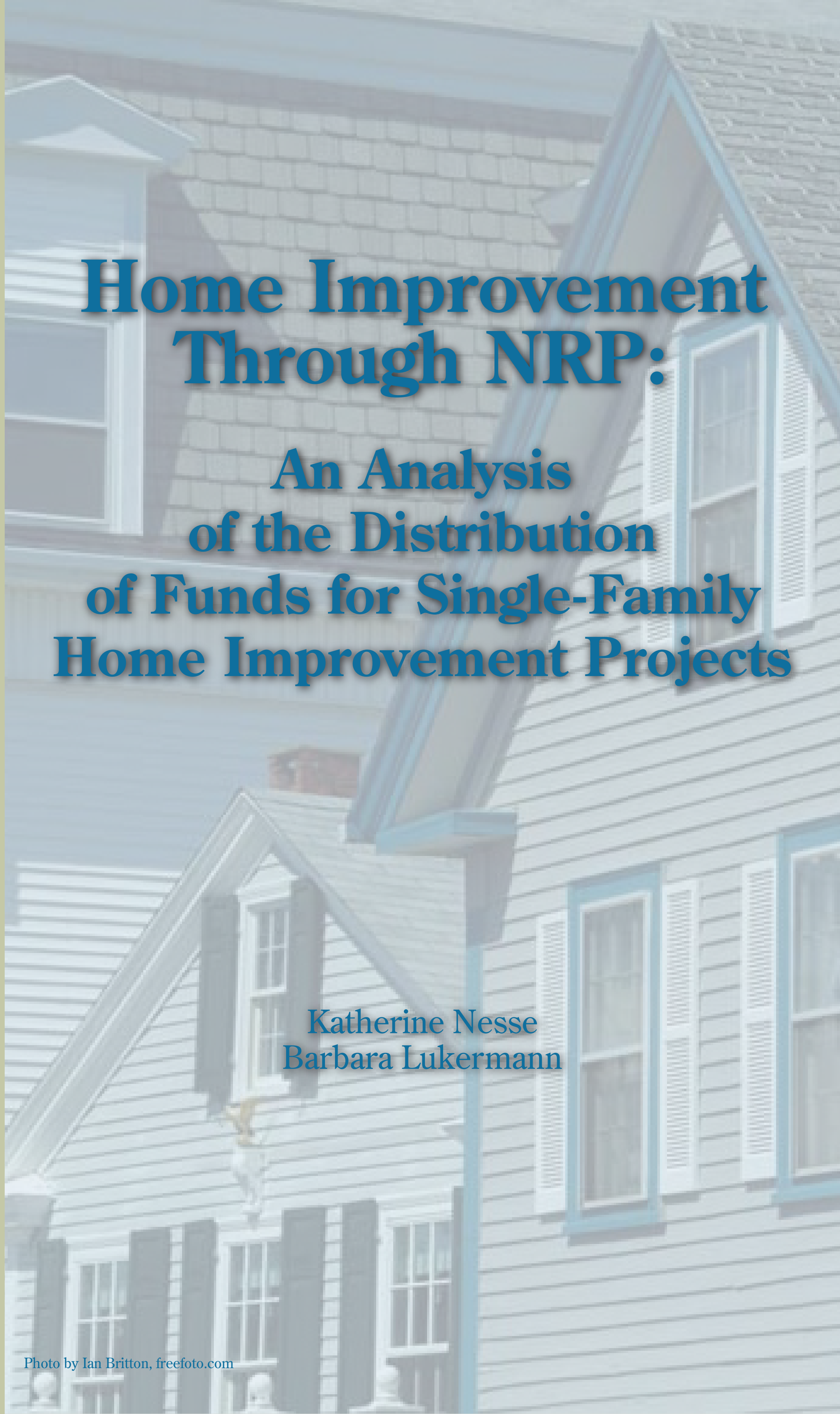

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## An Analysis of the Distribution of Funds for Single-Family Home Improvement Projects

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Center for Urban and Regional Affairs, University of Minnesota

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**Katherine Nesse**
**Barbara Lukermann**

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Center for Urban and Regional Affairs (CURA)
University of Minnesota
330 HHH Center
301—19th Avenue South
Minneapolis, Minnesota 55455

Phone: (612) 625-1551
Fax: (612) 626-0273
E-mail: cura@umn.edu
Web site: www.cura.umn.edu

## Table of Contents



## Table of Illustrations

The Neighborhood Revitalization Program (NRP) was created in response to the decline of Minneapolis's neighborhoods in the late 1980s (NRP Primer n.d.). In two 10-year phases, NRP has funded neighborhood improvement projects. Within the largest area of investment, housing, much of the Phase I money has been spent on single-family home-improvement projects. In this research we analyzed the distribution of single-family home improvement loans and grants during Phase I to identify income characteristics of those receiving loans and relate those characteristics to the three types of neighborhoods: protection, revitalization, and redirection.

## The scope of this study

Other studies of Phase I spending (Martin & Pentel 2002; Berger, et al. 2000) have noted that the use of NRP funds varied dramatically between neighborhoods. Because the intent of NRP is to put the power to set priorities in the hands of neighborhood residents, there were very few restrictions on how money designated for each neighborhood could be spent. The use of funds is a reflection of the goals and priorities established within each neighborhood through a community planning process overseen by the neighborhood's NRP committee.

We are interested in how those neighborhood priorities have affected the disbursement of funds intended for single-family home improvement projects. We looked at how the Phase I money designated for single-family home improvement loans[1] has been distributed among different income groups. Our three research questions are:

1. In what income brackets are recipients of NRP funds?
2. How much NRP money went to households in different income brackets?
3. How do neighborhoods and neighborhood types (protection, revitalization, and redirection) differ in their allocation of funds to different income brackets?

1 We use the term loan to signify both loans and grants made in this category.

## A brief history of NRP

NRP began in February 1991.[1] It was created as a joint powers structure under Minnesota state law, governed by a 19-member board, representing the primary local jurisdictions and community groups.[2] Although it is a stand-alone city agency, its funding comes from the City of Minneapolis's Common Project. The mission of the program is to put neighborhood planning and priority-setting in the hands of the neighborhood's stakeholders so that Minneapolis neighborhoods become better places to "live, work, learn and play" (NRP Primer n.d., 1).

To date, the program has operated in two phases. In Phase I, $10 million was set aside in 1990 and $20 million was reserved each subsequent year (until 2000) from the Common Project (Minnesota Session Laws 1990). Although funds have accrued annually (since 1990), many neighborhoods did not approve plans and begin implementation of them until 1996 to 1998. There is no restriction on when it may be spent, therefore, although the last annual allocation of Phase I funding was made available in 2000, some neighborhoods are still spending Phase I money.

Although there was not a required level of housing investment set for each neighborhood in Phase I, NRP as a whole came very close to meeting the mandate to spend 52.5 percent of total funds on housing (Cooper and Whitehurst 2003). However, in Phase II, significantly less money has been reserved by the city for NRP. Therefore, even though NRP was only a few percentage points short in Phase I, a larger percent

1 The program, its purpose, and its funding source are established in the Minnesota Statutes 469.1831 and 471.59. The funding and reporting of NRP activities are described in Minnesota Session Laws, Chapter 604, Article 7, Sec. 29. The Minneapolis Code of Ordinances (Title 16, Chapter 419) outlines the structure of the program and its administration.

2 The Policy Board includes representatives from City of Minneapolis, Minneapolis Public Schools, Hennepin County, Minneapolis Park and Recreation Board, Minneapolis Public Library, The Minneapolis Foundation, Minnesota State Legislature, Greater Twin Cities United Way, Minneapolis Regional Chamber of Commerce, Minneapolis Central Labor Union, Institute on Race and Poverty, and neighborhood representatives.

of Phase II money must be spent on housing to compensate for the Phase I shortfall (Cooper and Whitehurst 2003). This study is of Phase I spending only and does not address this discrepancy.

All residential neighborhoods in Minneapolis are included in NRP. There are a few industrial areas that are not included, such as Mid-City Industrial, north of Southeast Como. In most cases, NRP neighborhood boundaries are the same as the City's neighborhood boundaries. Some City-defined neighborhoods have combined to carry out their NRP efforts. For example, Field, Regina, and Northrop are considered one neighborhood in NRP. In addition, Phillips was originally one neighborhood but has recently been redrawn by the City into four separate neighborhoods. There are a total of 66 neighborhoods in the NRP program.[1]

The neighborhoods are labeled as one of three types, protection, revitalization, or redirection. These labels were self-selected at the beginning of the program based on definitions created by the City and have not changed since (Whitehurst 2005). Neighborhoods labeled "protection" had few problems, those labeled "revitalization" showed signs of decline but still functioned reasonably well, and neighborhoods labeled "redirection" had more significant problems (NRP Primer n.d.).

The program began when six neighborhoods, two from each category, were selected through a lottery in 1991. The rest of the neighborhoods were added in stages over the next few years (Whitehurst 2005). Allocation of funds among neighborhoods was based on formulae weighing five neighborhood variables developed by Robert Sherman, Hennepin County's chief biometrician (Sherman 1991).

Neighborhood groups coordinated the development of Neighborhood Action Plans with input from the area's stakeholders. The groups identified goals and strategies in the

1 The four neighborhoods within Phillips have only recently been recognized by NRP and therefore are considered part of Phillips in this count and in this study.

Action Plans and, once approved by their communities, submitted their plans to the NRP Policy Board. Once approved, the NRP staff worked with non-profits, banks, and other entities within the neighborhood and around the city to secure contracts for services to achieve the goals and carry out the strategies in each plan. In Phase II, neighborhoods will develop new Action Plans. Phase I is nearly complete and over 90 percent of the funds have been spent.

## Methodology

To discover how NRP Phase I funds have been distributed among people in different income brackets for single-family home improvement projects, we have looked at the characteristics of loan recipients across neighborhoods. The study is focused on Phase I contracts that have obligated funds under the NRP activity code "1703" (provide loans and grants for home improvement, 3 or fewer dwelling units) by the NRP staff. Because information about the recipients was not uniformly collected or recorded across vendors, we have looked only at contracts administered by two vendors that, combined, administered 30 percent of the contracts. These were the only vendors that administered a large number of contracts with data, including personal data for the recipients needed for this research, in an electronic format.

NRP funds are used in 9 different categories, Housing, Economic Development, Human Services, Parks and Recreation, Schools and Libraries, Community Building, Crime and Safety, Environment, and Transportation and Infrastructure. Under each category there are many different activities. At three stages, NRP staff records the plans and activities of the neighborhood in the database and codes them with category and activity codes (Chart 1).

PlanNet is the database NRP staff use to keep track of neighborhood activities. After the neighborhood drafts its Action Plan, NRP staff enter it into the PlanNet database. Each strategy is entered under one of the categories and assigned one or more activity codes, signalling the type of projects to be implemented under the strategy.

Next, the NRP staff contracts with vendors (including public agencies, nonprofit organizations, and for-profit enterprises) to provide the services called for in the strategies. Sometimes these contracts will correspond exactly to a strategy. More often, one strategy will have more than one contract associated with it or more than one strategy will be associated with a contract. The second entry is when contracts have been made. After the contracts are awarded, each contract is entered into the PlanNet database under a category and assigned one or more activity codes to signal the activities that will be carried out in the contract. Although there may be a number of different activity codes assigned to a contract, especially in those neighborhoods that implement a range of NRP activities, there is only one primary activity number.

**Chart 1.** Neighborhood NRP activities are recorded in PlanNet at three points. The diagram below illustrates a hypothetical set of strategies, contracts, and projects entered under the Housing category in Phase I. In this study we looked at funds disbursed through contracts (the second column) labeled with the activity code, "1703."

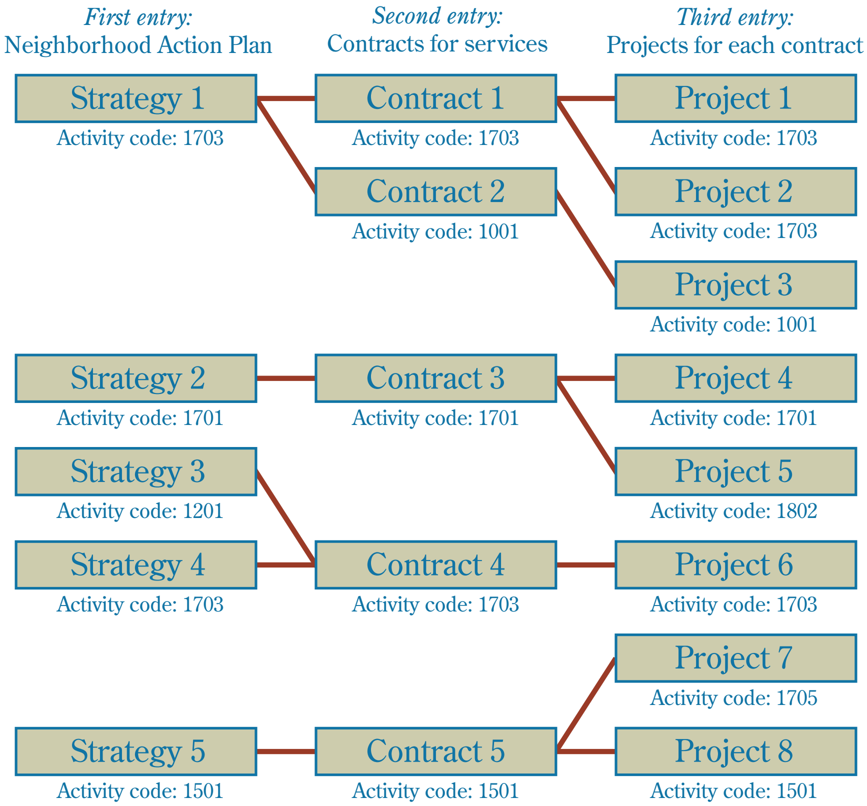


**Table 1.** All the neighborhoods in NRP are listed below. Those that contracted with CEE or NNHS for single-family home improvement programs list the average loan amount, the total amount loaned, and the number of loans made under these contracts. The right two columns list the total amount each neighborhood could work with through NRP and the percent of that total dedicated to Housing activities. The table is continued on the next page.

| *No.* | *Neighboorhood(s)* | *Avg. Loan Amount* | *Total Loaned*[1] | *Number of Loans* | *Total Funds Available* | *Percent in Housing*[2] |
|---|---|---|---|---|---|---|
| **Protection Neighborhoods** | | | | | | |
| 1 | Armatage | — | — | — | $1,109,832 | 25 % |
| 2 | Audubon Park | $1,811 | $117,695 | 65 | 2,798,845 | 66 |
| 7 | Bryn Mawr | 3,433 | 223,162 | 65 | 713,000 | 41 |
| 11 | Cedar-Isles-Dean | — | — | — | 829,600 | 0 |
| 14 | Columbia Park | — | — | — | 478,000 | 46 |
| 16 | Downtown East, Downtown West | — | — | — | 1,839,947 | 63 |
| 17 | East Harriet | 10,540 | 189,715 | 18 | 1,643,000 | 59 |
| 18 | East Isles | — | — | — | 1,130,853 | 0 |
| 19 | East Calhoun | — | — | — | 794,375 | 31 |
| 23 | Fuller, Tangletown | 2,663 | 47,940 | 18 | 1,107,383 | 22 |
| 24 | Fulton | 5,726 | 234,785 | 41 | 1,348,340 | 18 |
| 25 | Hale, Page, & Diamond Lake | — | — | — | 2,212,950 | 20 |
| 30 | Kenny | — | — | — | 614,220 | 9 |
| 31 | Kenwood | — | — | — | 440,000 | 0 |
| 34 | Linden Hills | 8,910 | 445,486 | 50 | 1,762,956 | 14 |
| 38 | Lowry Hill | — | — | — | 1,109,613 | 0 |
| 41 | Lynnhurst | — | — | — | 1,016,683 | 9 |
| 43 | Marshall Terrace | 4,706 | 432,916 | 92 | 679,830 | 53 |
| 45 | Nicollet Island/ East Bank | — | — | — | 240,780 | 0 |
| 51 | Prospect Park | — | — | — | 3,236,910 | 21 |
| 54 | Shingle Creek | 5,192 | 809,895 | 156 | 800,000 | 86 |
| 56 | St. Anthony West | — | — | — | 1,403,959 | 118 |
| 61 | Victory | — | — | — | 978,210 | 54 |
| 62 | Waite Park | — | — | — | 1,232,877 | 62 |
| 63 | West Calhoun | — | — | — | 605,000 | 0 |
| 65 | Windom | 4,300 | 154,810 | 36 | 1,749,200 | 6 |
| **Revitalization Neighborhoods** | | | | | | |
| 3 | Bancroft | — | — | — | 2,000,000 | 52 |
| 4 | Beltrami | 4,423 | 199,024 | 45 | 745,605 | 58 |
| 5 | Bottineau | — | — | — | 1,545,666 | 63 |
| 6 | Bryant | — | — | — | 2,050,000 | 62 |
| 8 | CARAG | — | — | — | 2,418,053 | 50 |
| 9 | Webber-Camden | 4,385 | 1,008,607 | 230 | 2,527,350 | 57 |
| 10 | Cedar-Riverside/ West Bank | — | — | — | 1,598,000 | 76 |
| 13 | Cleveland | 11,100 | 888,022 | 80 | 1,059,096 | 36 |
| 15 | Corcoran | 4,152 | 722,506 | 174 | 2,563,645 | 50 |

**Table 1.** (continued)

| *No.* | *Neighboorhood(s)* | *Avg. Loan Amount* | *Total Loaned*[1] | *Number of Loans* | *Total Funds Available* | *Percent in Housing*[2] |
|---|---|---|---|---|---|---|
| 21 | Field, Regina, & Northrop | 3,580 | 1,185,110 | 331 | 2,674,874 | 52 |
| 22 | Folwell | 4,323 | 125,363 | 29 | 1,991,253 | 48 |
| 28 | Holland | — | — | — | 3,610,932 | 48 |
| 29 | Jordan | 9,542 | 4,169,766 | 437 | 6,691,000 | 96 |
| 32 | Kingfield | — | — | — | 3,011,144 | 17 |
| 33 | Lind-Bohannon | 3,394 | 957,106 | 282 | 1,668,879 | 32 |
| 35 | Logan Park | 6,465 | 258,591 | 40 | 1,263,500 | 65 |
| 36 | Longfellow, Cooper, Hiawatha, Howe | 4,115 | 1,913,602 | 465 | 9,299,592 | 63 |
| 37 | Loring Park | — | — | — | 3,497,500 | 56 |
| 39 | Lowry Hill East | 13,261 | 92,830 | 7 | 3,799,364 | 33 |
| 42 | Marcy Holmes | 10,945 | 328,353 | 30 | 4,330,220 | 56 |
| 44 | McKinley | 4,887 | 293,207 | 60 | 1,884,849 | 29 |
| 46 | Keywaydin, Minnehaha, Morris Park, Wenonah | 5,756 | 575,595 | 100 | 4,415,369 | 45 |
| 47 | Northeast Park | — | — | — | 510,000 | 63 |
| 50 | Powderhorn Park | — | — | — | 5,195,400 | 52 |
| 52 | Seward | — | — | — | 4,733,030 | 45 |
| 55 | Southeast Como | 4,440 | 728,241 | 164 | 2,413,629 | 43 |
| 58 | Standish Ericsson | — | — | — | 3,439,035 | 38 |
| 66 | Windom Park | 4,693 | 1,328,107 | 283 | 2,818,000 | 63 |
| **Redirection Neighborhoods** | | | | | | |
| 12 | Central | 13,265 | 225,507 | 17 | 6,040,000 | 54 |
| 20 | Elliot Park | 5,492 | 340,518 | 62 | 4,459,701 | 25 |
| 26 | Harrison | 27,644 | 2,294,444 | 83 | 2,937,686 | 80 |
| 27 | Hawthorne | 5,856 | 732,011 | 125 | 4,582,900 | 66 |
| 40 | Lyndale | 6,462 | 109,854 | 17 | 4,750,000 | 77 |
| 48 | Near North, Willard Hay | 15,923 | 5,971,047 | 375 | 8,400,250 | 55 |
| 49 | Phillips | 6,333 | 133,000 | 21 | 18,089,283 | 39 |
| 53 | Sheridan | — | — | — | 2,034,000 | 69 |
| 57 | St. Anthony East | — | — | — | 1,196,100 | 69 |
| 59 | Stevens Square | — | — | — | 4,204,100 | 89 |
| 60 | Summer-Glenwood | — | — | — | 2,502,000 | 0 |
| 64 | Whittier | 6,357 | 158,932 | 25 | 7,766,000 | 58 |

1 These numbers include program income (for example, income from interest paid) and so may occasionally be larger than the percent of the total funds dedicated to housing.

2 These numbers, from the PlanNet database, are approximate. They include program income and so may overestimate the percent of the total funds that have been dedicated to housing.

Finally, every contract results in projects. For example, a contract for home improvement loans may have a project for emergency grants and a project for exterior improvement loans. When projects have been defined, these projects are entered into the database under a category and assigned an activity code.

For this research, we are examining contracts in the Housing category that have been assigned the primary activity code "1703" (provide loans and grants for home improvement, 3 or fewer dwelling units). The category is defined as loan and grant programs that benefit owner-occupied buildings of no more than 3 units. There are 160 contracts in this category, 30 percent of them (totalling 47 percent of the funds contracted for single-family home improvement) are with 2 vendors,

- Center for Energy and Environment (CEE, 40 contracts), and
- Northside Neighborhood Housing Service (NNHS, 8 contracts).

Three other vendors handled another 29 percent of the contracts,

- Greater Metropolitan Housing Center (27 contracts),
- Project for Pride in Living (13 contracts), and
- Southside Neighborhood Housing Service (6 contracts).

Records for individual loans and borrowers are maintained by the vendors. We were unable to obtain complete electronic information for loans administered by these last three vendors.[1]

The remaining 66 contracts were with 37 other vendors, primarily neighborhood organizations and banks. Single-family home improvement loan contracts were made in 56 of the 66 neighborhoods. The two vendors with complete information, CEE and NNHS, administered contracts in 33 neigh-

1 The electronic record of the loans was missing the recipients' income and household size in the case of PPL and GMHC. SNHS records were not in electronic format.

borhoods. We believe the loans made by CEE and NNHS are fairly representative of NRP's single-family home improvement loans and grants because these two vendors have administered approximately a third of the contracts and these contracts have been made in half the neighborhoods. In addition, the proportion of protection, revitalization, and redirection neighborhood types is about the same in the combined CEE/ NNHS database as in NRP as a whole (Table 1).

There were some assumptions we made in combining the CEE and NNHS databases. We eliminated all loan records that did not have complete information (15 percent of the records).[1] This left us with 4023 records to analyze. Some households received more than one loan. When this happened, the most recent personal data was applied to all loans. In our analysis, the income was compared to the neighborhood or metropolitan median level for the year the loan was made (not the year the income was made). In most cases, the time between the earlier loan and the latest loan was no more then two years. Although this has a tendency to over-estimate the household's income level compared to the metropolitan median income, the circumstance is rare enough and the time difference small enough that we felt it would have only a small effect.[2]

In this analysis we compared household incomes to two different median incomes, the metropolitan median, as reported by the US Department of Housing and Urban Development (HUD), and the neighborhood median income, as reported by the City of Minneapolis.[3]

## Findings

Recipients of single-family home improvement loans were mostly below the metropolitan median income. The income of

1 We eliminated loans that were missing the loan amount, the year the loan was made, household income, or household size, and loans made for housing where the owner did not live on site.
2 For a more complete documentation of assumptions made in this process, see appendix A.
3 For a fuller description of how the income levels were figured, see appendix A.

**Table 2.** Most loans were made to households with incomes below the HUD metropolitan median income. In the chart below, the top two lines show the percent of loan dollars and the amount loaned to households in the different income brackets. The bottom two lines show the percent of loans and the number of loans made to households in different income brackets. It should be noted that the percents below median income are cumulative.

| | *over median* | *under median* | *under 80% median* | *under 50% median* | *under 30% median* |
|---|---|---|---|---|---|
| *amount of funds* | 28% | 72% | 58% | 28% | 10% |
| *total: $27,395,745* | $7,575,660 | $19,798,469 | $15,971,066 | $7,702,185 | $2,839,295 |
| *number of loans* | 24% | 76% | 63% | 32% | 13% |
| *total: 4023* | 946 | 3,074 | 2,523 | 1,269 | 520 |

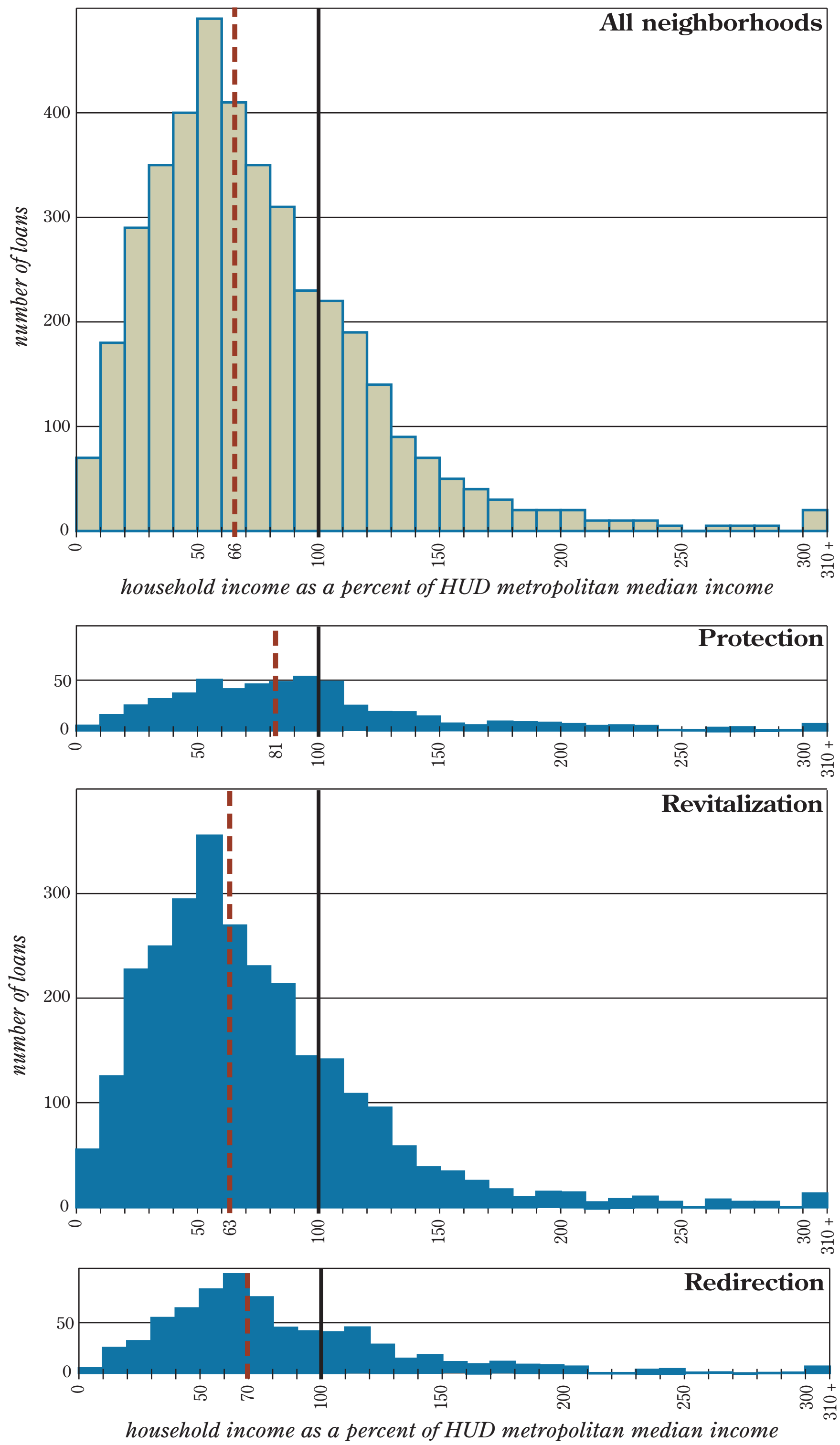
the median loan recipient was 66 percent of the metropolitan median income (Chart 2) and 76 percent of recipients had incomes below the metropolitan median income (Table 2). The income of the recipient with the highest income was 1000 percent of the metropolitan median income but only 0.4 percent of recipients had incomes of more than 300 percent of the metropolitan median income.

Given that the majority of loans went to households with incomes below the metropolitan median, it will not come as a surprise to know that most of the money went to households with incomes below the metropolitan median (Table 2). There appears to be no relationship between the amount of a loan and a recipient's income level.[1]

In determining how to distribute all NRP funds among the neighborhoods, the City valued funding the neighborhoods that were the worst off (Goetz and Sidney 1997). The formulae developed by Sherman (1991) are based on measures of poverty including income levels, employment, and buildings' condition. Redirection neighborhoods, those with poorer residents, had the most overall NRP funds to work with.

1 A regression of loan amount (dependent) against the household's income as a percent of the metropolitan median income (independent) yielded an $r^2$ value of 0.005. A regression of loan amount (dependent) against the household's income as a percent of the neighborhood median income (independent) yielded an $r^2$ value of 0.056.

**Chart 2.** The income bracket that received the most loans was the bracket 50 to 60 percent of median income. Each bar represents the number of loans granted to households with incomes in that 10 percent range. The top chart is of recipients in all neighborhoods and the three below it are for each neighborhood type. The red dashed line represents the median recipient's income level.



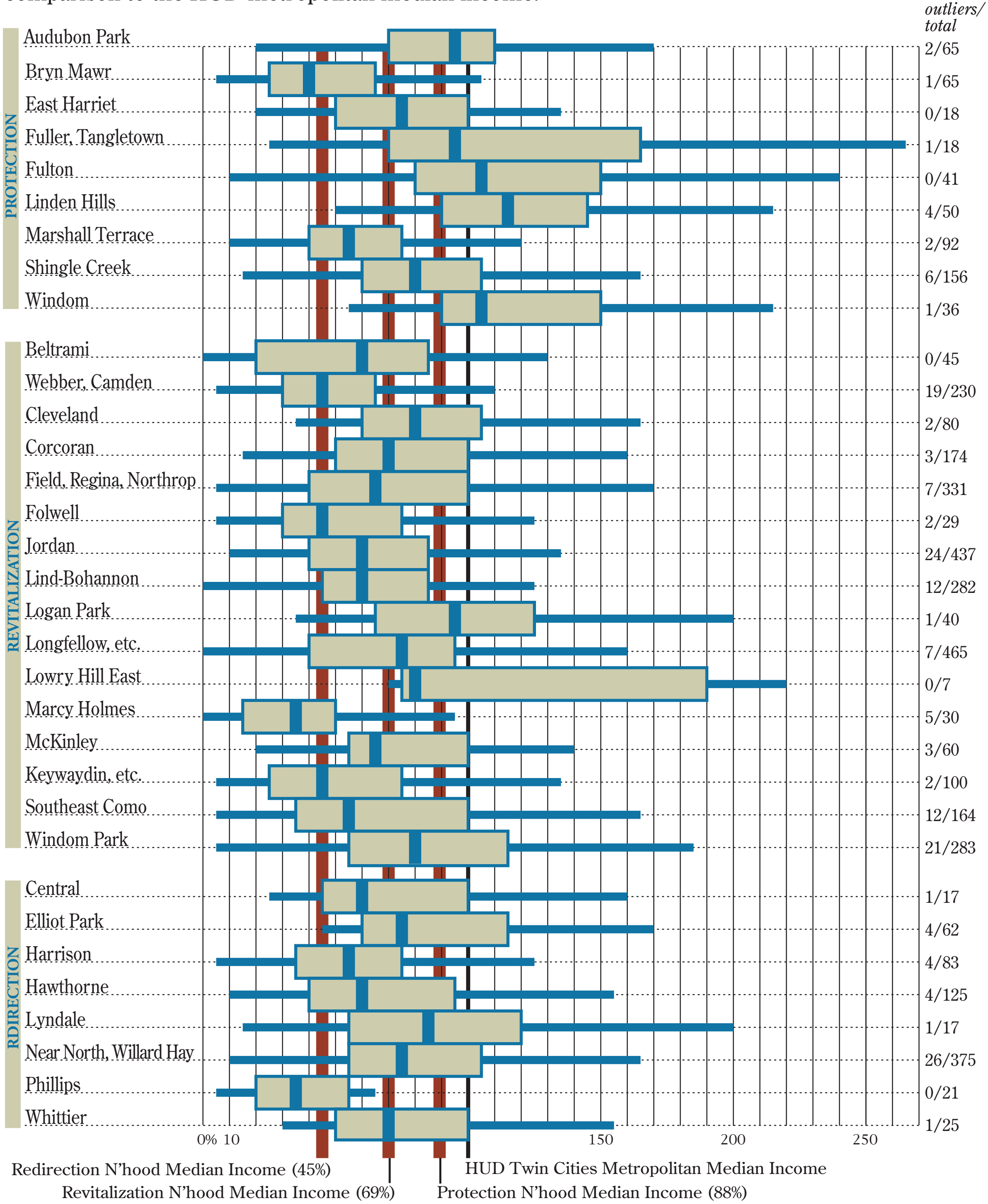
There were some differences between the three neighborhood types.

- Protection neighborhoods spent $2,656,402 on 541 loans. The income of the median recipient was 81 percent of the metropolitan median income (the average recipient's income was 87 percent).
- Revitalization neighborhoods spent $14,774,030 on 2757 loans. The income of the median recipient was 63 percent of the metropolitan median income (the average recipient's income was 72 percent).
- Redirection neighborhoods spent $9,965,313 on 725 loans. The median recipient was 70 percent of the metropolitan median income (the average recipient's income was 80 percent).

In all the studied neighborhoods but three (Linden Hills, Fulton, and Windom, see Chart 3), the income of the median recipient was below the metropolitan median income. At $13,745 ($16,066 in inflation-adjusted 2005 dollars), the money allocated per recipient household was greatest in redirection neighborhoods and, at $4,910 ($5,647 in inflation-adjusted 2005 dollars) least in protection neighborhoods. At $5,359 ($6,155 in inflation-adjusted 2005 dollars), revitalization neighborhoods were close to protection neighborhoods in their allocation per recipient household.

Minneapolis residents as a whole tend to have incomes below median income for the Twin Cities metropolitan area. When recipients' incomes are compared to the median income within their own neighborhoods, instead of the metropolitan median income, we find that in protection and revitalization neighborhoods the income of the average recipient is at about the median income for that neighborhood. However, in redirection neighborhoods, the income of the average recipient is about 180 percent of the median income in that neighborhood. The median income in redirection neighborhoods is 45 percent of the metropolitan median income and therefore, even recipients that were 200 percent of the neighborhood median income were below the metropolitan median.

**Chart 3.** Even within neighborhood types, there was considerable variability in to whom loans were made. The boxes represent the interquartile range (half of the loans) and the whiskers represent the range of loans removing the outliers (those loans made to households with income levels more than 175 percent of the range above the median). On the far right is the number of outliers and the total number of loans for each neighborhood. Note that some neighborhoods made very few loans. The red lines show the median income for each type of neighborhood in comparison to the HUD metropolitan median income.



It is difficult to draw conclusions about specific neighborhoods with the records of CEE and NNHS because some neighborhoods may have used these two vendors only for certain kinds of programs or used one of them for only one program and used another vendor for other single-family home improvement programs. Some neighborhoods appeared to make loans and grants only to a narrow group of people below median income while others appeared to make loans to a wide range of households in many different income categories (Chart 3).

Although the incomes of recipients of these loans and grants were, on average, below the median income of the metropolitan area, they were, on average, at about the median income within the recipient's neighborhood. The exception to this is in redirection neighborhoods where the income of the recipient was, on average, significantly higher than neighborhood median income. There was no relationship between the income of the recipient and the loan amount. We did not have sufficient information to draw definite conclusions about individual neighborhoods, although they appear to vary considerably in to whom they loaned NRP single-family home improvement funds.

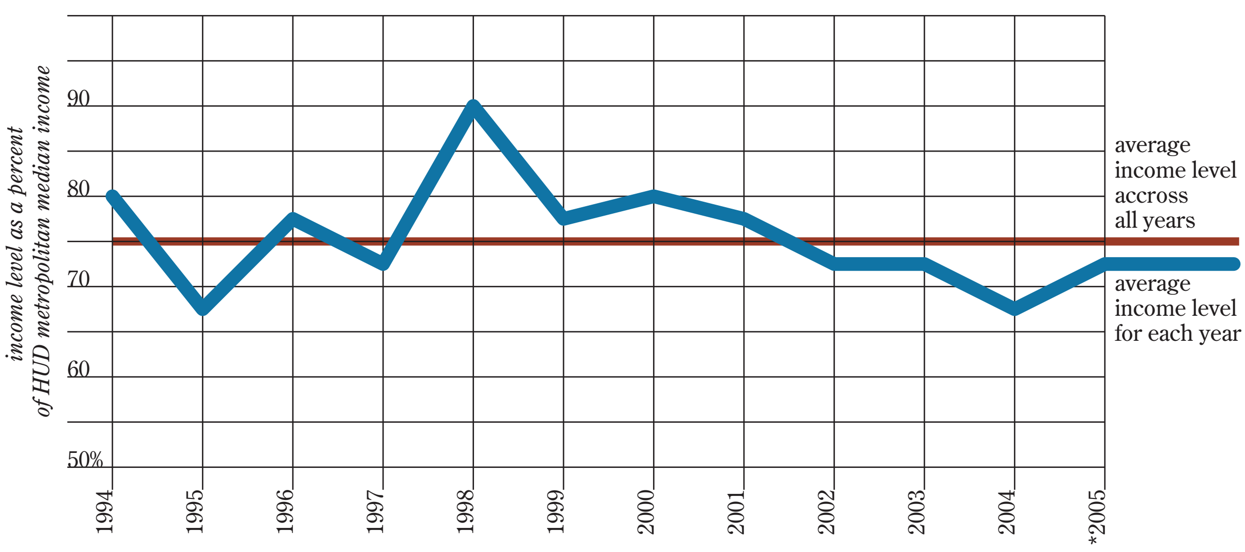
## Analysis

Neighborhoods did not use single-family home improvement programs to address the unequal economic circumstances of households within the neighborhood. Most loan recipients were below the metropolitan median income. However, in a majority of neighborhoods, the income of the average recipient was about the same as the median income of the neighborhood. The exception are redirection neighborhoods where the average recipient's income was well above the median income of the neighborhood. Helping the poorest residents was not a goal of these single-family home improvement programs.

It is clear that the majority of both the number of loans (76 percent) and the amount of the loans (72 percent) went to households below the metropolitan median income. Berger, et al. (2000) used a similar dataset, ending six years earlier, to estimate how all NRP funds were allocated. They found that 73 percent of the recipients at that time were below 80 percent of metropolitan median income. We found that 63 percent were below 80 percent of metropolitan median income. There are a number of possible reasons for the smaller number including our more inclusive dataset (covering 34 neighborhoods instead of 16, covering 1994 to 2005 instead of 1996 to 1998, and with information from two vendors instead of one). According to our analysis, the average recipient's income as a percent of the metropolitan median income has a slight downward trend (Chart 4).

Perhaps it should be expected that the average recipient was below median income since the median income of Minneapolis recipients is below the metropolitan median income. When compared to the neighborhood median income, the average resident appears to be at the median income for that neighborhood in all but redirection neighborhoods where the average recipient is well above the median income for the neighborhood. This may be because those who own homes have incomes significantly above the neighborhood median

**Chart 4.** There is a slight downward trend in the average income level of single-family home improvement loan recipients. The average income level across the years 1994 to 2005* (the red line) is 75 percent of the metropolitan median income. The average income level each year (the blue line) varied between 67 percent (in 2004) to 90 percent (in 1998).




* 2005 includes loans from January to September only

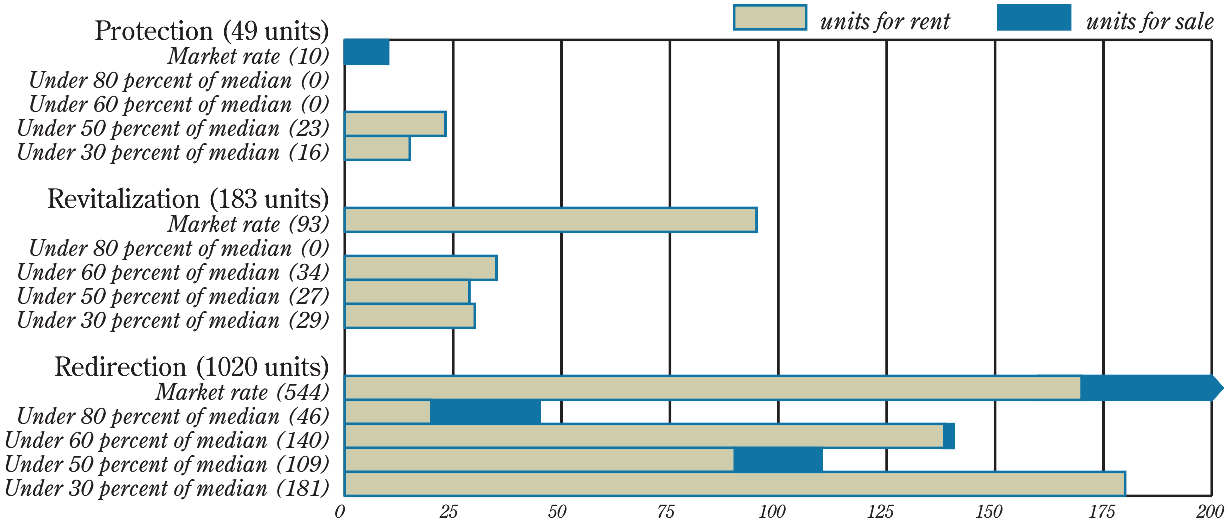
income. In Minneapolis, according to the 2000 US Census, the median household income was twice as high for households that owned the home as it was for households that rented ($53,665, compared to $25,769) and over $15,000 above the overall city median household income ($37,974). It is likely to be a more drastic difference in redirection neighborhoods where many renting households are subsidized through government programs for the poor.

While redirection neighborhoods as a whole dedicated over half their NRP funds to housing, they were as concerned with the acquisition and demolition of abandoned properties and the rehabilitation of derelict rental properties as they were with single-family home improvement (Martin & Pentel 2002). Many of the programs for single-family home improvement in redirection neighborhoods were aimed at increasing home ownership in the neighborhood. For example, the Near North/Willard Hay neighborhood made over half of the single-family home improvement loans in the redirection neighborhoods in this study. It had a program for "purchase and rehab" where one could gain assistance for purchasing a one or two unit building and bringing it up to "industry standard condition codes." Other redirection neighborhoods had similar programs. This type of loan was generally large to encourage people to buy and rehabilitate neighborhood homes when it would otherwise not be financially attractive. Hawthorne, the neighborhood that made the second-most loans (after Near North/Willard Hay) in redirection neighborhoods, had a matching grant program with a very high maximum in comparison to other single-family home improvement programs. These funds were available to those who could match the amount of the loan. These two programs help to explain both the larger average loan size in redirection neighborhoods ($13,745) and the higher income relative to the neighborhood. Helping the neighborhoods' poorest residents and increasing equity within the neighborhood were not goals of these single-family home improvement programs.

In some neighborhoods previously documented biases may have contributed to the emphasis on the middle economic bracket within the neighborhood in the single-family home improvement programs. Martin & Pentel (2002) concluded that "most NRP plans primarily reflect the concerns of those with the most at stake: homeowners and business owners." Goetz & Sidney (1994) profiled three neighborhood organizations just after the creation of NRP and documented the changes to the organizations' boards of directors and the priorities expressed through the organization. They noted that the boards became dominated by property owners representing their own interests (instead of working on behalf of the less fortunate, as was more common before NRP money was available to the boards) and that, in most cases, the matters most important to property and business owners became the agenda for the NRP goals.

This is not to say that people in the low income bracket were forgotten in neighborhood priorities. Some neighborhoods addressed the housing needs of low-income residents by dedicating resources to multi-family projects. Most multi-family housing buildings that received funds were in redirection neighborhoods. Of the 1252 units built or rehabili-

**Chart 5.** Neighborhoods also funded the construction and rehabilitation of multi-family housing for sale and for rent. In most cases, NRP funded only a small portion of the costs, however the contributions per project ranged from $60,000 to 1.2 million. Below is a chart showing the number of units in each type of neighborhood that were created or rehabilitated with the help of NRP funds. Redirection neighborhoods dedicated the most funds toward multi-family housing.




Source: Compiled from data from the City of Minneapolis Department of Community Planning and Economic Development by Christina Soby.

tated with the use of NRP funds, about half (605) were rented or sold below market rate and about a fifth (226) were designated for households below 30 percent of the metropolitan median (Chart 5).

This research indicates that the neighborhoods, in most cases, did not create single-family home improvement programs to address issues of equity. In most neighborhoods, funds went to households with incomes below the metropolitan median but about equal to the neighborhood median. In the poorest neighborhoods, the funds generally went to households with incomes well above the neighborhood median. It is not unexpected, since homeowners are generally more well-off than renters. Some neighborhoods address the housing needs of low-income residents through the funding of multi-family housing construction and rehabilitation.

## Conclusion

NRP has empowered neighborhoods to decide for themselves what the needs of the area are. Martin and Pentel (2002, 446) found, "One of the most obvious and important results is that the NRP has underscored neighborhood particularism." The single-family home improvement loan programs are only a small part of the activities of neighborhoods.

As these are programs designed to benefit homeowners, it is hardly surprising that they do not primarily benefit households with lower incomes in the neighborhood, nor is that the purpose of these particular programs. Many neighborhoods used other types of housing programs, such as assistance to multi-family building construction and rehabilitation, to address the needs of low-income residents. Even so, the average recipient in all three types of neighborhoods was considerably below the metropolitan median income.

Of the $27.4 million that we studied, $19.8 million went to households with income below the metropolitan median. And, it should be noted, that this is only about 47 percent of all the single-family home improvement funds. If neighborhoods distributed their funds through the other vendors in the same way they distributed funds through CEE and NNHS, about $42 million went to households with incomes below the metropolitan median income for home improvement over the last 15 years. Considering that almost all programs required a private match for the amount loaned through NRP, these programs have had a significant impact on home improvement in Minneapolis.

While there are some distinct differences between the neighborhood types, there are more similarities. Recipients in protection neighborhoods tended to have higher incomes. Recipients in revitalization neighborhoods tended to have the lowest incomes of the three groups. Recipients in redirection neighborhoods tended to have incomes much higher than the median in their neighborhood. But all neighborhoods disbursed most of their funds to households below the metropolitan median. For neighborhoods, these single-family home improvement programs were a way to help households maintain their properties. The goal of these programs was not necessarily to help low-income households but to benefit all residents through attractive and well-cared-for buildings.

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# Appendix A: Methodology details

*Filtering the loan records*

A household can receive more than one loan, however, we have treated each loan separately in this research. Some recipients received multiple loans in the same year or across a few years. In both the CEE & NNHS databases, the personal data associated with the recipient (such as income and household size) reflects the most recent application. For instance, if Jane Doe received a loan in 1996, then received another loan in 1998, her income and household size would be recorded as those she reported in 1998 for both loans. This would most likely over-estimate her income and household size in 1996 (although, it could under-estimate it if she took a pay cut in the intervening years or if her children moved out).

In the CEE database, each loan was a separate record and all of the recipients' the personal data was recorded in each record. In the NNHS database, when the same recipient received multiple awards within the same program, the additional amount was added to the line below their original amount with a note, "Increase" or "New." Those with the note, "New" were treated as separate loans. Those with the note "Increase" were added to the first amount. We used the same year and personal information (income and household size) for both loans. Because of the difficulty in retrieving the original personal data for each recipient, we used the information given.

Because a contract can have multiple projects under it, some contracts have projects that are not for single-family home improvement. In a couple of cases, under a contract labeled "1703" (provide loans and grants for home improvements, 3 or fewer dwelling units) there was a program that was not a single-family home improvement loan or grant program. Loans in those programs were eliminated. We also eliminated loans with incomplete information. The loan was not included in the analysis if the record was missing one or more of the following:

- loan amount (1 percent of the loan records),
- year the loan was made (1 percent),
- household income (12 percent), and
- household size (5 percent).

These restrictions eliminated 13 percent of the loan records.

We eliminated recipients with tenant-only buildings from the records that were otherwise complete (52 records). We also assumed that buildings in the complete records that had not been designated as owner-occupied or tenant-only (20 records) were owner-occupied since the vast majority of programs required owner-occupancy. The records with blank occupancy fields were sprinkled through out many contracts, not concentrated in a few. These restrictions resulted in 4023 loan records to analyze (85 percent of the original records).

*Specifics of the databases*

Because the year applied was consistently recorded, we used this as the loan year for those loans administered by NNHS. Because the year closed was consistently recorded in CEE's database we used this for the loan year for those loans administered by CEE. Generally, these years are the same since the time between when the loan was applied for and when it is closed is no more than a few months. In some cases the loan closed will be the year after the loan applied (for instance if the loan was applied for in December 2002 and closed in January 2003). We feel that this is a rare enough circumstance that it will not affect the results very much.

NNHS recorded their data in separate spreadsheets for each program. The loans in the database were from 1992 through May 2005. In this database, rental properties and owner-occupied properties are recorded with O/O, T/O, or O/O T/O. We determined all records marked with O/O were owner-occupied and all records marked with T/O were tenant-only buildings. If they had both marks we assumed the building was owner-occupied (and had tenants as well). Where a letter was missing, we determined that it was an owner-occupied property.

CEE maintains a database of all their loans. For this project they pulled the loan records for the contracts we were concerned with. The loans in the database were from January 1996 through September 2005. In the CEE database, rental properties and owner-occupied properties are recorded with an "R" or an "O." We determined all records marked "R" were tenant-only buildings and all records marked with an "O" were owner-occupied. Some records were missing a letter. We determined all records with this field left empty were owner-occupied.

Mistakes are always possible in entering records into a database. In the CEE database, there were 13 records (0.4 percent) that noted 11 units in a building. The official definition for single family homes caps the number of units at 4. Neighborhoods, however, varied in their definitions of single-family homes—there were some 5-unit buildings in the records, four 8-unit buildings, a 9-unit and a 10-unit building, and 21 buildings (0.6 percent) over 11 units. Except for 11-unit buildings, most large-unit buildings had four or fewer records.

We verified the number of units in the buildings marked as 11-unit. Using the tax assessor's property identification number (PID), or the owner's name and the house number when the PID was not recorded, we looked up the number of units in the Minneapolis Neighborhood Information System (MNIS), a comprehensive, online geographic information and mapping service hosted by the City of Minneapolis. Of the records with buildings recorded as 11 units, three were confirmed as having 11 units, six were reported as having 1 unit in MNIS, one was recorded as having 2 units in MNIS, and three buildings could not be found. Where there were conflicting numbers, we used those recorded in MNIS. For the three buildings that could not be found, we assumed that these were also 1 unit buildings.

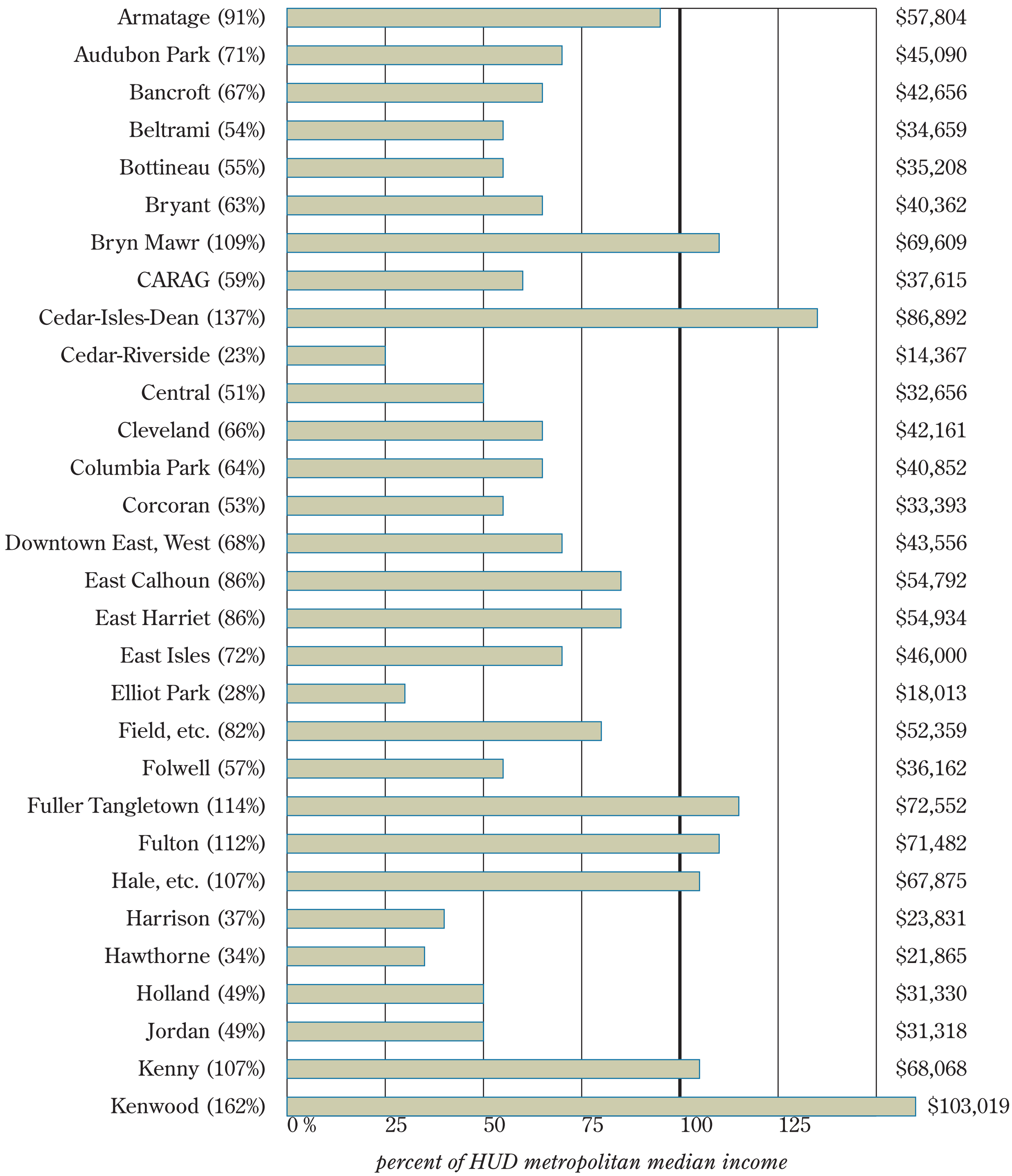
*Determining median income*

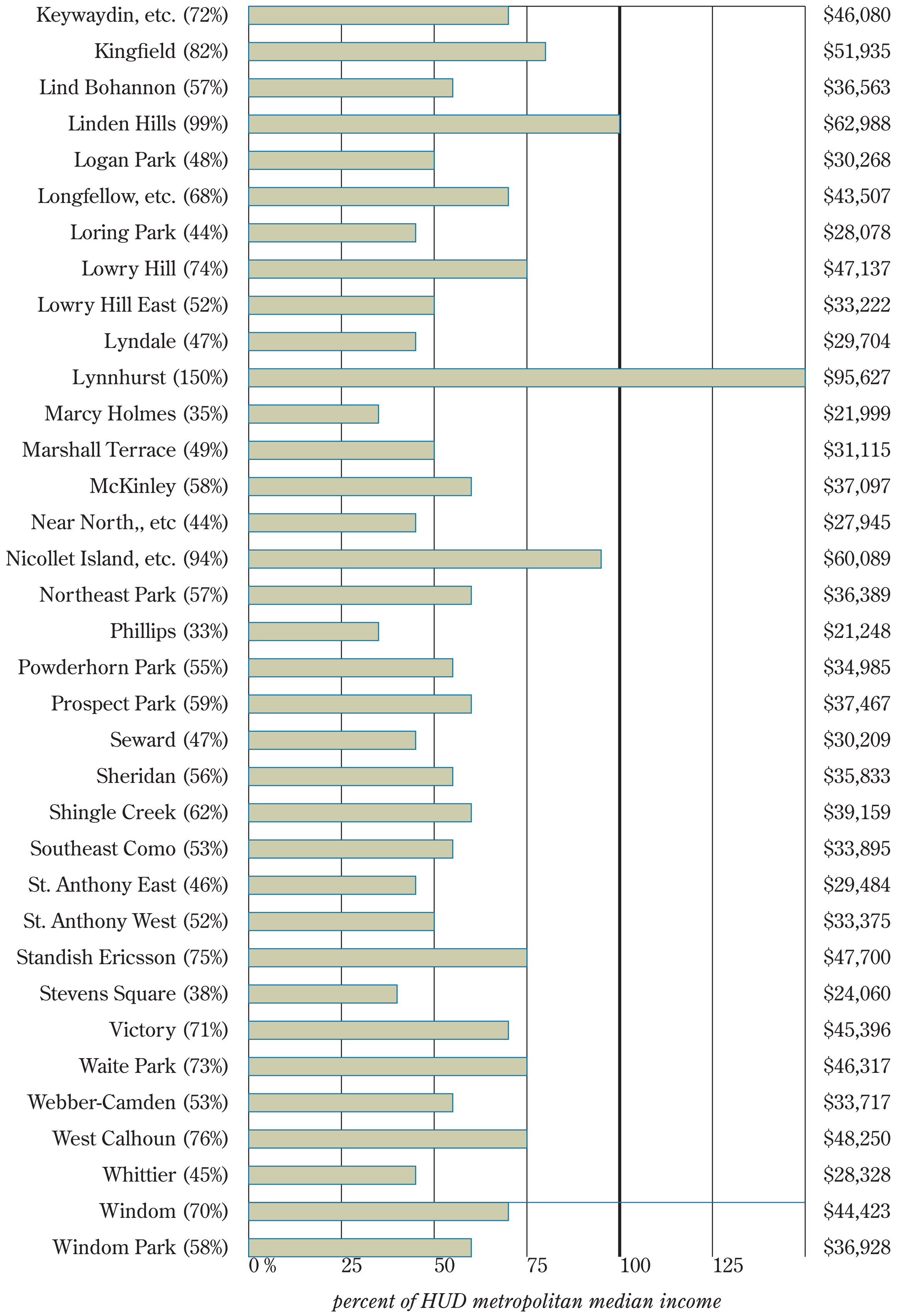
Every year the Department of Housing and Urban Development (HUD) releases the median income in different metropolitan areas for household sizes 1 to 8. Minneapolis is within the Twin Cities metropolitan area which includes St. Paul and the suburbs surrounding the cities. CEE and NNHS use the HUD income numbers to determine if an applicant is eligible for programs with income restrictions. They compare the applicant's income, as reported on their most recent tax return, with the median income as reported by HUD. In some cases this can be a slightly distorted comparison. For instance if the applicant applied for a loan in March 2003, he may not have filed his 2002 tax return and so the income he reported would be from 2001. However, this income would still be compared to the HUD median income for 2003. When we figured a recipient's percent of median income, we used the income as reported by the vendor (therefore the recipient's income as reported on his most recent tax return) and compared it to the median income reported by HUD for the year the loan was made. This probably has a tendency to slightly under estimate the recipient's percent of median income.

To determine the median income for the neighborhoods, we used the median income for each neighborhood as recorded by the City of Minneapolis for 1990 and 2000 (based on the US Census). Using these two points we figured the annual percentage change, assuming that income was changing at a regular, linear rate, and could then estimate the median income in all the years loans were administered (1994 to 2005). While this is not precise, nor does it take into account households size, it does show a rough picture of the economic situation of neighborhood households. A household's percent of neighborhood median income, or an average percent of neighborhood median income can only be compared in the most general terms.

## Appendix B: Median income by neighborhood

All the neighborhoods in NRP are listed below. The bars show the median household income in each neighborhood as a percent of the HUD metropolitan median income for a four-person household. The number on the right is the median household income in each neighborhood. All numbers are from 1999.




Keywaydin, etc. (72%)
Kingfield (82%)
Lind Bohannon (57%)
Linden Hills (99%)
Logan Park (48%)
Longfellow, etc. (68%)
Loring Park (44%)
Lowry Hill (74%)
Lowry Hill East (52%)
Lyndale (47%)
Lynnhurst (150%)
Marcy Holmes (35%)
Marshall Terrace (49%)
McKinley (58%)
Near North,, etc (44%)
Nicollet Island, etc. (94%)
Northeast Park (57%)
Phillips (33%)
Powderhorn Park (55%)
Prospect Park (59%)
Seward (47%)
Sheridan (56%)
Shingle Creek (62%)
Southeast Como (53%)
St. Anthony East (46%)
St. Anthony West (52%)
Standish Ericsson (75%)
Stevens Square (38%)
Victory (71%)
Waite Park (73%)
Webber-Camden (53%)
West Calhoun (76%)
Whittier (45%)
Windom (70%)
Windom Park (58%)
$46,080
$51,935
$36,563
$62,988
$30,268
$43,507
$28,078
$47,137
$33,222
$29,704
$95,627
$21,999
$31,115
$37,097
$27,945
$60,089
$36,389
$21,248
$34,985
$37,467
$30,209
$35,833
$39,159
$33,895
$29,484
$33,375
$47,700
$24,060
$45,396
$46,317
$33,717
$48,250
$28,328
$44,423
$36,928
0 %
25
50
75
100
125
percent of HUD metropolitan median income