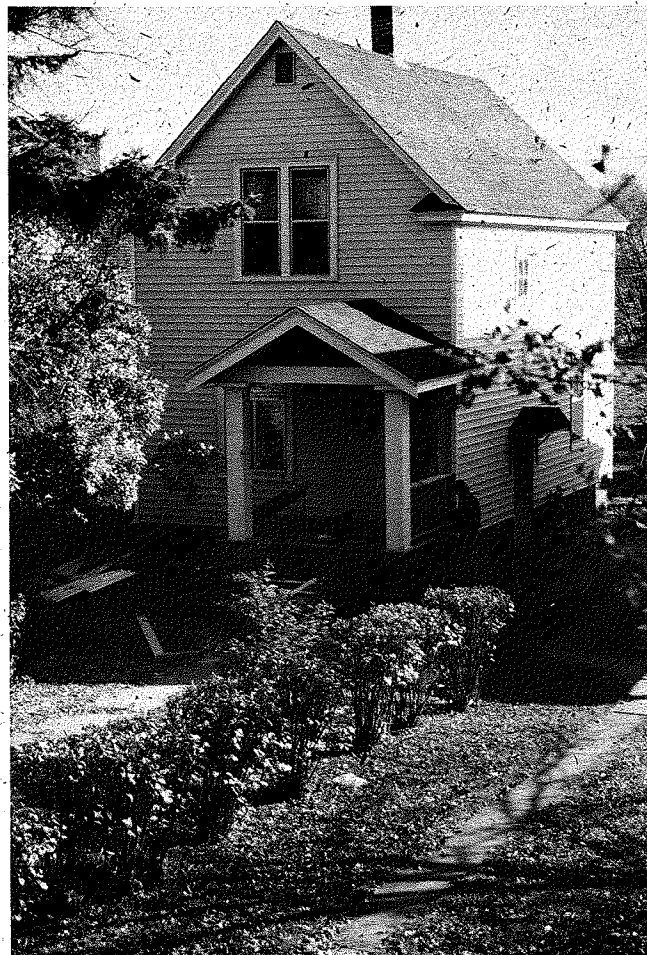




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Evaluation of the State-funded Urban Revitalization Action Program (*URAP*)

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This report was prepared in accordance with *Minnesota Laws*, 1989, Chapter 328, Art. 6, Sec. 19.

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Evaluation of the State-funded Urban Revitalization Action Program (URAP)

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Evaluation of the State-funded Urban Revitalization Action Program (URAP)

Executive Summary

The 1989 Minnesota legislature directed the commissioner of the State Planning Agency to monitor the planning, development, and implementation of the state Urban Revitalization Action Program (URAP). In compliance with the legislative directive, a team of policy analysts from State Planning met with citizens, neighborhood organizations, and city officials from the cities of Minneapolis, St. Paul, and Duluth. Complete access to information was provided. This report could not have been properly prepared without their cooperation.

In evaluating each of the cities' programs, State Planning's goals were threefold:

- determine if there was adequate citizen participation in the planning,
- determine if the programs were meeting city objectives in addition to the statutory objectives, and
- verify the extent of private funding.

A number of controversies have arisen in recent months over projects funded by the URAP program. In St. Paul, for example, the program received negative publicity when it was reported that a house renovated under the program was being sold to a buyer with political connections to city officials. Also, a proposal to award funds to a nightclub that had been a source of neighborhood controversy drew mention in the media.

These controversies are a byproduct of allowing local governments and neighborhoods the flexibility of determining how state aid is to be spent. This evaluation, however, was not designed to examine any individual project but rather to give a comprehensive assessment of whether the URAP program is meeting its objectives.

Findings

Overall, the State Planning Agency finds that the URAP program is working well and is doing what the legislature intended. More specifically, we reached the following conclusions:

1. Each of the cities have complied with the legislative requirements to develop a comprehensive citizen participation process. Citizens in each of the three cities were actively involved in establishing the URAP program.
2. Although the planning process is complex, it is simpler and more flexible than federal requirements for similar housing programs. Still, the state requirements for an annual planning process, which includes public hearings, and review and comment by three state agencies, are time-consuming and excessive. Some neighborhood representatives in Minneapolis felt that the advisory council process added another layer to the review process, making it cumbersome.
3. Minneapolis, St. Paul, and Duluth are meeting their own program goals and objectives. Because Minneapolis elected not to spend its URAP funds in concentrated areas within the targeted URAP area, however, the visual impact was more diffuse than in St. Paul and Duluth. Minneapolis used URAP funds to augment other city-wide programs and distributed them over a greater geographical area, although within the targeted URAP area.
4. The allowance for flexibility in the use of the state URAP funds was mentioned most often as the most attractive aspect of the program. For

example, a wider range of people qualify for housing improvements than would qualify under most existing housing programs. Also, URAP dollars can be used for new construction with less restrictions than federal Community Development Block Grant (CDBG) funds. URAP funds may be used to assist businesses that are too small to qualify for Small Business Administration (SBA) loans.

5. All three cities have complied with the statutory objectives in each of the following areas: the establishment of targeted neighborhoods, benefits primarily to persons and families of low- and moderate-income, alleviation of blighted conditions, measurable goals and objectives for URAP-related activities within the targeted neighborhoods, and financing programs and budgets identifying the financial resources to implement URAP.
6. The only state criteria in place to insure that the URAP program benefits those with low- and moderate-income is that the URAP money be spent in a geographical area (selected using statutory

criteria) where low- and moderate-income persons reside. URAP projects matched by federal CDBG funds have additional guidelines to insure that projects benefit low- and moderate-income families.

7. The cities meet and exceed the requirement that 50 percent of URAP funds be spent on housing. Minneapolis used approximately 62 percent on housing, St. Paul used approximately 60 percent, and Duluth used over 90 percent of their URAP funds on housing.
8. The availability of URAP funds has successfully leveraged private funding. In St. Paul, the ratio of private dollars matched for every public dollar was over 2:1, in Duluth, the match was approximately 1.5:1, and in Minneapolis, the match was a little below 2:1.
9. The Legislative Audit Commission (LAC) and three state agencies are involved in monitoring, auditing, and evaluating URAP. The reporting requirements are excessive.

Recommendations

1. Consideration should be given to requiring that the URAP program adhere to the more strict federal guidelines to insure that only low- and moderate-income persons benefit from the program.
2. The state's review process should be biennial rather than annual. After initial plan approval, cities should not be required to go through multi-agency review and additional public hearings unless there is a substantial change in the original URAP submittal. A simple notification of change should be filed with the Department of Trade and Economic Development (DTED) for a determination on the need for an additional public hearing or formal review.
3. By eliminating the formal annual review process by State Planning, DTED, and Minnesota Housing Finance Agency (MHFA), state funds could

be released earlier by DTED. Early release of funds would reduce local uncertainty and could save construction and labor costs. The cities should request that the legislature provide them with the added flexibility to use funds from the second year of the appropriation in the first year, for projects with higher front-end costs. This would allow start-up and actual construction of the more expensive projects with high site preparation costs, while allowing other lower cost projects to begin at the same time.

4. The state should develop a team approach to monitor and evaluate programs when two or more state agencies are involved. This would help eliminate any duplicative or excessive reporting requirements.

Introduction

This report has been completed in compliance with Minnesota *Laws*, 1989, Chapter 328, Article 6, Sec. 19, which states that "The Commissioner of State Planning shall monitor the planning, development and implementation of the Urban Revitalization Action Program (URAP) and provide an interim report to the legislature by January 1, 1990 and a final report of its findings due by January 1, 1991." This is the final report.

Because the URAP program runs independently in each of the three cities, we have reported on the planning processes and program objectives of each city separately. We begin with Minneapolis and proceed to St. Paul and Duluth. The cities were permitted under law to use different planning methods, but all had to involve citizens. Consequently, citizen participation is a key focus of the evaluation.

In evaluating each city's plans and program objectives, we provide a brief summary of the programs, both ongoing and proposed, and show how the

programs relate to city objectives. Each city has significant flexibility in how it can spend the state funds but must have a sound plan. We examine how each city is planning to spend its money and the extent of private financing on city projects. Finally, we evaluate whether or not the cities complied with the statutory objectives that the funds go to targeted areas, having low- and moderate-income households and blighted neighborhoods, and that the programs have measurable outcomes and a sound financial plan. In addition, at least half the state funds must be spent on housing, and state dollars must be matched by local dollars.

This analysis leads to several conclusions about the effectiveness of the URAP program and how it might be improved. Because the state reviews and monitors URAP proposals from the cities, the evaluation includes analysis and recommendations on the state review process.

Evaluation Goals and Methods

Statutory Requirement. The Minnesota legislature set the evaluation requirements (*Laws of Minnesota* 1989, Chapter 328, Article 6):

- determine if there is adequate neighborhood participation in planning, drafting, and implementing of the programs.
- determine if the programs are effectively meeting statutory objectives and the objectives in the programs themselves, as decided upon by the cities.
- determine the extent of private funding on the projects.

This evaluation is not designed to answer the policy questions of whether this type of program should be funded by the state or whether this is the best approach to urban revitalization.

Methods. The evaluation relied on analysis of reports and personal interviews with program staff. First, we reviewed reports that the cities had submitted to the state and, when necessary, obtained additional information from the cities. Second, we

conducted extensive interviews with city staff, neighborhood associations, and a contractor who was awarded a grant. Our goal was to verify that the information in city agency reports accurately reflected how the plans were made, the degree of citizen participation, and the ultimate use of the funds. Third, we visited a sample of projects in each city to see what was done and who benefited. Throughout the evaluation, city staff, neighborhood groups and contractors were very helpful.

Limitations. By agreement with the cities, the evaluation was limited to 1990 plans and funds. Our interpretation of the law suggested that it was not appropriate to review the funding of earlier years. Because the programs in the cities are changing, we also believe that the most recent year is the best indicator of how the programs are working.

The focus on the 1990 programs meant that we observed these programs in about the middle of their implementation stage (in November and December,

1990). The city and local developers had completed some projects, but other projects were in various stages of planning or construction. Necessarily, this evaluation concentrates on the planning and implementing process; it does not evaluate the total work done under the program.

By law, the cities must submit extensive reports to the state in March, 1991. These reports will give a more comprehensive picture of the accomplishments under the program than this evaluation. Financial auditing is the responsibility of the legislative auditor, who is to conduct an audit by the end of each calendar year.

History

In the spring of 1986, at the request of local legislators and city officials, Governor Perpich toured Franklin Avenue and adjacent neighborhoods in Minneapolis. As a result of these visits, the governor committed staff to work with Minneapolis and St. Paul to develop a legislative proposal to assist distressed neighborhoods.

In May of 1987, legislation was passed creating the Urban Revitalization Action Program (URAP). The legislation provided \$9 million over two years for neighborhood improvements in the most distressed areas of Minneapolis and St. Paul: \$5.1 million to Minneapolis and \$3.9 million to St. Paul. The two cities targeted six areas for revitalization with state funds, based on criteria in the law.

To be eligible for URAP, a neighborhood must meet specified distress criteria. URAP funds must be matched dollar-for-dollar by other resources and can be used for a variety of commercial and housing development purposes, including:

- rehabilitation of commercial property or housing,
- assistance for business development,
- acquisition of vacant land or abandoned buildings for development, and
- public infrastructure improvements.

In the summer of 1988, state and local officials from Minneapolis, St. Paul, and Duluth met to discuss expanding the URAP program by adding a community resource element and by adding Duluth to the program. Some officials felt that community revitalization meant more than "bricks and mortar" and that other needs should be addressed in addition to blighted neighborhoods.

The Community Resource Program was to address the following issues:

- increase community safety and reduce crime,
- enhance family stability including school readiness,
- provide opportunities for residents to become self-supporting, and
- build the capacity of neighborhood-based organizations to create cohesiveness and stability in their communities.

In May of 1989, legislation broadening and renaming the URAP program "Neighborhood Revitalization Program" (NRP) was passed. The sum of \$7.2 million was allocated for the Community Resource Program and \$11.1 million was allocated for the URAP program.

Minnesota *Laws* 1989, Chapter 328, Article 6, Sec. 15, Subd. 2 defines how URAP funds are allocated. "Each city may receive part of the appropriations made available that is the proportion that the population of such city bears to the combined population of all three cities. Population is determined according to the most recent estimates provided by the state demographer to the commissioner of Trade and Economic Development."

The population percentages and amount of funds available for the biennium for each city were as follows:

City	Population	Percent	Funds
Duluth	82,899	11.69	\$1,294,667
St. Paul	267,968	37.78	\$4,184,135
Minneapolis	358,384	50.53	\$5,596,197

Language was also added which required the commissioner of State Planning to monitor the planning, development and implementation of the URAP program.

City of Minneapolis Planning and Public Participation Process

In May 1989, the City of Minneapolis completed a city-wide 20-year action plan for revitalizing its neighborhoods. The next step in this process is to develop individual "neighborhood revitalization plans" that will identify the unique character and planning needs in each neighborhood. This effort is to involve a broad based representation including several localized planning workshops. The results of these efforts will be a five-year development plan with a series of priorities for each neighborhood. This five-year neighborhood process begins in 1990.

The 1988 Year-of-the-Cities (YOTC) legislation and subsequent follow-up legislation (which changed the name from "URAP" to "NRP" Neighborhood Revitalization Program) was an action which imposed a new planning process onto an ongoing local planning process. As a result, the legislative requirement for "local representation" in the form of advisory councils, which would recommend local priorities for Minneapolis neighborhoods, was an additional local requirement.

Fortunately for the city, broad guidelines and goals already existed for housing rehabilitation and employment diversification in the 20-year plan completed in May, 1989. Neighborhoods with a history of community organization, such as Whittier and Phillips, had a good sense of local needs, understood the existing federal revitalization process, and were able to assemble a comprehensive list of proposals for URAP funding. Neighborhoods that were not as well organized or that lacked neighborhood planning capability could request technical assistance from the MCDA's Citizen Participation Department. Minneapolis has 81 neighborhoods, 35 of which lie wholly or partly within the URAP targeted area. Ten neighborhoods received technical assistance from MCDA's Community Assistance Program. Each of the neighborhoods was involved in identifying housing for rehabilitation.

Since neighborhood plans under the 20-year planning process had not been developed yet, Minneapolis solicited neighborhood recommendations and established an advisory council of representatives from the URAP targeted neighborhoods and other individuals,

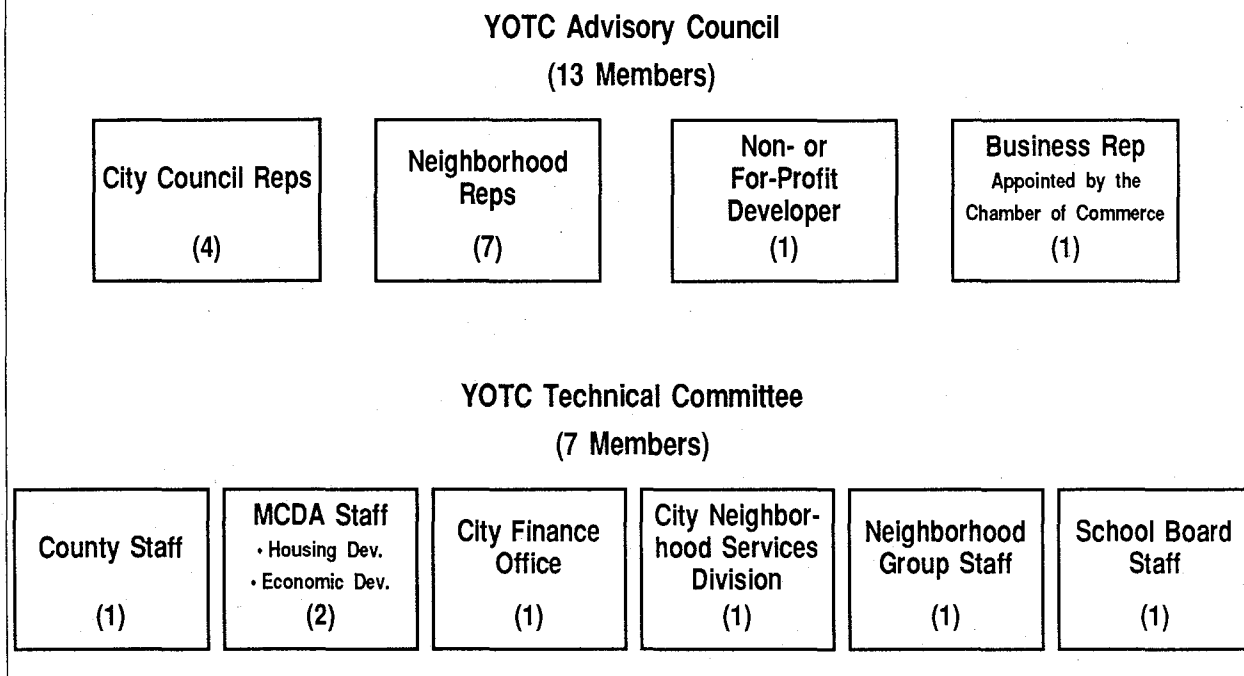
such as contractors and local officials. This group was named the YOTC Advisory Council.

Local YOTC Planning Process. The advisory council consists of 13 members representing a combination of city services, neighborhood representatives, and business and developer interests (Figure 1). The advisory council was appointed by the city council and the mayor. A technical committee was also appointed to review legislative requirements and to recommend priorities from a multitude of projects submitted by local neighborhood groups, through the advisory council.

The formal citizen participation process developed as follows:

1. Advisory council prepared and sent letters to Minneapolis Community Development Agency (MCDA), appropriate city departments, neighborhood groups and others to announce the state funded program, and requested three items in writing: existing program areas that need additional funding; new concepts, programs and projects that are needed; and priority for human service areas and neighborhood stability initiatives that address community needs (job training, child care, crime prevention, etc.).
2. The technical committee's role was to comment on the advisory council's recommendations to the city council, provide technical assistance, and identify matching funds which could be used with the state allocation.
3. Preliminary recommendations selected by the technical committee and the advisory council for 1990-1991 allocations were returned to the neighborhoods for comment in July, 1990, and a public hearing was held in August, 1990.
4. Following the public hearing, final recommendations were made for funding to the city council.
5. The MCDA upon approval from the city council proceeded with advertising for contractors/developers and potential home owners or small businesses who wanted to apply for URAP funds.
6. Upon awarding contracts or personal financing

Figure 1. City of Minneapolis – 1990 Year of the City Advisory Council and Technical Committee



(depending on the program), the MCDA was responsible for monitoring the expenditures and assuring the final product conformed with city standards and state law.

7. As a final check the legislation also required all the city's processes to be reviewed by the Minnesota Department of Trade and Economic Development, the Minnesota Housing Finance Agency, and the State Planning Agency. This review was accomplished prior to the allocation of any state funds.
8. The one exception to the above process relates to the expenditure of state funds for day-care facilities. The Greater Minneapolis Day Care Association (GMDCA) is a sub-recipient of half of the URAP money under the Child Care Program and made all contract awards for the funds they received. The MCDA administers the remaining funds according to Community Economic Development Fund guidelines with MCDA Board approval. A joint GMCDA/MCDA review committee still reviews all child care proposals with URAP funds.

Federal Community Development Block Grants (CDBG). The neighborhood revitalization effort relied heavily on the availability of federal dollars as local match to state dollars in the target areas. This was also true in St. Paul and to a lesser extent in Duluth. The ratio of CDBG funds to state funds in Minneapolis was 103 percent, compared to 72 percent in St. Paul and 21 percent in Duluth (see tables on pages 13, 17 and 20). The boundaries for federal housing funding are very similar to the boundaries for URAP funds. While these state/federal criteria resulted in a greater dollar amount being dedicated to low- and moderate-income neighborhoods, they also tend to confuse the process and overly complicate the evaluation of the state program. Citizens in each city often participated in several meetings where both state and federal funds were being used.

As a result of assembling specific project funds from multiple sources, i.e., agencies, banks, non-profit organizations, and private individuals, city staff became subjected to program evaluators from

at least three state agencies and the federal government on the same projects.

Despite the overlapping state and federal review requirements in each city, we found in our interviews, that there were significant advantages to the use of state URAP money. URAP money was more flexible. It could be applied to a greater income spread, be used for site preparation needs, and could be spent over a longer period of time.

Coordinating City and State Plans. The 1989 legislation required that the allocations for 1991 be coordinated in Minneapolis with state Community Resources Program (CRP) funding. The CRP funds are directed more to social and economic programs than to "brick and mortar" projects that qualify for URAP funds. Both the 20-year plan and the community and economic operational guidelines emphasized the need to coordinate these objectives in the neighborhood revitalization plans.

Summary. The City of Minneapolis has complied with the legislative requirements to develop a comprehensive citizen participation process including establishment of a URAP Advisory Council known as the Year of the Cities (YOTC) Council. The council consists of 13 members representing a combination of city services, neighborhood representatives, and business and developer interests.

The use of URAP funds was scattered throughout a wider geographical target area making it more difficult to evaluate the impact. The level of understanding and participation in the process varied from one neighborhood to the next depending on the degree of organization and sophistication of that neighborhood association. Minneapolis has 81 neighborhoods, and according to MCDA, 70 of them are funded either individually or through umbrella organizations.

Selecting final candidates for URAP funding was difficult because of the magnitude of the neighborhoods. The Technical Advisory Committee to the city council had to sort through numerous proposals for URAP funding. In the case of day-care facilities seeking funding, the city staff relies on the recommendations of another non-profit organization, the Greater Minneapolis Day Care Association, for half of the URAP day-care contracts.

The 1989 legislation required the coordination of funding for URAP projects with Community Resources Program (CRP) funding beginning in 1991. Minneapolis uses the YOTC Advisory Council to establish priorities for both URAP and CRP funding in targeted areas.

City of St. Paul Planning and Public Participation Process

The goals of the St. Paul URAP program included "targeting URAP resources to five projects within four areas to create a significant, visible, neighborhood impact over the next two years." Because of the URAP eligibility requirements only seven of the 17 planning districts were considered for URAP funds. These were generally close to the central business district. As a result of the city's objectives to concentrate funds and its eligibility requirements, St. Paul's public participation process was more geographically focused than the process used by the City of Minneapolis.

In the 1990 legislative session the City of St. Paul was exempted from establishing a URAP Advisory Board (Minn. Laws 1990, Chap. 469.203, Subd. 5). As a

result, the St. Paul Planning Commission played a major role in reviewing applications for URAP funds and allocating these funds over the two-year period. Prior to the selection of projects for the initial URAP funding in 1987, the city spent eight months developing URAP guidelines by using a task force of neighborhood residents and city staff. Numerous public meetings were held before the final guidelines were adopted by the mayor and city council on September 11, 1987. In 1989, these guidelines were modified to incorporate legislative changes to the program, including coordination with Community Resources Program (CRP) funding. They were adopted by the city on December 21, 1989.

The 1990 URAP allocation (the subject of this

report) required a series of cooperative actions between city staff and neighborhood organizations.

Local URAP Public Participation Process.

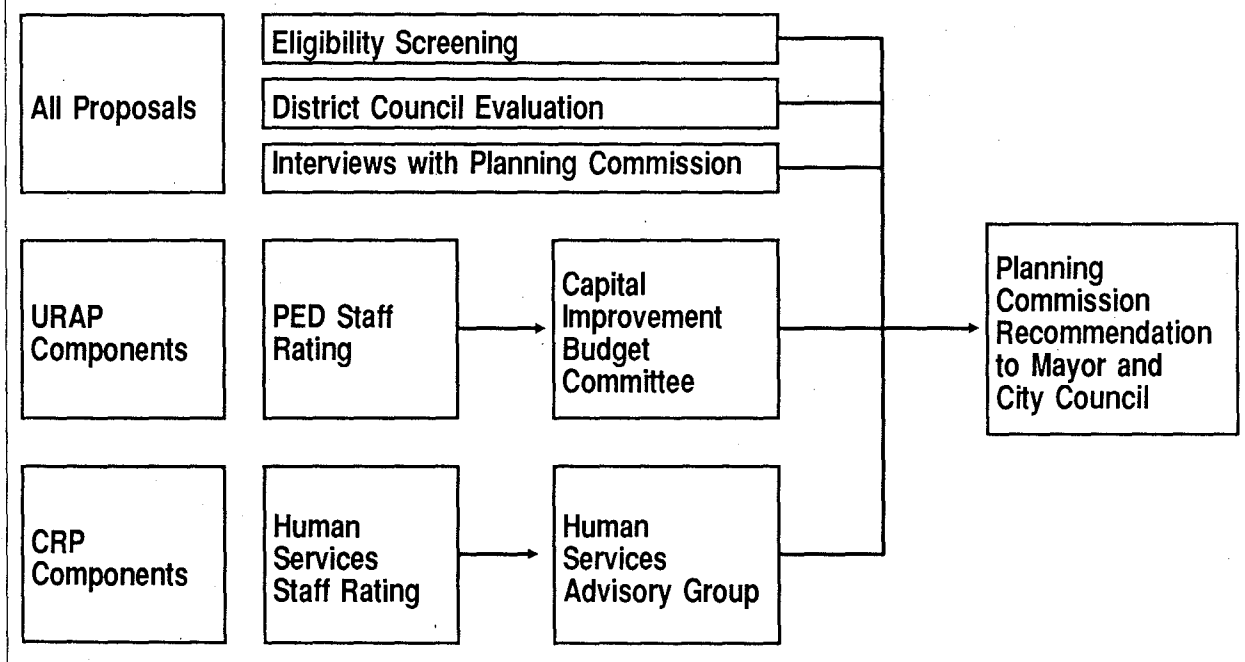
1. During the months of December, 1989 and January, 1990, neighborhood organizations and city staff developed revitalization proposals for URAP funding. Technical assistance was provided to the neighborhood groups upon request. Final proposals were due by January 19, 1990. Eligible recipients of URAP funds included district planning councils, non-profit neighborhood organizations, business associations and commercial clubs, and government departments and agencies.
2. Applicants were required to inform and solicit support from the local St. Paul Planning District Council. Planning district councils then reviewed all proposals and made recommendations to the City Planning and Economic Development Department (PED).
3. Program selection was the responsibility of the City

Planning Commission (Figure 2). The Planning Commission was responsible for considering recommendations from the district councils, the Capitol Improvement Budget (CIB) Committee, a special Human Services Advisory Group, and the Department of Planning and Economic Development.

4. The city Planning Commission rated projects for conformance with the Comprehensive Plan and other selection criteria established for URAP grants. The Planning Commission then recommended various URAP projects to the mayor and city council.
5. The city council after review by the mayor conducted public hearings and city council meetings to discuss the final disposition of URAP funds.

Summary. The City of St. Paul has developed a process to actively involve neighborhoods in developing criteria for URAP projects and funding. Through its existing district planning councils, the city has provided an opportunity for extensive neigh-

**Figure 2. City of St. Paul – Neighborhood Revitalization Program
Proposal Evaluation Process**



neighborhood participation in the development of URAP proposals and for review of their consistency with neighborhood plans. The city provided additional opportunity for citizen participation through the planning commission and city council meetings. Public

hearings were also held on the proposed URAP projects. Finally, the city made available planning staff and other funds to assist neighborhoods in developing proposals for URAP funding.

City of Duluth Planning and Public Participation Process

The City of Duluth's public participation process relied on established neighborhood and non-profit organizations as a base to build upon for its URAP selection process. The process as illustrated in Figure 3, appears complex in comparison to Minneapolis and St. Paul. However, the requirement for a URAP Advisory Board in both Duluth and Minneapolis was not required in St. Paul. The city planning commission provided a comparable function in St. Paul.

The key to the selection of Duluth's projects was the establishment of its eight member URAP Board on December 18, 1989. The board was to review URAP proposals submitted from the neighborhoods and make final recommendations to the city council. The URAP Board consisted of representatives from the following: Neighborhood Advisory Council (1), City-wide Citizen Advisory Committee (1), Duluth Housing Trust Fund (2), Economic Development Authority (1), Housing and Redevelopment Authority (1), City Planning Commission (1), and Neighborhood At-Large Representative (1).

Local URAP Public Participation Process.

1. Solicitations of proposals for using URAP funds were sent out to community groups and neighborhood coalitions within the targeted URAP areas on January 8, 1990.
2. City organizations had one month after the application to review and comment on the proposals. The proposals were sent to the Housing Trust Fund, URAP Board, mayor, and city council.
3. The city Department of Planning and Development acted as a clearinghouse for all proposals and provided information to the neighborhood coalitions.
4. The URAP Advisory Board evaluated all program proposals and recommended a city revitalization plan containing recommended proposals to the

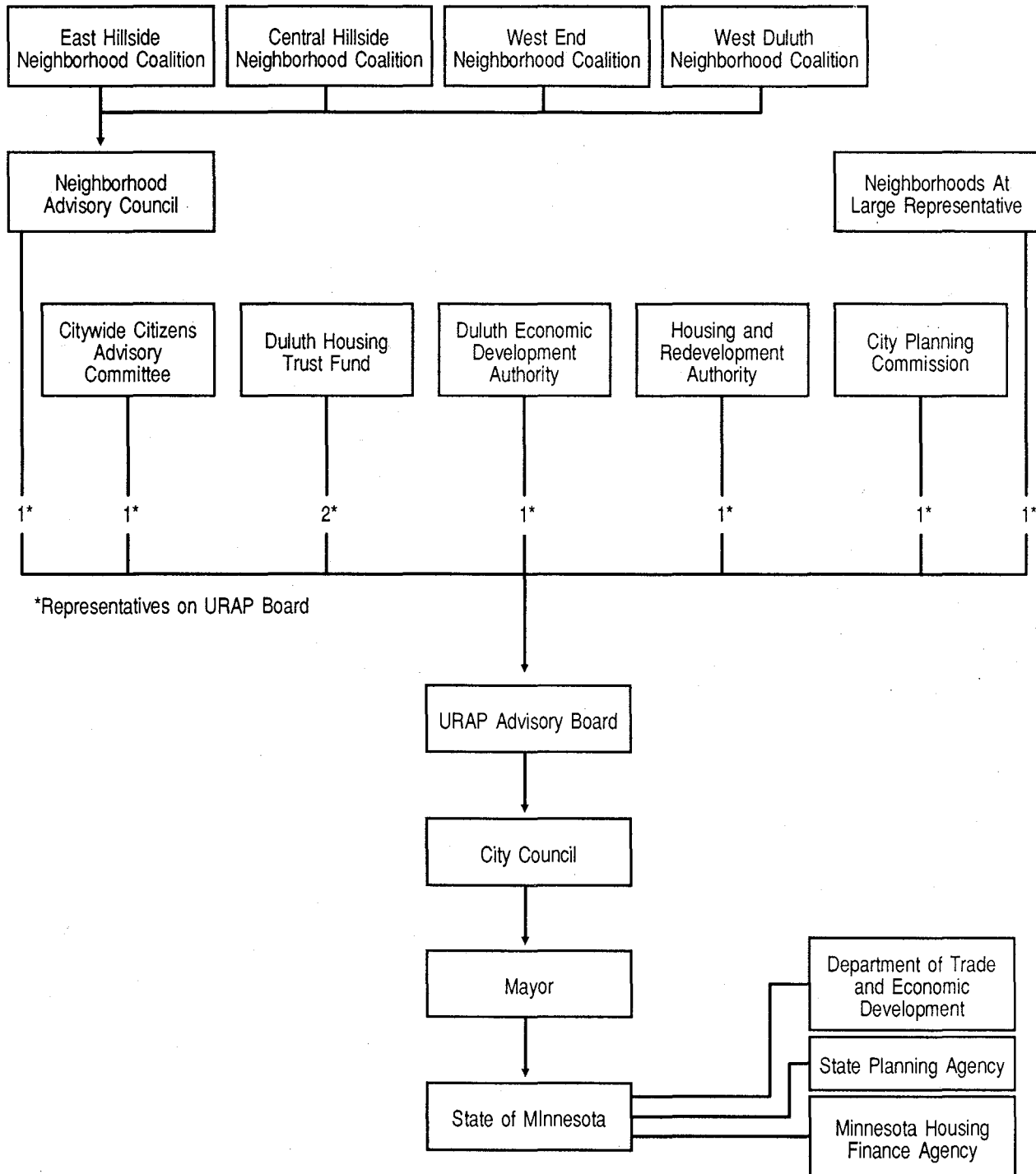
mayor and city council following public meetings on February 15, 21 and March 5, 1990. Eleven projects were submitted to the URAP Board and seven were recommended for funding. The city council had the final responsibility for approving programs for funding.

5. On May 29, 1990, a public hearing was held to receive comments on the projects selected by the URAP Board.
6. On July 17, 1990, the first check for \$584,500 was presented to the city for URAP projects. The check was presented to the city at a vacant lot in West Duluth now the site of a new affordable house occupied by a low/moderate income family of five.
7. Program monitoring remains the responsibility of the city's Department of Planning and Development who administer the URAP program.

Summary. The City of Duluth has complied with the legislative requirements to develop a comprehensive citizen participation process. By law it was required to be similar to the process used in implementing the federally funded community development program. Duluth's experience in URAP is more limited than Minneapolis and St. Paul because the city was only added to the program in 1990. However, by modifying an already established format for federal funds, the city was able to identify and successfully begin implementing seven key URAP projects in a limited time frame. By using established neighborhood organizations and allowing other non-profit organizations to propose projects, the city identified projects which met objectives either of established plans or of city-wide housing goals.

The creation and make-up of the URAP Board assured that projects not only would serve targeted

Figure 3. City of Duluth – Urban Revitalization Action Program
Community Input Process



areas but would be consistent with other city policies and community development objectives. Several Board meetings, as well as public hearings, were held to select the finalists for URAP funding. As a result of this process one project, the Koino Center, is currently under consideration to modify part of its use to better fit the neighborhood. A second project, the Duluth Indian Rental Housing, evolved from a proposed owner-occupied project to a multi-family rental structure, based on an overwhelming need for low cost rental units for

American Indians. This project was also reviewed by the Minnesota Housing Finance Agency which is providing financial assistance to the Indian Affairs Council. Eight public hearings were held on this project.

Finally, the city planning staff provided technical assistance to each neighborhood area where URAP funds were being spent to assure compliance with the goals of the program.

Conclusions on the Public Participation Process

All three cities developed extensive procedures for providing citizen participation in the identification of URAP proposals and final selection of recipients. The City of Minneapolis and Duluth were similar in structure when it came to overseeing and selecting projects for URAP funding. Because the state legislation required them to establish a "URAP Board," an additional layer of review by a select committee was imposed upon the normal city planning process for development projects. Minneapolis established a 13 member board, while Duluth had an 8 member board. Membership on these boards generally represented similar interests, except Minneapolis, which included business and school board representation.

Because the original state legislation required Duluth to follow an already established format for federal community block development grants, the process they established maximized the expertise of existing neighborhood coalitions, other organizations, and city agencies involved in previous federal housing projects. The city feels this process was successful and should be maintained.

St. Paul's process, on the other hand, relied heavily on long established district councils at the neighborhood level to review URAP proposals and the City Planning Commission to recommend final selections to the city council. Since the requirement for a URAP Board in St. Paul was repealed in the 1990 legislative session, the city Planning Commission served the function of a URAP Board.

Given the short experience of the URAP project, it is not possible to determine which type of board provided for a greater degree of public involvement.

However, it is evident that in each city the amount of scrutiny a single project had to go through before being accepted would require a great deal of commitment, perseverance, and justification to make the final list. For those individuals or organizations who could not easily present their case, each city did provide some technical assistance or non-URAP planning funds for those applicants who requested assistance with their proposal.

The private contractor and the neighborhood associations we interviewed, suggested that the state's process, although complex, was simpler and more flexible than the federal procedures for similar housing funds. Contractors and non-profit associations both preferred a process that was predictable but shorter, with fewer local meetings.

It was also pointed out in our interviews that the longer the process took, the more difficult it was to "lock in" with specific project bids. As a result, project costs could increase 10 to 20 percent if a project was delayed several months. This cost increase was particularly true when projects lapsed from one year to another, since many material and labor rates change with a new year. Additionally, the availability of local contractors varied with the season and other ongoing projects in the city. This was especially true in Duluth, as local contractors were not always available to coincide with the release of funds.

Each city's planning staff expressed their desire to have a two-year planning cycle rather than an annual review by the state. In practice, all three cities developed plans on a two-year basis. They were

still required, however, to be reviewed annually and to hold public hearings and receive comments from three different state agencies before funds could be released.

State URAP funds should be released at the earliest part of the year. The ability to let contracts in the

spring and summer rather than fall or winter may result in cost savings in materials and labor. Local and state agencies need to recognize this contract timing issue and adjust their selection and review procedures so this can be accomplished in the future.

Implementation of the Minneapolis Program in 1990

The Minneapolis program has six project areas, which are stated as goals:

- Increase home ownership,
- Improve/maintain housing, including rental property,
- Increase permanently affordable rental housing,
- Create/renovate child-care facilities
- Increase employment opportunities, and
- Community initiatives.

These project areas come from the city URAP selection process discussed earlier and are consistent with—and often the same as—other city goals and objectives. (See, for example, *Directions Framework, A Policy Guide for 1991-1995 Operating and Community Development Programs*, City of Minneapolis.)

The corresponding goals in the general city plans for housing are to deal with “problem properties,” retain and increase home-ownership, preserve housing that is sound, improve or eliminate substandard housing, and provide an adequate supply of housing to people on low incomes. The city wants to attract and retain moderate-income home buyers and increase the supply of affordable multi-family housing. Providing child care and bringing child-care facilities up to state codes are also city goals. Strategies for increasing employment and economic development focus on developing new, small businesses, providing working capital, vocational training, etc. Development of light industry in city neighborhoods is favored. Sometimes polluted land must be cleaned up before economic development can occur.

Housing programs are to be geographically based, focused on neighborhoods. The city aims to increase concentrated block planning in coming years to “focus rehabilitation where it can leverage the

most beneficial effect on neighborhood conditions” (*Directions Framework*, p. 22). The city plans also call for the evaluation of the effectiveness of city actions.

Increasing home ownership got the largest share of the funds (29%), followed by improving housing (19%) and increasing affordable rental housing (17%). Thus 65 percent of the state funds went for housing in Minneapolis. The total state funds available in 1990 were \$2,626,500. The state funds were matched by \$3,954,285 local funds and an expected \$4,550,000 in private funds. Program finances are shown in Table 1. As indicated, \$2,707,000 of local match was from federal CDBG funds, an amount that was 103 percent of state funds. The remaining \$1.2 million came from local sources.

Increase Home Ownership. This program is a cluster of activities, including new construction, urban homesteading (so-called \$1 houses), and home-mortgage financing. The state money complements mortgage funds from a variety of sources, so that a home may have three or four mortgages, one of which is URAP money. Neighborhood organizations can set up a revolving fund to help finance high-risk mortgages to low- and moderate-income buyers. The houses selected under these programs often are dilapidated and must be rehabilitated before they can be sold. Houses are selected by the city, by neighborhood groups, and by the application of individual home owners.

Expected production for 1990 is: 10 to 15 new houses on MCDA-owned property; 10 to 15 rehabilitated houses through the Urban Homestead Program; 10 to 15 new homes on lots cleared through demolition of vacant structures under the Rehab Incentive Fund (RIF) program, and another 15 houses substantially rehabilitated under the RIF

**Table 1. Minneapolis URAP Program — 1990
Financing Summary by Program**

Source of Funds					
Program	State URAP	Federal CDBG	Other Public	Private	Total
Home Ownership	\$ 772,215	\$1,200,000	\$ 900,000	\$1,550,000	\$ 4,422,215
Improve Housing	501,101	466,101	35,000	0	1,002,202
Affordable Housing	443,329*	443,329	0	200,000	1,086,658
Employment	477,285	477,285	0	2,200,000	3,154,570
Child-care Sites	312,285	0	312,285	600,000	1,224,570
Community Initiative	120,285	120,285	0	0	240,570
Total	\$2,626,500	\$2,707,000	\$1,247,285	\$4,550,000	11,130,785

* Includes interest earnings of \$100,000.

program—a total of 45 to 60 new or rehabilitated housing units. Average cost per unit, including all funds, may range from about \$74,000 to \$98,000. Funds will be spent between March, 1990 and December, 1991.

The cost of buying and fixing up an old house in a target neighborhood is greater than the selling price of the restored house because of the neighborhood conditions. Therefore, public money is used to bring the cost of the house down to what a buyer will pay to live in the neighborhood. Buyers must meet income tests to show that they can keep the house once they have purchased it. This program is directed toward moderate-income home buyers.

The URAP money is especially beneficial to the city because it can be used for mortgages that have a higher risk than with other financing. Home buyers in target neighborhoods may have credit histories that make a conventional home loan hard to obtain. Other advantages of this program are that it helps maintain a mix of income levels in the neighborhood and reduce the number of absentee landlords.

Although the state URAP funds usually "piggyback" on the federal money, the federal Community Development Block Grant (CDBG) funds, the city has some needed flexibility with the state money that is not found with the federal money. For example, the state URAP money can be used with

greater flexibility for new construction than with CDBG funds. Also, the state money can be used for escrow, but not the federal funds, and the state money is available earlier in the calendar year than the federal money.

The program has a few weaknesses. City staff told us that not enough proposals have come from the north side of Minneapolis, partly because the strength and activity of neighborhood groups is a factor in the success of the program. Another issue is that the houses selected tend to be scattered over a large part of the city, although still in the target neighborhoods. So the ability of the program to have a highly visible impact on a small area is limited.

Improve/Maintain Housing. This program is a cluster of activities that cover owner-occupied homes, rental properties, and houses that are fixed up and resold. Funds go for deferred rehabilitation loans, equity loans, and so on. The state money complements other housing programs where people may not be eligible for state aid (as through the Minnesota Housing Finance Agency). The city sponsors approximately \$4 million in rehabilitation each year, with URAP funds providing about one-eighth of the total funding. As with the previous program, the houses selected tend to be scattered throughout the target neighborhoods.

About 100 home improvement loans or grants are planned for 1990: 55 homeowner forgivable loans or high risk loans; 25 flexible substantial rehab loans; and 20 "Plex" loans to rental property owners. The average loan would be about \$10,000. Funds will be spent between March, 1990 and December, 1991.

An important part of this program is "plex" loans for multiple family rental property. These properties are selected through an application process run by neighborhood banks (e.g., First Bank Broadway). Half the funds are URAP and half are private, arranged by the bank.

Other houses come to this program because there has been a foreclosure, and the Minneapolis Community Development Agency (MCDA) has the title. These houses are fixed up and sold.

Increase Permanently Affordable Housing. Almost all money in this program goes for multi-family rental

housing, usually for rehabilitation. The remaining funds were spent on landlord counseling, community crime-prevention, and security systems in public high-rises. Under this project, URAP and CDBG money are combined with funds from other programs. Proposals for these projects came from developers, some of whom are neighborhood non-profit corporations. Almost all multi-family projects were initially identified by neighborhood groups as a priority. Anticipated production is 15 to 20 rental housing units. Funds will be spent between June 1, 1990 and June 6, 1991.

One type of project is for a neighborhood group to buy a problem apartment building, for example, one that has had an unusually large number of police calls or been a "crack" house. The apartments are remodeled, so that single-bedroom apartments are combined to form three-bedroom apartments. The need for multiple bedroom units for families is much greater than the supply. Then the apartment is rented out to families at an affordable cost. The state funds bridge the financial gap between what the rental market can afford and what it costs to purchase and remodel the building. The project solves two problems: it removes a neighborhood crime problem, and it provides a type of housing in great demand.

Developers monitor the income levels of tenants to insure that the programs benefit low- and moderate-income families. Typically, families are at 40 to 60 percent of median family income, or about \$22,500 for a family of four.

An advantage of state URAP funds in this (and other) programs is that a problem property can be dealt with more quickly than with other funding sources. Neighborhood groups are now proposing less scattered housing than in past years, but the criteria for the program do not inhibit the selection of scattered sites.

Create/Renovate Child Care Facilities. Under this program about \$312,000 in state URAP funds are being spent to renovate day-care facilities, matched by an equal share of local funds. Renovation brings the facilities up to state code. At this time, the policy is not to build new facilities. The funds are made available to day-care providers as long-term loans, following an RFP selection process.

Projects are selected with the Greater Minneapolis Day Care Association, which has the lead role. Small projects are handled directly by the association, but large projects are supervised by the city. In 1990 six large projects and 23 smaller projects are underway or planned. The city gives technical assistance on business management to day-care providers.

Increase Employment Opportunities. About \$447,000 in state funds and an equal amount from local sources is available to businesses under this program. The city requested proposals from businesses in the target neighborhoods and received a total of \$1,600,000 in requests. The goal is to provide 15 to 25 new job opportunities for neighborhood residents and job training or re-training opportunities for at least 10. The goal is expected to be achieved by June 1, 1991. At this time (January, 1991), three projects have been funded.

All applications have a thorough financial analysis by the city. Job creation is the main criterion for selection; jobs for city residents are preferred. Successful business applicants will receive the money as a long-term loan, with the possibility of delayed repayment. Money that is paid back to the city as a result of a loan repayment for this program or others usually does not revert to the state but will be recycled for additional projects in future years.

The businesses helped under this program are usually too small for Small Business Administration loans. So, again, the state URAP money adds important flexibility to existing loan programs.

The types of businesses that submitted proposals seem in accord with the city's goals for light industry. But it is premature to judge the effectiveness of the city's selection process.

Community Initiatives. This is the smallest of the six city programs. Under this program, the city can award planning grants to recognized neighborhood groups. "Self-help" grants are open to any group, but they must be matched by neighborhood funds or in-kind volunteer services. A city planner is available to help neighborhood groups write grant applications.

The plan is to grant about \$120,000 in state funds, with equal city match, to 15 to 30 neighborhood organizations and neighborhood based groups. It is ex-

pected that a minimum of \$275,000 in volunteer labor (valued at \$10/hr) and in-kind donations will be generated as a result. The goal was to allocate funds by December, 1990.

About \$11,000 of the state money is going for consultants and administration and \$5,000 for publicity. The city sent over 1,000 letters to neighborhood groups in July 1990. Because this is the first year for the program, it is too early to assess its effectiveness.

Summary and Conclusions. A summary of 1990 URAP dollars by Targeted Neighborhoods is as follows:

Program	North	South	NE/SE
Community Initiative Program	40,095	40,095	40,095
Employment Opportunities	190,914	190,91	95,457
Child Care	109,300	109,30	93,457
Increase Home Ownership	248,607	248,60	75,000
Improve/Maintain Housing	190,738	190,738	190,739
Increase Affordable Housing	286,107	286,108	-0-
Total	\$1,065,761	\$1,065,76	\$494,976

The programs that are being funded are in line with the priorities in city plans. The number of possible revitalization projects (e.g., houses needing renovation) in the target neighborhoods far exceeds the available funds, so it is easy to select projects that meet the guidelines. Although project development is not just a responsibility of neighborhood groups, much depends on the capabilities of neighborhood groups to develop projects or participate in project development in their areas. The city is beginning a new process to organize neighborhood groups and involve them in the revitalization process. This should have a positive effect on the URAP program if it continues.

The city program has a weak point in relation to the stated housing goal of reducing blight. The housing selected for renovation may be geographically more scattered than desirable. As a result, the effect of reducing blight is not as visible as in the other two cities. The city plan does not set measurable stand-

ards for concentrating revitalization, however, so we cannot figure out how close to their goals they might be. If concentration is a goal of the city, then we recommend that it be put in measurable terms. The potential for scattered rehabilitation efforts is significant because the number of problem properties is so great and because many proposals come directly from individuals, not as part of a specific neighborhood plan.

The state URAP funds are important to the city because of their flexibility, which is greater than for federal CDBG funds. Furthermore, cities are allowed to keep the interest earned from escrowed URAP funds. Complex housing deals often require flexible financing. Duluth and St. Paul also stressed the value of flexibility in state funds.

Implementation of the St. Paul Program in 1990

The St. Paul URAP program has the following objectives, as cited in "St. Paul Neighborhood Revitalization Program, 1990":

1. Address the problem of blighting influences, loss of home ownership, declining confidence in both residential and business areas, housing need, and a lack of economic opportunity, and so forth.
2. Produce clear and demonstrable improvements for the affected neighborhoods in a relatively short period of time.
3. Address problems in the geographic areas of greatest need.
4. Allow for the concentration of sufficient resources to projects of sufficient magnitude to create a substantial and meaningful impact.

According to the city, these objectives were used as criteria in selecting URAP projects. In 1990 the objectives were expanded to include goals of the Community Resource Program, such as promoting family stability and reducing crime.

Minneapolis organized its URAP programs by the type of housing activity, but St. Paul's programs are neighborhood based. Five neighborhood programs were funded for 1990; each program may include a mix of housing activities. The five programs are:

- Community Stabilization
- Selby Commons
- Lower Bluff Revitalization — Phase II
- Wabasha Development Initiative
- Sherburne Initiative — Phase II

Program finances are shown in Table 2. State

funds of \$1,979,000 were matched by \$1,434,000 in federal CDBG funds, \$2,042,000 in other public funds, and over \$4 million in private funds.

Community Stabilization. This project covers the area from Summit Avenue north to the Burlington Northern R.R. and from Lexington Pkwy east to I-35E/Marion/John Ireland. This area includes Frog-town and Summit-University.

The goals are to stabilize deteriorating housing for low-income persons and to decrease drug traffic. The project will try to place substandard buildings into court receivership for correction of code violations, using the new housing court and the Tenant Remedies Act. The St. Paul Tenants Union is the fiscal agent for the project, and it will be assisted by neighborhood groups and the St. Paul Urban League.

The primary targets will be deteriorating rental properties that present an immediate threat to health or safety. Following court action, these properties would be corrected under the supervision of a court-appointed property administrator, such as Project for Pride in Living or another group. Owners will have the option of reclaiming the building by paying back all debts. As many as 25 units may be improved by this program.

The budget for this program is \$63,200 state URAP funds, \$60,500 city match, and \$25,000 private funds.

Selby Commons. The location of this project is Selby Avenue between Grotto and Chatsworth. The sponsor is the Twin City Housing Development Corp., in association with the Selby Area Com-

**Table 2. St. Paul URAP Program — 1990
Financing Summary by Program**

Source of Funds					
Program	State URAP	Federal CDBG	Other Public	Private	Total
Stabilization	\$ 63,200	\$ 60,500	\$ 0	\$ 25,000	\$ 148,700
Selby Commons	466,351	327,250	780,500	3,624,155	5,198,256
Lower Bluff	672,601	472,500	998,000	66,180	2,209,281
Wabasha	423,150	234,750	624,000	705,000	1,986,900
Sherburne	353,700	337,500	0	4,000	695,200
TOTAL	\$1,979,002*	\$1,432,500	\$2,402,500	\$4,424,335	10,238,337

* Includes interest earnings of \$90,002.

munity Development Corp. and the Inner-City Youth League.

The aim of this project is to continue the restoration of Selby Avenue as a residential and commercial center. This part of Selby is the last significant part of the street in need of redevelopment. Substandard residential and commercial buildings will be acquired for either rehabilitation or demolition and unimproved or vacant sites will be developed (for a total of 21 sites).

The budget is \$466,351 state URAP funds, \$1,107,750 city match, and \$3,624,155 private funds.

Lower Bluff Revitalization. This project is within the area bordered by Mounds Boulevard to the west, Bates to the east, Fourth Street to the north,

and Conway to the south. The local sponsor is Dayton's Bluff Neighborhood Housing Services, in association with the St. Paul Dept. of Planning and Economic Development.

This project intends to buy four commercial properties contiguous to the former Country Club Market and demolish the Market building. The sponsors will seek a business developer for the area with the idea of creating a retail center. This project complements other housing renovation in the immediate vicinity.

Project costs are \$672,602 state URAP funds, \$1,470,500 city funds, and \$66,180 private funds.

Wabasha Development Initiative. This project is in a small area bounded by Concord on the north,

Winifred on the south, Wabasha on the east, and Hall Street on the west. The sponsors are the West Side Neighborhood Housing Service and the Neighborhood Development Alliance, Inc.

The project will develop a child-care facility for up to 70 children ages 2-1/2 to 5 and convert an existing child-care facility to one for younger children and sick children. Various buildings will be demolished or rehabilitated. A sewer line also must be relocated and other street improvements made. Another 13 housing units on the same block will be purchased, rehabilitated, and rented to families at 50% of median income. Initial steps will be made to develop 12 more rental units for families up to 60% of median income.

Funding includes \$423,150 state URAP funds, \$858,000 city funds, and \$705,000 private funds, part of which are Minnesota Housing Finance Agency mortgages.

Sherburne Initiative. This project is bordered by Minnehaha on the north, Sherburne on the south, Western on the east, and Dale on the west. The sponsors are

the District 7 Planning Council and the City's Department of Planning and Economic Development.

This project continues earlier URAP rehabilitation work. The goal is to continue the purchase, demolition, and rehabilitation of blighted housing. At least nine residential buildings will be demolished and current residents relocated.

The budget is \$353,700 state URAP funds, \$337,500 city match, and \$4,000 from District 7 funds.

Summary and Conclusions. We visited the sites for these projects and observed that they will have a significant visual impact. The projects are geographically concentrated, in conformity with one of St. Paul's URAP objectives. Also the total resources are sufficient to create a meaningful impact, in our judgement. One reason for this is that several of the projects continue earlier revitalization work in the same area. St. Paul has taken a multi-year approach to the neighborhood projects. The city partnership on several projects further enhances the impact. Overall, the St. Paul program is well designed to meet their URAP objectives.

Implementation of the Duluth Program in 1990

In addition to the objectives in state law, Duluth's criteria for project selection include:

- expected long-term benefit and documented need for revitalization,
- the extent to which multiple resources are brought together,
- the extent to which a comprehensive approach to a problem area is taken,
- the potential for highly visible or measurable results in a short time,
- the extent to which URAP funds may be recycled, and
- The potential for evaluation of the project.

As with St. Paul, the selection process in Duluth is neighborhood based. An exception is a project designed to develop rental housing for American Indians. Financing for the projects are in Table 3. State funds of \$1,279,000 are matched by \$3,076,500, which includes \$265,000 in federal CDBG funds and over \$1,889,000 from private match.

West End Neighborhood. This project is managed by Neighborhood Housing Services, a nonprofit corporation for the west-end area of Duluth. The program has two housing goals:

- to fix code violations where safety is an issue and
- to have a visible neighborhood impact.

This area of Duluth has many large, old homes that need exterior renovation.

The program offers targeted local residents whose incomes are no more than 80% of median income a grant to make repairs. The grant must be repaid if the homeowner sells the house within five years. The average grant is about \$6,000. Landlords are eligible for 3% loans, if their tenants are low income.

Our inspection of the sites showed that the project is having a visible impact in the neighborhood. Renovation is concentrated along major streets, entry points into the neighborhood.

**Table 3. Duluth URAP Program — 1990
Financing Summary by Program**

Source of Funds					
Program	State URAP	Federal CDBG	Other Public	Private	Total
West End	\$ 200,000	\$ 65,000	\$ 0	\$ 200,000	\$ 465,000
East Hillside	100,000	100,000	0	0	200,000
West Duluth Revital.	100,000	100,000	0	0	200,000
Indian Housing	50,000	0	50,000	61,000	161,000
Koino Center	200,000	0	288,000	611,000	1,099,000
West Duluth Rehab.	579,751	0	584,500	1,017,000	2,181,251
Demolition	50,000	0	50,000	0	100,000
TOTAL	\$1,279,751	\$265,000	\$972,500	\$1,889,000	\$4,406,251

This project was developed after neighborhood surveys showed a willingness to do exterior repairs. The availability of the grants was advertised extensively and information was distributed door-to-door.

The budget for this project is \$200,000 state URAP funds and \$265,000 in city match, which includes \$100,000 in revolving loans and \$100,000 from the Housing Trust Fund.

West Duluth. West Duluth is the site of two extensive housing projects and a road improvement

project. These projects were developed by the West Duluth Neighborhood Coalition and the Spirit Valley Citizens Neighborhood Development Association, SVCNDA (pronounced "Svenda"). This area of Duluth was neglected for a long period owing to mortgage restrictions and a lack of renovation by homeowners who anticipated the possible expansion of nearby industries. Eventually the interstate highway and the new paper mill did remove several hundred housing units, but the area seems to have stabilized and is now committed to revitalization.

A major part of these projects is exterior renovation of old houses, including the replacement of siding and windows. Half the cost of the renovation is paid by the project and half by the homeowner. About 120 houses are being renovated, and the impact is highly visible. Additional funds are going into construction of new housing and the demolition of old housing.

The combined budget for West Duluth projects is \$579,751 state URAP and \$1,601,500 city match, which includes \$1,017,000 from private lenders or other private sources.

Koino Center Project. This project is sponsored by Center City Housing, a nonprofit corporation. The goal is to save an old building that is in bankruptcy court. The upper floors of the building are used for low-income, single-room occupancy housing (SRO), which is in great need. This project will improve the single rooms and keep them available for that purpose. The congregate dining also would be maintained.

As originally conceived, the Community Action Program (CAP) was to move its offices into the ground floor of the building to make the housing part of the program economically viable. Recently, neighbors have complained about CAP participation in the project because of the potential traffic volume. At the current time (December, 1990), the developers are negotiating with neighborhood groups about the future of the project. The participation of the CAP may no longer be necessary, because the housing portion has been certified for 15 "Section 8" rooms, which would subsidize the rent. It appears that this project will go ahead with or without CAP. If the developer decides not to go ahead, the city will reopen the selection process and replace this with a new project.

The tentative budget for this project is \$200,000 state URAP and \$899,000 city match, of which \$611,000 would come from a private foundation and private lender.

Indian Housing Project. This project is sponsored by a nonprofit Indian volunteer organization, the Greater Duluth Grand Portage Enrollees. It is designed to meet a strong need of the Indian community for rental property. Earlier Indian housing programs concentrated on home ownership, but rental housing is now the primary need. According to

the sponsors, Indians in Duluth have a high rate of homelessness and many live in overcrowded housing. This problem is compounded by the low vacancy rate in rental housing in Duluth, which has resulted from the loss of several hundred units to industrial development, medical facility expansion, and from a high concentration of college students. Indians also face housing discrimination.

This project was reviewed and approved by various Indian organizations in the state in addition to receiving matching funds from the Minnesota Housing Finance Agency. It is receiving financial assistance from the Grand Portage Reservation and staff support from the Chippewa Tribe Housing Corporation.

The developers will buy and renovate three or four duplexes for rental housing to low-income families. Unlike other Duluth projects, the houses will not be in a single, highly visible area, so that the best housing can be obtained while avoiding creation of an Indian enclave in the city.

The budget is \$50,000 state URAP, \$50,000 from the Minnesota Housing Finance Agency, \$55,000 match from the Grand Portage reservation and an additional \$6,000 from the Ordin Foundation.

Selective Demolition. The final project is a grant to the City Planning and Development Department for demolition projects. This project was funded at \$50,000 state URAP and \$50,000 city funds to eliminate the "contagious influence" of blighted properties in target neighborhoods.

Summary and Conclusions. The projects selected are in conformity with city goals. They meet neighborhood concerns and are well designed to have a highly visible impact. Multiple sources of funds have been used and substantial private funds have been leveraged. The benefits of these projects will be long-term. The city also has set up sound criteria and procedures for monitoring the projects. All of those involved in the Duluth URAP program spoke of how important the flexibility was in URAP grants from the state. Flexibility is often needed in putting together complex property deals. The city is committed to evaluating their programs annually. State reporting requirements are among the factors considered in the evaluation.

Conformity of the Plans to State Objectives

The statutory objectives of the URAP legislation include:

- state financial assistance is available for use within "targeted neighborhoods,"
- the program will benefit low- and moderate-income families,
- the program will alleviate the blighted condition of the targeted neighborhood or will otherwise assist in the revitalization of the targeted neighborhood,
- the program shall include a statement of outcomes able to be measured both qualitatively and quantitatively within an established timeframe, and
- a financing program and budget shall be prepared which identifies the financial resources necessary to implement the revitalization program.

Targeted Neighborhoods. In order to assess whether or not the city URAP plan conforms to the state URAP objectives it is necessary, first of all, to verify the process of selecting targeted neighborhoods.

Targeted neighborhoods must meet two of three legislatively established criteria, one of which states that the area have an unemployment rate twice that of the Twin Cities as determined by the 1980 census. Another criterion requires that the median household income in the area be no more than half the median household income as determined by the 1980 census. The third criterion states that the area be characterized by residential dwelling units in need of substantial rehabilitation. An area qualifies if 25 percent or more of the residential dwelling units are in substandard condition as determined by the city or if 70 percent or more of the residential dwelling units in the area were built before 1940 as determined by the 1980 federal decennial census.

While all three cities adhered to the established criteria, the "targeted neighborhoods" selected in Minneapolis are quite extensive. The legislation, however, granted the cities even more leeway when it stated that "(a) the city may add to the area designated as a targeted neighborhood . . . extending up to four contiguous city blocks in all directions from the designated targeted neighborhood." It should be noted that some neighborhoods in all three cities ap-

plied a more narrow set of criteria to help them select projects for the URAP program.

For example, the Whittier Alliance in Minneapolis used an approach modeled after the Oasis Technique developed by the Lauderdale Housing and Redevelopment Authority and since applied in other major cities. Information about neighborhood conditions, i.e., crime rates, police calls, poorly maintained and managed buildings, age of buildings, etc. was gathered from public agencies, field surveys, the police, the city housing inspector, and one hundred questionnaires returned by neighborhood residents and business people. The data was then mapped and projects were selected based upon the information.

Other neighborhoods used less formal criteria for selecting projects within the targeted areas. The West Duluth neighborhood narrowed their objectives to two: (1) correct code violations and (2) focus visible improvements into a concentrated area.

Low and Moderate Income. *Minnesota Statutes*, Sec. 469.002, subdivisions 17 and 18 provide the legal definition of low and moderate income for purposes of this legislation. It is as follows: "Persons of low income and their families means persons or families who lack a sufficient income to enable them, without financial assistance, to live in decent, safe and sanitary dwellings, without overcrowding."

"Persons of moderate income and their families means persons and families whose income is not adequate to cause private enterprise to provide without governmental assistance a substantial supply of decent, safe, and sanitary housing at rents or prices within their financial means.

The sole criteria set by law to insure that the URAP program will benefit the poor and middle class is that the URAP money be spent in a geographical area where low- and moderate-income people reside (using legislatively set selection criteria). The state program is not bound by the more strict federal CDBG guideline that individuals meet 80 percent of the Standard Metropolitan Statistical Area (SMSA) income limit in order to meet the first national objective which is to serve the low and moderate income. There is, however, a federal guideline which

allows persons who do not meet this criteria to benefit from the CDBG program, that being if the housing meets the second national objective of "alleviating slum and blight." To limit use of this guideline, HUD has put in place a cap on cities, requiring that 60 percent of CDBG dollars be spent on housing individuals with low and moderate income. Federal legislation has passed that will increase that percentage to 70 by 1992. The federal guidelines are even more complex when dealing with commercial property. To reiterate, none of these criteria apply to the state URAP program.

A number of other federal guidelines exist which are being applied to URAP-CDBG matched projects and are being carefully monitored. Contractors maintaining a managing interest in public projects are required to monitor income levels of tenants. Rent and increase in rent is restricted in federally funded housing programs.

Persons submitting loan applications to banks, in addition to being held to the scrutiny of banking standards, must present income information to program managers. Salaried employees must produce last year's taxes as well as a current pay stub. Employers are required to sign income verification forms. Self-employed employees must submit the last three years of tax statements.

Alleviate Blighted Conditions. The goals of the various housing programs offered by the three cities are to alleviate the blighted conditions in targeted neighborhoods. Site visits by staff from DTED, State Planning, and Housing Finance Agency (where projects overlap) show that there are multiple projects in various stages of completion. Clearly improvements are being made as a result of the URAP program. It should be reiterated, that because of the design of the URAP program in Minneapolis, it demonstrates the least amount of concentrated visible improvement of the three cities. St. Paul and Duluth's URAP goals were to achieve high visible improvement within a concentrated area. Minneapolis, however, used their URAP dollars to augment targeted area-wide programs.

Measurable Outcomes and Timetables. Statements of intended outcomes and estimated timetables for each of the three cities are contained in their URAP program proposals as required by law. Be-

cause the 1990 URAP program is still being implemented, it is not possible to measure the outcomes. The State Department of Trade and Economic Development, however, is actively involved in monitoring program accomplishments.

Financing and Budget. A financing program and budget that identifies the financial resources necessary to implement the URAP program in each of the three cities was completed as directed by the legislation and includes the following information:

- the estimated total cost to implement the program;
- the estimated cost to implement each activity in the program;
- the estimated amount of financial resources that will be available from all sources other than from the appropriation including the amount of private investment expected to result from the use of public money in the targeting neighborhood;
- the estimated amount of the appropriation that will be necessary to implement the program;
- a description of the activities identified in the program for which the state appropriation will be committed or spent; and
- a statement of how the city intends to meet the requirement for a financial contribution from city matching money.

We verified that all cities had these documents (see Tables 1, 2, and 3).

Matching Requirements. The cities meet and exceed the legal requirement that 50 percent of URAP funds be used for housing. Minneapolis used approximately 62 percent of its URAP funds on housing. St. Paul used approximately 60 percent on housing (including relocation costs). With the exception of two small road paving projects, Duluth used over 90 percent of their URAP funds on housing projects.

From the dollar figures presented to us, it is clear that the cities also meet the legal requirement that private funds be used to partially fund the activities (see Tables 1, 2, and 3). In Minneapolis, the ratio of private dollars matched to public dollars was a little below 2:1. In St. Paul, it was 2:1, and in Duluth, the ratio was approximately 1.5:1.

The success of the URAP program hinges in part on the availability of federal CDBG funds to match the state URAP dollars. Minneapolis was the most

dependent upon CDBG funds as a matching source while Duluth was the least dependent.

Reporting Requirements. There are multiple reporting requirements for cities involved in urban revitalization:

1. The cities' use of CDBG matching federal dollars: the Federal Government requires an annual grantee performance report and conducts periodic monitoring including on-site visits.
2. Foundation dollars, e.g., Family Housing Fund: By way of example, MCDA, as administrator is responsible for monitoring and providing an unaudited income and expense statement on each project as well as an audited balance sheet on each borrower.
3. Private lenders: requirements similar to the use of foundation dollars is expected.
4. Reporting requirements specifically as they relate to the URAP program (including matching money) were as follows:
 - Minneapolis and Duluth submitted a preliminary revitalization program to the commissioners of DTED, State Planning and the Minnesota Housing Finance Agency for their comments.
 - A certification by Minneapolis and Duluth that a revitalization program was approved by their city councils for the targeted neighborhood was provided to the commissioners of DTED, State Planning and Housing Finance.
 - The City of St. Paul, after approval of their preliminary revitalization program by the city planning commission and city council, submitted the pro-

gram to the commissioners of DTED, State Planning and Housing Finance for comment.

- A certification by St. Paul that a revitalization program had been approved by a review board was provided to the commissioners of DTED, State Planning and Housing Finance.
- In 1989 and subsequent years, the legislative auditor shall conduct a financial audit which shall be submitted to the Legislative Audit Commission, the commissioners of DTED, State Planning and Housing Finance Agency.
- Each city that begins to implement a revitalization program must, by March 1 of the succeeding year, provide a detailed annual report on the revitalization program being implemented in the city and submit copies to the commissioners of DTED, State Planning, and Housing Finance and make copies available to the public.
- The commissioner of State Planning shall monitor the planning, development and implementation of URAP and provide an interim report to the legislature by January 1, 1990 and a final report of its findings due by January 1, 1991.

In addition to completing an annual report and submitting to an audit, staff from DTED, as part of their grant administration responsibility, conducted annual site visits and progress reports to insure continuity and consistency in reporting by the cities. Staff from the Minnesota Housing Finance Agency also conducted site visits, specifically related to the overlap of URAP financing of projects also funded by the Housing Finance Agency.

Staff from State Planning conducted site visits and a series of interviews in each of the three cities to satisfy the legislative directive to monitor and report on the 1990 URAP program.

Summary and Conclusions

- All three cities adhered to the statutory criteria for establishing targeted neighborhoods.
- The only criteria in place to insure that the URAP program benefits persons of low- and moderate income is that the URAP money be spent in a geographical area (selected using statutory criteria) where low and moderate-income persons reside. A number of additional guidelines insure that URAP-CDBG matched

projects benefit low- and moderate-income families.

- The URAP program has partially alleviated the blighted condition of the targeted neighborhoods. While Minneapolis has treated more blighted structures, the results are more visible in St. Paul and Duluth because program objectives in these cities specifically called for more concentrated projects.

- Measurable goals and objectives exist for URAP-related activities within the targeted neighborhoods
- A financing program and accompanying budget which identify the financial resources necessary to implement URAP was properly prepared and submitted by each of the three cities (see Tables 1, 2, and 3).
- Reporting requirements are excessive, owing in part to state legislative mandates. Preliminary program review by three state agencies annually, an annual

audit by the state auditor, and more detailed reporting requirements to DTED are the current procedures. Staff at both the Minneapolis city and neighborhood level felt that the annual reporting forms from DTED were also cumbersome and duplicative. They also felt that the emphasis has been more quantitative than qualitative. City staff and program managers in St. Paul and Duluth had fewer complaints about the reporting requirements.

List of Contacts

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Linda Larsen - Increase Homeownership Program Manager

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Lisa Kugler - YOTC Allocation Advisory Council

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Watson-Forsberg Company

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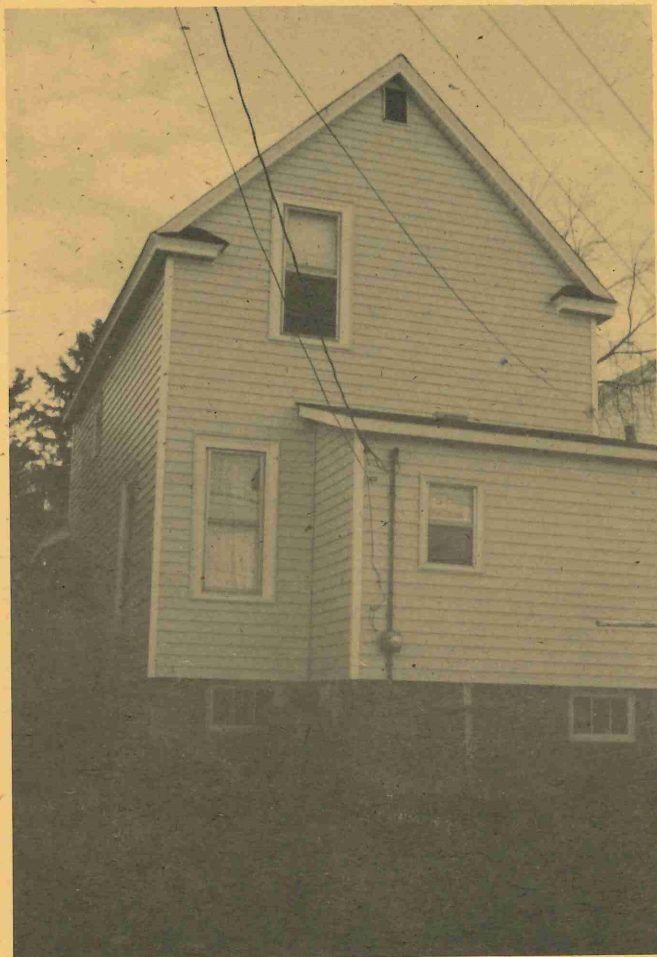
Indian Rental Housing Project

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