\$1,142,000	1	1
	Housing, Other	\$2,506,922	3	1
	TOTAL (Housing)	\$77,995,053	100	46
2	Economic Development			
	Business Associations, Development Councils	\$736,298	3	0
	Industrial/Commercial Finance & Redevelopment	\$12,227,746	48	7
	Planning, Design Standards, Land Use Compatibility	\$3,627,896	14	2
	Commercial District Improvements and Promotion	\$5,809,448	23	3
	Job Creation and Linkage	\$1,361,920	5	1
	Economic Development, Other	\$1,514,834	6	1
	TOTAL (Economic Development)	\$25,278,142	100	15
3	Community Building, Arts & Culture			
	Communication, Promotion, Neighborhood Identity	\$2,414,772	22	1
	Community Space, Programs, Events (non-park or school)	\$5,400,307	49	3
	Community Organizing, Relationship Building	\$1,002,193	9	1
	Arts and Culture Programs	\$1,678,099	15	1
	Community Building, Other	\$621,216	6	0
	TOTAL (Community Building, Arts & Culture)	\$11,116,586	100	7
4	Crime Prevention & Safety			
	Police Services, Community Policing	\$1,364,290	20	1
	Citizen Crime Prevention Efforts, Block Clubs, Citizen Patrols	\$454,894	7	0
	Lighting and Other Security Improvements	\$3,537,261	52	2
	Crime Prevention & Safety, Other	\$1,388,930	21	1
	TOTAL (Crime Prevention & Safety)	\$6,745,375	100	4

Table 2-2: NRP Allocations by Subcategory, continued

Cat	Subcategory	Allocated	% of Category	% of All NRP
5 Transportation & Infrastructure				
	Bicycle, Pedestrian, Transit	\$1,434,457	33	1
	Streets, Traffic Flow & Safety	\$2,146,755	50	1
	Parking	\$250,000	6	0
	Transportation & Infrastructure, Other	\$468,753	11	0
	TOTAL (Transportation & Infrastructure)	\$4,299,965	100	3
6 Environment				
	Water and Air Quality, Noise Pollution	\$1,193,212	31	1
	Hazardous Materials, Solid Waste	\$72,405	2	0
	Habitat, Open Spaces, Landscaping	\$1,551,057	41	1
	Energy Conservation	\$512,000	13	0
	Education, Information, Analysis	\$8,220	0	0
	Environment, Other	\$481,479	13	0
	TOTAL (Environment)	\$3,818,373	100	2
7 Parks & Recreation				
	Building Improvements in Parks	\$4,914,975	36	3
	Playground, Fields, Equipment Improvements	\$4,297,601	32	3
	Landscaping, Green Space, Paths in Parks	\$582,690	4	0
	Safety, Lighting in Parks	\$493,800	4	0
	Programs, Events in Parks	\$612,085	5	0
	Parks and Recreation, Other	\$2,674,708	20	2
	TOTAL (Parks & Recreation)	\$13,575,860	100	8
8 Human Services				
	Families, Childcare, Parenting	\$1,483,329	12	1
	Youth, Teens	\$2,884,348	23	2
	Employment	\$3,276,593	26	2
	Seniors	\$1,246,343	10	1
	Coordination & Outreach	\$948,160	8	1
	Community Health Services	\$1,650,000	13	1
	Human Services, Other	\$1,134,111	9	1
	TOTAL (Human Services)	\$12,622,884	100	7
9 Schools & Libraries				
	School Construction, Expansion, Renovation	\$3,996,739	77	2
	School Programs and Events	\$509,245	10	0
	Intergovernmental and Community Coordination	\$58,113	1	0
	Library Construction, Expansion, Renovation	\$326,710	6	0
	Library Programs and Events	\$232,000	4	0
	Community Education Programs	\$60,500	1	0
	Schools & Libraries, Other	\$34,000	1	0
	TOTAL (Schools & Libraries)	\$5,217,307	100	3
TOTAL (All Categories)		\$170,498,424		100

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 and redevelopment. At over \$12 million and nearly half of all economic development allocations, it is the second largest NRP subcategory overall (see again Table 2-2). Also within economic development, commercial district improvements are allocated a little less than half that amount, and job creation and linkage is far down the list.

Within the parks and recreation category, capital improvements to buildings, equipment, and grounds predominate. Over two-thirds of the category's allocations went to improving buildings within parks or to improving playgrounds, playing fields, and equipment for them. Within the community building, arts, and culture category, half the money was allocated for community space, programs, and events (non-park and non-school).

Crime prevention and safety was allocated principally (half) for lighting and other security improvements. Transportation and infrastructure allocations were predominantly (also half) for streets and traffic flow and safety. And schools and libraries planned use of funds was more than three-quarters for school construction, expansion, and renovation.

Only in human services were allocations more dispersed, at one-quarter each for employment and for youth and teens, with other significant pieces for health, parents and children, and seniors.

Section II: NRP Spending

Neighborhood Expenditures

Clearly, plans and allocations need to be translated into expenditures to begin to support and improve Minneapolis neighborhoods. Indeed, some of NRP's objectives involve changing the ways that delivery of projects and programs occurs, presumably in the hope of ensuring timely implementation.

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.

The \$75 million amounts to an average of \$1,142,342 per neighborhood. But the range among neighborhoods is very broad, from \$0 to over \$9 million.³⁷ Average spending per capita is \$207.

³⁷ Some of the lowest numbers are in neighborhoods that have not yet completed their plans.

Expenditure information by neighborhood is detailed in Table 2-3. The dollars “expended” and expended “per capita” columns of the table are straightforward. The “% of total” column presents the share of all NRP spending that took place within the listed neighborhood. The “spend-out” column indicates the percentage of all funds allocated to a neighborhood that have actually been spent.

Table 2-3: NRP Expenditures and Spend-out Rates by Neighborhood

Neighborhood	Expended	% of Total	Per Capita	Spend-out (%)
01 Armatage	\$120,121	0.2	\$24	11
02 Audubon Park	\$1,433,375	1.9	\$252	51
03 Bancroft	\$1,253,839	1.7	\$380	63
04 Beltrami	\$265,826	0.4	\$233	71
05 Bottineau	\$1,193,715	1.6	\$967	77
06 Bryant	\$1,216,184	1.6	\$443	59
07 Bryn Mawr	\$160,711	0.2	\$57	23
08 CARAG	\$107,197	0.1	\$18	16
09 Webber-Camden	\$190,729	0.3	\$39	8
10 Cedar-Riverside	\$30,000	0.0	\$5	2
11 Cedar-Isles-Dean	\$455,582	0.6	\$205	55
12 Central	\$1,900,237	2.5	\$249	31
13 Cleveland	\$350,423	0.5	\$108	33
14 Columbia Park	\$426,197	0.6	\$260	89
15 Corcoran	\$951,771	1.3	\$254	37
16 Downtown East, West, N Loop	\$0	0.0	\$0	0
17 East Harriet	\$907,779	1.2	\$229	55
18 East Isles	\$126,471	0.2	\$37	11
19 East Calhoun	\$48,694	0.1	\$19	6
20 Elliot Park	\$1,061,127	1.4	\$206	24
21 Field, Regina, Northrup	\$2,022,922	2.7	\$210	76
22 Folwell	\$397,513	0.5	\$81	82
23 Fuller Tangletown	\$77,402	0.1	\$17	7
24 Fulton	\$221,723	0.3	\$37	16
25 Hale, Page, Diamond Lake	\$1,452,838	1.9	\$139	69
26 Harrison	\$526,946	0.7	\$154	18
27 Hawthorne	\$381,884	0.5	\$64	8
28 Holland	\$26,066	0.0	\$7	2
29 Jordan	\$6,106,432	8.1	\$788	91
30 Kenny	\$243,622	0.3	\$66	40
31 Kenwood	\$226,387	0.3	\$116	51
32 Kingfield	\$98,173	0.1	\$13	3
33 Lind-Bohanon	\$409,181	0.5	\$92	25
34 Linden Hills	\$451,229	0.6	\$59	26
35 Logan Park	\$263,050	0.3	\$117	21
36 Longfellow	\$4,179,695	5.5	\$194	45
37 Loring Park	\$2,351,173	3.1	\$363	67
38 Lowry Hill	\$478,375	0.6	\$127	43
39 Lowry Hill East	\$441,906	0.6	\$75	13
40 Lyndale	\$2,792,831	3.7	\$398	59
41 Lynnhurst	\$159,344	0.2	\$27	16
42 Marcy Holmes	\$1,865,006	2.5	\$201	43
43 Marshall Terrace	\$138,857	0.2	\$105	53
44 McKinley	\$171,988	0.2	\$52	35
45 Nicollet Island/East Bank	\$204,206	0.3	\$308	85
46 Nokomis East	\$946,078	1.3	\$63	21

Table 2-3: NRP Expenditures and Spend-out Rates by Neighborhood, continued

Neighborhood	Expended	% of Total	Per Capita	Spend-out (%)
47 Northeast Park	\$460,228	0.6	\$618	90
48 Near North, Willard Hay	\$5,451,333	7.2	\$374	65
49 Phillips	\$9,658,490	12.8	\$566	53
50 Powderhorn Park	\$3,760,445	5.0	\$485	72
51 Prospect Park	\$719,893	1.0	\$141	22
52 Seward	\$3,353,263	4.4	\$461	71
53 Sheridan	\$126,994	0.2	\$45	6
54 Shingle Creek	\$473,458	0.6	\$158	59
55 Southeast Como	\$74,318	0.1	\$13	17
56 St Anthony West	\$906,170	1.2	\$396	65
57 St Anthony East	\$194,934	0.3	\$92	16
58 Standish Ericsson	\$687,628	0.9	\$69	20
59 Stevens Square	\$2,631,156	3.5	\$578	63
60 Sumner-Glenwood	\$1,721,575	2.3	\$525	69
61 Victory	\$250,860	0.3	\$54	35
62 Waite Park	\$563,225	0.7	\$97	54
63 West Calhoun	\$24,248	0.0	\$13	4
64 Whittier	\$4,715,786	6.3	\$364	61
65 Windom	\$228,749	0.3	\$44	13
66 Windom Park	\$556,991	0.7	\$97	20
TOTAL NRP	\$75,394,547	100.0	\$207	44

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.

Using regression techniques, an analysis was performed of the relationship between years since plan adoption in each neighborhood and the percentage of NRP allocation that had been spent. The analysis indicates that neighborhoods typically begin their implementation period having spent approximately 20 percent of their allocated NRP funds through early funding programs and then spend on average an additional 8.3 percent of allocated funds each year of implementation.³⁸ 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.

It is further worth remembering that many neighborhoods can anticipate significant income becoming available for re-use as implementation continues. A substantial part of NRP funding has, as discussed later, been used for loans for home improvements that are to be repaid.³⁹ Neighborhoods will receive the repayments and be allowed to re-use the funds, presumably either for the same or another NRP-eligible use. That would support even longer-running activity than the ten-year estimate.

³⁸ Linear regression yields the equation $y = 0.198 + 0.083x$ and has a confidence level of greater than 99 percent.

³⁹ Some of the home improvement money, however, is in grants or in loans that will be long deferred or forgiven.

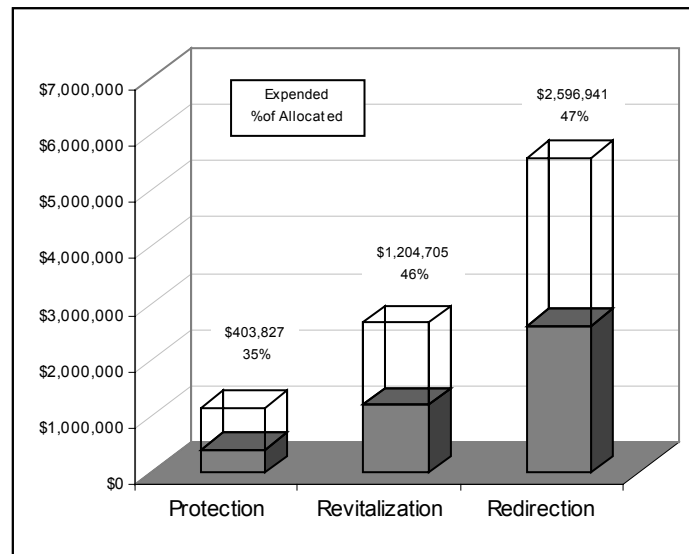
As might be expected, actual expenditures by neighborhood were closely correlated to the amount of money allocated by the neighborhood. As with allocations, five neighborhoods constituted a significant share of total NRP expenditures. Together, Phillips, Longfellow, Near North/Willard Hay, Whittier, and Jordan expended almost 40 percent of all NRP spending.

The speed with which neighborhoods carried out their planned spending was reasonably consistent across the three neighborhood types.

Expenditures also followed a distribution similar to allocations across neighborhood types, with redirection neighborhoods spending an average of \$2,596,941, revitalization neighborhoods \$1,204,705, and protection neighborhoods \$403,827 (Figure 2-6).⁴⁰ Once again, standardizing neighborhoods for size cuts the differences about in half. Per capita expenditures for the three neighborhood categories are \$301, \$230, and \$115.

These figures represent 47, 46, and 35 percent of the funds allocated to redirection, revitalization, and protection neighborhoods respectively. The differences in spending rates are not large, especially given that, on average, protection neighborhoods have more recently moved into plan implementation. Various possibilities, such as that neighborhoods in worse condition would have sharply higher spend-out rates due to the incentive to meet more acute needs, or sharply higher or lower rates due to greater or lesser capacity of local community development organizations, have not been observed.

Figure 2-6: NRP Expenditures as a Percentage of Allocations by Neighborhood Type



⁴⁰ Comparison of means yields a statistically significant difference between groups at a confidence level of greater than 99 percent.

For the major categories of NRP spending, spend-out rates were remarkably similar. As a direct result, the distribution of NRP spending across major categories is very similar to the distribution of allocations.

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 (Table 2-4). 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 clustered around the overall spend-out rate. None showed particular bottlenecks. The somewhat slower rate for economic development is unsurprising given the nature of such development work.

Table 2-4: NRP Expenditures by Activity

Cat Activity	Expended	Spend-out
0 NRP Plan Coordination		
NRP Plan Coordination	\$4,286,344	44%
TOTAL (NRP Plan Coordination)	\$4,286,344	44%
1 Housing		
Education, Information, Analysis, Promotion	\$927,436	65%
Home Ownership and Rental Assistance	\$1,192,250	24%
Housing Advocacy, Access, Choice	\$1,364,911	31%
Home Environmental Quality	\$407,307	39%
Standards, Codes, Inspections	\$452,691	48%
New Housing Development	\$1,258,933	42%
Rehab, Renovation, Preservation	\$29,262,044	57%
Blighted or Vacant Property Removal	\$2,534,668	33%
Major Housing Redevelopment	\$0	0%
Housing, Other	\$1,243,006	50%
TOTAL (Housing)	\$38,643,247	50%
2 Economic Development		
Business Associations, Development Councils	\$267,860	36%
Industrial/Commercial Finance & Redevelopment	\$5,595,997	46%
Planning, Design Standards, Land Use Compatibility	\$347,107	10%
Commercial District Improvements and Promotion	\$2,641,681	45%
Job Creation and Linkage	\$55,250	4%
Economic Development, Other	\$457,238	30%
TOTAL (Economic Development)	\$9,365,132	37%
3 Community Building, Arts & Culture		
Communication, Promotion, Nbhd Identity	\$937,333	39%
Comm Space, Progs, Events (non-park or school)	\$2,342,906	43%
Community Organizing, Relationship Building	\$330,715	33%
Arts and Culture Programs	\$224,845	13%
Community Building, Other	\$18,588	3%
TOTAL (Community Building, Arts & Culture)	\$3,854,387	35%

Table 2-4: NRP Expenditures by Activity, continued

Cat Activity	Expended	Spend-out
4 Crime Prevention & Safety		
Police Services, Community Policing	\$434,965	32%
Citizen Crime Prevention Efforts, Block Clubs, Citizen Patrols	\$214,467	47%
Lighting and Other Security Improvements	\$267,470	8%
Crime Prevention & Safety, Other	\$486,189	35%
TOTAL (Crime Prevention & Safety)	\$1,403,092	21%
5 Transportation & Infrastructure		
Bicycle, Pedestrian, Transit	\$228,865	16%
Streets, Traffic Flow & Safety	\$272,891	13%
Parking	\$26,449	11%
Transportation & Infrastructure, Other	\$95,078	20%
TOTAL (Transportation & Infrastructure)	\$623,283	14%
6 Environment		
Water and Air Quality, Noise Pollution	\$234,850	20%
Hazardous Materials, Solid Waste	\$16,385	23%
Habitat, Open Spaces, Landscaping	\$547,281	35%
Energy Conservation	\$51,347	10%
Education, Information, Analysis	\$0	0%
Environment, Other	\$263,161	55%
TOTAL (Environment)	\$1,113,023	29%
7 Parks & Recreation		
Building Improvements in Parks	\$2,732,234	56%
Playground, Fields, Equipment Improvements	\$2,730,122	64%
Landscaping, Green Space, Paths in Parks	\$353,083	61%
Safety, Lighting in Parks	\$96,125	19%
Programs, Events in Parks	\$182,138	30%
Parks and Recreation, Other	\$1,546,384	58%
TOTAL (Parks & Recreation)	\$7,640,088	56%
8 Human Services		
Families, Childcare, Parenting	\$322,272	22%
Youth, Teens	\$1,702,226	59%
Employment	\$1,134,232	35%
Seniors	\$484,334	39%
Coordination & Outreach	\$330,403	35%
Community Health Services	\$1,635,897	99%
Human Services, Other	\$440,920	39%
TOTAL (Human Services)	\$6,050,284	48%
9 Schools & Libraries		
School Construction, Expansion, Renovation	\$1,828,488	46%
School Programs and Events	\$305,372	60%
Intergovernmental and Community Coordination	\$10,052	17%
Library Construction, Expansion, Renovation	\$84,864	26%
Library Programs and Events	\$155,502	67%
Community Education Programs	\$12	0%
Schools & Libraries, Other	\$31,377	92%
TOTAL (Schools & Libraries)	\$2,415,668	46%
TOTAL	\$75,394,547	44%

With spend-out rates so similar across categories, it is a mathematical truism that the distribution of spending will be similar to the distribution of fund allocations. The expenditure mix is pictured in Figure 2-7, with housing again far in the lead, economic development second, and parks and recreation activity third. Parks and recreation expenditures are closer to economic development's than are the two categories' allocations because of the faster spend-out rate in parks. Even with that difference, the correlation between expenditures and allocations for the different categories of NRP activity is 0.99.⁴¹

Among the broad categories of NRP activity, only some of the smallest had slow going in moving to implementation. These included crime prevention and safety, especially lighting and other security improvements; all aspects of transportation and infrastructure; and most environmental activities.

Several spending subcategories within the large-spending categories also stand out as making slower progress (Table 2-4). These include major housing redevelopment, where spending had not begun; blight removal, with a somewhat low 33 percent spend-out in a very large subcategory; planning, design standards, and land-use compatibility, as well as job creation and linkage, within economic development (10 percent and 4 percent spend-out respectively); family, childcare, and parenting; and safety and lighting within parks (as well as lighting within the public safety category).

Although spend-out rates were consistent across neighborhood types and categories of expenditure, what neighborhoods spent their money on varied more. The variations generally reflect the differences in needs one might expect from the three groupings of neighborhoods.

Figure 2-8 illustrates the shares of each neighborhood type's total NRP spending that were put into the categories of NRP activity. 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.

⁴¹ A "perfect" correlation, the two measures moving exactly together, has a value of 1.0.

Figure 2-7: NRP Expenditures by Category as a Percentage of All Expenditures

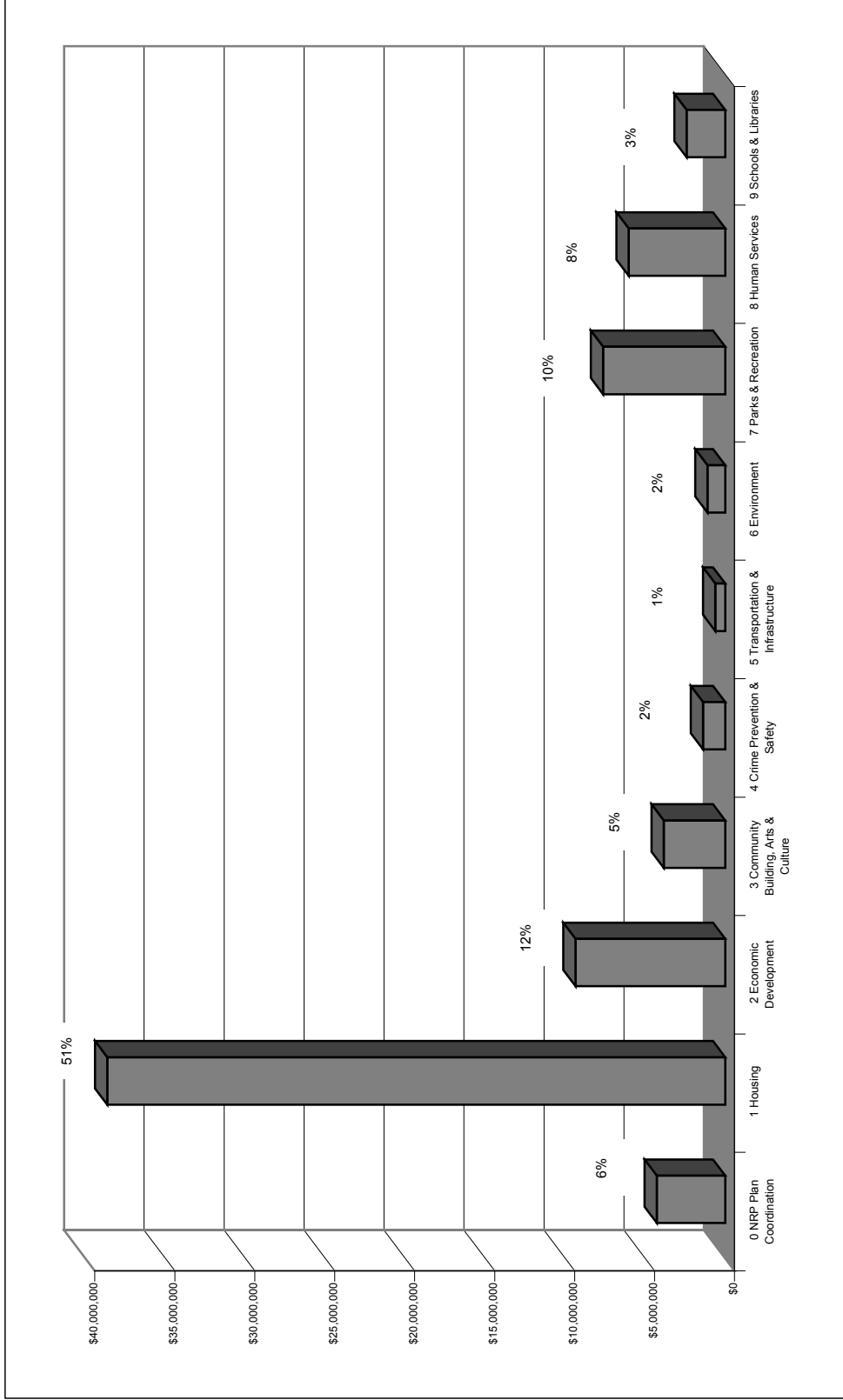
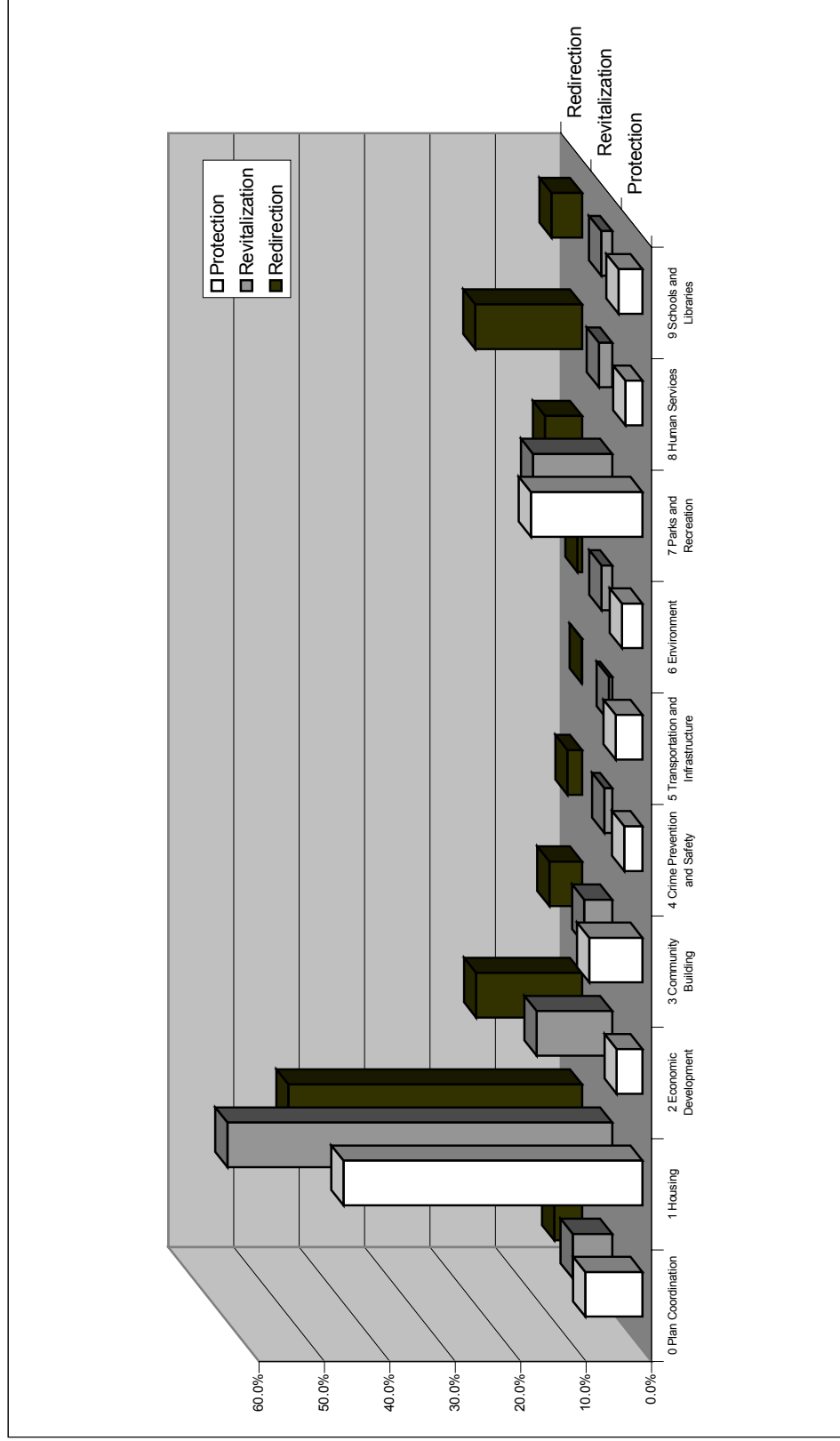


Figure 2-8: NRP Expenditures by Category across Neighborhood Types



Another way of looking at how NRP activity was distributed across categories is to examine the number of neighborhoods undertaking activities in each category. Almost 90 percent of neighborhoods, for instance, expended some amount of money on housing, while just under 44 percent of neighborhoods undertook projects related to crime prevention and safety or schools and libraries. The percentage of neighborhoods that expended NRP dollars in each category of activities is detailed in Table 2-5.

Table 2-5: Percentage of Neighborhoods Expending Funds by Activity Category

Category	Percent of Neighborhoods
0 Plan Coordination	84.8
1 Housing	87.9
2 Economic Development	71.2
3 Community Building	69.7
4 Crime Prevention and Safety	59.1
5 Transportation and Infrastructure	43.9
6 Environment	57.6
7 Parks and Recreation	56.1
8 Human Services	47.0
9 Schools and Libraries	43.9

Who left the various categories out of their spending to date? This information is illustrated in Table 2-6 and parallels the findings for distribution of spending. Most of the small number of neighborhoods that did not include a housing or economic development component were protection neighborhoods. Large numbers of both protection and revitalization neighborhoods chose not to spend on human services. And substantial numbers of both redirection and revitalization neighborhoods did not spend on parks and environmental matters. Crime and safety got attention from quite similar shares of neighborhoods in all three categories but were near to top priority only for protection neighborhoods.

Table 2-6: Percentage of Neighborhoods by Type Expending Funds in Each Category

	Total	Protection	Revitalization	Redirection
0 Plan Coordination	84.8%	76.9%	92.9%	83.3%
1 Housing	87.9%	73.1%	100.0%	91.7%
2 Economic Development	71.2%	57.7%	82.1%	75.0%
3 Community Building	69.7%	61.5%	71.4%	83.3%
4 Crime Prevention and Safety	59.1%	65.4%	53.6%	58.3%
5 Transportation and Infrastructure	43.9%	50.0%	46.4%	25.0%
6 Environment	57.6%	69.2%	53.6%	41.7%
7 Parks and Recreation	56.1%	65.4%	53.6%	41.7%
8 Human Services	47.0%	34.6%	42.9%	83.3%
9 Schools and Libraries	43.9%	42.3%	39.3%	58.3%

Early Monies

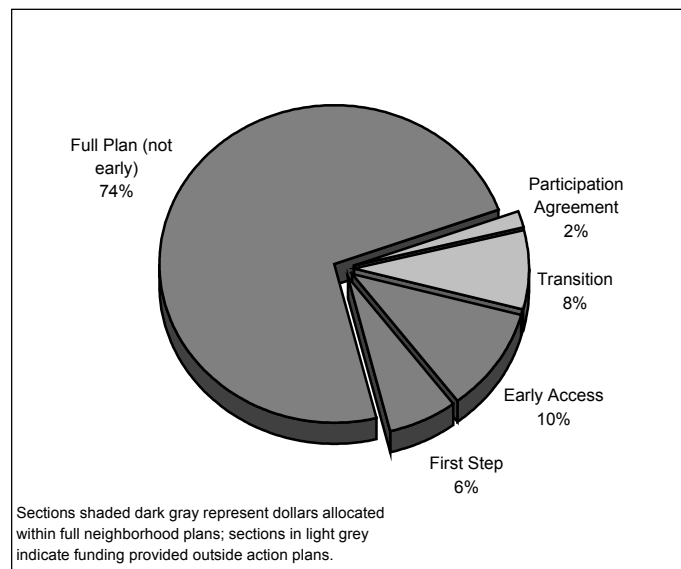
In order to encourage participation in the program and to help initiate the local revitalization process, NRP offered neighborhoods the opportunity to receive several types of early funding that would precede their adoption of a complete NRP neighborhood plan and gaining approval for it.

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. Figure 2-9 documents the distribution of early NRP monies.

Initial funding to begin the planning process was given for signing an NRP Participation Agreement. NRP allocated almost \$3.4 million in Participation Agreement Funds, an average of \$51,381 per neighborhood. In addition, in the early years of operation, NRP also provided nearly \$15 million in Transition Funds, approximately \$226,000 per neighborhood, for specific projects in neighborhoods that had not yet begun the development of their neighborhood action plans. Forty-three neighborhoods received Transition Funds, an average of \$348,000 per recipient neighborhood. Activities undertaken using both Participation Agreement and Transition Funds were not included in neighborhoods' later full plans (and are not included in total allocation and expenditure figures used elsewhere in this analysis).

Figure 2-9: Early-Phase NRP Allocations



Another early funding program, Early Access, allowed for the allocation of NRP funds to projects in neighborhoods during their planning processes. Usually Early Access funding went to three categories of projects: ones addressing an urgent need that could not wait for final plan submission (e.g., a sudden crime or safety issue), ones that could obtain outside resources but only if NRP money was promptly available as a match, and those addressing a housing or economic development need (seen as NRP priorities not needing to be approved in the context of a full plan). Early Access support totaled \$19.8 million, or roughly \$300,000 per neighborhood.⁴²

The fourth form of early funding was First Step.⁴³ This program allowed for more-rapid entry of neighborhoods not yet admitted to the planning process by lottery. It let the neighborhoods initially design and pursue mini-plans that could be implemented over eighteen months. Protection neighborhoods could be allotted up to \$250,000, revitalization up to \$350,000, and redirection up to \$450,000 under First Step. More than \$12 million was allocated in total through First Step, approximately \$184,000 averaged across all neighborhoods. Money and plans to undertake projects funded through the First Step and Early Access programs were later incorporated into each neighborhood's full action plan.

Altogether, early funding represented almost 27 percent of the total \$188,914,607 allocated by NRP (including both planned allocations and dollars not included in full neighborhood plans). Almost \$32 million of the early dollars (First Step and Early Access) was later included in neighborhood action plans, leaving approximately \$18 million (10 percent of total allocations) in early funding that was not linked to neighborhood plans. The four kinds of early money together dealt with a complex mix of situations and needs—for the neighborhoods desiring to move to action and for NRP wanting to move the program along and engage the many neighborhoods. 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.

Section III: Housing Outputs

Housing Outputs

NRP was able to compile an overview of neighborhood housing activity to date. The data include a summary of housing outputs related to NRP-funded home improvement, construction for rent and sale, demolition projects, homebuyer assistance programs, and other housing-related activities completed by March 30, 1999.

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.

⁴² There were 46 neighborhoods receiving Early Access funds, an average of \$431,000 per recipient neighborhood.

⁴³ First Step funds were provided to 32 neighborhoods, each on average receiving \$380,000.

In total, NRP housing programs completed:

- 2,777 home improvement loans totaling \$14,986,875 (average loan size: \$5,397);
- 1,995 home improvement grants totaling \$6,039,041 (average grant size: \$3,027);
- 7 home construction loans for a total of \$1,415,000 (average loan size: \$202,143);
- 15 home construction grants for a total of \$425,825 (average grant size: \$28,388);
- 70 homebuyer assistance loans totaling \$284,300 (average loan size: \$4,061);
- 64 homebuyer assistance grants totaling \$190,850 (average grant size: \$2,982);
- 39 demolitions, costing a total of \$325,452 (average demolition cost: \$8,345);
- 133 building analyses;
- 52 units constructed for sale to homeowners; and
- 675 rental units constructed or improved (dollar figure not available).⁴⁴

The great bulk of households assisted—perhaps over 80 percent⁴⁵—were homeowners, and as the distribution of funding allocation and spending also previously suggested, the primary purpose of assistance was housing rehabilitation.

If only one form of assistance was provided to a household, then as many as 5,655 households were aided in some fashion—whether with a grant or loan—to buy, build, improve, or occupy a home or apartment.⁴⁶

NRP did not act alone in producing this housing output. Significant additional resources were provided from MCDA sources, particularly for rental units.

Most rental units in particular were apparently developed with modest NRP contributions and more substantial public funding from MCDA sources (see section on program beneficiaries in this chapter and the MCDA study in Chapter Five). The small average size of home improvement loans and grants suggests that they too may have been accompanied by other private and public funds, or else they provided for only partial rehabilitation or for improvements in many homes that were already in quite sound basic condition.

⁴⁴ See Chapter Five, case study of MCDA. Data from MCDA indicated 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 1,264 units (about half of which are in one project) between 1994 and 1998.

⁴⁵ The exact percentage depends on how many homeowners received some assistance, which itself depends on whether some households received more than one kind of assistance—a specific not available for the evaluation.

⁴⁶ There is a total of 160,531 households in the entire city, only a portion of which might be seeking to improve homes.

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.

Table 2-7 demonstrates the stark differences in housing activities undertaken by 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 likely tended to reinforce existing housing tenure patterns.

Table 2-7: Housing Outputs by Neighborhood Type

Housing Output	Redirection Neighborhoods		Revitalization Neighborhoods		Protection Neighborhoods	
	#	Total	#	Total	#	Total
Home Improvement Loans	244	\$3,014,843	1,693	\$9,051,050	840	\$2,920,982
Home Improvement Grants	206	\$1,424,606	1,695	\$4,450,059	94	\$164,376
Home Construction Loans	7	\$1,415,000	0	\$0	0	\$0
Home Construction Grants	1	\$30,825	14	\$395,000	0	\$0
Homebuyer Assistance Loans	0	\$0	57	\$230,732	13	\$53,568
Homebuyer Assistance Grants	2	\$6,456	61	\$179,394	1	\$5,000
Demolitions	27	\$248,253	10	\$64,199	2	\$13,000
Building Analyses	5		11		117	
Units Constructed	36		16		0	
Rental Units Constructed/Improved	609		66		0	

TARGETING AND BENEFICIARIES

Introduction

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 and studies leading to the creation of the program, issues regarding targeting and beneficiaries were very much part of the discussion. As detailed in Chapter One, 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 rather than 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.

Often, publicly funded urban programs clearly delineate the target areas or intended beneficiaries of their efforts. Many efforts target an area's poorest, most needy residents. Others aim to stabilize at-risk working class families and communities.

NRP limited its designation of intended targets and beneficiaries. Neighborhoods self-designated whether they fit into the categories of redirection, revitalization, or protection. Minimal criteria were provided to aid in this designation. Initially, there were no guidelines for the allocation of funds by neighborhood type or any other demographic criteria.

In 1994 guidelines were formulated to determine the suggested range for a given neighborhood's funding level using standards that included measures of need.⁴⁷ 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. Despite considerable debate during the program's design and suggestions for a low-income focus in early policy documents, the distribution of benefits was left quite open, to be determined in the program's implementation.

This analysis examines two sets of patterns that may have developed regarding the recipients of NRP activity. It 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.

⁴⁷ September 14, 1994, memorandum from NRP Director Robert Miller to the Policy Board.

The study then looks inside neighborhoods at individual beneficiaries, analyzing how the benefits of some NRP housing activities were distributed among people of differing income levels. The beneficiary analysis would ideally have been much wider than it is, covering other activities and other characteristics of program recipients, but the necessary data were not available.

Neighborhood Targeting

Research Approach and Limitations

The basic approach to examining neighborhood targeting was to relate size of NRP funding allocations for the sixty-six neighborhoods to the socio-economic characteristics of those neighborhoods in order to see where allocations were concentrated. The primary statistical technique used for the study was correlation analysis. Correlations measure the degree of systematic connection between two items. If, for example, systematically more NRP money is given to neighborhoods whose residents have lower incomes, then neighborhood poverty levels and NRP allocation will show a high correlation across the sixty-six neighborhoods.⁴⁸

This analysis, however, was complicated by several significant data limitations. The absence of complete data about the actual outputs of NRP efforts limited analysis to the use of neighborhood funding allocation figures as the only measure of how communities chose to direct program funds. The allocations provide one illuminating approximation of the activities occurring within communities but would be usefully complemented by information about numbers of people aided and similar outputs.

The analysis is intended to examine the relationship between funding allocations and demographic characteristics of recipient neighborhoods—population characteristics such as population size, poverty levels, racial/ethnic breakdown, and age distribution and housing characteristics such as the percentage of substandard housing units, owner- and renter-occupied units, and absentee-owner controlled units. The data set of neighborhood characteristics, however, is also relatively limited, relying primarily on 1990 census information that was reconfigured by NRP to fit program-defined neighborhood boundaries. Although NRP allocation data is current, the census figures are now nearly a decade old. These figures nevertheless provide the only demographic data based on actual householder responses and, most importantly, are disaggregated to the NRP neighborhood level.⁴⁹

Program developments after NRP's first few years of operation increased the need to find systematic relationships between neighborhood characteristics and fund allocations. NRP initially allowed neighborhood residents wide latitude to propose the amount of funds to

⁴⁸ Correlations can range from -1 to 1 . Negative correlation would arise, for example, if neighborhoods with high incomes systematically got lower NRP allocations. A correlation near 1 is high and positive (the two measures at issue move together systematically), and a correlation near -1 is high and negative (the two measures move systematically in opposite directions).

⁴⁹ Although data sets with forecasted information are available for years since 1990, they are not configured to provide the requisite neighborhood-based information, and in any event, the simple trend projection techniques they use offer no advantage over the indexing of 1990 information used here.

be allocated to their neighborhoods. But by 1994, concern about how approving plans one by one would affect the ability to share NRP monies equitably, particularly with some neighborhoods entering the process later, prompted NRP to delineate a set of allocation guidelines. The guidelines used several different estimates of neighborhood condition and need to produce a funding range for each neighborhood. The range was to be advisory to the neighborhood in its planning processes, the Policy Board in its plan approvals, and the city council in its adoption and appropriations. The allocation limits were based on several formulas that differentially weighted a number of descriptors about neighborhood size, housing, and economic status. The guidelines provided neighborhoods with a better sense of the level of NRP support that would be available for their use; they also established benchmarks for policy makers to judge the overall size of neighborhood funding proposals.

Under the new allocation formulas, neighborhoods would—if the guideline ranges were followed—receive support corresponding to their size (as measured by both population and dwelling units) and to indicators of their economic and housing conditions (through an index of low economic status and levels of substandard housing and absentee ownership). Since many of the plans were finalized after the guideline adoptions, there is a significant presumption that the factors used in the guidelines will be correlated with neighborhood funding allocations.

Findings

Analysis in the status section of this chapter already demonstrated that neighborhoods self-defined as redirection communities on average received significantly more funds per capita than revitalization areas, which in turned 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.

- Systematically, 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.
- More funding was typically allocated to neighborhoods where more people of color lived. Such neighborhoods no doubt couple the dual challenges of lower incomes that people of color on average receive and the special impacts of discrimination.
- More money went systematically to neighborhoods with higher shares of youth in the population.

The high correlation levels between funding and these measures of need are shown in Table 2-8.

NRP funding allocations also systematically reflected simple differences in neighborhood size.

- NRP allocations were highly correlated with neighborhood population.
- Allocations were highly correlated with number of dwelling units in the neighborhood as well.

These correlations are also reported in Table 2-8.

Table 2-8: Correlations between Selected Neighborhood Characteristics and NRP Allocations per Household

Characteristic ⁵⁰	Total Allocations	Allocations per Household
Population	0.78	
Dwelling units	0.76	
Percent substandard dwelling units		0.72
Percent people of color		0.70
Poverty rate		0.70
Family poverty rate		0.66
Neighborhood type		0.64
Percent youth		0.60

The correlation results likely reflect NRP’s use of its allocation guidelines. Eighteen neighborhoods had their plans adopted before the guidelines were put into place. And the guidelines’ computations use many of the same variables—population and dwelling units, income, and substandard housing rates—in computing their ranges as this analysis used in testing for correlations with NRP funding levels.

Differences in measures of neighborhood need among communities were connected with quite substantial differences in NRP allocations.

Regression analysis was used to estimate how large a difference in NRP allocation per household typically resulted from a neighborhood’s more acute needs. The analysis estimated the impact on a neighborhood’s allocation of poverty, race and ethnicity, substandard dwellings, and youth, finding the following results.

- An average neighborhood allocation was about \$1,068 per household.

⁵⁰ Additional characteristics—including median income ($r = -0.51$), the proportion of renter-occupied housing units (0.36), and the percentage of the neighborhood population identified as Black (0.55), Hispanic (0.42), Asian (0.44), American Indian (0.48), and senior (-0.20)—all demonstrated a less profound relationship with per household NRP allocations.

- For each extra percentage point of the population below the poverty line (compared with the average), neighborhoods got about \$8 more per household. The resulting 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.⁵¹
- For each extra percentage point of people of color, neighborhoods received on average an \$11.50 increase in allocation. The resulting difference in allocation between a neighborhood with somewhat greater numbers of people of color and one with somewhat smaller numbers might be \$449 per household, or nearly 45 percent of the average.⁵²
- For each extra percent of all dwellings in a neighborhood that were substandard, neighborhoods received on average an additional \$45 per household. The resulting difference in allocation between a neighborhood with relatively bad housing stock and one with relatively good housing might be \$675, or about two-thirds of the overall average.⁵³

Clearly, significant targeting of resources by need levels took place in making NRP allocations among neighborhoods.

Beneficiary Analysis

The targeting of NRP spending toward more impoverished or 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 analysis aims to find, for example, whether money that was directed to a poor neighborhood actually ends up benefiting the poor people within the neighborhood.

Research Approach and Limitations

The goal of the study of program beneficiaries was to compare the characteristics of those who received assistance or benefit from NRP programs with the characteristics of Minneapolis residents as a whole, and with those of the other residents of the neighborhood in which a beneficiary resided. Emphasis was on characteristics that measured people's level of need, particularly income.

⁵¹ Neighborhoods with a poverty rate one standard deviation below the mean were at 2 percent poverty, while those at one standard deviation above the poverty rate were at 30 percent. That 28 percent difference at \$8 per percentage point yields \$225 (with rounding).

⁵² Neighborhoods with percentages of people of color one standard deviation below the mean had 0 percent of such people, while neighborhoods with percentages one standard deviation above the mean had 39 percent people of color. Thirty-nine percent difference times \$11.50 per point is about \$449.

⁵³ Neighborhoods with percentages of substandard buildings one standard deviation below the mean had 2 percent substandard units, while neighborhoods with one standard deviation above had 17 percent substandard. The 15 percent difference times \$45 per percentage point is \$675.

Information about individual beneficiaries of NRP activities within neighborhoods was severely limited. NRP was not required by state mandate to track beneficiary information for its programs, and it did not do so. No plan or practice for systematically collecting data regarding the recipients of program activities was put in place. The neighborhoods, following suit, did not develop systematic monitoring processes or require contractors to maintain detailed records of project beneficiaries. In some cases, neighborhoods reportedly deemed such record-keeping intrusive to those receiving assistance and consciously chose not to collect information about the recipients of grants, loans, and other aid. Very little specific descriptive data about the beneficiaries of NRP programs was collected at all. Not only, therefore, was the information not integrated into the program database, it could not in general be retrieved by NRP staff even when they tried to respond to evaluator requests.

The intent of the evaluation from the start had been to concentrate on beneficiaries of housing programs. Housing is both the largest category and one for which the identity of beneficiaries—unlike that of, say, a traffic safety improvement—is easy to determine. As it turned out, beneficiary information was available only for housing programs and then only for a limited subset of them.

One partner organization, the Center for Energy and Environment (CEE), which works in sixteen neighborhoods across the city, did maintain a useable data set on the recipients of the NRP housing improvement loan and grant programs it implemented. CEE data cover the income of each beneficiary household. They do not include other descriptive characteristics such as race, ethnicity, or age.

In addition, although the CEE database reflects relatively recent income information (the median closing date for CEE loans and grants was July 1998), comparison data was again limited to decade-old census figures for each neighborhood and the city of Minneapolis as a whole. To allow valid comparisons, an income inflator was used to estimate 1998 median household income for each neighborhood and the city, building off the 1990 census statistics.⁵⁴

Despite these restrictions, this analysis uses the information available from the CEE database to capture an important, if small, slice of the picture of how the benefits of NRP activity have been distributed.

Background

The City of Minneapolis has a long tradition of aggressiveness in operating financing programs for purposes that include keeping residential properties in a good state of repair. Historically, for homeowners, the city's commitment was supported primarily through

⁵⁴ Because the U.S. Census Bureau does not provide data for 1998 median household income at a degree of aggregation below the state level, 1998 neighborhood median household incomes for the study were estimated using a multiplier derived from the best available indicator of local income change, the percentage growth of family incomes in the Minneapolis-St. Paul Metropolitan Statistical Area (MSA) from 1990 to 1998 (35.1 percent). 1990 and 1998 median family income figures were obtained from Department of Housing and Urban Development statistics provided by MCDA staff.

two programs, federal Community Development Block Grant (CDBG) monies and state Minnesota Housing Finance Administration (MHFA) funding, both of which are administered by the Minneapolis Community Development Agency (MCDA). The CDBG funds are used for deferred loans that need not be paid back for substantial periods, if at all. To be eligible, homeowners must have incomes below \$18,000. MHFA has a deferred loan program as well, with income eligibility capped at \$10,000. But it also has a program of loans that are amortized (repaid by the owners over time from the start), which has a much higher eligibility cap (\$73,140 in certain targeted areas and \$51,000 otherwise).

Since MCDA intended to continue to administer the CDBG and MHFA programs even after the creation of NRP, the agency took an active role in working with neighborhoods to develop complementary strategies. As neighborhoods began to assemble their NRP plans, MCDA staff met with each NRP steering committee to discuss housing-related options. Once a neighborhood decided to devote funding to housing improvement, MCDA provided the neighborhood with a description of possible types of loan and grant programs. Neighborhood organizations were encouraged not to duplicate the types of loans already provided by MCDA through MHFA and CDBG but rather to supplement these programs. One option in that direction was to create programs with amortizing loans and higher income eligibility limits where deferred loans (or no program) operated before, and MCDA reports that this option was selected with some frequency.

With this guidance and technical assistance, neighborhoods had full discretion to develop and decide on the parameters for local loan and grant programs. The neighborhoods then hired loan administrators for the programs. In Minneapolis, there are five primary nonprofit organizations that provide these loan administration services: CEE, Project for Pride in Living, Greater Metropolitan Minneapolis Housing Corporation, and two Neighborhood Housing Services organizations (on the south and north sides of the city).

Findings

The beneficiary data used for this study is from CEE. The center helped operate home loan and grant programs in sixteen neighborhoods, representing a wide cross-section of Minneapolis communities. 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 those of all neighborhoods. The sample includes six protection neighborhoods, seven revitalization neighborhoods, and three redirection neighborhoods—roughly the same distribution as the NRP 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. Loans and grants were available for a wide range of interior and exterior improvements, including plumbing, electricity, and heating; windows; roofing; painting; siding and trim; decks and porches; fences; garages, driveways, and sidewalks; handicapped accessibility; lead and asbestos abatement; masonry and stucco; permanent landscaping; and safety improvements. The small average size of a loan or grant

suggests that the typical homeowner had to select a modest subset of these various possibilities.

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 home improvement assistance, the programs were not generally targeted to people with high degrees of need, as measured by household income.

Median household income within the city of Minneapolis was estimated at a little over \$34,000 in 1998.⁵⁵ Income targeting of a housing program is often assessed in terms of the number of beneficiaries with incomes under 80 percent of median (here about \$27,000) and with very low incomes under 30 percent of median (here about \$10,000).⁵⁶ The data for incomes of all CEE-served recipients was compared with these figures.

Very few of the recipients had incomes below the 30 percent of median level. The overall share of loans and grants going to such recipients was 6 percent, and most neighborhoods had none. This is not surprising, since most homeowners likely have incomes exceeding that level, and nearly all improvement loans and grants went to homeowners.

But only 19 percent of the recipients had incomes under 50 percent of the median level. And well less than half of the beneficiaries—only 41 percent—had incomes below even the 80 percent of median level. Indeed the median income for all beneficiaries was, at \$31,000, 92 percent of the overall Minneapolis city median. 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. No standard of income-targeting was established for the distribution of home improvement (or other) program benefits in NRP legislation or guidelines, and none of the typical targets often attached to such programs was reached.

It would be desirable to compare the incomes of NRP home improvement program recipients with those of all homeowners only. That would allow an assessment of whether home improvement assistance was targeted to people with greater need, at least among those who owned their homes. Unfortunately, income data is not available separately for owners and renters.

Notwithstanding the citywide findings, home improvement assistance may be targeted to relatively less well off people among the residents of particular neighborhoods. A test compared the median incomes of beneficiaries within each neighborhood against the median income of all households in that neighborhood.

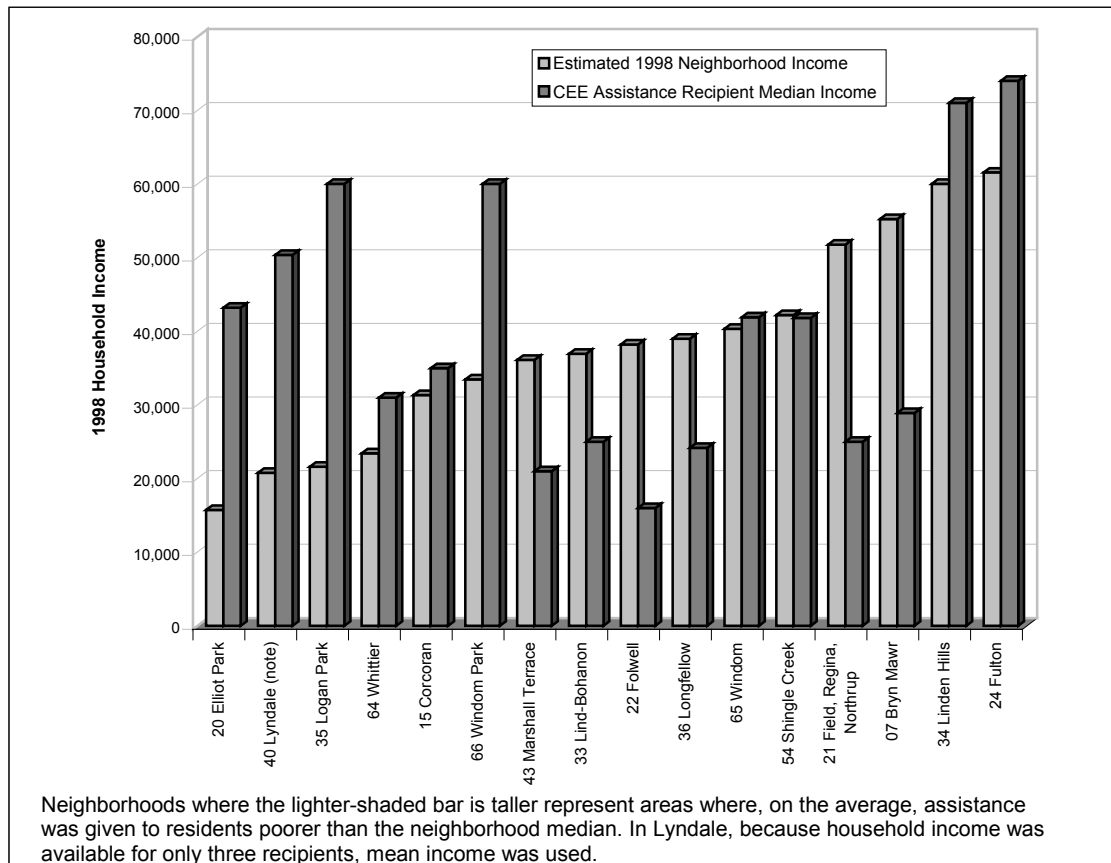
⁵⁵ The estimation process was as follows. Take the Minneapolis median household income in 1990 as measured by the census. Adjust to 1998 using the observed percentage increase in Minneapolis-St. Paul MSA family income, measured annually by HUD, applied to the 1990 Minneapolis household figure.

⁵⁶ Another common choice is under 50 percent of median, but the 30 percent and 80 percent numbers match those chosen by MCDA in a related analysis to which NRP numbers will later be compared.

Of the neighborhoods for which CEE administers loans, only a minority showed median income of recipients of home improvement aid below that of all households in the neighborhood.

Seven of the sixteen CEE neighborhoods (44 percent) had median incomes for recipients that were lower than median income for all neighborhood households (see Figure 2-10). Loan and grant recipients in the Bryn Mawr; Field, Regina, and Northrup; Folwell; Lind-Bohannon; Longfellow; Marshall Terrace; and Shingle Creek neighborhoods typically had lower incomes than the neighborhood median. The programs in these neighborhoods provided primarily deferred loans, with specifically articulated income limits for recipients.

Figure 2-10: Housing Assistance Recipient Median Income Relative to Neighborhood Median Income



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 greater by as much as two or three times the neighborhood median.

The remaining nine CEE neighborhoods (56 percent) offered loan and grant assistance to residents with incomes greater than the neighborhood median.⁵⁷ The loan programs in these neighborhoods were mostly revolving loans, requiring payback from the start. Typically the neighborhoods set no specific income limits for loan eligibility.

Again, it would be desirable to see how recipients of home improvement compared in income with only homeowners in their neighborhood, but data for income by tenure was not available.

Overall, then, home improvement assistance, at least in CEE-served neighborhoods, was not tightly targeted by income among each community's residents. Typical beneficiaries were often richer than other households, whereas in a tightly targeted program they would usually be a good deal poorer.

What drives the beneficiary mix in the diverse neighborhoods examined? Differences in beneficiaries between neighborhoods are at least partially inherent in the mechanics of various neighborhood loan programs. The nine neighborhoods that gave loans to recipients whose income was higher than the neighborhood median all provided primarily revolving loans to residents. Revolving loan programs must typically establish comparatively higher income standards for recipients in order to ensure there is sufficient income for repayment of borrowed funds. Deferred loans, which may be forgiven over time or due only at sale of a property, are therefore operationally less reliant on repayment and can be more easily targeted to lower-income recipients. Of course the decision about which kind of program to emphasize is a matter of discretionary policy for the neighborhoods.⁵⁸

NRP home improvement monies are less targeted to people of limited means than are home improvement funds administered by MCDA from other program sources.

In terms of the distribution of benefits, how did NRP housing activity differ from the way that funds might otherwise have been used? MCDA home improvement grant and loan programs provide a limited window of comparison.

Both CDBG and MHFA funds, which compose a significant portion of MCDA home improvement programming, are specifically directed toward low-income residents. Table 2-9 illustrates the differences between the income distribution of recipients of such

⁵⁷ CEE provided only three loans in Lyndale with information about recipient income. An average of the three was used in place of a median to limit bias in such a small data set.

⁵⁸ Another possible explanation for the variability in beneficiaries across neighborhoods may lie in the characteristics of the neighborhoods themselves. As a group, the seven neighborhoods that targeted loans to residents with incomes lower than the neighborhood median had a significantly higher median homeownership rate (with a median of almost 75 percent owner-occupied dwelling units) than the other nine neighborhoods (which had a median of just 38 percent owner-occupied dwelling units). Because most owners (even lower-income owners) have higher incomes than renters, in neighborhoods with high homeownership rates an articulated focus on providing assistance to lower-income homeowners would result in recipients having a median income below the neighborhood median. But in neighborhoods with a minority of homeowners, the recipients of a similarly focused program for low-income homeowners would still typically have incomes above those of most of the neighborhood's renters. The assistance recipients, therefore, would have a median income that would be higher than the neighborhood median (which would be depressed by the lower renter incomes).

targeted monies and that of recipients under NRP.⁵⁹ Between 1994 and 1998, nearly half of MCDA home improvement grants and loans were directed to households with incomes less than 30 percent of the Department of Housing and Urban Development’s (HUD) median family income, more than two-thirds went to those with less than 50 percent of the median, and more than four-fifths went to households with incomes below 80 percent of the HUD median family income. In comparison, just one-fifth of the NRP loans and grants administered by CEE were directed to households with incomes below the 30 percent level, well less than half the share of MCDA assistance. And only half the NRP beneficiaries had incomes below 50 percent of median. The numbers of NRP recipients with incomes below 80 percent of median were more similar to MCDA beneficiaries, at 73 percent.

As one might have expected, the MCDA-administered funds from CDBG and MHFA, with their targeting rules, were more tightly focused to benefit low-income people. And the difference was far more marked for people of sharply limited means. The flexibility of NRP money allowed a wider spread of use, with, as will be seen in Chapter Four, other benefits in terms of neighborhood revitalization. Whether with tighter targeting those other benefits could still have been achieved is not clear.

Table 2-9: Comparison Percentages of Assistance Recipients by Income Level

Program	% of recipients below 30% of HUD Median	% of recipients below 50% of HUD Median	% of recipients below 80% of HUD median
MCDA Programs	49	68	81
All CEE Neighborhoods	21	49	73

Sources: MCDA computations for MCDA programs; TEAMWORKS computations from CEE data for NRP.

It is important to remember that the beneficiary analysis here was limited by data availability for home improvement programs. This information, however, does raise a question for policy makers about NRP’s committing the vast majority of its housing funds to homeowners rather than to rental properties. The city has in its MCDA activities made significant non-NRP investments in both rental and owner-occupied housing (see Chapter Five, the case study of MCDA). A broader look at housing beneficiaries in Minneapolis must take into account both NRP’s renter/owner choices and the uses of non-NRP funding.

⁵⁹ The comparison here uses Minneapolis-St. Paul MSA *family* incomes. These are higher than the household incomes for the city of Minneapolis used previously in this section to analyze CEE/NRP recipients alone, both because of the wider geography and because families (which do not include individuals not living with relatives) have typically higher incomes than all households. The MSA-wide family data were used for this comparison because MCDA performed its analysis with that data. One result is that the share of CEE/NRP recipients below each income standard is higher than that reported earlier in this section for CEE/NRP alone. The earlier computation is a better measure of the targeting of NRP aid, because it compares recipient incomes with incomes of the same set of all “households” from which they were drawn for the Minneapolis-only area. The alternative used in Table 2-9, however, allows for a proper comparison between MCDA and NRP.

CHAPTER THREE

CAPACITY

INTRODUCTION

Building neighborhood capacity is at the top of the four NRP Primer goals. The overarching thrust of NRP is to devolve decision-making from the five participating jurisdictions—the City of Minneapolis, Hennepin County, Minneapolis Public Schools, the Minneapolis Park and Recreation Board, and the Minneapolis Public Library—to the neighborhoods. Unclear from the outset, however, was the ability of each of the neighborhoods to effectively organize residents and to develop a credible Neighborhood Action Plan. It was several years later before additional questions would arise over the abilities of the neighborhoods to successfully implement the plans.

When NRP was launched, it was assumed that some neighborhoods were better prepared than others to pursue the activities associated with developing plans. Some neighborhoods had longstanding associations, community development and housing organizations, and other groups and individuals skilled in organizing and in the basics of planning. The readiness of other neighborhoods, however, ran the gamut from fragile to basic.

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. This somewhat organic approach to technical assistance was consistent with the initial thinking of NRP. Sensitivities were high over existing and anticipated tensions between the “professionals,” as exemplified by downtown city and other bureaucrats, and the “people,” living and working in Minneapolis’s neighborhoods. There was a strong desire by NRP’s conceptualizers to avoid what might be perceived as downtown issuing top-down conditions to neighborhoods. They hoped (and believed) that the neighborhoods would identify their own needs and request assistance from NRP—which would, in turn, make arrangements with relevant staff in various departments. And it was further assumed that those staff members would be responsive to these requests.⁶⁰

There were no specific expectations for the length of time that would be required to produce a plan. But, by the period 1992–93 concerns were rapidly rising that plans were getting done too slowly. Implementation funds were unspent. New leadership was engaged at NRP in July 1992, and the Policy Board directed staff that the completion of plans was a priority (and that special funding for critical projects be released). NRP increased its central staff and delegated them to lubricate the planning process—by directly providing technical assistance or making arrangements for appropriate help.

⁶⁰ The Minneapolis Community Development Agency is the contract administrator for almost all of NRP’s activities. In addition to handling the contracts for its own work with neighborhoods, it processes the contracts for neighborhood activities that involve city departments or the various participating jurisdictions. (See chapters on public service redesign and intergovernmental collaboration.)

Concerns over capacity rocketed to even higher decibel levels as more plans were approved and funding for implementation began. How would the NRP steering committees at the various neighborhood associations handle the large sums of money? Would they make sound decisions regarding vendors? Would they be able to provide satisfactory oversight?

THE RESEARCH APPROACH

Building neighborhood capacity was a priority goal for NRP—and, as noted, a strategy for achieving that goal was to deliver technical assistance (principally from city staff) in response to neighborhood requests. NRP's designers planned for a bare bones central staff of fewer than a handful of people.⁶¹ 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.

During the interviews conducted to develop the research design for the evaluation, respondents questioned whether capacity was an end in itself or whether it was a means to an end. Some described capacity as the ability of neighborhoods to organize a broad base of residents to participate in an effective planning process; others stated that capacity would be demonstrated by NRP organizations effectively administering the plans; still others said that improvements in neighborhoods would be the best measure of capacity.

The initial research design presented by TEAMWORKS offered several paths for analyzing capacity. Three types of studies were outlined. Their primary distinctions were whether they would examine all NRP neighborhoods or a selection of them and whether the method of study would be chiefly quantitative or qualitative.

Basic Citywide Analysis: This study proposed examining citywide patterns to look at such factors as the completion of neighborhood plans, expenditures toward administration, and the presence of staff to plan or implement projects. The study would rely on existing documents and particularly draw upon the PlanNet database. This approach would be citywide and quantitative and would provide indirect measures of capacity.

Selected Neighborhood Analysis: This proposal called for targeting a few representative neighborhoods for in-depth analysis. It would involve conducting the type of analysis in the basic study noted above, plus interviews and a review of selected neighborhood organizations' key documents to draw a more nuanced picture of capacity.

Extended Citywide Analysis: This proposal was to examine capacity of all the neighborhoods, applying both the basic data analysis and extensive interviews. The evaluation team outlined this study in response to requests by the Evaluation Oversight

⁶¹ The initial program design called for four full-time staff. NRP currently has fourteen full-time equivalent staff (for the year 2000 sixteen FTEs are authorized).

Committee but contended that its costs outweighed the benefits that could be derived from doing a combination of the above two studies.

Representatives from the Evaluation Oversight Committee and TEAMWORKS agreed to the notion that there would potentially be a two-step process to the analysis of capacity. The first task was to conduct the basic citywide analysis. Pending the results of that study, a decision would be made whether to pursue deeper case study types of analyses of selected neighborhoods or organizations.

Below we detail the findings from the basic citywide analysis. For the purpose of this study, the plan was to measure capacity by examining two threshold indicators. These were whether organizations existed or were formed for NRP planning and administering implementation and whether there was the presence of staff. Given information on these indicators, the relationship between these basic measures, when plans were completed, and program expenditures (as a proxy for activity) would be explored.

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.⁶² The primary source of data for the study was expected to be PlanNet.

The following are the key research questions:

- 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?

This study confronted two major limitations:

Scope of methodology: The basic citywide study would provide broad but approximate measures of capacity. Capacity can only be partly characterized in quantitative terms. In essence the study findings provide part of a picture, not the whole.

⁶² 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.

Availability of information on personnel, non-personnel, and other costs: In fall 1998 the evaluation team developed a set of proxies for capacity. These included whether there was an NRP organization (its legal status, number of years of operation, board characteristics), administrative costs, and personnel expenses (whether people were staff, consultants, full-time). NRP's PlanNet database had considerable data on the plans, such as classifications of anticipated activities and their associated allocations. We discovered, however, it did not include information on measures needed for capacity such as administrative and personnel costs.

CREATING A DATABASE FOR THE STUDY

Although it had been agreed during the research design stage that the evaluation would draw upon existing information, to successfully perform the basic citywide analysis it became necessary to develop a special database. In early 1999 at the request of the evaluation team, NRP staff undertook an analysis of contracts in order to create this database.

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 according to the following categories.⁶³

Administrative Costs:

Administrative Personnel—regular or contracted staff and consultants providing management activities required to operate the entire organization or to set up and operate a number of the organization's programs. Typically, this includes wages, taxes, and fringe benefits associated with the director, the bookkeeper, clerical staff, and contractors that work on general organizational activities or a range of organizational activities.

Administrative Non-Personnel—regular or contracted goods or services needed to operate the entire organization or to set up and operate a number of the organization's programs. Typically, it 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, notebooks, folders, etc.)

Program Costs:

Communications—regular or major communications activities aimed at providing or exchanging organizational information on a community-wide basis. Typically, this includes the printing and distribution costs associated with newsletters, neighborhood directories, mass mailings and ads in newspapers for large community meetings, web site development, organizational brochures, etc. This does not include day-to-day postage and Xeroxing for the basic operation of the organization (which would be included under

⁶³ Memorandum from Jack Whitehurst to neighborhood specialists, April 5, 1999.

non-personnel above) or major communication costs associated with a specific program (which would be included under program below).

Other Program—staff, goods, or services tied to the operation of a specific program’s activities. Typically this includes items such as staff positions, program-specific costs like printing, mailing, 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.

Some final limitations need to be highlighted before we detail findings. Data were gathered for the period from the inception of NRP through March 1999. Although data are about a year old, the portrait they present should be viewed as current. It is not anticipated that the basic pattern would have changed over the past year. A more 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*. They do not include personnel costs for vendors or sub-contractors retained for delivering services, that is, the actual program implementers. This issue is not significant for planning, because this phase did not call for administering programs (other than for communications that we treat as a program). 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.⁶⁴ 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. Only seven, the Bryant, Fulton, Standish-Ericsson, Lynnhurst, Hale/Page/Diamond Lake, Waite Park, and seven Camden Community organizations, were clearly created after and as a result of NRP. Several others were reconstituted (such as Bottineau, Fuller Tangeltown, West Calhoun) for a variety of reasons only partly related to NRP.

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 (forty-two and eleven, respectively).

In October 1993, NRP established an audit and review policy. The policy requires that all organizations receiving NRP monies may be subject to either a financial and compliance audit of their activities or a more limited review of their financial activities. During the

⁶⁴ Some organizations (such as Longfellow Community Council, Nokomis East Neighborhood Association, and Northside Residents Redevelopment Council) cover multiple neighborhoods but only one NRP planning effort. The Phillips neighborhood presently does not have a designated organization. The data used for this analysis includes support that had been given to Phillips, thus it will refer to the sixty-six designated organizations or neighborhoods.

period July 1998 to December 1999, forty-two organizations completed audits and another eleven fulfilled special procedures briefly described below. 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.

The policy states that financial and compliance audits are to be conducted by the Office of the State Auditor on recipients who have received \$50,000 or more of NRP funds from all sources in a single fiscal year. Recipients may apply to the NRP director for exemption from the services of the State Auditor if they can demonstrate a longstanding relationship with an independent certified public accountant. Recipients that receive less than \$50,000 of NRP funds in a fiscal year may be required to have a limited review of their financial activities, which would involve specific procedures that are agreed upon in advance by the recipient, auditor, and NRP director. The audits and limited financial reviews performed by the Office of the State Auditor cover all of the recipient's revenue sources.

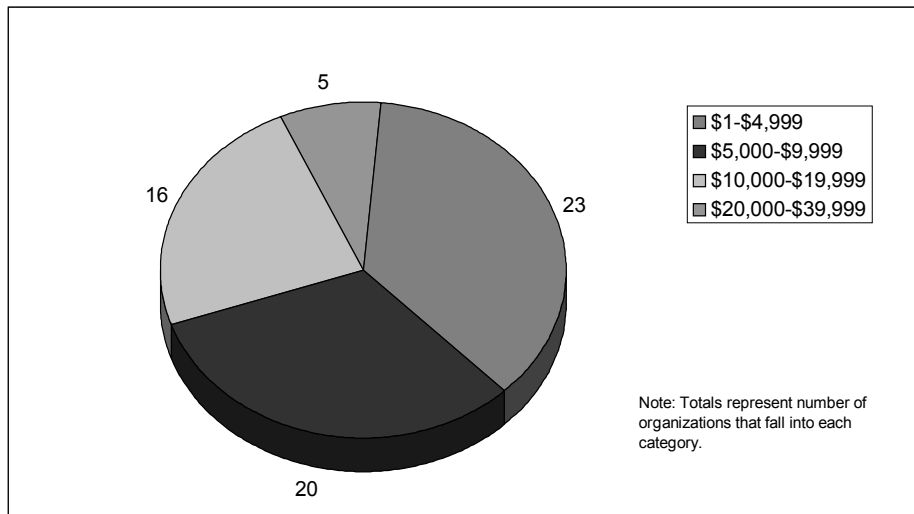
Personnel Expenditures during the Planning Phase

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. These types of program costs increase greatly during implementation. Also, as stated above, the personnel costs cover those principally associated with the NRP neighborhood organization's administration of planning or implementation activities but not the operation of them. *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.

The amount spent on personnel ranged from a low of \$103 per year to a high of nearly \$38,000 per year. 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. Twenty-three of the sixty-four organizations that spent money on personnel spent less than \$5,000 annually, and forty-three of the sixty-four spent less than \$10,000 annually (Figure 3-1).

Figure 3-1: Annual Personnel Expenditure Categories



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 (Table 3-1).

Table 3-1: Percent of Total Expenditures by Category

Expenditure Category	Neighborhood Classification			
	All	Protection	Revitalization	Redirection
Personnel	57.9%	59.6%	55.9%	59.4%
Non-Personnel	24.7%	19.0%	29.1%	23.4%
<i>Total "Administrative" Expenses</i>	<i>82.6%</i>	<i>78.6%</i>	<i>85.0%</i>	<i>82.8%</i>
Communications	16.1%	21.0%	15.0%	12.8%
Other Program	1.3%	0.4%	0.0%	4.4%
<i>Total "Program" Expenses</i>	<i>17.4%</i>	<i>21.4%</i>	<i>15.0%</i>	<i>17.2%</i>
TOTAL EXPENDITURES	100.0%	100.0%	100.0%	100.0%

Although the percentages above imply that little money was spent on total program expenses, during the planning phase communications expenditures represent the principal programmatic activity. Activities such as outreach, organization of community meetings, and documentation of progress are program-type expenses that would be categorized under communication during a planning phase.

Table 3-1 also shows that redirection neighborhoods spent a higher portion of total dollars on other program activities during the planning phase.⁶⁵ This reflects funds available from participation agreements.

The amount of money spent on personnel, in real dollars, differed considerably between neighborhood classifications.

Although on a percentage basis neighborhood types spent similar shares of money on personnel, it is real dollars that account for staffing capacity. Redirection neighborhoods spent roughly twice as much—and revitalization neighborhoods one and one-half times as much—as protection neighborhoods on personnel, total administrative expenses, and total expenditures, both in absolute totals and on a per year basis. Table 3-2 details the breakdown of expenditures by neighborhood type.

Table 3-2: Average per Year Expenditures by Category

Expenditure Category	Neighborhood Classification			
	All	Protection	Revitalization	Redirection
Personnel	\$8,846	\$6,552	\$9,404	\$12,803
Non-Personnel	\$3,636	\$2,047	\$4,784	\$4,723
<i>Total "Administrative" Expenses</i>	<i>\$12,482</i>	<i>\$8,599</i>	<i>\$14,187</i>	<i>\$17,526</i>
Communications	\$2,544	\$2,253	\$2,416	\$3,476
Other Program	\$182	\$60	\$3	\$842
<i>Total "Program" Expenses</i>	<i>\$2,726</i>	<i>\$2,313</i>	<i>\$2,419</i>	<i>\$4,318</i>
TOTAL EXPENDITURES	\$15,208	\$10,912	\$16,606	\$21,845

It is worth noting that although patterns exist between neighborhood classifications, significant variation exists within each classification as well. For example, annual personnel expenditures in redirection neighborhoods ranges from a high of nearly \$30,000 in Phillips to a low of \$1,200 in Sheridan; it ranges in revitalization neighborhoods from a high of almost \$38,000 in Longfellow to a low of \$103 in CARAG.

In general, neighborhoods that spent more money annually on personnel also received plan adoption approval in a shorter time period.

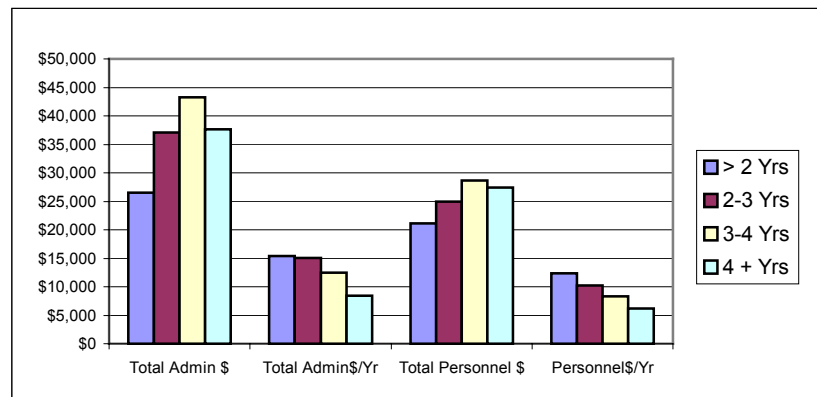
As of December 1999, fifty-six of the sixty-six neighborhood organizations had received plan adoption approval. Two other organizations were about to receive approval at the time of this study. Neighborhoods have completed the approval process in timeframes ranging from a low of fifteen months to a high of over sixty-three months. 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.

⁶⁵ In the planning phase, neighborhood staff carry out a variety of functions, including administration, planning, and organizing. Occasionally, staff also might administer a "program." The NRP specialists who performed the contract analysis to assemble the database used for this study did not have precise information to determine whether time was expended on planning-type activities or program-types of tasks. Given that planning was mostly concerned with communications, this data limitation is not especially important.

To evaluate expenditure patterns in relation to length of time required to receive plan adoption approval, neighborhood organizations were categorized in four groups—less than two years to receive approval, two to three years, three to four years, and more than four years. Consistent with the comparison across neighborhood classifications, personnel costs as a percentage of total expenditures were similar regardless of the amount of time taken to receive plan adoption approval.

Again the difference was more significant in terms of real dollars spent. Interestingly, as shown in Figure 3-2, the average for total personnel costs did not range tremendously, with only a \$7,000 difference between the lengthiest (over four years) and shortest (less than two years) groups. 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.

Figure 3-2: Administrative Expenditures by Length of Plan Adoption Approval Process



Furthermore, the difference is even more marked when one compares the fifty-six organizations that have received plan adoption approval with the ten neighborhoods that have yet to complete the process. Although again the percentage of money spent on personnel and total administrative costs is similar, total and yearly expenditures in these categories are considerably higher for neighborhoods whose plan adoptions have been approved (Table 3-3).

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. Most of the NRP groups are quite small, and few elect to either manage or directly operate programs.

Table 3-3: Average per Year Personnel and Total Administrative Expenses by Plan Adoption Status

Expenditure Category	Plan Adoption Status	
	Approved	Not Approved
Annual Personnel (\$/Yr)	9,811	3,540
Annual Non-Personnel (\$/Yr)	4,060	1,305
<i>Annual Total Administrative (\$/Yr)</i>	<i>13,871</i>	<i>4,845</i>
Total Personnel (\$)	27,574	17,204
Total Non-Personnel (\$)	11,937	6,393
<i>Total Administrative (\$)</i>	<i>39,511</i>	<i>23,597</i>

NRP organizations typically negotiate with various agencies (or jurisdictions), such as the Department of Public Works, for the implementation of specific projects. These agencies serve as the contract manager, while the NRP group’s function is to monitor the project so that it meets the neighborhood’s goals. Some neighborhoods express a preference for managing or directly running programs.⁶⁶ This capacity study’s design was not required, and therefore does not attempt, to distinguish the effects of these differences among NRP groups.

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.

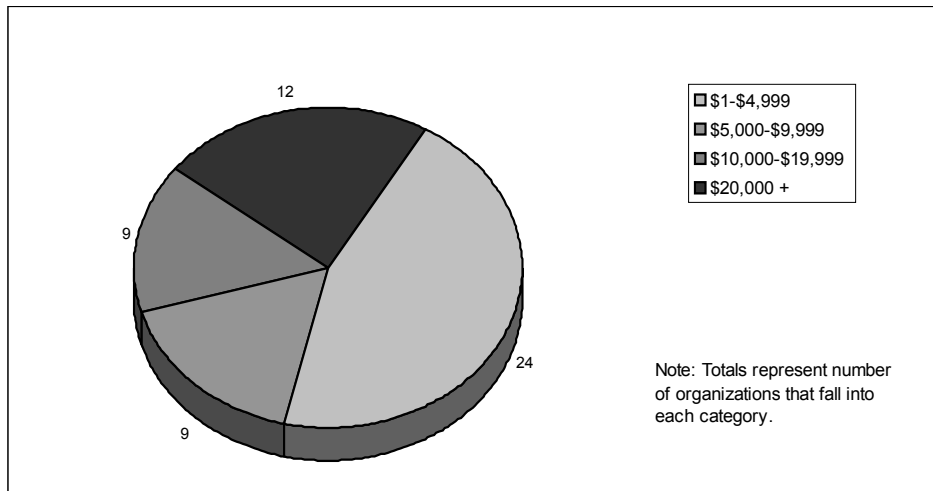
Personnel expenditures during implementation ranged tremendously, from \$70 to \$130,000 per year (in Phillips). On average, neighborhood organizations spent \$11,317 per year on personnel costs, 17 percent of the annual total expenditure average of \$59,486. Of the fifty-four organizations that spent money on personnel during implementation, twenty-four spent less than \$5,000 per year. Thirty-eight of the fifty-four spent less than \$15,000 per year on personnel. The median per year personnel expenditure for all neighborhoods was just over \$5,000 (Figure 3-3).

The share of total expenditures that personnel represents was much smaller during implementation (17 percent) than planning activities (58 percent). However, the actual amount of money spent on personnel costs, both annually and in total, was greater during implementation (\$11,317) than during the planning phase (\$8,846). 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.

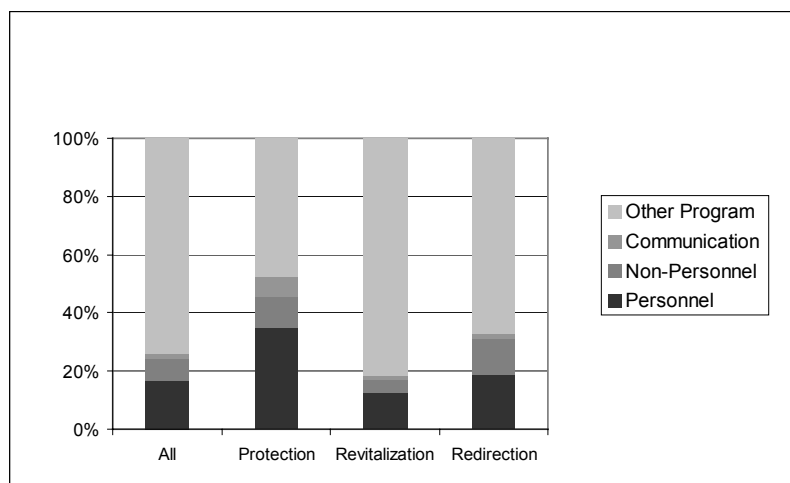
⁶⁶ The Minneapolis Community Development Agency typically serves as the overall contract administrator.

Figure 3-3: Annual Personnel Expenditure Categories



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. Revitalization neighborhoods spent an average of over 80 percent of total monies on total program expenses. 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 (Figure 3-4).

Figure 3-4: Average Expenditure Category Percentage: Implementation of Activities



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. Revitalization and redirection neighborhoods spent almost six times as much as protection neighborhoods on annual total program expenses (Table 3-4).

Table 3-4: Annual Implementation Expenditures by Category

Expenditure Category	Neighborhood Type			
	All	Protection	Revitalization	Redirection
Personnel	\$11,317	\$6,641	\$11,999	\$19,116
Non-Personnel	\$4,968	\$2,046	\$4,025	\$12,959
<i>Total "Administrative" Expenses</i>	<i>\$16,285</i>	<i>\$8,686</i>	<i>\$16,024</i>	<i>\$32,075</i>
Communications	\$1,516	\$1,305	\$1,769	\$1,361
Other Program	\$41,686	\$9,734	\$61,639	\$60,242
<i>Total "Program" Expenses</i>	<i>\$43,201</i>	<i>\$11,039</i>	<i>\$63,408</i>	<i>\$61,603</i>
TOTAL EXPENDITURES	\$59,486	\$19,725	\$79,431	\$93,678

There is again considerable variation within neighborhood classifications. 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. Median figures more accurately represent trends in implementation personnel expenditures across neighborhoods (Table 3-5).

Table 3-5: Median Annual Implementation Expenditures by Category

Expenditure Category	Neighborhood Type			
	All	Protection	Revitalization	Redirection
Personnel	\$5,077	\$3,480	\$8,126	\$4,834
Non-Personnel	\$2,104	\$1,170	\$3,786	\$4,108
<i>Total "Administrative" Expenses</i>	<i>\$7,767</i>	<i>\$5,178</i>	<i>\$12,019</i>	<i>\$9,842</i>
Communications	\$630	\$687	\$665	\$54
Other Program	\$6,799	\$3,383	\$10,710	\$61,286
<i>Total "Program" Expenses</i>	<i>\$7,429</i>	<i>\$4,071</i>	<i>\$11,376</i>	<i>\$61,340</i>
TOTAL EXPENDITURES	\$28,289	\$9,038	\$37,662	\$64,785

Neighborhoods that spent more money annually on personnel also spent more total dollars during implementation.

Two simple numbers were calculated to evaluate the relationship between personnel expenditures and levels of project implementation: (1) total program dollars spent per year (level of implementation activity) and (2) the percent of allocated NRP dollars actually spent (ability to spend allocated money).

The relationship between personnel costs and the level of annual other program expenses was significant.⁶⁷ As Table 3-6 demonstrates, neighborhoods were categorized into three groups based on the annual amount of other program expenditures. The analysis illustrates that 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. Additionally, the percent of total money spent on personnel was considerably lower for those neighborhoods that spent more other program dollars.

Table 3-6: Expenditures by Program Dollars Per Year

Expenditure Category	Median Program \$ Expended Per Year		
	\$0-\$3K	\$3K-\$30K	\$30K +
Personnel	\$2,473	\$6,709	\$14,817
Other Program	\$747	\$6,799	\$86,689
%Personnel of Total Expenditures	50.0%	35.6%	11.1%

No significant patterns emerged that demonstrate a relationship between levels of personnel expenditures—either in absolute numbers or percentages of total expenses—and the percent of allocated NRP money spent by neighborhoods. This suggests that, based on a quantitative analysis of organizational expenditures, staffing levels did not significantly affect the rate at which an organization spends its allocated NRP dollars. In light of this, we may hypothesize that the apparent relationship between the amount of personnel costs and the amount of money spent on program implementation is primarily the result of the amount of money allocated—where more money is allocated, more money will be spent on both personnel and total program costs.

In closing, this study of capacity, though limited in its objectives, has produced a number of interesting and potentially useful findings. As described at the beginning of the chapter, this study was not designed to directly assess the overseeing and monitoring capacities of the NRP organizations. Also, its scope did not include analyzing the capacities of the vendors whose job is to perform the delivery of services. And, finally, the scope did not encompass analyzing the relationship between capacity and outputs.

This study is 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 tougher question is what role do staff play in accomplishing activities? Of note, we found that organizations that completed their action plans in less than two years spent

⁶⁷ Using a simple correlation between personnel and other program costs.

over twice as much money per year on personnel. This is a useful finding to guide decision making in NRP's second phase. Another interesting finding was that there was no significant pattern between personnel expenditures and the rate at which NRP neighborhoods spend their allocation. This, however, should be taken in the context of findings reported in Chapter Two about the overall rate of spend-out of NRP funds, which has been relatively slow. Unfortunately, the available data do not allow an analysis of the relationship of capacity (as defined here) and tangible outputs such as jobs or housing because of the limited nature of this type of output information.

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 ambiguous terms “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.”⁶⁸

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 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.

The presumption is that citizens with a positive sense of neighborhood place will invest in their homes, report their satisfaction when asked, and participate in activities with their neighbors that contribute to shared well-being. If NRP helps encourage those outcomes, then it would be deemed to be contributing to building the sense of place and stability that the program’s framers hoped to impact.

Accordingly, this chapter is divided into three parts: (1) an assessment of Minneapolis neighborhoods *without* distinguishing the role of NRP, (2) an analysis that examines

⁶⁸ Request for Proposal, May 1997.

NRP's impact on the city's neighborhoods, and (3) an examination of citizen participation in NRP organizations with a specific analysis of NRP's role in fostering participation.

SECTION ONE: AN ASSESSMENT OF MINNEAPOLIS NEIGHBORHOODS WITHOUT DISTINGUISHING THE ROLE OF NRP

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 these determinants. 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. As noted in the introduction, a later section in this chapter examines the specific impacts of NRP.

Neighborhood Housing Investment without Distinguishing NRP's Impact

A broad expectation is that if residents and property owners, current and prospective, feel positive about Minneapolis neighborhoods they will invest their money and years of their lives in those neighborhoods. This evaluation tested whether over the decade of the 1990s people increased or decreased their housing investments in the city as a whole and in its neighborhoods. Investment in neighborhoods was measured by changes in five primary indicators:

- the rate of owner-occupancy;
- spending on repair and improvement of housing;
- levels of home-sales transactions;
- numbers of boarded-up homes; and
- sales prices of single-family homes.

Each of the measures is a logical indicator of current satisfaction in a neighborhood and confidence about its future, since each represents a commitment of funds—or lack thereof—to the place and, for most of the measures, to a sustained residence in the neighborhood.

For each of these measures, as well, the critical standard of data availability was met: information was available separately for the city's sixty-six neighborhoods as defined for NRP and other city-sponsored and tracked activities, and it was available yearly for all or most of the 1990s. Data for another measure, demolished properties, was only available for part of the 1990s. For that reason, and because demolitions are not necessarily within residents' control, this measure was given briefer attention. There are still other indicators that might have been valuable to track (housing rents, for example) but for which data were not accessible.

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.

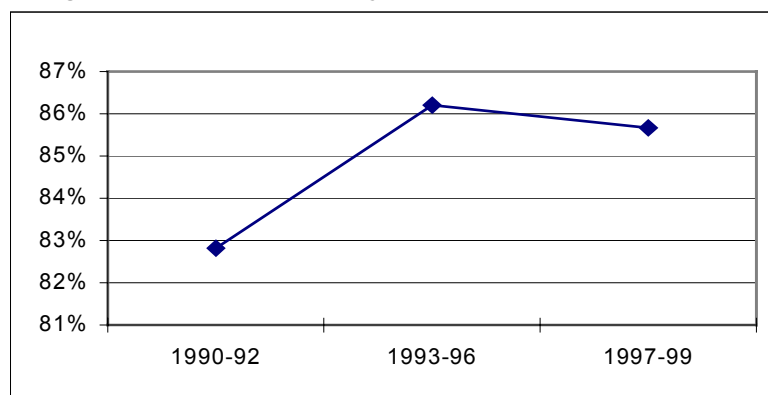
Findings

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),⁶⁹ the annual data from 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 1997–99.⁷⁰ 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 (Figure 4-1).

Figure 4-1: Owner Occupancy Rates in Minneapolis 1990-1999



⁶⁹ 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 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.

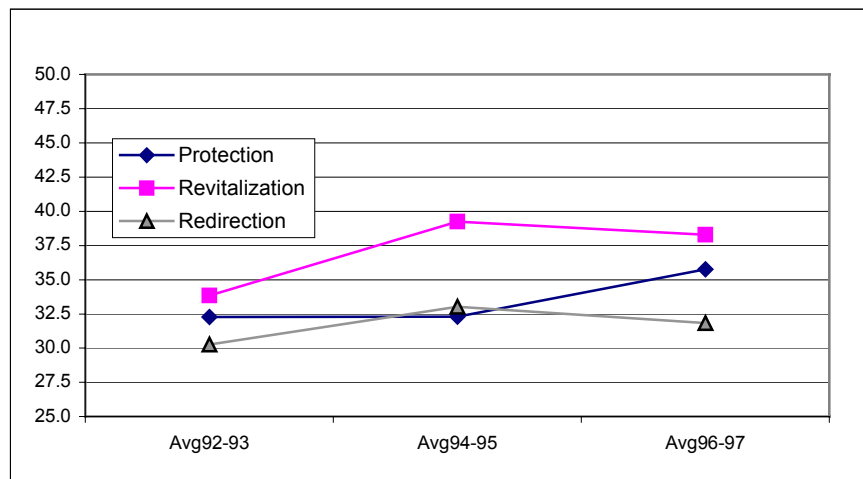
⁷⁰ The analysis clumped the data into three-year averages in order to discount any year-to-year “jumping around” of the data and to concentrate on trend directions.

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 (Figure 4-2). 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.

Figure 4-2: Average Owner Occupancy by Neighborhood Type, 1990-1999



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.

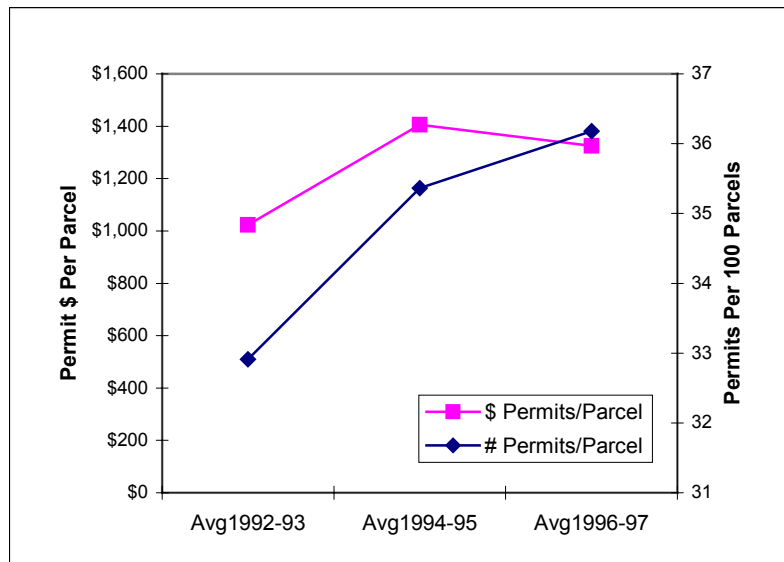
The Inspections Division of the Department of Operations and Regulatory Services supplied electronic files detailing building permits for each property in the city, by year, for the period 1992–97. Permits included work on plumbing, heating, other mechanical systems, electrical systems, various types 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.⁷¹

Between the periods 1992–93 and 1996–97, average yearly permits rose citywide by about one-tenth, from 32.9 permits per hundred parcels to 36.2 permits. The increase came from a combination of modestly greater numbers of permits on individual properties undergoing investment and some increase in the share of all properties that had at least one permit-related activity. This rise was actually contained in the period before 1996 (Figure 4-3), after which permit numbers flattened. 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 (Figure 4-3). The percentage increase after adjustment for inflation was 16 percent. This rise was also concentrated in the period before 1996. The inflation-adjusted increase in investment for all Minneapolis residential property was about \$14.9 million per year from the period 1992–93 to 1996–97, starting from a base of about \$90 million per year.

Figure 4-3: Permit Numbers and Dollars per Parcel, Citywide 1992-1997



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 dollar value than did the other two neighborhood types, suggesting expansion in the number of major repairs and improvements.

⁷¹ This remains true as long as there are no sharp shifts in property owners' attitudes toward compliance with permitting requirements.

Only a bit over half (thirty-four of sixty-two) of the neighborhoods for which data were available showed an increase in numbers of permits per hundred parcels for the period 1992–97, but gains nonetheless exceeded losses as detailed above. The neighborhoods with decreases were spread throughout the three neighborhood types without any significant pattern.

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 (Figure 4-4). 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 (Figure 4-5).

Figure 4-4: Average Yearly Number of Parcels by Neighborhood Type, 1992-97

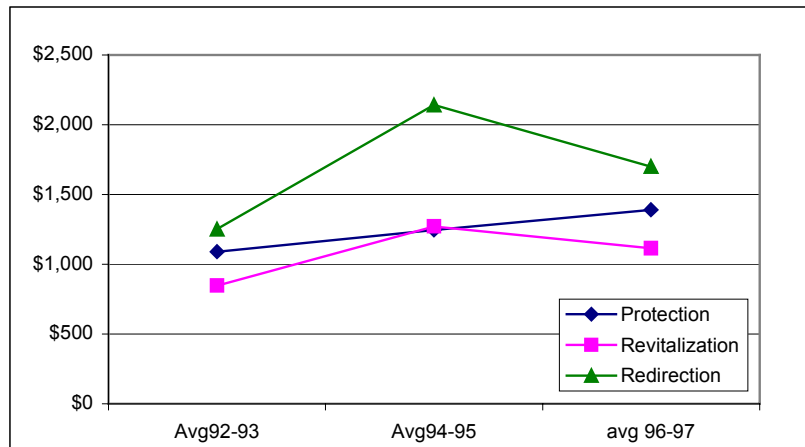
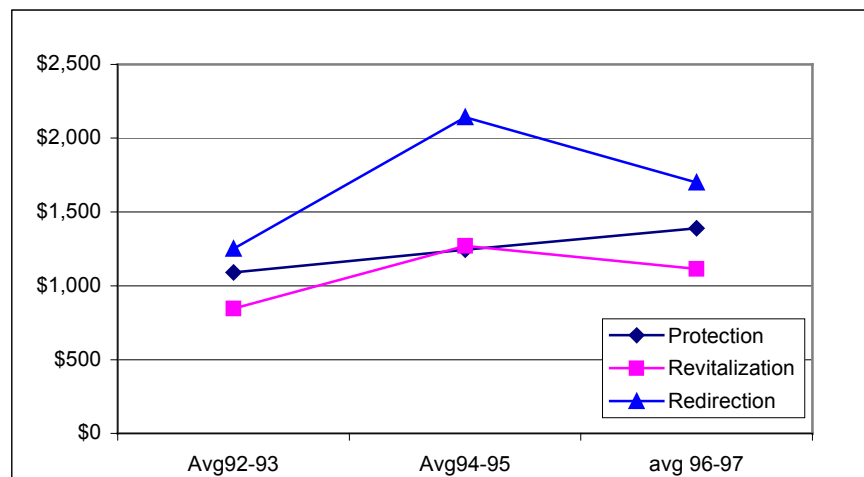


Figure 4-5: Average Yearly Permit Dollars per Parcel by Neighborhood Type, 1992-97



Also, expenditures per property actually started from a higher 1992 level in redirection neighborhoods. Redirection neighborhoods are apparently experiencing at least some of the kind of major investments needed to restore more-deteriorated properties to higher-quality standards—investments less often needed in the other types of neighborhoods. But there may well be significant numbers of properties as yet untouched.

Numbers of boarded buildings show a modest increase over time, concentrated in a small number of neighborhoods. Numbers of demolished buildings, for which less data are available, are also concentrated in a few neighborhoods. Neither involve significant portions of the housing stock.

According to Inspections Division records, Minneapolis has few boarded buildings in any year.⁷² The citywide number, out of some ninety thousand property parcels containing more than that number of buildings, rose from one in 1990 to 108 in 1998, peaking at 132 in 1997.⁷³ Most neighborhoods have zero to two boarded buildings. The concentrations of the small set of boarded structures are in five neighborhoods, where the numbers have grown, principally beginning in 1995; 60 percent of all boarded buildings recorded over the period 1988–98 were in Central, Hawthorne, Jordan, Near North/Willard Hay, and Phillips (Table 4-1).

Table 4-1: Boarded Buildings, 1988-98, and Demolitions, 1992-95

Neighborhood	Boarded Bldgs	Demolitions
Central	46	29
Hawthorne	41	57
Jordan	41	37
Near North, Willard Hay	34	62
Phillips	84	77
Rest of Neighborhoods	162	151
Minneapolis	408	413

Demolition data is available only for the period 1992–95 from the Inspections Division and show no pattern of growth or decline during that period. Demolished buildings total 413 for the entire period, concentrated in the same five neighborhoods as the boarded structures plus Whittier (Table 4-1).

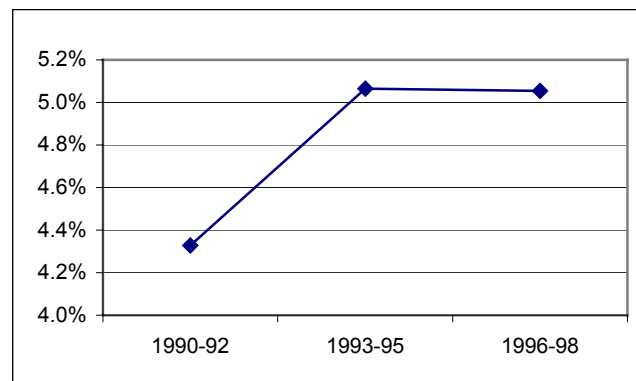
The share of single-family homes being sold increased modestly between the periods 1990–92 and 1996–98, in a range that reflects generally good housing-market health.

⁷² Any city has some boarded, vacant structures of which its official agencies are not aware.

⁷³ Chapter Five of this 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.

The average annual percentage of single-family homes sold (sales per parcel)⁷⁴ rose citywide from 4.3 percent in the period 1990–92 to 5.1 percent in the period 1996–98 (Figure 4-6). The small increase in percentage points 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.

Figure 4-6: Homes Sold as a Percent of Total Parcels, Minneapolis, 1990-1998



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.

Only two of the fifty-nine neighborhoods for which sales information was available experienced a decrease in home turnover. The increase in turnover was 1.1 percentage points in redirection neighborhoods from a 1990–92 base of 2.3, an increase of nearly 50 percent. Revitalization and protection neighborhoods had increases respectively of 0.8 and 0.5 percentage points on higher bases (Figure 4-7). The period was one of gap-closing by redirection neighborhoods, which attained a home-sales market closer in activity to the other neighborhood categories.⁷⁵

Prices of single-family homes increased significantly citywide in Minneapolis from the years 1990–92 to 1996–98 but did not skyrocket. Protection neighborhoods

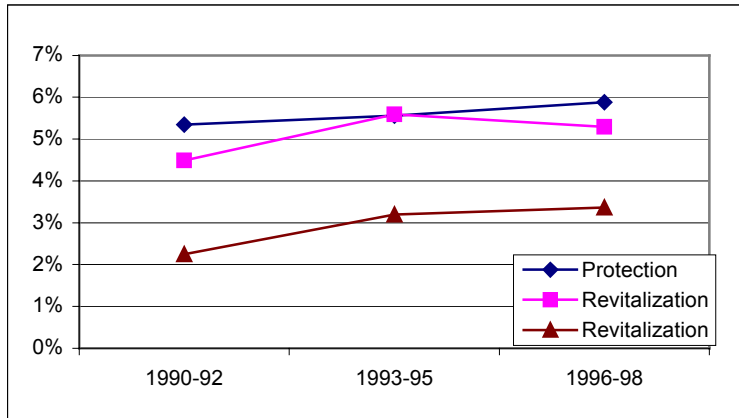
⁷⁴ The percentage is computed as the ratio of the number of single-family home sales to the number of all residential parcels. It is not quite a conventional “turnover” rate, because the denominator for that would be the number of parcels containing only a single-family home—data not available to us. 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.

⁷⁵ Note that one would not expect redirection neighborhoods to achieve the same turnover rate as other areas, given the exact form of the computation here. Neighborhoods with more of their total residential buildings in the form of single-family homes will show higher turnover rates even if the turnover in just single-family homes was the same everywhere.

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 sales price went from \$86,500 to \$107,700 in that period (and to \$116,500 for 1998 alone) according to Assessor’s Office records of transaction prices. In 1998, average sales prices were still under \$100,000 in thirty-five neighborhoods, between \$100,000 and \$200,000 in eighteen, and over \$200,000 in eight.⁷⁶

Figure 4-7: Percent of Single-Family Homes Sold per Parcel by Neighborhood Type, 1990-1998

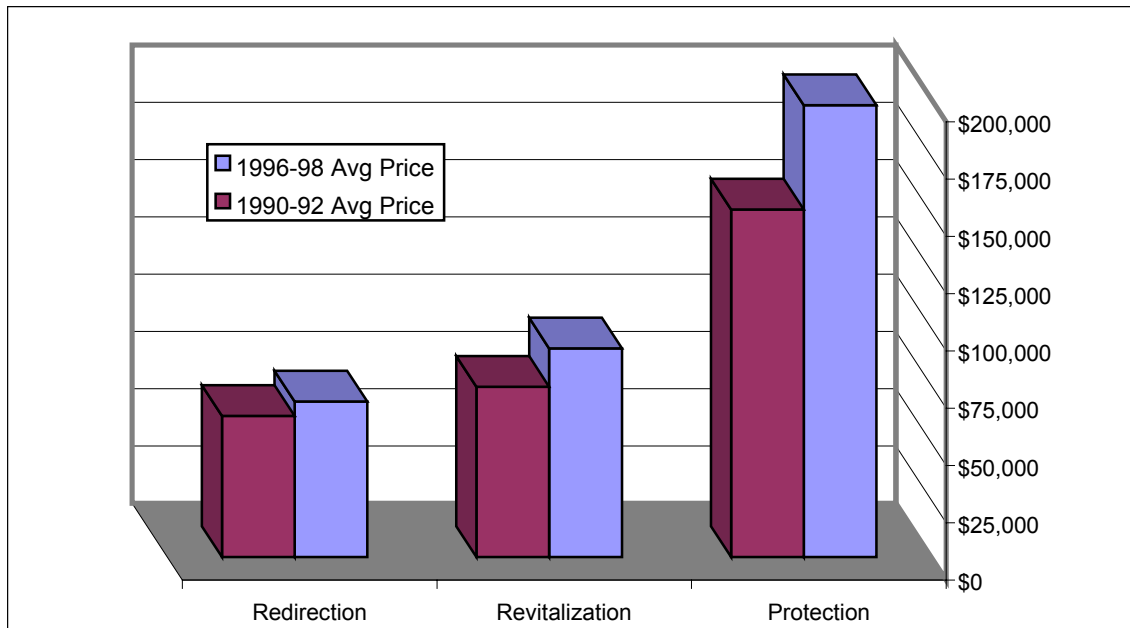


Protection neighborhoods saw average home-price increases of over \$45,000, compared with \$17,000 in revitalization neighborhoods and \$6,000 in redirection neighborhoods (Figure 4-8). The difference in dollar increases was so substantial that despite much higher initial prices in protection areas—double that of revitalization area prices and nearly triple that of redirection neighborhoods—protection neighborhoods had the highest *percentage* increases in price as well. Protection area home prices went up by just over one-third, compared with one-quarter for revitalization neighborhoods and one-eighth for redirection ones. Only two neighborhoods saw price decreases, the two redirection neighborhoods of Whittier and Hawthorne, and only Whittier’s was a substantial decrease.

Overall, Minneapolis performed well during the 1990s in outcomes related to housing investment 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 or better than that of other previously stronger areas. But important gaps remain.

⁷⁶ Data were inadequate in the remainder of the sixty-six.

Figure 4-8: Change in Average Single-Family Home Sales Price by Neighborhood Type



The investment-related outcomes—increasing homeownership rates, expanding investment in housing repair and upgrade, very limited boarding up and demolition of housing, a more active but still reasonably calm market in the buying and selling of homes, and moderately rising home prices—are valuable in themselves and can contribute to the quality of city and neighborhood life. They may also help further increase stability, confidence, and sense of place, thus creating a positive feedback loop between investment and people’s feelings about the city and its neighborhoods.

The improvements were both citywide and distributed broadly to most parts of the community, with few neighborhoods moving in directions opposite to the overall trends. The improvements extended fairly evenly to the three types of NRP-designated neighborhoods, although there were certainly important differences.

In a number of cases, the more troubled redirection neighborhoods saw greater improvements in investment-related measures than did other neighborhoods: in homeownership rate, in dollars of building-permit activity, and in rate of single-family home sales. But redirection neighborhoods still were the location of the bulk (albeit limited number) of boarded homes and demolitions; had much slower rises in home values than other neighborhoods; and lagged in the level of homeownership, numbers of permits, and sales activity, even though they narrowed the gap between themselves and the two other neighborhood types during the decade.

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 of 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

The previous analysis looked at trends in measures of investment in neighborhoods' housing that are believed to reflect the attitudes residents hold toward their neighborhoods. 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 those attitudes.⁷⁷ Key findings about perceptions that relate closely to the housing investment trends just reported are highlighted below in order to provide another dimension of measurement of Minneapolis neighborhood stability and health.

One major difference between the two dimensions is worth noting. The housing investment analysis had access to annual data through most of the 1990s, whereas the MORI survey is a snapshot. Although the survey contains a few questions that specifically seek perceptions about change, it is inherently limited in dealing with trends. One cannot, for example, capture the views of people who felt neighborhoods were deteriorating and moved out of the city in the middle of the decade, only of those who remained. Still, the survey adds to overall assessment of neighborhood conditions at the end of the decade, and it could be repeated to capture trends more fully in the future.

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. The ratios of those who think things are improving to those who think they are getting worse are somewhat higher

⁷⁷ The report of this telephone survey is in Appendix B. The normal sampling error for the base of 1,102 respondents is three points (at the 95 percent confidence level). The survey was conducted in August 1999.

in protection and revitalization neighborhoods than in redirection areas, but for most conditions the difference is not great.

Minneapolis residents are and expect to be a mobile lot, but in many instances for reasons other than the conditions of the neighborhood they occupy. Of those planning to move, half intend to stay in their current neighborhoods or at least within the city when they move.

High mobility is reflected in the fact that half of all residents were not even living in Minneapolis in 1990. Only a bit over half intend to be in their current homes two or three years from now, and only about one-quarter of the renters do. But the three prime reasons for moving soon are to buy a home rather than rent, to buy a larger or nicer home, and to be closer to family and friends. Only from the fourth reason on do neighborhood conditions start to play a role.

More than three times as many people say their neighborhood is a motivator toward staying where they are as report that it contributes to their desire to move. Still, the fact that half of those who expect to move say they will exit the city suggests that Minneapolis neighborhoods have continuing work to do to market themselves as location choices, especially for renters seeking homeownership. The lack of availability of appropriate housing for first-time homebuyers seems to be the chief impediment.

Mobility and moving motivation vary only modestly by neighborhood type.

The percentages of residents who expect to live in either the same home or same neighborhood two to three years from now range only from 67 percent in protection neighborhoods to 54 percent in redirection ones. Residents of the three neighborhood categories who intend to move report quite similar primary reasons for moving, all focused more on other factors than on neighborhood conditions. However, redirection neighborhood residents do raise the desire to move to neighborhoods where people take better care of their property and that are more generally attractive.

People in Minneapolis like their homes even more than they like their neighborhoods, but many do look elsewhere when shifting from renting to homeownership.

Ninety-one percent of respondents are “satisfied” or “very satisfied” with their homes, and that number is 82 percent even in redirection neighborhoods. But renters do expect to look elsewhere when they consider home purchase. People considering a move often view the suburbs as the best place to find homes that are satisfactory and affordable.

For those people for whom neighborhood factors seem to motivate moving out, the primary issues are perceptions of neighborhood safety, level of neighborhood housing maintenance, and cleanliness of the neighborhood.

The largest differences in satisfaction between those who say their neighborhoods encourage them to stay and those who say their neighborhoods encourage them to move are in those three issue areas. Looking ahead to the potential for NRP to make a difference in neighborhood satisfaction, it is interesting to note that neighborhood housing maintenance, and to some extent aspects of cleanliness, are areas of substantial NRP activity.

In sum, the survey responses of Minneapolis residents in 1999 report feelings about satisfaction with conditions in their neighborhoods that are consistent with the observed trends in investment measures detailed earlier.

In general, circumstances are perceived to be pretty good and are thought to be getting better more often than worse. Protection and revitalization neighborhood residents have higher satisfaction than residents in redirection neighborhoods, but redirection homes and neighborhoods are also often acceptable or better and improving. The largest apparent challenge is to position Minneapolis to serve its renters who are seeking to become owners.

SECTION TWO: 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 feelings and investment behaviors. But that is only the beginning of the story in terms of 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?* More specifically, how much, if any, greater were changes in investment citywide as a result of NRP spending, and how did differences in NRP spending affect how one individual neighborhood or set of neighborhoods fared compared with another? How much, if any, were people's attitudes toward neighborhoods changed by NRP activity, and did variation in the NRP activities produce differences among communities?

This evaluation tested the impact of NRP on investment in Minneapolis housing and on citizens' attitudes toward their neighborhoods. For housing investments, it did so principally by measuring the differing levels of NRP activity in individual neighborhoods and the differing levels of investment change in those same neighborhoods. It then searched for the statistical relationship between those two measures. If higher investment increases occurred systematically in the same neighborhoods as higher NRP spending or an earlier start to NRP implementation, after controlling for other conditions in the neighborhoods it should be possible to identify the NRP impact on investment.

Similarly, for citizen attitudes, the evaluation tested for NRP impact by measuring, and then searching for the statistical relationships between, the differing levels of NRP activity across neighborhoods and the differing citizen responses to survey questions about their views.

In both cases, the analysis also measured and controlled for other basic conditions that vary between neighborhoods and might affect investment or attitudes—conditions such as crime rates and median income levels. Without that control, in a case where, for example, other conditions were favorable to investment in housing, the analysis could observe concentrated NRP spending in that area and wrongly conclude that NRP had triggered the investment.

Multivariate statistical techniques (specifically linear regression analyses) were used to separate the housing investment impacts of NRP activity from those of neighborhood characteristics. Similar methods were used to test for the impacts of NRP activity and of neighborhood characteristics on citizen attitudes in each neighborhood.

The following sections report NRP's effects on housing investment and then examine its effects on resident attitudes.

The Impact of NRP on Housing Investment in Neighborhoods

NRP, as noted earlier, has as one of its goals improving neighborhoods to the point that greater private investment in them is encouraged. NRP spending on such things as housing renovation, streetscape and infrastructure improvements, parks, and schools may make more people enthusiastic about living in Minneapolis neighborhoods. And those people may themselves invest in buying or improving housing in the neighborhoods where NRP activity is substantial. Or others may buy or improve property for rental purposes. The question to be examined is whether increased investment results from greater NRP activity.

This evaluation uses five measures of investment to attempt to capture NRP's impacts. These include many of the same measures employed to track neighborhood investment earlier in this chapter. But here the measures are related to NRP spending in each neighborhood, in order to isolate NRP's impact. The measures for each neighborhood in the analyses are

- homeownership rates;
- numbers of permits for home repairs and improvements;
- dollar value of permits for home repairs and improvements;
- share of properties sold in a year (the turnover rate); and
- sales prices of single-family homes.

In each case 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 reason for concentrating on change rather than level for each investment variable is that change is the measure that one might reasonably expect NRP to influence.

For example, a higher level of NRP spending in a severely blighted neighborhood than in a wealthy, well-maintained one will not likely have a sufficiently powerful effect to raise homeownership rates in the blighted area above those in the healthier one. But one might reasonably expect NRP to raise the rate of *increase* in homeownership rates in the blighted neighborhood above the increase in neighborhoods that are in better condition. Neighborhoods with higher NRP activity would have potentially higher changes in investment activity. The analysis tests for that possibility and measures the size of any observed effects.

The analysis is structured on the notion that change in the investment measure in a given neighborhood may be 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, and neighborhoods with more NRP spending experienced greater increases in homeownership rates. The impact of the level of the NRP activity was statistically discernible from other factors, and it was large enough not to be trivial in its effect citywide or in a given neighborhood.

Analysis of the NRP impact on homeownership rates focused on how neighborhoods with differing levels of NRP spending experienced differing rises in rates of owner-occupancy. As shown earlier in this chapter, homeownership rates rose citywide—in all three NRP neighborhood categories and also in most individual neighborhoods. What effect did spending NRP money in a neighborhood have on the size of that neighborhood's rate of homeownership?

To assess that effect, the analysis compared Assessor's Office data on the change in the percentage of owner-occupied parcels in each neighborhood from 1990 to 1999 with several indicators of NRP activity.

One factor that might explain an increase in owner-occupancy rates was the level of NRP expenditure in a neighborhood in the period leading up to 1999. Expenditure was measured through 1997, rather than 1998, on the assumption that spending and its direct results need to be in place for a time before they could be expected to affect people's decisions about whether to buy homes in the area. The theory to be tested is that higher NRP expenditures improve a neighborhood in ways that cause people to want to purchase homes there more often than in the past.

Other factors that might affect increases in homeownership in a neighborhood include the area's crime rate, with higher rates discouraging increased homebuying; income of current residents, with higher incomes attracting new buyers with similar resources and ability to purchase; and percentage of current residents who are white, since on average

whites choose to locate where mostly other whites live, have higher incomes and assets to facilitate homebuying, and have better access to mortgage credit in most cities. Crime per capita, median income, and percent white were included with NRP spending as explanatory variables in the analysis of homeownership increase, the last two necessarily relying on the 1990 census.⁷⁸

According to this analysis, NRP expenditures have a statistically significant positive effect on the amount of increase in homeownership in a given neighborhood.⁷⁹ In neighborhoods with more NRP expenditure per parcel, the growth in owner-occupancy is demonstrably higher.

The size of the impact of NRP activity on owner-occupancy can be estimated using several meaningful measures from the regression results.

The average Minneapolis neighborhood spent \$970 per parcel in NRP money during the years 1992–97. According to the regression results, 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 parcel ownership can be attributed to NRP.

What does that mean in numbers of homes and homeowners? Citywide, all NRP expenditures added an estimated 653 homeowners. In addition to the direct benefits of the NRP activity on which the money was spent, NRP spending up to 1997 encouraged about one owner-occupancy for each \$110,000. In an average-sized neighborhood, average NRP expenditures would have added ten owner-occupied parcels (to about 1,400 total parcels). When all current NRP allocations have been spent, if the impacts estimated in this analysis hold up NRP will have triggered nearly 1,500 additional owner-occupancies.

At the high end of neighborhood impact, in a neighborhood that spent the most NRP money per parcel as of 1997 (\$5,850), the analysis estimates a parcel-ownership rate impact of an additional 4.4 percent (instead of the 0.73 percent average). That translates into sixty-two more owner-occupied parcels in an average-sized (1,390 parcel) neighborhood than in a similar-sized neighborhood that had yet to start using NRP monies. The size of these impacts is summarized in Table 4-2.

⁷⁸ More current data on income and race would have been desirable, as might measures of recent changes in those and crime, but such data were not available, at least not at the neighborhood level of disaggregation.

⁷⁹ There is only a 5 percent chance that the impact shown in the regression is actually coincidental. Therefore, confidence is high that NRP spending is showing a true effect on differences in the growth in homeownership among neighborhoods.

Table 4-2: Impact of NRP Spending on Investment in Minneapolis and its Neighborhoods

	Rate of owner occupancy	Number of building permits ^b	Dollar value of building permits ^c	Turnover of single-family homes	Single-family home prices
Impact of \$1000/parcel in NRP spending	0.75%	.03 permits per parcel	c	c	c
Citywide impact of 1992-97 spending	653 owner-occupants	2,674 permits per year	c	c	c
Impact of average 1992-97 spending per neighborhood of average size	10 owner-occupants	42 permits per year	c	c	c
Impact in highest NRP expenditure neighborhood ^a	62 owner-occupants	311 permits per year	c	c	c
Impact of ten years since plan adoption, per parcel	c	c	c	0.67%	c
Citywide impact after average 3.5 years since plan adoption	c	c	c	198 sales	c
Impact after average 3.5 years since plan adoption in neighborhood of average size	c	c	c	3 sales	c

^a Compared with a neighborhood that has no NRP money spent, and assuming an average-size (1,390 parcel) neighborhood.

^b Only the "indirect" effects are measured here, not any direct impact of NRP financing of home improvements.

^c No statistical significance found.

Neighborhood income and crime rates also affected how fast homeownership rates rose in Minneapolis neighborhoods during the 1990s. NRP funds can help balance the effects of these other factors on owner-occupancy.

It is worth looking briefly at the impact of other neighborhood circumstances on the rise in homeownership in different Minneapolis neighborhoods. According to the analysis, higher crime levels slowed a neighborhood's increase in owner occupancy. And other things being equal, neighborhoods with higher incomes had larger increases in homeownership. Race shows no impact on owner-occupancy changes independent from the effect of income. Given the impact of NRP spending on ownership, the fact that NRP typically allocates more money to lower-income, higher-crime redirection neighborhoods provides an opportunity for those communities to offset in part the neighborhood-environment factors that slow owner-occupancy's rise.

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.

One strand of analysis of the impact of NRP on investment in housing quality focused on the rise in numbers of permits for repairs and improvements. Earlier in this chapter we reported that permit numbers rose citywide and in all three neighborhood categories. Did spending NRP money in a neighborhood have an effect on how large the increases in permit activity were?

To assess that effect, the size of permit-activity increase was measured by using Inspections Division data on total permits obtained by property owners. The outcome to be explained is the change in number of permits per parcel from 1992–93, near the start of NRP, to 1996–97, the most recent period from which data are available.⁸⁰

Factors that might affect that outcome include the level of NRP expenditure in the neighborhood in the period leading up to the years 1996–97. The theory to be tested is, as with homeownership, that higher NRP expenditures improve a neighborhood in ways that cause people to invest, in this case in preserving and upgrading the residential properties they own.

There is one additional complication in analysis of change in permits, however. A significant part of NRP expenditure provides loans and grants for improving residences. If analysis shows a relationship between NRP spending and rising permit numbers, the observed connection could be measuring only permits for the activity NRP directly finances rather than NRP's overall effects on the incentive to invest in the neighborhood. To separate out these possibilities, the analysis tests first the impacts of NRP expenditures only through 1995 on increased permits taken out in the period 1996–97 (as compared with 1992–93). That way the changing permit levels are reflecting NRP's broader effects, not NRP-financed housing improvements.⁸¹ A second analysis then deliberately factors in the direct NRP spending effect by including NRP expenditures through the 1996–97 period of permits.

The regression analysis also tested whether, separate from the effect of more implementation time likely meaning more NRP money spent, the length of time since an NRP plan was adopted affected the increase in numbers of building permits. Years since plan adoption was included as an explanatory variable on the theory that neighbors might need time to recognize neighborhood and neighboring-property improvements and then to plan and undertake their own.

As with homeownership, non-NRP factors that might affect increases in numbers of permits include crime rates, income of current residents, and neighborhood racial

⁸⁰ Because neighborhoods differ widely in the number of buildings, and thus buildings potentially needing repairs and improvement, permit activity was standardized across neighborhoods by dividing numbers of permits by numbers of parcels as a proxy for buildings in a given neighborhood.

⁸¹ This solution itself has an imperfection. If the 1996–97 NRP expenditures on housing improvements are largest in the same neighborhoods in which 1992–95 expenditures are largest, then the analysis of impacts of NRP expenditure only through 1995 will assign some of the impact of later NRP housing improvement expenditures to the coefficient of 1992–95 expenditures. The only way to solve this problem completely would be to have data on numbers of permits taken out for NRP-financed housing improvements, by neighborhood, by year, and to deduct them from total observed permit activity. Such data is far beyond what is in fact available.

composition. In the case of permits, it also includes the percent of properties that are owner-occupied.⁸²

The first finding is that NRP expenditures have a positive, statistically significant effect on the amount of increase in housing-improvement permits in Minneapolis neighborhoods. For each \$1,000 spent per parcel by NRP, the increase in permit activity rises by 0.031 of a permit per parcel. In neighborhoods with more NRP expenditure per parcel, the growth in permits issued is shown to be higher. Note that this impact measures only the “indirect” effect of NRP on permit increases—NRP’s influence on people’s willingness to invest in a neighborhood being improved in general with NRP resources.

Just focusing on these indirect effects of 1992–95 spending, how large is the impact on increases in numbers of permits? Average NRP expenditure citywide was \$439 per parcel through 1995, which the analysis estimates would produce nineteen added permits a year in a typical 1,400-parcel neighborhood. Citywide that results in 1,210 additional permits a year. If impacts continued at that level through 1997 as expenditures rose to \$970 per parcel, the results would have grown to 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? The neighborhood spending the most money per parcel, if it had been a neighborhood of average size, would have had 141 permits per year more using 1992–95 NRP spending levels, and 311 permits more using 1992–97 spending levels, than a neighborhood with no NRP expenditures to date.

What happens to the impact of NRP on building permit numbers when the 1996–97 NRP expenditures are taken into account, adding the direct effects of NRP-financed home improvements on permits to the mix? The surprising result is that the analysis shows a smaller impact of NRP money on permit number increases than that found for indirect effects alone. In particular, the analysis indicates an estimated impact less than half as large as that for indirect effects alone, and the level of statistical significance is lower.

There are various possible explanations for this result. Certainly one important candidate is that there is a lag between NRP expenditures and property owners’ response in the form of housing improvements, especially those significant enough to trigger taking out a building permit. This was part of the rationale for using 1992–95 NRP expenditures in the first place. If later expenditures are too current to allow owners to respond, the connection between NRP and indirect permit impacts would be reduced. Even if some of the NRP money is for home improvements requiring permits, that direct impact may not be enough to compensate for lost indirect impacts.

Among the variables other than NRP spending, amount of homeownership in a neighborhood is the one that significantly affects growth in permit numbers; more homeownership leads to more growth.

⁸² In the analysis of change in homeownership rates, the 1990 homeownership rate was already a part of the measure of the dependent variable (change in ownership rate) and was not treated separately as an independent variable.

NRP expenditures do *not* show a significant impact on the increase in *dollar value* of building-permit expenditures in Minneapolis neighborhoods, but impacts on permit amounts are very difficult to find in any analysis.

Although NRP impacts the growth in numbers of permits, it does not have a statistically significant effect on the dollar amounts of permits. We reported in the first part of this chapter that dollar value rose during the 1990s, but NRP cannot be identified as one of the determining factors in that rise with the methods and data available here.

A series of alternative tests found little sign of an NRP impact. These included one search for indirect impacts by using NRP expenditures only through 1995 as the explanatory variable and another for combined indirect and direct effects by using NRP expenditures through 1997. Only in one case of apparently direct effects could a connection be established.⁸³

Not too much should be made of this finding. Building permit amounts are notorious for being inaccurately reported, depending on the estimates by owners and contractors—who may have incentives for inaccuracy and have little incentive for accuracy. Other research that has been effective in relating frequency of permits to various explanatory factors has been unable to find parallel success with permit dollar values. In the analysis here, the overall explanatory power of the regressions attempting to connect permit values to NRP spending and other neighborhood characteristics is very low. Permit values may just be too random to relate systematically to program interventions. The analysis regarding numbers of permits, showing significant NRP impact, is likely more reliable.

Between the periods 1990–92 and 1996–98, NRP activity made a significant difference in the size of increase of home sales rates in Minneapolis neighborhoods. The strongest connection was between the 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.

Analysis of the NRP impact on home turnover rates focused on its effect on the rate of increase in turnover citywide and on neighborhood differences in turnover-rate changes. We noted earlier that turnover rates rose citywide and in all three neighborhood categories but in differing amounts. What, if any, effect did the conduct of NRP have on how large an increase occurred across the board and in various neighborhoods?

To assess that effect, the size of turnover change was measured, again using Assessor's Office data, on single-family home sales in a neighborhood.⁸⁴ The change in turnover rate

⁸³ The case used change in permit value between the periods 1995–97 and 1992–94 and NRP spending through 1996 or 1997. This involved two or three years of overlap between the later permit value period and the period of NRP expenditure, yielding what may be a direct measure of permits taken out to do NRP-funded work. Switching the later permit data to values for the years 1996–97 made the impact of NRP spending on permit value disappear, even when NRP expenditures through 1997 were used to retain the direct overlap.

⁸⁴ As referenced earlier in the chapter, the turnover numbers differ from common convention, which would calculate single-family home sales as a percentage only of number of single-family homes, but that last number was not available for this study. The turnover will therefore again be lower than conventional but consistent over time for proper comparison.

in each neighborhood from the period 1990–92 to 1996–98, the earliest and latest periods available, is used as the outcome to be explained.

Two indicators of NRP action were included as explanatory factors. First was NRP expenditure, measured from the outset in 1992 through 1997. Also included was a direct measure of the years since each neighborhood adopted its plan. Neighborhood variables for percent owner-occupancy, median income, and crimes per capita were again utilized as additional explanatory variables.

With both NRP variables included in the analysis, it is the years since plan adoption that shows a statistically significant impact on change in annual percent turnover. NRP expenditure is not statistically significant at any reasonable level; it has no measurable separate effect on turnover. However, years since plan adoption represents a combination of time for potential buyers and sellers to take into account that NRP activity is underway in a neighborhood and of NRP expenditure, since the latter increases quite smoothly with the passage of time since plan completion.

How large is the impact of NRP on change in turnover rates? For each ten years since plan adoption, a neighborhood would gain .0067 home sales per parcel (0.67 percent change in turnover). With nearly ninety thousand total parcels, that means that annual sales would have risen citywide by just under six hundred homes by the end of a decade as a result of NRP. Since it is now three and one-half years since the start of the average plan's implementation, the impact has been to increase annual sales citywide by just under two hundred homes. In an average-size neighborhood with a plan completed at the average time, impact on turnover would now be about three sales per year above the seventy that would have typically occurred without NRP.

Our previous analysis of investment in Minneapolis neighborhoods showed that, for the same period, the total increase in annual turnover rate for all reasons was 0.8 percent. NRP to date would account for 0.22 percent of that,⁸⁵ or a little over one-quarter of the overall change. NRP thus accounted for a substantial share of the change in turnover, and its effects were also large enough to be important determinants of the greater increases in turnover in redirection neighborhoods.

At least at the neighborhood level, NRP did not have a significant impact on the sales price of houses in Minneapolis during the 1990s.

Analysis of the impact of NRP on property values focused on the change in the rate of increase of sales prices for single-family homes in neighborhoods with differing levels of NRP spending. Home prices rose significantly in Minneapolis during the 1990s, more so in protection neighborhoods than others. What, if any, effect did spending NRP money in a neighborhood have on how large an increase occurred there and on the total rise in house prices citywide?

⁸⁵ This figure is 0.67 percent times one-third to account for the fact that the average plan is only three and one-third, not ten, years old.

To analyze that possible effect, the size of increase in average house prices was measured using Assessor's Office data. The percentage change in the price was computed for each neighborhood for the period 1990–92 and again for the period 1996–98. The increase or decrease in this price change between periods was the measure whose variation across neighborhoods the analysis attempted to explain.

As in the other analyses of factors explaining investment decisions, the explanatory variables used in this analyses were two NRP measures—spending in each neighborhood (1992–97) and years since neighborhood plan adoption—and a series of neighborhood conditions measures—median income, percent owner-occupancy, percent white, and crimes per capita.

Neither NRP expenditure nor years since plan adoption have any statistically significant impact. The low significance level means that NRP's impacts cannot reliably be distinguished from an actual effect of zero on the rate of price inflation. Neighborhood demographic and condition variables do matter in determining price changes in increases, but to date aggregate NRP activity in a neighborhood does not consistently do so.⁸⁶

To give context to these findings, it is worth noting the results of the few other studies that have recently been reported of house price changes in the neighborhoods in which community revitalization interventions have been undertaken.⁸⁷ Their general finding is that price impacts are visible for individual properties within very close proximity to specific revitalization projects. However, they are sharply less visible for properties in general as distance increases beyond a block from a specific project and not significant therefore for averages of prices of whole neighborhoods of properties.

One might anticipate similar very localized impacts, if any, in Minneapolis. This would suggest possible future analysis of price levels and changes for individual houses sold, related to a mapping of the specific locations of NRP-funded home improvement, infrastructure, or other projects. That was not, however, the analysis conducted here.

At the neighborhood level then, at least thus far, although NRP is having other impacts on investments, it does not appear to significantly affect the rate of home price increase. From a policy point of view, that finding has both positives and negatives. NRP has managed to encourage such things as increased housing improvements and homeownership rates without having a separate effect in pushing up the general housing price level (although direct measurement of possible effects on *rent* levels unfortunately are not available). On the other hand, the absence of greater price increases may reflect some limitation in the overall increase in neighborhood strength and satisfaction

⁸⁶ Several other versions of the analysis of NRP's impact on rate of price change were tested, using different pre- and post-NRP periods of price change and different periods of NRP expenditure. Only one version showed a positive and marginally significant effect on rate of house price increase, while the other versions showed a mix of non-significant and sometimes negative effects. There is not a clear and robust impact of NRP on neighborhood-level house price change.

⁸⁷ George C. Galster et. al., "The Impact of Neighbors Who Use Section 8 Certificates on Property Values," in Housing Policy Debate, Volume 10, Issue 4 and "Community Development Cluster Analysis," Cosmos, Inc., unpublished report to the Pew Charitable Trusts, 1999.

perceived by potential buyers, and of course it may be disappointing to at least those current property owners with an interest in selling and moving.

Overall, NRP has had substantial positive impacts on the willingness of people to invest in Minneapolis neighborhoods, as reflected in their concrete actions. Presumably the increased investments reflect some improvement in their sense of well-being and confidence about the neighborhoods' conditions and future as good places to live, but that is not measured directly in the analysis.

The set of analyses of NRP's impact reported above 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.

At the same time, NRP impacts on changes in dollar value of permits and in home sales prices were not detectable, either because the impacts did not exist or because the data and analysis were unable to capture them. Experience with other analyses and the observed NRP impact on permit numbers suggest that the latter explanation may be predominant for permit value. Any NRP effect on house prices may be more locally limited than the neighborhood-level numbers measured here can reflect.

Note again that, for convenience and comparison, the scale of NRP's impacts on the various investment measures was summarized in Table 4-2.

The Impact of NRP on Residents' Perceptions of their Neighborhoods

The previous analysis examined the impact of NRP on trends in investment in each neighborhood's housing. Such trends presumably reflect the views residents hold toward their neighborhoods. But NRP may well have measurable effects on the views themselves, which indicate directly how satisfied residents are with their communities. What impact of NRP on those attitudes can be observed?

Measures of the views of residents about their neighborhoods are available from the MORI survey. This analysis looks at the effect of several types of factors on those views: demographic and socio-economic characteristics of the respondents (for example, age, education, current tenure (renter or owner)), the same basic neighborhood characteristics used in previous analyses as controls (including neighborhood income level, homeownership levels, race), and the level and duration of NRP spending and action in each neighborhood.

The focus of the analysis is whether NRP spending in each neighborhood impacts the attitudes of survey respondents toward their neighborhoods. It uses regression analysis to determine the relationship between demographic data from MORI and neighborhood and NRP data from sources described earlier in this chapter.

Consider first the one set of MORI questions that asks about residents' perceptions of the direction of *change* in their neighborhoods. It makes sense to expect NRP perhaps to affect the relative change in resident perceptions between neighborhoods in various initial states of health—conceivably producing, for example, more belief that things are getting better among residents of redirection neighborhoods than among residents of protection neighborhoods. But it is probably not realistic to expect NRP action alone to reverse the relative *levels* of perceptions—making, for example, resident perceptions of redirection neighborhoods' condition more positive than those of the residents of protection neighborhoods about conditions in their communities.

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 does indeed have a 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.

How big are these effects? In the first case, the average number of conditions perceived by residents as improving increases by 0.2 for each \$1,000 per parcel of NRP expenditure. In the second, the average number of conditions perceived as improving increases by 0.14 for each additional year since plan adoption. These figures are increases from a base average number of conditions perceived to improve, for all respondents, of 4.0.

Somewhat surprisingly, there is no apparent impact of NRP spending level in a neighborhood on residents' perceptions of the change in the amount of rundown housing.

One additional test of NRP impacts on people's perceptions of the direction of change in their neighborhoods was conducted. Perceived change in just the cleanup of rundown housing was singled out and the effect of NRP on that one measure was examined. That measure was chosen because such a large share of NRP money is being spent on home improvements. Somewhat surprisingly, respondents' perceptions of that change were not different according to NRP activity levels in their neighborhoods. One reason for this result might be that many Minneapolis neighborhoods have little or no visibly rundown

housing and that whether one notices any such housing in some areas is likely very sensitive to exactly where one lives.

One should avoid making too much of the findings of these two analyses. All the variables together in these models have very limited power to explain the variations in individual residents' perceptions. This is not terribly surprising given variations in the way individuals perceive the same conditions and changes and the fact that people are typically very affected by conditions immediately surrounding them, while data are available only for whole neighborhoods. But it is notable that NRP spending and years since plan adoption are two of the few variables with statistically significant effects on perceptions of direction of overall (indexed) neighborhood change.

It is also worth noting that the analysis shows that NRP affects perceptions of neighborhood change, while similar tests of residents' views about neighborhood condition and quality levels show no positive NRP impact. NRP's effects are strong enough to affect how many people think neighborhoods are getting better or worse, but they are not powerful enough to move neighborhoods from the lower ratings of satisfaction ahead of the neighborhoods with high ratings.⁸⁸

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?

⁸⁸ The MORI survey asked respondents to assess the current quality of their neighborhoods and homes and a range of specific aspects of their communities. Analysis was conducted of the relationship between many of these measures of neighborhood condition levels and the same demographic, neighborhood, and NRP activity variables used in analyzing perceptions of neighborhood change immediately above.

For none of these measures did NRP activity in the neighborhood have a positive and significant impact. In fact, in neighborhoods with greater NRP expenditures, neighborhood ratings of several kinds were systematically *less* favorable. There is a logical explanation for this finding. As observed in the investment analysis, NRP does not have a sufficiently powerful impact to move neighborhoods from the lower ratings of satisfaction ahead of the neighborhoods with high ratings. But NRP money flows more heavily, by design, to the more blighted neighborhoods that are rated less highly by their residents, with resulting higher expenditures in those neighborhoods. Thus NRP dollars and lower neighborhood ratings in the survey occur in the same neighborhoods, implying falsely by their association that NRP might "cause" the lower ratings.

- 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?

Data about NRP participation, awareness, and attitude toward neighborhood involvement are available from two sources. One is a simple tracking of the number of citizen participants in NRP-sponsored meetings during the period 1994–98, with separate reporting for each neighborhood in each year. NRP’s central staff selects one month of a year to track citizen participation in NRP meetings. Currently, staff count the number of NRP neighborhood associations’ meetings solely during the month of May and also count the number of attendees. Because staff coverage is not consistent across all neighborhoods and a meeting might not be scheduled for the selected month, the number of recorded meetings is not a good indicator of participation. Though limited in the quality of the data, the number of people attending per meeting is a somewhat better indicator. These data were used for simple tracking of trends in participation and for examining differences between neighborhoods.

The second major data source is the MORI survey data. These responses provided direct information on awareness of NRP and attitudes toward neighborhood residents, neighborhood organizations, and other players as they contribute to meeting neighborhood needs.

These data together with neighborhood-level information about NRP activity from the PlanNet database made possible the analysis of NRP’s effects on participation, awareness, and attitude. The evaluation examined the possible relationships between completion of NRP tasks (plan approval, start of implementation) or NRP spending levels in a neighborhood on the one hand and meeting participation, awareness, and view of neighborhoods as agents of improvement on the other. The methods include simple cross-tabulation, correlation analysis, and regression analysis.

The evaluation did not have the resources to support examination of the quality of participation by direct observation of the meetings. It thus misses such central issues as the extent of involvement in discussion of decisions, the nature of decision-making processes, the general willingness of people to speak out, and the change in these elements over time.

In addition, the information available did not address the question of who specifically participated in planning and carrying out NRP activity. If there were subgroups within neighborhoods that were well or poorly represented, such as renters/owners or white people/people of color, their differing rates of participation cannot be measured using existing monitoring and reporting mechanisms.

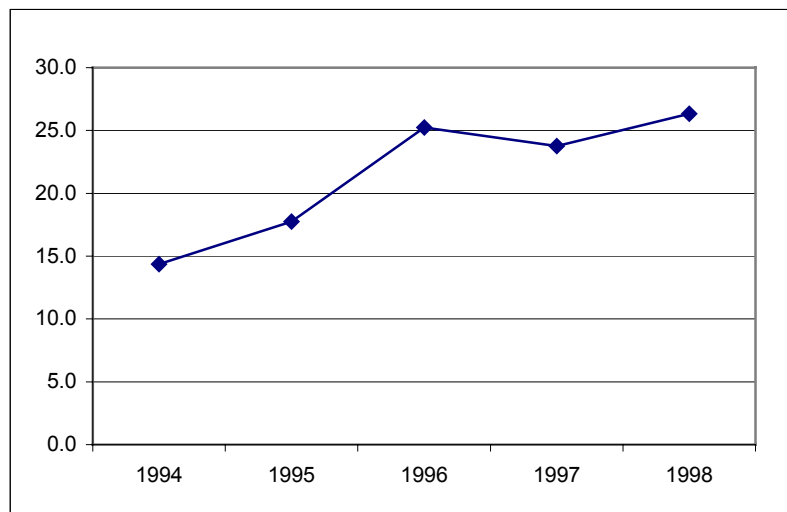
Findings

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.⁸⁹

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 (Figure 4-9).

Citizen participation rose very sharply in redirection neighborhoods during the period and substantially in protection neighborhoods as well, but it remained flat in revitalization communities.

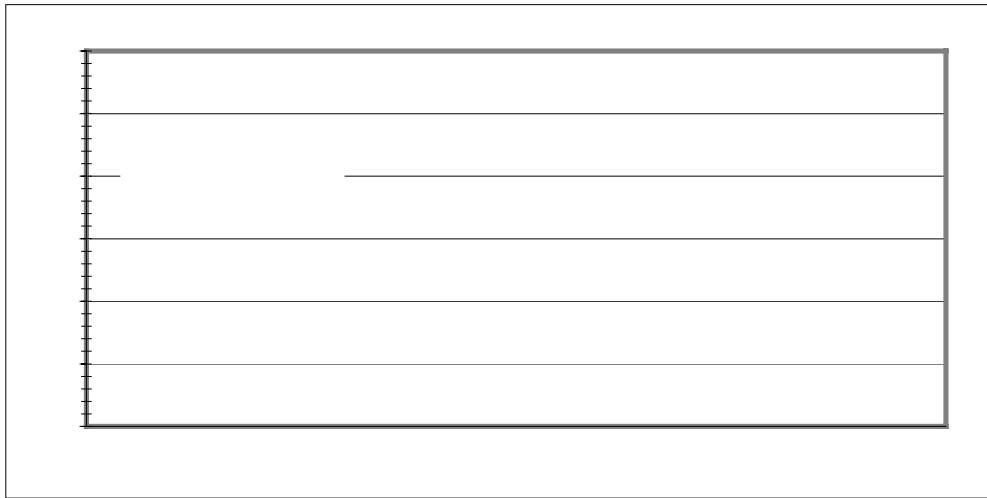
Figure 4-9: Average Citizen Participants per NRP Meeting, 1994-1998



Participation jumped from 16.8 to 51.3 citizens per meeting in redirection neighborhoods (over 200 percent) from 1994 to 1998, moving consistently upward from year to year (Figure 4-10). In protection neighborhoods, average attendance rose by 50 percent in the same period (from 16.6 to 25.0 residents). Participation was essentially flat throughout for revitalization neighborhoods, staying between sixteen and twenty average attendees.

⁸⁹ We reiterate that this information is based on NRP staff observations that take place annually for a one-month period.

Figure 4-10: Average Citizen Participants per NRP Meeting by Neighborhood Type, 1994-98



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.

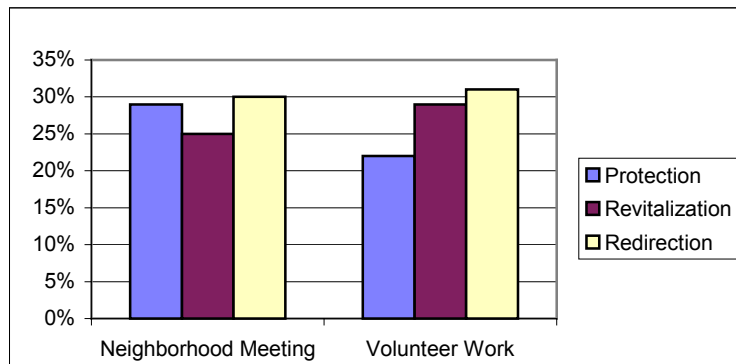
Residents believe in the notion, implicit and explicit in NRP, that neighborhood residents and organizations are the most effective agents in dealing with neighborhood issues.

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).

A substantial share of residents citywide and in all three types of neighborhoods are active and interested in neighborhood affairs (not limited to NRP).

In the three months prior to being surveyed, 28 percent of residents had performed volunteer work and 27 percent had attended neighborhood meetings. Respondents from redirection neighborhoods were slightly more likely to be involved in such activities than those in the other two types of communities. Asked how often they attended a neighborhood meeting or performed volunteer work in the past year, about 30 percent in redirection neighborhoods said at least three times, with smaller but substantial numbers elsewhere (Figure 4-11).

Figure 4-11: Percent of Respondents Participating in Activity in Past Three Months



Projecting from limited data, resident participation appears to rise as NRP activity moves from planning to implementation.

In nineteen neighborhoods, data were available for attendance at least one meeting before and one after the period in which plan adoption took place. Attendance rose after implementation began in thirteen of those instances, and was unchanged in one more.

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.

As Table 4-3 shows, organizations with larger NRP spending on communication and larger total planning spending tended to have higher average meeting attendance over the 1994–98 period.⁹⁰ Neighborhoods in the highest attendance category in the table have nearly double the level of communication expenditures as those in the lowest, as well as nearly two-thirds more in overall planning spending. The correlation across neighborhoods between average attendance and each of the spending measures was also large, positive, and highly statistically significant.

⁹⁰ The same is true for the shorter 1997-98 period.

Table 4-3: Meeting Attendance by Planning Period Expenditures

Avg. Attendance/Meeting 1994-98	Total Comm \$	Total Plan \$
6.6 to 12.5	\$5,665	\$31,560
12.5 to 20	\$7,519	\$34,105
20 to 70.5	\$10,567	\$51,253

There is some uncertainty about the direction of causation in this finding. Presumably the spending encourages citizen participation, with communication money helping people know about meetings. But causation could work the other way, with greater attendance pressing neighborhood organizations to put resources into communication and plan completion.

As Table 4-4 shows, there is also a positive relationship between meeting attendance in the more recent 1997–98 period, during which more neighborhoods concentrated on implementation, and spending on program implementation. The relationship between meeting attendance and spending on communication appears in the table somewhat less consistent than the link in the longer period. But in fact the correlation of 1997–98 attendance with both overall implementation and communication expenditures is as high as or higher than in the period 1994–98.

Table 4-4: Meeting Attendance by Implementation Period Expenditures

Avg. Attendance/Meeting 1997-98	Total Comm \$	Total Progam \$
5 to 10	\$3,126	\$100,262
10 to 25	\$3,050	\$119,925
25 to 200	\$8,734	\$168,554

The level of NRP spending in neighborhoods positively affects people’s participation in meetings and in volunteer activities, their views of neighborhood groups as effective advocates, and their attitude toward the value of NRP for their community. But higher spending does not necessarily make more people aware of NRP’s existence.

An analysis was performed focusing on MORI responses regarding participation in neighborhood activities and awareness and perception of NRP. It looked at the relationship of MORI responses to NRP spending and years since plan adoption. Multi-variate regression techniques were used to test the impact of NRP activity, neighborhood conditions, and socio-economic characteristics of individual respondents on elements of citizen participation and knowledge.

The analysis found significant impacts of NRP activity on a series of survey results:

- Greater NRP expenditure in a neighborhood increased the number of times residents reported attending a meeting or participating in volunteer work over the last year.

- Greater NRP expenditure in a neighborhood increased the likelihood that residents were aware of organizations in their neighborhood that have regular meetings and work on neighborhood development and improvement projects.
- Greater NRP expenditure increased the likelihood that residents thought that NRP had a positive effect on the neighborhood.
- Greater NRP expenditure increased the respondents' perception that neighborhood advocacy organizations were effective in dealing with neighborhood issues.

The size of these impacts was not trivial. In terms of participation in meetings or volunteer activity, the difference between a neighborhood with no NRP spending and one with the level of the highest-spending (per parcel) neighborhood to date would be nearly half an "event" (meeting or volunteer activity).⁹¹

Although NRP activity increased perceptions that neighborhood organizations were effective in dealing with neighborhood issues, the impact did not hold for perceptions of neighborhood residents' effectiveness. And more surprisingly, greater NRP expenditures did *not* increase the likelihood that residents were aware of NRP's existence.

Overall, however, the several findings show that participation in NRP rose with time and the forward movement of NRP activity; and NRP contributed to awareness of and participation in not only its own activities but other community improvement activities as well.

⁹¹ The impact of that same difference in NRP spending on the rating of neighborhood groups' effectiveness would also be about 0.4, on a one-to-five scale. And the scale of impact of that expenditure difference on the likelihood that residents would find NRP to be beneficial (versus indifferent or bad for their neighborhood) would also be about 0.4 (on a zero-to-one scale).

CHAPTER FIVE

PUBLIC SERVICE REDESIGN

CASE STUDY OF THE MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

Introduction

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. The reader is encouraged to refer to the other studies of public service redesign in this chapter, as well as to the following chapter, which presents a case study of intergovernmental collaboration, to gain a complete picture of NRP's progress in this area. 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. Jurisdictions and their departments, it was hoped, would grow more responsive to citizens' interests. Further, it was the NRP's ideal that agencies would become increasingly proactive, looking to better service neighborhoods.

Although there are five jurisdictions participating in NRP and numerous departments within each, no organization figures more significantly than the MCDA as a target for redesign. 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 and Hilton Hotel 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.

Below a short history is provided to set the stage for the rest of the study. It is followed by a description of the research approach, a discussion of findings, and recommendations.

A Short History

During the late 1970s to 1980s, like many other cities across the nation Minneapolis focused its attention on rebuilding its downtown core. Downtowns of major cities were suffering significant decline. This was a product of many factors, including a wave of economic changes that made it more cost effective for manufacturing to be done in the ex-urbs and federal policies such as highway construction and veterans mortgages that greased the exodus from cities. Further accelerating this tide were growing concerns about the precipitous drop in the quality of schools and rising crime rates.

Minneapolis met this challenge by directing its energies to commercial redevelopment and by creating one of the more successful downtowns in the nation. Its downtown constitutes only 8 percent of the city's land mass yet is responsible for 40.5 percent of its property tax revenues.⁹² The city also put into motion an aggressive set of residential finance programs designed to foster continued investment in the city's housing stock. There are a number of agencies at the state, metropolitan, and local levels that have garnered national attention for their creative work in this regard. Among them are the Minnesota Housing Finance Agency (MHFA) and the Family Housing Fund. The chief vehicle for implementing these efforts was, and continues to be, MCDA.

MCDA was established under state statute and city ordinance in 1981. Originally called the Minneapolis Housing and Redevelopment Agency (MHRA), which dates back to 1947, its purpose as defined by the Minnesota State Legislature was to eliminate urban blight. In 1981 MHRA merged with the Minneapolis Industrial Development Commission and the development division of the City Coordinator's office to create the MCDA. In 1986 the Minneapolis City Council became the MCDA's Board of Commissioners, that is, its governance body.⁹³

By the mid-1980s, Minneapolis's downtown was showcasing new buildings and providing the promise for needed tax-base enhancements. But people were fleeing to the suburbs. Schools were declining, crime was asserting itself, and homelessness was increasing. Minneapolis's hard-earned reputation for its high quality of life was under attack. Grassroots activists joined with several developers and made a case to the mayor and city council that there was a need to shift the spotlight beyond downtown into the neighborhoods. Thus began the groundwork leading to the creation of NRP. For some, the specific target of neighborhood frustration was MCDA. It should be noted that MCDA's directors during the late 1980s and early 1990s were active supporters of the creation of NRP. For many, however, it was perceived that the agency was wholly focused on downtown improvements, to the exclusion of the neighborhoods. Some contended a further source of distress was that the decision process for who would receive project financing was closed, favoring a small coterie of developers.

It was within this charged climate that NRP emerged. Our analysis of the "theory of change" that led to the creation of NRP concluded that there were several streams of thought regarding its purposes, ranging from an emphasis on physical revitalization to better integration and heightened responsiveness of public services. It was clear, nevertheless, that a driving hope of NRP was to redirect investment into the neighborhoods and, specifically, for MCDA to change how it did its business, that is, how it carried out development priorities. With neighborhoods controlling funds and articulating their own priorities, MCDA would be faced with the need to raise its level of responsiveness.

What were the incentives for MCDA to change? In looking back, MCDA was enjoying exceptional success at the same time a task force was laying the groundwork for the

⁹² Data provided by the City Assessor's Office.

⁹³ In 1991, the Minneapolis Public Housing Authority (a division of the MHRA) separated from the MCDA.

creation of NRP. In a relatively short period of time, MCDA made major investments that contributed to the vibrant downtown the city now enjoys. The advent of NRP brought demands for MCDA to redirect its business and to better customize its products. It was to perform this task with less money, specifically minus \$20 million a year in comparatively flexible financing that had been a critical source of its earlier successes.

For MCDA, other than sharing in the philosophical appeal to strengthen residents' sense of place, it would seem that the conditions at the outset of the formation of NRP would not be especially ripe for fostering agency change. The following provides the story of what transpired. It first outlines the research approach, then describes findings, and ends with recommendations.

Research Approach

This study is an exploration of institutional change. As noted above, it is one of a larger set of studies examining public service redesign. The steps in the research approach used here are similar to the ones used for examining non-MCDA agency/jurisdictional changes and for interjurisdictional collaboration.

It is essential to underscore that this study is intended to *illuminate*. This is not an accountant's audit. It is not a legal review. It is mainly an interorganizational analysis. This is an effort to develop a story of how MCDA and NRP interact with each other and the effects of those interactions, based on a review of critical documents and information presented by well-informed people. Given that organizations operate within a broader "system," the analysis also touches upon context, but it does not attempt to examine the roles and relationships with other key entities that influence development, such as the Planning Department and Department of Public Works.

The evaluation team first gathered input from over forty people during the research design phase, specifically inquiring about service redesign and MCDA. From this input it was determined that MCDA, because it was so central to the impetus for the creation of NRP, merited separate examination. The potential for MCDA's involvement spanned both the planning and implementation phases of NRP. It was also understood that the scope of the review would be limited, in part because the initial input from a number of key informants suggested that modest, if any, redesign occurred. Furthermore, though MCDA was being singled out for independent study, it was ultimately just one of several "cases" to assess the extent to which the NRP Primer goal of redesign occurred.

After the initial round of interviews, a second cycle of more focused interviews was conducted to identify specific questions and issues to explore and to generate an interview list. Participants in these interviews included people who were directly involved or intimately familiar with the NRP and MCDA relationship. These included the heads of the respective entities, their staff, neighborhood leaders, and the city council. Finally, a third set of twenty-five interviews was conducted. The interviewees included the heads of NRP and MCDA, prior directors of MCDA, mid-level staff from each entity, technical assistance providers, neighborhood leaders (including community developers), council members, and other knowledgeable observers such as reporters whose beat has

been NRP. Additionally, this study draws on the NRP PlanNet database, as well as on data provided by MCDA and other city agencies. Key documents were reviewed, such as the statute authorizing NRP; Policy Board By-Laws; the 1993 report to the MCDA Review Committee; and The Twenty-Year Revitalization Plan, which formed the historical framework for NRP.

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

Public agencies are well known to be rule-driven and resistant to change, hence the notion of creaky bureaucracies and bureaucrats practiced at maintaining the status quo. Factors known to influence change in public agencies include directives from top-ranking officials such as the mayor or the city council or massive shifts in the level or priorities of the resources that fund their work. For example, welfare reform has greatly altered how counties throughout the nation organize to provide services. Yet even with strong leadership and different funding priorities, the pace of change is ultimately a function of the willingness, support, and incentives for line staff to work differently from the past.

The following findings shed light on the extent to which change has taken place. 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. MCDA promotes industrial, commercial, small business, and housing development. The pools of money it draws on for each differ enormously in their flexibility. 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, 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 Community Development Block Grant (CDBG), funded by the federal government, supports a deferred loan program for

home improvements that has a limit on the borrower's annual income and on the total that can be borrowed. Bond financing provides another important source but may well be tied to residential mortgage, industrial, or other conditions. MCDA staff are encouraged to become specialists and to be very practiced in knowing the guidelines of the particular programs they administer. To successfully achieve program goals, they must know how to operate within these guidelines. *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.*

Because of the statute requirement that 52.5 percent of NRP funds be spent on housing and housing-related activity, it could be anticipated that this would be the area where NRP, its staff, and the neighborhoods would have the most frequent interaction with MCDA. In addition to increased frequency of contact, it could be predicted that housing might be a far more personal and potential hot-button issue than, for example, whether the store owner half a dozen blocks away will fix the façade of his business. Unfortunately, housing is unarguably the area of MCDA's work that has the most explicitly defined programs and guideline-driven funding sources. In other words, the focus of NRP's work and demands placed upon MCDA would chiefly be in the area where it has the least flexibility but the greatest likelihood of stirring a customer's passions.

NRP, though part of the bureaucracy, positions itself as the vehicle for the voice of the people and as a means for channeling grassroots hopes and frustrations to various jurisdictions. It presents itself as the antidote to bureaucracy. Unlike MCDA, NRP is a young organization. It is in the midst of creating its own culture and learning legally and administratively what it can and can't do. Also different from MCDA, it thrives in an environment of minimal programmatic or financing guidelines. Few restrictions were set in the state statute authorizing NRP's creation, and its source of financing—proceeds from the sale of tax increment bonds—provides considerable flexibility. Monies can be used for tot lots, bicycle paths, purchasing computers, and a stunning range of other possibilities, which is quite uncharacteristic of how public monies typically can be used. Another contrast with MCDA is that the NRP staff is composed of generalists, whose job is to facilitate neighborhood groups and aid in their dreams. For them, the mission is to get people to “think out of the box.”

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.

MCDA is mainly in a responding or reactive mode; NRP is, by design, intended to stimulate and be proactive. There is an intrinsic tension present. NRP pushes MCDA to

be more responsive to neighborhoods. But MCDA is ultimately accountable to the city council. It is critical to underscore that NRP is but one dimension of MCDA's activity that the council oversees. When there is high convergence between the council and neighborhoods, MCDA can be a friend to both. Thus, in the mid-1990s when the council issued its Housing Principles, the emphasis on stabilizing the single-family housing stock and on "deconcentration of poverty" tracked quite closely with priorities set by the neighborhoods. But there are times when neighborhoods themselves do not share a united view, and this may well be mirrored in the council. For example, although there may be a growing consensus about the need for affordable housing, there may not be one on the strategies for implementation. Suffice it to say that democracy is messy.

Promising Areas of Change

Within this modest range where change might occur, there is some emerging evidence of redesign. To be sure, NRP has fostered increased contact between MCDA and the neighborhoods. MCDA is required by state and occasionally federal law to inform citizens of pending development activity. MCDA has had relationships with neighborhood associations that long precede the creation of NRP. MCDA enters into contracts with neighborhoods, allowing them forty-five days to review pending projects. In fact, MCDA contributes to the outreach budgets of a number of the neighborhood associations, providing them with funding that ranges from \$2,200 to about \$25,000 to cover newsletters and other media, distinctive from NRP funding. 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. Below are some of the early impacts resulting from the increased contact.

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. Some MCDA staff now must service neighborhoods where they had not previously worked. Therefore, as a result of NRP, MCDA is in contact with a far broader and more diverse set of people than it has been in the past. This potentially broadens its marketing of products such as its MHFA financing for property improvements.

MCDA has assisted in devising financing products that, with NRP involvement, both leverage funding and increase the range of customers. As noted above, MCDA's financing comes from multiple sources and has use restrictions. 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.

Home Improvement: In the area of home improvement, MCDA's primary financing sources are MHFA and CDBG. MHFA requires that loans not exceed the ratios of 45 percent debt-to-income and 100 percent loan-to-value. CDBG has a number of rules, including that, to be eligible, a borrower's maximum annual income must not exceed

\$18,000 and that the loan amount can not exceed \$10,000. MCDA and the neighborhoods developed loan packages that were designed to *supplement* rather than replace or duplicate the existing packages. The availability of these loan packages ultimately increased the customer base, providing expanded opportunities for home improvement. Given NRP's financing flexibility, the levels can increase to 55 percent of debt-to-income and 120 percent loan-to-value. In other words, NRP provides for modestly riskier money so that it can reach a broader population. The MHFA-styled loans are amortizing, typically on a monthly basis. MHFA also has a deferred loan program with a \$10,000 annual-income eligibility ceiling. The neighborhoods, working with MCDA staff, also fashioned deferred loans, essentially paralleling either the MHFA or the structure of a similar CDBG-funded program. Because the demand exceeds MCDA's available funding for deferred loans, the NRP-funded deferred program also results in increasing the customer base.

Commercial Revitalization: Another area where MCDA and NRP groups have worked to develop a new product is commercial revitalization. It is important to note that MCDA's sources for commercial financing have more flexibility than its home improvement funds. In what is known as the "2 Percent Model," or occasionally referred to as the "Lyndale Model," MCDA essentially engages in a loan participation agreement using a portion of its monies (e.g., from bond proceeds or other sources) combined with those of NRP to bring down the cost of financing the commercial improvements. MCDA's contribution reduces the amount of money NRP groups might otherwise have to tie up in loan agreements. MCDA has a 2 Percent Revolving Loan Fund that has operated, and continues to, without NRP funding. Its caps remain the same, but with NRP money the neighborhoods can determine their own interest, loan maximums, and size of their loan share. In essence, similar to the home improvement concept, the notion is to avoid duplication, capitalize on the flexibility of NRP's money, and extend opportunities to a larger customer base. It is reported that there are about fifteen to twenty of these loans, with most falling in the range of \$40,000 to \$100,000.

There is greater competition for business among loan administrators and others involved in the development process. The infusion of NRP money (and the now booming economy) has reportedly contributed to increasing the competition for administering loans, doing construction, and other development business. This is quite evident in the loan administration for home improvement loans. In the past, MCDA was the primary manager for property improvement loans because it was the source for MHFA and CDBG financing. Various nonprofit providers such as the two Neighborhood Housing Services programs administered small loan funds with monies provided by foundations or other private and public sources. The significant increase in NRP-funded home improvement loan programs, available in virtually every neighborhood, increased the activity if not necessarily the number of providers. Key players include the Center for Energy and the Environment, the Project for Pride in Living, the Greater Metropolitan Minneapolis Housing Corporation, and the two Neighborhood Housing Service organizations. MCDA will occasionally compete to administer these loans but has not done so aggressively, in part because it does not want to compete with agencies with

which it has other relationships. Additionally, its costs can be higher because of various aspects associated with being a public agency.

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, in large part on developing guidelines for the property improvement loans, but the committees also serve as the chief mechanism for discussing housing development and commercial revitalization. The volunteer members of these committees occasionally include people familiar with real estate or loan administration, but most participants are not, and the learning curve is steep. 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 have learned also about issuing and reviewing requests for proposals and supervising lotteries for various property improvement programs. To be sure, there are tensions between the volunteers and staff that occur. Development is highly technical, and some MCDA staff are better teachers than others—and some citizens are more willing to accept MCDA guidelines that bound how it can operate.

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 (e.g., for a multifamily building), 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. This study does not attempt to deal with the complex matter of the degree of decentralization of Minneapolis's government and competing views of whether priorities are or are not being set by the mayor, the council, the Planning Department, "big developers," or the neighborhoods. Suffice it to say that it is ultimately the council that establishes the development policy guidelines within which MCDA does its business. And council members are voted in, or out, by residents who live in the Minneapolis neighborhoods served by those elected members.

Housing: In 1995 the city articulated a set of "Housing Principles." Faced with the flight of the middle class, fears of a lowered tax base, and rising poverty and crime, policy makers chose to emphasize stabilizing the quality of the housing stock by removing blighted units, increasing home ownership, and fostering mixed-income development.

MCDA's development activity between the period of 1994 to 1998 included: (1) the creation of a new infill program; (2) a vigorous effort to reduce vacant and boarded units, of which there were reportedly roughly 600 a year (now there are fewer than 350); (3) an effort to preserve affordable multifamily housing; and (4) the use of various financing tools to promote purchase or fix-up of single-family housing. Choices made by citizens involved in NRP largely reflect the same priorities. They chose to focus their energies on supporting property improvements for homeowners.

They also have channeled support to single-family infill and rehabilitation for homebuyers. And, they have chosen to finance a few multifamily housing projects.

Citizens are electing to invest monies set aside by NRP statute for housing and housing-related activity principally into homeowner-related assistance rather than 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.⁹⁴ Almost all of NRP's multifamily investment is for housing preservation.

In September 1999 the city council adopted an affordable housing policy that specifically recognizes the growing shortage of housing for lower-income people. It calls for an "Affordable Housing Initiative" and states, "The City/MCDA's policy will be a positive gain on affordable housing units." The resolution underscores the particular need for producing and preserving units for people whose incomes are below 50 percent of the metropolitan median family income.⁹⁵ Sixty-two percent of the production of multifamily units in the period from 1994 to 1998 was for people whose incomes are below this threshold. (Data were unavailable to distinguish the income groups that benefited from those projects to which NRP contributed financing.)

Commercial Corridors: Recently there has been a rise in activity around what are referred to as commercial corridors. Some people attribute the genesis of this to NRP; others contend that the NRP partnership with the Department of Public Works on streetscaping set the stage for commercial revitalization. Several interviewees asserted that this was an example of where NRP groups have successfully pushed MCDA to embrace "new urbanist" approaches to commercial corridors. The commercial-corridor development activity appears, however, to be a result of a confluence of events. First and most important, the racing economy has engendered private sector interest in areas of the city that had been suffering from blight. Second, a number of NRP neighborhood groups joined and elected to spend some money on corridor studies. Third, the council designated four areas for corridor development and set aside about \$1 million to support project development. And fourth, MCDA entered into a partnership with the Twin Cities Local Initiatives Support Corporation, which could assist with attracting financing and otherwise work as an intermediary with a couple of the corridors.

⁹⁴ Data provided by MCDA, "Funding Priorities Matrix," and e-mail from Jerrold Boardman, March 13, 2000. This includes project information for which financing has closed in the period 1994–1998.

⁹⁵ The metropolitan median family income (for a family of four) used for computations in the resolution is \$66,000. For additional information on NRP and affordable housing, the reader should refer to the targeting and beneficiary studies (see Chapter Two).

To be sure, NRP funding for studies played a critical role in raising awareness and is a good example of the organization's seeding function. But there is a long history of prior studies that have gathered dust. The difference this time is due to the healthy economy. These areas have become adequately attractive to private investors, and when that is coupled with MCDA financing there is the potential to turn rundown sites into economically viable ones. To date, little MCDA money has been put on the table, and NRP funds have chiefly been limited to paying for studies, but there is significant promise for collaboration among MCDA, NRP, and business organizations.

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. 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. During the early 1990s, MCDA was blamed for overconcentrating lower-income rental units in poorer areas, and it was also fingered for the shaky financing of these units. In actuality, MCDA was meeting a well-established need for affordable rental units, and its financing structure was similar to that of cities around the nation that were early users of the Low Income Housing Tax Credit. Like Boston and Philadelphia, among others, Minneapolis found that it had to restructure many of its deals. 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.

From the MCDA's perspective, it is following through on council priorities to stabilize and grow the housing stock. The so-called aggressive position on demolitions is rooted in a desire to attack vacant, blighted units. More than just eyesores, such units are well known to be magnets for drugs and crime. Minneapolis looked at cities such as Chicago that had over ten thousand of these units and, though it was purportedly averaging about six hundred a year, MCDA took a tough and preemptive stance to bring these numbers down. It has reportedly succeeded in roughly halving this number. Although some of the NRP frustration is over demolition, it rises more so over whether units will be replaced with infill or whether the houses could be rehabilitated. Those NRP groups with a strong preference for rehab argue that MCDA's standards and associated costs are too high, resulting in its decision that new construction makes more financial sense than rehab. Those that accept the infill option occasionally assert that the design doesn't fit the neighborhood. The MCDA's perspective is that it is fulfilling its obligation to the public trust by maintaining high standards, that is, it is responsible for ensuring that its investments in the housing stock are sound.

Passions have been stirred, too, over converting buildable lots into community gardens instead of using them for a house. MCDA's charge is to build housing; it has not been to build green areas, especially when there is a growing housing crisis. Neighborhood

groups have, however, gone head to head with MCDA over this matter. It is seen as one of several examples of MCDA's unwillingness to change. Reportedly the council has resolved this by permitting the use of sliver parcels—ones that are less suitable for infill—for community gardens.

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, policy wise and administratively, was not outlined. NRP reports to its Policy Board (and ultimately to the council); MCDA reports to the council. It is ultimately the council that has the responsibility for approving those actions which fall under its jurisdiction, appropriating funds, and for ensuring that development-related matters abide by the law. Every plan, before it is implemented, must receive an opinion from outside legal counsel. Occasionally, legal decisions have had to be rendered as NRP is potentially setting precedent in its desired uses of funds. Communication between NRP staff and MCDA staff was quite informal during its early years. By the mid-1990s, several structures emerged to foster communication. The structures are

The Management Review Team. In 1995, a Management Review Team (MRT) was established to “assess Neighborhood Action Plans prior to their submission to the NRP Policy Board.” (The MRT replaced the Implementation Committee authorized in the original Joint Powers Agreement. The Implementation Committee's role and membership were ill-defined and the committee did not provide thorough technical review of the Neighborhood Action Plans.) The MRT is convened by the city's coordinator. Its purpose is to be a vehicle where the highest levels of staff would jointly review plans. To be sure, the MRT serves an important function, as it is a key place for identifying where there may be legal or other issues that would affect the plan's viability. MRT does succeed in involving some department heads such as the police chief and city engineer. Participation, however, has been mixed from other departments and jurisdictions. MCDA's attendance is reportedly uneven, lacking both the participation of its director and occasionally its designee.

Neighborhood Liaisons. In the early 1990s, MCDA established a Neighborhood Liaison Program and assigned project coordinators to almost all of the city's neighborhoods. It was hoped that staff would act as bridges (particularly in those areas where it did not have prior relationships), listening and transmitting questions that arose. This effort, though well intentioned, did not work. The reasons cited include the fact that MCDA staff do not operate on a geographic basis (like NRP staff); staff are specialists more accustomed to responding to needs than being proactive; and some staff did not want to attend neighborhood meetings, many of which are convened in the evenings. In effect, there were few incentives for staff to take on this role—one that was seen as placing additional demands on already pressed time. As NRP expanded across the city, the need for the liaison program was seen as less critical.

The NRP/Citizen Participation Department Reimbursement Agreement. Also, by the mid-1990s, NRP and MCDA began to formalize their relationship. Reportedly, NRP did not want to build a bureaucracy to do its own contracting. MCDA brings significant experience with contracts and historically was responsible for handling the source of NRP's funding.⁹⁶ MCDA and NRP established a memorandum of understanding that details MCDA's responsibilities and how it will be reimbursed for the administrative costs associated with managing the significant majority of NRP's contracts with the neighborhoods. There are currently four people who staff this function in MCDA. In addition to extensive contract-processing responsibilities, the unit tracks, monitors, and reports on NRP expenditures. The agreement is for the work of several MCDA departments including Citizen Participation, Accounting, Finance, Project Planning and Finance, Legal/Real Estate, Information Systems, and others.

Other Communication. 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. At his direction, reportedly MCDA has formed a working group to examine ways of improving communication. At the line-staff level, there is a good exchange of data between MCDA's NRP/Citizen Participation Department and the NRP staff charged with responsibility for data management. But there is far less contact between NRP neighborhood specialists and MCDA staff. NRP's neighborhood specialists are actually generalists whose familiarity with development varies. In essence, NRP staff do their job, and MCDA staff do their own.

NRP groups are encouraged by specialists to be in direct contact with MCDA. The quality of those contacts seems to be a function of whether a project involves housing development versus property management or commercial revitalization—and whether the neighborhood has much development capacity. Neighborhoods are reportedly far testier over matters dealing with housing than commercial development, and they are especially sensitive about housing development. This is a very technical area, and it is said that those neighborhoods that have capable nonprofit developers often have better communication than others.

In closing, there is evidence of redesign in how MCDA operates that has occurred as a result of NRP. MCDA has had to grow more responsive to neighborhoods and has done so particularly in the area of property improvement, as well as to some extent in commercial revitalization. It has not changed its own products, per se, as they are largely defined by their individual funding sources. But it has worked closely with neighborhoods, assisting them with stretching NRP dollars and developing financial products that broaden customer opportunities. Citizens have been receiving a steep education in development, and neighborhoods are playing a greater role in influencing

⁹⁶ MCDA handles the contracts for almost all NRP activity, regardless of whether MCDA is involved. For example, if a neighborhood plan calls for changes in street lighting, MCDA contracts with the Department of Public Works, which actually manages the project.

development. A key reason for this shift in power is that NRP has money. Moreover, because the funds have few restrictions, the real value is far greater than its dollar amount.

Lack of shared leadership from the highest levels has perhaps somewhat impeded the pace of change, as has a lack of shared appreciation between some neighborhoods and MCDA's housing development function. Given that the development process is a notoriously complex one and traditionally does not suffer "democracy" well because of the added friction costs—and that MCDA's flexibility is constrained by virtue of the nature of much of its resources—it is a promising testament to NRP and MCDA that examples of redesign have occurred.

Early Lessons

The four key lessons that surfaced in this case review were

- **Despite challenges, change occurred.** Public agencies can undergo change, even when the pre-conditions are not especially conducive. Despite the many guidelines that bound the work of MCDA and the less than favorable climate in which the relationship with NRP emerged, efforts on the parts of both have led to increased citizen understandings and a broader set of products. It can be concluded that the city as a whole is benefiting from more people accessing financing for home improvements.
- **Effective outreach and communication facilitated change in some areas.** Change took place in those areas where MCDA staff have been able to effectively convey guidelines and find ways of working as partners with neighborhoods. This has been particularly evident with property improvement and the loan products staff have worked with neighborhoods to develop. Signs of this type of cooperation are also evident in commercial revitalization, an area that is likely to see more pressure placed on it in the future.
- **More complex and sensitive areas such as housing development have been less receptive to change.** Less progress has been made in housing development, which appears to be a function of several factors, most particularly its intrinsic complexity and the associated demand of making it more comprehensible to citizens. Housing development, it has been noted, is likely to more readily evoke an emotional response than other forms of development. It is challenging for residents to appreciate the laborious and lengthy sequence of steps involved in land disposition, testing for environmental safety, bidding, and other processes designed to safeguard citizens. There are also strong "NIMBY" views.⁹⁷ Housing development is an area where there is a high degree of contact between MCDA and NRP but where finding middle ground has been tougher. Nonprofit developers and other intermediaries have aided in some neighborhoods; others, however, have not had such assistance. As a result, the relationships have suffered higher friction costs.

⁹⁷ NIMBY is "not in my backyard," a term used to describe homeowner opposition to lower-income rental housing. Homeowners worry about the impact of such housing on their property values. Such NIMBY-ism is viewed by some as a veil for racism as lower-income urban poor are often people of color.

- **Communication between the agencies has been, at best, uneven. The lack of an overarching policy and supports for staff has slowed the pace of change.** Both MCDA and NRP have a great deal of business outside of their work together. The creation of such mechanisms as the MRT and the NRP/MCDA Memorandum of Understanding with the Citizen Participation unit aided in clarifying roles and responsibilities. But the pace of progress has suffered from a lack of a clear policy, incentives, and support for how MCDA staff would work with NRP staff and its groups.

In summary, NRP has fostered change in MCDA. Citizens' voices are being heard, and there are clear indications that MCDA has been listening. This case review has shown that NRP and MCDA have worked well in the important area of home improvements to ensure that NRP would be additive. It shows there is promise building in commercial revitalization. And it points to areas where greater attention is needed, notably in housing development. The challenge is for MCDA and NRP to join their resources, financing, and staff to even more effectively meet the housing and other development needs of its citizens and the neighborhoods in which they live.

CASE STUDIES OF THE DEPARTMENT OF PUBLIC WORKS AND THE DEPARTMENT OF OPERATIONS AND REGULATORY SERVICES, INSPECTIONS DIVISION

Introduction

The second of the four goals of NRP is to encourage the redesign of public services. The idea was that as NRP allowed neighborhood priorities to be voiced to public officials and government staff, they would in turn re-examine budgets and explore new methods of public service delivery.⁹⁸ This section examines a number of innovations in public service design, delivery, and funding—often referred to as “ways of doing business”—that occurred as a result of, or in connection with, NRP plans over the past six to nine years.

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. By themselves, the responsiveness and adaptability demonstrated by city departments are refreshing and promising characteristics of a new era in public bureaucracies. 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—responding to a key priority that becomes less critical.

This study describes several examples of redesigned public services. More efforts to redesign public services are probably incubating as this report is being written. Those reported here are the most commonly identified examples of public service redesign. This section is by no means a fully developed catalogue of all the NRP-influenced public

⁹⁸ NRP Primer, 1991, page 2.

services; rather it does try to draw some lessons from these experiences to guide policy makers, administrators, and citizens.

Research Approach

The evaluation team first gathered input from over forty people during the research design phase, specifically inquiring about public service redesign. From this input it was determined that the most promising examples of public service redesign were in the Inspections Division of the Department of Operations and Regulatory Services and the Department of Public Works. After the initial round of interviews, a second cycle of more-focused interviews was held to identify specific questions and issues to explore and to generate an interview list. Fourteen informants were then interviewed for this case. Participants in these interviews included people who were directly involved or intimately familiar with the NRP and the public services identified. They were identified through interviews with key stakeholders, including the heads of the respective entities, their staff, neighborhood leaders, and elected officials. Additionally, this study draws from the NRP PlanNet database, local community newspapers, NRP and city departmental documents and correspondence, and neighborhood action plans.

Our inquiry probed about NRP's role in the decentralization of services, revised modes of response to actions, neighborhood-level variation in service design, changes in agency approach to citizen involvement processes, new collaboration among agencies within a jurisdiction, other partnerships, changes in regulations, new accountability standards, new budget priorities, and new policy priorities.

The key research questions were the following

- 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 design? 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

There is a plethora of public services that citizens enjoy but often take for granted. Imagine a city without such amenities as paved streets, street lighting, and garbage collection. As basic as these are to modern urban life, the design and delivery of such public services in a cost-effective, consumer-friendly manner is a complicated endeavor. 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.”⁹⁹ Several examples of public service redesign emerged from our research, including street lighting, traffic calming, and building demolitions and permitting.

NRP is changing the culture of citizenship in the city of Minneapolis. City residents expect a greater flow of information and responsiveness from city service providers today than before NRP.¹⁰⁰ This stems from the NRP process, in which neighborhoods created solutions for problems in tandem with the public agencies that were responsible to deliver them. NRP helped to build personal relationships between government staff and citizens that were regularly called upon to solve problems when they arose. At the same time, some city agencies developed a greater capacity to deliver services with neighborhood priorities in mind. One could argue that it is this larger attitudinal change that NRP really sought to, and did, create. This report tries to describe these changes and suggest when, how, and to what extent they were internalized during the process of NRP implementation.

The richest examples of public services redesign with NRP include those delivered by the Department of Public Works and the Inspections Division of the Department of Operations and Regulatory Services. Several of these innovations may have a lasting impact on the style and mix of services offered in the future; others were not as successful or simply served a more immediate and temporary need. This study reports redesign efforts and pulls lessons for future design and delivery of public services. Examples of public service redesign arose in response to many of the major areas of concern for neighborhoods, including traffic, safety, housing conditions, and commercial area enhancement. 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.

NRP did encourage the redesign of public services in at least a few areas: street lighting, traffic calming, and a street repaving program, as well as demolitions of boarded and vacant property and code compliance inspections. A case study of each was conducted. Below is a set of overarching findings, which is followed by the case studies.

NRP led to a more interactive approach to local service delivery that offered more service options to neighborhoods. NRP funds and its planning process allowed neighborhoods to engage in conversations with departments about the services available or options to consider. In turn, departments became more proactive in putting together systems to offer customized services or varied levels of service. These are apparent in variations of service delivery 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

⁹⁹ “Minneapolis Neighborhood Revitalization Program Funding: 1990–2009,” August 13, 1992.

¹⁰⁰ In the MORI telephone survey of 1,100 households conducted for this evaluation, 50 percent rated as “very or somewhat effective” neighborhood residents, followed by 40 percent for neighborhood advocacy groups. Trailing, however, were city agencies (29 percent). Those people who identified themselves as interested in neighborhood affairs gave more positive ratings: for neighborhood residents, 64 percent; neighborhood advocacy groups, 55 percent; and city agencies, 37 percent. See Appendix B for a copy of the MORI survey.

repaving, demolitions, and occupancy permits. (See also the discussion about the entrepreneurship of the Park Board in Chapter Six.)

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—examples of such assistance include testimony provided by staff from the police department about the safety benefits of street lighting or the behavior of drug users in neighborhood houses, hands-on assistance in the consideration of streetscaping improvement by the staff of the Department of Public Works, and walk-throughs and one-on-one consultations with neighborhoods about vacant and boarded properties. The Inspections Division is involved in a number of issues of growing importance to individual neighborhoods as well as to the region and nation, such as air and water quality management. It has used NRP as vehicle to educate and engage citizens on environmental issues and efforts of the city.

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. Community interest in commercial-area revitalization brought together several neighborhoods along key commercial corridors to design and implement street improvements. Department of Public Works staff provided expertise and support to these efforts—especially in the design and planning phases. The department responded to neighborhoods’ increased interest in traffic calming and street lighting by offering these options as part of its new street renovation program. Similarly, city staff designed and created system-oriented solutions for vacant and boarded properties. One is a program of matching funds and consultation for demolition of properties under Section 249, the “Vacant Dwelling or Building, Nuisance Condition” of the city code; the other is a temporary occupancy permit for owners of property needing significant work to bring it into code compliance (most of these properties were previously boarded). Both of these efforts focused resources and attention on the problem of boarded and vacant properties. This helped usher in the acceptance of the idea of adopting a citywide early warning system spawned by one neighborhood’s effort 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. The redesign of public services under NRP occurred at the same time as other shifts in roles and responsibilities of elected officials. During this period 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. The role of each city council member as the gatekeeper to ad hoc public services for her or his district diminished as the council adopted more plans and policies to guide the development and implementation of public services. NRP itself was a way in which to provide more and broader discussion and planning within a neighborhood for public services prior to requests for funds and

approval by the city council. The increased numbers of people involved from all sides—the neighborhoods, the city staff and department heads, and city council members—brought shared responsibilities. In the case of funding demolitions, each party had a specified role and responsibility. Consultations with neighborhoods would occur prior to council action on demolition. Previously, both the council and the neighborhoods were most often forced to react piecemeal to each case without being well-informed or prepared. Council committees were active and informed on policy matters such as the demolitions funding. As a result of the increased cooperation in advance, council members could gain greater perspective and responsibility for the workings of the overall system.

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. NRP offered funds and a format to work across neighborhood boundaries to enhance and promote a common asset such as a commercial avenue or park.. However, some public services defy the type of decentralized demand encouraged by NRP—examples include traffic management and commercial corridor redevelopment. Others, such as pedestrian-level street lighting or larger recreation 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. Several neighborhoods worked together on planning or designing commercial corridors such as Hennepin Avenue, but this cooperation and momentum was not 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. This is due in part to the limited resources of each neighborhood as well as the larger scope of such projects. As a result of lessons learned with NRP, the city can attempt to devise programs that have appropriate scope and scale while also offering a degree of flexibility and customization, such as the street renovation program. NRP could also find ways to channel and support multi-neighborhood projects such as in commercial corridors.

NRP created new relationships between citizen volunteers and city staffs that enhanced the implementation of the new public services. Whether they were deciding which side of an intersection received stops signs, how to design and install new street lighting, or whether a building was worth renovating or safe to occupy, the working relationships between neighborhood residents and city staff built a new form of social capital. This included a sustained level of information exchange and trust that did not exist previously. Even at the level of city departments, there was an expectation that new approaches and ideas would have been discussed with neighborhoods before they were brought to council for approval. Although this was more time consuming and laborious, it positioned city departments for easier adaptation and more flexibility on new issues and services.

The Case Studies

Street Lighting

It is hard for most people to remember the city of Minneapolis without lighted wooden poles in the alleys and along its streets. In the 1960s, the city instituted a program of illumination to the city—first to its alleys and then to the block faces of residential and commercial streets. This was offered as a service to property owners. The capital costs were assessed to their property, and the operating costs were charged annually. If an area did not wish to be lit, it could petition the city to “opt out” of the street lighting program. Some areas of southwest Minneapolis chose to do that.

In the 1970s, the federal government offered a revenue sharing program where it would pay a share of the cost of urban services. The city of Minneapolis responded by changing its user pay system of street lighting. It shifted the cost of operating streetlights into its general fund (except for those on the property of nonprofits and railroads) so that it could obtain greater federal assistance for other needs. The practice of paying for the operation of street lighting from the city’s general fund continues today. The city pays Northern States Power for the cost of operation and contracts with them to service and maintain the wooden pole lights along Minneapolis’s streets and alleys.

In the early 1990s, the NRP program began. The Loring Park neighborhood was interested in enhancing the safety, security, and aesthetics of its neighborhood. Working with the city, it installed pedestrian-level lighting along Nicollet Avenue—poles with lights that were fifteen feet from the ground as opposed to those perched more than twenty feet off the ground on wooden poles. The new lights were a cast iron historic design. NRP funds paid for a portion of the cost of this lighting. This was among the first installations of such special lighting in the city of Minneapolis.

Stevens Square was another early neighborhood to get pedestrian-level lighting. The neighborhood organization got property owners to agree to pay for such historic-style lighting in order to enhance the safety and looks of their community. NRP funds were not used to pay for this lighting. The city devised a system whereby it could assess the property owners for the cost. The engineering staff time for design and the costs to estimate and notify property owners of their shares was estimated to be at least \$30,000 per neighborhood.

The city council required that neighborhood residents circulate a petition among area property owners to indicate their approval of the added property tax assessment. First the city staff estimates the cost of installation for an area, and this is used as the basis for neighborhood people to “sell” their neighbors on the street lighting. If a sufficient percentage of property owners (based on the square footage of their property, not the linear frontage on the street) requested the special assessment, then all property owners would be officially notified, and their city council representative would bring it to the full council for approval at a public hearing. Once approved by council, the system’s installation—including not only the design of the lighting system, bidding, and overseeing its installation but also the work of the city to assess each property owner on a per square footage basis for the cost—would commence.

Over the past ten years, an increasing number of neighborhoods specified the installation of “decorative,” “ornamental,” or “pedestrian-level” lighting during their NRP planning processes. This included Stevens Square, Lowry Hill, East Harriet, Prospect Park, Standish-Ericsson, Central, Field-Regina, and Longfellow, as well as a number of commercial corridors, including Nicollet and Hennepin avenues. It is important to note that most of this activity has occurred since the implementation of NRP, and 80–90 percent of all the new pedestrian-level street lighting has received some level of NRP subsidy. Initially, the NRP Policy Board ruled that no more than 25 percent of the cost of the lighting could be paid for by NRP funds, but later it was changed to allow up to 90 percent subsidy. (NRP could pay for 100 percent on public land such as parks.) The cost to install one lamppost is reportedly \$1,600–\$2,000, which is usually assessed over twenty years. The city is now trying to gain some uniformity with these installations. There are two approved styles of ornamental lights, the lamppost and acorn lanterns; city staff are working with neighborhoods to determine which style best fits the districts.

The series of steps toward getting approval for the installation of ornamental lighting appears simple and straightforward. However, it ran into several snags along the way in various neighborhoods. Prospect Park was the most problematic. First, the percentage of property owners required to take the lighting plan to council for approval was left up to the prerogative of each respective city council member. Prospect Park’s representative decided that since she was elected with a simple majority her threshold would be 51 percent of the property owned. This would be sufficient to set the design, bidding, installation, and assessment into process. But this simple majority was not enough to avoid a huge battle within the neighborhood.

Second, the perception that these lights were being installed for aesthetic rather than safety reasons added fuel to the fire. When the NRP plan went to the community for approval, a consultant hired to make it more readable used the term “ornamental or decorative” rather than “pedestrian level” to describe the lighting. It was the Safety and Security Committee of the neighborhood NRP Planning Task Force that had investigated and recommended the lighting. The members’ motivation was to enhance the safety and walkability of the neighborhood with the lighting. The ornamental nature was secondary. They had the police testify at neighborhood meetings about the safety benefits of this lighting. Among the 47 percent of property owners who did not sign the lighting petition were individuals who did not see the benefit of safety from the lights and objected to the added costs of the “ornamental” lighting.

There was reportedly a great deal of participation at the neighborhood meeting in June 1997. There was also reportedly high volatility. Although the opposition had circulated its own petition with 220 signers against the lighting, the neighborhood’s original petition of 441, representing 53 percent of the private property owned, prevailed. The lights were designed and installed in Prospect Park and paid for 100 percent by the neighborhood’s NRP funds. The installation along residential streets was scheduled to start in the fall of 1999. It was delayed because the city did not order enough parts, because of the winter conditions, and because there was a lawsuit filed by neighborhood opponents to enjoin

them from proceeding. As of this writing, it was assumed that the lawsuit would soon be dropped or thrown out and the lighting installation would proceed as planned.

The petition requirement is a practice of the city council and not a legal requirement of the public hearing process—that is, the installation and assessment of property owners could be adopted by city council at a properly noticed public hearing without the prior indication of support from property owners. But the practice of petitioning dates back to the 1960 installation of street lighting. It reinforces the role of the city council representative as the gatekeeper to a neighborhood’s public works improvements. It also saves the city the cost of sending out letters to property owners, estimated to be \$30,000 per neighborhood, if there is not sufficient support. Since the time of the petitioning for Prospect Park’s lighting, the city council adopted a uniform policy about the percentage of property owned that is to be required on petitions for street lighting assessment—it is now a minimum of 65 percent of the property ownership in all neighborhoods in all wards.

This can be a challenge for some communities, particularly as public landowners do not sign and often churches and other larger landowners find the costs too burdensome. However, many neighborhoods have achieved a high level of acceptance. Others sometimes need more time to gather support and signatures. Sub-neighborhood areas can also ask the city to install and assess them for the costs of these lights. The Department of Public Works requires that it be at least a four-block area—with exceptions for some small business areas—since the initial costs are at least \$5,000 for five light poles.

Other installations of pedestrian-level lighting were specified in the streetscaping plans for commercial areas such as Nicollet and Hennepin avenues. The standard height for this lighting changed during for the installation along Nicollet Avenue. Planners, designers, and area property owners and businesses wanted the lighting to be lower than the fifteen-foot poles that were installed in Loring Park and Stevens Square. Northern States Power had the maintenance contract for the lights and refused to service any lights less than fifteen feet due to the potential for vandalism. Because there was beginning to be enough of these lamps installed in the city to hire and train a crew to do the maintenance internally, the city agreed to install twelve-foot lamps. As an additional benefit, the city’s internal maintenance of the ornamental lights saved at least one cent per pole in the overall costs of operation.¹⁰¹

Pedestrian-level lighting is now being offered as an option to property owners on a neighborhood-by-neighborhood basis as part of the city’s new street renovation program. Recently city staff were asked to prepare a study for the city council about the potential to convert to a citywide plan of installing ornamental, pedestrian-level lighting. The first study of this was in 1997. The past two studies showed the costs to be prohibitive;

¹⁰¹ Although the city achieved some savings by doing internal maintenance of pedestrian-level street lighting, there is still a differential between the cost of maintenance between wooden pole lights and pedestrian-level lights. This cost is estimated to be as much as two to three cents per pole per year. Some citizens have recently complained that those neighborhoods opting for pedestrian-level lights (whether they are paid by a 100 percent assessment of property owners or partially subsidized by NRP) are receiving more than their fair share of public services.

however, if and when a plan to install ornamental lighting across the city of Minneapolis is implemented, it can trace its beginnings to the innovations encouraged by the NRP.

Streetscaping

Great enthusiasm and superior service among city staff were reported during the design phases of streetscaping along commercial corridors or other similar public improvement projects related to NRP. These types of activities were essentially new territory for the staff of the Department of Public Works. Investments in commercial area improvements such as street lighting, benches, trash cans, banners, planters, and parking enhancements were not a large part of the service menu of the department until they were supported by NRP dollars. Some of this support was just for the planning stages to hire consultants—designers, architects, and transportation planners—to create area plans and to suggest improvements. In other cases, such as in the Loring Park and Stevens Square neighborhoods, NRP funds went to install these improvements.

In any case, the city adopted a policy that if these types of street improvements were to be added, the area must also organize a public service district to maintain them in the future. This came from the lessons learned in certain areas improved in the 1970s such as the Cedar-Riverside or East Hennepin, where streetscaping improvements were added but the city did not have funds to maintain the benches or other street furniture. Over the years as these elements deteriorated, the area looked worse than if it had never been improved. Under the new policy, the public service district would then estimate, budget, and self-assess its property owners for the costs of capital improvements and maintenance. The Department of Public Works would handle contracting, oversight, and service delivery.

The new policy of requiring a public service district was a necessary but not sufficient resolution. Some property owners involved in the NRP-funded commercial areas redevelopment found that the quality of the city staff's enthusiasm and responsiveness fell off when it came to implementation and maintenance. Complaints center around the quality of the sidewalk installation and also the maintenance services. Some of the property owners in the public service districts feel their complaints fall on deaf ears, and although they pay an added assessment to provide for these services, their hands are tied in getting satisfaction from the service providers with the city acting as the contractor.

Another shortcoming of NRP is its ability to pull together and keep together the important edges of neighborhoods, especially those that border important corridors. On Nicollet Avenue, some neighborhoods devoted funds to implementation of streetscaping while others did not. And although a number of neighborhoods shared their NRP funds to develop the strategic plan for Hennepin Avenue's streetscaping, many have not followed through with funds for the implementation phase. It is unclear whether the street lighting will have to wait for citywide adoption, be installed along the edges of each neighborhood according to their jointly developed plan, or be installed as part of the public service district along the commercial corridor. On Hennepin Avenue, the streetscaping plan has not been implemented largely because of the immense time and energy required to organize its public service district. NRP offers little structure and few incentives to support extra-neighborhood projects like these.

Traffic Calming and Management

Traffic in neighborhoods was often among the top issues identified in neighborhood plans. This was new territory in recent history for the Department of Public Works. Traffic management within neighborhoods was traditionally the prerogative of each city council member. Prior to 1982, the city of Minneapolis had no master plan for the installation of stop signs in residential areas. Rather each city council member could order the installation of stop signs within their districts. Department of Public Works crews were reportedly very busy six months before each election.

In 1982, there was a moratorium on this practice. The city then adopted a master plan for controls at all residential intersections. The plan called for each intersection to be controlled in at least one direction, and the overall design was to achieve a basket weave—one stop every two blocks in residential areas. At the same time, each council member also received an allocation of ten signs or five intersections per year that they could have installed. The Department of Public Works would rank the others in terms of high, medium, and low priority. Council members also adopted the discipline that any more than their allocation of five in a given year would have to be borrowed from their next years' allocation. Several years ago, one council member inquired as to how long it would take to finish the 1982 master plan of stop signs across the city at their current rate of installation. The answer was thirty-one years. The council then voted to increase the allocation to ten intersections or twenty signs per council member and reduced the time of the plan's completion to fifteen years. According Department of Public Works staff, NRP helped them to rework the master plan to meet neighborhoods' priorities within the number allocated to each council member. Additional signs could also be purchased by neighborhoods for \$125 each.

NRP also brought the department into other new ground involving traffic management within residential areas. "Traffic calming" is a technical term that embraces many of the tenets of "new urbanism." These new ideas and this approach to urban place-making recognize that a street is valuable for more than just moving cars—it helps to define a place and its activities. Parked cars along its edges act to slow down other passing cars and protect pedestrians. The term "traffic calming" involves effort to reduce traffic speed by adding on-street parking or other concrete barriers to narrow streets—"throating"—or adding traffic circles in place of stop signs to slow traffic through open grid street patterns.

During the early days of NRP, many neighborhoods wanted to find ways to deal with traffic within their borders. As many as thirty-five to forty traffic studies, at a cost of \$15,000 to \$20,000 each, were done by local planning and traffic engineering firms. Each study would recommend a number of alternatives for the area to consider. Traditional solutions like turn restrictions and stop signs were most popular. But circles, humps, tables, throating, and diverters were also suggested. The Department of Public Works had one key guiding principle for any traffic management in neighborhoods: it must not push traffic onto other neighborhoods. After these traffic calming devices were suggested, they were usually tested for a period of six to nine months to determine if they

would be effective at getting the results they intended and, to some extent, to measure public acceptability.

Traffic engineers agree that any attempt to manage traffic in residential neighborhoods is met with some of the most contentious responses by citizens. During the early NRP days, some of the meetings about the installation of medians and landscaping on 31st Street in East Calhoun Community Organization (ECCO) neighborhood had to have police present. People don't want traffic on their street, but they are not willing to give up any of their own mobility. The Department of Public Works had not often ventured into the world of traffic management in residential areas during the past several decades for several reasons, including an institutional memory of unsatisfying previous attempts and a lack of staff and funding.

Traffic diverters were placed in southwest Minneapolis in the 1960s in response to many cars cutting through its residential streets to get to Southdale—the nation's first enclosed shopping mall. Neighborhood residents did not like the traffic, and they did not like the diverters. Traffic engineers found disagreement even within a household. A wife would explain to her husband that to drive from the front of the house to its rear could mean a four-block journey. Public officials emerged from that traffic management era with too many bruises to want to volunteer for repeat performances. Besides, there were neither funds nor staff to do too much anyway. Since that time, design and installation of traffic management devices, as well as street lighting, were only considered when an area was undergoing a major repaving program.

In the end, traffic calming with NRP amounted to the first time in years that Department of Public Works staff even engaged in conversations with neighborhoods about traffic management; their primary emphasis had been on arterial streets. Even with NRP funds, the many traffic studies, and proposed traffic calming experiments—circles, humps, tables, throatings—very few resulted in permanent solutions. Again this was partially due to the limited resources neighborhoods could bring to traffic management. The costs of these traffic management installations were too large to share across the entire neighborhoods with the limited NRP funds available. However, the opportunity to study traffic patterns and discuss possible solutions allowed them to learn how complex traffic management can be, particularly from the neighborhood-level perspective.

The experience of NRP-induced traffic management allowed participants to learn what is appropriate and possible at the level of the neighborhood. Traffic occurs within a larger urban system and is difficult to manage with only decentralized tools. One expert suggested that neighborhoods' traffic focus should really be on speed management rather than traffic management. One neighborhood recently used NRP funds to purchase a radar gun to use to enforce speed laws there. The neighborhood learned that its own residents were doing the majority of the speeding and have now pledged to self-police their own neighbors in order to reduce speeds. Another example of self-help in traffic management occurred in Linden Hills. For the first time ever, two traffic circles, which were specified in their NRP plan and cost roughly \$10,000 to install, were paid for with checks collected from area property owners rather than with NRP funds or tax

assessments. The purchase of public services by citizens raising money—that is, paying by means other than fees or taxes—is a new concept in public works finance, one that could raise potential concerns about equity and fairness.

Street Renovation Program

Among the legacies of NRP's public service redesign is the approach outlined in the Minneapolis street repaving program proposed in 1998. In the past several years, the City of Minneapolis finally paved its last oil and dirt street and completed its thirty-five-year residential construction (street paving) program. In 1998 the new approach proposed by DPW was

...to not only deliver basic street infrastructure service, but added neighborhood preferred amenities...The Street Management approach will acknowledge residents' concerns for livability issues such as lighting, traffic calming, landscaping and street signage...to customize roadway elements based on neighborhood input and choice.¹⁰²

This proposal signaled a huge change from prior service delivery styles, which included the power-prerogative system of city council and the expert-prescriptive approach of engineers in public works. This program embodies a systemic view with large-scale neighborhood involvement and consideration of various options for traffic calming and street lighting for neighborhood selection. This approach promises to be more cost effective than incremental changes pushed by decentralized actors under NRP. This program internalizes NRP's approach as its new way of doing business by engaging with and involving neighborhood residents in design considerations rather than the city's formerly more uninvolved, top-down approach.

Vacant and Boarded Housing: Problem or Opportunity

Other examples of public service redesign appeared in the Inspections Division of the Department of Operations and Regulatory Services. There are two main examples both dealing with vacant and boarded housing. The first redesign was to use NRP funds to pay for one-half the cost of demolitions under Chapter 249 of the city code. NRP and departmental staff promoted this innovation at meetings of the neighborhoods involved in NRP planning. This is really the first example of city departments moving toward a more customized approach to public service delivery. Unlike the earlier street lighting program of the 1960s that allowed neighborhoods to “opt out,” this effort allowed neighborhoods to “opt in” to receiving demolitions of vacant and boarded housing. In 1996, twenty NRP neighborhood organizations signed a memorandum of understanding that demolitions would only occur within their neighborhoods with their approval and with one-half the cost being paid for by their NRP funds.

This approach solved a citywide problem related to the growing costs of demolitions to the city's general fund. More importantly, it brought neighborhood residents into

¹⁰² Correspondence to Honorable Dore Mead, Chair Transportation and Public Works Committee from Ramankutty Kannankutty, February 25, 1998, pp. 1–2.

decision-making authority with regard to the housing stock in their neighborhoods. It also helped them to make decisions about the prospects and resources needed to fix and maintain these properties. This redesign was really a temporary solution. Some referred to it as an example of NRP's "reverse leverage"—using NRP funds to pay for what otherwise would have been paid for by the city.¹⁰³ This agreement was the first step to engage both the Inspections Division and key neighborhoods in a dialogue that helped bring about more systemic changes in city's efforts to deal with vacant and boarded housing.

In the early 1990s, the number of buildings on the Chapter 249, Vacant Dwelling or Building, Nuisance Condition list was consistently five hundred to six hundred. The Inspections Division had budgeted \$500,000 to \$700,000 each year for demolitions. In both 1992 and 1993, it had to go back to the city council in June to get more money. In the period 1992–1993, the city also faced a legal challenge about the process used prior to taking down boarded buildings. The city revamped the process so that everyone could participate. But the funding needs kept increasing, with the biggest year reaching \$1.2 million (properties were costing \$8,000–\$10,000 each to demolish).

Even with the revamped process, however, there was no requirement to notify or work with neighborhoods. A memorandum of understanding dated April 22, 1996, between the City of Minneapolis and the Neighborhoods of the City for the Hazardous/Boarded Buildings Program (1995–1998) changed the role of neighborhoods in the delivery of this service. With this agreement, twenty neighborhood associations together allocated over \$3.5 million in NRP funds to demolitions for the four years 1995–1998.

This agreement was truly a watershed in the delivery of demolitions. With this agreement, for the first time inspectors had an obligation and a routine to engage with neighborhood residents about demolishing boarded properties. Previously, it was difficult for neighborhood associations to learn about pending demolitions and for them to intervene. They did not have access to the properties to see if they were worthy of renovation, and they didn't always have the expertise to make such a determination.

With this memorandum, Inspections Division staff notified neighborhoods of properties on the list, and no further action for demolition occurred without neighborhoods' approval. Inspectors regularly met with the housing committees or staff of neighborhood associations to walk-through properties and provide assessments of their potential for renovation—including the quality of structural conditions, systems, traffic flow, lot size, and coverage. Emergency demolitions would still occur without neighborhood approval. When the memorandum of understanding lapsed on December 31, 1998, many

¹⁰³ In a memo to chairs of the City Council's Community Development and Ways and Means committees dated October 31, 1994, the city's director of Operations and Regulatory Services, director of Neighborhood Revitalization program and interim director of Housing Development addressed the scale of the issue and the legality of using NRP funds as "replacement for traditional services that the city has a duty to provide." The rationale developed to support this effort was based on the fact that NRP expenditures had to be in neighborhood action plans according to state enabling legislation. The recommendation in this memorandum is as follows: "Staff believes that education of each neighborhood during the planning process of the need to include funds in their plan to address this issue is the only way to truly begin to infuse additional funds into treating this problem in the City."

neighborhoods had not spent any of their committed funds on demolition. Some treated the financial commitment as a way to stop any further demolition of neighborhood property and to bank NRP dollars for future reallocation. If a neighborhood did not sign on, demolitions could occur as before, that is, paid for 100 percent by general funds and no consultation or interaction with neighborhoods by inspectors. The twenty neighborhoods that participated represented a majority of the properties on the Chapter 249 list. The problem of boarded and vacant houses was concentrated in a few neighborhoods, and each of their neighborhood plans called for attention to these properties, including demolition.

The rate of property demolition slowed during the period the memorandum was in force. In 1995 more than one hundred properties were demolished, and in 1999 the total was less than thirty. There are currently 325–350 on the list; the rate at which properties are coming on the list is slower, and the rate they are leaving is faster. The reasons are that the worst of the worst have been removed and that property values have increased. It is difficult to tell how much of the change is due to the memorandum and how much is due to market conditions. What is clear is that prior to the memorandum, inspectors had little or no interaction with neighborhoods associations. The memorandum expired in December 1998. The Inspections Division has continued to operate without a new memorandum of understanding but still under same principle—consultation and involvement for matching NRP funds.

A new memorandum of understanding was developed with some needed changes exempting commercial properties and fire buildings from the matching dollar/consultation requirement. It is unknown at this point whether those neighborhoods with a greater share of vacant and boarded housing will wish to continue to have their NRP funds allocated for this purpose in the future or expect the city's general fund to cover the costs. It is also unknown whether the system of consultation would continue without NRP funds. It may be that market conditions and other public service redesigns will eliminate the need for this level of close interaction on boarded and vacant housing.

An example of a public service redesign that holds promise for more systemic change involves the development of a temporary occupancy permit and an early warning system for boarded and vacant properties. Several neighborhoods realized that a boarded house is a bigger burden to rehabilitate. Once a property becomes vacant and boarded, it must meet all the city codes prior to regaining a certificate of occupancy. An old structure that is occupied but not boarded faces a lower standard of code compliance. The Central neighborhood had many large historic homes that had been boarded. The cost to bring one of these to modern-day code compliance was found to be as much as 30 percent more than if it had never been boarded. Since much of the renovation costs of homes in this neighborhood come from the sweat equity of the owners, adding another 30 percent or requiring them to have another place to live while their home was being brought into compliance was too expensive. Central neighborhood had developed a close working relationship with the director and deputy director of the Inspections Division, in part through their participation in the memorandum of understanding on demolitions.

As a result of this relationship and a greater understanding of the local conditions, the deputy director of the division devised a temporary occupancy permit. This allows owners to live in the property for eighteen months as long as basic health and safety measures are dealt with and they are progressing toward full code compliance. In the Central neighborhood, in the early 1990s there were 144 vacant and boarded houses in a seventy-two-block area. In the past eight years, they have completed 157 redevelopment plans that detail a scope of work to exceed the standards of the housing code, have identified an owner or developer, and have completed a needs assessment and identification of financing sources for rehab or construction of homes. This led to thirty-seven demolitions, fourteen new constructions, and 106 rehabbed homes. This effort was made possible in part through the system of review put in place by this memorandum of understanding as well as funds from MCDA and the HOMS (Home Ownership for South Minneapolis) initiative—a corporate and philanthropic housing rehabilitation financing source for the Phillips, Whittier, Powderhorn, and Central neighborhoods.

At the same time, the Central neighborhood group got two university interns through the Center for Urban and Regional Affairs to conduct research on how to market boarded and vacant housing—one to conduct research and the other to look at ways to prevent boarded and vacant housing by recognizing the factors or indicators that could predict property decline. As a result, the university funded a pilot program in six neighborhoods to test and refine an early warning system. This early warning system has been tagged as a technology change by the city council, and its further development has been identified as a footnote in the mayor's budget framework, devoting staff time but no specified funds. This creativity and responsiveness was born out of the cooperation built between these inner-city neighborhoods and the Inspections Division. NRP was the entree for these changes to ease through the system.

Key lessons learned were

- **Experimentation can lead to systemic change.** Examples include the approach for the street renovation program and the development of an early warning system for vacant and boarded houses.
- **Some issues need a systemwide perspective rather than a neighborhood-level one.** Decentralization of power and service delivery is not always the best way to plan or implement public services, especially those like commercial corridor streetscaping and traffic management.
- **NRP's current structure and incentives give short shrift to inter-neighborhood cooperation, especially around commercial corridors and other important edges.** Efforts by NRP to encourage and support more attention to these edges or public facilities that serve multiple neighborhoods, such as parks, would protect the NRP investments in the core of neighborhoods. They would also help to direct public and private attention to neglected and potentially ripe commercial areas. NRP could also find ways to channel and support supra-neighborhood projects, as in commercial corridors.

- **The availability of subsidies for street lighting and other improvements in commercial areas led to new investments there and a proliferation of public service districts.** These districts serve as a container in which public and private sectors combine their interests in healthy, well-maintained, and attractive neighborhood commercial areas. The development and maintenance of these districts themselves is as important as the quality of the extra services they produce. Information and guidance from NRP and city staff, MCDA, or private consultants will help to protect these NRP-induced investments.

CHAPTER SIX

INTERGOVERNMENTAL COLLABORATION

A CASE STUDY: SCHOOLS/PARKS/NEIGHBORHOODS

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.”¹⁰⁴

This section focuses on NRP projects involving schools and parks as a case study of intergovernmental collaboration. It describes the level of communication and coordination between these two agencies and among the neighborhoods that is required to design, build, and operate new public facilities. This section looks more at the jurisdictions’ effectiveness in addressing neighborhood needs and priorities than at the cost-effectiveness of their investments.

The Minneapolis Park and Recreation Board (Park Board) and Minneapolis Public Schools (School Board) have a long tradition of joint projects and programs.¹⁰⁵ The key change under NRP was that proposals for public facilities and programs originated in the neighborhoods not in the government. Although NRP intended to increase intergovernmental collaboration, the program’s functional or operational design provided no incentive for agencies to seek collaboration. The invitation to collaborate and its financial reward came only from neighborhood-initiated priorities. Through NRP, these governments share the burden and the glory, not to mention the process and, increasingly, the oversight of their jointly developed projects with each other and with the neighborhoods themselves.

Collaboration between the School Board and the Park Board occurred during the past decade as it had before NRP. There are probably cases of joint projects under NRP that would have happened anyway. But the frequency and size of joint projects increased.

¹⁰⁴ The NRP Primer, 1991, page 1.

¹⁰⁵ For the purposes of this document, the terms “Minneapolis Public Schools” and “School Board” will be used interchangeably.

This was due to both the added resources of NRP and opportunities born from a new cycle of construction by Minneapolis Public Schools. NRP influenced the design, schedule, and cost burden of such collaborative projects. NRP also laid the groundwork for some lasting changes in intergovernmental relations, which may bear fruit as time goes on.

This case examines the work of two collaborating agencies—Minneapolis Public Schools and the Minneapolis Park and Recreation Board—with very different approaches and results vis a vis NRP funding and neighborhood priorities. In the NRP’s early years, the School Board was reactive, setting aside some funds to match neighborhood priorities when they “bubbled up” from neighborhood plans. In later years it formed an internal committee that decided how to spend its set-aside to facilitate the implementation of community schools (such as buying larger desks for bigger kids, for example).

Meanwhile the Park Board in the early years took its “show on the road,” so to speak, and marketed its jurisdictional opportunities to many of the city’s eighty-one neighborhoods. The Park Board’s 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).¹⁰⁶ The Park Board then cooled its enthusiasm for new NRP-funded facilities as it began to anticipate the pending operating costs. 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.”

This analysis examines the most commonly referenced example of intergovernmental collaboration: that of Minneapolis Public Schools and the Park Board. The reader is reminded that this is not intended to be an exhaustive study of all the cases of collaboration resulting from NRP but rather an effort to illuminate the benefits of such collaboration and glean from it lessons for the future.

Although this study is interested in assessing the impact of NRP and the extent to which it met its stated goals, collaboration is not a discrete phenomenon. One could argue that in order to properly assess the extent to which NRP increased collaboration one would need to have a baseline measure of pre-NRP collaboration and compare it with a post-NRP count. This case focuses more 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/organizational changes left in its wake.

¹⁰⁶ Minneapolis Neighborhood Revitalization Program, “Making Visions a Reality: 1990-2000 Progress Report,” January 2000, page 6. TEAMWORKS figures reported in Chapter Two differ modestly for Parks and Recreation (\$13,575,860) because the data captured plan allocations through October 1999, an earlier date than the publication referenced here.

RESEARCH APPROACH

The evaluation team first gathered input from over forty people during the research design phase, specifically inquiring about intergovernmental collaboration. From this input it was determined that the most promising illustration of intergovernmental collaboration was the example of Minneapolis Public Schools and the Park Board. After the initial round of interviews, a second cycle of more-focused interviews were held to identify specific questions and issues to explore and to generate an interview list. We then interviewed twelve informants for this case. Participants in these interviews included people who were directly involved or intimately familiar with the NRP and School Board/Park Board relationship. These included the heads of the respective entities, their staff, neighborhood leaders, and elected officials. Additionally, this study draws upon the NRP PlanNet database, as well as data provided by the Park Board and Minneapolis Public Schools. Key documents such as the neighborhood plans, cooperative-use agreements, project budgets, and official correspondence were also reviewed.

Our inquiry probed NRP's role in creating new working relationships; reducing redundancies in public services; improving communications between and among jurisdictions and neighborhoods; coordinating programs; changing regulations, products, and services; and establishing new accountability standards or new budget or policy priorities. The reader is cautioned to consider that the findings of this report are modest given the small window of actual implementation time involved. (An evaluation finding is that NRP neighborhoods have an average of only 2.8 years of implementation time.) Although the elapsed time of NRP's implementation is nine to ten years, the actual collaborative work started several years into the program and has only recently gained momentum. In the future, the seeds of NRP-induced intergovernmental collaboration may continue to sprout in greater frequency and number than this case study suggests.

The key research questions were

- 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 these changes using data and interviews. It offers three case examples of joint projects between the School Board and the Park Board under NRP—projects of the Whittier, Windom, and Harrison neighborhoods—because they were the most commonly mentioned examples of these collaborations. They also exemplify some firsts. The Whittier school was the first school built in the inner city with NRP involvement. The Harrison Community Center was the first joint project where the neighborhood association used NRP to leverage private dollars to help pay for the facility.

Since 1990 more than a dozen joint projects have been planned and developed using NRP funds. These projects typically involved building structures or making improvements (gymnasiums, classrooms, community activity centers, media centers, playgrounds, neighborhoods offices and meeting rooms, landscaping and related site costs such as land acquisition and housing demolition) on land owned by Minneapolis Public Schools or the Park Board. The partners included 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 it.

In general, intergovernmental collaboration with NRP led to the provision of public facilities in a manner that is described as “more, better, and sooner.” Those neighborhoods that pushed for soldering together public services from more than one jurisdiction in new and different ways benefited from NRP. To some extent, so did the cooperating jurisdictions, which birthed several program efficiencies.

NRP's role in fostering collaboration was critical. NRP funding brought parties to the table to negotiate joint projects, but closing the deals took added effort. Regularly and at significant points in the process, NRP staff were sanctioned by the collaborating parties to serve as broker, facilitator, mediator, or innovator. Parties on all sides of the table consistently recognized the talent of the staff of NRP when it came to negotiating compromises between various parties and creating solutions about resources, design, implementation, and operations. The respect and attention paid by these staff to each collaborator at key intervals lubricated the deals born of these intergovernmental collaborations.

“Buy-in” to NRP goals among the School Board and the Park Board grew over the period of NRP implementation. NRP funds helped bring people to the table, but they were not always available to spend on each jurisdiction's main program objectives. Generally these additional NRP funds were spent on items that the Park Board or School Board would not have otherwise purchased or would have given a much lower priority. This was especially true for schools that do not build playgrounds or put in landscaping as part of school construction or construct high-quality gymnasiums.

Schools were strongly motivated to *get in* to NRP-related joint projects by their needs for expeditious community approval for required facilities (like the Whittier or Harrison cases). 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 when the competing demands raised the emotional toll of negotiations or increased costs beyond the available funding. NRP staff have built a reputation for being creative problem solvers throughout the last decade, which helped to close a number of proposed collaborations.

A favorable set of conditions external to NRP provided the foundation for collaboration. During the period of NRP implementation, some key changes took place in the institutional milieu. Especially germane to this case is the fact that Minneapolis Public Schools shifted its service delivery from a district-wide lens under mandated desegregation rule busing to the eventual implementation of community (-based) schools. In addition, the district has had three different superintendents, the second of which was a contractor who instituted performance-based management.

The past ten years found the district in a mode of expansion after an era of retraction during the 1980s in which it closed eighteen schools in one year and twelve more the next. Since the early 1990s, Minneapolis Public Schools has brought back on-line a number of schools that it had closed and built several new facilities, including four new school facilities in North Minneapolis during the period 1999–2000. These shifts enhanced the responsiveness of the Minneapolis Public Schools 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. In addition to project-specific design conversations, there were monthly project-management meetings between the staff of the School Board and that of the Park Board and monthly NRP meetings within Minneapolis Public Schools. All of these led to new working relationships 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.” Despite a long tradition of School Board/Park Board collaborations, NRP projects were different than what the jurisdictions would have created individually or even through collaboration with each other. The addition of neighborhood input and funding fundamentally changed the nature of the collaborative projects in terms of size, quality, design, location, and timing. In addition, most agree that citizens value (and perhaps use) these facilities more than they would have without having invested in the NRP process.

More. A number of new facilities or expansions of existing facilities were undertaken with the assistance of NRP funds. 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 not only got more facilities, they got better access to existing facilities. During the last decade, the implementation of NRP and community schools spawned a fundamental change in the expectation about who could use schools. During this period, for the first time, Minneapolis Public Schools opened its facilities (gymnasiums and media centers) to community use at night and on weekends. The development of more joint facilities with the Park Board and the fact that more of the kids came from the surrounding area helped to ease the School Board into providing increased community access and the neighborhoods into greater community ownership.

Better. The product offered by government improved by combining the resources of collaborating jurisdictions and NRP. The Park Board's gymnasiums are of better quality than those built by the school system. These are healthy and safe gyms, which use materials that are not as bad for your knees and can accommodate a greater variety of uses than the typical elementary school gym. They have wooden floors and room for seating and scoreboards as opposed to concrete floors with linoleum tiles. Among the beneficiaries of these higher-quality gymnasiums under the NRP program are Seward, Whittier, Harrison, Armatage, and Windom.

In terms of playgrounds, the Park Board has a different standard than Minneapolis Public Schools for the quality of equipment and for who does installation—the Park Board uses mainly its own union workers and contractors. Funds and flexibility found in NRP allowed the School Board and the Park Board to swap land so that a playground built adjacent to a school could be installed by volunteer labor from school children's parents and neighborhood residents.

Due to NRP, many Minneapolis schools now have playgrounds, landscaping, and media centers. These are lower priorities for the School Board than the basic maintenance and repair of the schools' physical plants. It is too soon to tell if one day the basic package of school facilities will include all the additions of the NRP-funded ones. But is it interesting to see that community rooms or neighborhood offices appear in the designs for two of the new schools being constructed by Minneapolis Public Schools.

After instituting community schools and working with neighborhoods through NRP, Minneapolis Public Schools wanted to build community rooms into each of its new school designs. After doing this for two of the four new schools (Cityview Community School and Jordan Park K-8 School), the School Board found it to be too expensive. It adopted a policy in the fall of 1998 to offer to build a community room if the community had the funds to pay for it. The Cleveland neighborhood did put \$100,000 toward that effort in the Cleveland Park Area K-8 School, but Hawthorne neighborhood declined. This policy stems from the School Board's experience working with NRP groups and hearing about how they value community meeting space. It also symbolizes the fundamental shift by Minneapolis Public Schools during the last decade toward a policy of engagement with the neighborhoods in which its schools are located.

Challenges with specific sites brought about by shared uses on limited building-lot sizes were also seized as opportunities for product improvement. Fitting additional parking and multiple uses on one site led to a number of innovations in facility design, including: (1) placing parking underneath the building at the Whittier park/school to minimize amount of land required, (2) addressing security concerns from the design stage with Harrison and Whittier and accessing experts from the Department of Children, Families & Learning, and (3) designing Jordan School for the future addition of a gymnasium /activity building by Park Board.

Neighborhood priorities did drive location decisions, and jurisdictions gained flexibility in working with them. Minneapolis Public Schools in particular gained experience in working with neighborhood residents for the first time. It was said that it was the passion of the Whittier neighborhood that finally led the School Board to place the school in Whittier Park. The siting of Whittier probably would not have happened without the Park Board paving the way with its planned improvement and its willingness to design a joint facility with the School Board. It also required the School Board to reduce its standard lot size. In contrast, when the Park Board and School Board sought co-location in Hawthorne, the priorities of the neighborhood resulted in it being located elsewhere. The community felt that the park was already overloaded with recreational activities, and they did not want to lose any of the surrounding housing stock.

Minneapolis Public Schools now routinely uses the NRP-designated neighborhood organizations to identify potential sites for new schools within neighborhoods. As one school official said, “we now know who to talk to.” These neighborhood associations, in most cases because of NRP’s planning process, have looked at their community and considered which areas can be redeveloped. This preparation reduces the time it takes the jurisdiction to gather community input itself and increases the neighborhood buy-in for new construction projects. Another side benefit to NRP’s revitalization mission is the School Board’s willingness and ability to work with neighborhoods to target housing for demolition. In cases like in Jordan and Whittier, their site selection eliminated houses that were overrun with drug dealers or were badly deteriorated.

Sooner. The Park Board’s project priority list for capital improvements changed significantly over the last ten years. This evolved from neighborhood priority setting and the availability of NRP funding, as well as from the monthly meetings instituted between the planning staffs of the School Board and Park Board. In several cases, 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 other cases Park Board priorities prevailed but often after a waiting period. When the process of intergovernmental collaboration in the context of neighborhood priorities became too mired in conversation about a shared project, project funds that the NRP funds could leverage were lost to the next “ready” parks project. In the case of the Windom Open School/Community Center, the Park Board reallocated \$710,000 to Pearl Park after several years of negotiating with the Windom neighborhood. (Windom

eventually got \$200,000 from the Park Board.) There were other cases where 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.

The new status achieved by neighborhood organizations in NRP projects challenged collaborating governmental units in new ways. Although it is probably not a large enough sample to predict a trend, it is evident from these three cases that neighborhoods not only negotiated more and better public services to address their local priorities, but they negotiated successively more resources to the neighborhood associations themselves. The neighborhood associations, as official NRP groups, are organized as private non-profit organizations not as instruments of government. And although their proposals did receive approval from the elected city council, the designation of these public resources to private uses, for example, neighborhood offices, is not embraced by all of the intergovernmental partners. If it is a trend, the evolution from being able to gain more public resources to an expectation of specific private benefit in the form of neighborhood offices is the ultimate empowerment.

Interestingly, these lines of public and private are not well defined. An expression of the acceptance of neighborhood associations as worthy of public resources is the regular inclusion of rooms for them (without their being specifically requested) in two of the four new schools being built by the Minneapolis Public Schools. The attitudes and relations of the Minneapolis Public Schools toward neighborhoods have undergone a change over the past ten years—from hostile to embracing. It might be argued that the opportunity to develop new schools and joint School Board/Park Board 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 continues to use them. Although the Park Board solicited neighborhood organizations to devote their NRP funds for park resources, 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. Unforeseen costs include the transaction costs of increased governmental collaboration, especially with communities. NRP funds were controlled by neighborhood associations. This included them in the negotiations regarding the specification, design, and use of facilities. As a result, the projects took longer to design than they would have otherwise. With NRP-led School Board/Park Board collaborations, the design and development process lengthened sometimes by a factor of three. The typical new school design takes six months. The Harrison School/Park took one and one-half years. The Windom project started in 1991 and was completed in 1999.

There are countless hours spent on setting the parameters of the project, completing cost estimates, getting funding commitments, and redesigning the project to meet priorities and budgets. The numbers of meetings, especially at night, that are required to work across agencies and with neighborhoods were more than anyone thought would be

required. In the case of the School Board, many staff who initially agreed to participate in neighborhood NRP planning meetings could not sustain their attendance. Despite this higher time commitment needed for collaboration, all parties agreed that although it was not the most efficient process, it was necessary, and the results were most often better.

NRP's focus on capital expenditures tended to overlook the future burden of operating and administrative costs. Agreements did not require collaborations to provide for or justify their additional operating expenses. This led the NRP Policy Board to institute a policy (in 1994) that no new facilities can be built without identifying a source of operating costs. This was a big change from the early years, when its effort was directed toward gaining additional capital dollars. This is also a major reason that the Park Board is seeking a new referendum this fall to cover the operating costs of its facilities. It is possible that as a result of NRP, the citizen's market basket of public services now contains more parks and recreation resources than before. It is not clear what other part of the tax dollar got squeezed to do so. But it is equally possible that since capital expenditures are lumpy—they require big outlays in one year that pay off over many years—this is all part of a long-range investment cycle that the twenty-year NRP program design intended to enhance.

In either case, the remnants of this lack of foresight with regard to operating costs have left some unresolved issues of accountability surrounding who is responsible for these costs among the collaborating partners. This is not new—apparently the Park Board and Minneapolis Public Schools have had struggles about sharing resources in the past on such projects as gyms and ball fields. But if it were possible to avoid conflict by addressing these issues during project development, it would be more conducive to sustainable intergovernmental and neighborhoods relations.

Another hidden cost involves both negotiating and managing the use and access of shared facilities without a frame of the bigger picture. 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. However, because of its devotion to neighborhood priorities, NRP did not address or perhaps even recognize the citywide or systemwide priorities of schools and parks, such as needs for maintenance and repair or staffing. The process built relationships between neighborhoods and the planning and construction sides of the Park Board and the School Board. But it did not build them between policy, budget, or administrative staffs. These people who have the bigger picture did not often work closely with the neighborhoods.

Traditionally, the Park Board has provided the athletic facilities—gyms and practice fields—for the School Board. NRP brought more community "ownership" to park facilities but did not take into consideration the fact that these facilities serve citywide athletic events of both the School Board and adult recreation programs; there remains a conflict or mismatch between the perception and reality of public facilities. With the addition of a third element—the neighborhoods and their expanded expectations of use—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 of the Park Board and the School Board are not well communicated or understood. Neighborhood associations and neighborhood-based development organizations have had to learn about these constraints while negotiating use of facilities after they were built—facilities they helped to plan and fund. The tension between citywide or systemwide priorities and neighborhood priorities continues today. Due to the nature of NRP’s grassroots process, the School Board and the Park Board may have missed an opportunity to provide NRP’s customers with a better understanding of the wider system needs and interests.

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

THE WHITTIER DREAM: COMMUNITY IS POSSIBLE

This is a story of a “beautiful deal” as described by many who helped to shape it. Whittier was among the first group of six neighborhoods to go through the “NRP planning process,” beginning in 1990-1991. They were provided with few constraints in terms of what was possible or plausible and encouraged “to dream and vision it out.” 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”¹⁰⁷ and the adoption of community-based schools by the Minneapolis Public Schools. It demonstrates the flexibility and innovation of NRP funding that was needed to bring a project to 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.

The initial Whittier plan was developed by the staff of the Whittier Alliance and reviewed by the neighborhood. It called for constructing more low-income housing, which the neighborhood rejected. There was greater interest among some neighborhood residents in using NRP to invest in community facilities than in building more affordable housing. The neighborhood organization’s leadership changed, and the plan was reworked. The 1992 document prominently features the following priorities: create a community center to serve all residents, create a neighborhood school (grades K-8 with community education), create a neighborhood-based teen program, and create a comprehensive neighborhood recreation program.¹⁰⁸

The joint facility built from this collaboration of the Park Board and Minneapolis Public Schools with the Whittier neighborhood includes a gymnasium/community center, an elementary school, a neighborhood early learning center, 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.) The project was completed in December 1996.

¹⁰⁷ Whittier Neighborhood Action Plan, July 13, 1992, page 12.

¹⁰⁸ Whittier Neighborhood Action Plan, July 13, 1992, pp. iii-iv.

The original Whittier plan—the dream—had a price tag of \$29 million. It was not until sometime later that the neighborhood learned that its allocation was \$7.766 million. The group went back to the drawing board to reduce the size of its dream. Initially there was a proposal to enlarge the park. When the neighborhood learned that the existing park building was not useful for youth activities, it focused on the building’s repair and construction as a multi-service center at the park. This was to include a new gym added to the existing community center plus a place for the county’s social services to be delivered. The community feared attracting ex-offenders to the park, especially as it was overrun with drug use. The community circulated a petition that called for opposing the park building’s expansion until addressing the existing program and operational concerns.¹⁰⁹ The Park Board responded by hiring a new director for the park building, and he did a good job of cleaning up the activities in the park. Others began to support the gymnasium. Soon it was approved, and it began to be designed.

The NRP plan also continued to specify the school. According to one participant in the process, the neighborhood proposed the school even though they thought it would never be approved. The community had lost its neighborhood school in the 1980s. The neighborhood wanted to make a statement: “Whittier neighborhood kids travel every day by bus to fifty or more schools in the city and the neighborhood wants a school for neighborhood kids in the neighborhood.”

In the process of preparing the plan, the community reportedly offered its whole NRP allocation to the School Board if it would build a community school, but it could not commit. In order to build a community school in Whittier, the School Board had to seek a variance from the state under its busing mandate. Indeed the neighborhood’s plan acknowledged the challenge facing Minneapolis Public Schools in establishing such a school, given their federal desegregation ruling. It responded by allocating \$78,000 of the NRP funds to study this issue. Minneapolis Public Schools got its approval in June of 1995 on the heels of the city’s adoption of its housing principles. The state said that if the city would agree to rectify housing by race and income, the School Board could institute community schools.

About the same time, the School Board realized that it was facing a severe shortage of classroom space in the coming years. It had an unanticipated increase in enrollment of 1,500 students. It was also in the midst of a class-size referendum. The School Board needed to build three new schools. The Whittier neighborhood lobbied hard to be one of the three sites, and the School Board had to reduce its size requirement to consider Whittier Park due to its limited size. During the development process, houses across the park that had been in limbo since the school was suggested were sold and vacated. Fire claimed three of the houses, and the block was acquired to expand the park/school site.

The Park Board had completed the design of its gym by the time the School Board and the neighborhood got together. Once the school was approved, the School Board and the Park Board had to change the design to fit the school on the property. By putting the school and gym together they increased the size of the gymnasium to a three-quarters

¹⁰⁹ Memo to Mayor Don Fraser from Bob Miller, June 29, 1992, page 3.

gym rather than a one-half gym. When they realized that the community would not give up any additional houses for parking, the School Board did what it had never done before—it designed the school to be elevated with parking underneath. The proposed community complex also included a neighborhood early learning center. Its construction costs were minimized by using two of the walls of the school gym/facility. Even so, in order to get this center built, NRP staff worked hard on a number of creative options to help obtain financing with non-NRP funds for the Minneapolis Youth Coordinating Board for its early learning center. In addition to the funds from the Park Board and Minneapolis Public Schools, Hennepin County contributed a small amount of its NRP funds to this project.

The facility opened in fall 1996. The neighborhood was not as involved with building design and programming as neighborhoods have been with other schools/parks projects. The shared-use agreement involves two parties: Minneapolis Public Schools and the Minneapolis Park and Recreation Board. But the neighborhood imprint remains. The summer after the project was finished, the community was one of eight inner-city neighborhoods to receive a grant for after-school (summer) youth programs. The community promoted an arts theme to help connect it with surrounding art institutions, such as the Jungle Theater, Intermedia Arts, Children’s Theater, and Minneapolis Institute of Arts, and the complex was called the Whittier Community School for the Arts. The School Board recruited a principal with an arts focus to build a unique educational program there. The community continues to build on that art theme in its other revitalization work.

WINDOM: STAYING POWER OF COMMUNITY VISION

In this example, 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 Windom Open School/ Community Center project included building a new gym and converting an old gym into a media center and classroom. It yielded a full-time parks employee to manage the space and activities, a place for congregate dining, an assembly/performance space, a shared kitchen and office, and a workroom. The neighborhood association got priority access to meeting space and exclusive use of 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. (It managed to get an additional \$700,000 added to its original NRP allocation of \$900,000.)

After the district closed the area’s school in the 1980s, it was used by the community as a center for seniors and community groups. In 1986 the neighborhood group worked to get a tot lot built at the school site. In 1989 when the district reopened the school, the neighborhood could no longer use the space. In 1991 NRP was started, and Windom was one of the first six neighborhoods to begin the planning process. This community had been repeatedly named in studies over the past thirty years as one in need of parks. Having lost their use of the school, and except for the tot lot “the one neighborhood with

no park land or services (in the entire city),¹¹⁰ the community made a priority of getting a gathering place out of NRP.

There was increasing animosity between the neighborhood and the School Board. The neighborhood had asked for three years for the two groups to find a way to work together on this project. The School Board was not interested in participating in a joint project. Building a gym at that site was reportedly a low priority for them. They did not have the money or the motivation. According to those involved, even the PTA asked the neighborhood why it thought there should be a community center at *their* school.

The neighborhood had identified some resources from the Park Board to match its NRP dollars. But there were no suitable sites in the neighborhood. When the school looked like it was not an option, the neighborhood considered purchasing six houses, tearing them down, and vacating the street. Then it explored buying a church to operate as a multi-tenant space, including the Park Board as one tenant, but couldn't identify enough other tenants to make it work. Available industrial land to the south was too expensive. After these more than five years, the Park Board's set-aside of \$710,000 went to Pearl Park.

In late 1995 a new principal and a site-based management team asked the neighborhood if it was still interested. Despite the hard feelings from previous attempts to work together, when the neighborhood realized this was its only viable option, things changed. The attitude of the new principal helped to rebuild trust. Also key to the success of this project was the use of a trained mediator/facilitator, an NRP staff person, who helped to structure the conversation between the neighborhood, the School Board, the Park Board, and NRP staff.

Although there was agreement, there was still not enough money. One neighborhood participant recalls they didn't know how much money they might have to devote to a project. They found out after their NRP plan was done how much they were going to get. In the end, the Windom neighborhood actually got more NRP dollars than it had originally been allocated. The Park Board contributed \$200,000 to the project, and the School Board found money for a science classroom.

In the early negotiations, the school lobbied for NRP funds to go toward building another classroom in the school. The neighborhood said NRP had to give the school a Media Technology Center to get it to cooperate. The school also got an additional bonus when a city grant writer got it \$30,000 worth of new computers, which are also used at night by adults. Some participants remember the meetings deteriorating into screaming matches. In the end, the community got a gymnasium and park programming for the first time. The neighborhood got its meeting room and a dedicated storage closet but was disappointed to learn that the pipes for the science laboratory above would take up some of the hard won storage space.

The School Board, Park Board, and neighborhood worked together. The School Board was not used to working with neighborhoods. It took many meetings but ultimately

¹¹⁰ Correspondence to Robert Miller from Windom Community Center Committee, June 25, 1996, page 3.

turned out very well. The Park Board and neighborhood both have twenty-year leases, and the Park Board manages the shared space. The neighborhood's agreement is renewable every year. It took a long time to work out their shared-use agreement. According to one neighborhood leader, "Neighborhood people have to be so strong—it's so easy to bowl us over." The school uses the gymnasium during the day. It has priority of use on the entire facility except for the community room, for which the neighborhood has priority. Typically the community room hosts kindergarten and pre-school in the afternoon and is used for neighborhood activities in the mornings. The Park Board runs all after-school programs, which serve as many as forty kids from the area. Programming was a major contribution this neighborhood never had before. Said the neighborhood activist of the project, "I tear up when I see the kids use it."

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); a gymnasium for school and community use; community activity space; meeting rooms; and offices of the Harrison Neighborhood Association, including a youth employment office. 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. 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.

This School Board/Park Board project had very different dynamics. First, the neighborhood and the School Board had a long history of animosity. This was due to the fact that the School Board located a facility for emotionally disturbed children in the neighborhood in the 1960s without any consultation. This type of school is the last stop in a series of steps for children with problems staying in the school system. It is a highly disciplined program in a locked facility that serves children from throughout the district. Then the School Board closed the neighborhood school in the 1980s. In 1995, again without consultation, the School Board built a new school. This general education school was not only designed without any neighborhood input, the School Board then named it West Central Academy without asking; the community would have preferred to call it Harrison School. When this school was being built, the neighborhood asked the School Board to relocate the existing school for disturbed children outside the neighborhood. The School Board said it would, but it couldn't find a place. This left the relationship between the School Board and the Harrison neighborhood in poor repair.

Second, the School Board was highly motivated to make this project work. The school district needed to construct a new school for disturbed children soon and looked all over the city, with the help of MCDA and others, to locate a new site. No one wanted it. Then the School Board got the idea to ask the neighborhood association. Minneapolis Public Schools was facing mounting pressures to replace the Harrison facility. 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. There was one room with a ping pong table and there was a garage. The West Central Academy was located along one edge of the park. The neighborhood was creating its NRP plan and had a number of neighborhood-wide meetings. It agreed to allow the school for disturbed children on the park grounds if the neighborhood could also have a new community center, meeting rooms, and offices there.

The neighborhood elected a subgroup of people to work with the Park Board and the School Board to negotiate issues and design. The issues included preserving site lines to downtown, maximizing open space, and dealing with security issues from the school for disturbed children. At one point the meetings got so contentious the School Board had to “fresh start” the whole thing—it brought in a whole new staff for the project. It also brought in experts from the state’s Department of Children, Families & Learning to help design a facility to be shared by emotionally disturbed children and community users. There was a great deal of concern about security issues that these experts on children with such problems helped to address. This resulted in a more enlightened design.

Harrison Neighborhood Association put in \$300,000 of its NRP funds and raised another \$400,000 from private foundations, so it contributed a total of \$700,000 of the \$1.85 million for the community center portion of the project. The total project cost was \$9.5 million. They also helped to raise \$800,000 from the afterschool program of the Minnesota Department of Children, Families & Learning. In exchange, it negotiated a meeting room, a neighborhood youth employment office, and a neighborhood office, as well as 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.

Even though the Park Board and School Board had already done joint work under NRP in Whittier and Windom, they never really had to work as closely with a neighborhood association before—especially one that brought resources above and beyond the NRP allocated funds to the project. There was and, as of this writing, continues to be animosity, particularly between the Park Board and the neighborhood association, about issues of shared use. Both sides see the other as being unreasonable and inflexible. Meanwhile Minneapolis Public Schools, which fronted all the money to build the school, is waiting for a \$700,000 payment from the neighborhood association to cover its already expended costs. The neighborhood association is still using its funds as leverage to get the Park Board to be more flexible in its use policies. The major issue is that the Park Board would like to have uniform policies throughout its fifty-one facilities citywide. It views its operations and programs as citywide. The neighborhood association wants access to the facility at times when the Park Board does not have staff scheduled (after 8 p.m.), and the neighborhood association does not want to pay fees for such special access. In addition, the Park Board and School Board have liability issues about who can open the facility. All parties are working hard and remain hopeful that the problems will be resolved. A shared-use agreement should be established in the next several months.

KEY LESSONS LEARNED

Our effort to illuminate the effects of one case of intergovernmental collaboration provides a great deal of information. The following attempts to transform this case into a few kernels of knowledge for the future. This chapter underscores the following lessons:

- Collaboration is time-consuming and requires practice, building relationships, improved communications, and trust.
- Collaboration makes more-effective use of funds and produces a better product that is more appreciated by its users.
- Future operating, maintenance, and management expenses and issues created by the construction of joint facilities need to be considered during the early negotiations. Avoiding conflict by addressing these issues during project development is more conducive to sustainable intergovernmental and neighborhoods relations.
- Due to the nature of NRP's grassroots process, the School Board and the Park Board may have missed an opportunity to provide NRP's customers with a better understanding of the wider system needs and interests. Participating governments would be well served to put their projects into the context of organizational missions and constraints—especially citywide priorities—when negotiating their neighborhood projects.

CHAPTER SEVEN

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.¹¹¹ 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.

¹¹¹ 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 this 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.¹¹²

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

¹¹² 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 as 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
MINNESOTA OPINION RESEARCH, INC.
CITYWIDE SURVEY

APPENDIX C

KEY INFORMANTS

APPENDIX D

TEAM MEMBER BIOGRAPHIES
