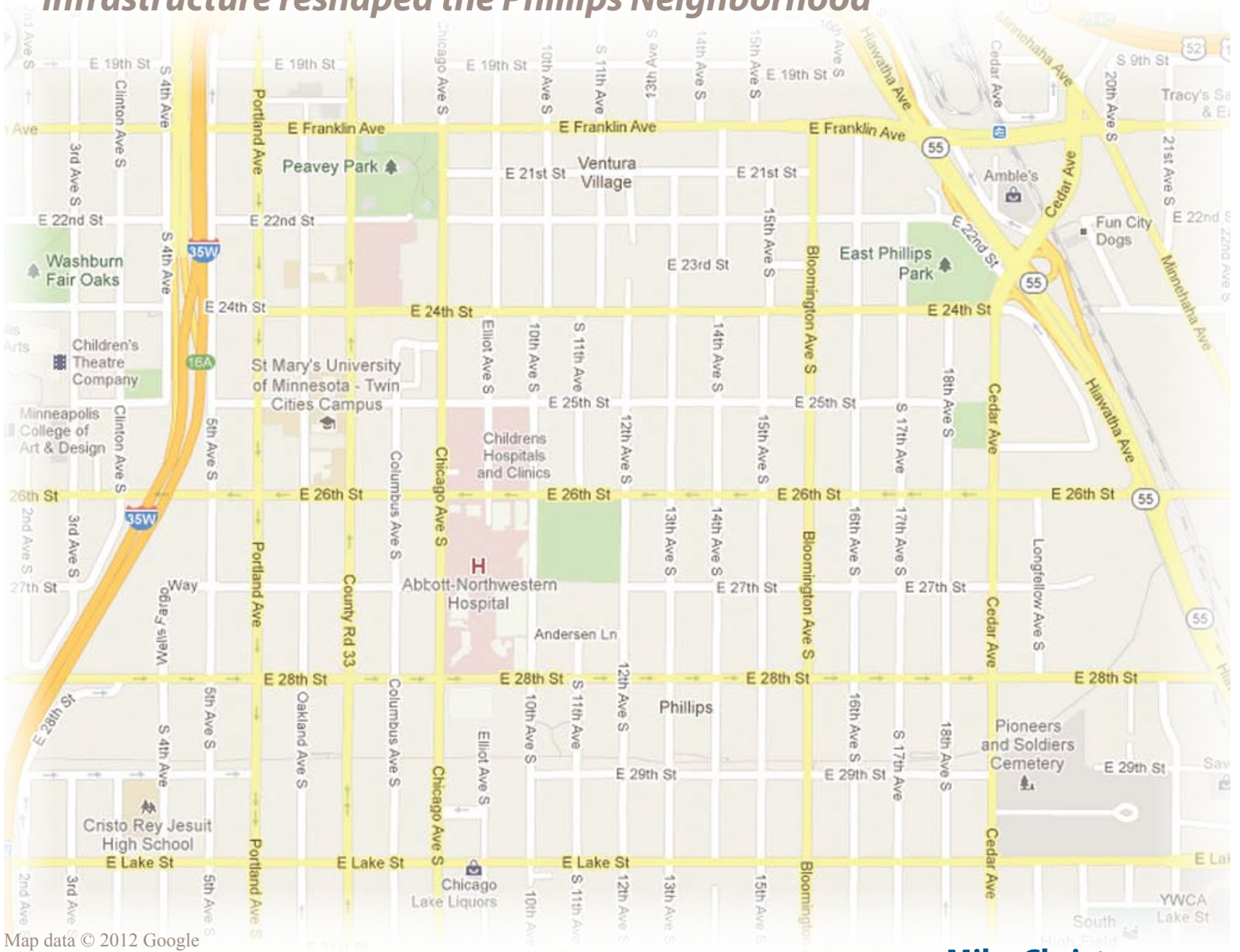


PUBLIC-PRIVATE PARTNERSHIPS PROMOTED PROGRESS IN ONCE-TROUBLED MINNEAPOLIS NEIGHBORHOOD:

A personal account of how crime reduction, jobs, housing and infrastructure reshaped the Phillips Neighborhood



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The case of the Phillips neighborhood in Minneapolis shows the power of public-private partnerships to reshape and reset circumstances in a challenged urban community and to improve the economic prosperity and quality of life for residents there. Commitment and initiative on the part of leaders from business, the public sector and the neighborhood drove significant and positive change.

PHILLIPS NEIGHBORHOOD HITS BOTTOM

By the mid 1990s, the Phillips neighborhood of South Minneapolis was very troubled territory. For instance, graduation rates from high school were among the state's lowest and the area was plagued with frighteningly high crime rates. More than one in four of the city's 1994 murders occurred in that neighborhood.

What happened in inner-city America from 1952 to 1994 is well documented. The streetcar city disappeared, in-migration of ethnic poor replaced the middle class, the number of single-parent households rose dramatically, and many urban neighborhoods struggled, Phillips included. It became the most challenged neighborhood in Minneapolis, despite heavy investments from foundations, governments and businesses.

It was time for a new delivery system.

KEY PRIVATE-SECTOR PLAYERS IN PHILLIPS

In 1994, I was serving as head of the Medica Foundation, working to improve health care outcomes in the state, when our parent organization, Medica Health, merged with Healthspan to form the Allina Health System. We moved the offices for our newly formed Allina Foundation to the Phillips neighborhood, right near Allina's flagship Abbott Northwestern Hospital.¹ Allina and the Allina Foundation came to play a very significant role in the public-private partnerships in the neighborhood.

In addition, Phillips was home to the headquarters of the Honeywell corporation. But the crime-ridden neighborhood, with its crack houses and thieves, made Honeywell employees and top managers uneasy about the location. After the 1997 murder of a Honeywell employee in the headquarters parking lot, the company was considering new locations. As it turned out, Honeywell remained in Phillips until it merged in 1999 with Allied Signal and the headquarters moved to New Jersey.

Wells Fargo became the third major private-sector player in the public-private partnership when Jim Campbell, Minnesota head for Wells Fargo, led this finance corporation to bid on the headquarters site that Honeywell was leaving in its move to New Jersey. Campbell identified the Honeywell campus as a location to consolidate the offices of Wells Fargo Mortgage, which still operates from the Phillips neighborhood today. Wells Fargo later invested over two hundred million dollars in the campus and swelled employment at the site to 4,400 employees, up from about 1,400 employees when Honeywell turned out the lights. Despite the challenge of locating in Phillips, Wells Fargo managed its entrance into this new location so well that not one employee refused to relocate.

THE BIRTH OF THE PHILLIPS PARTNERSHIP

My attentions turned to the broad array of challenges in the Phillips neighborhood after Allina CEO Gordon Sprenger shared with me a challenging letter from an Abbott Northwestern heart surgeon. As head of the foundation, I met with the doctor, who asked me how the foundation's programs would stop murder. I was stumped, although clearly murder was inconsistent with the healing mission of a hospital. Our foundation's health programs would not stop murder in Phillips. We had to scale up to address broader issues.

¹ In 2001, the Allina Health System restructured into two, independent, non-profit entities: the Medica health plan organization, and the Allina Hospitals & Clinics, a health care delivery organization.

MIKE CHRISTENSON was both a catalyst and a leader in the public-private partnerships that dramatically improved the Phillips neighborhood of Minneapolis beginning in the late 1990s and into the 2000s. Drawing from his time as executive director for the Allina Health Systems Foundation and economic development director for the City of Minneapolis, Christenson offers a first-person account of the Phillips Partnership's transformative projects, undertaken to address challenges in that neighborhood. Christenson served as director of Community Planning & Economic Development for Minneapolis from 2007 to 2011 and is currently associate vice president of Workforce Development at Minneapolis Community and Technical College. He is also involved with the Minnesota Business Partnership's Minneapolis Promise initiative.

Matt Kane, former policy and research director for Growth & Justice, contributed to this brief.

So I began to knock on doors. First, I stopped to see Andre Lewis and Pat Hoven at the Honeywell Foundation. At that time, Honeywell was giving out millions of dollars in grants each year in South Minneapolis, but things were getting worse. Lewis and Hoven understood the futility of the status quo. In June 1997, they agreed to recommend a public-private partnership to their CEO, Michael Bonsignore. Soon Bonsignore joined Minneapolis Mayor Sharon Sayles Belton, Hennepin County Commissioner Peter McLaughlin, and Allina CEO Sprenger for a first Phillips Partnership meeting at City Hall.

PICKING THE TARGETS: CRIME, JOBS, HOUSING AND INFRASTRUCTURE

At that first public-private partnership meeting in City Hall, Honeywell's Bonsignore had his head down for most of the meeting, apparently doodling. He didn't look interested. But as the meeting drew to a close, Bonsignore unveiled his doodle: an archery target with crime in the middle, and jobs, housing and infrastructure in consecutive rings. We had our targets. Staff was asked to recommend partnership strategies for each of those areas. Going forward, the Phillips Partnership then met quarterly to discuss strategy and review results, from the center out.

REDUCING CRIME

Honeywell had already starting working with General Mills, the Minneapolis police chief and Minnesota's commissioner of public safety in late 1996 to explore strategies for reducing crime. This was an era when a *New York Times* article called Minneapolis "Murderapolis," reflecting a sharp rise in homicides in the city. In 1997, Honeywell and others launched Minnesota HEALS (Hope, Education, Law and Safety) to develop long-range local crime prevention activities. In the Phillips neighborhood, crime was hurting everything – citizens, businesses, and investors.

Minnesota HEALS looked to unify law enforcement jurisdictions behind common strategies. An early and striking discovery from the HEALS sessions: 17 law enforcement jurisdictions covered Phillips, from the city's park police to the U.S. federal marshals. Surprisingly, the 17 law enforcement agencies had never met to plan an attack on crime. Minnesota HEALS changed that.

Minnesota HEALS introduced a new offensive against chronic offenders. In crime-ridden communities, the probation jacket is feared more than the police badge. A probation officer can return a probationer to jail if the officer finds a violation of the contract for release from prison. Probation officers began knocking on probationers' doors. A crack pipe, alcohol on the breath or other evidence of violation would land the probationer back in jail.

HEALS also lifted up and supported the ingenious tactics developed by a desperate neighborhood. Citizens like Muriel Simmons led Friday night walks along Portland and Chicago Avenues. Shirley Heyer came up with a way to notify households that family-registered vehicles were stopping around known drug or prostitution sites. Phillips resident Janna Metge worked to establish community prosecution and other systemic responses to crime. County Attorney Amy Klobuchar and U.S. Attorney David Lillehaug established new ties between the community and prosecution efforts.

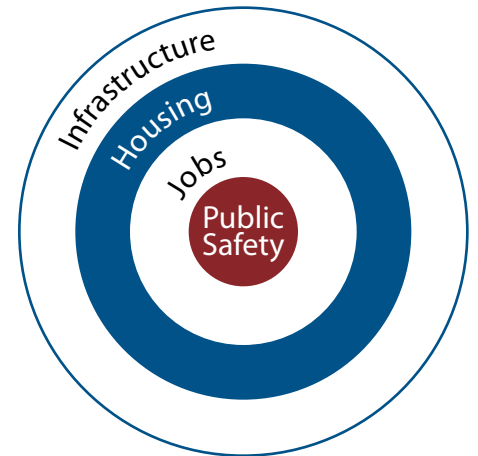
Crime declined in the Phillips neighborhood by more than 67% from 1998 to 2009. The Clinton Administration was impressed. The then-Attorney General Janet Reno and HUD Secretary Andrew Cuomo even visited Abbott Northwestern to celebrate the successes.

JOBS FOR PHILLIPS RESIDENTS

Jobs were another of the four key targets for the Phillips Partnership. And health care – especially in the late 1990s – offered good jobs and career ladders for advancement to Phillips residents trained for open positions.

Allina's Abbott Northwestern Hospital was blessed with a facilities manager, Gene Torrey, who became interested in employing neighborhood residents in entry-level positions. The Minneapolis-based Project for Pride in Living (PPL) – a non-profit organization that works with lower-income individuals and families to achieve greater self-sufficiency – proposed a Train to Work program, involving five weeks of training followed by graduation into jobs within the hospital's food or environmental services operations. Torrey, a native of rural North Dakota and a 35-year veteran at the hospital, asked the Allina Foundation for a \$250,000 grant for the Train to Work initiative.

A Targeted Approach



Michael Bonsignore
CEO Honeywell, June 1997

The Allina Foundation board was committed to improving health outcomes. Intuitively, I believed a job would provide a significant boost into Phillips households. What could more effectively treat a child's asthma than transition from unemployment to a hospital job for the parent? What other intervention would anchor home ownership, provide health insurance, and foster hope and ambition in struggling households? No other aid yields as high a return for a family as a career investment. With education and training, I thought Allina could best improve health among neighborhood residents by boosting them up the career ladder in the health care field.

Train to Work proved itself to be a success. It produced results not only for the workers and their families but for the hospital and other Allina health facilities, too. Allina was enduring a labor shortage. On one day alone in 1999, Allina had 1,800 vacancies. The organization's largest outside contract was with Kelly Services, a provider of temporary workers. At that time, nurses were being flown in from the Philippines for two week shifts and from Grand Forks for weekend duty. Allina offered shopping sprees at the Mall of America as incentives. The Kelly Services contract did nothing for the challenged and uneducated residents around Abbott Northwestern.

Train to Work ended the entry-level labor shortage at Abbott Northwestern.

The success of the Train to Work initiative demonstrated to me that, unlike other fields, health care offers an ideal career ladder. There are clear points of advancement for workers in the field, and clear criteria for training and skills to move up. Mapped out for Abbott Northwestern, the career ladder is as follows:

1. Entry-level position in food or environmental services
2. Certified nursing assistant
3. Medical technician (radiology, medical records, pharmacy)
4. Nursing
5. Administration/therapist
6. Physician
7. Hospital leadership job

We didn't stop with the Train to Work program. While researching the labor shortage in 1999, I learned about system's heavy reliance on Kelly Services, and I asked my colleagues what strategy Allina had with the Minnesota State Colleges and Universities (MnSCU) system. I knew that MnSCU was the most important feeder system for health care employees in the state. And I thought it could outperform Kelly Services, at least in the longer term. Few of my colleagues knew what MnSCU was.

In 2000, I met Mary Rosenthal, a union organizer and former candidate for Congress in the Fourth District. I told her that Allina lacked a partnership with MnSCU, and she agreed to help change that. We met with Phil Davis, president of Minneapolis Community and Technical College (MCTC). Within four months, MCTC and the hospitals opened the first class of the Health Careers Institute with 125 students in a space at 26th Street and Chicago Avenue, next to Abbott Northwestern Hospital. Thousands of students followed over the years, guaranteeing jobs for themselves through health care training.

Mary Rosenthal, MCTC and the Health Care Institute delivered health care employees to Allina at a level that Allina's human resources division could not have imagined. Rosenthal, joined with MCTC Dean of Nursing Jane Foote, working on the critical jobs issue, changed the status quo. And Phillips neighborhood residents benefited from solid career-oriented employment opportunities.

The Health Careers Institute is the subject of a case study used by the Carlson School of Management at the University of Minnesota and at other business schools. (See Jay Kiedrowski's write-ups for [part A](#) and [part B](#) of the case study.) And MCTC won a national Bellwether Award for the effort.

HOUSING IN PHILLIPS

In 1998, Honeywell announced plans for an ambitious housing development called Portland Place to replace a Phillips neighborhood slum with 52 new owner-occupied homes. Project for Pride in Living was to be the developer of the \$12 million effort. Honeywell, however, was not willing to underwrite the relocation costs for residents who would move out of housing slated for demolition or renovation, in part because the corporation didn't want to pay those who had brought down the area around its headquarters campus. The Minneapolis City Council approved \$260,000 for the relocation effort, allowing the development to proceed. Portland Place became the neighborhood of Hussein Samatar, Muriel Simmons, Verge Granger and others who evolved into transformational Phillips West leaders.

Minneapolis Mayor Sayles Belton and I walked through the Portland Place site as the substandard buildings and crack houses were being torn down. She looked across the street at an adjacent stretch of shoddy housing and said, "It's a pity that this new community could emerge only to look across Portland Avenue at that mess." I agreed. She said Honeywell had done its part for Portland Place. I agreed again. She thought Allina should take the lead to redevelop the other side of the street. I told her Allina was a nonprofit without the financial resources needed to engage in a development project like Portland Place. She told me, plainly, that sounded like my problem.

When confronted with this big challenge, I shared my problem with my favorite urbanologist, Steve Cramer at PPL. I asked him three questions:

- If the Allina Foundation invested \$400,000 in the redevelopment effort, how much could we raise for housing in the territory from Abbott Northwestern to Portland Place?
- Could we launch a project there under the name of Joseph Selvaggio, the legendary founder of PPL?
- If that project could raise \$6 million, how would we best invest it to transform the neighborhood?

Cramer and his PPL colleagues went on to deliver the best neighborhood housing program available for \$6 million. The Selvaggio Initiative included home improvement grants, multi-unit housing rehabilitations and streetscape improvements. Every homeowner participated. We reversed roles with the neighborhood, staffing a panel of Phillips citizens who designed the home improvement element of the program. We overhauled multi-units that had been used for drug-dealing.

Other neighborhood housing initiatives from the Phillips Partnership have followed, including:

- The Phillips Park Initiative, a comprehensive redevelopment effort by community residents and organizations to provide housing for households with a mix of incomes and in this way strengthening the neighborhood. This effort was led by the Phillips Eye Institute and Lutheran Social Services.
- The East Phillips Infill Campaign, with 21 new single-family homes built on vacant lots in Phillips. This effort was led by the Fannie Mae Foundation.
- The Midtown Exchange, which redeveloped the abandoned Sears retail complex at Chicago Avenue and Lake Street into housing, retail space and the Allina headquarters. The Midtown Exchange includes 360 housing units geared toward a range of incomes, from those able to pay market rate to those at 50 percent of the area's median income.

In 2009, we gathered together the architects of the Selvaggio Initiative, and I asked them to take the lessons from the housing investments on the west side of the Phillips neighborhood – Portland Place, the Phillips Park Initiative and the Selvaggio – and apply them to a simple policy question: How much does it take to turn around an urban neighborhood?

The housing investments in Phillips totaled \$180,000 per housing unit. Housing values had tripled in Phillips from 1995 to 2004, but never exceeded \$180,000. That raised a troubling question. How could we invest more in the neighborhood than total market value? It turns out this is not uncommon, though hard to take. But the impacts of the investment can be significant.

In 2010, Minneapolis' Community Planning and Economic Development division issued a comprehensive report on housing in the city called *Healthy Housing Indicators*. On every indicator – foreclosure rates, problem properties, poor housing conditions – West Phillips outperformed all the challenged neighborhoods in the city. West Phillips had less substandard housing than Linden Hills and other prestigious Minneapolis neighborhoods. Through the public-private partnership, permanent changes took hold. The redevelopment was expensive, but it worked.

INFRASTRUCTURE AND VALUE

Hennepin County Commissioner Peter McLaughlin, a founder of the Phillips Partnership, calls himself an “infrastructure determinalist.” As he sees it, where and how infrastructure is built determines values. This is clearly the case in the Phillips neighborhood. McLaughlin has pursued infrastructure investment to shape South Minneapolis.

The Phillips Partnership set its sights on three infrastructure projects:

1. The Hiawatha light rail line for transit service.
2. The Midtown Greenway for bike and pedestrian travel.
3. A rebuild for the I-35W expressway and improved access from I-35W to the neighborhood via Lake Street.

Of these three target projects, only the I-35W effort is yet to be done, with I-35W access to Phillips still a work in progress. The other two infrastructure projects – the light rail line and the greenway – have transformed Phillips and the land use there, proving McLaughlin’s point.

The politics of infrastructure investment are statewide, regional, countywide, and local. Skilled practitioners play at all levels. And McLaughlin uses public-private partnerships as the calling card through each. In the last 13 years, the Phillips Partnership has proven to be most effective at federal, county, and regional levels. From the executive and legislative branches of the federal government to the county board to the Met Council, all three of these levels are eager to attract private investment and keenly interested in development inspired by infrastructure.

In any event, \$1 billion in public improvements through the Phillips neighborhood was met with a matching amount of private investment in the Phillips neighborhood. Commissioner McLaughlin has presented the Phillips model to national and regional audiences. And, as co-chair of the Phillips Partnership, he sent the New York Times an update on the neighborhood once described as “Murderapolis.” That update can be found at www.phillipspartnership.org.

TEN LESSONS FOR STAFFING A PUBLIC-PRIVATE PARTNERSHIP

Educational institutions teach hundreds of courses across the state on public administration. Thousands of texts are devoted to the field. Almost nothing is written about how to manage public-private partnerships.

Drawing from my experience with the Phillips Partnership, I offer the following ten lessons for advancing public-private partnerships, aimed at the people who staff the effort and make it happen.

1. Establish fiscal agency for the partnership.

A fiscal home can be borrowed from an existing 501(c)(3) nonprofit organization, while the partnership itself is established as a matter of law.

2. Recruit the right team.

Ask this: Across the sectors, who feels the greatest need for change? In Phillips it was employers wanting safety for employees, hospitals needing safety for patients, and police working to restore public safety.

3. Set simple, measurable goals.

“Simple” means easy to understand, such as “reducing homicide” or “increasing the immunization rate.” “Measurable” is best if measured by an independent, third party.

4. Prepare agendas for partnership meetings.

This administrative task is important. Review the agenda with the board chair weeks in advance. Distribute it to board members a week in advance. And anticipate and manage potential conflicts before the meeting.

5. Prepare materials.

Include staff reports with clear recommendations for how to reach the simple, measurable goals.

6. Conduct meetings with a public-sector spirit but use a private-sector schedule.

Maintain openness to ideas, but start and end the meetings on time.

7. Issue progress reports.

Agree on an objective database to use for measuring progress, for example crime statistics, growth in estimated market value, or the unemployment rate.

8. Produce meeting minutes and task lists.

This helps track what was decided and what was raised, and it helps get things done.

9. Work in between meetings.

10. Check in with the partners after one year and give board members the chance to quit.

THE PHILLIPS STORY

What's the moral of the Phillips story?

First, crime stopped development, but then development stopped crime.

Second, a public-private partnership delivered where no single organization or sector had succeeded before.

Third, such partnerships are an essential tool of economic development in challenged neighborhoods. In today's urban America, perhaps nothing else works.

The story of Phillips is about a lot of leaders doing their part. It's the story of a neighborhood that was on the verge of falling apart but turned around. And it's a story about marshalling civic strength in a cross-sector partnership to make progress – something Minnesotans do well.

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