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**Department of
Community Planning & Economic Development**

2005-2009 Business Plan

**Approved by City Council
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Executive Summary

The Community Planning & Economic Development (CPED) Business Plan was updated by a staff team in accordance with the City's business planning process. The plan describes the department's mission, primary business lines, service activities, key initiatives, alignment with City goals, key trends and challenges, relationship to other departments, and key performance measures. The plan is organized according to the department's five primary business lines.

Two new service activities and five new key initiatives have been identified in this updated Business Plan and are italicized in this Executive Summary. The Partnerships primary business line identified in last year's Business Plan has been merged into the Economic Policy & Development business line. Several activities that either support multiple business lines or support other enterprise priorities have been grouped in an "other support activities" category.

Mission Statement

To promote and advance the City's planning and community development goals through strategic partnerships and responsible management of resources, and to support the public interest through implementation of the City's plans and priorities.

Primary Business Lines and Service Activities

1) Community Planning

- Provide support to elected officials, residents, City departments, neighborhood groups, developers and others to further the City's visions and goals as articulated in *The Minneapolis Plan* and other adopted plans. This includes education and outreach as well as assisting with the development of the City's capital and programmatic investment strategy.
- *Conduct long range comprehensive and land use planning*

2) Economic Policy & Development

- Identify, pursue, and promote long-term catalytic redevelopment projects, priority initiatives, and economic development opportunities.
- Build relationships with key businesses.
- Provide sites and financing for neighborhood commercial, mixed-use and industrial development.
- Provide financing and technical assistance to for-profit and not-for-profit businesses.
- Maintain and promote a vital downtown and central riverfront.
- Manage real estate assets and contractual obligations.
- Administer the Minneapolis Empowerment Zone program.

3) Workforce Development

- Manage the Minneapolis Employment Training Program (METP).
- Develop employment partnerships with emerging enterprises.
- Promote living wage job creation and retention through job linkage agreements.
- Continue refining marketing and service programs that help businesses hire and retain Minneapolis residents.

4) Housing Policy & Development

- Provide financing and administer programs for the development and preservation of affordable and mixed-income rental and ownership housing.
- Develop and rehabilitate single-family ownership housing to serve a variety of income levels and household sizes.
- Create an environment that encourages and supports private market activity in the production and preservation of housing for all income levels.
- Provide financing for home improvement and home mortgages in cooperation with the Development Finance Division of the Finance Department.

5) Development Services

- Administer, interpret and enforce the zoning code and land subdivision regulations.
- Review and prepare findings and recommendations on applications for approvals as required by the zoning code, land subdivision regulations and state law.
- Administer and interpret the City's heritage preservation regulations.
- Prepare and recommend to the City Council amendments to the City's land use regulations.
- *Conduct environmental reviews as required by law.*

In addition to the service activities identified above, CPED conducts the following activities to provide internal support to the five Primary Business Lines:

- Conduct research and analysis on trends affecting City policy and development.
- Acquire and sell property for redevelopment, and provide relocation services for businesses and residents displaced by redevelopment activities.
- Provide engineering services and technical assistance for site preparation.
- Provide construction management activities.

CPED conducts the following externally oriented activities:

- Provide community-based services through the Minneapolis Empowerment Zone.
- Coordinate City-sponsored arts and cultural activities and serve as a liaison between private cultural efforts and City services.

Another function, property management services, is currently provided by CPED to its housing and economic development divisions, as well as other City departments and Hennepin County. At CPED's request, the Mayor has recommended that this function be transferred to Public Works beginning in 2005.

Department Alignment with Citywide Strategic Plan

CPED is the primary City department contributing to two City goals:

- Goal 4: Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets.
- Goal 5: Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs and promotes future growth.

CPED is a significant contributor to two City goals:

Goal 6: Preserve and enhance our natural and historic environment and promote a clean, sustainable Minneapolis.

Goal 7: Promote public, community and private partnerships to address disparities and to support strong, healthy families and communities.

Key Trends and Challenges Impacting the Department

CPED must meet five key challenges:

- fully realize the synergies inherent in the new CPED structure;
- encourage alignment of Phase II NRP activities with City goals, policies and priorities;
- attune CPED more closely to the private marketplace;
- determine a City ownership housing strategy; and
- formalize and communicate the Planning Division's role in assisting with the development of the City's capital and programmatic investment strategy in accordance with adopted plans.

Economic and demographic trend information is presented in Section One.

Key Performance Measures and 2005 Initiatives

Key outcome and performance measures are detailed within the individual business line descriptions. Some of the service activities and related measures are relatively new and therefore do not have historical data. Key measures for the department include:

- number of new/conversion multifamily housing units completed;
- number affordable (<50% of MMI) units placed in service;
- number of single-family units completed;
- estimated increase in annual property taxes due to economic development projects;
- number of new jobs created;
- number of small business loans issued;
- number of neighborhood (small area) plans approved by City Council;
- number of land use applications reviewed;
- number and value of building permits reviewed;
- gap in unemployment rate between city and metropolitan region; and
- number of people placed in jobs through workforce development programs.

Key 2005 initiatives are also detailed within the individual business lines; overall department efforts will strive toward (new key initiatives are italicized):

- *closer coordination with Public Works on transportation issues and overall capital improvement planning;*

- *encourage alignment of City and NRP resources around City priorities and seek cooperative implementation strategies;*
- *develop a CPED workforce and organizational development strategy, including next steps resulting from the 2004 retirement incentive program; and*
- refocus research activities and products to more effectively target current and future market conditions and trends.

Community Planning Key Initiative

- **Complete, Prepare and Assist with Several Plans** - including the Lake Street Development Objectives, Industrial Land Use Plan, Midtown Greenway Land Use Plan, South Lyndale Small Area Plan, Sustainability Plan, Critical Area Plan, West Broadway Strategic Plan, and LRT-related plans.

Economic Policy & Development Key Initiatives

- **Create New Riverfront Partnership** – CPED will enlist philanthropic support for a new riverfront partnership to guide activities in the Central and Upper Riverfront. This will ensure better coordination among all organizations whose missions include the Mississippi River. The partnership will develop a long-term funding plan to guide riverfront development. An initial opportunity for the partnership could be developing a work plan for the redevelopment of the Upper Harbor Terminal property.
- **Develop Plan for University Research Park** - CPED will continue to work with the State, the University, researchers and developers to revise the Master Plan for the SEMI/Bridal Veil area as necessary and to identify opportunities leading to construction of research and related buildings in the URP. CPED will also work with Public Works to design and construct, with available resources, planned infrastructure. In addition, CPED will identify opportunities for legislation (bonds for infrastructure and change in tax increment law to permit pooling) that will foster development of the URP.
- **Implement Business Toolbox** – CPED will implement a pilot program that uses an entrepreneurial approach to economic development. The approach emphasizes working with existing businesses to promote their development, which should lead to job creation and foster a climate that supports entrepreneurial activity.

Workforce Development Key Initiatives

- **Conclude the “Close the Gap” Campaign** – Given financial support, conclude the campaign by eliminating the gap between City and metro area unemployment rates by the end of 2005.
- **Support Creation of Public Service Careers Institutes** – The City of Minneapolis, Minneapolis Community and Technical College, and the University of Minnesota and other governmental institutions will work together to develop career laddering opportunities for existing public sector employees. CPED will also work to improve the relationship between those institutions and Edison High School by providing opportunities for mentorship, internships and curriculum development.

Housing Policy & Development Key Initiatives

- **Identify Funds to Complete the Heritage Park Finance Plan** – CPED has developed a finance plan that identifies a strategy to meet the construction deadline as described in the Federal Court order. The Heritage Park finance plan has a financing gap that needs to be eliminated. The gap is primarily centered around Non-Court Ordered (basically project recommended) expenses. Together with its project partners, CPED will work to identify firm funding sources to address the existing gap by 2005. CPED will also work to ensure solid project management for its portion of the remainder of the project. A priority for 2005 will be to move the Phase I and Phase II ownership housing development forward and create a plan for Phase III and Phase IV ownership housing development. This, coupled with emphasis placed on the Bassett Creek Valley area, will contribute to project completion efforts.
- **Implement Corridor Housing Strategies** – CPED is pursuing several integrated corridor housing strategies in order to achieve the City's goals to promote future growth and increase housing that is affordable to low and moderate income households.
- **Implement the Northside Home Fund** – In 2004, CPED established a Northside Partnership focused on three areas: housing, economic development and crime. The Northside Home Fund was developed as part of the Northside Partnership initiative. Leveraged by \$1 million in City funds, over \$41 million will be invested in North Minneapolis housing.
- **Improve the Quality of Housing Stock** – CPED will implement the NRP/CPED Lot Redevelopment Program to address blighted housing. Properties that are good candidates for rehabilitation will be acquired and rehabilitated under the Homeownership Works (HOW) Program. Properties that are not candidates for rehabilitation will be acquired and demolished for resale to allow new construction.

Development Services Key Initiatives

- **Implement Minneapolis One Stop and Related Customer Service Improvements** – Customer service improvements will include data clean-up, better coordination with other departments (licensing, plan review, public works, housing), streamlining the land use application and appointment process, revising frequently requested forms, handouts and instructions, employing a case manager system where appropriate, and instituting an automated phone system to better direct callers to available resources. In addition, CPED collaborates with Regulatory Services staff on computer data entry and cleanup of permit approvals in the KIVA (computer program) database in order to provide current and complete zoning and historic preservation information by parcel.

Introduction

The CPED Business Plan was updated for 2005 by a team comprised of representatives from each of its five primary businesses and from two labor unions. The Finance and Human Resources departments also had representatives on the team. Throughout the process, the team communicated with and received feedback and direction from CPED management.

Team members included:

Community Planning

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Economic Policy & Development

Tom Daniel

Bob Lind

Narin Sihavong

Workforce Development

Deb Bahr-Helgen

Chip Wells

Housing Policy & Development

Edith Johnson

Cynthia Lee

Development Services

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Jayne Rizner

Jeff Schneider

Finance

Joan Mathieu

Human Resources

Carol Rogers

The process of updating the Business Plan began in June and continued through October 2004.

Section One of the Business Plan provides an overview of the department, including its mission statement, primary business lines, alignment with City goals, key trends and challenges, and the organizational chart.

Section Two describes for each Primary Business in turn its service activities; markets, customers and expectations; relationship to other departments' and agencies' businesses; and key performance measures.

Section Three describes the key initiatives and other models of providing service for each Primary Business.

Section Four describes department resources, including a finance plan, workforce plan, technology plan and equipment and space plan.

Section One: Department Overview

This section provides an overview of the department, including its mission statement, primary business lines, alignment with City goals, key trends and challenges, and the organizational chart.

Department Mission Statement

To promote and advance the City's planning and community development goals through strategic partnerships and responsible management of resources, and to support the public interest through implementation of the City's plans and priorities.

Identification of Primary Business Lines

The Department of Community Planning & Economic Development (CPED) has five primary business lines:

1) Community Planning

CPED prepares and facilitates the implementation of the City's comprehensive plan and other adopted plans, including assisting with the City's capital and programmatic investment strategy.

2) Economic Policy & Development

The Economic Policy & Development business line is focused on business retention, expansion, creation, and attraction – both downtown and in the neighborhoods. Through this business line, CPED provides the financing, programmatic and real estate tools used with commercial, mixed-use and industrial development and expansion. The division administers the Minneapolis Empowerment Zone program.

3) Workforce Development

CPED manages a system that identifies and prepares Minneapolis residents for living wage job opportunities and builds partnerships to improve career opportunities in the city.

4) Housing Policy & Development

CPED provides financing and administers programs for housing development, preservation and rehabilitation; provides financing for home improvement and home mortgages through vendor contracts in cooperation with the Development Finance Division of the Finance Department; and encourages and supports private market activity in the production and preservation of housing for all income levels.

5) Development Services

CPED administers, interprets and enforces the zoning code, land subdivision regulations and heritage preservation regulations, and reviews applications for approvals as required by city ordinance and state law.

The sixth primary business line identified in last year's business plan, Partnerships, has been merged into the Economic Policy & Development business line. Several activities that either support multiple business lines (such as research and construction management), or support other enterprise priorities (such as arts and culture and the Empowerment Zone's work on crime

and safety) have been identified or recategorized. These are grouped together in an “other support activities” category.

Department Alignment with Citywide Strategic Plan

CPED is the **primary City department** contributing to the following two City goals:

Goal 4: Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets.

- CPED assists in the preservation and creation of living-wage jobs, enhances the city's tax base, secures financing to redevelop blighted and contaminated areas, and supports the provision of commercial services to city residents.
- Through financing and technical assistance provided to small businesses, CPED leverages private financing for business expansion projects that retain businesses in the city, increase the availability of neighborhood commercial services, retain and create jobs, and support business start-ups among minority and immigrant populations.
- CPED works to strengthen downtown retail and entertainment sectors and to maintain downtown as the principal employment center of the region.
- CPED's employment, training and workforce development programs create opportunities for individuals to access good-paying jobs while helping employers meet their hiring needs.
- To help make Minneapolis an easier city within which to do business, CPED will provide project management assistance (regardless of the need for public financial assistance) and will collaborate with Regulatory Services in Minneapolis One Stop.
- Through its market advocates, CPED will help businesses navigate the planning, zoning and regulatory processes.

Goal 5: Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs and promotes future growth.

- CPED provides financing for the development of a mix of housing styles, types, densities and unit sizes, as well as ownership and rental opportunities.
- CPED's housing development efforts address the entire range of affordability and the full life-cycle continuum, including senior/elderly housing and supportive housing for special needs populations.
- CPED integrates housing with other development opportunities, including those within the Empowerment Zone, along the light rail transit corridor, on the riverfront and within downtown.
- CPED exercises development controls and works in partnership with other City departments and community organizations to ensure housing quality and compatible design.
- CPED is pursuing Corridor Housing strategies to promote future growth, including the Corridor Housing Initiative and the Higher Density Corridor Housing Program.

CPED is a **significant contributor** to the following City goals:

Goal 6: Preserve and enhance our natural and historic environment and promote a clean, sustainable Minneapolis.

- CPED planning and development efforts seek to preserve and enhance the city's natural and historic environment.
- Energy efficiency and sustainability are addressed in CPED's housing programs.

- CPED's riverfront redevelopment activities assist in the preservation of historic buildings and resources.
- CPED implements land use regulations and administers and interprets the City's heritage preservation regulations.
- CPED works closely with residents and businesses to address community livability issues through the elimination of residential blight and the development of quality housing.

Goal 7: Promote public, community and private partnerships to address disparities and to support strong, healthy families and communities.

- CPED delivers quality housing that contributes to the social well-being of individuals, communities and the city as a whole.
- Homeless and supportive housing bring together appropriate services and a stable housing environment for vulnerable populations.
- CPED's economic development activities and employment, training and workforce development programs contribute to economic self-sufficiency for families.

CPED, **along with every City department**, supports and strives to achieve the following goals:

Goal 3: Deliver consistently high quality City services at a good value to our taxpayers.

- CPED supports this goal by striving to ensure that planning and development processes and policies are clear, consistent and well managed.
- CPED uses a variety of public funding tools to leverage private financing for residential, commercial and industrial development.
- CPED delivers high-quality employment and training services to city residents at a reasonable cost with a high return on investment, and uses performance-based contracting arrangements to ensure accountability.
- The integration of MCDA into the City structure provides the opportunity to reduce support services costs over time by integrating duplicated functions of Finance, Human Resources, Information Technology and Communications into the central service departments.

Goal 8: Strengthen City government management and enhance community engagement.

- The creation of CPED contributes to enhanced enterprise alignment and government management by consolidating policy direction and enhancing management coordination with other departments.
- Combining the previously separate functions of MCDA, Planning, METP and EZ will promote and facilitate greater strategic and programmatic coordination.
- CPED enhances community engagement by maintaining positive relationships with neighborhoods and supporting their involvement in planning and review processes.
- Community planners are assigned to each of five geographic sectors of the city to maintain communication and a presence in the neighborhoods.
- Public notification is required as part of the development review process.
- CPED engages a network of community-based organizations and neighborhood groups to deliver employment and training programs in their service areas.
- CPED continues to operate citizen participation processes and directly supports numerous boards and committees, including the City Planning Commission, Heritage

Preservation Commission, Arts Commission, Board of Adjustment, Interagency Stabilization Group, Affordable Housing Task Force Advisory Group, Capital & Debt Management Committee, Empowerment Zone Governance Board, Minneapolis Private Industry Workforce Council, and participates in many others.

CPED **indirectly supports** the following goals in that development design elements and the elimination of blight contribute to ensuring a healthy, vital and safe city:

Goal 1: Build communities where all people feel safe and trust the City's public safety professionals and systems.

Goal 2: Maintain the physical infrastructure to ensure a healthy, vital and safe city.

Key Trends and Challenges Impacting the Department

Challenge of Fully Realizing the Synergies Inherent in the New CPED Structure

Although the legal, financial and initial programmatic steps to create CPED have been accomplished, more work is necessary to fully coordinate and integrate the work of its various components. Planning and project staffs are still learning about each other's roles and how to work together more effectively. The work of METP and the Empowerment Zone is being better coordinated with staff in the Housing and Economic Development divisions; the merger of the Partnerships division into Economic Development should help facilitate this communication. The department's relationships with various internal service providers is continuing to be fine tuned as problems are identified and addressed; various functions formerly done by MCDA (such as legal services) continue to be transferred to their respective City departments, and additional discussions on other service areas (such as property management) are ongoing (see Assessment of Other Models of Providing Service). CPED's ongoing working relationships with other operating departments such as Regulatory Services and Public Works continue to evolve and mature. Finally, the department is beginning to create a more coherent public image via its web site and other publications.

Challenge of NRP Alignment with City Goals and CPED Programs

During the last year, CPED and NRP have worked together to clarify respective roles and programmatic initiatives. CPED and NRP successfully collaborated on the current year's RFP process for affordable housing and on a new Lot Redevelopment Program. CPED continues to work with NRP on its overall Phase II programmatic initiatives, including its housing programs which will comprise upwards of 70 percent of its Phase II resources. CPED looks forward to working with NRP on its five-year business plan, and will continue to work toward greater alignment of NRP resources and citywide priorities.

Challenge of Attuning CPED More Closely to the Private Marketplace

Historically, the City has financed below-market housing and economic development programs and projects without a full understanding of market trends or the effectiveness of its efforts at market interventions. The City and CPED need to be more closely attuned to the needs and gaps in the private marketplace on a real time basis in order to assist private growth and development where appropriate (i.e. reducing regulatory friction and transaction costs) and to intervene in the market in a more timely and effective manner when appropriate. Program design must be driven more by conscious policy choices backed by solid information and analysis and less by developer, funder or political considerations. This will require expanded efforts to assemble and organize information available from outside sources and, where necessary, producing information within the department.

Challenge of Determining City Ownership Housing Strategy

The City's Affordable Rental Housing strategy, investment, and programmatic policies are well established. In the Ownership Housing area, CPED continues to evaluate and evolve existing programs and introduce pilot policy initiatives. As evidenced in the recent Community Development Committee discussions, debate continues over various policy objectives and outcomes, including need-based eligibility, wealth creation, alignment with NRP and other non-

profit investments and delivery systems, cost of administration, and a host of other policy considerations.

Challenge of Determining Planning's City Enterprise Role

Planning's City enterprise role will continue to evolve. Its roles in the One-Stop Development Review Center, CLIC review, expanded synergy within CPED, coordination with Public Works planning, participation in redevelopment prioritizing, small area planning investment analyses, assistance with the development of the City's capital and programmatic investment strategy, and coordination with NRP are expanding. Planning's leadership opportunities need to be continued to be evaluated as resources and focus become available.

Economic and Demographic Trends

CPED tracks market and socioeconomic data and trends to better understand current community needs and more effectively direct the department's limited public resources. Significant trends in the last year include the following:

1. Number of Jobs Decreased

Following state and national trends, the number of jobs within the city decreased 2.7 percent from 2000 to 2003, from 309,352 to 287,638. From 4th Quarter 2002 to 4th Quarter 2003, the number of Minneapolis jobs decreased by 9,490. In contrast to this decline, three categories showed increases over the past year: a) health care and social assistance (from 42,090 to 42,120 jobs); b) arts, entertainment and recreation (from 4,820 to 5,050); and c) accommodation and food services (from 20,540 to 20,810).

Health care and social assistance has the highest number of jobs available and continues to grow in job availability, but has the lowest wage scale of the top four categories in the number of jobs. Finance and insurance has the highest wage scale, but this has dropped by 2.2 percent over the past year – the only one of the top four job categories that exhibited a decline in wages for the period. In addition, finance and insurance lost 400 jobs in 2003. The biggest job loser was educational services, down by 1,840 jobs, but the wage scale increased by almost two percent. Health care should continue to be a strong employment sector as the population continues to increase in the age categories over 40.

2. Labor Force Participation Increased

In 2000, 72 percent of all persons over the age of 16 within the City of Minneapolis were in the labor force. In the past year, the labor force increased from 219,503 in 4th Quarter 2002 to 230,258 in 4th Quarter 2003 (+10,755 persons). As the numbers in the labor force increased while the number of jobs decreased, the unemployment rate increased. The city's immigrant population continues to grow, many with limited education or skills, creating a need to work in less skilled/service industries. This job sector has seen strong growth in recent years; however it appears that some of the new Minneapolis residents may not be entering the labor force.

3. Population Continues to Age

The number of persons over age 75 is currently decreasing in Minneapolis, but the number of persons aged 40 to 59 is growing. The number of families is declining, with an increase in the number of non-family households; at the same time, the number of persons per household is decreasing. Minneapolis' housing stock remains primarily single-family, at 74.4 percent of the city's structures. Multifamily units comprise 55.8 percent of all units, showing no substantial change from 2002 to 2003. New construction of units in 2003 showed an increasing emphasis on multifamily structures, which would tend to serve smaller family sizes and the aging population.

4. Housing Costs and Needs

The source for data presented in this section is the 2000 Census of Population and Housing.

The percentage of renters is declining slightly as median housing value and sale prices are increasing. Median income is increasing, but not as quickly as housing value. Of those renting, 26.25 percent of their income goes toward rent. Black residents pay the highest percentage of income on rent. Hispanics pay the lowest percentage on rent – 1.5 percent less than white residents. Rental vacancy rates are increasing somewhat, but are just now getting to a level that sustains the housing market (6 to 7 percent).

Percent of Income Paid in Rent, by Race

<u>White</u>	<u>Black</u>	<u>Native American</u>	<u>Asian</u>	<u>Hispanic</u>
25.3	29.0	27.9	27.7	23.8

Homeowners with a mortgage are paying slightly less of their income on housing costs than renters, with 21.52% of owners' income going toward housing. Black residents with a mortgage pay the highest percentage of income on home ownership at 24.4 percent; Native American homeowners pay 23.2 percent. Hispanic homeowners without a mortgage pay substantially more than any other race as a percentage of their income, at 21.0 percent, with other races paying only 10.0 to 11.2 percent.

Percent of Income Paid by Homeowners, by Race

	<u>White</u>	<u>Black</u>	<u>Native American</u>	<u>Asian</u>	<u>Hispanic</u>
Total	18.2	23.7	23.0	20.9	21.8
With Mortgage	19.9	24.4	23.2	21.9	21.9
Without Mortgage	10.8	11.2	10.0	10.9	21.0

The number of renters is declining a bit, and median housing value and sale prices are increasing at a similar rate. Median income is increasing, but not as quickly as the housing value. It appears that some renters may be purchasing homes, particularly given recent low interest rates.

5. Office Space

During the 12 months ending with the first quarter of 2004, downtown Minneapolis office space grew by approximately one percent to a new total of 22.2 million square feet, in contrast to the metro area as a whole, which reduced overall office space by 0.1 percent.

Downtown growth was modest and did not reverse the recent trend of negative absorption rates. The metro area continued to have negative absorption, although it was recovering from 2002-03. As of 1st Quarter 2004, vacancy rates remained high for both the downtown (18.7 percent) and metro areas (17.5 percent).

6. Retail Space

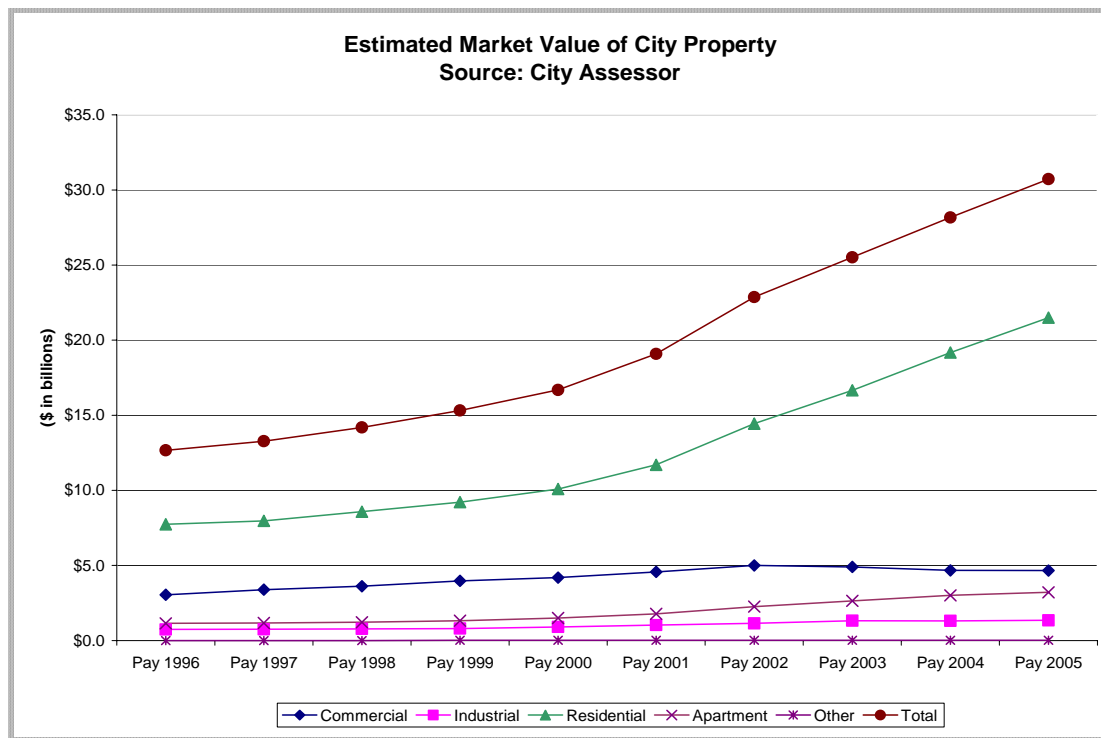
Retail space (gross rentable area) in downtown remained flat in the 12 months preceding 1st Quarter 2004. During this same period, the metro area added over two million square feet (four percent) of occupied retail space. As of 1st Quarter 2004, the retail rate vacancy rate in downtown Minneapolis was 9.1 percent, compared to a metro area vacancy rate of 5.7percent.

7. Commercial and Industrial Construction

Total value (according to building permits) of new commercial construction within the city in 2003 was \$127.8 million, up slightly from the previous year. Total value of new industrial construction in 2003 was \$3.3 million, compared to the 2002 level of \$7.8 million. There are no comparable metro area figures available at this time.

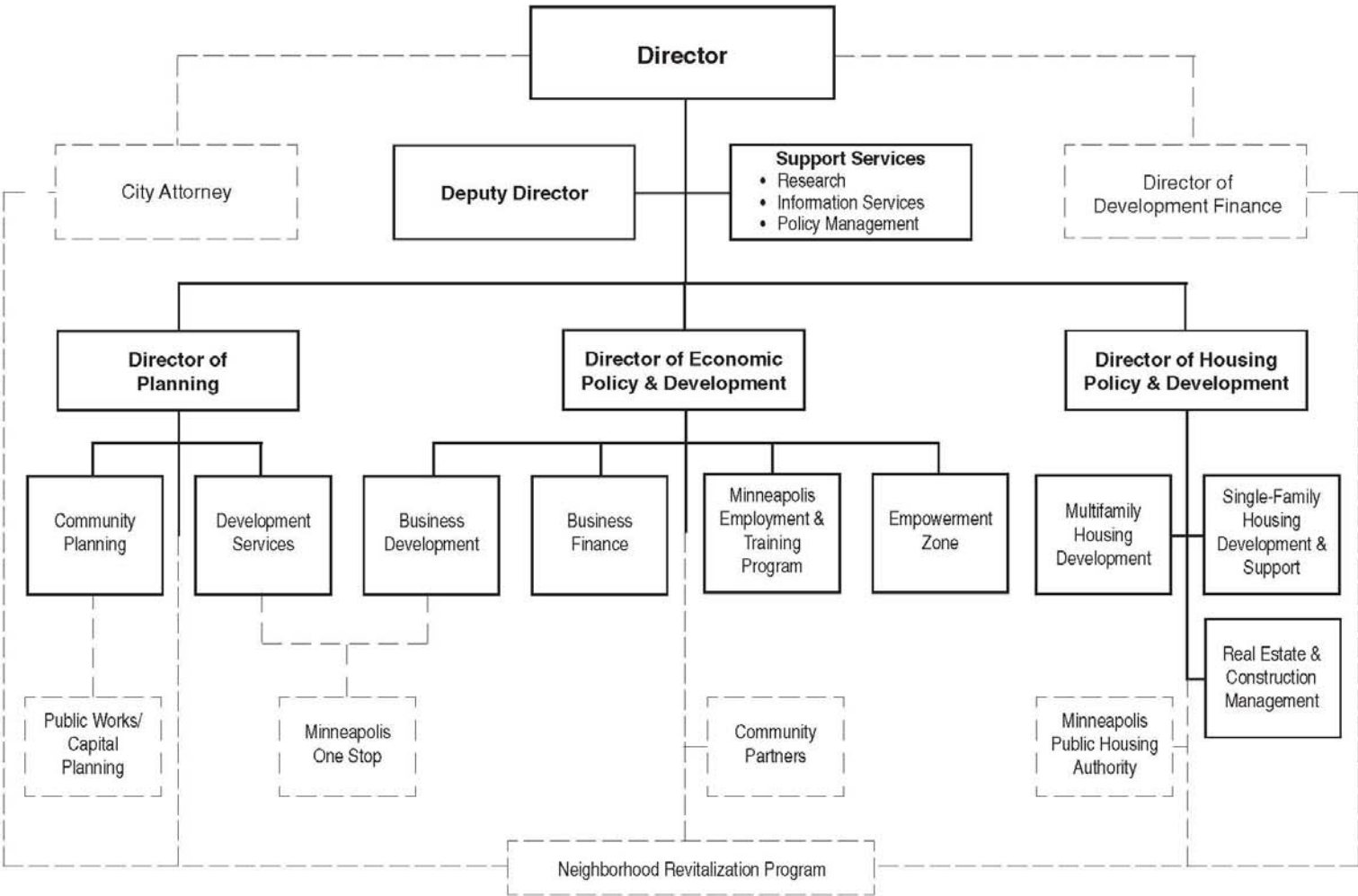
8. Estimated Market Value

Following a decade long trend, total EMV for all property classes continued to increase in the last calendar year. This is largely driven by the significant and steady increase in residential values, compared to other property classes, notably commercial and industrial properties. A graph of the above trend appears below:



Community Planning & Economic Development

Organization Chart December 2004



* Dotted lines indicate key on-going relationships with other departments and agencies.

Section Two: Business Line Overview

This section describes for each Primary Business in turn its service activities; markets, customers and expectations; relationship to other departments' and agencies' businesses; and key performance measures. In addition to the five Primary Businesses, CPED conducts activities in the areas of research, real estate acquisition and disposition, relocation and engineering. These activities are described at the end of this section.

Community Planning

Primary Business Line Definition and Description

CPED prepares and facilitates the implementation of the City's comprehensive plan and other adopted plans, including assisting with the City's capital and programmatic investment strategy.

Service Activities

1. Provide support to elected officials, residents, City departments, neighborhood groups, developers and others to further the City's stated goals and visions as articulated in *The Minneapolis Plan* and other adopted plans. This includes education and outreach as well as assisting with the development of the City's capital and programmatic investment strategy.

CPED is responsible for facilitating the implementation of the Comprehensive Plan and other adopted plans by coordinating planning issues and projects by geographic sectors and reviewing capital improvement and housing and economic development proposals for consistency with the Comprehensive Plan and other adopted plans. Planning should help define development and redevelopment priorities and resource allocation and assist in the development of the City's capital and programmatic investment strategy.

2. Conduct long range comprehensive and land use planning

CPED is responsible for preparing, implementing, and refining the City's comprehensive plan. This is accomplished through interaction with various groups and organizations. CPED provides guidance, assistance, technical support, research, and plan preparation.

Identification of Markets, Customers and Their Expectations

Markets

The demand for this business line has been increasing. The evidence has been an increase in the number of requests for planning services from Council Members and increased communications from neighborhood organizations regarding neighborhood and small area plans.

The external and internal trends/factors that will impact customer demand over the next five years include:

Increasing land values and high level of development activity and pressures continue to increase the demand for planning services, including the development of new small area plans and development objectives, and renewed interest in the focused implementation of adopted plans.

The NRP reduction in available funds will likely lead to neighborhoods relying more heavily on the Planning staff to assist with neighborhood planning efforts. Lack of resources citywide will reduce the number of projects that can be handled (listed as priority) in any given year, due to lack of staff.

Customers

The primary customers for this business line include:

- Neighborhood Organizations
- Business Organizations
- Residents
- Mayor
- City Council
- City Departments

Expectations

A survey instrument will be initiated in 2005 to measure the participants in planning processes to determine the effectiveness and participation of these efforts. The information collected will be used to further refine planning processes in the future.

The workload expectation of the Community Planning staff needs to be monitored, prioritized and communicated on an ongoing basis. The type and amount of community planning services is limited by available resources (both staff levels and funding for professional services). There are now 5.5 FTEs in Community Planning. Customers, as defined above, must continue to be made aware of these limitations. In 2004, 1.5 FTEs were transferred from Community Planning to Development Services to address an increasing volume of land use applications.

Fees

NRP pays a cost recovery fee for CPED assistance to NRP projects and activities.

Relationship to Other Departments' and Agencies' Businesses

Coordination with and knowledge of all City departments' activities is essential to maintain and further a cohesive vision for the City through its comprehensive planning activities. This coordination is necessary to guide the proper implementation of the City's stated goals and priorities in a synchronized and timely manner.

Community Planning activities are intertwined with other CPED business lines. CPED has taken steps to ensure Community Planning's "up front" involvement in housing and economic development projects, to facilitate early identification of planning issues. Generally, the role of community planners in the development process is to ensure compatibility with City goals and the comprehensive plan. Planners participate in the preparation of Requests for Proposals and

in the review of development proposals. Planners help draft sections of reports to the City Council regarding development projects; specifically, planners review descriptions of zoning and comprehensive plan issues. When projects progress to review by Development Services, community planners provide project background information to Development Services staff.

Community Planning also involves participation by individuals, neighborhood and business organizations, through small area planning processes. The Neighborhood Revitalization Program should be utilized as a source of information regarding specific neighborhood issues, which Community Planners take into account when addressing the larger area-wide and citywide issues in planning processes.

Community Planning plays a key role in the CLIC process by reviewing proposals as they are submitted for consideration to ensure consistency with adopted plans and policies. In this way, all City departments, including the Library, School and Park Boards, are integrated into the capital improvement review and recommendation process.

Community Planning is also a user of the City's GIS services for planning studies and analyses. This system is also not fully integrated for all users, with lack of resources for training and equipment hindering the ability of planners to do their jobs in the most effective manner.

Key Performance Measures

Key Business Line Outcome Measures

- Number of City plans/policies approved or amended
- Percentage of residents involved in planning process who are confident that their input and the developed plan will become part of the City's decision-making process, as measured by a participant survey
- Number and percentage of submitted CLIC proposals, City-financing projects, and small area plans developed by neighborhood groups and others reviewed by staff for consistency with the comprehensive plan and other adopted plans

Policy Measures by Service Activity

The following performance measures will be reported to the City Council and Mayor to inform policy decisions.

1. Provide support to elected officials, residents, City departments, neighborhood groups, developers and others to further the City's visions and goals as articulated in *The Minneapolis Plan* and other adopted plans. This includes education and outreach as well as assisting with the development of the City's capital and programmatic investment strategy.
 - Number and percentage of submitted CLIC proposals, City-financing projects, and small area plans developed by neighborhood groups and others reviewed by staff for consistency with the comprehensive plan and other adopted plans
2. Conduct long range comprehensive and land use planning.
 - Number of City plans/policies approved or amended

- Percentage of residents involved in planning process who are confident that their input and the developed plan will become part of the City's decision-making process, as measured by a participant survey

Management Measures by Service Activity

The policy measures cited above will also be monitored within CPED for management purposes; there are no additional measures that are management measures only.

Business Line Overview: Economic Policy & Development

Primary Business Line Definition and Description

The Economic Policy & Development line of business is focused on business retention, expansion, creation, and attraction—both downtown and in the neighborhoods. Through this line of business, CPED provides the financing, programmatic and real estate tools used with commercial, mixed-use and industrial development and expansion. To promote a healthy business climate, CPED assists with building necessary physical infrastructure, community amenities and cultural resources. This business line's work enhances the City's tax base, preserves and creates living wage job opportunities, assists with redeveloping blighted and contaminated areas, supports the provision of commercial services to City residents, and promotes Minneapolis as a world-class business community. Economic development activities often involve installation or rehabilitation of infrastructure, environmental remediation, preservation of historic buildings and resources, patient capital, and complex partnerships. CPED provides quality technical assistance in its economic development activities and collaborates with Minneapolis One Stop to reduce transactional time and costs.

Service Activities

1. Identify, pursue, and promote long-term catalytic redevelopment projects, priority initiatives, and economic development opportunities.

Under the policy guidance of the City Council, CPED acts as the lead among multiple partners in the redevelopment of geographic areas of the city and in the implementation of economic development strategies. CPED works to create synergies among activities undertaken by disparate departments and agencies. CPED uses targeted market data to inform the planning documents that guide redevelopment activities. CPED advocates at the local, regional, state, and federal levels for the policies, laws, tools, and resources needed to be effective. CPED markets areas for development.

2. Build relationships with key businesses.

CPED advocates for business needs, promotes its services to the business community, and works to strengthen entrepreneurial networks. CPED fosters improved relationships between key business leaders and elected officials. CPED exchanges its knowledge of planning initiatives, market trends, and socioeconomic data with the business community to identify markets and anticipate market needs.

3. Provide sites and financing for neighborhood commercial, mixed-use and industrial development.

CPED conducts site and facility searches, provides site assembly, and offers financial assistance for commercial, mixed-use and industrial development. As part of these activities, CPED provides technical assistance and helps reduce barriers to development.

4. Provide financing and technical assistance to for-profit and not-for-profit businesses.

CPED uses a variety of funding tools, programs, and strategic partnerships to leverage private financing, or provide direct affordable financing, for business expansion projects that keep businesses in the city, increase the availability of neighborhood commercial services, preserve and improve commercial buildings, retain and create jobs, and support business start-ups. CPED provides technical assistance and guidance to businesses starting, expanding or relocating in Minneapolis.

5. Maintain and promote a vital downtown and central riverfront.

CPED works to maintain downtown as the principal employment center of the region and helps to strengthen downtown retail and entertainment sectors. CPED owns and manages three downtown theaters and the Target Center. With its riverfront revitalization partners, CPED enhances riverfront recreational, entertainment, historic and cultural amenities and attractions. CPED assists with the development of a variety of downtown and riverfront housing opportunities for all income levels.

6. Manage real estate assets and contractual obligations.

CPED manages real estate assets throughout the city, including downtown and community theaters, Target Center, and the Upper Harbor River Terminal. After project completion, CPED administers long-term, on-going aspects of redevelopment contracts and services loans.

7. Administer the Minneapolis Empowerment Zone program.

CPED manages federal dollars and promotes tax credits as part of the U.S. Department of Housing and Urban Development (HUD) designation of specific geographic areas of Minneapolis as a Round II Urban Empowerment Zone (EZ). The goal of the program is to reduce poverty and increase wealth in the city's lowest income neighborhoods. The EZ takes a holistic approach to community development by funding job creation, small business development, affordable housing options, community based safety strategies, enhanced educational opportunities and coordinated delivery of supportive services. The EZ investments are directed by a 35-member Governance Board.

Identification of Markets, Customers and Their Expectations

Markets

Regardless of whether the economy is strong or weak, demand for economic development services is robust. One of the most significant projects in 2004 has been Midtown Exchange, the 1.2 million square foot mixed-use redevelopment of the former Sears building. Other on-going initiatives include SEMI/University Research Park and redevelopment of the Central Riverfront. Efforts in commercial corridors and transit-oriented development continue. Business finance programs continue to be highly utilized and have been expanded through new partnerships to serve more businesses inside and outside Minneapolis. Revenue bond financing for medical facilities, nursing homes and nonprofit organizations continues at a high level of demand. Industrial development activity ebbs and flows with the economy.

Among the factors impacting demand are:

- Economic conditions
- Interest rates
- Demographics
- Public confidence in the City enterprise
- Public confidence in the community/business climate
- Infrastructure
- City requirements and transactional friction
- Activities of other units of government
- Conversion of industrial and/or commercial areas to residential use
- City infrastructure investments
- Federal and state funding for remediation of polluted land

Customers

The primary customers for this business line include:

- Residents
- Developers (for profit and not-for-profit)
- Neighborhood groups
- Business owners
- Business associations
- Real Estate professionals
- Bankers/lenders
- City of Minneapolis Departments—such as Public Works and Park Board

Expectations

The primary expectation of the Economic Policy & Development business line is to improve the economic health of the city and provide living wage and career employment opportunities.

Factors affecting the ability to meet demand include:

- Budget limitations and the impact on staffing levels and the ability to market/promote services
- City restructuring and realignment of services
- Reduction in external funding sources and financing tools
- Reduction in amount of industrial land in city

Fees

The Economic Policy & Development business line collects some fees. Revenue bond fees and other business loan program fees cover all of the Business Finance administrative expenses and contribute to the capital funding needs of the small business assistance programs.

NRP pays a cost recovery fee for CPED assistance to NRP projects and activities.

Examples of other fees include application and project analysis fees paid by developers requesting tax increment financing or tax abatement assistance, and fees paid by MnDOT for

land pass-through transactions. The Economic Policy & Development business line is examining other ways to increase fee revenue.

Relationship to Other Departments' and Agencies' Businesses

CPED's Economic Policy & Development business line is the only one in the City that is focused on business retention, expansion, creation and attraction. As such, CPED is the sole department that provides the advocacy, financing, programmatic and real estate tools used with commercial, mixed-use and industrial development and expansion. Only CPED provides a full package of economic development services that include property acquisition and disposition, relocation, demolition, environmental cleanup, small business loans and legal services, including condemnation and real estate transactional work.

In conducting its work, CPED interacts with neighborhoods, numerous City departments, other governmental agencies and private sector parties. All of these partners are critical to CPED's success in this business line.

In implementing development activities, coordination with CPED's Community Planning and Development Services business lines is essential, as is collaboration with CPED's Employment and Training Program. Regulatory Services and Public Works also play critical roles in the development process. CPED's formalization of a market advocacy role and the department's participation in the development of the Minneapolis One Stop will help to improve the delivery of services. Coordination of work plans within and among departments, the development of integrated systems, and increased staff accountability are necessary to increase efficiency and effectiveness in the redevelopment process.

Financing support for projects comes from many sources. Hennepin County, the Metropolitan Council, the Department of Employment and Economic Development, and state and federal environmental agencies are key partners in providing funding for environmental investigation and cleanup. Federal transportation funds continue to be important in the development of infrastructure in key areas. Private lenders are essential participants in development financing. Foundation grants and funding from NRP plans have also contributed to completing the financing on development projects.

In small business financing, key participants include: 1) private lending institutions through the provision of a portion of the financing; 2) NRP through various neighborhood small business loan and grant programs; and 3) the Community Reinvestment Fund through real estate financing and the New Markets Tax Credit Program. Regulatory Services has an important role in small business loans because the level of inspections has a direct impact on the project being financed. Along commercial corridors, small business financing often becomes part of the package put together in business development projects.

Because of its unique skill set and experience, CPED has provided technical assistance and site assembly services to other governmental entities, NRP, and for-profit and non-profit developers. Examples include City holding ponds, police stations, the Convention Center, the animal shelter, the Public Works maintenance facility, Humboldt Greenway and Walker Library.

The Economic Policy & Development business line acts as the financial intermediary between HUD Empowerment Zone financing, community based organizations and other CPED business lines to finance developments serving residents of the Empowerment Zone. This includes affordable rental, homeownership, workforce and perpetual affordability housing.

Empowerment Zone funds are also used to support community-based services, education programs and safety initiatives.

Key Performance Measures

Key Business Line Outcome Measures

- Increase in property taxes due to economic development projects
- Number of businesses assisted by market advocates/case managers
- Number of jobs created in the calendar year by assisted projects
- Number and value of business loans
- Number of downtown/riverfront entertainment, cultural, recreational and educational amenities completed
- Dollar amount of contamination cleanup grants secured

Policy Measures by Service Activity

The following performance measures will be reported to the City Council and Mayor to inform policy decisions.

1. Identify, pursue and promote long-term catalytic redevelopment projects, priority initiatives and economic development opportunities.
 - Increase in property taxes due to economic development projects
2. Build relationships with key businesses.
 - Number of businesses assisted by market advocates/case managers
3. Provide sites and financing for neighborhood commercial, mixed-use and industrial development.
 - Number of new jobs projected by assisted projects
 - Number of jobs created in the calendar year by assisted projects
 - Dollar amount contamination cleanup grants secured
 - Acreage of land recovered due to contamination cleanup grants secured
4. Provide financing and technical assistance to for-profit and not-for-profit businesses.
 - Number and value of business loans
5. Maintain and promote a vital downtown and central riverfront.
 - Number of downtown/riverfront entertainment, cultural, recreational and educational amenities completed
6. Manage real estate assets and contractual obligations.
 - Number and value of assets managed

- Financial performance of assets under management
 - Number of contracts managed
7. Administer the Minneapolis Empowerment Zone program.
- Number of Empowerment Zone residents who received a direct benefit
 - Number of Empowerment Zone businesses that received technical assistance or funding resources

Management Measures by Service Activity

In addition to the policy measures listed above, the following performance measures will be monitored within CPED for management purposes.

1. Identify, pursue and promote long-term catalytic redevelopment projects, priority initiatives and economic development opportunities.
 - Key initiative performance
 - Key industrial sector performance
 - Ranking on City business and other surveys
 - Ranking on quality of life indices
 - Minneapolis share of regional economic activity (based on gross income)
 - Total number of employees in Minneapolis
 - Number of existing jobs
 - Total number of businesses
 - Number of city residents with jobs
 - City residents' share of regional jobs
 - Number of permits issued for commercial repairs/improvements
 - Value of permits issued for commercial repairs/improvements
 - Number of permits issued for new commercial construction
 - Value of permits issued for new commercial construction
 - Number of patrons of City-owned entertainment and sports venues
 - Number of GMCVA events/attendees
2. Build relationships with key businesses.
 - Number of top ten employers with City partner relationship
 - Number of top ten commercial taxpayers with City partner relationship
 - Number of top ten innovators with City partner relationship
3. Provide sites and financing for neighborhood commercial, mixed-use and industrial development.
 - Number and value of economic development projects under construction, completed or closed
 - Number and value of economic development projects completed (subset of above measure)
 - Increase in tax capacity equivalent to levy increase of: (at rate in year of completion)
4. Provide financing and technical assistance to for-profit and not-for-profit businesses.

- Public/private investment ratio
- Number of new jobs projected
- Number of existing jobs
- Number of new jobs projected by assisted projects

5. Maintain and promote a vital downtown and central riverfront.

(Note: Measures related to downtown and riverfront housing are reported under the Housing Policy & Development business line.)

- Number of patrons of City-owned entertainment and sports venues
- Number of job-producing downtown developments completed
- Number of hotel rooms added
- Number of historic riverfront structures preserved
- Net increase in office square feet (downtown and riverfront)
- Net increase in retail square feet (downtown and riverfront)
- Number of GMCVA events/attendees

6. Manage real estate assets and contractual obligations.

(no additional measures)

7. Administer the Minneapolis Empowerment Zone program.

(no additional measures)

(Note: Measures related to Empowerment Zone housing activities are reported under the Housing Policy & Development business line.)

Key Market Indicators

- Change in overall city property taxes collected
- Change in overall jobs in city
- Value of permits issued for new commercial construction
- Ranking on quality of life indicators

Business Line Overview: Workforce Development

Primary Business Line Definition and Description

CPED manages a system that assists residents in obtaining economic self-sufficiency through employment and training while meeting local employer needs for qualified workers.

Service Activities

1. Manage the Minneapolis Employment Training Program (METP).

METP is a performance-based system that prepares Minneapolis residents for economic opportunity. It operates through 27 community organizations paid by METP based on placements. In 2003, cost per placement was about \$2,200.

Funded largely by state and federal grants, METP manages training, placement and retention across several program areas, including adult employment, welfare-to-work, dislocated workers and youth employment. METP is overseen by the Minneapolis Private Industry Workforce Council.

2. Develop employment partnerships with emerging enterprises.

CPED has entered into employment partnership agreements with: 1) Ryan Companies for a pre-apprenticeship program at the former Sears property on Lake Street; and 2) the Neighborhood Development Corporation for the Entrepreneurial Center on Lake Street in conjunction with the Pilot Cities initiative. CPED will continue to pursue other partnership opportunities.

3. Promote living wage job creation and retention through job linkage agreements.

The City's Living Wage ordinance, which requires that recipients of City development assistance provide living wage jobs (one job for every \$25,000 in assistance), ensures living wage job opportunities for Minneapolis residents. Review and monitoring of job linkage agreements with Minneapolis businesses will provide new living wage jobs and also help close the unemployment gap. This function will be managed with CPED's emerging market advocacy function to ensure that employer efforts extend where possible beyond requirements of law.

4. Continue refining marketing and service programs that help businesses hire and retain Minneapolis residents.

CPED is coordinating its activities with City regulatory services, neighborhood employers, DEED and MNSCU to develop a "tool box" of services and programs to help businesses stay and prosper in Minneapolis. Financial institutions and manufacturers are the first customers of this new approach.

Identification of Markets, Customers and Their Expectations

Markets

As of 2003, unemployment has leveled off at 5.7% and, after two years of stagnation, the demand for workers is increasing in several industries (health care, financial services). While a clear trend has not emerged, METP is preparing for a possible expansion and stands ready to adjust its system to economic conditions.

In present economic conditions, and given additional funding, METP could expand the number of job placements. The Close the Gap Campaign is testing this proposition.

Customers

Customers include job seekers (TANF recipients, dislocated workers, unemployed and underemployed adults and youth) and employers, particularly human resource executives.

Expectations

Customers measure expectations through effectiveness of placement, retention and wage rates.

Fees

Should the economy cause a workforce shortage and METP reach a level of market appeal, this should be examined. Neither is present in the status quo.

Relationship to Other Departments' and Agencies' Businesses

METP is the administrative, fiscal and program staff of the Minneapolis Private Industry Workforce Council, which includes membership from major private sector employers (including General Mills, Wells Fargo, 3M, Xcel Energy and others), organized labor, education, and community agencies. It contracts with a network of employment service providers to deliver employment and training services while retaining broad responsibility for the planning, policy and oversight of the workforce development system in Minneapolis. METP has a performance-based contracting arrangement with community-based organizations to provide employment and training services in the city. Neighborhood groups rely on METP for funding employment and training services to individuals in their service areas. Private businesses benefit by having access to skilled and trained employees to fill their job openings. City departments such as Public Works and Human Resources benefit by partnering with METP to place participants in internships, job openings and other opportunities with the City.

METP administers programs that serve low-income adults, youth and older workers, laid off workers, and those transitioning from welfare to work. If these functions were discontinued, the services to these unemployed/underemployed job seekers would be adversely affected. Also, the City of Minneapolis would lose the ability to control workforce development funding and would lose the ability to support the City's economic development strategies.

The Minneapolis Living Wage Resolution is the local option for implementing the 1999-2000 Minnesota Business Subsidy state legislation. Job linkage agreements and business subsidy agreements are designed to meet the needs of particular business development projects and

involve direct connections with private businesses, neighborhood job networks and the Minnesota Department of Employment and Economic Development.

Key Performance Measures

Key Business Line Outcome Measures

- Gap in city versus metro unemployment rate
- Number of participants served
- Number of participants placed into full-time employment

Policy Measures by Service Activity

The following performance measures will be reported to the City Council and Mayor to inform policy decisions.

1. Manage the Minneapolis Employment Training Program.
 - Unemployment rate for city residents
 - Gap in city vs. metropolitan region unemployment rate
2. Develop employment partnerships with emerging enterprises.
 - Number of partnerships developed
3. Promote living wage job creation and retention through job linkage agreements.
 - Number of new hires from job linkage agreements (living wage jobs)
4. Continue refining marketing and service programs that help businesses hire and retain Minneapolis residents.
 - Number of businesses visited

Management Measures by Service Activity

In addition to the policy measures cited above, the following performance measures will be monitored within CPED for management purposes.

1. Manage the Minneapolis Employment Training Program.
 - Number of placements
 - Retention rate (after 90, 183 and 365 days)
 - Cost per placement
 - Average wage of placement
2. Develop employment partnerships with emerging enterprises.

(no additional measures)
3. Promote living wage job creation and retention through job linkage agreements.

(no additional measures)

4. Continue refining marketing and service programs that help businesses hire and retain Minneapolis residents.

(no additional measures)

Business Line Overview: Housing Policy & Development

Primary Business Line Definition and Description

CPED provides financing and administers programs for housing development, preservation and rehabilitation; provides financing for home improvement and home mortgages through vendor contracts; and encourages and supports private market activity in the production and preservation of housing for all income levels.

CPED housing staff have primary responsibility for implementing HUD Consolidated Plan strategies and fulfilling Consolidated Plan production goals. The Housing Policy & Development business line is charged with the delivery of the majority of the City's housing and community development action plan strategies. HUD requires City housing strategies for very low and low income, homeless, and special needs populations. In addition, the City must address issues of poverty and minority concentrations, fair housing, lead paint hazards, and regulatory barriers. The Housing Policy & Development business line will be actively involved in the development of the five-year 2005-2009 HUD Consolidated Plan.

CPED housing staff prepares sites for production and preservation of housing for all income levels through the removal of blight and the acquisition of tax-forfeited properties. CPED works with its partners to address the quality of the city's housing stock.

Service Activities

1. Provide financing and administer programs for the development and preservation of affordable and mixed-income rental and ownership housing.

CPED provides financing and administers a number of programs for the development and preservation of affordable and mixed-income rental and ownership housing. Funds are targeted to meet City housing priorities, including supportive/special needs, senior/elderly, large family, long-term/perpetual affordability, corridor/transit/density, and mixed-use. Preservation of currently affordable housing is a top priority for insuring continuing housing affordability in the city. In particular, CPED will focus on preserving federally subsidized affordable housing that may be subject to conversion to market rate due to expiring federal programs or prepayment of federal mortgages.

2. Develop and rehabilitate single-family ownership housing to serve a variety of income levels and household sizes.

CPED administers programs to return vacant lots and vacant and/or boarded structures to the city's housing supply.

3. Create an environment that encourages and supports private market activity in the production and preservation of housing for all income levels.

CPED will undertake initiatives to remove obstacles, promote growth and support private sector housing development efforts.

4. Provide financing for home improvement and home mortgages in cooperation with the Development Finance Division of the Finance Department.

Through vendor contracts, CPED provides financing to Minneapolis homeowners who might not otherwise be financially able to carry out residential improvements or code repairs. Staff support for this activity is provided by the Development Finance Division of the Finance Department.

CPED provides down payment and closing cost assistance to homebuyers within the Empowerment Zone. CPED also provides down payment, affordability and closing cost assistance through the HOW Program and the GMHC Home Ownership Program.

Mortgage financing is provided under agreements with private lenders. Mortgage lending has been temporarily suspended because the interest rates are not competitive with private sector rates, and because the investment yields on trustee accounts are too low, thereby increasing program operating costs. As markets change to produce more competitive mortgage rates, programs will be reactivated. Staff support for this activity is provided by the Development Finance Division of the Finance Department.

Identification of Markets, Customers and Their Expectations

Markets

The Metropolitan Council projects the number of households in Minneapolis to grow by 24,648 between 2000 and 2030, an increase of 15.2 percent. A significant number of new housing units must be produced to meet this need. The number of Minneapolis housing units declined by 2.4 percent between 1990 and 2000. There is a continued need for large family housing units – specifically, those with three or more bedrooms.

The 2000 Census indicates there are more people needing housing at <30 percent MMI than there is supply. The 2004 Consolidated Plan estimates that Minneapolis needs to build an additional 12,693 units of housing for those at <30 percent MMI for the year 2000.

The November 2003 *Next Decade of Housing in Minnesota* study found that 171,000 or 46 percent of low-income households in the seven-county metropolitan area were “cost-burdened,” defined as those paying more than 30 percent of household income on housing costs. The study forecasts an unmet need for an additional 22,300 affordable housing units for low-income households by 2010, over and above the projected 38,200 housing units the private market and public and philanthropic funding are expected to provide, assuming current funding levels continue.

The data underscore the necessity of continued participation in addressing the housing need from many partners and sectors of society, including businesses, philanthropic and nonprofit organizations, local governments, builders, developers and others.

The data also indicate a growing market for housing that is affordable to low-income people – those who earn less than 60 percent of the HUD median family income in the seven Twin Cities metropolitan area counties. These data underscore a need for cost reduction strategies in housing construction, and continued efforts at rehabilitation and preservation of the existing housing stock affordable to low-income Minnesota.

The competitive demand for CPED's multifamily financial resources and vacant single-family lots provides further evidence that the need to provide affordable housing continues to grow.

Some market trends that are likely to affect CPED activities over the next five years include:

- Reduced federal, state, and county funding which will increase demand for City funding.
- Demographics indicate an aging population and declining senior housing opportunities in the City. The population between ages 45 and 64 increased by four percent between 1990 and 2000. A 2003 senior housing market study indicates a need to produce 4,551 rental units for seniors.
- Possibly rising mortgage interest rates that will create larger funding gaps in projects.
- An older housing stock requires planning and proactive measures to maintain quality.

Customers

The primary customers for this business line are applicants for funding programs and purchasers of properties (for-profit and nonprofit developers, development organizations, and individuals), residents of CPED-assisted housing developments, and the immediate neighbors of these assisted projects.

Expectations

The primary expectation of the Housing Policy & Development business line is to provide a wide variety of housing types and housing affordability programs in Minneapolis to meet the needs of all residents.

CPED is expected to be a key partner in the State's Business Plan to End Long Term Homelessness in Minnesota by 2010. In addition, the City is expected to be a participant in the revisions to the Hennepin County Shelter Plan. A City homeless plan is also being developed with the Interagency Council on Homelessness. CPED will also be a partner in the Emerging Markets Homeownership Initiative being coordinated by Fannie Mae, the Federal Reserve Bank, and MHFA.

CPED is expected to be an active partner in the delivery and implementation of the County's HUD lead paint grants.

CPED is expected to be a key participant in the Center for Neighborhoods' Corridor Housing Initiative. Consistent with the City's housing goals regarding increased density/growth and transit-oriented development, CPED is providing project management for a number of Corridor proposals. In addition, CPED is coordinating the delivery of the new CPED Higher Density Corridor acquisition program to further these goals.

CPED is one of several multifamily funders participating in the MHFA Common Practices initiatives. Work is underway on developing common applications, due diligence and loan documents with the goal of providing better customer service.

Some of the external and internal trends/factors that may impact CPED's ability to meet demand are:

- Reduction in financial resources for developing and maintaining affordable housing at every level of government and on the private side (e.g. sponsors, foundations, businesses, etc).

- Federal lead paint requirements and increasing construction costs in general limit production.
- Fluctuating interest rates, which affect homeownership rates.
- Neighborhood social environments and livability.

Housing staff receive constant feedback from customers and continually refine processes and procedures to provide better service. Satisfaction surveys are conducted on a regular basis as part of the Home Ownership Works program.

Fees

Fees from multifamily bond projects cover a substantial portion of the Multifamily staff administrative cost, plus may contribute to capital funding for the Affordable Housing Trust Fund. Tax credit fees (application fees, special counsel fees, reservation fees, and monitoring fees) are also charged, and cover admin costs to a certain degree. No fees are charged for single-family ownership development, except tax increment financing projects, which are charged an application fee and project analysis fee.

NRP will pay a cost recovery fee for CPED assistance to NRP projects and activities.

Relationship to Other Departments' and Agencies' Businesses

CPED is one of several key lenders in the affordable housing development industry. CPED works with the other funding providers to put together a complete funding package for developments. Other providers include the Minnesota Housing Finance Agency, the Metropolitan Council, the Department of Housing and Urban Development, the Federal Housing Administration, Hennepin County, the Family Housing Fund, the Federal Home Loan Bank, banks, foundations and the Neighborhood Revitalization Program. Other public and private entities that are affected by or affect housing development activities are Public Works, Regulatory Services, neighborhood organizations, the Minneapolis Public Housing Authority and the Metropolitan Council.

CPED is the only public sector entity within Minneapolis that provides site acquisition and disposition services for housing initiatives, with the exception of limited activity by Hennepin County. Although there are third party entities that provide some of the services, only CPED provides comprehensive services, including acquisition, relocation, demolition, environmental and legal services, including condemnation and real estate transactional work. At times CPED contracts with private sector providers on development projects undertaken by CPED or other governmental jurisdictions. On numerous occasions CPED has provided site assembly services to other governmental entities, NRP and for-profit and non-profit developers. Examples include elementary school sites and implementation of NRP neighborhood action plans. Key functions provided by CPED that are essential to the Housing Policy & Development business line are real estate, relocation, appraisal, engineering and legal services.

Key Performance Measures

Key Business Line Outcome Measures

- Reduction in gap in homeownership rates between the white population and communities of color
- Number of new/conversion multifamily and single-family units completed
- Number of rehabilitated multifamily and single-family units completed
- Number of multifamily units to result from closed loans and construction starts
- Number of downtown/riverfront housing units completed
- Number of lots sold for single-family development
- Number of lots sold for sideyards

Policy Measures by Service Activity

The following performance measures will be reported to the City Council and Mayor to inform policy decisions.

1. Provide financing for the development and preservation of affordable and mixed-income rental and ownership housing.
 - Number of new/conversion multifamily units completed
 - Number of rehabilitated multifamily units completed
 - Number of affordable (<50%) multifamily housing units completed
 - Number of multifamily units to result from closed loans and construction starts
 - Number of downtown/riverfront housing units completed
2. Develop and rehabilitate single-family ownership housing to serve a variety of income levels and household sizes.
 - Number of single-family units completed
 - Number of single-family units rehabilitated
 - Number of low/moderate income (<80%) single-family units completed
3. Create an environment that encourages and supports private market activity in the production and preservation of housing for all income levels.
 - Number of housing units produced (including those with CPED assistance)
 - Housing growth (units produced minus units demolished)
 - Minneapolis share of metropolitan region housing production
4. Provide financing for home improvement and home mortgages in cooperation with the Development Finance Division of the Finance Department.
 - Number and average amount of home improvement loans
 - Number and average amount of mortgage loans

Management Measures by Service Activity

In addition to the policy measures cited above, the following performance measures will be monitored within CPED for management purposes.

1. Provide financing for the development and preservation of affordable and mixed-income rental and ownership housing.
 - Number of down payment assistance or gap financing grants
 - Number of Empowerment Zone residents participating in Homeownership Education
 - Number of mortgage foreclosures prevented
 - Number of housing units purchased with Empowerment Zone assistance
2. Develop and rehabilitate single-family ownership housing to serve a variety of income levels and household sizes.
 - Number of land sales completed
 - Number of rehabilitated units completed
 - Number of completion certificates issued
3. Create an environment that encourages and supports private market activity in the production and preservation of housing for all income levels.
 - Number of blighted properties acquired for rehabilitation
 - Number of properties acquired for demolition
 - Number of CPED-owned parcels advertised for sale to developers
 - Amount of construction gap financing made available to the private market (for affordable housing units only)
4. Provide financing for home improvement and home mortgages in cooperation with the Development Finance Division of the Finance Department.
 - Percent of home improvement loans to minorities
 - Percent of home improvement loans to female heads of households
 - Percent of home improvement loans to households <50% of median income
 - Percent of mortgage loans to minorities
 - Percent of mortgage loans to female heads of households
 - Percent of mortgage loans to households <50% of median income

Key Market Indicators

- Number of housing units produced (including those with CPED assistance)
- Number of unassisted housing units produced
- Net housing growth (units produced minus units demolished)

Business Line Overview: Development Services

Primary Business Line Definition and Description

CPED administers, interprets and enforces the zoning code, land subdivision regulations and heritage preservation regulations, and reviews applications for approvals as required by city ordinance and state and federal law.

Service Activities

1. Administer, interpret and enforce the zoning code and land subdivision regulations.

Development Services zoning staff consult with clients on a daily basis, helping customers at the counter or in scheduled meetings, reviewing building permits and all business license applications for zoning code compliance, and answering phone inquiries.

2. Review and prepare findings and recommendations on applications for approvals as required by the zoning code, land subdivision regulations and state law.

Development Services staff provide analysis and recommendations on land use applications through written reports to the City Planning Commission, the Board of Adjustment and the City Council that insure that development proposals conform with the comprehensive plan, the zoning code, subdivision regulations, and other relevant City ordinances and policies.

3. Administer and interpret the City's heritage preservation regulations.

Heritage Preservation Commission staff are responsible for the identification of historic resources, designation of historic landmarks and historic districts, review of applications for required approvals, participation in 106 reviews, implementation of heritage preservation regulations, and education and outreach.

4. Prepare and recommend to the City Council amendments to the City's land use regulations.

Development Services staff prepare and recommend amendments to the City's land use regulations.

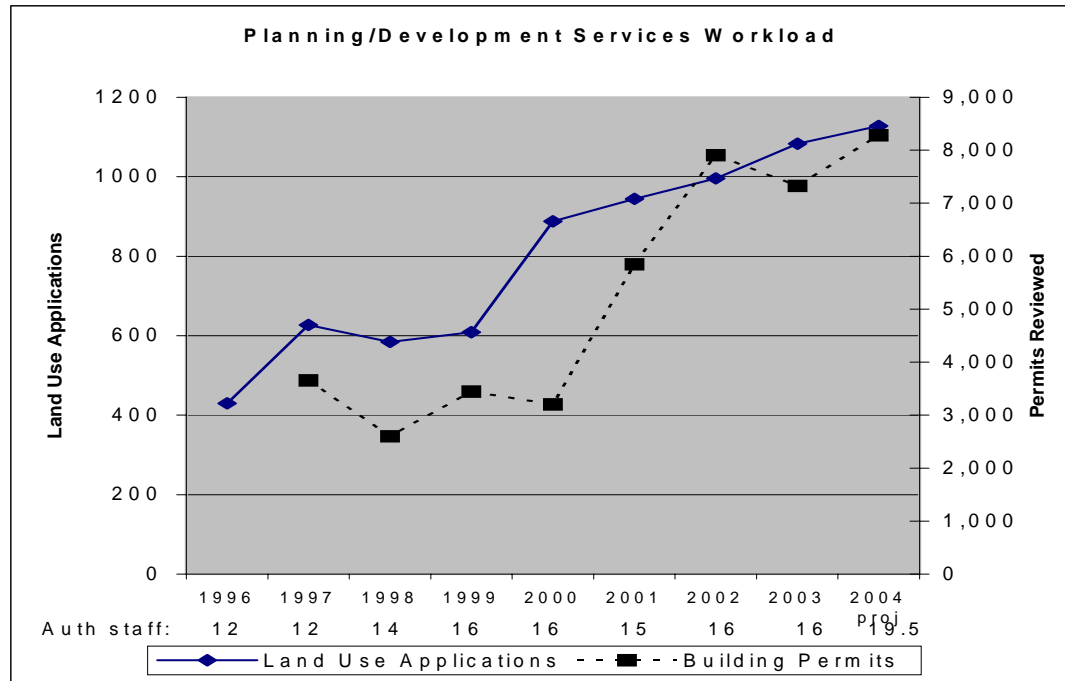
5. Conduct environmental reviews as required by law.

Development Services staff prepare the documents required to implement state and federal environmental review laws, including EAW (Environmental Assessment Worksheet), EIS (Environmental Impact Statement), and AUAR (Alternative Urban Areawide Review).

Identification of Markets, Customers and Their Expectations

Markets

The demand within Development Services has increased over the last eight years, as the following graph illustrates:



The graph displays all land use applications that require public hearings before the City Planning Commission or Board of Adjustment. In addition, staff within this division review building permits, perform administrative reviews of minor land use applications (e.g. accessory garages, communication antennas, minor site plans) and review applications for heritage preservation approval. The 2004 projection is based on the volume as of June 30th. As the graph indicates, both application categories have shown significant increases in recent years, stretching staff resources which have grown modestly. In 2003, 1.5 FTEs were transferred from Community Planning to Development Services to address growing caseloads. In 2004, two FTEs were added to the zoning work unit to assist in reviewing building permits. Despite this increase in staff, caseloads remain high and mandatory processing timelines remain tight.

Factors affecting customer demand include:

- Economic conditions and interest rates (good economic conditions spur more development reviews)
- New codes or revisions to existing codes (changes to the code may require more reviews of development)
- Increase in fees (may slow demand)

Factors that impact the ability to meet projected customer demand include:

-
- State mandate to process all land use applications within 60 days (with limited extensions) from the date that applications are deemed complete through final approval actions
 - New codes or revisions to existing codes (changes to codes may require more reviews of development)
 - Budget cuts resulting in a staff decrease (fewer staff may cause delays in completing the workload)
 - Restructuring of City departments and realignment of services (in the short term, restructuring may cause delays as staff is learning the new system, but in the long term it should increase productivity)
 - Competing assignments may cause some delays in processing time as staff is realigned to implement policy changes
 - Technology changes (in the short term new technology may cause delays as staff is learning the new systems, but in the long run it should increase productivity)
 - Language barriers and culture changes (requires additional staff resources to meet special needs)

Customers

The primary customers for this business line include:

- Applicants
- Developers
- Architects
- Land Surveyors
- Contractors
- Residents
- Attorneys
- Business Owners
- Neighborhood Groups
- Elected Officials
- City of Minneapolis Depts. (PW, Fire, Police, Inspections, Attorney)
- Hennepin County
- State Agencies
- School District
- Park Board
- Library Board

Expectations

Development Services staff will deliver high quality development review services within established and state mandated timeframes. In doing so, CPED staff will work cooperatively and professionally with the applicants and other City staff, and county, state and federal agencies as required. Applicants frequently expect expedited and specialized services, which is typically not possible given legal and resource considerations.

Fees

All land use applications require a fee before they can be processed. These fees have not historically covered Development Services costs. An amendment to the zoning code has been adopted to establish new zoning application fees and to adjust current land use application fees

in recognition of the cost of services performed and the work and material furnished by the department. Recent changes include:

- initiate fee for zoning compliance letters
- increase zoning fees by 20 percent
- initiate garage review fees
- right of way vacation fees

These increases will collectively add approximately \$120,000 of annual revenue, increasing the percentage of costs supported by fees. An interdepartmental staff team is reviewing all development costs and fees, which may result in additional increases to the Planning Division's fee income. Regulatory Services has hired a consultant to study the City's development related costs and revenues, which includes CPED, Regulatory Services, Public Works and Fire. The consultant's report has confirmed that staff time spent by CPED, Fire, and Public Works processing various regulatory functions far exceeds the portion of existing regulatory fee revenue allocated to those departments. This is a policy issue in the 2005 budget process.

Relationship to Other Departments' and Agencies' Businesses

The Development Services division of CPED is charged with administering, interpreting and enforcing the city's zoning code, land subdivision regulations and heritage preservation ordinance. Development Services also is charged with preparing and recommending amendments to the city's land use regulations. Other departments, including public works, licensing, fire and regulatory services may participate in various aspects of land use reviews.

Development Services interacts with other departments through preliminary plan review of land use applications conducted weekly. In addition, other departments are involved as needed to address specific aspects of a land use application. For example, public works will comment directly on an application that involves the creation of a curb cut or a requested street or alley vacation. Fire will comment on a land use application that raises concerns about emergency vehicle/personnel access.

Public works has a direct impact on the timing and quality of review of development proposals and land use applications. Similarly, regulatory services is directly impacted by the business line as the issuance of building permits and licenses is dependent upon development services review and approval.

Quality customer service, automated and live phone banks to receive incoming customer calls and trained staff resources commensurate with workload are essential to this business line. Preliminary plan review and other interdepartmental cooperation are essential and should be strengthened to improve the timeliness and quality of customer service. If the business line were discontinued, the city would no longer effectively regulate land use and development through its official controls of zoning, land subdivision and heritage preservation.

Ideally, Development Services is an essential and guiding force to implementing the policies of the comprehensive plan through its land use regulations by encouraging quality development within the City. In that light, Development Services is essential to most businesses within the City.

Key Performance Measures

Key Business Line Outcome Measures

- Number of land use applications reviewed
- Proportion of land use applications processed within state-mandated timeframes
- Number of Heritage Preservation Commission applications reviewed
- Number of zoning code text amendments adopted

Policy Measures by Service Activity

The following performance measures will be reported to the City Council and Mayor to inform policy decisions.

1. Administer, interpret and enforce the zoning code and land subdivision regulations.
 - Number and value of building permits reviewed
2. Review and prepare findings and recommendations on applications for approvals as required by the zoning code, land subdivision regulations and state law.
 - Number of land use applications reviewed
 - Proportion of land use applications processed within state-mandated timeframes
3. Administer and interpret the City's heritage preservation regulations.
 - Number of Heritage Preservation Commission applications reviewed
 - Number of properties designated for historic preservation
 - Number of historic resources identified
 - Number of historic demolition permits reviewed
4. Prepare and recommend to the City Council amendments to the City's land use regulations.
 - Number of zoning code text amendments processed and adopted
5. Conduct environmental reviews as required by law.
 - Number of environmental reviews conducted

Management Measures by Service Activity

In addition to the policy measures cited above, the following performance measures will be monitored within CPED for management purposes.

- Number of client appointments
- Number of people assisted at the Minneapolis One Stop service counter
- Number of telephone calls handled
- Number of zoning web site hits
- Number of IVR calls received
- Reduction in number of "live" telephone calls to staff through the use of IVR and referrals to the zoning web site

Note: Because zoning enforcement will be a new work unit responsibility of Development Services when it is transferred from Regulatory Services effective January 1, 2005, Planning staff have not had the opportunity to fully analyze this work unit and develop detailed performance measures for this version of the Business Plan.

Overview: Other Support Activities

In addition to the service activities conducted under the five CPED Primary Businesses, the department conducts activities in the areas of research, real estate acquisition and disposition, relocation, and site preparation. These activities provide internal support to the CPED business lines. Another area of activity, providing community-based services through the Minneapolis Empowerment Zone, is an external activity that contributes to the service activities conducted under the Economic Policy & Development and Housing Policy & Development business lines.

Support Activities

1. Conduct research and analysis on trends affecting City policy and development.

CPED supports and promotes the goals identified in The Minneapolis Plan. Through the collection of data regarding population, residential and commercial construction, and other socioeconomic factors, policy makers are provided with necessary information to make informed policy decisions in the areas of housing (including affordable housing) and economic development.

2. Acquire and sell property for redevelopment, and provide relocation services for businesses and residents displaced by redevelopment activities.

CPED acquires and sells property to be redeveloped under projects and programs operated by the department, and provides relocation counseling and financial assistance to businesses and residents displaced by redevelopment activities, in accordance with City policy and state and federal regulations. The department also provides property acquisition, disposition and relocation services to other City departments, and contracts with other governmental jurisdictions to provide these services.

3. Provide engineering services and technical assistance for site preparation.

CPED's engineering activities include site environmental and geotechnical investigation, pollution remediation, surveying, demolition and various engineering and architectural services for the evaluation and redevelopment of sites.

4. Provide construction management activities.

CPED's construction management activities include evaluation of sites for the presence of blight, assistance with bidding procedures, pre-acquisition inspections, relocation inspections, construction monitoring and contract payment approval.

5. Provide community-based services through the Minneapolis Empowerment Zone.

In addition to economic development and housing initiatives, the Empowerment Zone funds community-based services to implement safety strategies, enhance educational opportunities, and coordinate delivery of social support services.

6. Coordinate City-sponsored arts and cultural activities and serve as a liaison between private cultural efforts and City services.

CPED coordinates the City's public art program, film and video permits for commercial and independent film and television projects, and oversees the development and implementation of the 10-year Minneapolis Plan for Arts and Culture. CPED supports the advisory efforts of the Minneapolis Arts Commission.

In addition to the above activities, property management services are provided to the Economic Policy & Development and Housing Policy & Development business lines, other City departments, and Hennepin County by a work unit currently housed within CPED's Real Estate section. As part of CPED's continuing efforts to coordinate with City internal service providers, the department has recommended transferring this function to Public Works beginning in 2005. The Mayor endorsed this concept in his 2005 budget recommendation.

Property management services include:

- Management and maintenance of property inventory, including mowing, garbage and hazardous waste removal and disposal, snow removal, demolition coordination, utility payments, contracting for repair services, and rights of entry.
- Property and tenant management services for special projects such as Hennepin County's Lowry Corridor project.
- Management of the Grain Belt Brewery complex, including approximately 50 commercial leases and rental of the Bottling House atrium.

Section Three: Business Line Strategies

This section describes the key initiatives and other models of providing service at the department level and for each Primary Business. "Key initiatives" are major strategies that CPED anticipates undertaking in the next five years; they are not a comprehensive listing of all activities carried out by CPED.

Department Level

Key Initiatives

Closer Coordination with Public Works on Transportation Issues and Overall Capital Improvement Planning

CPED will continue to work with Public Works to coordinate and align the City's infrastructure and development activities. This is occurring at several levels. In the planning/budgeting phase, Planning staff instituted a more rigorous review of proposed capital projects as part of the CLIC process, using the City's comprehensive plan as the reference point. CPED staff are also working with Public Works to coordinate efforts on overall transportation policy issues such as the 35W/Crosstown corridor, as well as in corridors such as Lake Street and West Broadway, and in specific projects such as the LRT stations and the Park Avenue extension downtown. To the extent possible, CPED would like to align its development projects with the City's adopted Five Year Capital Plan, with the caveat that private market investment priorities and opportunities occasionally require the City to adjust its timelines.

Encourage Alignment of City and NRP Resources Around City Priorities and Seek Cooperative Implementation Strategies

The reduction in overall community development resources coupled with the beginning of the NRP Phase II provides both the incentive and opportunity for the City and NRP to coordinate their respective investment priorities much more closely. Due to statutory requirements that NRP spend a majority of its funds on "housing and housing related activities", it is anticipated that the NRP will invest upwards of \$40 million in housing activities over the next five to six years. CPED is currently in discussions with NRP about its business plan, the Phase II Housing program options, and the City's housing policy framework. CPED believes that significant policy alignment between the City and the Policy Board at the front end of Phase II is both desirable and achievable.

Workforce Training and Organizational Development

CPED offered a retirement incentive program to former MCDA employees who have either age plus years of service equal or greater than 80 or 20 years of service. Of the 42 eligible employees, management expects about 12 people to participate. The program's costs will be paid back over four years through salary savings, since the FTEs vacated will be filled at lower grades and steps.

As management is notified of retirements, jobs will be advertised. It is expected that key jobs will be filled expeditiously. Certain positions may not be filled.

There will be a need for training and workforce development for these new employees in the following areas: (1) City governance and processes, including but not limited to CPED; (2) CPED Budget and Business Plan; (3) project and program information; and (4) professional certification as economic development or housing development specialists.

Refocus Research Activities and Products to More Effectively Target Current and Future Market Conditions and Trends

Efforts have started and will continue to restore some of the lost capacity in this functional area. Specific steps being explored include partnerships with external research entities (e.g. University of Minnesota, Metropolitan Council, Federal Reserve Bank, Wilder Foundation, etc.), greater coordination with existing efforts by other City departments, and increased use of interns. Efforts will also be made to produce or assemble more timely information about market gaps and opportunities in order to maximize the effectiveness of the department's programs.

Other initiatives are defined in the following sections organized by individual business lines.

Assessment of Other Models of Providing Service

Consolidating Property Management in Public Works

CPED is recommending that its property management function be transferred to and merged with the appropriate Public Works division. Although the types of properties managed by both departments are different, the resources, skills, and activities involved are similar and therefore this function belongs in one City department. Unlike Public Works, property management is not a core competency and business of CPED. Although CPED is proposing this on a "net zero" basis, combining the functions will result in some efficiencies that are not currently possible with two departments involved.

Consolidating Real Estate Transactions and Inventory at CPED

As part of a parallel discussion, CPED is recommending that responsibility for real estate transactions and inventory management – which currently occurs in two divisions of Public Works and in the real estate unit of CPED – be consolidated within CPED. Given that this function is a core competency of CPED, enterprise responsibility for this function should be vested in one department rather than two. Again CPED is proposing this on a "net zero" basis, but it is likely that combining the functions will result in some efficiencies that are not currently possible with two departments involved.

Business Line Strategies: Community Planning

Key Initiatives

Complete, prepare and assist with several plans, including the Lake Street Development Objectives, Midtown Greenway Land Use Plan, South Lyndale Small Area Plan, Industrial Land Use Plan, Sustainability Plan, Critical Area Plan, West Broadway Strategic Plan, and LRT-related plans.

A survey of participants in City planning processes will be developed and administered.

Complete, communicate and implement the new planning tools designed to improve planning products, inform development and the City's capital and programmatic investment strategy, and educate planning partners about planning processes. These tools include the Neighborhood Plan for Developing Small Area Plans; Land Use and Zoning Guide; adopted plans GIS layer; and adopted plans inventory. Further refine and enhance these planning tools, as well as identify and develop additional tools.

Assessment of Other Models of Providing Service

Geographic Service Delivery

Continued implementation of the model of community planning based on five sectors of the City. Neighborhood and business organizations within these sectors will have one known point of contact regarding planning and development issues, which should increase the likelihood of information flowing from the neighborhoods to the City. CPED will continue to work toward a more integrated model of service delivery with other City departments and outside organizations.

Comprehensive and Small Area Planning Priorities

Comprehensive and small area plans to be undertaken should be well defined in yearly action plans. Deviations from the work plan in order to respond to certain opportunities should be discussed and agreed upon in the context of the City's adopted goals, priorities and available resources.

City Coordination of CLIC Process

To effectively implement plans that have been adopted by the City of Minneapolis, a structure needs to be in place to ensure the timely, orderly, and efficient use of dwindling City resources. The Community Planning business line will continue its work on interdepartmental coordination of CLIC proposals prior to submission to CLIC. By coordinating City efforts through this early process, duplicative actions and expenditures can be reduced over time.

Business Line Strategies: Economic Policy & Development

CPED will leverage its newly integrated resources and those of outside partners to effectively guide and develop high-priority project areas such as downtown, designated corridors and sites adjacent to the new LRT line.

The department will collaborate with Regulatory Services on implementing a small business strategy that will include process improvements in Minneapolis One Stop, strengthening communications with the small business community, and reducing transactional time and costs.

Finally, as in the housing area, the department will seek ways to better understand private market trends (via more timely information collected internally and externally) and will offer increased support of private efforts to grow and maintain jobs in the city.

Key Initiatives

Create New Riverfront Partnership

CPED will enlist philanthropic support for a new riverfront partnership to guide activities in the Central and Upper Riverfront. This will ensure better coordination among all organizations whose missions include the Mississippi River. The partnership will develop a long-term funding plan to guide riverfront development. An initial opportunity for the partnership could be developing a work plan for the redevelopment of the Upper Harbor Terminal property.

Develop Plan for University Research Park

In 2001, a Master Plan for the Southeast Minneapolis Industrial (SEMI)/Bridal Veil area was approved by the City Council. That plan contemplated a University Research Park (URP) and related redevelopment of SEMI. In 2003, much of the SEMI area, including the URP, was designated one of Minneapolis' Bioscience Sub-zones by the State of Minnesota. With that designation came recognition of the area and tax credits for bioscience-related businesses. Also in 2004, the City entered into an affiliation agreement with the University of Minnesota wherein both parties will work together to develop the research park. In 2005, CPED will continue to work with the State, the University, researchers and developers to revise the plan as necessary and to identify opportunities leading to construction of research and related buildings in the URP. CPED will also work with Public Works to design and construct, with available resources, planned infrastructure. In addition, CPED will identify opportunities for legislation (bonds for infrastructure and change in tax increment law to permit pooling) that will foster development of the URP.

Implement Business Toolbox

CPED will implement a pilot program that uses an entrepreneurial approach to economic development. The approach emphasizes working with existing businesses to promote their development which should lead to job creation and foster a climate that supports entrepreneurial activity. The approach expands on traditional business retention and expansion activities and uses a three-prong model to facilitate the development of Minneapolis' business sector. One prong is the provision of infrastructure, primarily physical; a second is the development and enhancement of connections among entrepreneurs and entrepreneurial resources such as capital, management, or mentors; the third focuses on the provision of

information about potential markets, customers or clients, competitive/competitor intelligence, and related factors, including access to geographic information system services.

Assessment of Other Models of Providing Service

Collaborate with Regulatory Services on Minneapolis One Stop

The regulatory functions of Planning will be more closely coordinated with those of Regulatory Services and other City departments as part of the Minneapolis One Stop initiative. Preliminary steps have already been taken to raise awareness of Minneapolis One Stop and continuing efforts are underway to more closely coordinate the various regulatory and licensing functions across City departments. Minneapolis One Stop can help to create an environment that encourages and supports private market activity by removing obstacles.

The following are suggestions that have been mentioned but not fully discussed:

- Provide more tools and information to staff (e.g., access to Lexis-Nexis, Claritas, and GIS).
- Explore the creation of industrial overlays and/or industrial preservation districts.
- Utilize technology more effectively (e.g., business tracking system for contact follow-through).
- Explore technology transfer.
- Combine some/all economic development functions with Hennepin County.
- Explore different organization of staff (e.g., functional area, geographic area, combination of economic development and housing project development staff).
- Work exclusively on prioritized list of projects.
- Proactively educate community (neighborhoods and elected officials) about economic development needs.
- Actively market Minneapolis to the world as a premier place to do business.
- Clarify role and cost sharing with Grants and Special Projects regarding pollution and tax base revitalization account grant applications and administration.

Business Line Strategies: Workforce Development

Key Initiatives

Conclude the “Close the Gap” Campaign

The City’s 2004 adopted budget included a \$1 million allocation to METP to leverage an additional \$5 million in funding to “Close the Gap” between City and metropolitan area unemployment rates. The average unemployment gap during the program year ending on June 30, 2004 was 0.9 percent.

Support Creation of Public Service Career Institutes

The City of Minneapolis, University of Minnesota and other governmental institutions will work together to develop career laddering opportunities for existing public sector employees. CPED will also work to improve the relationship between those institutions and Edison High School by providing opportunities for mentorship, internships and curriculum development.

Assessment of Other Models of Providing Service

Cooperative Efforts with Empowerment Zone

METP will ask the Empowerment Zone Governance Board to consider increased support of human capital investment and to employ tactics that include:

- Promoting use of tax credits and additional financial incentives of the EZ to local businesses and employment placement/training organizations.
- Targeting resources to residents and/or training programs that provide training and placement into careers that are high paying and provide career-laddering opportunities.
- Overlap the board memberships of advisory boards that serve the workforce needs of the community. This would include the EZ Governance Board, Work Force Council and Economic Advisory Council.

Coordination with Human Resources Department

When opportunities arise, METP will work with Human Resources to provide training for new City employees and for City residents who seek to become City employees.

Business Line Strategies: Housing Policy & Development

Key Initiatives

Identify Funds to Complete the Heritage Park Finance Plan

CPED has developed a finance plan that identifies a strategy to meet the construction deadline as described in the Federal Court order. The Heritage Park finance plan has a financing gap that needs to be eliminated. The gap is primarily centered around Non-Court Ordered (basically project recommended) expenses. Together with its project partners, CPED will work to identify firm funding sources to address the existing gap by 2005. CPED will also work to ensure solid project management for its portion of the remainder of the project. A priority for 2005 will be to move the Phase I and Phase II ownership housing development forward and create a plan for Phase III and Phase IV ownership housing development. This, coupled with emphasis placed on the Bassett Creek Valley area, will contribute to project completion efforts.

Implement Corridor Housing Strategies

CPED is pursuing several integrated corridor housing strategies in order to achieve the city's goals to promote future growth and increase housing that is affordable to low and moderate income households, starting with the Corridor Housing Initiative, a first step towards engaging neighborhoods in proactively identifying opportunities and sites for corridor housing development, giving neighborhood organizations an early and comprehensive role in the planning process, and encouraging participation from communities that are not designated as poverty-concentrated in order to achieve expanded locational choice. Second, the city has launched the Higher Density Corridor Housing program to acquire critical corridor sites. Strategic public acquisition was identified as a necessary component of the Corridor strategy, in order to ensure control of key multifamily Corridor sites. Finally, the City will award priority funding for corridor housing development through the city's competitive multifamily housing funding programs. The respective program guidelines give increased priority to proposals demonstrating proximity to jobs and transit and density appropriate to the location. In 2005, CPED will proceed with the implementation of the selected Corridor Housing Initiative areas and the selected Higher Density Corridor sites, and will also be pursuing acquisition and development of key sites along the Hiawatha LRT corridor. The city is actively seeking housing and mixed-use development consistent with Transit Oriented Development (TOD) principles for these sites.

Implement the Northside Home Fund

In 2004, CPED established a Northside Partnership focused on three areas: housing, economic development and crime. The Northside Home Fund was developed as part of the Northside Partnership initiative. Leveraged by \$1 million in City funds, over \$41 million will be invested in North Minneapolis housing. The two-year goals of the fund are to:

- increase homeownership by 50 households
- reduce the number of vacant and boarded structures through revitalization
- increase the number of rehabilitation permits by 50 percent over 2004 levels
- improve relationships with partners through quarterly meetings of the Northside Home Fund Board
- provide a facility for probation officers and police to office

- market the program to all North Minneapolis residents

Improve the Quality of Housing Stock

CPED will work with its partners to address the quality of the City's housing stock. CPED will implement the NRP/CPED Lot Redevelopment Program with Minneapolis' neighborhoods. The intent of the program is to identify blighted structures and structures on the City's 249 list (vacant and boarded) that are not candidates for rehabilitation. These properties will be acquired and demolished for clearance and new construction. Properties that are good candidates for rehabilitation will be acquired and rehabilitated through the Homeownership Works (HOW) Program.

CPED is engaged in additional housing initiatives not identified as "key initiatives" in CPED's 2005 budget request, as described below.

In 2004, the City adopted a unified City housing policy document based on existing City housing policy. Implementation of the policy is being strengthened and efforts are underway to encourage consistency among NRP plans and the City's housing policies.

In addition, a proposed housing policy agenda was developed in 2004 including several new housing policy initiatives: workforce housing, supportive and homeless housing, and increasing locational choice. Also, CPED will work with senior housing providers to determine senior housing needs, develop a strategy and identify the City's role to meet those needs. Numerous policy and implementation efforts are underway surrounding these issues.

Assessment of Other Models of Providing Service

- The provision of home mortgages and home improvement loans was transferred to a third party vendor in 2003.

Business Line Strategies: Development Services

Key Initiative

Implement Minneapolis One Stop and Related Customer Improvements

Customer service improvements will include data clean-up, better coordination with other departments (licensing, plan review, public works, housing), streamlining the land use application and appointment process, revising frequently requested forms, handouts and instructions, employing a case manager system where appropriate, and instituting an automated phone system to better direct callers to available resources. In addition, CPED collaborates with Regulatory Services staff on computer data entry and cleanup of permit approvals in the KIVA (computer program) database in order to provide current and complete zoning and historic preservation information by parcel.

Assessment of Other Models of Providing Service

Administration and Monitoring of Minneapolis One Stop

The Minneapolis One Stop shop is a customer-focused initiative to integrate development application, review, permitting and licensing, and inspection functions within the City. Currently, many of these functions are operated as separate activities within a number of departments. These activities are often carried out independently, creating gaps in information, requirements, technology, and processes. Staff's goal is to streamline and simplify the process for customers. Several departments, including CPED, will play a role in the ongoing monitoring and improvement of Minneapolis One Stop services. A Development Review Coordinator position has been created to facilitate service improvements and determine if applications require extraordinary (cross departmental) case management at Minneapolis One Stop. In addition, CPED and Regulatory Services staff are continually researching and incorporating effective development controls and processes from other nationally recognized municipalities.

Section Four: Department Resources Finance Plan

Background

This is the second year of consolidated financial projections for the department of Community Planning and Economic Development (CPED). CPED combines the departments of the former Minneapolis Community Development Agency (MCDA), Empowerment Zone (EZ), Minneapolis Employment and Training Program (METP) and the Minneapolis Planning Department, which were joined in 2003.

A comparison of the combined CPED 2005 budget of \$163.5 million with the 2004 and component 2003 budgets and FTE are shown in Table 1.

Reductions from the 2003 revised budgets to 2004 relate to permanent reductions in the former MCDA component of over \$1.5 million in personnel costs and significant changes in the transfer and debt service categories which are naturally volatile from year to year. The full benefit of initial staff reductions was not captured in 2003 because of the additional one-time expense of severance reductions.

Table 1

Summary CPED Budget History 2003 - 2005

	2003 Approved		2003 Revised (1)		2004 Approved		2005 Mayor Recommended (3)	
	Budget	Auth. FTEs	Budget	Auth. FTEs	Budget	Auth. FTEs (2)	Budget	Auth. FTEs
MCDA	149,102,915	143.2	148,052,000	96.6				
Planning	3,711,952	46.0	3,217,918	39.0				
METP	10,930,088	16.3	10,930,088	16.3				
EZ	2,028,488	3.0	2,028,488	3.0				
	165,773,443	208.5	164,228,494	154.9				
CPED Exec Admin					3,528,820	10.00	5,999,028	12.00
CPED Legal/RE					2,538,875	11.00		
CPED/Econ Dev					14,104,916	25.00	26,783,255	49.00
CPED/Housing					22,725,263	34.00	23,402,365	40.00
CPED/Planning					3,970,021	40.00	4,726,690	37.00
CPED/Partnerships					14,172,971	24.00		
CPED/NRP (4)					1,602,809			
CPED/Debt Service & Transfers					79,152,769		102,570,796	
CPED Total					141,796,444	144.00	163,482,134	138.00

(1) Reflects the reduction of 21.5 FTE transferred to Finance.

(2) CPED consolidated budget begins in 2004; for prior years, totals are for reference only.

(3) Support service costs now carried in Executive; Partnerships consolidated with Economic Development; Real Estate and Related functions formerly in Executive moved to Housing.

(4) Prior years reserved capital from approved plans.

FTE Changes from 2004

- 2 FTE supporting research functions moved from Planning to Executive
- 1 FTE supporting TOD moved from Planning to Economic Development
- 2 attorneys transferred to the City Attorney's Office
- 2 NRP/Citizen Participation Staff transferred to Finance
- 3 positions returned from 2004 as the result of a grievance settlement.
- 7 CPED FTE to PW and 1 PW FTE to CPED per 2005 Mayor recommendation

The 2005 FTE total does not reflect the pending transfer of Zoning & Enforcement staff to Planning.

The department continues to evolve both internally and at an enterprise level as the best enterprise level business solutions for its mission are developed. Changes such as the transfer of support staff to the Finance Department, the City Attorney's office, and Human Resources, as well as staff exchanges with Communications and proposed exchanges with Public Works affect year-to-year department level comparisons and are footnoted in the attached tables.

As other departments are being encouraged to do, CPED has also altered its 2005 FISCOL structure to mirror its major business lines. At the same time, CPED has modified its 2004 business lines to incorporate the Partnerships business line into Economic Policy & Development. Table 2 reflects these changes and displays expenditures in two major categories:

Business Lines – with individual expense projections for 2005-2009.

CPED Support – with individual projections for components such as: CPED Executive (including real estate, communications, BIS, PW space management, etc.) and support services provided by the Finance Department (i.e. accounting, purchasing, project analysis and development contract management).

Combined five-year revenue and expenditure projections are shown in Table 2. The projected CPED revenues and expenditures 2005-2009 show declining net revenues through 2008. Cash flow increases in 2009 with the receipt of a Brookfield-Dain payment of \$27.87 million. The five-year projection for the period 2005-2009 shows cumulative net revenues of \$10.9 million although the drop in net revenue from 2004 to 2008 is smaller than anticipated in last year's 2003-2009 projections with 2005 and beyond benefiting from reductions in 2004 to 2005 personnel costs and overhead (see bottom of Table 2). These projections are not adjusted for savings related to CPED's retirement incentive.

Less than 1.4% (\$2.3 million) of 2005 CPED revenue comes from the City's general fund – a drop of \$2.0 million from 2004, which was the only year of General Fund support for development activities. The projected General Fund revenues and expenditures are consistent with the five-year plan updated by the Council in March 2004. The special Housing and Redevelopment Authority (HRA) levy – independent of the City's levy – remains available should the Council desire to exercise it in the future.

These projections are based on several revenue assumptions that need to be validated annually:

- revenues from federal grant programs, including the annual disbursement rate for the Empowerment Zone, will remain close to constant;
- although revenues from state and local grants vary in relation to project need and availability, for projection purposes they are shown as constant from 2004;
- there will be modest increases in bond related fee income from housing and economic development activities;
- after 2005 there will be decreases in overall project income due to decreasing levels of known project activity; and
- there will be no legislative actions or assessment adjustments that have a significant negative impact on tax increment or General Fund collections.

The expenditure projections contain assumptions that will also need to be revisited annually in the context of revised revenues and Department outcomes:

- CPED staff levels will generally remain constant or reduce slightly with personnel costs increasing 2% per annum while non-personnel expenditures increase approximately 1% per annum.
- NRP capitalization equals the projections updated in October 2003 to reflect the set of Council actions regarding the repayment of Brookfield.

The revenues available for discretionary development purposes are a subset of the CPED total and have become more limited.

- City long-term plans do not use the Chapter 595 levy after 2003 nor do they use an equivalent General Fund levy after 2004.
- The Development Account and TIF revenues of the Common Project are restricted to the capitalization of the NRP. (See Table 3.)
- As an offset to these reductions, \$3.697 million from the Legacy Fund is being provided annually through 2009. This is reflected in Table 2.

A consequence of the reduction of development resources that started in 2001 is the reduced level of funding (from \$20 million per annum in Phase I) available to capitalize the NRP. The current projections for NRP funding are shown on both Tables 2 and 3 and are subject to annual revision based on actual revenues.

These projections do not consider the reallocation of development related fee income that may result from the development fee study that is nearing completion.

Finance Plan - Table 2

Projected CPED Revenues & Expenditures 2004 - 2009

	2004	2005	2006	2007	2008	2009	Total
Local Funds							
Property Tax Levy/CD Levy Proxy	2,000,000	-	-	-	-	-	2,000,000
Property Tax Levy/General Fund	2,222,301	2,272,423	2,238,423	2,332,860	2,230,423	2,233,423	13,529,853
Property Tax/Increment/Abatement	70,105,039	69,173,466	70,365,201	71,068,853	71,779,541	72,497,337	424,989,436
Capital Bonding		133,216	133,216	133,216	133,216	133,216	666,080
Dev Acct (TI & Non-TI)	3,900,000	2,213,272	2,199,272	2,028,432	2,002,705	2,002,705	14,346,386
Interest Earnings all Funds	9,637,854	9,155,961	8,698,163	8,263,255	7,850,092	7,457,588	51,062,914
Leveraged Opportunity Fund	3,800,000						3,800,000
Bond Fees							
Housing Program Fees & Revenues	1,199,000	1,299,000	1,399,000	1,499,000	1,599,000	1,699,000	8,694,000
Economic Dev Program Fees & Revenues	3,612,000	3,635,000	3,705,000	3,805,000	3,930,000	3,960,000	22,647,000
Legacy Fund	3,700,000	3,679,000	3,679,000	3,679,000	3,679,000	3,679,000	22,095,000
Other Project & Program Income	13,974,962	16,703,892	13,363,114	12,962,220	12,573,354	38,572,153	108,149,694
Transfers	13,950,094	37,252,992	39,241,217	38,984,856	38,674,667	38,674,667	206,778,493
Federal Funds							
CDBG*	18,646,347	19,352,211	19,352,211	19,352,211	19,352,211	19,352,211	115,407,402
ESG	600,000	601,000	601,000	601,000	601,000	601,000	3,605,000
HOME	3,700,000	3,911,000	3,911,000	3,911,000	3,911,000	3,911,000	23,255,000
Other State/Local Grants	6,555,000	4,252,803	4,252,803	4,252,803	4,252,803	4,252,803	27,819,015
Total Revenues	157,602,597	173,635,236	173,138,620	172,873,706	172,569,012	199,026,102	849,819,171
Appropriated							
Business Lines:							
Economic Policy & Development	14,104,966	15,664,192	15,899,155	16,137,642	16,379,707	16,625,402	94,811,064
Strategic Partnerships	14,332,452	-	-	-	-	-	14,332,452
Housing & Policy Development	22,731,913	20,781,514	21,093,237	21,409,635	21,730,780	22,056,741	129,803,820
Community Planning	3,970,021	3,305,810	3,404,984	3,507,134	3,577,277	3,648,822	21,414,048
Development Services	-	1,420,880	1,463,506	1,507,412	1,537,560	1,568,311	7,497,669
Workforce Development	-	11,119,063	11,285,849	11,455,137	11,626,964	11,801,368	57,288,381
CPED Support:							
Executive & Support Services	6,109,287	6,205,558	6,329,669	6,456,263	6,585,388	6,717,096	38,403,260
Transfer & Debt Service**	76,611,205	102,570,796	102,179,935	102,060,299	101,885,468	101,810,468	587,118,171
NRP Prior Year Plans	1,602,809						1,602,809
Direct Charge (Development Finance)	2,013,070	2,414,321	2,362,607	2,409,860	2,458,057	2,507,218	14,165,133
Transferred***	535,168						535,168
Total Appropriated	142,010,891	163,482,134	164,018,943	164,943,381	165,781,199	166,735,427	800,236,548
To be appropriated							
Potential NRP Capitalization	7,087,292	5,334,210	4,050,537	4,058,431	4,478,649	18,709,148	43,718,267
Brookfield repayment to Legacy	1,769,000	1,769,000	1,769,000	1,769,000	1,769,000	11,386,000	20,231,000
TOTAL USES	150,867,183	170,585,344	169,838,480	170,770,812	172,028,848	196,830,575	1,030,921,241
NET	6,735,414	3,049,892	3,300,140	2,102,894	540,164	2,195,528	17,924,032

* entitlement, program income and federal workforce grants

** net of support functions

***2004 transferred support costs are included in 2005-9 Executive

Personnel Costs & Overhead

	2004	2005	2006	2007	2008	2009	Total
Personnel (Salary & Fringe)	13,060,882	10,707,226	10,921,371	11,139,798	11,362,594	11,589,846	68,781,716
Non-Personnel CPED Overhead	3,015,176	3,335,356	3,402,063	3,470,104	3,539,506	3,610,297	20,372,503
TOTAL BASE OPERATING COST*	16,076,058	14,042,582	14,323,434	14,609,902	14,902,100	15,200,142	89,154,219

* Total CPED personnel costs (salary & fringe) plus overhead operating costs of the department.

The 2004 to 2005 reduction in personnel costs is comprised of a \$400,000 reduction in CPED operating costs and a \$1.9 million shift of personnel costs from the CPED salary/fringe line items to other operating line items in support of functions and staff transferred to Finance.

Finance Plan - Table 3

ESTIMATE OF PHASE II NRP RESOURCES: 2003 - 2009

	2003 Actual	2004 Projected	2005 Projected	2006 Projected	2007 Projected	2008 Projected	2009 Projected
Revenues							
Common Project TI*	24,590,244	25,469,584	25,838,893	26,213,557	26,449,479	26,832,996	27,222,075
Transfer from Reservation for Future Debt Service		0	0	0	0	0	0
Other Revenues of the Common Project	16,238,814	8,318,910	7,523,439	7,235,498	6,954,389	6,985,245	33,368,160
Total Common Project Revenue	40,829,058	33,788,494	33,362,332	33,449,055	33,403,868	33,818,242	60,590,235
Less							
Debt Service and PAYG Notes	13,026,369	15,287,754	23,221,540	24,856,908	24,736,848	24,662,017	27,434,454
Reservation for Future Debt Service	0	0	0	0	0	0	0
Other Obligations of the Common Project	13,018,418	7,540,000	870,000	540,000	540,000	540,000	540,000
Repayment of Legacy Fund Advance	1,769,000	1,769,000	1,769,000	1,769,000	1,769,000	1,769,000	11,386,000
Common Project Administration	2,265,480	2,104,449	2,167,582	2,232,610	2,299,588	2,368,575	2,439,633
	30,079,267	26,701,202	28,028,122	29,398,517	29,345,436	29,339,593	41,800,087
Reservation for Phase II NRP**	10,749,791	7,087,292	5,334,210	4,050,537	4,058,431	4,478,649	18,790,148
Reservation for Other Development Activities		-	-	-	-	-	-

* Common Project TI only - exclusive of pre-79 TI revenue and associated debt service. Since pre-79 TI revenue can only be used for debt service it is not available for use by NRP and therefore has been omitted from this presentation.

Workforce Plan

Workforce Demographics and Trends

The Department of Community Planning & Economic Development was formally recognized as a City Department August 24, 2003. Below are CPED's demographics from August 2003 and July 2004.

Demographics August 2003

GENDER	#	%
Male	67	50%
Female	67	50%
TOTAL	134	100%
Ethnicity	#	%
White	116	86%
Black	10	8%
Hispanic	3	2%
American Indian	2	2%
Asian	3	2%
TOTAL	134	100%
People of Color	18	13%

Demographics July 2004

GENDER	#	%
Male	67	48%
Female	73	52%
TOTAL	140	100%
Ethnicity	#	%
White	117	84%
Black	14	10%
Hispanic	2	1%
American Indian	3	2%
Asian	4	3%
TOTAL	140	100%
People of Color	23	16%

2004 Workforce Development

The Department has identified a variety of key workforce issues that need to be worked on over the next five years to align its workforce with the initiatives outlined in the business plan.

Key and strategic workforce issues fall within the following categories:

- **Workforce diversity** – Current demographics show 16% employees of color. The goal is to ensure CPED has a highly qualified workforce reflecting the population of the City of Minneapolis, and that the selection processes used to hire and promote employees are done in accordance with the Uniform Guidelines on Employee Selection Procedures. We will advertise and recruit in the community to attempt to attract more people of color qualified for various positions in CPED.
- **Training & Development for supervisors/managers** – Using the City's supervisor/manager training modules, to give existing and new supervisors/managers in CPED the tools to be more effective and develop the knowledge, skills and abilities so they can work productively and effectively.
- **Training & Development** – Provide GIS training to enhance technology skills in mapping to meet projected customer demands.

- **Job Classification studies** were conducted for all CPED jobs. Employer’s Association Inc. was contracted and studied 172 positions. These included all former MCDA positions *(including positions currently in Finance, City Attorney’s, Human Resources, and Communications)*. Seventy-three new job specifications and ratings were established. Ninety-nine positions fit into existing City specifications and ratings with some minor modifications.
- **Performance management** – All positions have identified competencies that are measurable and observable knowledge, skills and behaviors. These competencies will be a tool to accurately reflect employees’ performance.
- **Projecting retirees** for the department of CPED is difficult at this time of writing because CPED is offering a Retirement Incentive in the 4th quarter of 2004. Absent the retirement incentive the following graph shows the number of CPED employees eligible to retire under normal circumstances.
- **Organizational design** – Changes in staff allocation due to increased work load levels. Staff from Community Planning (1.5 FTE) have been reassigned to Development Services due to increased work load levels in that area; this leaves a total of five community planners.

Planning has contracted with a consultant to complete work on environmental review projects, a task previously performed by an in-house Development Services staff member. Due to the increased number of development applications and workload, this staff person is fully assigned to development review projects with no time available to do the additional work required by the environmental review process. In addition, several large projects have required the completion of environmental assessments and reviews, a larger number than in prior years.

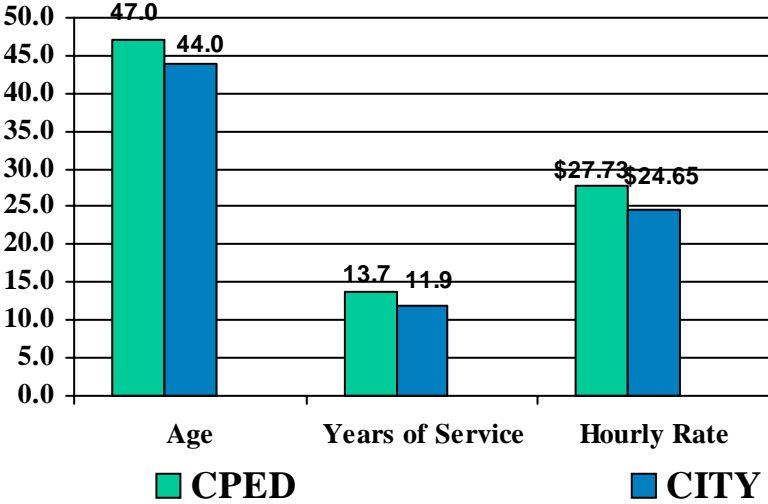
- **Labor Management** – CPED management and labor representing AFSCME 3419 have met each month this past year to communicate, discuss, and strategize various issues resulting from the merger/acquisition of MCDA into the City.

CPED management and the business agent representing AFSCME #9 are meeting to discuss the creation of a Labor Management Committee in 2005.

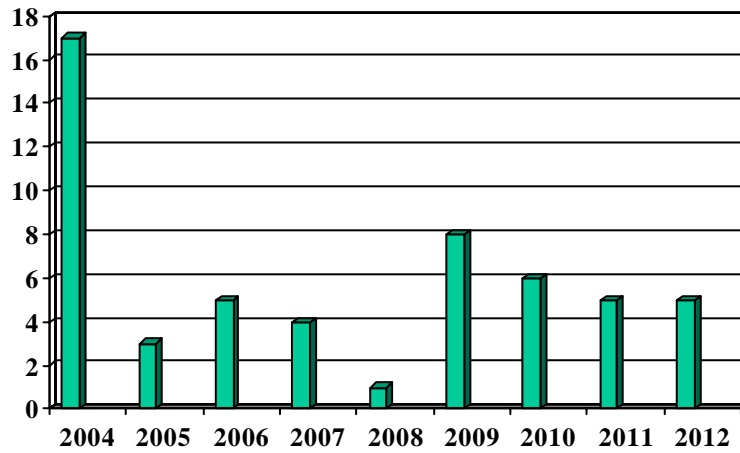
Department Workforce Profile

Department Workforce Profile - October 2004	
Active Employees	140
Average Years of Service	13.7
Average Age	47
Average Wage	\$27.73

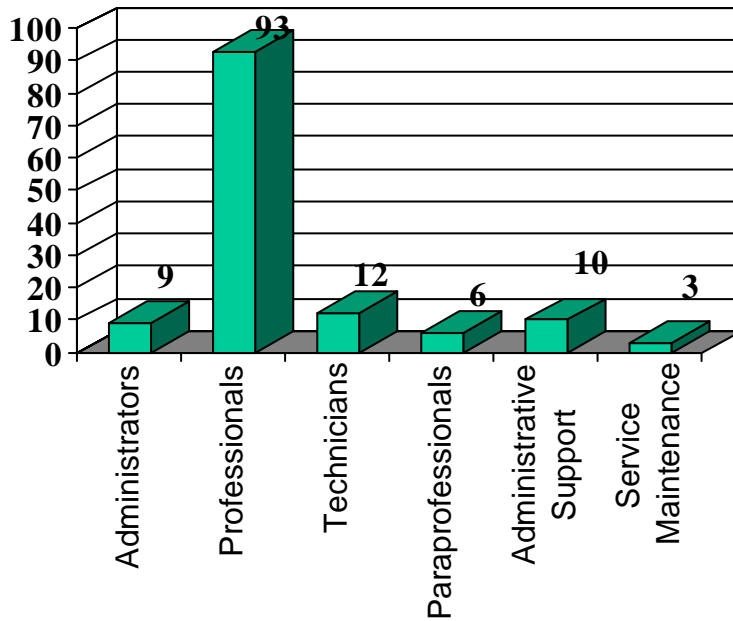
Department and City Workforce Comparison



Number of CPED Employees Eligible to Retire



Number of CPED Employees for Selected Classifications



Technology Plan

Key Initiatives

CPED will leverage current and future investments in technology to support the department's vision and to strategically align its processes and information to meet defined initiatives and goals.

The CPED technology plan supports core business processes, the provision of services to stakeholders, and the integration and delivery of City support functions. Solutions will be leveraged to align and integrate duplicate processes and facilitate business process reengineering.

Existing Technology, Challenges and Opportunities

CPED continues to implement and expand the use of automated business tools to support the department's economic development goals. With the integration of multiple, diverse departments into the CPED department, a convergence of business support tools have occurred. These applications support multiple business processes and are in varying stages of implementation.

Existing Technology

- 1) Management Information Network System (MINS) is a custom built application that resulted from of a major business process reengineering initiative conducted by the former MCDA in the late 1990's. The primary goal of the exercise was to define and automate the core development processes of project planning, land acquisition, preparation, disposition and the financing of Minneapolis properties and projects. MINS supports, consolidates and associates processes and information for:
 - **Financial management.**
 - Record and manage development program sources, fees and uses to more accurately represent costs associated with all CPED development projects.
 - **Development loan origination, servicing, inspections and compliance.**
 - Centralizing all loan management processes for CPED into one area will free development coordination resources to concentrate on higher level development efforts.
 - **Project management.**
 - Automating project management will enforce standard processes and disciplines across the organization and result in timely and accurate project data.
 - **Real Estate management.**
 - Expanding the core real estate functions and tools to include like processes from other City departments will enforce standards and disciplines for real estate management across the City enterprise.
 - **Economic development workflow administration.**
 - Bridging Economic Development and Community Planning processes with common development tools will streamline processes and communication between the departments.

-
- 2) CPED Online Reporting System is an independently managed custom online report facility that organizes and presents information, primarily from the MINS application and the City's primary financial system, FISCOL. The tool provides:
- Online delivery of Housing, Economic Development, Finance, Program / Project Management and Real Estate reports.
 - Consists of approximately 200 Crystal Reports grouping development data in a variety of orders including but not limited to:
 - Ward
 - Neighborhood
 - Census Tract
 - Development Project and Financial Program
 - Project Coordinator
 - CPED Department
- 3) KIVA (Accela)
- The KIVA business application is a purchased "packaged" application that supports zoning land use and regulatory processes and information. The application supports and automates processes and information associated with CPED's development services division and aligns the regulatory processes of Fire, Public Works, Inspections, Licensing and Regulatory Services.

Challenges and opportunities

Numerous challenges exist for CPED and the future alignment and integration of business applications that support the organization. The two major business tools supporting the majority of the CPED mission are the MINS and KIVA applications. These two systems have common features that support a wide variety of processes. Two primary examples would be the workflow management features of each system and their ability to centralize and align a number of business processes and data into a common data base of information.

Along with defining the similarities, CPED will be challenged with the process of addressing the many differences between these business applications and aligning, interfacing or implementing new business solutions to support CPED's intricate business model. These CPED IT challenges do not exist as stand-alone or separate issues. Instead, CPED will expect these initiatives to be managed and implemented in varying parallel time frames. Some business and application challenges facing CPED are:

- 1) Resumption of process reengineering and business systems integration of the former MCDA business units, initiated in the late 1990s and suspended during the CPED integration will result in the:
 - a. Definition and application of necessary support resources to manage business process definition, application development and end user training and support;
 - b. Alignment and automation of processes and information between Multifamily and Single-Family sections of the Housing Policy & Development Division;

-
- c. Alignment and automation of processes and information between the business development and business finance departments of Economic Development and the support of the Development Finance business lines.
 - d. Standardization of systems and tools and replacement of ad-hoc redundant databases and spread sheets that currently exist across the organization.
 - e. Capitalization of prior investments in technology.
- 2) Alignment and integration of new CPED functions and processes into common support tools such as MINS will be extended to include a number of newly formed internal relationships and processes between the former MCDA, METP, EZ and Planning's Community Planning and Development Services sections, such as:
- a. Breaking down the barriers that impede efficient project management workflow between CPED's Economic Development and Planning's Community Planning sections by implementing common project and workflow management tools.
 - b. Aligning Development Finances' need to manage the financial program and loan management processes of Housing and Economic Development with those of EZ, METP and Planning with a common business tool and process flow.
 - c. Gaining organizational efficiencies by defining and exploiting common processes that span the CPED enterprise.
- 3) Integrating CPED business applications and data into City enterprise applications and tools by extending CPED lines of business, processes and data with external City enterprise business applications and tools. By making the effort to consolidate and integrate CPED's internal processes and information into a streamlined and manageable model, CPED is more prepared to get to the next level of aligning and consolidating MINS with other enterprise tools and processes such as:
- a. KIVA's regulatory and land parcel processes and data
 - b. GIS's ability to visualize development efforts based on a wide variety of CPED information.
 - c. FISCOL's link to CPED development processes and efforts.
 - d. Records Management and records retention disciplines will be enterprise driven and align with City goals and objectives.
 - e. Consolidation of Development Finances NRP housing loan portfolio into existing Development Finance loan management processes and business support systems. Resulting benefits of this consolidation of processes would enable a more efficient and effective alignment of all development loan portfolios between NRP and CPED.
 - f. Consolidation of Public Works land management processes into CPED land acquisition, management and disposition processes.
- 4) Training and Development:

Training opportunities exist to enhance and expand CPED staff knowledge and use of technology. These areas would fall into two categories:

Enterprise applications would represent those systems and tools that are supported at the City enterprise level, such as GIS, HRIS, FISCOL and office productivity tools like Word, Excel and Outlook. CPED will look to Human Resources to provide direction and training on these enterprise applications.

CPED business systems training represents those applications that support specific CPED business goals and processes. Training for applications such as MINS and KIVA will empower CPED staff by training divisions and departments on their roles and responsibilities in the use of these tools.

5) Performance Measure Reporting and Research:

Providing and maintaining useful and accurate sources of data for research support, demographics and economic trends should be the primary goal of process automation. Data for these goals will originate from multiple sources. CPED IT will implement disciplines and controls to manage data sources by ensuring formal processes exist to maintain data continuity, source consistency and accuracy.

CPED will provide timely and accurate business data for performance metrics by supporting and aligning centralized business automation tools and data sources with CPED core business processes and aligning these tools with City enterprise goals.

Other Challenges

Other challenges facing CPED are broad and range from technical resource commitments to the organizational change dynamics inherent to process realignment and automation. Of particular concern will be the realignment of technical and application support resources as a result of the new BIS/Managed Services support model. New business application analysis, development, implementation and support models need to be designed and managed. CPED will need to determine what business analysis roles reside in CPED and how they interface with BIS and who manages the relationships. CPED will be working with BIS/Unisys to develop these new models.

Outstanding technical and application enhancements will constantly require scrutiny and prioritization. As technology plays an increasing role in the daily support of business goals and processes, CPED will need to develop and manage programs to help streamline this process to insure maximum return on technology investment.

Existing Data Sources and Future Needs

CPED presently utilizes multiple business applications to manage economic development and regulatory processes. Many of these systems share or interface to multiple data sources and are in varying stages of accuracy, support and implementation.

CPED's MINS application Data Sources

The MINS business application was designed to interface, where possible, to City centralized data sources for data that is considered enterprise in nature. Examples of some these interface sources are:

City Data warehouse for:

- Parcel address origination and geographical identifiers.
- KIVA permits

- Hennepin County tax records
- Assessor land value information
- Utility Billing information

A major challenge for the MINS application will be the reengineering of its parcel address origination and other key interfaces. While MINS is not the steward or owner of this information, it relies heavily on accurate and timely parcel information to support a wide variety of value added development processes. The MINS application is impacted by the following:

- MINS is written to retrieve Assessor Parcel data from data warehouse

Current warehouse Assessor Parcel Address and assessed value data is obsolete and does not reflect current Assessor production systems. Current data warehouse sources have been obsolete for a number of years due to multiple system application upgrades and replacements in the Assessors department.

- New initiatives surrounding Minneapolis One Stop have presented opportunities to redirect MINS parcel address sources from Assessor to KIVA.
- KIVA permit interfaces have been developed and tested to tie this information to the economic development processes data of MINS but there was no formal implementation effort to put this into production.
- All utility billing interface data is obsolete and no longer supported in the warehouse making this interface a candidate for removal.

As the layers of opportunities and challenges surrounding MINS implementation and support are revealed, future direction and extent of effort to resolve these interface issues will need to be considered.

CPED Online Reports

Presently, CPED drives all of its business reporting from this sub system. This reporting system is driven by a web based menu system. This system is one of the last applications on the former MCDA domain. CPED will be challenged to reengineer this report facility and integrate the product into the City enterprise standards. Serious consideration must be taken when and if this application is reengineered. Issues of data privacy and business continuity are a couple of the primary challenges.

KIVA (Accela)

The KIVA application is the primary business support application for CPED's regulatory focused Development Services business line. Staff input data into KIVA to update and record the City's zoning codes and overlay districts, land subdivision actions and changes, and building permits issued. Data found in KIVA helps City staff research property history and develop regulatory workflow relationships with other departments, including staff from Public Works, Licensing, Fire and Regulatory Services. In the future, CPED will compare and contrast the relationships and interfaces between the business lines and processes supported by the MINS business application with the business lines and processes managed by CPED.

Additional resources have been dedicated to KIVA through the Minneapolis One Stop initiative. This time and effort has resulted in additional and more accurate land parcel information, which indicates that KIVA may be a viable technology application for future MINS parcel address origination.

Govern

Though it is the primary business system for the Assessor department and MINS was originally designed to reference the Assessor Parcel Address for its parcel address needs, going forward, there is no certainty that the Govern application will or should be considered the address source for MINS going forward.

GIS

CPED has invested a great deal into GIS. Community Planners use GIS to conduct planning studies and analysis. Economic Development staff has extreme interest in broaden their use of GIS. CPED will need to expand the use of this tools and work to ensure consistent and accurate data sources are maintained.

DATA Integration

CPED will continue to develop and implement the disciplines required to manage internal and external data sources. CPED relies on data from multiple sources and development processes to, among other things, identify trends within the City. Aligning and bridging information from the regulatory (KIVA), economic development (MINS) and assessor (Govern) sources will remain a priority and over-arching goal.

Equipment and Space Plan

CPED staff are currently housed in four locations:

- the Housing Policy & Development and Economic Policy & Development divisions are located at the Crown Roller Mill (this includes the Empowerment Zone and METP units which used to be housed at City Hall and PSC);
- the Community Planning section of Planning is located at City Hall;
- the Development Services section of Planning is located in the Public Services Building, adjacent to the Regulatory Services staff with whom they work closely;
- the Property and Construction Management staff is located at the Grain Belt facility.

CPED is supportive of the desire to consolidate its locations within the downtown campus of the City as described in the recent draft Downtown Campus Strategic Space Plan (with the exception of the Development Services portion of Planning, which should continue to be co-located with other components of Minneapolis One Stop in the Public Service Building). As the study noted, the current lease at the Crown Roller Mill runs through 2016, which poses a challenge to any major relocation in the short term. However, CPED will continue to explore – with Public Works’ assistance – improvements and configurations of its existing staff and locations that maximize inter- and intra-departmental coordination. Short term projects that may be a part of this include ergonomic improvements (as budget allows), possible co-location of geographic-based teams either at City Hall or Crown Roller, and more efficient use of the Crown Roller space. Additionally, there may be significant changes in the amount of staff at the Grain Belt location pending current discussions with Public Works on the property management function. Decisions will need to be made on whether to keep the remaining construction management staff at that location or relocate them with other real estate staff at the Crown Roller site.

As anticipated in last year’s business plan, the transfer of responsibility for managing the lease at Crown Roller Mill as well as for vehicle leases has been transferred to Public Works. Per City policy, CPED is in the process of transferring management of copier equipment within the Crown Roller Mill to the City Clerk, and a plan has been initiated to upgrade this equipment over time.

It is CPED’s understanding that the second floor of City Hall, including Room 220, is scheduled for renovation starting in the fourth quarter of 2007.