

# CITIZENS LEAGUE REPORT

THE  
CITIZENS LEAGUE  
OF  
THE  
CITY OF  
NEW YORK

**Citizens League Report**

**BUILDING  
CONFIDENCE  
IN  
OLDER  
NEIGHBORHOODS**

**A 'pooled' approach to the maintenance, management and marketing of houses  
to help preserve the strength of residential areas in Minneapolis and St. Paul.**

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## INTRODUCTION

The terribly complex, but critically important, question of the future of central cities in metropolitan areas may be *the* unsolved urban problem in the nation today. Untold hours and dollars have been invested in studies, experiments and programs seeking some promise of hope for central cities, rather than despair. At best, it might be said that results so far have been inconclusive; at worst, they may be a failure. An example of the frustration over lack of success is the wholesale reappraisal now under way by the federal government of many of its urban programs which have spanned more than the past four decades.

The signs of an effort, now, to re-think the problem are all around us. Newspapers report a variety of proposals, many of them conflicting. "Reduce taxes on apartments." "Halt apartments." "Remove dilapidated houses." "No more demolitions." "Build more for low-income families." But what is missing, in all these individual and specific proposals, is any clear overall strategy.

Persons reading this report doubtless will have a wide variety of expectations, depending upon their experiences and perceptions of the problem. Some readers may want recommendations calling for a greater degree of federal assistance. Others may be looking for ways to revitalize the downtowns. Others may see the problem from the standpoint of giving citizens a greater voice in urban renewal. Others may want more incentives to attract private investment in the city. Still others may look for recommendations on better schools or reducing crime.

It may seem presumptuous for a citizen group to suggest it has any kind of answer to a problem that has perplexed so many other more expert committees, in so many cities, for so long. And we are, in truth, cautious about our proposal. It is no comprehensive blueprint for saving the central cities. Yet we would say we do see a promising strategy which has not, so far, been fully tried. And we are hopeful about it.

For the truth is that the solutions proposed over recent decades have been heavily oriented to the construction of new housing units. They have generally neglected the maintenance of existing units in existing neighborhoods, although most families buy or rent existing housing, not new housing. Moreover, according to the Urban Institute, the disappearance of units from the existing stock is the largest single component of the demand for new housing construction.

We need a new strategy, therefore, which fully balances a well-planned program of re-construction with a much-expanded program of housing maintenance. And, just as new construction means the building of entire subdivisions, rather than individual housing units, we must now think in terms of *maintaining* subdivisions, rather than individual housing units. This is, if anything, we believe, the central contribution of our report.



## MAJOR IDEAS . . . . .

1. Minneapolis and St. Paul are strong residential cities with many excellent neighborhoods. Public opinion polls confirm high satisfaction with city living. A large supply of sound, moderately-priced housing is present which may be the best bargain in the metropolitan area for young families. Occupancy turnover rates are lower than in suburbs. Lakes, parks, playgrounds, good schools, higher education and cultural institutions, and good public transportation are plentiful.

2. But despite their strengths, central city neighborhoods are plagued by uncertainty about the future--uncertainty which seriously threatens neighborhood stability. Uncertainty is the product of many factors, including a slow, but seemingly inevitable, decline in housing quality, increasing rental occupancy, difficulties in code compliance, zoning which may be incompatible with neighborhood desires, reluctance of private lenders to invest in "questionable" neighborhoods, absence of prompt governmental assistance where desire to improve property may exist but financial ability is lacking, absence of promotional efforts to help build pride among residents and interest on the part of prospective residents of neighborhoods, and an expensive, inefficient system of delivery of maintenance services.

3. An individual, house-by-house, fragmented approach to reducing this uncertainty hasn't worked in the past and won't work in the future. Operating by himself, the resident has no ability to influence the stability of the neighborhood. In fact, he may hesitate to improve his property because of uncertainty as to what others will do. But the neighborhood is not organized for joint actions. At one time it was a single subdivision, but individual lots were sold off, with the continuing job of operating, maintaining, and marketing the subdivision left to each individual owner/occupant. The subdivision must be reassembled, so to speak, for its future stability and for reducing uncertainty.

4. The tremendous untapped potential which joint action by residents of neighborhoods represents to produce confidence in the future must be recognized. We recommend the establishment of neighborhood services associations in areas throughout the cities, which would be similar in function to existing associations of residents in townhouses or co-operative apartments. By working together, residents can (a) get better service, at lower prices, for common maintenance tasks which must be undertaken in all homes, (b) help each other fight neighborhood crime and, in the process, develop a heightened sense of neighborhood security, (c) promote their neighborhood by marketing dwellings for sale or rent on a basis which stresses the positive qualities of the entire neighborhood, not just individual dwellings, (d) agree to common maintenance standards designed to upgrade the entire area, (e) undertake almost any project on a joint basis for their mutual benefit.

IN OUR REPORT

5. Private firms should encourage and support such associations, recognizing the potential which the combined purchasing power of residents represents for new markets in such areas as security systems, advertising and selling homes, and joint physical maintenance.

6. City governments should recognize the contribution of neighborhood self-help efforts as indispensable to long-term health of the city by (a) making technical and financial assistance available to associations, (b) attaching high priority to helping low and moderate income families by using community revenue-sharing funds for rehab loans and grants where neighborhood self-help efforts are under way, (c) responding with capital improvements, consistent with overall city requirements, (d) granting official recognition to requests for city help which originate in bona fide neighborhood self-help associations. In effect, the city would recognize that the larger community within which an individual dwelling exists has as much interest in keeping that dwelling in good shape, for the benefit of the larger area, as an apartment owner has in keeping each apartment unit in good shape for the benefit of the entire building.

7. The State Legislature should assert its interest in long-term maintenance by requiring that municipalities in the metropolitan area adopt ordinances which will provide for code compliance inspection of rental property on a regular basis and of owner-occupied property when ownership changes.

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8. Ultimately, rebuilding is going to be required, and some parts of the central city are at that stage today. All cities pass through construction-maintenance-decline-rebuilding cycles, with a cycle taking 80 to 100 years or longer.

9. Strictly private rebuilding efforts in the central city will have serious limitations because of (a) difficulty in assembling adequate-sized parcels, (b) higher costs of clearance and preparation of land for rebuilding, (c) difficulty in attracting "front money" to develop comprehensive proposals.

10. City government must see itself in a new role as a key "developer" in the rebuilding process. It cannot simply await the initiative of the private sector. It should (a) indicate the types of development and the areas in the city it will be particularly receptive to private redevelopment proposals, (b) organize effective liaison with private developers, (c) make available, within carefully-established procedures, a set of incentives. The incentives can include making front money available for certain proposals, assembling land, writing-down the cost of land, and, if proposals come from limited-dividend corporations, reducing the property tax burden. Community revenue-sharing funds should be used increasingly to finance these incentives. Tax-increment financing has too many limitations to be the chief long-term source.

## FINDINGS AND CONCLUSIONS

1. Unlike many central cities in other metropolitan areas, Minneapolis and St. Paul do not fit the stereotype of "decaying" central cities and actually possess valuable attributes not duplicated elsewhere in the region -- Despite the relative concentration of urban problems associated with aging, Minneapolis and St. Paul cannot be regarded as failing to provide satisfactory environments for persons of a wide variety of incomes. We believe that the two central cities today have more strengths than weaknesses. We reached this conclusion for the following reasons:

- a. Central city living produces a high level of satisfaction -- People who reside in central cities like living there and, specifically, like their own neighborhoods. Two recent polls conducted by the Metro-Poll of the Minneapolis Star reveal the strength of this feeling. On November 9, 1971, the Metro-Poll reported that 80% of the 600 adults interviewed throughout the metropolitan area believe their neighborhoods are good places in which to take walks. The percentage was highest in St. Paul, 86%. In Minneapolis the percentage was 77%; in Hennepin County suburbs, 81%, and in the other suburbs, 79%. On August 3, 1971, the Metro-Poll reported the results of a 600-adult survey within the city of Minneapolis only. That poll revealed that 80% would rather stay in Minneapolis than move anywhere else and almost as many, 73%, would like to remain in the same city neighborhood where they now live.
- b. Large supply of housing is present at reasonable prices -- Minneapolis and St. Paul are predominantly residential in character. About 64% of the market value of taxable property in Minneapolis and 66% in St. Paul is residential, according to assessor's offices. About 75% of the land area of Minneapolis which is not tax exempt (that is, excluding parks, schools, lakes, roads and so forth) is residential, according to the city assessor's office. According to the Metropolitan Council, about 65% of the non-tax exempt land in St. Paul is residential.

Older, yet sound, neighborhoods represent an asset to St. Paul and Minneapolis which cannot be duplicated in most suburbs. Approximately seven out of 10 owner-occupied dwellings in the central cities were built before 1939, according to the 1970 Census. This older housing includes the greatest supply of good shelter in the \$25,000-and-under category in the metropolitan area. Such housing is much more within the price range of large numbers of families than, for example, newly-built homes in the suburbs. A recent report<sup>1</sup> from the Metropolitan Council revealed that 84% of the households in the metropolitan area could not afford in 1971 the average selling price of a newly-built home (\$38,556).

- c. Substandard housing is a small proportion of the total -- The vast majority of housing units in St. Paul and Minneapolis are sound and will compare well with any other part of the metropolitan area. On a city-wide basis, for example, a recent consultant's report<sup>2</sup> to the Metropolitan Council revealed that no more than one in five housing units in the two central cities can be classified as substandard. Moreover, large sections of both cities have no more than one in 20 housing units listed as substandard.

- d. Much of the good housing in central cities has been under-occupied and will increasingly represent an excellent market for younger families--

Because of the proportionately large number of elderly persons in Minneapolis and St. Paul now living in single-family dwellings, much of the housing in the two cities currently is under-occupied and will be coming on the market in coming years. The 1970 Census revealed a total of 32,430 owner-occupied, single-family units in the two central cities which were occupied by a head of household who was 65 or older. The extent of under-utilization of such housing is indicated by the Census, which revealed that almost one-half (47.3%) of all owner-occupied housing in Minneapolis was occupied by no more than two persons. In St. Paul the percentage was 41.0%, and in the suburbs, 24.7%

Thus an opportunity is present for the central cities to use housing stock to attract younger families who are likely to find the size and price of older central city housing very compatible with their needs.

- e. Stability of older areas is evident -- Although probably a partial result of the large number of older persons who may not be inclined to move often, it still is significant to note that the turnover rates of owner-occupied housing have been less in the central cities than in the suburbs in recent years. The 1970 Census revealed that in the period from 1965 to 1970, the percentage of units whose owner-occupants remained the same was 73.1% in Minneapolis and 76.5% in St. Paul. For suburbs the percentage was 69.0%.

Although the turnover rates in rental property are much higher than those for owner-occupied housing, the same relationship existed. During the 1965-1970 period, the percentage of renter-occupied units which did not change occupants was 23.5% in Minneapolis, 27.5% in St. Paul, and 15.2% in the suburbs. Based on the number of active neighborhood organizations in the central cities it would appear that people have a much stronger personal identification with their own neighborhoods in the central cities than in many suburbs.

- f. Older housing may provide more space and better construction -- A pre-World War II house in the central cities is likely to provide more square footage for the dollar than a newer suburban house and also is likely to offer certain additional benefits, such as a large amount of better-quality woodwork, which no longer can be installed to such a degree in moderate-priced houses.

- g. Amenities are readily accessible -- Large residential sections of St. Paul and Minneapolis are within close proximity to many wholly-public lakes and fully-developed parks, playgrounds and golf courses, which few suburban areas can duplicate. Suburban lakeshore will more often be in private hands than available to the general public.

- h. Educational and cultural institutions are abundant--- The University of Minnesota, a large number of private colleges, art institutes, concert halls, and theaters all are much more accessible to residents within Minneapolis and St. Paul than to residents of suburbs. Moreover, these institutions themselves serve as focal points for maintenance and renewal of neighborhoods.

- i. Public transportation is better -- More transit routes, providing more frequent service, are available to central city residents than to suburbanites. Although service improvements are under way in suburbs, such improvements cannot begin to duplicate that which already is available in the central cities. As the cost of the private car increases in coming months and years, residential locations in central cities will become more appealing because of their proximity to inexpensive alternatives to the private car.
- j. Central city school resources are largely comparable with suburbs -- Considering a variety of measures, such as expenditures per pupil or teacher-pupil ratio, central city school systems are not out of line with suburban communities. For example, St. Paul ranked 5th highest and Minneapolis 10th highest among 49 school districts in the metropolitan area in the 1971-72 school year in operating expenditures per pupil unit which were financed from state and local revenue sources. When operating expenditures financed from federal revenue sources are added in, St. Paul moves to 4th and Minneapolis 5th, according to statistics supplied by the Minnesota Department of Education. Central city school systems, too, are taking the lead in providing a variety of educational options through the Open School and Southeast Alternatives projects.
- k. Substantial amount of new construction is occurring in the central cities -- The renewal in both downtowns, the major Cedar-Riverside project, and other new construction is evidence of the continuing strength of the central cities. In 1972 about one-fourth of the dollar value of all building permits in the metropolitan area were issued in Minneapolis and St. Paul.
- l. Central cities here are unlike central cities in certain other metropolitan areas -- Because Minneapolis and St. Paul are by definition "central cities", they frequently may be placed--somewhat inappropriately--in the same category with certain other central cities across the nation whose problems are far more severe than those in Minneapolis and St. Paul. For example, Minneapolis and St. Paul have experienced proportionately more new construction, have proportionately fewer overcrowded housing units and proportionately fewer persons on public assistance than central cities such as Chicago, Baltimore, St. Louis and Detroit. (See pages 46 and 47 of the background section for statistical comparisons of Minneapolis and St. Paul with other central cities.)

2. Minneapolis and St. Paul also have had very active programs in attacking the spread of blight in areas of most immediate need and have received national attention for their efforts -- Over the last 20-25 years, areas of greatest decline in St. Paul and Minneapolis have received priority attention through the cities' Housing and Redevelopment Authorities (HRAs). In the early years of their activity, both HRAs carried out land clearance and reconstruction of blocks containing the most utterly deteriorated structures (for example, the Glenwood and Gateway Center projects in Minneapolis and the Eastern, Western and Cathedral projects near the State Capitol in St. Paul).

Later, in areas usually adjacent to the redevelopment project areas, the HRAs moved into efforts aimed at rehab (such as in Harrison and St. Anthony in Minneapolis and Concord Terrace in St. Paul, although the Concord Terrace project was a combination of rehab and rebuilding). The HRAs are continuing this program now in other neighborhoods, again mainly adjacent to the areas of previous activity (such as the Near North Side in Minneapolis and the Summit-University area in St. Paul).

Approximately 17% of the acreage of Minneapolis and about 11% in St. Paul has been affected in one way or another by these programs, including the Model Cities areas of both central cities.

Total dollar investment over the years in urban renewal and neighborhood development program efforts exceeds \$215 million in Minneapolis and \$165 million in St. Paul, with about two-thirds of these costs assumed by the federal government and the other one-third coming in various forms of local contribution.

In February 1971, the Minneapolis HRA was given special recognition by the federal Department of Housing and Urban Development as the nation's outstanding urban renewal agency. HUD applauded the Minneapolis HRA's performance, diversity of programs and community cooperation. Evidence of the effectiveness, too, of the St. Paul HRA is the consistently high level of federal renewal funding which it has received. For example, as of December 31, 1971, St. Paul ranked 17th in federal urban renewal grants among all cities in the country, far above its population ranking of 46th. In a six-state region including Minnesota, St. Paul's grants per capita exceed that of five larger cities.

3. HRAs can't be expected to be held responsible for continued maintenance of sound neighborhoods -- HRAs, quite logically, have concentrated their efforts in areas of the cities in greatest need. In fact, a finding of blight is usually a prerequisite before any HRA-type activity can commence in an area. This has meant starting in the center of the cities with rebuilding and rehab programs and working outward, trying to stop the spreading blight. Once the HRA has completed rejuvenation of a neighborhood--such as Harrison or Concord Terrace--the job of keeping the neighborhood in good shape on a continuing basis rests with the individual residents.

In addition, the job of keeping a neighborhood in decent shape so that involvement by the HRA is prevented or delayed has been entrusted largely to the individual residents. It is their job to see that the necessary maintenance on a long-term basis is provided.

4. A good deal of uncertainty exists about the future of central city neighborhoods, despite the good base from which to start and the past efforts at attacking blight -- Several factors contribute to this uncertainty:

- a. An individual resident finds himself deeply affected by neighborhood trends but is unable to have an effective voice in the decisions which affect these trends -- A resident or prospective resident of an area realizes that long-term stability of that area is dependent upon the actions of others as well as his own, and that his future is tied up with theirs. For example, it would be futile for two or three residents in a block to keep their houses painted and their porches repaired if the rest of the residents let their properties deteriorate. It is precisely the uncertainty as to what others in a neighborhood will or will not do that makes many residents hesitate in taking positive action themselves.

Several examples exist where uncertainty can be reduced in one form or another. In some cases, such as a townhouse association, a resident is legally committed to provide financial support for maintenance of common property and to abide by common rules relating to normal upkeep and repair. In other cases, for which many examples exist in Minneapolis and St. Paul, informal group pressure may be applied through a voluntary association.

A key finding of a national study<sup>3</sup> on housing management, conducted by the Urban Institute, was that attitudinal feelings of people toward an area is critical. If they have favorable attitudes they will behave in positive ways in terms of upkeep. But if their attitudes are negative, this will be reflected by negative actions on upkeep, the study revealed. It is doubtful that positive attitudes can be encouraged in an atmosphere of uncertainty as to what neighbors will be doing.

- b. Neighborhoods generally are poorly organized for maintenance services -- Maintenance of older neighborhoods or any neighborhood, for that matter, means provision of services: trash removal, landscaping, lawn care, exterior painting and repair, keeping utilities and appliances in good working condition, occupancy turnover, and so forth. While individuals may see the importance of providing such services themselves, it has not been fully appreciated how important housing services are to the entire housing industry. The public's interest in housing more often than not has concentrated on the physical construction side--whether initial construction or rehabilitation of older structures. But the maintenance of sound neighborhoods is primarily a matter of providing services.

But the system for delivering maintenance services for housing is expensive, inefficient and, all too often, not effective enough. Neither the buyers nor the sellers of such services are organized or integrated at any scale. The job is up to each individual occupant--in some cases without so much as a manual provided explaining what needs to be done. On an individual basis, many maintenance services can become so expensive that occupants will opt to let repairs go rather than incur bills they may not be able to afford.

Ironically, property values exist by neighborhood, but the preservation of these values is sought on an individual basis.

- c. Residents are unable to "sell" their neighborhoods when they offer property for sale -- New dwellings in suburbs invariably are sold by advertising the attractiveness of an entire area. A person is encouraged to buy so that he can be near certain parks, streams or lakes, even though his own individual lot may be some distance away. Such sales efforts contribute to an uplifting of an entire area, and may even serve to increase the value of certain marginal properties because they are officially listed as part of the desirable neighborhood. In an older section of a central city, such neighborhood identification may be very strong but cannot be adequately conveyed to potential buyers under present marketing procedures. Each individual property is offered for sale separately and independently from all others in a neighborhood, despite the fact that a coordinated selling approach would make it possible to stress neighborhood amenities, such as nearby lakes and parks. In the absence of conscious efforts to "sell" the beneficial aspects of an entire neighborhood, it is possible that individual residents of such a neighborhood will be less inclined to adopt positive attitudes toward upkeep of their own property.

Another "marketing" problem in central cities is the generally unfavorable image of the central city housing conveyed by some real estate brochures which encourage buyers to look elsewhere.

- d. Money, both in the private market or in public subsidy, often may not be available for major repairs or for purchase in the areas needing the most help -- In meeting with officials of private financial institutions we were

informed of their reluctance to finance major repairs, improvements or the purchase of homes in so-called marginal neighborhoods. Such institutions, responsible to their investors who want a high yield, have a variety of opportunities for lending money and therefore will be reluctant to take high risks. Their reluctance to further invest in certain neighborhoods is based, among other things, on high foreclosure rates in such areas in the past. Designation of an area as a poor risk becomes a self-fulfilling prophecy. As soon as an area is so designated, money dries up, and there is only one direction the neighborhood can go. Neighborhoods which may wish to commit themselves to self-improvement have not yet found a way to reduce the uncertainty which the investor faces.

Another problem which contributes to lack of confidence which residents may have in the future is the withdrawal or suspension of certain public subsidies which had been anticipated. Some neighborhoods have seen their hopes for rehab loans and grants thwarted by recent changes in federal aid policy, with no assurance that replacement dollars will be made available from community revenue-sharing funds.

- e. Overall housing quality may be declining -- Officials of the planning departments from both St. Paul and Minneapolis told us they believe the central cities had a greater problem with substandard housing in 1970 than in 1960. These were admittedly subjective judgments because of the lack of good comparative data on housing conditions from decade to decade and the difficulty of defining adequate measurements. The Bureau of the Census discontinued, after the 1960 Census, the practice of classifying housing as sound, deteriorating, or dilapidated because it could not find adequate measurements for such classifications.

Nevertheless, some rough idea of what has been happening may be obtained by comparing the 1960 Census data with a consultant's study for the Metropolitan Council on housing condition prepared in 1972.<sup>4</sup> The 1972 consultant's study divided housing condition into three classes, I, II, III, which may be roughly comparable to the old census classifications. According to the 1960 Census, 83% of the dwelling units in Minneapolis were classified as sound, 13½% deteriorating, and 3½% dilapidated. The 1972 consultant's study placed 79% of the Minneapolis dwelling units in class I, 16½% in class II, and 4½% in class III. The 1960 Census classified 86½% of the dwelling units in St. Paul as sound, 10½% deteriorating, and 3% dilapidated. The 1972 consultant's study placed 87% of the St. Paul dwelling units in class I, 10% in class II, and 3% in class III.

- f. More housing is becoming renter-occupied -- In 1950, 48.3% of the dwelling units in Minneapolis and 44.9% in St. Paul were renter-occupied. By 1970 these percentages had increased to 52.4% in Minneapolis, and 45.5% in St. Paul. Whether property is owner-occupied or renter-occupied does not, in and of itself, affect the condition of housing or a neighborhood. But we were told repeatedly that for a variety of reasons—including, simply, the much more rapid occupancy turnover in rental versus owner-occupied housing—maintenance is much more difficult in an area with many rental units. This attitude is widespread nationally. An article on selecting a neighborhood, recently published in a national magazine, included the flat statement that: "Appraisers tend to agree that when one-fourth or more of the houses are rented, a neighborhood is likely to be going downhill."<sup>5</sup> Not that rental housing should or can be discouraged or looked down upon. Rental housing, on the contrary, is so important that it must be improved, not simply tolerated.



While the problem of maintenance exists with both owner-occupied and renter-occupied property, the motivation to keep property in good repair is likely to differ between the two. To the homeowner, his property is his major asset. He probably perceives maintenance as an investment, not an expense. He is concentrating on protection of his property values in the long run. The landlord, on the other hand, wants current cash flow. Most of his expenses, with the exception of maintenance expense, are fixed. He may be inclined to hold down his maintenance expense in order to maximize his cash flow. A landlord, of course, may also see maintenance as an investment if he is looking eventually towards selling the property at a good price. But, the future sale potential does not appear bright--which may be true with many older dwellings--he may concentrate his efforts on maximizing current cash flow.

The trend to renter-occupied units may be inevitable, but no way has yet been found to preserve the quality of the physical structures. Such solutions will have to be found if uncertainty about the future of city neighborhoods is to be reduced.

- g. Code compliance programs have met with varying degrees of success -- In the fall of 1972 the Minneapolis City Council discontinued a highly controversial program of mandatory code enforcement in areas where residential streets are being paved, because of strong neighborhood opposition. Since then, a voluntary program has been in effect, with a high degree of success in more stable, owner-occupied neighborhoods, but some disappointing results elsewhere. For example, in a recent month, only 12 owners out of a total of 379 owners in predominantly owner-occupied neighborhoods denied access to a code inspector. At the same time, in a neighborhood with a high degree of rental occupancy, some 27 out of 36 owners denied access to the inspector.

It has been difficult, in declining areas, to enact hold-the-line measures which, while not necessarily bringing dwellings up to code, would at least keep them from further going downhill.

Another problem in code compliance relates to the elderly homeowner on a fixed income who cannot afford to make the necessary repairs, even though he has a substantial amount of financial equity in the property. No way has been devised to permit him to use that equity to help finance repairs while not forcing him to live elsewhere.

- h. Sometimes owners can't be located and be held responsible for maintenance -- A city needs the ability to move quickly against certain properties. But under present laws, it may be impossible to trace the owner of certain dwellings, particularly if they are vacant. Building inspectors told us that, to avoid payment of board-up fees, for example, the owner of a vacant building will say he has sold his property to someone else. But he is not required to officially record such a "sale", and, invariably, he will "buy" the property back as soon as the inspector leaves. A continued inability to enforce laws against vacant property cannot help but have a negative effect on the remaining residents in an area. Some evidence that the vacancy problem may be on the upswing appeared in a recent newspaper article drawing attention to an unusually large number of recently-vacated houses in some Minneapolis neighborhoods.<sup>6</sup>
- i. Zoning which is incompatible with desired land use may produce uncertainty -- In the 1920s, large sections of Minneapolis were zoned for much higher density than exists today or is likely to exist in coming years. A Metropolitan Council projection of Minneapolis population to the year 2000 is 460,000, an increase of

26,000 over 1970. A projection by the Minnesota Department of Health shows a decrease in Minneapolis population to the year 2000. The retention of certain high-density zoning classification in some areas which are of much lower density today perpetuates uncertainty as to what will happen to a neighborhood in the future. A resident of a single-family dwelling adjoining another single-family dwelling in an area zoned for apartments has no guarantee that an apartment building, for example, won't be located right next door to him. Such uncertainty undoubtedly acts as a constraint on the interest which residents have in maintaining and upgrading their own property.

5. Uncertainty is present, too, in the kind and extent of rebuilding which is and will be taking place in the city, because of the "atmosphere" in which such rebuilding is occurring -- We do not hesitate to discuss rebuilding as well as maintenance because we have come to see that central cities, indeed, all cities, are passing through construction-maintenance-decline-rebuilding cycles. Areas of a city may be at different points in a cycle at any time. A cycle may take 80 to 100 years or longer, but it will occur. We have identified a number of problems which relate to uncertainty in the rebuilding portion of the cycle:

- a. Developers find it difficult to go beyond the "parcel-by-parcel" rebuilding approach, which does not improve the overall quality of a neighborhood or the community -- Rebuilding is occurring, continually, with private initiative, in many locations throughout Minneapolis and St. Paul without disturbing the basic street-alley-40-foot-lot subdivision framework which was laid out before the turn of the century. Thus, for example, a new, 11-unit frame apartment building may be built in the middle of a block and be surrounded by old, but still serviceable, single-family dwellings and duplexes. That single act probably sets the pattern for rebuilding of the entire area in an unplanned, unimaginative fashion which never will be fully competitive with larger, better-planned development in suburbs.

It would be absolutely unthinkable for a new suburb to divide up all the land in the community into small lots, build the streets and alleys in a grid pattern, and then wait for each individual lot to be purchased and built upon by a different builder. But this is what is occurring in the central cities.

Generally, a quality rebuilding project requires the acquisition of several acres in one tract. But, for several reasons, this is very difficult to accomplish in the central city:

--Process of buying property from several different owners is lengthy and uncertain -- A private developer acting on his own in the central city probably will find it necessary to negotiate with several property owners, even if only a relatively small amount of land is being acquired. In contrast, a developer of raw land in the suburbs may need to deal with only one property owner, perhaps a farmer or a speculator who purchased land from a farmer. Some idea of the effort required to assemble land within the city is evident in the Nicollet-Lake and Loring-Nicollet Development District projects in Minneapolis. The development districts became possible under a 1971 state law which enables the city, on a limited basis, to purchase, clear and re-sell the land for private re-development, using increased taxes paid by the new development to finance the costs of write-down of

the land to the new development. If a private developer, rather than the City of Minneapolis, were acquiring property for Nicollet-Lake, he would have to negotiate with 67 different owners for only 32 acres. r, in the case of Loring-Nicollet, 59 different owners on 26 acres.

Further, in the central city a private developer may see his overall plan thwarted by some owners who refuse to sell, while the owner of raw land is more likely to be looking for buyers.

- Buildings must be cleared -- A central city developer first has to remove present structures and prepare the land for rebuilding, which may make his land costs relatively more expensive than if he were working with raw land in the first place.
- Residents may have to be relocated -- Buildings on land usually means people are living there, which in turn means other places must be found for them to live--another obstacle for central city redevelopment, particularly with the high costs coming to be associated with providing relocation benefits. A private developer operating wholly in the private market without governmental assistance does not have to provide additional relocation payments. But because governmental assistance in some form is likely to be required in the acquisition of any large tract, relocation payments are likely to become a more common part of the additional costs of rebuilding in the central city. Federal relocation guidelines, which permit up to \$15,000 in addition to the selling price to enable a resident to find equivalent housing elsewhere, have been adopted by state law to apply to acquisition by any public body in the state, even if federal funds are not involved. Relocation payments in the Nicollet-Lake Development District are estimated to be \$600,000 and in Loring-Nicollet, \$3,600,000.
- Process of obtaining governmental approval may be lengthy -- Whether it is a real or an imagined obstacle, a developer may be more attracted to a suburban location because he expects to obtain the necessary permits without undue delay. In many cases, however, he may find as many, if not more, obstacles in the suburbs.

Of course, a developer's decision on whether to undertake a rebuilding project in the central city or elsewhere depends on a great many factors besides land costs, such as the dynamics of the market. If no market is anticipated, a developer will not proceed, even if land is made available at no cost to him.

- b. Present efforts to provide funding sources to finance write-down of central city land costs are limited in application -- A popular effort now being employed to finance the costs of acquiring, clearing, and preparing central city land for redevelopment is that of tax increment financing, which utilizes the increase in taxes paid by the new development over the old as the source of funds.

But such an approach is extremely limited in its applicability because:

- Projects will only be "salable" if property taxes on the new development substantially exceed that on the old, which is not likely to be the case in many areas which need redevelopment or for areas suitable for low-density rather than high-density residential projects.

--Other governmental units besides the city will object to extensive use of tax increment financing because it will reduce their own property tax revenue.

--It is an indirect approach to financing the write-down, because no direct appropriation is made. Consequently, it is not immediately clear who is bearing the cost. Since the increase in property taxes from the new development is not available to support other community services, the taxes on other property in the community are higher than they would otherwise be. On the other hand, it is possible that the new development would not have taken place in the community without the subsidy via tax increment financing.

- c. Obstacles exist to preparing comprehensive proposals for quality rebuilding on large tracts in central cities -- The creation of a pleasing environment, such as the Cedar-Riverside project, requires--initially--the preparation of a detailed plan, covering such aspects as financing and marketing, in order to attract the needed capital to undertake construction. In the absence of such detailed plans, major rebuilding projects never get going. Unfortunately, in many cases, a single investor or developer is unwilling to provide the needed "front money" for such plans because of the risk involved.
- d. The relationship between central city and metropolitan area development is not clear -- We reject the hole-in-the-doughnut concept of metropolitan growth, in which growth occurs everywhere except in the middle. But we fear somewhat of an implicit acceptance of this concept in the absence of conscious public policies to the contrary. The central cities are, of course, an integral part of a larger market which includes the entire Twin Cities metropolitan community. The kind and amount of rebuilding which takes place in the central cities will relate, inevitably, to what happens elsewhere in the region. For example, the potential market for new housing in the cities depends to some extent upon governmental policies which serve to encourage more housing in the suburbs.

The central cities need better guidelines as to the kind of development which they realistically can expect and should work for. As far as we could determine, such issues have not yet been fully addressed in the Development Guide of the Metropolitan Council.

6. The central cities are at a turning point. Action is needed now -- The consequences of continuing uncertainty can only have a negative effect on Minneapolis and St. Paul. Today the cities still can build from strength. Good opportunities exist to keep neighborhoods stable and to make rebuilding occur in a fashion which upgrades the entire metropolitan area. Five or ten years from now may be too late. Our major conclusions:

- a. Maintenance of strong neighborhoods requires working from strength, not just concentrating on areas of decline -- A high level of public attention and investment will continue to be required in portions of the city where decline is clearly evident. But such a program, by itself, will not be enough. A new emphasis, complementary to the traditional, must be added. It must be addressed to neighborhoods which are without visible problems as well as those where some improvements may be required. To put it another way: the traditional concept of saving neighborhoods by concentrating first on the areas in greatest need of attention in the

center and working outward should be balanced by a new effort which starts in the stronger areas towards the outside and works inward.

- b. A vastly-improved program of delivering maintenance services to housing is needed if still-sound neighborhoods are to be preserved -- A neighborhood which fails to give adequate attention to essential maintenance services, such as on-going upkeep and repair, will find itself going downhill too soon and at a much more rapid rate than otherwise would be the case. Maintenance cannot be taken for granted or be thought of as an optional feature. It is essential that it be at the center of any strategy of neighborhood preservation.
- c. If maintenance is to be effective, it must be carried out on a scale much broader than each individual dwelling -- If the responsibility for maintenance services rests only upon each individual resident, the stability of the entire neighborhood is placed in jeopardy. Residents who, individually, do not keep up their property, are imposing their will on all other residents of the neighborhood. Effective delivery of maintenance services in a neighborhood requires scale--for costs to be reasonable, coverage to be broad enough, and performance to be adequate. Tragically, today, some maintenance services may be skipped or inadequately performed because of high costs of the fragmented delivery system, which only can lead to more serious problems in the long run, for the individual resident and his neighbors.
- d. The field of maintenance services is ripe with potential new markets for the private sector -- Housing always has been primarily a private sector responsibility, notwithstanding the governmental role in grants, insurance and loans. However, private sector involvement has been heavy on the construction side and light on the services side, as if the provision of adequate housing involved only physical improvements. Now, with a new emphasis called for on large-scale maintenance services, the private sector is challenged to respond.
- e. City government's role must be placed in a new perspective -- The conservation of stable central neighborhoods is too critical to the overall health of the city to be left solely to individual residents, with no city involvement. By the same token, in those areas of the city requiring rebuilding, city government must play a far more aggressive role if quality rebuilding jobs are to be accomplished. City government must now stand ready to assist neighborhood residents in improved maintenance services and to assist private developers in rebuilding efforts.

#### FOOTNOTES TO FINDINGS AND CONCLUSIONS

- 1. Trends in New Housing, 1969-1971, Metropolitan Council, St. Paul, Minn.
- 2. Metropolitan Council Substandard Housing Survey, Lorimer, Chiodo & Associates. Minneapolis, Minn., 1972.

3. Housing Management: A Progress Report, The Urban Institute, Washington, D.C., May, 1971.
4. Metropolitan Council Substandard Housing Survey.
5. "What's It Like on the Street Where You'll Live?", Money, March 1973.
6. "Empty, vandalized houses here and there mean trouble", Minneapolis Star, May 31, 1973.

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\* PREFACE TO THE RECOMMENDATIONS \*  
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\* It would have been much simpler if we could have addressed our recommend- \*  
\* ations to only one body or agency. But the subject matter precludes such a \*  
\* possibility. This report covers issues which apply directly to many organiza- \*  
\* tions and individuals, both public and private. This should come as no \*  
\* suprise because issues involving the future of central city neighborhoods are \*  
\* complex and varied. \*

\* Recommendations are addressed to individuals, neighborhood organizations \*  
\* churches and other institutions, private firms engaged in delivery of housing \*  
\* services, developers, city councils, and the State Legislature. In the fall of \*  
\* 1972 the Citizens League Board of Directors adopted a new policy which \*  
\* specifically authorized League committees to address recommendations to non- \*  
\* governmental as well as governmental bodies. Traditionally the League's \*  
\* emphasis had been primarily in the governmental sphere. Consistent with the \*  
\* new policy, this report envisions a major role for the private sector. \*

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## RECOMMENDATIONS

### A. Maintenance and rehab

1. Maintain and rehab neighborhoods, not individual dwellings -- We recommend that private and publicly-stimulated and assisted maintenance and rehab efforts be undertaken on a neighborhood scale, not an individual dwelling-by-dwelling approach. This should be an overall strategy to be employed by the Legislature, city councils of Minneapolis and St. Paul and other communities, by other policy makers, by neighborhood residents and by private suppliers of maintenance services.

This means, for example, that loans and grants for rehab, tax credits or other incentives which might be established to encourage persons to maintain and improve their property would be undertaken as part of strategies to maintain and upgrade entire neighborhoods. Efforts which emphasize the neighborhood approach, rather than dealing with individual properties on a random basis, are more likely to produce a feeling of confidence in the future and, thereby, be more likely to attract private and public investment.

Our recommendations below are designed to be consistent with the neighborhood approach.

- a. Establish private, non-profit, neighborhood services associations -- We recommend that major efforts begin immediately in St. Paul and Minneapolis in a number of neighborhoods to organize residents into co-operative associations for the critically important task of providing maintenance services to housing.

Stimulus - We call upon a number of parties to stimulate the formation of such groups: institutions, such as churches, whose future is intimately tied to the stability of the neighborhood; private businesses which engage in provision of housing services and which would benefit from the establishment of new markets; city governments, who know the long-term health of the city is dependent upon strong neighborhoods, and residents themselves, who can see the potential which working together offers for reducing uncertainty about the future.

Such associations would help preserve and extend the distinctive character of many older parts of the central cities, or any city, for that matter. Their early establishment in newer subdivisions could be very beneficial for the long-term stability of such subdivisions.

Such associations would be similar in purpose to the myriad of associations being established for townhouse developments throughout the Twin Cities metropolitan area. We have no particularly strong feelings as to what such associations ought to be called. For want of a better term we have decided to refer to them in this report as neighborhood services associations.

Forms - An association could take many forms, depending upon the desires of the participants:

--In some cases a group of citizens might wish to recommend to themselves and others a set of standards, with nothing more than voluntary compliance contemplated.



- Or the residents might wish to pledge to follow certain standards with only a moral commitment to meet the pledge.
- Or they might want to contract, jointly, for services.
- Or the residents who agree to join an association might choose to bind themselves *legally* to mutually-agreed upon standards, with nothing binding upon future occupants or others in the neighborhood who choose not to participate.
- Or the residents who agree to bind themselves legally might also wish to bind future occupants, too.

It is possible that residents of a few neighborhoods might want the option to be available to require that certain requirements be made binding upon all properties in the neighborhoods, even those whose owners do not wish to participate voluntarily. In townhouse associations, of course, all residents must participate. They have no choice. However, the question of whether any kind of mandatory approach would be workable in an already established neighborhood is not clear. We were made aware of a suggested model state law, prepared by Jan Krasnowiecki, professor of law, University of Pennsylvania, which would permit, under certain circumstances, the establishment of mandatory associations. The model law provides that if a substantial majority of the owners in a neighborhood agree to bind themselves and future owners of their property to certain requirements, they then would have the right--if they chose to exercise it--to petition the city council. The city council, following public hearing and other procedures, would determine whether to make such standards binding on all properties in the neighborhood. It could be that the binding feature would not be imposed on an unwilling participant but would be automatically imposed when the property changed hands.

Krasnowiecki, in a report discussing his model state law, prepared in 1970 for the U.S. Department of Health, Education and Welfare, said it is not clear whether, constitutionally, it would be possible to impose restrictions upon non-consenting owners in the manner proposed in the model law.

We have not reviewed in detail whether, in any circumstances, it would be possible, in an established neighborhood, for the city government or any other authority, to make certain standards binding on non-consenting owners. However, if it were proved workable, we believe that residents of neighborhoods ought to have this option available.

Area - A neighborhood services association could be an extension of an existing neighborhood group or be set up new. It could cover only a few blocks or maybe 10 or 20 blocks or more. If the area is relatively small, the possibilities are greater that standards could be mutually agreed to by a substantial proportion of the residents.

Membership - Membership undoubtedly will be made up mainly of residents, but an association should not be limited to them. That is, neighborhood commercial outlets or churches or other institutions have as strong a stake as the residents themselves in the future of a neighborhood and can

legitimately claim a right to participation. Moreover, it is very likely that leadership in the formation of neighborhood services associations can come from churches or other institutions. Some institutions are likely to be owners of residential property too.

- b. Undertake a major program of "marketing" neighborhoods -- We recommend that neighborhood services associations give priority attention to a program of joint marketing of properties which come up for sale or rent so that the attributes of the entire neighborhood can be stressed.

Perhaps one of the central city's best-kept secrets, unintentionally, is the strength of its residential neighborhoods. A neighborhood services association could fill a major void by simply undertaking promotional efforts aimed at "selling" the neighborhood. It should actively seek to have its residents offer their homes for sale or rent as part of a coordinated program of advertising the entire neighborhood. Prospective residents then would feel as if they are buying or renting more than just a dwelling: they would be buying or renting a neighborhood. Such sales efforts also would help build confidence of present residents in their neighborhood's future. Seeing their own neighborhood advertised, they naturally would be expected to become more positive about their area and be more inclined to make improvements as needed.

Ads could be placed in Sunday newspapers and on radio and television stressing the benefits of living in the city, such as good transportation and proximity to educational and cultural institutions and to lakes and parks. Because such promotional efforts would make it much easier to sell properties, we see no reason why some arrangements could not be worked out to finance the cost of these efforts through a partial pooling of real estate commissions. Or, perhaps, a neighborhood services association might contract with one broker to represent the entire neighborhood and, thereby, possibly negotiate a lower fee with him. Part of an agreement with a broker might well be to have him get in touch with major employers, encouraging them to refer employees to the neighborhood to find housing. This would offset much of the quiet, word-of-mouth, negative commentary about living in the central city.

- c. Work together on problems of neighborhood security -- We have no doubt that residents of a neighborhood place a feeling of safety and security from crime and violence among their highest priorities. In some cases these problems may be the greatest source of uncertainty about the neighborhood's future, although the problems are cause for concern in every neighborhood in the metropolitan area to some degree.

A neighborhood services association cannot by itself bring security to a neighborhood, but it might be able to help. In the first place, it can build a greater sense of mutual concern among neighbors for helping each other. A number of specific steps could be undertaken, such as:

- Registration of personal property for identification in case of burglary.
- Establishment of a neighborhood reward fund for reporting crimes.
- Agreements to look out for each other's property.

--Installation of alarm systems.

--Ways to reduce the amount of traffic going through a neighborhood so that unfamiliar vehicles and individuals can be more readily identified.

--Defining and trying to meet social problems which express themselves in violence towards persons and property.

- d. Consider many types of joint activities -- The potential for positive activity in a number of ways is very great, extending from such relatively modest actions as installing unique street signs which identify the neighborhood, to special kinds of lighting, to distinctive "entrances", to agreements on carrying out common maintenance tasks, to advertising and marketing homes, to almost any effort relating to the neighborhood's future.

Certainly the adoption of standards of maintenance (covering such matters as exterior painting, repair of chimneys, roofs, porches, and so forth) would be an important activity. But there are other activities any of which might be deemed more important from the standpoint of an individual association, such as:

--Cooperative programs of snowshoveling and plowing in winter and lawn care in the summer.

--Contracting, on a cooperative basis, and at wholesale prices, for improvements which, if purchased individually and at retail, would be much more expensive. This could include such areas as plumbing and electrical work, which can be a major cost item in older homes. Or an association could hire its own painting crew to get a better price on exterior painting, a recurring maintenance task for most homes.

--Hiring a single trash hauler to be responsible for all homes in the neighborhood. (St. Paul residents still make their own arrangements, individually, with private trash haulers; in Minneapolis, a single hauler handles an entire neighborhood via contract with the city.)

--Planning and, as permitted by governmental authorities, the installation of certain physical features designed to give the areas clearly identifiable characteristics, such as unique street signs, lighting, special entrances, or colored pavement.

--Adopting environmental design standards.

--Preparing proposals for regulating traffic and parking on residential streets.

--Preparing long-term plans, including recommended zoning, for their areas. In some cases, existing zoning of a neighborhood may be thought to be incompatible with neighborhood desires and can be producing uncertainty about a neighborhood's future. For example, some residential areas are zoned for considerably higher densities than currently prevail or are thought to be possible or desirable. A neighborhood services association can be the vehicle for recommending to city officials more appropriate zoning classifications for the neighborhood.

Contracting, as may be mutually agreed upon with governmental authorities, for distribution of funds, including special community revenue-sharing funds.

- e. Assistance desirable from the private sector in formation of neighborhood services associations -- We recommend that the rapidly-expanding housing services industry recognize the potential market which the combined purchasing power of a neighborhood services association would represent and offer technical assistance in the formation of such associations. So far the concept of providing maintenance services, privately, to residents of a neighborhood as a whole, is primarily a suburban phenomenon.

If residents of an area have some interest in organizing themselves to undertake joint efforts for their mutual benefit, they will need help in getting started. Even if they already are members of an existing neighborhood group, they will have many legal and financial questions in addition to deciding what they will do together.

In the early stages, while a group is trying to decide whether and how to become organized, a private firm may be willing to provide help with little or no compensation, knowing that it is cultivating a possible new market. It is possible that many kinds of firms would encourage the emergence of neighborhood services associations, including firms which offer services such as home security, real estate marketing, representation and cooperative maintenance and rehab. Already, at least two firms in the Twin Cities area have been formed to provide townhouse management services, which includes the service of assistance in establishment of townhouse associations. Depending upon the growth of this "industry", it is possible two firms involved could establish some sort of non-profit institute designed to provide technical assistance in the formation of neighborhood services associations.

- f. Response needed from city government -- We recommend that the city governments of Minneapolis and St. Paul, and other cities in which neighborhood services association might be established, indicate their support for self-help effort at the neighborhood level by the following specific actions:

--Designate official neighborhood assistance office -- We recommend that each city council officially designate an office within its governmental structure which would be publicly acknowledged as a place where neighborhood residents could turn to for help.

Such an office should stimulate neighborhood awareness in areas of the city which otherwise might not be inclined to think about such associations. The office should make available model by-laws covering standards of maintenance and other aspects of neighborhood preservation. It should assist neighborhood associations with legal and financial questions and other technical matters as such associations are formed and on a continuing basis thereafter.

City governments urgently need to promote the strength of their residential neighborhoods. Such an office in both cities could, in addition to providing help to residents, undertake broad programs of "selling" the central cities. If offices are established in both

cities, they should work together in this effort. This sales program would supplement, not supplant, the neighborhood marketing programs which we recommend for neighborhood services associations. The sales program could help correct much of the mis-information about the cities which serves to discourage potential residents.

Heretofore, the city's role in neighborhood organization has been centered chiefly in the Housing and Redevelopment Authority's assistance in establishing Project Area Committees in renewal areas. Such neighborhood organizations have been designed to assure adequate neighborhood involvement in responding to city programs affecting their areas. The neighborhood services association concept, as recommended here, is somewhat different in that a group within a neighborhood would organize for carrying out certain self-maintenance-improvement programs which may be unrelated to any city government program.

--Make financial assistance available -- We recommend that city governments make financial assistance available for neighborhood services associations in areas which are particularly hard-pressed financially. We recommend a portion of anticipated community revenue-sharing funds be designated for this purpose. A city government ought to lay out in advance the general criteria it will use in allocating funds for this purpose and the general areas of the city where it will look most favorably, from the standpoint of need, on requests for assistance. Setting priorities among competing neighborhoods will be very difficult. Thus, the criteria ought to be spelled out in advance.

--Recognize neighborhood activity in establishing priorities on rehab loans and grants -- We recommend that city governments pledge that existence of a neighborhood services association will be an important factor in allocation of limited funds for rehab. Naturally, other factors, such as the extent of financial need of an applicant and the condition of a neighborhood, will be major considerations in the process of allocating funds. But also recognizing the importance of self-help neighborhood services associations will help demonstrate that public finds to support rehab are, in fact, going to support entire neighborhoods, not just individual dwellings.

We further recommend that the city give high priority to residential rehab loans and grants in the use of anticipated federal block grants (community revenue-sharing) which are expected to replace a series of federal categorical aid programs, including the rehab financing program.

--Give the fullest attention to the "neighborhood effect" in setting priorities on city-financed improvements -- We recommend that the existence of a neighborhood services association be given recognition by the city as one of the criteria to be used in setting priorities on city-financed improvements. Naturally, other criteria, such as demonstrated need for an improvement and its relationship to an overall plan for the city, would also be considered. Such improvements as parks, streets, sidewalks and lighting and police patrols are among the kinds of improvements which should be made by considering their contribution to neighborhood stability. The need to provide focal points of neighborhood activity--such as schools, parks and neighborhood shopping facilities, possibly integrated together--should be recognized.

2. Compliance with codes -- Reducing uncertainty about the future of older sections of central cities and suburbs requires the fullest attention to maintaining standards of health and safety on an ongoing basis. To accomplish this we recommend that the Legislature in 1974:

- a. Require periodic inspection and licensing of rental housing by all municipalities in the seven-county metropolitan area -- We believe that a recent ordinance passed by St. Louis Park is a reasonable prototype. Licenses are granted for a two-year period but cannot be issued or renewed unless the city finds that the dwelling units don't have conditions which create an immediate hazard to the health and safety of persons in the units.

It is not our intention with this recommendation to cause severe disruption of the present rental market. In most cases, it simply means making sure that rental property which is sound will remain that way--that is, to reduce the uncertainty about its future. An older building should not be required to undertake improvements unless they are necessary to correct immediate hazard to health and safety. Provisions should be made for a property owner to appeal if any order is deemed unreasonable.

- b. Require owner-occupied housing to be brought into code compliance by all municipalities in the seven-county metropolitan area at the time such housing changes ownership-- The question of an economic hardship in bringing property up to current code compliance should not be a major obstacle when property changes hands because the cost of bringing property into code compliance could be handled as part of the negotiations between the buyer and the seller. As with rental housing, a precedent exists in St. Louis Park which recently passed an ordinance requiring occupancy permits when housing changes ownership, to make sure the structure does not have conditions which create an immediate hazard to health and safety. Also as with rental housing, a property owner should be allowed to appeal any order deemed unreasonable.
- c. Require public registration of current owners of all property -- Under present laws it can be difficult to know, at any given point in time, the owner of a given piece of property. Such knowledge is critical for carrying out program of maintenance and rehab. We recommend passage of a law requiring that all transfers of property, including transfers arranged by contract for deed, must be registered with an appropriate governmental office, for example, the Register of Deeds, for such a transaction to be legal.
- d. Explore ways whereby retired persons who own their own homes may sell their property, use the proceeds of the sale for rehab and be guaranteed a life-term lease-back-- This can be an attractive approach to overcome an inability of elderly persons on fixed incomes to do their part to maintain and upgrade an entire neighborhood. One possibility advanced would be for city government to earmark dollars, perhaps from community revenue-sharing, to start a revolving fund. The city would purchase homes from the elderly, strictly on a voluntary basis, and then extend a life-term leaseback to the occupant at pre-established rents scaled to his income and the value of the property. The city would contract for

correction of major code violations and ongoing repairs. The revolving fund would be maintained by rentals and by subsequent sale of the property when vacated. A modification of this approach would be for an elderly person to purchase an annuity income to finance his rental payments. Or arrangements could be made to guarantee housing to an individual in other locations which is equivalent to or better than the housing he has had.

Property taxes on homestead property are significantly below those on rental property. It is not known whether such a difference would affect the workability of any plan in which an elderly person relinquished his homestead.

## B. Rebuilding

1. Recognize city government in new role as a key 'developer' -- We recommend that city governments in St. Paul and Minneapolis and other cities recognize the active, positive role which the governing body of an older, built-up city needs to assume in influencing rebuilding within its borders.

Traditionally, a city government has seen its role as essentially establishing the basic rules of the game within which developers--on their own initiative--may choose to operate. That is, a city government has adopted building codes, comprehensive plans, zoning ordinances, and so forth, and then awaited proposals from private developers. A possible exception in the last 25 years has been the city's role as an initiator of change in urban renewal areas. But the concept of the city initiating change elsewhere has not been widely accepted.

Such an approach may have been satisfactory in the initial transition from raw land to urban development and in some of the rebuilding which has occurred in the past, too. But in most recent years, perceptive city officials have come to realize that the quality and extent of rebuilding is severely limited in the absence of positive initiative on the part of the city. Parcel-by-parcel rebuilding which is characteristic of many parts of the city has not served to upgrade the environment. Moreover, large sections of potentially usable land is lying vacant for want of a market.

Not that the city should pre-empt the private sector. Rebuilding has been and will continue to be primarily initiated by and financed by the private sector. But, in the absence of more incentives and direction by the city government itself, older portions of the Twin Cities metropolitan area never will renew themselves satisfactorily. The city government must become the intermediary between present owners and occupants and the developers who will undertake rebuilding.

The city has the ability to affect several critical elements which are needed to make a rebuilding project successful: land assembly, relocation, economic feasibility, and installation of public improvements. By careful use of the tools it has available, the city can encourage high quality rebuilding projects and, at the same time, help cut down on the "red tape" a developer must encounter in a project.

It is not our intent to prescribe exactly how Minneapolis, St. Paul or any city government in the metropolitan area, for that matter, should organize itself internally to effectively function as a key agent for accomplishing a quality rebuilding job. Each city has its unique governmental institutions and relationships among these institutions. It would appear that the City Council, as the chief governing body, should assume chief responsibility, utilizing the assistance of such existing groups as the Housing and Redevelopment Authority and other city staff. But we believe each city, in assuming a more aggressive role in influencing rebuilding, should follow these steps:



- a. Select areas for priority attention — Priorities will have to be established as to where, and to what extent, the city will use its rebuilding tools. It would seem appropriate that the process for selecting such areas include:

--A statement by the city as to the kinds of assistance and incentives which it can make available to developers, and the criteria which it will use in evaluating whether a project deserves its help. Such a statement would then be a guideline for prospective developers as they review possible areas in the city where a potential market might exist. (Our recommendations in paragraph (c) below outline in greater detail the types of assistance and incentives which the city could make available.)

--Identification of areas which deserve priority attention. Private developers, knowing the kinds of assistance and incentives which the city might make available, would be expected, themselves, to come forth with proposals from time to time.

But the city should not rely upon the initiative of private developers as the only way to identify possible areas of city assistance. The city itself should designate blighted or vacant areas where it will be particularly receptive to proposals from private developers. In making such designations the city should state: (1) how large a geographic area should be encompassed in a proposal, (2) desirable timing of rebuilding, (3) general characteristics of the new development, including desired densities, and (4) the extent to which the city will consider using its incentives or assistance to private developers for a given area. In designating areas which deserve priority attention, the city should maintain close contact with the private sector to maximize the potential that areas will be selected which have a real market for desired development.

--Involvement of affected individuals and groups in evaluating private rebuilding proposals. Such neighborhood participation can assume a number of forms, but it would be important to involve both individuals and groups who are within the geographic boundaries of a location identified for priority attention, as well as individuals and groups located nearby, but outside such an area. It is likely that certain existing groups could be identified as meeting the requirements. Perhaps a neighborhood services association such as we recommended earlier, or perhaps a Project Area Committee, originally set up for an HRA renewal area, could qualify, provided its membership were not limited simply to the "project area" but included individuals and groups nearby, too.

- b. Organize effective liaison with various private developers — As a city begins to become more of a "manager" of the rebuilding process, it will increasingly find itself in need of maintaining constant communication with the variety of builders and developers. Traditional city departments probably have not organized themselves for this important function. We have not reviewed this issue in detail, but it would appear desirable for a city government to review the possibility of contracting with some



sort of intermediary private development group. Such an intermediary would not itself undertake any rebuilding, but would be an agent, in effect, for the city in dealing with a variety of private developers.

- c. Utilize a variety of incentives to encourage rebuilding -- We recognize that, in the absence of additional incentives, private developers are not likely, for many areas in the city, on their own, to come up with specific plans for relatively large geographic areas, and go through the effort of acquisition, clearance, and then new construction. The uncertainties which exist, coupled with the attractiveness which not-yet-built-upon land may offer, means that the city should have tools available to provide additional incentives. The degree to which such incentives are provided must be handled very carefully. We recommend that they be granted only in the context of the process outlined in (a) above, and, of course, only as finally approved by the city council. But within these limits, we believe the city should be allowed by the State Legislature to utilize the following incentives:

--Fund detailed proposals for rebuilding -- When a private developer contemplates a major project which can require the investment of several million dollars and cover many acres of land, he prepares a detailed financial and marketing plan. It should be understood that such a plan is much more detailed than general guidelines prepared by the city as to what might be desirable in an area. If the area in question has been under-utilized for several years, an aggressive promotional program would likely be required in order to attract a market for the area. The plan would outline the promotional efforts which are contemplated, and their prospects for success. It is the type of plan which a developer will take with him to private financial institutions who will be asked to provide the financial backing for the project. Such institutions insist on the existence of a detailed plan before making any commitment.

Private developers have found it very difficult to assemble the needed "front money" to prepare such proposals. We recommend that the city be allowed to provide such funding, utilizing, perhaps, general or special revenue-sharing funds. In providing such "front money", the city should require recovery of the funds if the project is carried out and solid evidence of good faith on the part of the developer, perhaps by calling for a performance bond from the developer. In any event, the dollar outlay by the city for nothing more than "front money," is thought to be relatively small, perhaps on the order of \$30,000 or so for a multi-million-dollar venture. This may be the entire extent of the city's subsidy.

The city could decide whether to provide such funding, based on a request from a private developer. Or the city might identify a certain area where a detailed marketing and financial plan should be prepared. It could award a contract for such a plan following submission of bids from competitors.

--Assist developers in assembling property -- If a plan for rebuilding is submitted which is satisfactory to the city, the city's power of eminent domain undoubtedly will be required in cases where a number

of different present owners are involved. This may be nothing more than the city's utilizing the eminent domain power for blighted areas which it already possesses through its Housing & Redevelopment Authority.

A city, however, should not feel as if it must, under all circumstances, resell the land it has acquired through eminent domain. Looking ahead 50 or more years, the city might want to anticipate the next round of rebuilding. Consequently, it should not rule out the possibility of a long-term lease to the private developer while continuing to hold title.

Help make a project economically feasible for a developer -- The city should have the right, depending upon the circumstances, to make a project more economically feasible for a developer. In the absence of a write-down in land cost, the total cost of purchase, relocation, clearance and preparation of land for rebuilding may exceed the amount a developer can afford to pay, considering his options for comparable land at lower cost elsewhere in the metropolitan area. We recommend that the city be allowed to negotiate with a developer, as needed, for a write-down in the developer's land cost, where such an incentive is deemed desirable to carry out an approved plan.

Additional city assistance, beyond land write-down, may be justified in order to enable the city to attract developers to certain kinds of projects. Such assistance could take the form of reducing a developer's property tax burden to a level below what it otherwise would be. Such a subsidy should be permitted only under the following circumstances:

- \* It should be granted only to certain state-chartered limited-dividend redevelopment companies. An old state law (passed in 1947) has permitted the formation of such companies, but some new amendments added by the 1973 Legislature now apparently make the law more workable than in the past. No such redevelopment companies have yet been formed. They would be limited to an 8% return on invested equity.
- \* It should cover only the property taxes which are directly controllable by the city government itself. This means the tax reduction would not apply to taxes payable to other units of government, such as the county or school district, which would have no voice in whether such a reduction should be granted. Within such limitations, the city should be able to write-down the property taxes payable to city government to the level which they were prior to the new development, for a limited number of years. The exact amount of the write-down would depend upon the nature of the rebuilding proposal as submitted by the limited-dividend companies. It is possible that a number of bids could be solicited by the city from competing limited-dividend companies.

2. Equip city governments to finance rebuilding expenses -- Our recommendations above involve potential commitment of substantial amounts of public funds. We further recommend:

- a. Don't rely too heavily on tax-increment financing -- Under tax-increment a city issues bonds to help a developer pay for the expense of acquisition, clearance, relocation and preparation of land for rebuilding. The increase in taxes which the new development generates, in addition to the taxes generated by the development which was there before, is used to buy off the bonds.

Tax-increment financing attracts considerable interest as a funding source because no outlay of current dollars is necessary. Future increases in tax revenues are pledged instead.

However, tax-increment financing, by its very nature, is limited in applicability. New development must generate a far greater amount of taxes in order to justify a rebuilding project. This will not be possible in many parts of the city. If the tax-increment approach is to be used for residential purposes, a much higher population density in the new development would be required. This may be possible in a few parts of the city, but not throughout. In many low-density areas, rebuilding cannot possibly be financed via the tax-increment approach. A city should not have its rebuilding priorities skewed because tax-increment financing will work in certain kinds of projects but not others. Thus, the city should use other revenues to help pay for rebuilding subsidies. Tax-increment financing can have only the most limited application. Extreme caution should be exercised in the designation of any additional locations where tax-increment financing is to be used.

- b. Prepare for making policy on use of community revenue-sharing funds -- We recommend that city governments prepare to use some of their anticipated community revenue-sharing funds to help finance rebuilding expenses. We also have earlier recommended that high priority on use of these funds be given to residential rehab loans and grants.

If and as Congress adopts the Administration's recommendations for consolidation of several urban development aid programs into a single block grant, city governments will increasingly assume responsibility for deciding how to apportion federal dollars locally.

Local governments have not yet "geared up" for making the very difficult decisions on apportioning the block grants. Nor has the Legislature reviewed the possibility of suggesting any guidelines on use of the dollars. (St. Paul and Minneapolis each would be entitled to about \$17 million in the first year, although the prospects for long-term continuation of funding at that level are uncertain.) The 1973 Legislature did, however, begin the job of helping local governments get ready to use community revenue-sharing funds. It authorized Housing and Redevelopment Authorities to make rehab loans and grants in the same manner as provided under certain aid programs to be consolidated. Without passage of the Act, the possibility of continuing the rehab loan and grant program under community revenue-sharing would have been uncertain.

We recommend that the appropriate urban-related committees of the Legislature, in the interim before the 1974 session, review the various options which city governments may have for use of community revenue-sharing funds and whether legislative guidelines on setting priorities are

needed. City governments should be stimulated to think about the process they will follow in determining their own priorities in the absence of legislative guidelines. The Legislature should invite city governments to report on the procedures they intend to follow.

3. Estimate kind and amount of new development in central cities and in suburbs

-- Built-up cities in the metropolitan area urgently need to know what results can reasonably be expected from their rebuilding efforts. We recommend that the Legislature instruct the Metropolitan Council to include in its Development Guide, within twelve months:

- Projected construction of new housing units, by price level and ownership, in coming years, and likely split between suburbs and the central cities.
- Projected construction of new commercial and industrial development, by type, in coming years and the likely split between suburbs and the central cities.
- Any recommended changes in public policy designed to alter these projections.

## DISCUSSION OF RECOMMENDATIONS

### 1. What will distinguish a neighborhood services association from the variety of citizen participation organizations in central cities?

A neighborhood services association, as recommended in this report, is *not* a public organization, designed to give citizens a greater voice in their government. It is a *private* organization. We believe it is very important to make this distinction at the outset, to avoid confusion between a neighborhood services association and other organizations with not-too-dissimilar names but with vastly different objectives. It is particularly critical, at this point in time, to make this distinction because of a high degree of discussion taking place in the central cities over how to improve citizen participation structures. The Citizens League in an earlier report "Sub-urbs in the city" recommended the formation of a series of directly-elected community councils in central cities. A report has recently been prepared by a mayor's committee in St. Paul which recommends community councils be established as federation of neighborhood groups. Our recommendation for neighborhood services associations must not be interpreted, in any way, as a substitution for the earlier Citizens League recommendation in support of community councils. That recommendation still stands.

The neighborhood services association is different from a community council in at least four major respects:

- a. Purpose-- A neighborhood services association is a vehicle for residents to mutually impose upon each other certain common services and requirements, so as to give a greater guarantee of mutual action to preserve and improve the strength of their immediate area. The neighborhood services association is essentially, if not exclusively, oriented internally to actions which residents themselves can do privately--not governmentally--to affect the long-term confidence and security of their own neighborhood.

By contrast, a community council is a vehicle for citizen participation and representation in governmental affairs affecting them. A community council is designed to bring citizens in a larger city closer to city hall.

Size-- If only an area of 200-300 homes were included (about 1,000 or less population), that would be a fairly large area for a neighborhood services association to function. In fact, the best chance of success might be for an association, when originally formed, to cover only two or three blocks.

But a community council is designed to cover an area of 20,000 or more residents in a large city. In effect, a community council is designed to provide the sort of representation which is possible via the village council in a medium-sized suburb.

Moreover, the term *community* is by definition (in the Twin Cities, at least) designed to encompass several *neighborhoods*.

- c. Private versus governmental-- The neighborhood services association is primarily a private body, a means by which private service relating to the maintenance of the neighborhood can be obtained more effectively and economically through joint, rather than individual, action. It could

be something like an organization of residents of co-operative or condominium apartments. The community council is primarily a governmental body, assuring that citizens are given adequate voice and representation in the public decisions which affect them.

Scope of functions -- The neighborhood services association has a very narrow, though significant, scope of functions, while the community council's scope is much broader. The neighborhood services association will focus on residents providing their essential neighborhood services together rather than individually. Virtually any kind of governmental function affecting a community will come within the scope of attention of a community council, schools, parks, roads, building permits, rezoning, etc.

There are many existing neighborhood organizations, covering relatively small areas, which may have concentrated their efforts thus far in providing a voice for their residents in dealing with the city.

Such existing organizations cannot help but be starting points for neighborhood services associations. But they should not lose sight of the fact that such an association will function best, at least at the start and probably in the long run, when its membership covers only a few blocks. If an organization covers a fairly large area--too large to be appropriate for a neighborhood services association--there is no reason it could not stimulate the formation of such associations in small, selected locations.

*2. What kinds of functions or services are neighborhood services associations likely to undertake when first established?*

Our recommendations place relatively heavy stress on the importance of joint standards of property maintenance as a major function, which it is. But it is very likely that some other type of joint action will come first. Perhaps it would be an effort to improve security in the neighborhood. Or it might be a program of "selling" the neighborhood as individual properties come on the market. Or residents might agree to a joint contract for one of any number of services, such as electrical appliance maintenance, trash collection, or snow removal.

Once people in a neighborhood start working together on a common endeavor, they are more likely to move into such fields as agreeing to a set of mutually-accepted standards of maintenance.

In its earliest stages, is it possible a neighborhood services association would be nothing more than a group of concerned residents--or perhaps a church or neighborhood business group--who set down some recommended standards of maintenance and urge residents of the neighborhood to follow them.

*3. What is likely to stimulate the establishment of neighborhood services associations?*

Only in rare circumstances is it likely that a neighborhood services association will be formed because the individual residents, on their own without any outside influence, recognize the benefits.

One possibility is that private firms--sensing the opportunity to sell services to groups of residences--will encourage the formation of such associations.

We believe that the potential also exists for a private firm to get into the business of stimulating the establishment of neighborhood services association. For example, a firm with experience in marketing group life and health insurance programs might well be able to apply its expertise to setting up neighborhood services associations.

Or a church or other institution, concerned about the possible long-term future of its immediate neighborhood, might take steps to bring residents together in common endeavors. A church, for example, might see the particular benefits of a joint program of marketing homes in the neighborhood.

Or it is likely that considerable interest in joint actions by residents in provision of essential housing services will emerge from discussions in the myriad of neighborhood-based citizen organizations in the central cities.

Or a city government may stimulate neighborhood services associations because of policies it may adopt which would give recognition to self-help neighborhood groups in various city programs. For example, a group of residents, needing city assistance in rehab loans and grants, might find their chances enhanced through the establishment of a neighborhood services association.

#### *4. What precedents exist for neighborhood services associations?*

Many such associations have emerged in the Twin Cities area in recent years as part of the growth of townhouse developments. Each townhouse development has its own association for ownership and maintenance of common property and for exterior maintenance of structures. Some 120 such associations are now in existence in the metropolitan area. In addition, some subdivisions with individual houses have associations which own and operate community buildings and swimming pools.

A somewhat different form of neighborhood-protection device is the "restricted residence district" authorized under a 1915 state law for cities of the first class. The law pre-dated zoning ordinances. It permits the city council to limit an area to one-family or two-family residences upon petition of 50% of the property owners. Restricted residence districts in Minneapolis are located near Lake of the Isles, North Commons park, Lake Calhoun, and in northeast Minneapolis near Lowry Ave. and Arthur St. N.E. In St. Paul such districts are located in the Crocus Hill area east of Lexington Parkway and south of Summit Ave. on the south shore of Lake Phalen, and along the entire length of Summit Ave.

Another neighborhood-protection activity concerns the selective marketing of properties to maintain existing land uses. For example, in an area of southeast Minneapolis threatened by walk-up apartment construction, a non-profit corporation was established to purchase and re-sell homes in order to keep them out of the hands of apartment developers. Informal, word-of-mouth sales efforts are not uncommon in many neighborhoods.

Along this same line, a few years ago, in the community of Laurelton on Long Island, New York, a neighborhood home finding service was organized and staffed by the residents themselves in a successful effort to combat "block busting" real estate tactics. Certain brokers were seeking to induce panic selling, at lower prices, by whites in the neighborhood with the intention of reselling only to blacks, at higher prices. Thus the community's inter-racial stability, which had maintained itself at about 15% black, was threatened. As a result of the formation of the home finding service (which sold 136 houses in the first 18 months), harassment soon stopped and the black percentage remained at 15%.



The Milwaukee-based American Homeowners Association has chapters in several cities--not including the Twin Cities area, however--through which homeowners, jointly, can obtain prompt home repair and maintenance service at reasonable cost.

Sometimes a neighborhood services association may carry out certain functions that might be thought to be a function of city or village government instead. For example, the association which serves the residents of North Oaks, a village north of St. Paul, owns and operates the village street system. Also the association imposes strict architectural requirements on home design in the village. Another example is that of the Southview Heights Cooperative Association in Mankato township, just outside the city limits of Mankato. All persons who purchase homes in this subdivision are automatically made members of the association. The association's chief functions are provision of community water and sewer service. But it also owns two playgrounds and the street lights in the subdivision. Roads were built by the association but have been turned over to the township government.

A new effort by a Philadelphia neighborhood has begun to combat crime. According to a newspaper account, real-estate values have jumped sharply in the last few months since the joint neighborhood action against crime has begun.<sup>3</sup> Residents organized the Block Association of West Philadelphia which deploys, on a regular basis, "walkers", who make a point of checking abandoned houses and cars, looking for suspect loners, or gangs. They greet everyone they pass, which reassures honest pedestrians and lets potential burglars know that someone might recognize them later. Walkers are armed with loud-sound horns, not lethal weapons. Residents also keep horns handy in their homes. If someone is in trouble, he's supposed to sound a horn. Neighbors respond with their horns, alerting everyone to danger while police are on the way.

In a meeting with our committee, Oscar Newman, director, Institute of Planning and Housing, New York University, told of successful efforts in some neighborhoods in St. Louis to close off certain neighborhood streets to through traffic for certain periods during the day. This has helped foster a great deal of community spirit plus help cut down on crime, he said.

The Urban Institute has published a report which discusses 233 neighborhood associations across the country, some of them formed before the turn of the century.<sup>4</sup> One of the largest examples of successful homes associations is the Country Club district in Kansas City, which, in 1964, had some 12,000 homes in 29 different associations. Membership is mandatory under self-perpetuating covenants running with the land. The Urban Land Institute report provides extensive technical information on the formation of homes associations.

*5. Are neighborhood associations the answer to conservation of older neighborhoods in cities?*

We believe that the concept of residents banding together to provide maintenance and other services on a mutual basis carries with it a great deal of potential for assisting in neighborhood conservation. Just as with other kinds of efforts designed to preserve older neighborhoods, it must not be regarded as a panacea. It is a contribution. It might be said that neighborhood services associations themselves can't save older neighborhoods, but it's not likely that an older neighborhood will be saved in the absence of cooperative activities of the residents.

*6. Would it ever be desirable for a neighborhood services association's standards to be made mandatory upon all dwellings in a given area?*



Quite clearly, the concept of such an association in an older neighborhood is so new that it is difficult to think far down the line when the issue might arise. We have recommended that, if constitutionally permissible, at least the option ought to be available to cover the possibility that in some circumstances a mandatory association might be deemed desirable. The mandatory provision, of course, is not unusual in other associations. All townhouse associations are mandatory, for example.

At least two possible benefits of the mandatory approach are evident: First the cost of certain services which provide benefit to all dwellings in the neighborhood appropriately should be shared by all dwellings. In the absence of a mandatory provision, it is conceivable that individuals will decline to join knowing that they can receive the benefits without having made any payment. As a result cooperative efforts could be frustrated. Second, the city government may have an interest in supporting mandatory provisions in an area where it feels such action would be critical to maintaining stability of a neighborhood for the entire city's benefit.

*7. Is it possible that a neighborhood services association might seek to exclude certain groups, say, racial minorities, from the neighborhood?*

We are recommending that residents of a neighborhood would find it advantageous to undertake a joint marketing effort wherein homes would be offered for sale or rent as part of a marketing plan which sells the entire neighborhood. Such joint efforts would mean that prospective buyers or tenants could be attracted by the positive attributes of the entire neighborhood, such as proximity to schools, churches, parks, lakes, or shopping areas. In effect, existing neighborhoods would be marketed in the same fashion as newly-built subdivisions.

The risk exists, however, that a group of residents, seeking to keep out racial minorities, might set up a joint marketing effort with the idea of "screening" prospective neighbors. This is not likely to be successful. It would be much easier to prove a violation of anti-discrimination laws if an entire neighborhood group tried to restrict minorities than at present, when an individual seller dealing on a one-to-one basis with prospective buyers, may be able to apply discriminatory practices in a more subtle fashion.

*8. What are the implications of the recommendations on code compliance for apartment buildings (at the time of issuance of rental licenses) and for single-family dwellings and duplexes (at the time occupancy changes)?*

We felt we could not ignore the spreading blight caused by failure to keep property in good repair. As we discussed earlier in this report, we were made aware of the lack of incentive which often may be present to maintain rental property.

We were made aware of two new ordinances, perhaps the first of their kind in the metropolitan area, which have just been adopted by the city of St. Louis Park. Inspections are made in all apartment buildings when two-year licenses are granted. Inspections are made in single-family dwellings and duplexes when occupancy changes. Licenses or occupancy permits cannot be granted if dwelling units pose immediate hazards to health and safety. Immediate hazards are defined as (1) unsafe heating systems and/or water heaters, due to such factors as burned-out or plugged flues; (2) unsafe electrical systems due to such factors as exposed uninsulated wires; (3) unsanitary plumbing systems, due to such factors as leaking waste systems; (4) insufficient support for loads on floors or other similar structural problems; (5) presence of refuse, garbage, waste or other materials, making a unit unsanitary for human occupancy; (6) infestation of rats, insects and other vermin. A dwelling unit

would not be required to be upgraded to satisfy standards in current codes. Only hazards to immediate health and safety would have to be corrected.

A potential side effect of such requirements is that a landlord will opt to close down his building, board it up and wait for the city to condemn it (which gives him a tax write-off). If large numbers of dwelling units were to be affected, this could reduce the availability of lower-priced rental units, which will have its greatest effect on lower-income tenants. Or, a landlord might be inclined to raise rents to finance the cost of repairs, again with negative impact on lower-income tenants.

On the other hand, such side effects are pure speculation at this moment. We were informed by persons who themselves own rental property that the annual rate of return to the landlord now may be much higher in declining neighborhoods, perhaps on the order of 16-25%, as compared with a much lower rate of return, perhaps 8-10%, in stable neighborhoods.

In the case of owner-occupied property, the costs of necessary improvements can be made a part of the negotiated sale price between the buyer and the seller. We understand, moreover, the FHA and VA standards now require substantial code compliance in order for a property to qualify for mortgage insurance.

All in all, we felt that this metropolitan area cannot afford not to take action to protect its existing housing stock, and that, because the problem in the long run will affect all communities, the standards ought to apply throughout the metropolitan area, not just in Minneapolis and St. Paul.

*9. How do the recommendations relate to efforts to preserve and rebuild other parts of the city, such as the downtowns?*

The work of city government, in both cities, in recent years to rebuild the central commercial area is indispensable to the support of the surrounding residential areas. The absence of major attention to the downtown, in our report, in no way reflects any sense on our part that the central commercial area is unimportant. Rather it reflects our sense of the high priority already given to the improvement of the central area by the city government and others (such as the Downtown Council in Minneapolis and Operation 85 in St. Paul) and by the success of the efforts they have under way.

We chose, rather, to focus on the aspect of city development we felt is presently given less attention by others: that is, the residential neighborhoods. We made this decision out of a conviction that the physical, social and economic health of these surrounding neighborhoods is also critical--even over the not-so-long run-- to the success of the downtown. They house many of its workers. They produce a significant part of its trade. They help set its value. They largely determine its image and its attractiveness to shoppers, to visitors, to residents.

Also, it should not be overlooked that some recommendations in our report apply directly to the downtowns, specifically those which concern a process by which the city should take the initiative on stimulating major rebuilding projects. Undoubtedly, the downtowns and areas immediately surrounding the downtowns will rank among the highest in priority for rebuilding.

*10. What is the degree of urgency for the city to use tax-increment financing to encourage high tax-producing development to locate within its city limits?*

Our committee's attention was directed, very early, to certain economic "facts of life" which make it very difficult for central city locations to compete with certain areas on the suburban fringe. This was brought out by Anthony Downs, an economist and senior vice president, Real Estate Research Corporation, Chicago. Downs points out that on the suburban fringe land is vacant; no buildings need to be cleared; no existing income stream needs to be brought out; no difficult political problems of family relocations are presented; parcels tend to be large, reducing acquisition costs; and the opportunity exists to design the infra-structure new, tailored to the needs of the new project.

Therefore, we recommended that the city be able to utilize a variety of incentives to help compensate for its competitive disadvantage.

One tool which the city has available, on a limited basis, is tax-increment financing, by which the increase in taxes paid by the new development is used to pay for the costs of the incentives which the city has provided to attract the development (such as making the cost of the land competitive with suburban locations).

We have already commented on one drawback of the tax increment approach, in that it is suitable only for financing rebuilding projects which will involve substantially higher property tax revenues, such as higher density residential development. Beyond this, a further problem with the tax-increment approach is its potential conflict with the 1971 metropolitan fiscal disparities act. That act guarantees Minneapolis and St. Paul, as well as every other municipality in the seven county metropolitan area, a partial share of new commercial-industrial tax base, regardless of its physical location in the metropolitan area. No longer is it so important that tax base be physically located within the city limits. It happens to locate elsewhere in the metropolitan area, the city still is entitled to some benefit. (The constitutionality of the fiscal disparities act was pending before the Minnesota Supreme Court in May 1973. But many legislators have said that, if the act were found unconstitutional, the Legislature would come up with another solution.)

Extensive use of the tax-increment from new development to pay for the costs of rebuilding may well jeopardize the alternative use of the tax increment for sharing under the fiscal disparities act. A central city, such as St. Paul or Minneapolis should carefully weigh the potential benefit it is likely to receive from the fiscal disparities act in coming years, as against seeking broad use of the tax-increment financing approach to finance local rebuilding, particularly when other alternatives for financing rebuilding costs can be made available, such as use of community revenue-sharing funds.

#### FOOTNOTES TO DISCUSSION OF RECOMMENDATIONS

1. Minnesota Statutes, Chap. 462.12.
2. Saturday Evening Post, March 18, 1968.
3. "Philadelphians Make Streets Safer," The National Observer, May 5, 1973.
4. The Homes Association Handbook, Urban Land Institute, Washington, D.C., 1964.

### COMMITTEE ASSIGNMENT

The Citizens League in recent years has published three other reports on issues closely related to those faced in this report:

- \* Adequate Housing is Now Everyone's Problem, May 5, 1969
- \* Sub-Urbs in the City: Ways to Expand Participation and Representation in Minneapolis Government, May 13, 1970
- \* Better Use of Land and Housing, April 30, 1971

In the fall of 1972, the Citizens League Board of Directors sensed the need to further explore the issues relating to the future of older sections of the central city -- both from the standpoint of maintenance and rebuilding. The Board was particularly concerned about (1) ways which would serve to retain and continue to attract individuals and families representing a wide variety of income levels to the central cities, and (2) ways whereby the city government can broaden its role in assembling, acquiring and preparing land for a variety of private uses, beyond the more traditional urban renewal efforts.

As a result of this concern, the Board authorized the formation of the Rebuilding in the Central City Committee.

### COMMITTEE MEMBERSHIP

A total of 47 persons participated actively in the deliberations of the committee, following an initial sign-up of almost 100. Committee chairman was Gordon M. Donhowe, vice president - treasurer, the Pillsbury Company. Other members were:

John S. Adams  
Stephen Aldrich  
Walter Baum  
Francis M. Boddy  
Pamela Brooks  
William W. Cameron  
Elsa Carpenter  
Robert Coifman  
Roger Conhaim  
John Cummings  
Hille Dais  
Joseph Easley  
Robert E. Engstrom  
Raymond K. Frellsen  
Kay Gardner

Marvin Geisness  
Carolyn Golberg  
Roger Hankey  
Charles Hanna  
Mike Hartigan  
Ray Harris  
Gary Herzberg  
Paul Hilstad  
John G. Hoeschler  
Riley Housley  
David Hozza  
Gerald A. Kennedy  
Theodore Kites  
Ken Koss  
Charles Kreiman  
Carl W. Kroening

Todd Jeffrey Lefko  
Ernest K. Lehmann  
Oscar Lund  
Patricia T. McKinnie  
Maceo Moody  
Tom O'Connell  
John Palmer  
Daniel K. Peterson  
Stephen Peterson  
Arthur Reynolds  
Sidney L. Stolte  
Matthew Thayer  
James Therkelsen  
Imogene Treichel  
Robert Van Hoef

The committee was assisted by Paul A. Gilje, Citizens League associate director; Jon Schroeder, research assistant; and Paula Werner of the clerical staff.

## WORK OF THE COMMITTEE

The committee met 27 times from October 25, 1972 to May 21, 1973. As is the custom with other Citizens League committees, the committee met alternately from week to week in St. Paul and Minneapolis for the convenience of committee members and resource persons.

From late October to mid-February the committee went through an extensive orientation program during which time a variety of resource persons presented background material and highlighted key issues in maintenance and rebuilding. One Saturday morning in November the committee took a bus tour of neighborhoods in St. Paul and Minneapolis, narrated by Neil Gustafson, Upper Midwest Council.

Resource persons represented the city governments of Minneapolis and St. Paul, neighborhood groups, Metropolitan Council, financial institutions, federal agencies, Housing and Redevelopment Authorities, real estate agents, developers, and owners.

The committee was particularly fortunate, from time to time, to receive assistance from national experts who happened to be in the Twin Cities area. They included: Morton Isler, director, housing research, the Urban Institute, Washington, D.C.; Anthony Downs, executive vice president, Real Estate Research Corporation, Chicago, Ill.; Oscar Newman, director, Institute of Planning and Housing, New York University; Charles B. Wheeler, Jr., mayor, Kansas City, Mo., and Byron R. Hanke, consultant, Washington, D.C., director of planning team which prepared "The Homes Association Handbook" for the Urban Land Institute.

Isler discussed the work he and his staff have been doing on housing management. Downs outlined the market forces at work in central city rebuilding issues. Newman mentioned physical features which can help create a sense of neighborhood. Wheeler described Missouri's redevelopment company law. Hanke talked about the potential application of the homes association concept to older neighborhoods.

A large number of background articles and research reports were made available to the committee.

Detailed minutes were taken of the committee activity through mid-February. A large list of persons outside the committee received minutes so they could follow committee progress.

After completion of the hearing stage, the committee first reviewed a summary of information presented to the committee. Then a draft of findings and conclusions was prepared. Beginning in mid-February the committee explored alternative recommendations. The committee went through about four drafts of findings and conclusions and recommendations before completing its work.

Several committee members were resource persons in their own right, through their own activities as members of neighborhood organizations, as realtors, builders, developers, and as employees of public agencies.

In addition to the resource persons mentioned above, the committee also met with:

John Borchert, director, Center for Urban and Regional Affairs, University of Minnesota

Richard Brooks, supervisor of inspections, city of St. Louis Park

Jack Cann, Tenants Union

Robert Dronen, executive director, Minneapolis Housing and Redevelopment Authority  
Peter Engels, former HUD project officer, Iowa Securities Company  
Richard M. Erdall, president, Minneapolis City Council  
Curt Glaser, vice president, Knutson Mortgage and Financial Corporation  
Jack Gilbertson, area, office, Department of Housing and Urban Development  
Robert Hall, assistant director, St. Paul Housing and Redevelopment Authority  
Edward Helfeld, executive director, St. Paul Housing and Redevelopment Authority  
Daphne Krause, director, Minneapolis Age and Opportunity Center  
Edith Lallier, Ramsey Action Programs  
George Martens, realtor, former Alderman in Minneapolis  
Trudy McFall, manager, housing programs, Metropolitan Council  
James Miceli, assistant city manager, City of St. Louis Park  
W.E. (Bud) Nagle, director of the Model City Housing Bureau  
Tom O'Connell, senior appraiser, Prudential Insurance Company  
Harmon T. Ogdahl, mortgage lender, member, State Senate  
DelRoy Peterson, director of development, City of Minneapolis  
Ralph Quiggle, director of planning, City of Minneapolis  
Gene Ranieri, assistant grants coordinator, City of St. Paul  
Lee Robinson, chief housing inspector, City of Minneapolis (now retired)  
Tony Scallon, president, Seward-West Project Area Committee  
Clarence Simonowicz, director, comprehensive planning, St. Paul Planning Board  
Tom Spaeth, manager, Residential Mortgage Department, Eberhardt Company  
Fred Stahl, Model City Housing Bureau  
Thomas A. Thompson, city coordinator, City of Minneapolis  
Merlin Toussaint, general manager, Real Estate Investment Department, Prudential Insurance Company  
Charles Warner, area office, Department of Housing and Urban Development  
Al Wroblewski, Crossroads Resource Center

## BACKGROUND

### I. CONDITION OF HOUSING IN MINNEAPOLIS AND ST. PAUL

Because of the inadequacy of available data, it is impossible to make precise statements about the condition of housing in Minneapolis and St. Paul.

The 1960 Census of Housing contains subjective judgments of census takers on whether a dwelling was "sound", "deteriorating", or "dilapidated". The Census interviewers were shown pictures of each category during their training but heavy reliance was placed on their ability to judge each unit individually. Problems arose since interviewers with different backgrounds and different values tended to judge the condition of housing with a variety of biases.

As a result, the 1970 Census of Housing asked more objective questions on condition of housing which related to plumbing, heating, type of foundation, etc. Unfortunately, no one seems to have developed a weighting for the 1970 data which would allow a comparison with the 1960 findings.

With this in mind, in 1972 the Metropolitan Council hired a consultant to develop a method for estimating the number of "deficient" and "substandard" housing units in the metro area. In the study, exterior surveys were conducted of selected census tracts in the seven-county metropolitan area. The actual survey work was done by staff members of the Minneapolis Housing and Redevelopment Authority who had previously conducted similar surveys in Minneapolis renewal areas.

The criteria utilized in determining which units were "deficient" (Class II) or "deteriorated" (Class III) were basically as follows:

- \* Class I housing units were those units which were sound.
- \* Class II housing units were those that have a major deficiency which would require rehabilitation of the units as distinguished from normal maintenance which would include painting, or replacing a few shingles, or a window sill, or yard maintenance.
- \* Class III housing units were those that are so badly deteriorated that they could not be rehabilitated and therefore needed to be cleared

The classification was made on the basis of the exterior survey of the structure and therefore does not include those homes which have a sound exterior but which need major rehabilitation of plumbing, wiring or interior walls, ceilings or floors. The classifications, however, include those units which have some exterior defects but which are in good interior condition and are satisfactory living units.

The classification was based entirely upon the condition of the housing unit structure. Deteriorated garages, or other structures not used for housing. poorly maintained yards, driveways, or sidewalks, or accumulation of junk or garbage were not considered unless the housing unit was on the line between classifications. However, there was a strong correlation between the condition of the housing unit structure and the condition of the yard and adjacent buildings.

The methodology of the survey is based on the assumption that the median value of housing in a given tract is related to condition. Census tracts were selected in the seven-county area to reflect a variety of value classifications. Wide geographic distribution was also sought. The exterior surveys were then taken in those tracts and weighted in relation to the number of tracts within each value classification within the seven-county area. Exceptions to this rule were those census tracts in which urban renewal or neighborhood development programs were under way. In those cases, individual estimates were made that were based on data provided by the local HRA.

With this background in mind, the following comparative tabulation is made for 1960 and 1970:

Table I  
HOUSING CONDITION IN MINNEAPOLIS AND ST. PAUL

	<u>Minneapolis</u>	<u>St. Paul</u>	<u>Suburbs*</u>	<u>SMSA**</u>
<u>1960 Census of Housing:</u>				
Sound	133,397 (83.15%)	88,694 (86.69%)	185,887 (93.83%)	407,978 (88.53%)
Deteriorating	21,390 (13.34%)	10,813 (10.56%)	8,807 (4.44%)	41,010 (8.89%)
Dilapidated	5,624 (3.51%)	2,803 (2.73%)	3,413 (1.72%)	11,840 (2.56%)
Total Units	160,411	102,310	198,107	460,828
<u>1972 Metropolitan Council Substandard Housing Survey: <sup>1</sup></u>				
Class I	132,504 (79.25%)	93,725 (87.02%)	295,781 (98.43%)	522,010 (90.79%)
Class II	27,283 (16.31%)	10,601 (9.84%)	4,000 (1.33%)	41,398 (7.20%)
Class III	7,409 (4.43%)	3,381 (3.13%)	709 (0.23%)	11,499 (2.00%)
Total	167,196	107,707	300,490	574,904

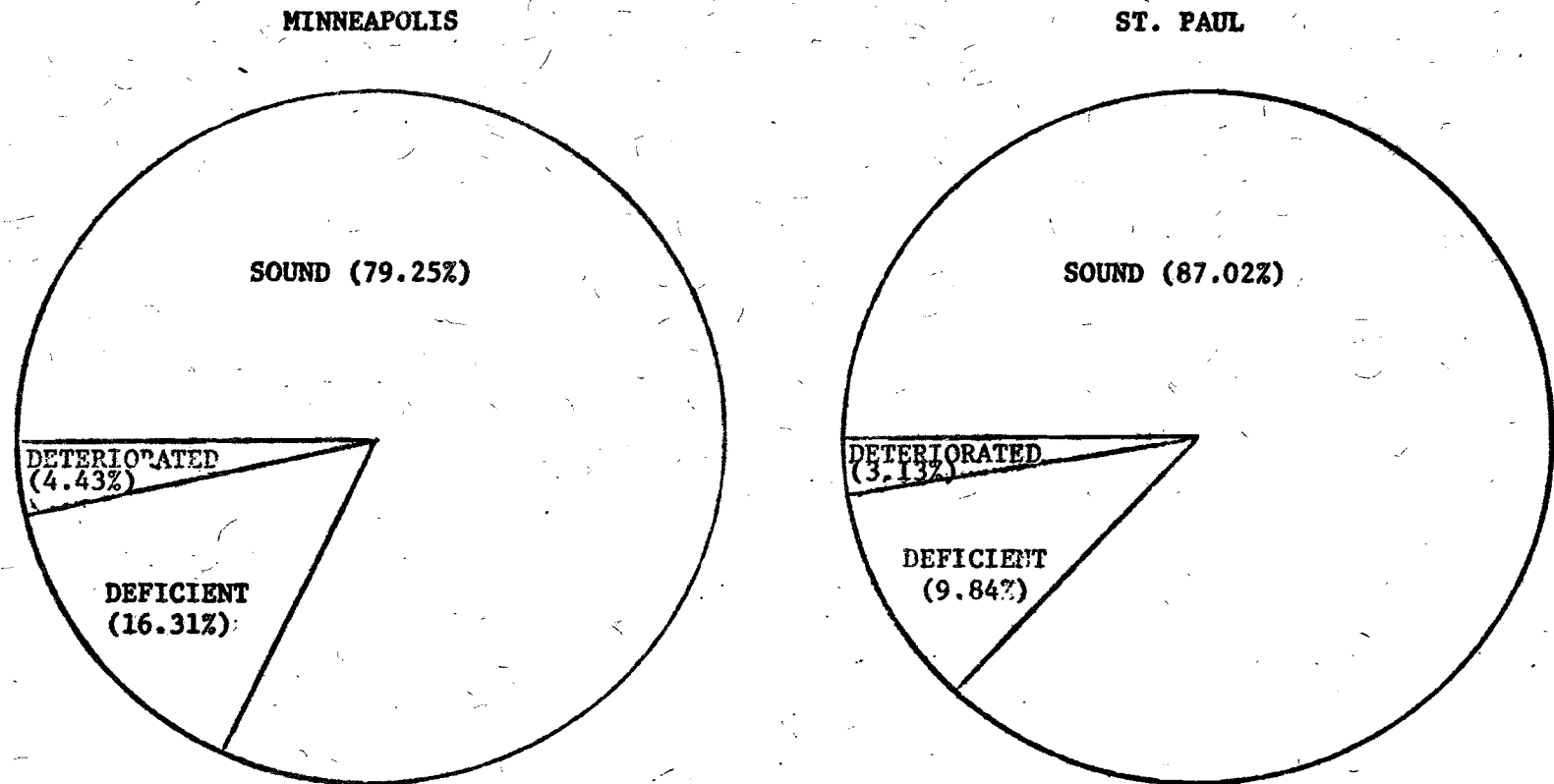
\* SMSA minus Minneapolis and St. Paul.

\*\* Anoka, Dakota, Hennepin, Ramsey, and Washington Counties.



**FIGURE A**

**CONDITION OF HOUSING IN MINNEAPOLIS AND ST. PAUL**

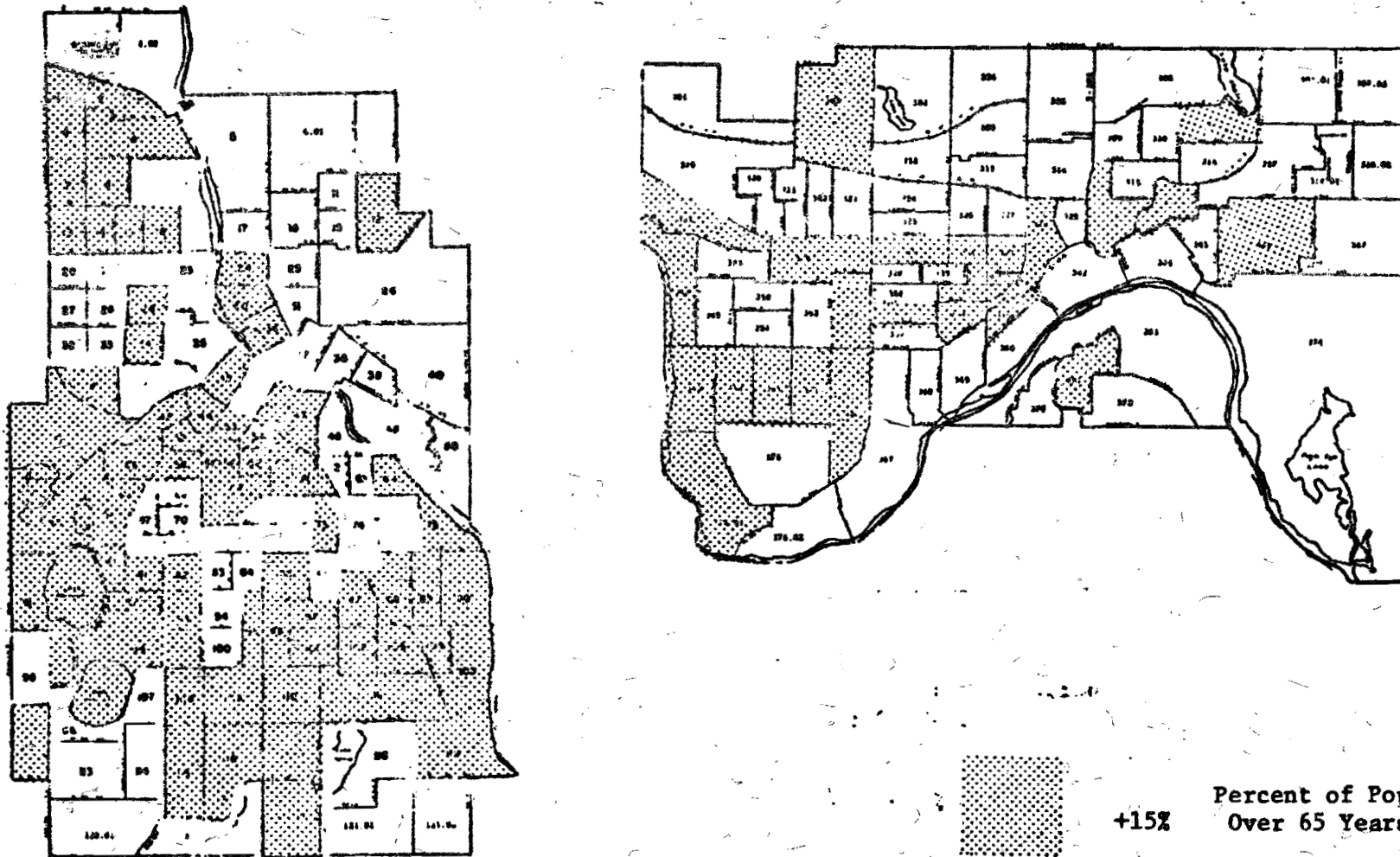


\*As indicated by median value

SOURCE: Metropolitan Council Substandard Housing Survey, Lorimer, Chiodo and Associates, Inc., Minneapolis, Minnesota, Sept. 1972

FIGURE B

FUTURE TURNOVER OF HOUSING IN MINNEAPOLIS AND ST. PAUL



+15% Percent of Population Over 65 Years of Age

SOURCE: 1970 Census of Population, U. S.  
Department of Commerce, Bureau of the Census

## II. UNDER-UTILIZATION OF HOUSING IN MINNEAPOLIS AND ST. PAUL

According to the 1970 Census and subsequent reports of the Metro Council, a majority of the households in the Twin Cities area are effectively priced out of the new housing market.

At the same time, large numbers of older but sound housing units in the central cities are being increasingly "under-utilized". For example:

- \* From 1950 to 1970, the percentage of owner-occupied housing units in Minneapolis occupied by 1 or 2 persons jumped from 32.8 to 49.7 percent. In St. Paul, the percentage increased from 30.0 to 43.5.
- \* During the same 20-year period, the median number of persons per owner-occupied unit decreased from 3.2 to 2.7 in Minneapolis and 3.4 to 3.1 in St. Paul. By way of comparison, the median number of persons currently living in owner-occupied housing in the suburban portion of the Minneapolis-St. Paul SMSA is about 3.8.
- \* This accelerating under-utilization has left Minneapolis and St. Paul with a total of 16,000 owner-occupied units with 2 or more bedrooms housing only 1 person and another 17,000 units with 3 or more bedrooms housing only 2 persons.

At the same time, we seem headed for an unprecedented rate of natural turnover of housing on the open market because of dramatic shifts in the age composition of our central cities. For example:

- \* From 1950 to 1970, the percentage of owner-occupied housing in units in Minneapolis housing a head of household 65 years of age or older increased from 18.2 to 29.7 percent. In St. Paul, the increase was from 18.4 to 26.3 percent.
- \* This shift in the age structure of the cities now means that, in St. Paul and Minneapolis, over 32,000 owner-occupied, single-family housing units are occupied by persons 65 years of age or older. Ten thousand of these single-family units are occupied by only one person over 65 years of age.

As is noted in Figure B, much of the elderly population is concentrated in areas of Minneapolis and St. Paul in which sound housing exists.

## III. "INDICATORS" OF QUALITY OF EDUCATION IN THE TWIN CITIES AREA

Although generally-accepted measures of quality of education from one school district to the next are not available, comparisons inevitably are made, utilizing such limited information as may be available. For example, two measures used from time to time are the levels of funding and staffing available to different school systems. While these measures are not to be regarded as the only--nor necessarily the most important--ways to compare quality of education, they must be reckoned with because of their frequent use.

The tables on the following two pages compare the central city and suburban school systems on levels of funding and staffing.

Table II  
1971-72 STATE AND LOCAL ADJUSTED OPERATING EXPENDITURES <sup>3</sup>  
(per pupil unit in average daily membership)

<u>School District</u>	<u>Adj. Oper. Exp.</u>	<u>School District</u>	<u>Adj. Oper. Exp.</u>
Golden Valley	\$1031	Chaska	\$ 747
Hopkins	1000	Burnsville	747
St. Louis Park	997	West St. Paul	744
Richfield	922	Columbia Heights	738
St. Paul	909	Osseo	737
Orono	904	Shakopee	723
St. Anthony	893	Fridley	711
Minnetonka	885	Inver Grove	702
South St. Paul	862	Watertown	687
Minneapolis	860	South Wash. County	684
Edina	858	Lakeville	677
Roseville	850	Rosemount	665
Mound	850	Prior Lake	650
Mahtomedi	849	Jordan	645
North St. Paul	847	Forest Lake	638
Stillwater	830	New Prague	634
Brooklyn Center	819	Anoka	627
Spring Lake Park	786	Hastings	626
Robbinsdale	781	Norwood-Young America	607
Centennial	776	Belle Plaine	601
Waconia	758	Farmington	598
Eden Prairie	756	St. Francis	589
White Bear Lake	749	Randolph	547

Table III  
1971-72 TOTAL ADJUSTED OPERATING EXPENDITURES <sup>4</sup>  
(per pupil unit in average daily membership)

<u>School District</u>	<u>Adj. Oper. Exp.</u>	<u>School District</u>	<u>Adj. Oper. Exp.</u>
Golden Valley	\$1118	Chaska	\$ 776
Hopkins	1031	Eden Prairie	769
St. Louis Park	1013	Shakopee	767
St. Paul	993	Burnsville	766
Minneapolis	981	West St. Paul	760
Richfield	934	Columbia Heights	753
Orono	925	Osseo	751
St. Anthony	905	Inver Grove	742
Minnetonka	897	Fridley	738
Roseville	885	Watertown	719
South St. Paul	877	South Wash. County	711
Edina	871	Lakeville	709
North St. Paul	875	Rosemount	698
Mound	870	Jordan	691
Mounds View	863	New Prague	687
Mahtomedi	863	Prior Lake	669
Bloomington	860	Forest Lake	661
Wayzata	856	Anoka	655
Stillwater	854	Hastings	652
Brooklyn Center	853	Norwood-Young America	648
Centennial	826	Belle Plaine	644
Spring Lake Park	816	Farmington	632
Robbinsdale	803	St. Francis	626
Waconia	801	Randolph	571
White Bear Lake	777		

Table IV  
TEACHER/PARAPROFESSIONAL/STUDENT RATIO <sup>5</sup>

<u>School District</u>	<u>Per 1000 Students</u>	<u>School District</u>	<u>Per 1000 Students</u>
Waconia	52.97	Roseville	44.31
Belle Plaine	51.10	Mahtomedi	44.20
North St. Paul	48.06	Fridley	43.94
Hopkins	47.06	Centennial	43.48
St. Paul	46.99	Chaska	43.43
Mound	46.80	Wayzata	43.21
Minneapolis	46.72	Farmington	42.97
St. Anthony	46.58	Columbia Heights	42.87
St. Louis Park	46.57	Lakeville	42.74
Richfield	46.38	North Branch	42.52
Golden Valley	46.31	Inver Grove	42.10
Brooklyn Center	46.31	Edina	41.79
Minnetonka	46.07	Forest Lake	41.72
Shakopee	46.04	Osseo	41.51
Watertown	45.57	Bloomington	41.42
Stillwater	45.32	West St. Paul	41.04
Robbinsdale	45.29	Orono	40.87
New Prague	45.00	Delano	40.59
Mounds View	44.44	Rosemount	39.92
White Bear Lake	44.41	Anoka	38.71
Spring Lake Park	44.37	Eden Prairie	38.47
Burnsville	44.35	St. Francis	38.27

Table V  
PROFESSIONAL/PARAPROFESSIONAL/STUDENT RATIO <sup>6</sup>

<u>School District</u>	<u>Per 1000 Students</u>	<u>School District</u>	<u>Per 1000 Students</u>
Minneapolis	67.65	White Bear Lake	54.91
St. Paul	63.44	North St. Paul	54.80
Belle Plaine	61.45	Burnsville	54.79
Eden Prairie	61.39	Centennial	54.37
St. Louis Park	61.06	New Prague	54.09
Hopkins	60.46	Edina	53.85
Shakopee	59.61	Wayzata	53.30
Watertown	59.46	North Branch	53.08
Golden Valley	59.46	Fridley	52.99
St. Anthony	59.25	Bloomington	52.98
Delano	59.04	Columbia Heights	52.94
Mahtomedi	58.79	Lakeville	52.94
Roseville	58.17	Osseo	52.66
Mound	58.02	Farmington	52.50
Richfield	57.97	West St. Paul	52.45
Orono	57.93	Inver Grove	52.04
Waconia	57.40	Mounds View	51.80
Chaska	57.19	Spring Lake Park	50.53
Minnetonka	57.04	Forest Lake	50.15
Robbinsdale	57.02	Rosemount	49.10
Brooklyn Center	56.91	St. Francis	47.27
Stillwater	55.30	Anoka	46.48

Notes: The ratio arrived at in Table IV results from taking the number of classroom teachers plus one-fourth the number of full-time paraprofessionals (teacher aides, etc.) times 1000 and dividing that figure by the number of students. The same procedure was followed in arriving at the ratio in Table V, except other professional employees (counselors, psychologists, librarians, etc.) are included.

#### IV. KEY INDICATORS OF CONDITIONS IN OTHER LARGE CENTRAL CITIES

Much of the stigma which evokes negative impressions of large central cities results from linking the conditions of certain older, densely populated central cities to all central cities over a certain level of population.

Using several key indicators of conditions in central cities, Tables VI-X would seem to indicate that Minneapolis and St. Paul compare very favorably with other large central cities and especially with those central cities which are often regarded so negatively. It is important to note that a number of the "newer" central cities in this tabulation (primarily western and southern) contain areas which haven't yet been developed and which are suburban in nature because of large-scale annexations or mergers with surrounding areas. This has a tendency to make comparison with older, built-up central cities like Minneapolis and St. Paul somewhat misleading.

Table VI  
PERCENT OF POPULATION  
BELOW THE POVERTY LEVEL

Seattle	6.0%
St. Paul	6.4
Indianapolis	7.1
Minneapolis	7.2
Milwaukee	8.1
Phoenix	8.8
Denver	9.4
Los Angeles	9.9
San Francisco	9.9
Dallas	10.1
Chicago	10.6
Houston	10.7
Pittsburgh	11.1
Philadelphia	11.2
Buffalo	11.2
Detroit	11.3
New York	11.5
Boston	11.7
Washington, D.C.	12.7
Cleveland	13.4
Baltimore	14.0
St. Louis	14.3
Memphis	15.7
Atlanta	15.9
Newark	18.4
New Orleans	21.6

Table VII

MEDIAN FAMILY INCOME

Seattle	\$ 11,037
Indianapolis	10,754
St. Paul	10,544
Los Angeles	10,535
San Francisco	10,503
Milwaukee	10,262
Chicago	10,242
Detroit	10,045
Dallas	10,019
Minneapolis	9,960
Phoenix	9,956
Houston	9,876
New York	9,682
Denver	9,654
Washington, D.C.	9,583
Philadelphia	9,366
Boston	9,133
Cleveland	9,107
Baltimore	8,815
Buffalo	8,804
Pittsburgh	8,800
Memphis	8,646
Atlanta	8,399
St. Louis	8,182
Newark	7,735
New Orleans	7,445

## V. PROJECTION OF EXTENT OF REBUILDING BY 1985

Some idea of the nature and extent of rebuilding which realistically can be expected to take place in St. Paul and Minneapolis by 1985 is offered in the report Minnesota Land Use and Settlement: 1985, authored by John R. Borchert, director, Center for Urban and Regional Affairs, University of Minnesota and Donald D. Carroll, former director, transportation planning, State Planning Agency.

The report singles out a 60 square mile area within St. Paul and Minneapolis which was built up before 1900-1910. This area is most susceptible to redevelopment, the report said. But in at least two-thirds of this area, and possibly as much as seven-eighths of it, the same housing stock will still be standing in 1985, either remodeled or simply older and more worn, according to the report.

What this means, of course, is that the vast majority of housing in the central cities will not be replaced for many decades, which, of course, points up the urgency of maintenance programs in older neighborhoods.

The report offers different alternatives as to the rebuilding which might take place in Minneapolis and St. Paul. The alternative with the most extensive rebuilding, which could involve up to one-third of the 60-square-mile area, would require a rate of clearance and redevelopment far in excess of recent rates, with two-thirds of the new units in apartment buildings. The most conservative estimate of rebuilding would involve about one-eighth of the 60 square miles, with two-thirds of the new units single family dwellings.

"The physical problem of aging and deteriorating 'inner city' areas will be only partly solved and will mostly remain in the category of work unfinished," the report said.

The central cities, combined, can expect between 15% and 40% of the new dwelling units in the metropolitan by 1985, the report said.

## VI. INCREASING AREAS OF RENTAL OCCUPANCY

As is noted in Figures C and D, the number and percentage of housing units in Minneapolis and St. Paul occupied by renters has increased rather substantially from 1950 to 1970. What is more important, an apparent conversion from owner to rental occupancy is taking place on the fringe of enlarging areas moving outward from the older portion of the cities.

A certain amount of this conversion is a reflection of demolition of former one and two-family homes and their replacement with new multi-family apartments often referred to as "2½-story walk-ups". The conversion is, to some extent, also taking place as large, single-family homes which were formerly owner-occupied are being converted to duplexes or being rented out.

In observing this trend, the committee is not objecting to the conversion from owner to rental occupancy per se. Concern is merited, however, because of increased problems involved in maintaining rental property as opposed to owner-occupied.

The most dramatic example of this difference is in the expenditures for maintenance by owners of rental and owner-occupied property. For example, U.S. Department of Commerce data for 1970, 1971 and 1972 show the following comparison of per-unit maintenance expenditures between owner and rental properties. The figures are based on a national sample<sup>8</sup> on which projections for the 65 million housing units in the nation were made.

Table XI  
U. S. HOUSING MAINTENANCE PER UNIT PER YEAR

<u>Year</u>	<u>Expenditures per Unit</u>	
	<u>Rental Property</u>	<u>Owner-Occupied Property</u>
1970	\$ 168.24	\$ 277.75
1971	198.45	297.74
1972	210.08	321.69

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BACKGROUND FOOTNOTES

- 1 Lorimer and Chiodo Associates, Minneapolis, Minn. 1972.
- 2 Data following from the 1950 and 1970 Census of Population and 1950 and 1970 Census of Housing, U.S. Department of Commerce, Bureau of the Census.
- 3 "Selected Data for Districts Maintaining Elementary and Secondary Schools", State of Minnesota, Department of Education, January, 1973.
- 4 *ibid.*
- 5 "Staffing Schools in the Twin Cities Metropolitan Area", Educational Research and Development Council, University of Minnesota, St. Paul, December 1, 1972.
- 6 *ibid.*
- 7 Data following from the 1970 Census of Housing and 1970 Census of Population, U.S. Department of Commerce, Bureau of the Census.
- 8 "Residential Alterations and Repairs", U.S. Department of Commerce, Social and Economics Statistics Administration, Bureau of the Census, 1972.



Table VIII

PERCENT OF UNITS BUILT SINCE 1965

Dallas	20.0%
Houston	18.5
Indianapolis	15.3
Memphis	15.2
Phoenix	15.0
Atlanta	12.3
Denver	11.3
Los Angeles	9.1
Seattle	8.7
Washington, D.C.	8.7
Baltimore	8.3
St. Paul	8.1
New Orleans	7.3
Milwaukee	7.2
Minneapolis	6.8
Boston	5.9
Chicago	5.6
New York	4.9
Philadelphia	4.6
Newark	4.1
San Francisco	4.0
Pittsburgh	3.9
St. Louis	3.2
Detroit	2.0
Cleveland	2.0
Buffalo	0.6

Table IX

PERCENT OF UNITS OWNER-OCCUPIED

Phoenix	63.4%
Indianapolis	61.2
Detroit	59.9
Philadelphia	59.6
Memphis	56.3
St. Paul	55.7
Seattle	53.8
Dallas	52.5
Houston	52.4
Denver	50.2
Pittsburgh	50.0
Minneapolis	49.0
Milwaukee	47.4
Cleveland	45.9
Baltimore	44.2
Buffalo	43.6
Atlanta	41.0
Los Angeles	40.7
St. Louis	40.4
New Orleans	38.2
Chicago	34.8
San Francisco	32.5
Washington, D.C.	28.2
Boston	27.1
New York	23.5
Newark	19.8

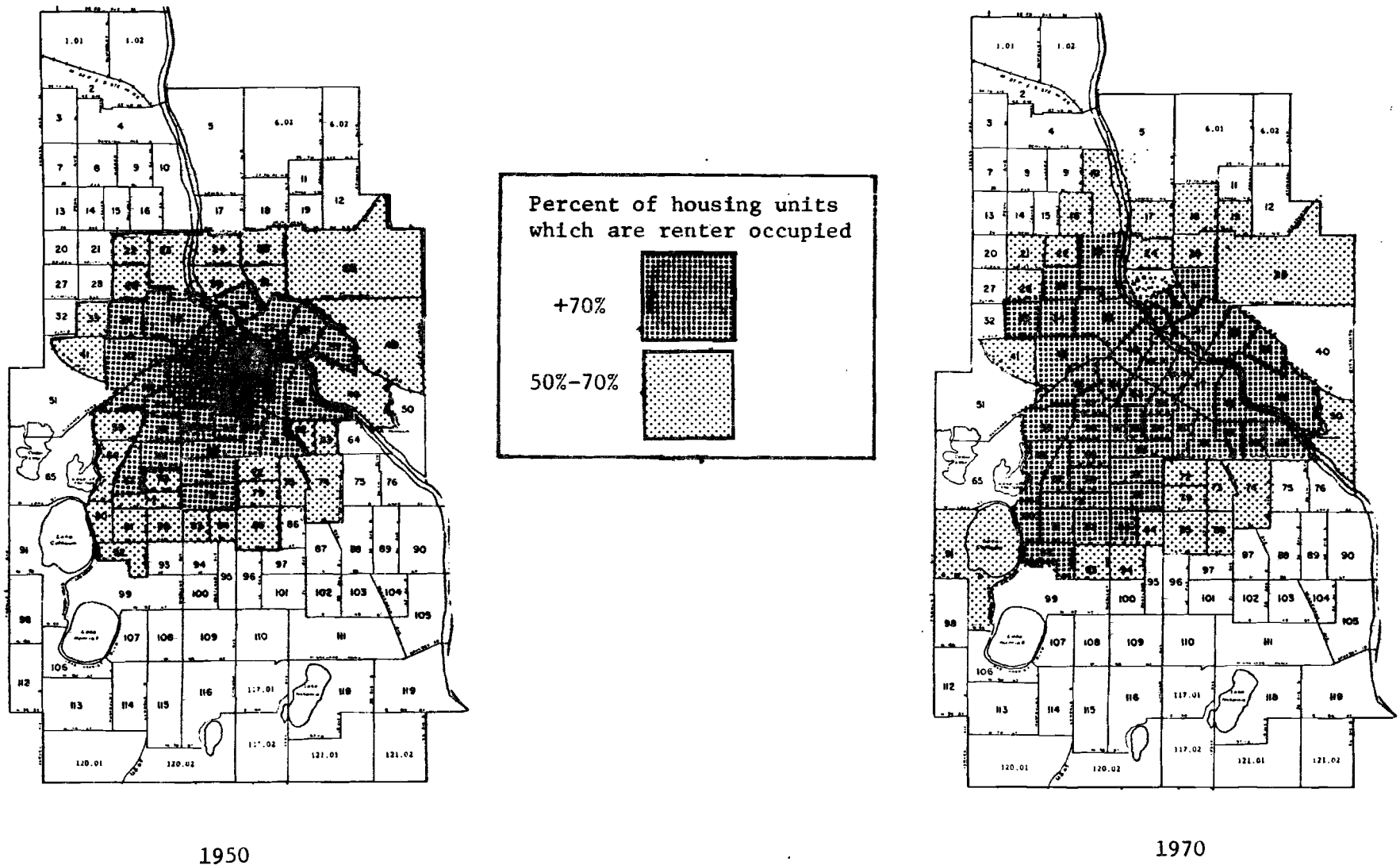
Table X

PERCENT OF UNITS WITH OVERCROWDING

Seattle	3.6%
Minneapolis	4.2
Buffalo	4.7
St. Paul	5.5
Denver	5.5
Philadelphia	6.3
Pittsburgh	6.4
San Francisco	7.1
Milwaukee	7.3
Cleveland	7.4
Detroit	7.5
Boston	7.6
Indianapolis	8.2
Los Angeles	8.3
Baltimore	8.7
Dallas	9.0
Phoenix	9.2
Chicago	9.9
Houston	10.2
New York	10.3
Atlanta	11.0
Memphis	12.1
Washington, D.C.	12.2
St. Louis	12.7
New Orleans	14.3

FIGURE C

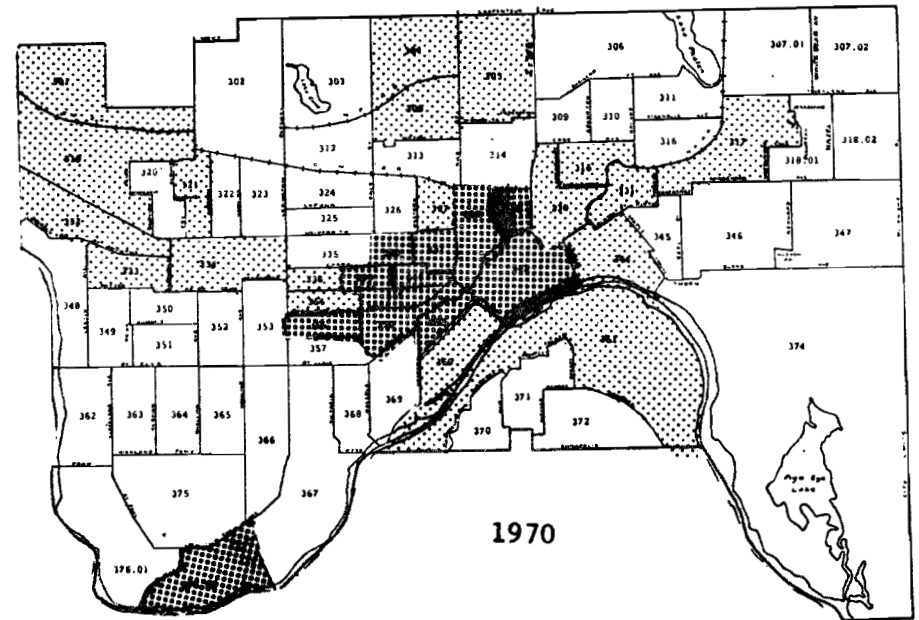
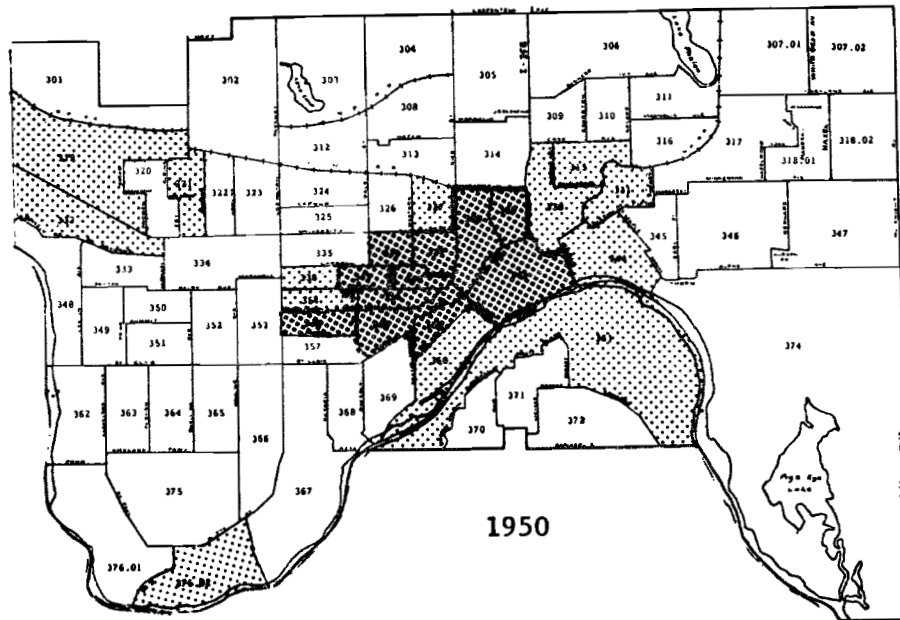
INCREASED AREA OF HIGH RENTAL OCCUPANCY IN MINNEAPOLIS  
(1950-1970)



SOURCE: 1950 and 1970 Census of Housing, U.S.  
Department of Commerce, Bureau of the  
Census

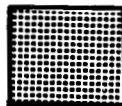
FIGURE D

INCREASED AREA OF HIGH RENTAL OCCUPANCY IN ST. PAUL  
(1950-1970)

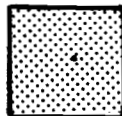


Percent of Housing Units  
Which Are Renter Occupied

+70%



50%-70%



SOURCE: 1950 and 1970 Census of Housing, U.S.  
Department of Commerce, Bureau of the  
Census

## ABOUT THE CITIZENS LEAGUE . . .

The Citizens League, founded in 1952, is an independent, non-partisan educational organization in the Twin Cities area, with some 3,600 members, specializing in questions of government planning, finance and organization.

Citizens League reports, which provide assistance to public officials and others in finding solutions to complex problems of local government, are developed by volunteer research committees, supported by a fulltime professional staff.

Membership is open to the public. The League's annual budget is financed by annual dues of \$15 (\$25 for family memberships) and contributions from more than 500 businesses, foundations, and other organizations.

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