

COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT

MISSION

CPED works to grow a sustainable City.

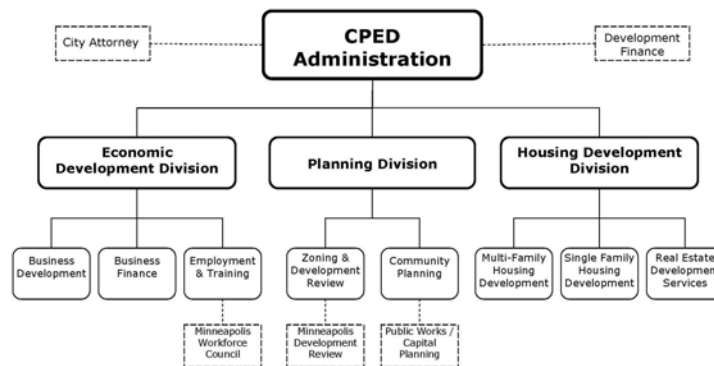
BUSINESS LINES

- **Community Planning** – CPED prepares and implements the City's comprehensive plan and other adopted plans and informs the City's development and infrastructure strategies.
- **Economic Policy & Development** – CPED grows businesses and jobs through real estate development financing, site assembly, providing technical assistance, and establishing business-to-business connections.
- **Workforce Development** – CPED manages a network that prepares Minneapolis residents for living-wage jobs and builds partnerships to improve career opportunities within the City.
- **Housing Policy & Development** – CPED provides financing from public as well as private and philanthropic sources and administers programs for housing development, preservation and rehabilitation to advance a continuum of housing choices throughout the City.
- **Zoning and Development Review** – CPED administers, interprets and enforces the zoning code, land subdivision regulations and heritage preservation regulations, and conducts environmental reviews as required by law.

Other program and management-support activities include real-estate and related technical services, research, arts and cultural activities.

Throughout all of the above business lines, CPED works collaboratively with other public, private, and non-profit partners. Program investments made through CPED business lines are consistent with the City's Comprehensive Plan and are supported by development consultation, regulatory tools and processes, long range planning efforts, including transportation and land use planning carried out by Planning staff. In the last two years, the department has coordinated efforts across all business lines to address the local impacts of the recession and housing crisis.

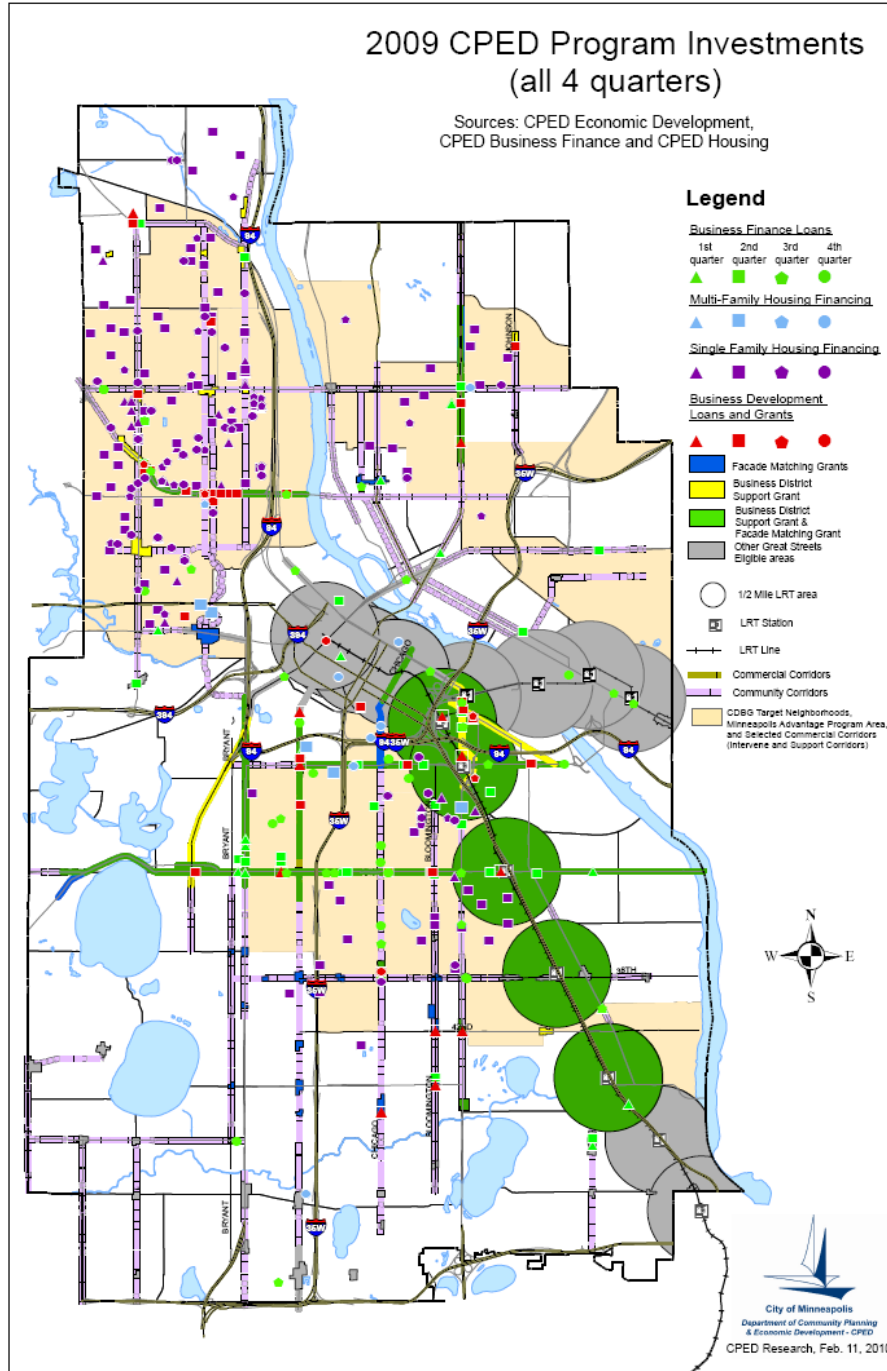
ORGANIZATION CHART



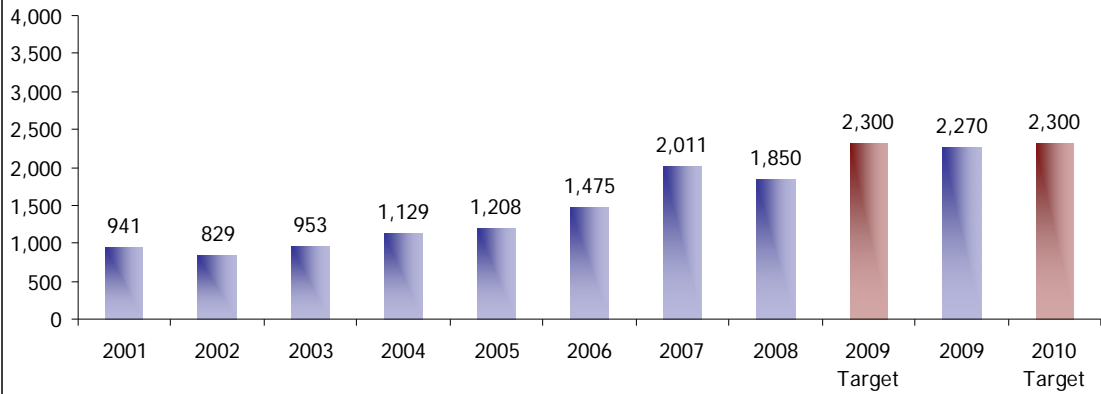
RESULTS MINNEAPOLIS CHARTS

A sampling from the February 2010 Results Minneapolis report follows:

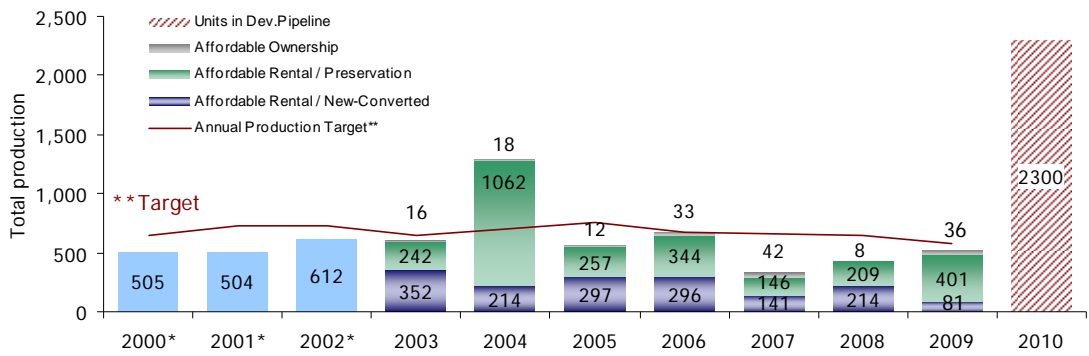
The following map displays housing and economic projects assisted during 2009:



METP youth program summer job placements

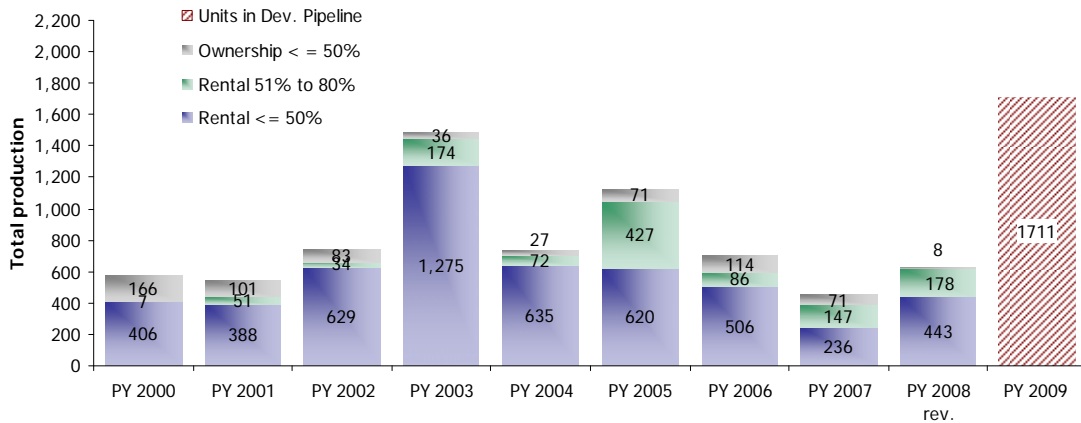


Affordable Housing Production 2000-2009 Number of Affordable Units Completed <= 50% MMI

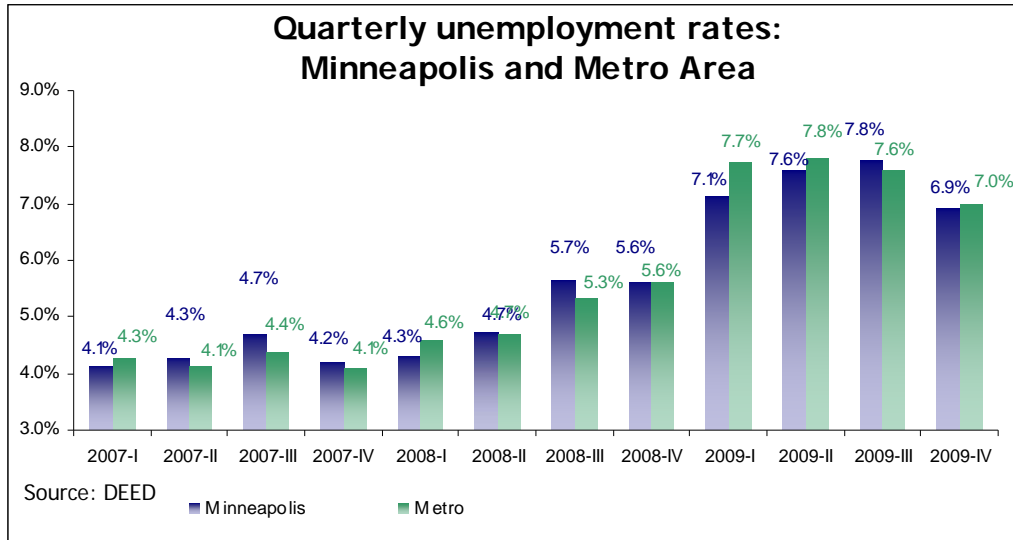


* Figures for 2000-2002 include shelter-related production and are presented as aggregate annual totals
 ** The annual production targets are based on Council actions; multi-year targets are displayed as annual averages

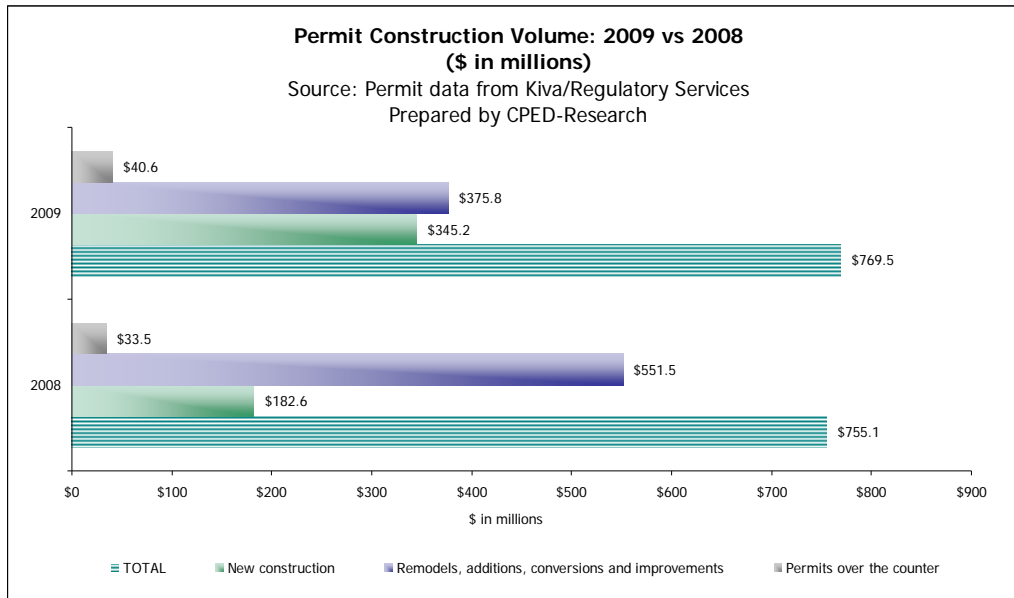
Affordable Housing Production Program Year 2000-2009 Number of Affordable Units Completed <= 80% MMI



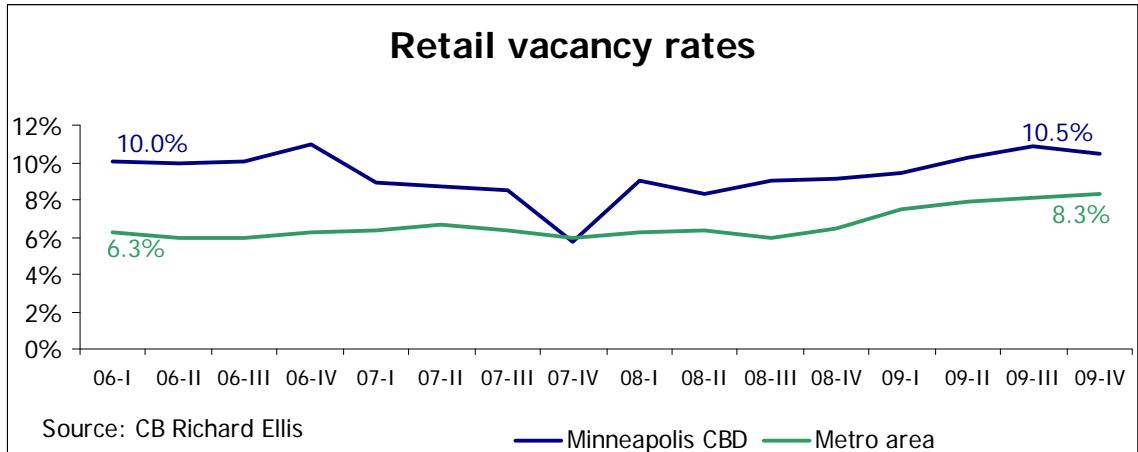
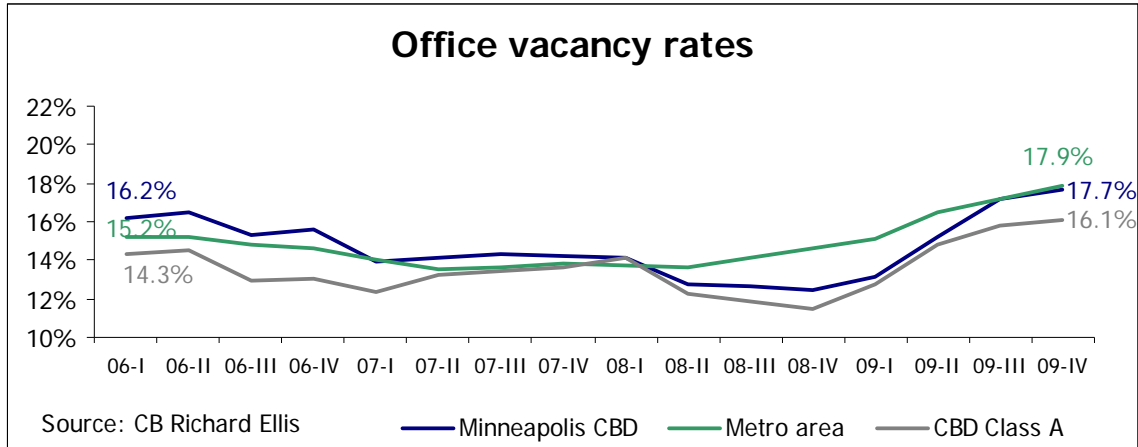
After peaking in 3rd quarter of 2009, unemployment rates began to decline; Minneapolis continues to have a lower rate than the metro area.



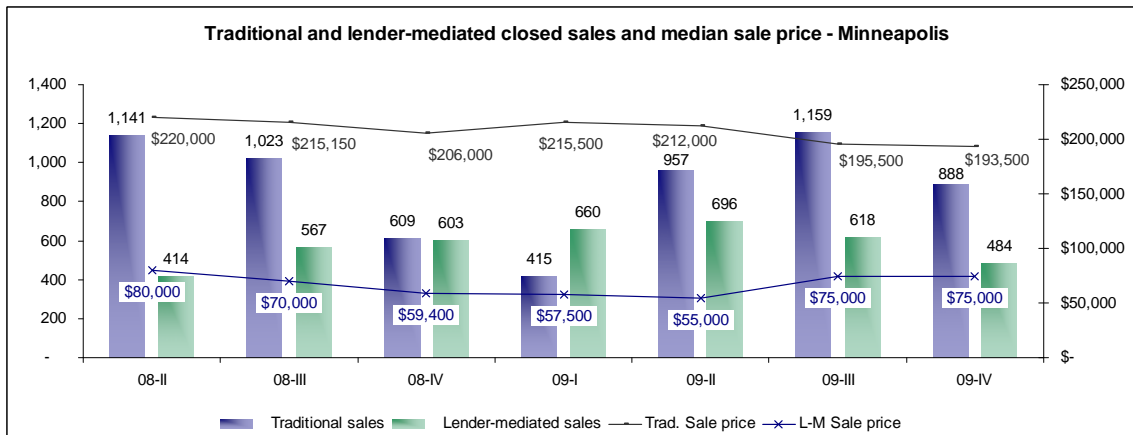
The value of permitted 2009 construction and remodeling work in Minneapolis was \$769 million, up slightly over 2008. This included Target Field, (\$257.3 million for new construction permit) and Children’s Hospital (remodeling/addition permit of \$76.4 million).



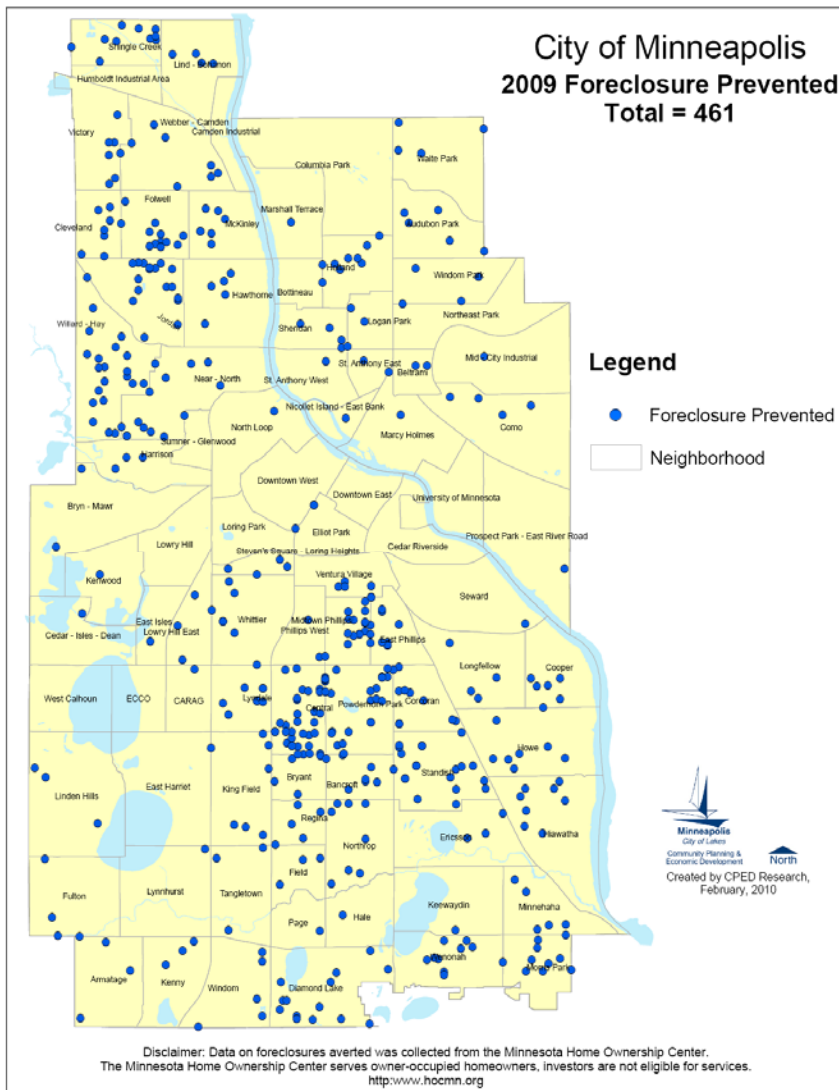
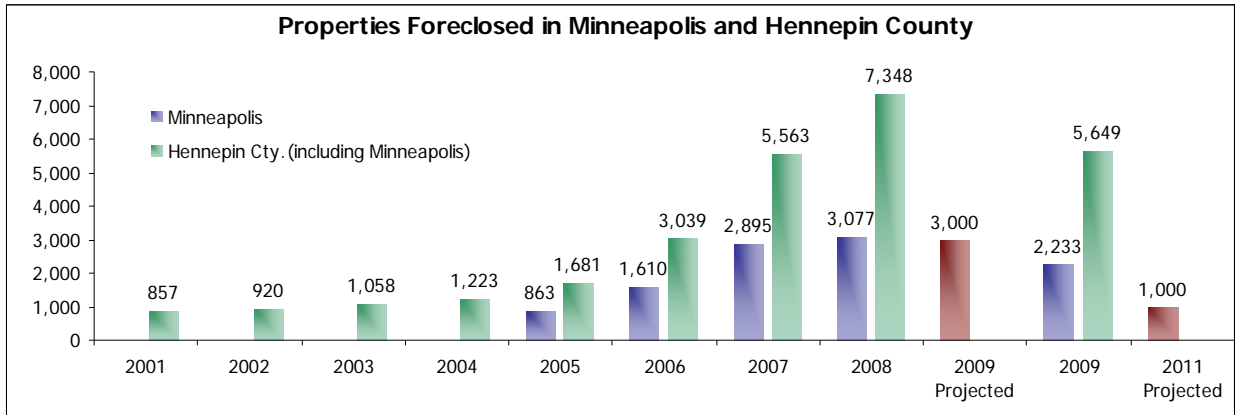
In 2009, the Minneapolis CBD continued to have lower office vacancy rates than the metro area, but higher retail vacancies.



Although median home sale prices remain below historical levels, the volume of traditional sales increased in 2009, a positive sign that the real estate market is beginning to return to health.



After peaking in 2008, foreclosures fell by 25% in 2009.

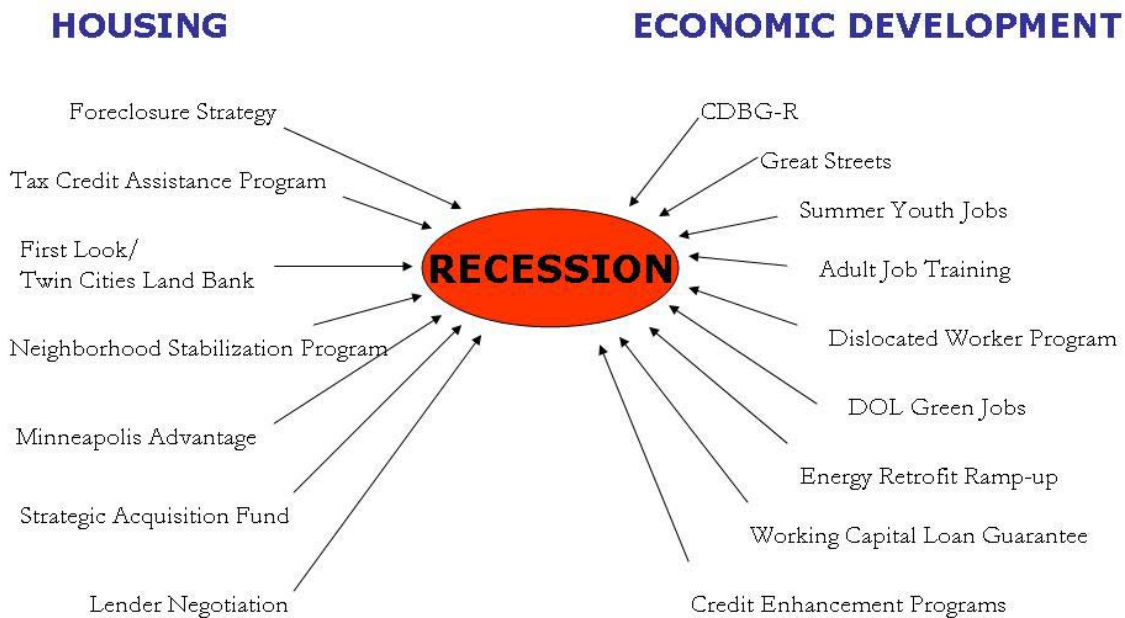


What two or three key trends and challenges does the department face and how will each be addressed?

Given the slow pace of recovery in both the economy and housing market, the department's primary challenge is one of capacity and resources to continue its recession fighting efforts.

As the graphic below illustrates, CPED has responded to the related challenges of the economic recession and housing crisis in numerous ways. The results, as referenced below and listed in the above Results measures, are substantial: hundreds of adult workers trained and placed into jobs and the City's unemployment rates lower than metro rates, hundreds of foreclosures prevented, hundreds of dilapidated buildings acquired for redevelopment and resale, a re-awakening of residential housing construction in the City, with CPED directly assisting in 296 of the 411 new housing units permitted in 2009.

RECENT CPED INTERVENTIONS



Collectively, the jobs impact in 2009 of the above efforts has been:

- 309 permanent jobs created
- 692 permanent jobs retained
- 2,270 summer youth jobs
- 1,422 construction jobs
- 484 permanent jobs and 5,200 construction jobs projected from Brownfield Remediation Grants received

The housing impact of the above efforts includes:

- 461 foreclosures prevented
- 250 home purchases via the Minneapolis Advantage Program
- 173 foreclosed properties acquired through The First Look program
- 343 vacant or foreclosed properties acquired through the Strategic Acquisition Fund or the Neighborhood Stabilization Program for future redevelopment or rehabilitation

- 6 stalled housing projects underway with financing arranged: Nicollet Square, Clare Midtown, Creekside Commons, Audubon Crossings, PPL Near North, and Mill City Apartments

These accomplishments have been supported in part by federal stimulus and related housing funds, as well as other local one-time funding. Approximately \$10.7 million [40%] of CPED's 2010 capital program of \$27.1 million was supported by the local one-time funds – excluding stimulus – which is not sustainable. As the department looks ahead to the next five years, projected revenues will not be sufficient to maintain this vigorous programmatic response to continuing distress in the housing and jobs markets.

The 2011 budget again is dependent on substantial drawn down of one-time funds, amounting to approximately \$7.4 million, virtually depleting the available total of \$7.7 million. Even with this drawdown, the 2011 budget for housing and economic development capital programs for will be decreased by a combined \$2.6 million compared to 2010. Certain capital programs will be reduced or eliminated. Absent an infusion of new ongoing dollars, the department's capacity to acquire any additional properties is extremely limited.

In what internal/external partnerships is the department currently engaged and/or exploring for the future?

CPED provides most of its services in coordination with a variety of public, private, and non-profit partners, as well as with many City departments. A partial listing follows:

Public

Hennepin County
Metropolitan Council
MN – DEED
MN Housing
MnDOT
University of MN

Private

Neighborhood business associations
Private lenders
Private developers
Downtown Council
Mpls Area Association of Realtors
Mpls Workforce Investment Board

Non-profit

Achieve Minneapolis
Community Development Corporations
Employment and training service providers - 25
Family Housing Fund
MN Homeownership Center
Neighborhood groups
Twin Cities Community Land Bank

Multi-party partnerships

Cedar Riverside Partnership
Downtown SafeZone
Hiawatha Com. Works
Northside Home Fund
Phillips Partnership
University Alliance
West Broadway SafeZone

How is the department evaluating programs or services for cost effectiveness?

Due to its heavy reliance on teaming with outside partners and outside funders to deliver programs, CPED is constantly being monitored by others, or monitoring the performance of its various public, private, and non-profit partners. Examples include:

- The majority of CPED's housing and economic development funds are distributed to private or non-profit developers via an RFP process, which by its nature involves a competitive allocation of funds and an up front agreement on costs for specified outcomes. Poor proposals do not get funded, and poor performance against contractually defined project goals does not get paid.

- The majority of CPED's housing and development work is supported by non-City funds, either federal, state, metro, county, or private. Most of these fund sources require regular and detailed reporting on outcomes achieved, which creates an obligation on both City staff and external partners to pay close attention to both costs and performance. That is, CPED is accountable to many external funders.
- CPED's job placement and training functions are structured as a 'pay for performance' vendor contract; *i.e.* the non-profit vendors get paid only for actual results achieved based on a standard City-defined unit costs and vendors are regularly evaluated against City-defined performance standards;
- CPED closely monitors trends in market value [EMV] as one factor in prioritizing public investment [*e.g.* Great Streets program], and as a success measure of program outcomes [*e.g.* changes in residential EMV as a measure of the impact of housing investments];
- CPED continually strives for transparency and accountability via regular reporting of program results from individual programs and through compilation publications such as the CPED Results Minneapolis, the Consolidated Annual Performance and Evaluation Report for various federally funded housing programs, and Minneapolis Trends.

What actions will the department take to meet the current service level reductions? Please include a description of any revenue proposals. Identify *Results Minneapolis* measures where you anticipate a service level impact based on cuts. Specifically include charts that show 2011 projections of no cuts and target reductions.

For the General Fund, the target will be achieved through the reduction of one FTE (to be named later) and careful management of non-personnel expenses by the Planning Division, the division of CPED where the vast majority of GF dollars are carried. The target can be achieved by the reduction of an additional FTE (or less depending if unspent balances remain) combined with shifting the remaining 50% of the Public Art Administrator's salary and benefits to the Public Art Capital Fund. Service levels of the Planning Division will decrease if there are staff reductions. However, the exact nature and impact of those cuts and the impact on current *Results Minneapolis* measures are not known at this time. The 2011 budget also eliminates 3 positions in other CPED divisions not supported by the General Fund.

Regarding new revenue proposals, CPED proposed the reinstatement of the HRA Levy at a level of \$2 million. In addition, CPED staff is actively engaged in applying for grants for planning, program, and project (development and infrastructure) purposes through Hennepin County, Met Council, various state and federal departments as well as other sources.

FINANCIAL ANALYSIS

EXPENDITURE

The total 2011 expenditure budget of \$81.9 million is a 5.3% decrease from the 2010 budget of \$86.5 million. This reduction is primarily due to a total of seven fewer FTEs in the department. Four FTEs, one from each of the three CPED divisions and one from Executive Administration, are being eliminated in 2011. This is in addition to two FTEs that have already been reduced in 2010. The Arts Coordinator position was transferred to the City Coordinator. Part of the growth in fringe benefits is due to an adjustment to more accurately reflect health insurance expenditures. The remainder of the difference is primarily due to a change in how the MERF contributions are accounted for in the budget.

REVENUE

The Department's projected revenue budget for 2011 has increased by \$11.0 million (12.7%) when compared to 2010. This is primarily due to the new Consolidated TIF District which is expected to generate approximately \$16.2 million in 2011. Revenue generated by the TIF District will first be used to make the necessary reimbursement payments to Hennepin County under the Special Legislation and pay administrative costs of the District, with the remainder transferred to debt service and special revenue funds to pay for Target Center debt and neighborhood revitalization programs. Tax increment revenue from this district is dedicated to pay Target Center debt and neighborhood revitalization. None of these revenues will fund CPED activities. When projected revenues for 2011, excluding revenues from the Consolidated TIF District, are compared to 2010, there is a decrease in revenues of \$5.2 million (6.0%) when compared to 2010. This decrease in revenue is balanced by the use of debt service reserves carried over from prior years and used to pay 2011 debt, as well as the use of \$7.4M in one-time fund balances to pay for ongoing costs of capital programs and related administrative costs.

MAYOR'S RECOMMENDED BUDGET

The Mayor recommended a reduction to growth of \$89,000 in the General Fund and a reduction of 4 FTE across all funds to balance the department's long-term financial projections. The Mayor also recommended one-time funding for the following programs in special revenue funds: \$150,000 to the Regional Economic Development Authority, \$50,000 to the Mississippi Riverfront Corporation, \$200,000 from the Development Account and Local Contribution Fund for Youth Employment, and \$150,000 for the Great Streets program.

COUNCIL ADOPTED BUDGET

The Council adopted the Mayor's recommendations and increased funding for the *All About the Kids* program by \$125,000 from the Local Contribution Fund on a one-time basis. The Council decreased the Year 37 allocation for CDBG for the GMHC Home Ownership Program by \$300,000.

The Council also increased funding by \$75,000 in CDBG resources for the Domestic Abuse Project. Further, the Council increased funding for Mortgage Foreclosure Prevention by \$100,000 from the Local Contribution Fund on a one-time basis.

The Council also directed the Department to develop a plan to fund ongoing development activities, including prioritizing the services CPED provides, with the assistance of the Finance Department. CPED is to report back to the Community Development and Ways and Means/Budget Committees no later than March 1, 2011.

