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CITIZENS LEAGUE STATEMENT ON NEW REHAB LOAN AND GRANT PROGRAMS

With passage of the new state-local loan and grant programs, Minnesota has a great chance to show what innovative state and local government can do to maintain housing and to revitalize and preserve the central cities. We commend state and local officials for their commitment to:

- Investment of sizeable dollars. The funds authorized may cover perhaps 12,000 units in Minneapolis and St. Paul alone, assuming an average loan in the vicinity of \$5,000. While not adequate to cover all homes needing rehab (the total in need may be 3 or 4 times as many), it is certainly a major step forward.
- Maintaining the existing stock of housing. Federal programs have usually emphasized, primarily, new construction. State and local officials recognize the importance of retaining quality older neighborhoods. Probably 8 to 10 times as many persons move into existing housing each year as do into newly-constructed housing
- Decentralized decision-making. State officials are allowing cities to exercise a maximum amount of discretion in establishing priorities. Detailed guidelines on allocation of funds are being written at the *local* not the *state* level.
- Encouraging homeowner/resident participation. State guidelines, for example, are encouraging cities to include provision for a neighborhood emphasis on priorities.

BACKGROUND

In the summer of 1973, the Citizens League Board of Directors approved the report "Building Confidence in Older Neighborhoods." A central conclusion of that report was that a house-by-house approach to maintenance and rehab is not sufficient to keep neighborhoods strong. It is essential the League said, that the emphasis be on *neighborhood* maintenance and rehab. The value of a house is not determined by what is done to that dwelling alone, but what happens to the entire neighborhood of which it is a part.

Prospective residents, if they are to be attracted to older housing in central cities, must have solid evidence that almost *all* houses in the neighborhood are going to be maintained for the foreseeable future, the League said.

The League urged that residents on a block or a group of blocks, covering, perhaps, an area of about 100 homes, band together in neighborhood maintenance associations to enable cooperative action to maintain properties.

The report also called on city officials to recognize the importance, in city programs, of establishing a neighborhood, rather than a house-by-house, approach.

The report specifically urged, in the event additional funds for rehab are made available, that such funds be allocated to maximize the maintenance and renewal of entire blocks or a series of blocks, not just houses here and there.

The new laws providing for state and local rehab funds, passed by the Legislature in 1974, had not even been proposed at the time the League report was issued. The cities of Minneapolis and St. Paul and the Minnesota Housing Finance Agency currently are developing guidelines for the allocation of newly-approved state and local funds for housing rehab loans and grants. Some \$100 million is authorized at the state level, of which approximately \$50 million is earmarked for the Twin Cities metropolitan area, with Minneapolis and St. Paul likely to be eligible for a clear majority of these funds. In addition, special legislation authorized another \$10 million for Minneapolis and \$5 million for St. Paul.

#### RECOMMENDATIONS

A. Consistent with our 1973 report, Building Confidence in Older Neighborhoods, we now recommend that the cities of Minneapolis and St. Paul:

1. Stimulate and assist residents in the same general area to prepare and submit rehab applications together, to maximize the potential of larger scale improvements being made in the same area at the same time.
2. Guarantee that a portion of rehab loan and grant funds will be reserved for group applications, that is, applications for loans and/or grants which would be submitted, simultaneously, by several residents on the same block or blocks nearby.
3. Offer to assemble applications -- even where submitted individually and from different locations -- in groups for purposes of joint bidding by contractors, to enable more work with limited dollars than would likely be possible if each applicant's job were contracted for separately.
4. Test at least two approaches for organizing the rehabilitation work: let the appropriate city agency function as a general contractor in some cases, securing sub-contractors for residents who choose not to do this for themselves; and in other cases, seek out and use the services of established and reputable general contractors.

B. We recommend that neighborhood organizations in Minneapolis and St. Paul:

1. Encourage all who need improvements to apply for loans and grants, if eligible.
2. Assist several residents on a single block to submit, where possible, their applications together, so that improvements can occur simultaneously, thereby giving quick evidence of an area on the upswing.
3. Point out to their residents the potential which joint bidding of contracts affords for stretching the available rehab dollars, and assist residents in grouping their jobs for joint bidding.

C. We recommend that the Minnesota Housing Finance Agency:

1. Accept the responsibility for monitoring the state rehab loan and grant programs and present to the 1975 Legislature a full and public evaluation of the differing approaches used in apportioning the funds and in carrying out the rehab work.

D. We recommend that private contractors:

1. Take the initiative with individual residents on a block to urge them to assemble their work for joint bidding, by pointing out cost savings plus the benefits of improvements occurring simultaneously on many houses on a single block.

#### DISCUSSION OF RECOMMENDATIONS

The test of success will be the ability of this program for the rehabilitation of houses to become a program that accomplishes the rehabilitation of neighborhoods.

The key to maintaining and enhancing an older neighborhood as a place to live is confidence about the future. Families are unlikely to buy, and lenders are unlikely to lend, in residential areas where there is a sense of uncertainty and discouragement about the future.

Confidence in the future depends not on the condition of an individual house, but on the condition, and the direction of change, of a neighborhood. A successful rehabilitation program, therefore, will be one that:

- Gets improvements started in *all* houses needing work in a block.
- Stimulates neighbors to begin additional improvements on their own houses, out of their own, private, resources.
- Creates, along the way, new and permanent systems of cooperative action by residents and homeowners for the maintenance of their local areas.

City guidelines should stimulate, and support, the neighborhood emphasis.

The cities of Minneapolis and St. Paul currently are drafting detailed guidelines on eligibility for grants and loans and procedures for applicants to follow. A major amount of the effort is to get the money moving and the work started early, with a minimum of complications.

Early drafts of guidelines in both cities have talked chiefly in terms of dealing with individuals' applications, in the order in which they are received. Early drafts of the guidelines in St. Paul talk of allocations to neighborhoods. Such language has been absent from the Minneapolis drafts.

Irrespective of the question of allocation to neighborhoods, however, are two critical issues which need more attention in both cities: (1) encouraging several individuals on a block to submit their individual applications together, and (2) making it possible for improvement projects in different homes to be let out for bids as a single package.

The first issue relates to the need to show, at the one time, evidence of a great deal of activity on a given block or nearby blocks. Such evidence is more likely to stimulate additional private investment on the part of the other residents in the immediate area than if only one house on the block were improved in a given year. The result, thereby, is stretching the impact of the public funds by stimulating additional private investment.

The second issue relates to getting the most mileage from limited state and local public dollars. If each applicant is treated individually, and separately, from the standpoint of work to be done, it will not be possible for economies of scale to be realized. If, for example, six homeowners in the same general area all plan new roofs, how much better if they seek bids together, from the same contractor, than if they dealt independently, by themselves!

We do not believe major changes in guidelines are needed to accommodate these concerns. With respect to group applications, some officials believe no problem is present, because it is likely that group applications will be among the first received. Others are less certain. Consequently, the guidelines might need only guarantee that, if necessary, a portion of the funds would be held in reserve for group applications.

With respect to joint bidding, we urge the responsible administrative agency in each city, whether the Housing and Redevelopment Authority, or some other designated body, to design application forms so that individuals can exercise the option to have their improvements let as part of joint bidding, and, further, that such agencies handle the necessary administrative details for such bidding.

But action at the neighborhood level is critical, too.

It is not likely that the full potential of group applications and group bidding will be realized in the absence of initiative by neighborhood residents. Neighborhoods, through existing or yet-to-be-formed associations, should help their residents assemble several applications on a single block. This probably will involve stimulating some residents to take advantage of the program who would not otherwise be so motivated. Aside from whatever city guidelines provide with respect to grouping applications on a single block, neighborhoods should take the initiative in submitting such proposals.

Neighborhood leadership, too, will be needed to maximize the potential of joint bidding to hold down costs. In some cases, neighborhood residents may exercise the option to make their own arrangements with contractors, and not work through city officials. Or city officials may choose not to organize applications for joint bidding to the maximum extent feasible. Here again, the neighborhood can take initiative itself, by stimulating its residents to group their work for joint bidding. In fact, at the neighborhood level, it would be possible to obtain joint bidding for projects which are financed both with publicly-assisted loans and grants as well as those financed exclusively in the private sector.

Nor should the potential role of the private contractor be overlooked. They themselves should undertake to encourage grouping of applications because of the opportunity this presents for a single contractor to have several jobs going on a single block at the same time, which is more efficient for him and cheaper for the residents.

An effective statewide monitoring and evaluation program must be assured.

The 1974 state loan and grant legislation is a landmark. It is the state's first real commitment in an area formerly pre-empted (but with limited success) by the federal government.

Quite clearly all the answers are not yet available as to what arrangements work best. Many options need to be tried for allocation of funds.

If, however, the Legislature is to gain confidence in this program, to be willing to expand it in coming years, it will need good information on what has transpired.

Monitoring and evaluation must go far beyond simply reporting that all parts of the state were treated fairly in the allocation of funds. Monitoring and evaluation must get to the issues of what was accomplished with the money. What methods worked better than others?

The state should not fear such a program. In fact, it probably will be the best insurance against the widespread cynicism which has developed with regard to federal programs.