



LSC

Growing Taproots

Anchor Institutions, Community Development
& Neighborhood Stabilization

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Contents

- 2** Executive Summary
- 4** Catalyzing Opportunity and the Role of Anchor Partnerships
- 6** The Phillips Neighborhood of South Minneapolis
[Case Study: South Quarter Revitalization](#)
- 19** Providing an Anchor of Stability
[Case Study: The Phillips Partnership](#)
- 23** LISC's Role and Rigorous Evidence of Neighborhood Impact
[Case Study: LISC's Role in Phillips](#)
- 33** How the Neighborhood Came Together
- 38** Conclusion: Partnerships for Equity and Equitable Partnerships
- 40** Endnotes
- 41** Acknowledgments

Executive Summary

Like many urban places, the diverse neighborhood of Phillips in South Minneapolis experienced challenges in the 1990s, including a surge of homicides that led the national media to refer to the city by the derogatory label “Murderapolis.” What followed over twenty years was a sustained effort on the part of community organizations, resident activists, the public and philanthropic sectors, and Twin Cities LISC to engage in strategic, comprehensive community development in Phillips. As the neighborhood has been home to several “anchor” institutions, including both hospitals and corporations, these organizations have also played an active and critical role.

Over time, these groups achieved many accomplishments. **Project for Pride in Living (PPL)**, founded in 1972 by a former priest and social justice advocate, created and preserved nearly 500 units of affordable and supportive housing in strategic locations in the Phillips neighborhood alone. The community development organization **Hope Community** partnered with Aeon, a respected developer and manager of affordable housing, to transform a largely abandoned intersection into a thriving mixed-use yet affordable community named South Quarter, with new development at each of the intersection’s four corners. **The City of Lakes Community Land Trust (CLCLT)**, working with other developers, acquired and rehabilitated properties that would become permanently affordable, and counseled existing homeowners during the Great Recession. The health system **Allina Health** and the **Honeywell Corporation**, with public partners, launched the Phillips Partnership around housing, safety, jobs, and infrastructure. Allina Health has continued to support many community health programs over time including the **Backyard Initiative**, a 10-plus-year partnership with the community-based **Cultural Wellness Center**.

Around commercial corridor development, American Indian organizations created the **Native American Cultural Corridor**, allowing for culturally rooted businesses and institutions in what is one of the largest urban Native communities in the U.S. and the home of the **American Indian Movement (AIM)**. A national model for cooperatively owned commercial real estate, the **Mercado Central**, provided a launching pad for Latino entrepreneurs, and sparked change in the neighborhood’s southern commercial corridor. East African businesses helped revitalize the neighborhood’s northern commercial corridor, supported by many community economic development associations. A large Sears facility was repurposed to become a corporate headquarters for Allina Health and a thriving market for small entrepreneurs.

LISC was involved in many of these projects, and a statistical examination of home loan values in Phillips shows that this collective effort impacted the neighborhood as a whole. Controlling for other factors, home loans in Phillips, which started out similar to other lower-income areas in Minneapolis, broke from past trends: during the period of increased LISC real estate investment (2000–2013), median home loans became higher than in matched neighborhoods by approximately 46%. However, loan values did not accelerate *faster* in Phillips than in similar lower-income neighborhoods, at a pace that would suggest gentrification. In other words, as a result of the efforts of community organizations, anchor institutions, government, and LISC, the neighborhood achieved both stability and revitalization. After seeing relatively higher loan values during the period of LISC investment, Phillips’s loans became indistinguishable from those of similar areas, providing further evidence that LISC’s investments contributed to impacts. While other areas of Minneapolis have seen gentrification, and the Phillips community is not immune to these pressures, the community remains overall a highly diverse, working-class neighborhood.

46%

higher median home loan amounts in Phillips than in matched Minneapolis neighborhoods during the period of LISC investment.

This study is one of very few that provide rigorous evidence as to the neighborhood-wide impacts of community development. It also shows how hospitals and other corporate anchors may be engaged in stabilizing and revitalizing local communities. In recent years, LISC has increasingly focused on partnerships with anchor institutions such as hospitals, universities, corporations, large employers, or cultural centers, including a major new partnership with the health system **ProMedica** headquartered in Toledo. While many researchers and practitioners have emphasized how anchors can be a powerful force for neighborhoods, others have raised concerns about misaligned interests between anchors and communities, and the potential for partnerships to spark gentrification rather than equitable outcomes.

A mobilized, high-capacity community development infrastructure helped support neighborhood revitalization while minimizing displacement.

This case shows that a number of factors made it easier for Allina Health and other corporate actors to engage with local organizations to stabilize and revitalize the community over time. A mobilized, active community helped bring commitments from elected and appointed officials, who provided remarkably consistent support. A high-capacity set of community organizations created a “virtuous cycle” where successful investments bred more work and more success. In the words of Paul Williams, executive director of PPL:

When you have all these three components [private sector investment, government support, and community development capacity] and they work with each other, you start to see tangible results...then the whole thing reinforces itself.

Local groups did not act in lockstep, coordinating every action with each other, but were generally aligned about goals and strategies and often partnered around projects of increasing size and impact. Foundations built the capacity of local organizations while directing resources to the neighborhood. And the hospital Allina Health and local corporations acted as an “anchor” of investments, creating a general economic presence that both directly stabilized the neighborhood and provided an impetus for the public sector to invest.

Phillips residents still face multiple challenges, including a poverty rate of approximately 40%. But the fact that Phillips remains a diverse neighborhood that has experienced both stability and revitalization is in many ways proof of concept for LISC’s emerging strategy in partnering with nonprofit and corporate anchors. In places like Toledo, we engage with a mission-aligned anchor, while working with community organizations poised to direct and channel anchor investments and build local capacity.

While LISC’s role may vary with local context, by supporting community organizations, our approach helps develop a healthy neighborhood ecosystem of which the anchor is one part. In Phillips, anchors were a critical part of the neighborhood’s revitalization, but did not appear to be the only force driving change. Instead, high-capacity community organizations, activist residents, public-sector support, and immigration all played roles in stabilizing the neighborhood. (Given the lack of a single driver of community development, one might also draw the lesson that anchor partnerships where community groups are on a more equal footing may better support equitable neighborhood development.) As a whole, the case shows how a mobilized, engaged, and high-capacity community development infrastructure can overcome tensions that may occur in anchor partnerships, and support changes that can lead to revitalization while minimizing displacement.

Catalyzing Opportunity and the Role of Anchor Partnerships

Community development provides access to affordable housing, support to local businesses, job training so residents can access growing careers, services to local youth, and interventions to improve public health and safety, among other neighborhood-based strategies. For individuals supported through these initiatives, the results can be life-changing. But the aspiration of community development as a movement is to catalyze equitable, inclusive change for entire neighborhoods. It seeks to do so by investing in a targeted and strategic way, by creating and supporting local partnerships, and by engaging residents in the process of systems change.

66

of the 100 largest cities in the country were found to have a hospital or university as their largest employer.

There has been limited rigorous evidence that community development impacts neighborhood-level trajectories, for two main reasons. First, on the measurement front, it is difficult to understand whether community change can be linked to local actions rather than broader economic and demographic changes. To assess the “counterfactual,” or what would have occurred in the absence of an intervention, often requires detailed knowledge about investments and comparative research designs.¹ Even more importantly, while individual community development activities are impactful for those they serve, within any neighborhood they are rarely funded at a level where it is plausible that they could spark community-wide change, given all the other forces that impact cities and rural areas.

In fact, rigorous research suggests that community development investments need to reach a certain threshold of scale in order to impact outcomes at the neighborhood level, as documented in a study of LISC’s impact in Richmond, Virginia,² and in other locations such as Boston, Denver, and Portland.³ But this level of investment in affordable housing, business support, and other community services is challenging to sustain, given declining federal investments for many key programs since the 2000s. Federal funding for the HOME program has declined by approximately 50% since FY2002, during which time the Community Development Block Grant (CDBG) program also has lost about 40% of its funding. While there are other sources of financing for community development, these trends make community-level revitalization both more vital and also more challenging to conduct.

Community development investments need to reach a certain threshold of scale in order to impact outcomes at the neighborhood level.

This challenge of reaching scale has helped drive community organizations, local government, and other stakeholders to search for new institutional partners who can support work at levels that can impact neighborhoods as a whole. In many cases, this search for scale has involved engaging what are known as “anchor institutions”—large employers that are physically rooted in a community. While anchor institutions, often but not exclusively hospitals and universities, have always been important actors in urban life,⁴ since the 1990s they have been seen as critical partners in urban revitalization. Part of their influence relates to their local economic impact.⁵ For example, of the 100 largest cities in the country, 66 were found to have a hospital or university as their largest employer.⁶ In recent years, hospitals have represented more than \$780 billion in annual expenditures, and \$340 billion in purchasing of goods and services.⁷

In order to leverage this economic presence for community benefit, hospitals and universities have sometimes actively pursued revitalization in the areas surrounding their campuses by acting intentionally as a purchaser of local goods and services, employer, supporter of affordable housing, real estate developer, and business incubator, among other roles.⁸

A number of recent developments may make anchor institutions more willing to invest in the neighborhoods in which they are located. Hospitals have increasingly focused on health equity concerns and social determinants of health (SDoH), a concern boosted by the Affordable Care Act's strengthening of community health needs assessment (CHNA) requirements.⁹ Universities, for their part, have acknowledged that both self-interest and altruism motivate them to act as anchors—self-interest, related to student and employee safety and institutional real estate investments, and altruism, in the recognition that their educational mission has a social component, to engage the often struggling neighborhoods in which they reside.¹⁰

There is increasing evidence that anchor partnerships can catalyze neighborhood change, but the direction of this change may not always advance equity and in some cases appears to promote gentrification. For example, research into the University of Pennsylvania's West Philadelphia Initiative found that the University City area experienced changes in demography and housing investment, compared to the rest of Philadelphia, with a good deal of change focused in the catchment area of a new public school program, which became increasingly white and affluent.¹¹ Further research across 22 other revitalization initiatives found that census tracts targeted for university partnerships saw an increase in the number of owner-occupied units, increased rents, and higher home values, as well as decreases in their African-American population, although the magnitude of change did not always outpace other parts of the city.¹²

Based on these findings, researchers and practitioners alike express concern that anchor involvement can result in gentrification and displacement, and may not achieve more equitable community revitalization.¹³ While the literature is full of positive cases of university and hospital engagement, there is also the possibility of misaligned interests between communities and anchors. Historically, universities and hospitals have sometimes been active proponents and implementers of urban renewal, which displaced many low-income residents of color.¹⁴ Although large-scale clearance projects led by universities are no longer the norm, more recent analyses have emphasized that anchor engagements can have varying outcomes, sometimes sparking gentrification and sometimes more equitable revitalization. These varied outcomes stem from different economic and neighborhood contexts, different levels of support from political leaders, and different levels of on-the-ground capacity to leverage commitments from anchors and to implement community programs well.¹⁵

The possibility for misaligned interests and the risk of gentrification make it even more important to understand how communities can engage anchors in a way that promotes equity in partnerships. Accordingly, this paper asks:

- How can community organizations find common interest with anchor partners, in a way that benefits the neighborhoods in which they operate?
- What are the impacts of these shared efforts on neighborhood revitalization, and how can they advance equity over the longer term?



A large vacant Sears facility was repurposed to become a corporate headquarters for Allina Health and a thriving market for small entrepreneurs.



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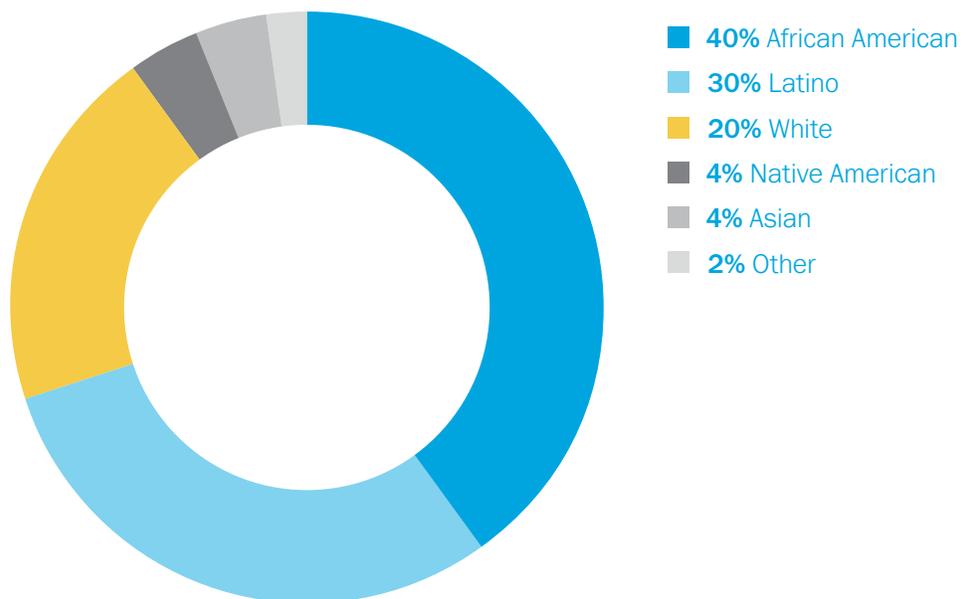
The Phillips Neighborhood of South Minneapolis

Given the fact that many stories of partnership are told from the anchor’s perspective, this paper seeks to understand the anchor role in revitalization from diverse community perspectives—in this case, from the viewpoint of *community* members in the Phillips neighborhood of South Minneapolis. Phillips is a racially and ethnically diverse, historically immigrant and working-class community located just south of Downtown Minneapolis. Bounded by two major freeways to the west and north, and containing two major commercial corridors, over time it also has housed several “anchors,” both corporate and nonprofit. Phillips is the current home of two hospitals and one major clinic,¹⁶ is the headquarters of Allina Health, and is the current location of a Wells Fargo Home Mortgage office. Perhaps more critical to the story of its revitalization, and described throughout the report, the neighborhood is home to many active and high-capacity community and civic organizations, with a history of active collaboration with each other.

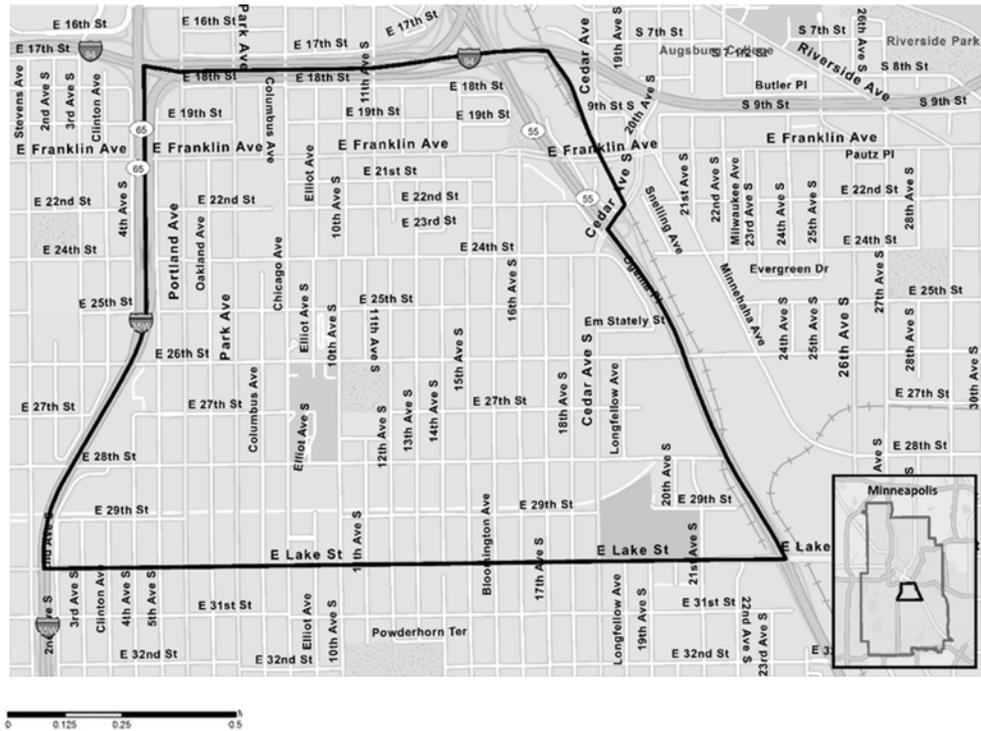
40%
of the population
in Phillips was born
outside the U.S.,
with nearly half
of immigrants from
Africa, primarily
East Africa.

Forty percent of Phillips’s population identifies as African American, 30% as Latino, 20% as white, 4% as Native American, and 4% as Asian, according to recent U.S. Census estimates.¹⁷ It is home to almost 22,500 people and has one of the largest urban Native American communities in the U.S. Forty percent of the population in Phillips was born outside the U.S., with nearly half of immigrants from Africa, primarily East Africa. The neighborhood is a low-vacancy, predominantly renter area. Less than half of the housing units are single-family homes, and about 20% of the housing stock was built since 2000. Household income and adult education attainment are lower in Phillips than the rest of Minneapolis. Thirty-two percent of adults in the community do not have a high school degree, compared to 11% in the city, and median household income is about half the city’s as a whole, at \$30,000.

PHILLIPS NEIGHBORHOOD POPULATION



PHILLIPS NEIGHBORHOOD IN SOUTH MINNEAPOLIS



In the mid-1990s, Phillips was impacted by violent crime, as memorialized in an infamous *New York Times* article publicizing the city as “Murderapolis.”

Community Distress and Community Responses

Like many urban neighborhoods, Phillips experienced significant challenges in the 1990s, a culmination of decades of change in Minneapolis and surrounding areas, which in turn reflected broader issues of race and social policy at both local and national levels. As in many other areas suffering from population loss and economic shifts, poverty and housing vacancy increased. In the mid-1990s, Phillips was also impacted by violent crime, as memorialized in an infamous *New York Times* article publicizing the city as “Murderapolis.”¹⁸ Along its busy northern commercial corridor of Franklin Avenue, drug dealing and many liquor stores and bars created safety and quality-of-life challenges. On its southern commercial strip of Lake Street abandonment of storefronts was widespread, contributing in one observer’s words to the corridor being “in complete disarray from Cedar to Highway 35.”

While not the only event catalyzing community response, one important turning point in Phillips's story was the collective reaction to the murder of a Honeywell employee in a local parking lot in 1997, which brought home to corporations the safety concerns felt on an ongoing basis by community residents.¹⁹ Over more than twenty years following, community organizations, resident activists, the public and philanthropic sectors, local corporations and hospitals, and Twin Cities LISC have engaged in strategic, comprehensive community development efforts in Phillips.

Over time, these groups achieved many accomplishments. Project for Pride in Living (PPL), founded in 1972 by a former priest and social justice advocate, created and preserved over 500 units of affordable and supportive housing in strategic locations in Phillips.²⁰ The activist organization Hope Community, along with Aeon, a respected developer and manager of affordable housing, worked in a largely abandoned intersection to create large and attractive projects at each of its four corners. In partnership with other organizations, the City of Lakes Community Land Trust (CLCLT) acquired and developed properties that would become permanently affordable and counseled existing homeowners during the Great Recession.

Little Earth, a 9.4-acre, 212-unit HUD-subsidized development, is one center of Native American life in Phillips.



Little Earth, Native American Cultural Corridor



Many Rivers East



PPL College House

Allina Health and the Honeywell Corporation, with public partners, launched the Phillips Partnership around safety, housing, and infrastructure, and Allina Health supported many community health programs over time.

Around commercial corridor development, American Indian organizations created the Native American Cultural Corridor, allowing for culturally rooted businesses and institutions in what is one of the largest urban Native communities in the U.S. and the home of the American Indian Movement (AIM). A national model for cooperatively owned commercial real estate, the Mercado Central, provided a launching pad for Latino entrepreneurs, and sparked change in the neighborhood's southern commercial corridor. East African businesses helped revitalize the neighborhood's northern commercial corridor, supported by many community economic development associations. A large vacant Sears facility was repurposed to become a corporate headquarters for Allina Health and a thriving market for small entrepreneurs.

While Phillips is home to many successful projects, implementation was not always easy or smooth. The Great Recession impacted both the lives of individuals and the work of community organizations. As projects became more ambitious, their funding needs and complexity increased, often requiring different levels of support from public and private sources and deeper collaboration across community groups. But groups persevered, and in turn impacted not just individual lives but neighborhood-level outcomes, as described below.

Native American Cultural Corridor

Phillips is home to one of the largest urban Native American populations in the United States and is the historic home of the American Indian Movement (AIM). It includes Little Earth, a 9.4-acre, 212-unit, U.S. Department of Housing and Urban Development (HUD)-subsidized complex that is the only in the country with an American Indian preference in place. Starting in the 1990s, many Native organizations were interested in transforming Franklin Avenue from a commercial strip that was heavily marked by bars and liquor stores, and to establish affordable housing and cultural businesses that would make it a more welcoming place for members of the Native community.

For example, the American Indian Housing and Community Development Corporation developed the Many Rivers site, called Niiwa Sibiin in the Ojibwe language. The mixed-use project includes 80 units and almost 20,000 square feet of commercial space,

split between two sites on Franklin Avenue, and was completed in 2005. Other Native organizations developed such projects as Ancient Traders at 1113 East Franklin Avenue, a 27,000-square-foot commercial building renovated to accommodate retail, office, warehouse, and art studio space; the Franklin Street Bakery; 16,000 square feet of commercial space; and an elder housing project, known today as Bi Di Gain Dash Anwebi Elder Housing, which included a 30-unit supportive development for Native elders.

Today, this revitalization and cultural presence can be seen along Franklin Avenue, where organizations like the Native American Community Development Institute (NACDI) and the Hiawatha Advisory Committee paved the way for a Native-owned coffee shop, a gallery showcasing Native art, and other shops and organizations owned and operated by Native Americans, which together make the corridor more welcoming for the Native community. Jolene Jones, president of the Little Earth Residents Association, described dramatic change in the corridor, with many of these new service providers and businesses replacing bars, resulting not only in the stabilization of the corridor but also in making it representative of her culture.

In her role as resident association president, Jones oversees all of Little Earth's service and social programming, spanning "cradle-to-grave" services and including Little Earth Early Learning Center, cultural activities, and health interventions. As a longtime resident of the neighborhood, Jones has had a front-row seat to changes in Phillips, and has seen changes in the way that Little Earth residents have engaged with the broader community—observing, for the most part, greater interactions between Little Earth and the rest of Phillips.

In the 1990s, a 20-year struggle with HUD over ownership of the development, due to code violations stemming from financial constraints, had left residents feeling embattled and internally focused. Eventually, the dispute culminated in the foreclosure of the development, at which point then-secretary of HUD, Henry Cisneros, intervened to help residents regain control of their home. As a result, according to Jones, the community was able to feel relief and focus on other pressing issues the neighborhood faced. These include issues such as environmental health threats from truck traffic related to the siting of a public facility, around which activists continue to press for justice and community improvements.

Affordable Housing as a Catalytic Strategy

In the winter of 1996, several homeless Minneapolis residents froze to death in Phillips. Many community-based organizations, including Project for Pride in Living (PPL) and Aeon, responded by ramping up development of supportive housing for vulnerable populations. For example, Aeon developed the Anishinabe Wakiagun, a 40-unit permanent supportive housing complex, and Portland Village, which includes 26 units of affordable housing for chronically homeless families with a single head of household.

At the same time as they worked on supportive housing, local organizations also created affordable housing without on-site social services. Starting with smaller efforts that renovated one to four family homes, groups moved to develop larger affordable housing projects in strategic locations. Over time, and especially as efforts ramped up in the early 2000s, these organizations developed and preserved hundreds of affordable housing units in Phillips, transforming vacant and abandoned areas, and having in turn an effect on the safety and commercial vitality of the area. For example, Aeon in 2000 redeveloped Pine Cliff Apartments, a HUD-owned property in need of major repairs, which preserved 30 long-term affordable units. Its Aeon Homes project renovated a building that had received hundreds of code violations and fire marshall orders due to poor safety conditions, preserving 13 affordable units for the long term.



Aeon-developed Anishinabe Wakiagun

In the winter of 1996, several homeless Minneapolis residents froze to death in Phillips. Many community-based organizations, including Project for Pride in Living (PPL) and Aeon, responded by ramping up development of supportive housing for vulnerable populations.

Other examples of housing revitalization include The Village in Phillips, developed by the Powderhorn Residents Group and consisting of two new buildings of 36 owner-occupied condominiums and 2,670 square feet of commercial space. Also developed by the Powderhorn Residents Group, the Spirit on Lake project was a new mixed-income, mixed-use development at the northwest corner of 13th Avenue and Lake Street with 41 housing units and 6,100 square feet owned by the Spirit of the Lakes Church. Lutheran Social Service (LSS) of Minnesota created housing and services for families in need, in a project on Park Avenue that involved 48 units of permanently affordable housing and 56,000 square feet for offices and social services, offering financial counseling, youth services, counseling and family resources, adoption services, assistance for refugees, and services related to employment and housing.

These housing efforts dovetailed with work to revitalize Phillips's commercial corridors, as described below. One notable project was the South Quarter initiative, as described in the next section.



The scale of South Quarter required the collaboration of many partners and funders. At one point the project included over two dozen funders and “all those funders needed to be at the table and in agreement,” despite competing needs and preferences.

— Miranda Walker

CASE STUDY

South Quarter Revitalization

One notable example of housing revitalization efforts is South Quarter, a 240-unit housing development that sits at the intersection of Franklin and Portland Avenue. (LISC was involved with early financing for all four phases.) Will Delaney, associate director of Hope Community, explained that the project’s origins were based in a need for “not just temporary shelter, but investment in [the Phillips neighborhood], and particularly investment in long-term, affordable housing.” After conducting many listening sessions with the community, Hope created plans to develop the highly visible intersection with a goal of changing the perception of the corner, while also ensuring that existing members of the community were protected against future risk of displacement.

Due to its scale, the project has proceeded in stages and involved complex, multi-layered financing, as well as multiple partners. The South Quarter was co-developed by Hope Community and Aeon. Work on the Southeast corner (Phase I) was completed in 2003, and the final phase wrapped up in 2015. Phase I included two projects, the mixed-use Children’s Village Center and the Duplex and Carriage House Project. Children’s Village Center has 30 units of deeply affordable housing and 9,000 square feet of community space at the southeast corner of Franklin and Portland avenues, with an additional six units of rental housing and four ownership units in row houses that are part of a community land trust (CLT) on the northwest corner of East 22nd Street and Oakland Avenue.

The Jourdain, Phase II of the South Quarter project, provides 41 units of mixed-income rental housing and approximately 4,000 square feet of commercial space at the southwest corner of the intersection. The project was completed in 2006. The Wellstone, Phase III, completed in 2008, provides 49 units of mixed-income rental housing and 7,100 square feet of commercial space.



The Rose, Phase IV, was completed in 2015. The Rose combines 90 units of new construction with the moderate rehab of 30 units at the adjacent Pine Cliff Apartments. It is one of the country's first affordable multi-family developments to strive for Living Building Challenge™ standards. The Living Building Challenge is a green/sustainable building certification program that is more rigorous than the more well-known LEED standard. Hope Community owns an additional 46 units of rental housing on the "Hope Block."

The scale of South Quarter required the collaboration of many partners and funders. Prior to 2003, Hope Community had a track record of smaller projects and a vision for the intersection, but needed to attract additional investment to ensure its completion. Aeon, which had more experience as a developer, established a formal partnership with Hope, with the two agreeing to be co-developers of the larger project, each taking turns being the lead developer and asset manager for the different phases of the project. This was a way to lessen the administrative and financial burden on each partner, while also demonstrating the team's capacity to outside partners. While the collaboration between Aeon and Hope Community allowed them to leverage additional resources from the city and tap into new funding streams, bringing so many groups to agreement was not without its challenges. As Miranda Walker, a housing development manager at Aeon, recounted, the project included over two dozen funders at one point and "all those funders needed to be at the table and in agreement," despite competing needs and preferences. So Hope and Aeon both needed to promote a spirit of flexibility and partnership.



Mercado Central

Commercial Corridor Revitalization

While Phillips has historically been a gateway community for immigrants in the Twin Cities region, starting in the 1990s, newer arrivals from Latino and East African communities contributed significantly to neighborhood revitalization. Individual entrepreneurs reclaimed vacant commercial spaces, and community organizations provided assistance to small business owners and redeveloped properties for their use. As a result, bars and liquor stores closed and new shops, restaurants, and other businesses moved in, contributing to greater foot traffic and improved public safety along the corridors. According to interviewees, this in turn led to a more stable business environment, which further improved the investment climate. Although commercial and pedestrian activity along Lake Street and Franklin Avenue is still sometimes uneven—revitalization is an ongoing process—interviewees described significant change in the past two decades.

The Mercado now not only provides inexpensive retail space for new entrepreneurs, but also is a national model for cooperatively owned commercial space.



The Mercado Central attracted the foot traffic and provided confidence for other organizations to move in to Lake Street...

– Eduardo Barrera

Several catalytic efforts from community organizations contributed to the growth of the Lake Street and Franklin Avenue corridors. In addition to the Native American Cultural Corridor described above, another critical project was the **Mercado Central**, a cooperatively owned market that opened in 1999.

As Eduardo Barrera, director of economic development and operations at Mercado Central, observed, the idea for the project came from organizers within the Latino community who conceptualized “a place where [community members] could begin [their] entrepreneurship, as many of these folks had experience of entrepreneurship in their own country.” Organizing through Isaiah, a faith-based advocacy group, they engaged Project for Pride in Living, the Neighborhood Development Center, and Whittier CDC to purchase and renovate three buildings on Lake Street. While initially co-owned by the nonprofit developers and business owners, the original vision of the project was to transfer full ownership to the business owner cooperative. Having done so recently, the Mercado now not only provides inexpensive retail space for new entrepreneurs, but also is a national model for cooperatively owned commercial space.

Today, Mercado Central is a bustling marketplace of Latino-owned shops, offering everything from candy and snacks to floral arrangements on its first floor. Service providers occupy the second floor of the space, including a beauty salon and some social services. To minimize the potential for internal competition, the cooperative offers space primarily to entrepreneurs who provide goods not already offered in the marketplace. As a result, Phillips residents can find a wide array of products and services, and food stands offering staples, that attract a steady flow of families and individuals who dine and congregate in the market.

Barrera noted that the Mercado Central “attracted the foot traffic and provided confidence for other organizations to move in” to Lake Street, which now sees a stream of shoppers and diners throughout the day.

Beyond the Mercado, nonprofit groups like the Neighborhood Development Center (NDC) embarked on other projects to meet the growing demand for commercial space. In 2004, NDC purchased the 41,000-square-foot vacant building across from Mercado Central to build Plaza Verde, which now houses many Latino and Somali small businesses, including barbershops and clothing stores, as well as an event space that people can rent to hold meetings, weddings, and other parties.

Revitalization efforts also included support to small businesses. Groups like the Latino Economic Development Center (LEDC) offered entrepreneurship classes and technical assistance training in Spanish, as well as more generalized programs to build language, math, and computer skills. As John Ramirez, an employment navigator at the



Shops inside the Mercado and Plaza Latina

organization, noted, LEDC doesn't take a "one-size-fits-all" approach, but instead tailors offerings to ensure that the curriculum fits the cultural needs of the community it serves. Today, LEDC continues to advocate with legislators for ways to improve immigrants' access to capital and for offering licensing exams in a wider array of languages.

This broader ecosystem of support helped businesses incubated in Mercado Central to expand elsewhere. Becky Gazca, previously a market operations manager and loan officer with NDC and a long-time resident of the East Phillips neighborhood, started a flower shop with her husband at Mercado Central that expanded into Midtown Global Market, described below. Gazca noted that trainings and small loans let them start their business for less than five thousand dollars of their own capital in Mercado Central. Another success story of Mercado Central is La Loma, a restaurant specializing in tamales. One of the first businesses in Mercado Central, over the years La Loma has grown to thirty employees, opened additional locations in the Skyway²¹ and the Midtown Global Market, and takes large-scale catering orders.

A further anchor along Lake Street is the **Midtown Global Market**, a hub for community activity also including amenities for staff and visitors to local hospitals. With Mercado Central as proof of concept, NDC and LEDC began talks to create retail space to house local businesses on the bottom floor of the vacant Sears building, a 17-story space in the heart of the neighborhood. At the same time, the Phillips Partnership (see below) developed plans that included the redevelopment of the Midtown Exchange building. With support from the county and other public-sector actors, it worked with the owner and developer, Ryan Companies, to turn the building into a mixed-use property with retail, office, and residential spaces.

In 2006 Midtown Global Market opened its doors to the public, and is now home to 45 businesses, with owners representing many of the cultures in South Minneapolis, including the Somali, Latino, and East African communities. Today, visitors are welcomed by colorful statues that flank the entrances, and can find the same vibrant palette continued throughout the market in its bright tiling and artwork. The market attracts shoppers and diners who can choose from a wide range of cuisines and goods offered throughout tightly packed stalls, such as the popular Taquería Los Ocampo. Food stands and other retailers offer clothing, shoes, jewelry, and bags around communal dining spaces.

Early on in the revitalization efforts, Allina Health and Hennepin County agreed to be anchor tenants in the renovated space, thereby helping redevelopment efforts by ensuring that the building would have lessees. Allina Health's corporate offices and the Hennepin County motor vehicles department remain major tenants, in addition to the Cultural Wellness Center.



Midtown Global Market

Providing an Anchor of Stability

While community organizations and the public sector played a critical role in Phillips’s revitalization, so did anchor institutions, especially Abbott Northwestern Hospital, part of the Allina Health network. Interviewees described the hospital’s impact in three main areas: as a source of direct *investments* in health programs and community projects, as an *economic* presence promoting stability, and as a *political* presence that ensured greater attention to the neighborhood from the public sector.

Services and Direct Investments. Galvanized by concerns about safety, a coalition of public officials and corporate leaders, especially Allina Health, established the “Phillips Partnership”—a comprehensive set of investments and programs related to safety, jobs, housing, and infrastructure, as described in the text box below. In addition, Honeywell renovated numerous residential properties in the area, including a \$12 million investment supporting the 52-unit Portland Place, and over the years was an active grantmaker to community organizations working in Phillips.

Economic Presence. During a time when throughout the country major employers were leaving urban communities for nearby suburbs, the presence of anchor businesses such as Honeywell, Wells Fargo Mortgage, Abbott, and Allina Health meant that jobs and investments that could have gone elsewhere remained in the neighborhood. Phillips currently is home to nearly 24,000 jobs, most in health care and social assistance. The number of employed residents in Phillips has increased about 14% between 2002 and 2015, compared to about a 7% increase for the city of Minneapolis. It is not impossible that the hospital may have contributed to this relative growth in local employment; about 9% of employed residents living in Phillips also work in the neighborhood, a substantially higher proportion than is seen in nearby neighborhoods.²²

Phillips currently is home to nearly 24,000 jobs, most in health care and social assistance. The number of employed residents in Phillips has increased about 14% between 2002 and 2015, compared to about a 7% increase for the city of Minneapolis.

Political Presence. Community practitioners emphasized that in addition to bringing economic stability to the neighborhood, anchors played a key role in engaging the public sector as they pressed for greater attention and resources, as described below. Having anchors as partners brought greater weight and visibility to community asks, including greater support for development projects and better delivery of services such as police presence. As Minneapolis Mayor Sharon Sayles Belton (who previously represented parts of Phillips as Council person) reflected about the dynamic:

We were really fortunate that when a community takes their petition to government, you had organizations like Honeywell and Abbott Northwestern as partner. Because we had not only community strength but also corporate strength, from our part of the city, and that was significant.

Paul Williams of PPL reflected on these synergies, which grew over time into a kind of “virtuous cycle”: “When you have all these three components [private sector investment, government support, and community development capacity] and they work with each other you start to see tangible results...then the whole thing reinforces itself.”

The Phillips Partnership

The Phillips Partnership was formed in 1997 by representatives from Hennepin County, Allina Health, Honeywell, and the City of Minneapolis, including then-Minneapolis Mayor Sharon Sayles Belton and then-Hennepin County commissioner Peter McLaughlin. Through the Partnership, corporate anchors and public officials engaged local and citywide groups to create a number of initiatives addressing neighborhood concerns.

According to McLaughlin (now LISC Twin Cities executive director) and Mike Christenson, former head of the Allina Foundation, the group was galvanized by both the perception and reality of safety issues, which posed a threat to the viability of the anchor's presence in the neighborhood. Prior to the formation of the Partnership, the neighborhood surrounding Allina Health's campus was experiencing high levels of violent crime. Hospital staff, including some of its key specialists, were concerned and considered joining practices away from the urban neighborhood as a result. From the hospital's perspective, losing specialty-care physicians would begin to erode the hospital's mission and bottom line. So when the *New York Times* designated the neighborhood as "Murderapolis" in 1996, representatives from Allina Health and city officials reacted: "By 11 in the morning [the day of the Times story] I was on the phone with Mayor Sayles Belton," McLaughlin recounts.

Former mayor Sayles Belton emphasized that the Partnership was an extension of the relationships that anchor institutions had with the broader community, and the civic commitment of its corporate leaders:

We were fortunate in Minneapolis and in the 8th Ward in particular to have Honeywell and Abbott Northwestern be our partner. All the CEOs were absolutely invested in the strength of the Phillips neighborhood not just because they had employees there but because they embraced Phillips neighborhood as their home. They would show up and talk to the neighborhood. It wouldn't always be a fun conversation, but they were always in conversation with the neighborhood, because it's hard to build a partnership if there's no relationship.

As a first step, the Phillips Partnership developed a comprehensive revitalization strategy to tackle the issues facing the neighborhood. Together the partners determined that a focus on public safety, jobs, housing, and infrastructure would be necessary to make lasting change in the community, and began plans to address the issues in that order. To help carry out the work, the group developed strategic partnerships for each issue area and held quarterly meetings among high-level stakeholders and community members to get buy-in for the Partnership's plans.



To address safety issues, the partners developed the HEALS (Hope, Education, Law, and Safety) initiative. The plan enacted long-term crime prevention strategies including coordination among the 17 distinct law enforcement jurisdictions.

To address safety issues, the partners developed the HEALS (Hope, Education, Law, and Safety) initiative. The plan enacted long-term crime prevention strategies including coordination among the 17 distinct law enforcement jurisdictions that covered Phillips, as well as new policing tactics and greater collaboration between the community, police, and district attorney's office. While the jurisdictions had previously operated independently of one another, the Partnership created spaces for them to collaborate and devise strategic approaches together, according to Christenson. Additionally, the Partnership supported grassroots efforts encouraging residents to report safety issues.

Another important area identified by the Partnership was the need for jobs for local residents. Though the hospital was not yet framing its work in terms of social determinants of health, members of the Phillips Partnership valued the connection between health and economic opportunity. Christenson, then Allina Foundation head, noted, "It struck me as pretty obvious that the best thing you can do for health anywhere is to raise incomes." Indeed, data determined that raising the income of local residents would be a vital tool for promoting better health outcomes, showing, for example, that people living with asthma who were also in poverty were admitted to the hospital at five times the rate of others.

To advance this goal, the Partnership established a workforce training program in partnership with PPL. The Train to Work program placed local residents into entry-level jobs in the hospital. Then the partners launched the Health Careers Institute in partnership with the Minneapolis Community and Technical College (MCTC), to give residents billable credentials for mid- to higher-level positions in the healthcare industry. The program graduated two thousand participants.

The Partnership also relied on strategic partnerships to improve housing conditions in Phillips, and launched the Joseph Selvaggio Initiative, a \$6 million neighborhood housing program that provided home improvement grants, multi-unit housing rehabilitations, and streetscape improvements. Working in collaboration with Selvaggio, a well-respected community activist and founder of PPL, the Partnership devised a strategy to improve neighborhood housing with the goal of not contributing to gentrification, by emphasizing affordable housing construction along with offers of employment or training in the hospital when possible.

As former mayor Sayles Belton reflected:

What we wanted to do, and what we knew from the start, was to have people stay in the neighborhood and benefit from the revitalized fabric of the community. That was the guiding principle for our approach. It was important for us to invite investments that were going to support the people who lived in the neighborhood.

The Partnership played an instrumental role in supporting infrastructure improvements, including the Hiawatha light rail line, the Midtown Greenway, and ongoing I-35W expressway improvement efforts. In these public investments, which together totaled over \$1 billion, then-county commissioner McLaughlin's leadership was critical, according to Christenson. Other public sector actors credit the patience of public and private sector actors. According to former mayor Sayles Belton:

We had to take the long view. I take a lot of pride in our group and our effort, that we weren't anticipating everything would happen overnight, but if we made strategic investments they would pay off over time. If we did the right thing, if we were smart and strategic, we could pull that energy all the way down and through Lake Street, clear to the Mississippi river.

Finally, in 2008, then-Allina Health CEO Richard Pettingill commissioned research on health outcomes for residents to determine potential interventions, and held meetings with the community to determine a potential health strategy. After finalizing four intervention strategies, however, Allina Health was met with pushback from residents about its approach. Ruth Olkon, manager of community health improvement at Allina Health, remarked that "they started over with listening sessions to understand what residents care about." (This approach was valued by residents, as despite its significant accomplishments, the Phillips Partnership was sometimes perceived as not having the same level of community engagement as the Backyard Initiative described below.)

The Partnership devised a strategy to improve neighborhood housing with the goal of not contributing to gentrification.

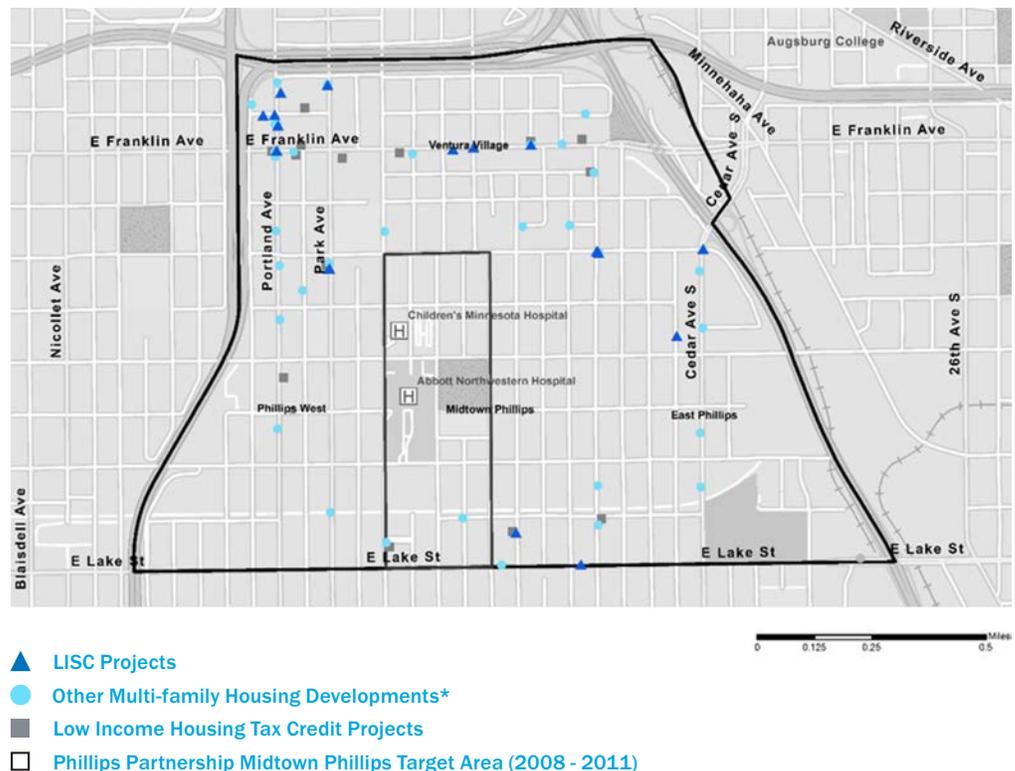
One outcome of these conversations was a partnership between Allina Health and the Cultural Wellness Center to create the Backyard Initiative, which placed community engagement at the core of the work. Established in 2008, the Initiative deepens the relationship with residents, and builds on residents' capacity to help improve their health by offering health education services and wellness programming. To achieve its mission, the Initiative worked with residents to develop a more informed understanding of health concerns in the neighborhood, and established shared definitions and language to facilitate the collaboration. It also established community health actions teams (CHATs), which were formed by residents, to carry out programs and work within the community.

LISC’s Role and Rigorous Evidence of Neighborhood Impact

Finding Evidence of Revitalization

The Twin Cities LISC office opened in 1988 and started supporting real estate projects in the Phillips neighborhood in 2000, although it had supported local organizations earlier through capacity-building. Between 2000 and 2012, LISC’s investment in real estate in Phillips totaled more than \$4.6 million, and supported 750 housing units—representing approximately 10% of the neighborhood’s total housing units—as well as 193,000 square feet of commercial and community space. LISC’s affiliate, the New Markets Support Corporation, provided \$27.8 for three projects including the Midtown Global Market, and another LISC affiliate, the Neighborhood Equity Fund, provided \$28 million in Low-Income Housing Tax Credit projects. LISC’s real estate investments in Phillips concluded in 2012, although it continues to support the neighborhood in varied ways: between 1998 and 2018, LISC provided \$10.4 million in operating and capacity support to organizations that work in Phillips so as to continue to meet evolving community priorities. As shown in **Figure 1**, below, these were geographically spread across the neighborhood, and complemented investments made by the city and Allina Health. LISC also played a significant role as a convener and a capacity-builder.

FIGURE 1: INVESTMENTS IN THE PHILLIPS NEIGHBORHOOD (2000–2012)



*Source: Minneapolis Community Planning & Economic Development Department

LISC was a partner at every stage of the South Quarter development (in the northwest), along the Native American Cultural Corridor (in the northeast), has supported Little Earth, and worked in Lake Street toward the southern part of the neighborhood. These projects, combined with large investments by other significant actors in places such as Mercado Central and the Midtown Global Market, would appear to represent a meaningful “threshold” of community development activity.

In order to test whether there was change at the community level in the Phillips neighborhood, we focused on home mortgage loan values in the neighborhood, as reported to the Federal Financial Institutions Examination Council (FFIEC) as required by the Home Mortgage Disclosure Act (HMDA). While many measures capture community revitalization, home loan values were most directly related to LISC’s housing investments, and the relevant data was available for the long duration of the analysis series for all of Minneapolis.

To measure the impact of intensive community development investments in Phillips, LISC researchers used an adjusted interrupted time series (AITS) model. As described above, it is difficult to understand whether community development impacts neighborhood-level indicators, because neighborhoods are always changing in ways that are influenced by broader social and economic trends. The AITS approach compensates for these problems in two ways. First, it examines both levels and trends of the outcome before and after a defined intervention. This before-and-after approach establishes whether there has been an “interruption” or break in past patterns that could be attributed to the beginning of an intervention. Second, it compares these levels and trends to similar neighborhoods in the same city, to determine whether they “outpaced” other low-income areas. This methodology has been used before to understand impacts of Community Development Block Grant spending in such places as Richmond, VA.²³

Before LISC investments started, median loan amounts were not different than matched areas in the rest of the city. But during the period of LISC’s real estate intervention, mortgage amounts in Phillips were 46% higher than similar neighborhoods.

Our impact model compared home mortgage loan values in Phillips with those in similarly low-income neighborhoods in the rest of the city over three time periods: a **pre-period** of 1995–1999 before LISC’s first project activity, an **intervention period** of 2000–2013 when the LISC investments were made, and a **post-period** of 2014–2017 starting after the last investment. LISC researchers chose to extend the intervention period to 2013 even though the last investment was in 2012 because LISC’s program actions are based on approval date, and it seemed reasonable that there could be a slight time lag between approval and actual impact.

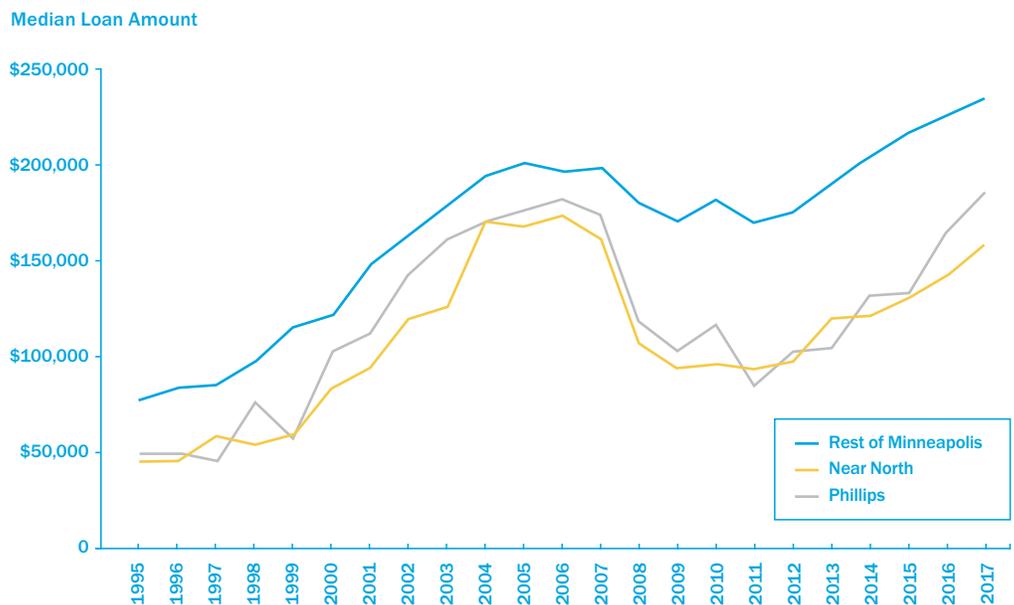
Specifically, our AITS model compares the median HMDA home mortgage loan amounts in Phillips census tracts with those of all other tracts in the city, while controlling for home mortgage investor percentage,²⁴ the Census 2000 poverty rate, the Census 2000 percentage of renter-occupied units, and the Census 2000 adult labor participation rate. Trend variables are included to measure differences in mortgage amount change in Phillips versus the rest of the city in the three time periods, to understand whether Phillips was on a more accelerated trajectory than the rest of the city during these phases.

Model results indicate that **before** LISC investments started (the period 1995–1999), median mortgage amounts in Phillips were not statistically different from the rest of the city, when controlling for investor percentage, poverty rate, percentage of renter-occupied units, and adult labor participation rate. That is, while values were lower than higher-income parts of the city, they were about the same as similarly low-income areas. However, **during** the real estate intervention period of 2000–2013, median mortgage amounts increased by 46% more in Phillips than in the rest of the city when controlling for community-wide factors associated with income and poverty. In other words, the Phillips neighborhood had higher loan values (and presumably higher home values) than similar, lower-income areas in the rest of the city.

After LISC’s real estate investment period 2014–2017, there is no statistical difference in median loan amount between Phillips and the rest of the city, when controlling for poverty rate, percentage of renter-occupied units, and adult labor participation rate. This does not mean that Phillips home values were less than other lower-income areas, but rather that they appeared to keep pace with them. Scientifically speaking, the fact that the effect on home loan values ends after LISC’s investments stop represents even further evidence that the “intervention”—in this case, the combination of LISC’s work with those of community partners, anchor institutions, and the public sector—made the difference during the period of heaviest investment.

One way of illustrating this increase in investment levels over time is to examine differences between Phillips and Near North, a lower-income neighborhood located north of Minneapolis’s downtown. In Figure 2, median loan amounts in Phillips are represented by the blue line, in Near North by the green line, and in the remainder of Minneapolis by the red line. While the AITS model examined dynamics as an aggregate across the city, **Figure 2** shows how Phillips generally had higher median loan amounts than Near North, starting around 2000, as shown by the blue line generally being above the green line, despite the dip in the market that occurred as a result of the Great Recession and foreclosure crisis.

FIGURE 2: ILLUSTRATING DIFFERENCES IN MEDIAN HOME LOAN LEVELS, 1995–2017



Contributing to Stabilization Over Time

Interestingly, there was not a statistically significant difference between Phillips and other low-income areas in terms of the rate of *growth* of home loans. That is, while the loan values were higher than similar low-income areas during LISC’s investment period, they did not *accelerate* at a steeper rate than these other areas.



Their actions helped stabilize the neighborhood but did not contribute to a cycle of escalating investment that might have resulted in gentrification.

In many ways, this quantitative finding fits with the broader, qualitative assessment that community development practitioners shared about Phillips throughout the study: their actions helped stabilize the neighborhood but did not contribute to a cycle of escalating investment that might have resulted in gentrification.²⁶ In the words of Will Delaney, associate director at Hope Community, community development organizations and their partners “kept the neighborhood from bottoming out” (in terms of population loss and disinvestment) at a critical moment, and sustained this work over time, as Hope “has focused on redevelopment as an alternative to gentrification—making the neighborhood better without displacement.” Miranda Walker of Aeon echoed this idea that increased investment has led not to gentrification but to an “expansion of the pie,” as affordable housing has been the primary intervention.

A closer look at trends *within* the neighborhood illustrates how Phillips appears to have experienced greater stability over time than other low-income neighborhoods, despite the volatility associated with the foreclosure crisis and the Great Recession. Phillips and other lower-income communities in Minneapolis, like Near North on the northwest side of the city, experienced rapid growth in mortgage value during the overheated housing market in the mid-2000s, and experienced great volatility when the market collapsed in the late 2000s. However, an examination of loan value appreciation within the two neighborhoods shows greater relative stability within Phillips after the recession and recovery.

The “indexed” median loan amounts in Figure 3 below show home loan amounts in the four neighborhoods *within* Phillips: East Phillips, Midtown Phillips, Phillips West, and Ventura-Village, as compared to the rest of Minneapolis. (Indexing shows their growth relative to a starting point, in this case, the year 1995.) As shown in **Figure 3**, by 2006, median loan values in Phillips appreciated to over four times their 1995 amount, compared to about 2.5 times their 1995 amount in the rest of Minneapolis. During the Great Recession, values in most areas of Phillips dipped down again, to approach indexed values in the rest of Minneapolis. During the recovery, values in most Phillips neighborhoods continued their upward trend, but tracked more closely to the rest of Minneapolis, as shown in the closer connection between the red line and the other colors.

In contrast, **Figure 4** shows how in some neighborhoods in Near North—Hawthorne, Jordan, and Willard-Hay (geographically the farthest from downtown)—trends indicate a deeper decline during the recession and slower recovery. By 2006, median home loans in Hawthorne (dark blue line) reached about 350% of their 1995 values, compared to an increase of about 250% in the rest of Minneapolis. But after the Great Recession, they plummeted to about 1995 levels, and by 2017 had still not caught back up to loan increases in the rest of Minneapolis.

Although the East Phillips, Midtown Phillips, Phillips West, and Ventura-Village neighborhoods within Phillips experienced a housing market boom, followed by a sharp decline in the 2000s, the years of collective work in community revitalization by residents and organizations before and during the recession meant the neighborhood was better positioned than other areas for a market recovery after the recession. And while the housing market in Phillips has seen growth since 2012–2013, the model indicates the recent growth in mortgage values is not outpacing the rest of the city.

FIGURE 3: INDEXED LOAN VALUES WITHIN PHILLIPS, 1995-2017

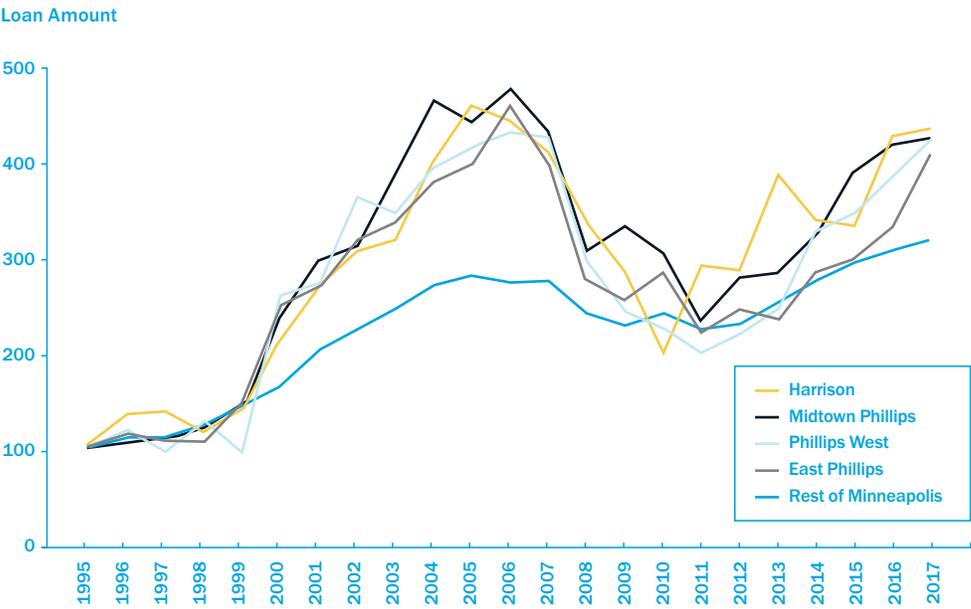
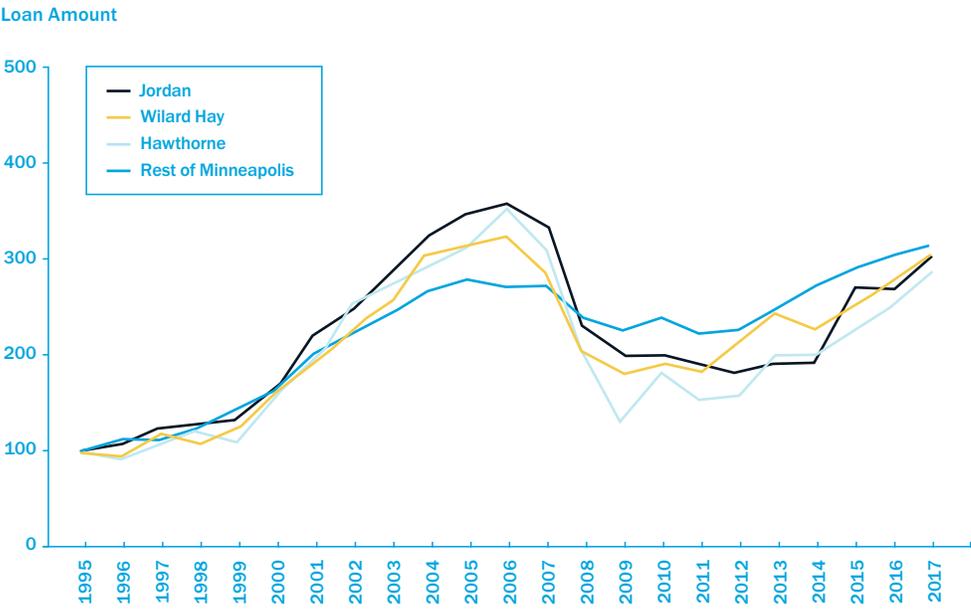


FIGURE 4: INDEXED LOAN VALUES WITHIN NEAR NORTH, 1995-2017



UNIVERSITY HEALTH CARE CENTRE



Comunidad Wadajir Noj Qab Nyob Zoo Tiwahe Wayyaawuu Anishinaab

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“We have a lot of strong organizations functioning in the neighborhood...I think of them as taproots...ways of holding the ground [when storms come].”

— Andriana Abariotes

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LISC's strategy was to “pair grant and loan support with training in real estate development, asset management, and small business development.”

— Andriana Abariotes

CASE STUDY

LISC's Role in Phillips

LISC provided \$4.6 million in real estate investment to Phillips, helping create 750 housing units. It also provided \$10.4 million in grants to build capacity and deliver community-based interventions. Its affiliate, the New Markets Support Corporation, provided \$27.8 million for three projects including the Midtown Global Market, and the Neighborhood Equity Fund, also a LISC affiliate, provided \$28 million in Low-Income Housing Tax Credit projects. Beyond making direct investments, LISC acted as a capacity-builder, convener, and source of strategic financing. As neighborhood needs evolved, LISC adapted with its partners to provide new tools to support equity and economic opportunity.

Capacity building. LISC supported many of the community organizations described in this report, as they learned to develop affordable housing and provide services at a scale that was to become impactful for the neighborhood. In the late 1990s and early 2000s, according to former LISC executive director Andriana Abariotes, groups such as Hope Community “had great staff leadership and were values-driven. But they had never really done big development projects.” For that reason, LISC’s strategy was to “pair grant and loan support with training in real estate development, asset management, and small business development.” LISC also funded apprenticeship programs that trained and supported community development professionals of color, and provided operating support to many organizations before developer’s fees could provide a reliable source of unrestricted funding to organizations.

Bringing groups together. As described above, many of the largest projects involved collaborations among multiple organizations, and LISC sometimes played a role in facilitating these partnerships. For example, the South Quarter initiative was a substantial joint endeavor between Hope and Aeon, and was first supported by LISC through a “partnership incentive grant” that allowed the two organizations to explore

the complicated legal and financial aspects of working together. LISC regularly convened the many partners who received capacity-building grants around site-specific projects—LISC’s approach, according to Abariotes, was to encourage “people and organizations to show up with their strengths.” LISC provided grants to support community outreach and engagement, and supported the development of culturally relevant organizations such as the Latino Economic Development Center and the African Development Center, which themselves had broader community reach through their robust micro-enterprise and small business lending.

Strategic financing. LISC was an important and flexible source of funds early in many development processes, when investment can be most impactful. In addition to a revolving recoverable grant fund that was used to explore potential real estate projects, LISC provided feasibility grants for early planning around major projects that were not at first seen as viable, such as the Midtown Global Market.²⁵ As Abariotes reflected, “All these great ideas are happening all the time in communities. Who takes the risk and gets it started? That was the role that LISC kept on playing.”

What sustained this work over such a long period of time? “We never declared a neighborhood being done,” reflected Abariotes. “We were always posing the question, can we shift our strategy enough to be adaptive.” This meant staying engaged with local organizations as Phillips weathered different market cycles, mayoral administrations, and changes in community organizational leadership. “What kept it fresh,” said Abariotes, “was the community building.”

LISC’s sustained engagement was also facilitated by having multiple tools that could be deployed differently over the course of its engagement in Phillips. Abariotes described LISC’s evolving focus as moving from stabilizing the housing market to concentrating on commercial development, small business, and workforce needs: “In the early days we could be ‘all housing, all the time.’ Over time, as real estate projects got done, our partners could pivot to workforce and small business investment.” For example, since 2008, LISC invested \$1.6 million in Project for Pride in Living (PPL) to implement a Financial Opportunity Center model, which complemented its job training work with the hospital and other employer partners within the Phillips Partnership.

Beyond making direct investments, LISC acted as a capacity-builder, convener, and source of strategic financing. As neighborhood needs evolved, LISC adapted with its partners to provide new tools to support equity and economic opportunity.

While having an adaptive strategy has achieved significant success, Abariotes, like other community practitioners, note that many Phillips residents remain in poverty and unable to find quality affordable housing. “There are persistent challenges...even if the community feels a bit safer, it’s always fragile.” But LISC’s sustained investments over time—especially those that guaranteed long-term or permanently affordable housing—have served to help the community weather past shocks: “We have a lot of strong organizations functioning in the neighborhood...I think of them as taproots...ways of holding the ground [when storms come].”

How the Neighborhood Came Together

Community development in Phillips resulted in measurable community impacts. What helped the neighborhood generate and sustain the levels of strategic investment that allowed this to occur? Below, we describe some themes surfaced by community residents and practitioners, before turning to the important role of hospital and business anchors in revitalization.



And all those communities came in and succeeded despite all the things that conspired to make small business success difficult. Those communities persevered and established beachheads in those neighborhoods and we owe them a huge debt of gratitude.

—Paul Williams

Immigration as a Source of Revitalization

Phillips has historically been one of the most diverse neighborhoods in Minneapolis and a place for new immigrant arrivals. Over the years immigrants have provided demand for housing and services as well as the impetus for much of the commercial development along East Franklin and Lake streets. From larger marketplaces including Mercado Central and Midtown Global Market, to legacy immigrant businesses such as Ingebretsen's and Hamdi Restaurant, the majority of retail establishment along the neighborhood's main thoroughfares are immigrant-based. In the process of opening businesses, immigrants restored older buildings, provided jobs and economic opportunity to local residents, and helped to attract people and further investment to the neighborhood. Both of PPL, Chris Wilson's reflections, followed by those of Paul Williams, capture this role:

One important factor that helped Minneapolis, frankly, was the arrival of immigrant communities: the Hispanic community on East Lake Street, the Somali community on Franklin Street, and we see the same happening in St Paul with the Hmong community along University Avenue. (Chris Wilson)

And all those communities came in and succeeded despite all the things that conspired to make small business success difficult. Those communities persevered and established beachheads in those neighborhoods and we owe them a huge debt of gratitude. (Paul Williams)

Community Activism

As described above, the Phillips community has a long history of activist neighborhood organizations, such as American Indian Business Development Corporation, Hope Community, and Ventura Village.

These groups were important to Phillips revitalization for a number of reasons. According to interviewees, though the neighborhood experienced challenges in the 1990s and beyond, activist groups representing American Indian, Latino, East African, and African-American communities were successful in pressuring the city and county to commit resources to the neighborhood to support housing, economic development, and social services. Activist groups also effected policy change that impacted them and the city as a whole. For example, through community listening sessions, Hope Community identified safety as an issue, organized community members around it, and succeeded in pressing the local precinct commander to issue biweekly reports on local hotspots. Hope Community's young residents organized around parks programming, and after identifying that Peavey Field Park had only four active Parks Board programs (compared to 40 in some other areas) the group helped change how the Board operates citywide, making racial equity an explicit component of its work. Hope commits major resources to involve over 500 youth and adults each year in its activities, and runs a well-known young adult leadership and organizing program, with extensive youth leadership activities.

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To me the story of Phillips is about a bunch of diverse parties and actors, not necessarily acting through some centrally coordinated script of 'how are we going to make the neighborhood better,' but working in concert with each other, autonomously, yet relatedly.

– Will Delaney

Another outcome of local activism can be seen in the establishment of the East Phillips Park Cultural and Community Center. After a shooting in the neighborhood left families concerned about playing outdoors, the East Phillips Improvement Coalition (EPIC), made up of community representatives including Little Earth residents, lobbied the city for \$3.5 million to establish the community space. The development opened its doors in 2011 as a place for children to meet and play, and is equipped with a gym, computer lab, teen center, and meeting rooms. The park provides green space for the community, which has long been impacted by the negative effects of pollution and toxic land. In fact, Jones of the Little Earth Residents Association noted that its tenants suffer from an alarmingly high rate of asthma, and have experienced several recent deaths due to heart-related problems among teenagers. As a result, Little Earth regularly engages with the broader community around environmental racism work.

In another example of the role of activism in fostering the projects described above, the Mercado Central originated from local organizing efforts of faith-based organizations that saw the need for jobs and economic opportunities for their constituents. Community activism was also a driving force in shaping the direction of the Midtown Global Market. Early redevelopment plans proposed a large grocery store to serve workers and area residents, but multiple community-based organizations including NDC, LEDC, and the Cultural Wellness Center were able to advocate for and participate in redevelopment that was more responsive to the community culture. Instead of a single large grocery store, which would have provided food access but low-paying jobs to local residents without an opportunity for wealth-building, the Market provides opportunities for local immigrant entrepreneurs to launch their own businesses.

Having Many, High-Capacity Community Development Organizations

Phillips is home not only to a diverse population, but also to many strong community-based organizations. As Paul Williams from PPL suggested: “One of the strengths, back then even as difficult as things were, you had some capable organizations that were able to get stuff done...you had a lot of community voice and you had some organizations with capacity to deliver.” Having not just one but several high-capacity groups has helped Phillips in several ways. On a basic level, it multiplies the amount of activity that can be sustained over a long period of time, as groups worked side by side on parallel efforts in close geographic proximity to each other. For example, between 2004 and 2005 PRG, Inc. developed Franklin Station Townhomes, and it partnered with City of Lakes Community Land Trust (CLCLT) to provide long-term affordable homes. During the same time period and only a block away, Little Earth of United Tribes Housing Corporation rehabilitated its 212-unit housing complex at the intersection of East 24th Street and 18th Avenue. Having many high-capacity groups working side by side also maximizes the impact of individual, smaller-scale development projects. As Staci Horwitz from CLCLT reflected:

When I go out and look at a vacant lot I'll be more effective if I see three to four brand new homes and we're just adding to that, versus going to a completely desolated block and being the first one on the block. First, it could be really tough to sell it, and we see an advantage in being able to leverage our resources with other development activity happening in an area.

It is also possible that having multiple groups with high capacity made it easier for the city and anchor partners to invest in Phillips over time, because it allowed resources to flow toward many different organizations despite their being located in the same neighborhood, which might otherwise have caused political challenges.



PPL Career Center



Hope Community

Chris Wilson from PPL reflected: “If you have a whole series of players, [the city and funders can say] we’re giving out money to all these different groups, but it happens to be that they’re all in the same geography. It feels more distributed.”

It is important to note that many organizations did not start out able to implement large projects but grew their capacity over time, often helped by intentional work on the part of funders and intermediaries, like LISC.²⁷ During the 1990s, groups like Hope Community and PPL were often working on smaller projects, which interviewees referred to as “fixing up one house at a time.” But they could rely on foundation-supported trainings and could partner with each other to learn to take on larger projects, as in the case of Hope Community, whose housing work started small and culminated in the partnership with Aeon on different phases of the South Quarter project.

It is important to note that many organizations did not start out able to implement large projects but grew their capacity over time, often helped by intentional work on the part of funders and intermediaries, like LISC.

Alignment of Vision Among Neighborhood Organizations

Having multiple organizations would not help if they were at odds with each other. Despite the diversity of groups working around multiple neighborhood issues in Phillips, interviewees highlighted that there was an overall alignment of vision for what revitalization efforts needed to accomplish: reduce crime, and create jobs and wealth for local residents. As former mayor Sayles Belton reflected, “Phillips was all about a larger community coming together and saying, the only way this gets done, and get done right, is if we work together.” There was also a general consensus about strategies that local groups should pursue: active community engagement, affordable housing development, and commercial revitalization and small business support.

In Phillips, local groups were aligned about what revitalization needed to accomplish, but did not work in lockstep with each other or need to coordinate about every aspect of their work.

At the same time, there was also the sense that groups did not work in lockstep with each other or need to coordinate about every aspect of their work, but instead could proceed independently as needed. As Will Delaney from Hope Community shared: “To me the story of Phillips is about a bunch of diverse parties and actors, not necessarily acting through some centrally coordinated script of ‘how are we going to make the neighborhood better,’ but working in concert with each other, autonomously, yet relatedly.”

This ability to work both independently and collaboratively has provided the neighborhood with a steady stream of varied services and development activities, and has avoided the gridlock or coordination fatigue that can happen when community revitalization projects are led by a single organization or group, or when the same partners always work with each other.²⁸ It also has meant that resources were not concentrated into a single large project or neighborhood area, but spread throughout the community. Because the variety of revitalization efforts that took place in Phillips are representative of the diverse voices that make up the neighborhood, the majority of community groups interviewed perceive the trajectory of Phillips as a success.²⁹

Supportive Public Partners

In several ways, the public sector, including the City of Minneapolis and Hennepin County, played a critical role in Phillips revitalization. First, the sector supported various development projects directly. It channeled tax increment funding used by the Minneapolis Community Development Agency’s (MCDA) Common Project, as well as allocations from the Low-Income Housing Tax Credit and other federal, state, and local programs, and tax levy dollars for projects like the Mercado Central. Second, the public sector facilitated and supported land assemblage for the redevelopment of the Sears building into the Midtown Global Market. Third, it invested in key projects and infrastructure that complemented community development efforts. For example, the Midtown Greenway is a 5.5-mile former railroad that runs through the heart of the city parallel to the Lake Street commercial corridor. The trail opened to bicyclists and pedestrians in 2006, and allows users to quickly move around the neighborhood avoiding traffic at the street level. Finally, interviewees cited the active role of former mayor Sharon Sayles Belton in directing the anchor and philanthropic sectors to attend to Phillips, and the subsequent support of R.T. Rybeck for affordable housing initiatives.

Conclusion: Partnerships for Equity and Equitable Partnerships

In Phillips, anchor institutions were perceived largely as having a positive impact, for providing economic stability, investing in community projects, and for acting as a major employer with an increasingly diverse workforce. And there was general agreement that the Phillips community is in a much better place today than in the 1990s because community development organizations, advocacy groups, anchor institutions, and city and county officials actively worked together.

These sustained accomplishments do not diminish the challenges that residents still face, or the extent of ongoing efforts on the part of residents, community organizations, corporations, and the public sector to address them. With a poverty rate at 40%, Phillips residents continue to face economic disadvantage and related distress. Homeless encampments, such as those that galvanized action in the 1990s around supportive and affordable housing, still exist, and according to some estimates, fully 6.5% of children who grew up in some parts of the neighborhood may have been incarcerated on a given day in 2010.²⁵ The organizations interviewed as part of this paper continue their vital work in Phillips, as does LISC, through continuing grants to organizations around safety, social services, and job training programs.

Still, Allina Health's commitment to the neighborhood by remaining and expanding its presence in Phillips played an important role in neighborhood stability. After the departure of Sears, which during its tenure on Lake Street employed nearly 2,000 workers as a retail store and regional catalog center, and of Honeywell, which employed over 1,400, Allina Health in contrast chose to expand its presence by locating its headquarters in South Minneapolis, and also to engage the community in its "backyard" so as to promote health equity. During a time when major employers were leaving urban communities for nearby suburbs, Allina Health's increased presence meant that jobs and investments that could have gone elsewhere remained in the neighborhood. Allina Health's worker and visitor population have helped support local businesses and keep that section of the neighborhood active and safe.

The fact that Phillips remains a diverse neighborhood that has experienced both stability and revitalization is in many ways proof of concept for LISC's emerging strategy in partnering with nonprofit and corporate anchors.

Interviewees emphasized that despite the important role of anchors in contributing to community revitalization, they did not lead community revitalization efforts as a whole—and that this dynamic was for the good. Allina Health and other anchors did maintain long-standing partnerships with community groups, although maintaining them over time required significant effort, including the work of keeping up internal momentum within the hospital so that leadership interest would persist over time. For its part, the Phillips Partnership was eager to support investment into the community but, as described by then-county commissioner Peter McLaughlin: "It was a delicate dance of top-down leadership but where there was a concern that we didn't want to go down the road without the community—we wanted to work with the community, but still have a strategy." Community groups as a whole highlighted that Phillips revitalized through diverse groups working both collaboratively and independently, and where leadership was fairly balanced among different stakeholders.

This effort contrasts with anchor strategies and their impact in other areas. For example, in Pilsen in Chicago, a large-scale initiative by University of Illinois at Chicago created homes for 1,500 students and almost 1,000 other residential units. About 60% of properties are owned by the university, and have been seen as catalyzing gentrification in the neighborhood.³⁰ These kinds of programs may be driving gentrification or “studentification” in surrounding areas, as measured quantitatively.³¹ In contrast, Abbott Northwestern and other hospitals’ ambitions were not to expand their campuses significantly into surrounding residential areas, although they were concerned about the neighborhood. Instead, many different partners over time helped stabilize the areas through housing investment. As Ruth Olkon from Allina Health observed about Phillips as a whole, “There’s no one lever, no one driver...in community development you need a lot of drivers, and it’s the collective impact that’s bringing neighborhood stability and revitalization.”



There’s no one lever, no one driver...in community development you need a lot of drivers, and it’s the collective impact that’s bringing neighborhood stability and revitalization.

– Ruth Olkon

In other words, anchors were a critical part of Phillips’s revitalization, but did not appear to be the only force driving change. Instead, high-capacity community organizations, activist residents, public-sector support, and immigration all played roles in stabilizing the neighborhood. Given the lack of a single driver of community development, one might also draw the lesson that anchor strategies and partnerships where community groups are on a more equal footing may better support equitable neighborhood development.

The fact that Phillips remains a diverse neighborhood that has experienced both stability and revitalization is in many ways proof of concept for LISC’s emerging strategy in partnering with nonprofit and corporate anchors. In places like Toledo, we engage with a mission-aligned anchor while building broader local capacity by working with community organizations poised to direct and channel anchor investments. Phillips shows that this presence of a mobilized, engaged, and high-capacity community development infrastructure can overcome tensions that may occur in anchor partnerships and support changes that can lead to revitalization while minimizing displacement.



Allina Health Facility

Endnotes

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- ¹⁶ Children's Minnesota, Abbott Northwestern, and the Phillips Eye Institute.
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- ²⁰ PPL has built or preserved over 2,500 units around Minneapolis as a whole.
- ²¹ Downtown Minneapolis's linked pedestrian footbridges.
- ²² For example, in the Powderhorn, immediately south of Phillips, 5.3% of employed residents also work in the Powderhorn, and in Near North, 6.1% of employed residents both live and work in the neighborhood.
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- ²⁴ Defined as the percentage of home purchase loans for units that are not owner-occupied dwellings.
- ²⁵ As described below, the initial vision for the neighborhood was to recruit a large grocery store.
- ²⁶ In contrast to the Phillips neighborhood, Whittier and Stevens Square, just to the west of Phillips, have experienced significant demographic change since 2000. One of the measures of neighborhood gentrification is change in education levels of adults. Over time, Whittier and Stevens Square have seen greater shifts in adult education attainment than has Phillips. Between 2000 and 2017, the percentage of adults without a high school degree fell 15 percentage points in Stevens Square and 7 percentage points in Whittier, but only 2 percentage points in Phillips.
- ²⁷ As described above, LISC and Minneapolis Foundation provided early capacity-building support to local CDCs, while the McKnight Foundation invested heavily in the neighborhood through the Family Housing Fund and, along with Whittier Foundation, provided much of the funds for micro-lending so small local businesses could open along the neighborhood's commercial corridors.
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