



## Request for City Council Committee Action from the Department of Community Planning & Economic Development

**Date:** June 18, 2013  
**To:** Councilmember Lisa Goodman, Chair, Community Development Committee  
**Subject:** Grow North business recruitment incentive proposal

**Recommendation:**

Approve concept and guidelines for the Grow North business recruitment incentive. Specific deal terms will be authorized on a case-by-case basis by the City Council.

**Previous Directives:** None.

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Approved by: Charles T. Lutz, Deputy Director, CPED \_\_\_\_\_  
Catherine A. Polasky, Director, Economic Policy & Dev. \_\_\_\_\_  
Presenter in Committee: Cathy Polasky and Kristin Guild

**Financial Impact**

Action is within the Business Plan

**Community Impact**

**Neighborhood Notification:** A 45-day community review notice was distributed on April 29, 2013 to all Minneapolis neighborhood organizations, business associations and community development organizations.

**City Goals:** Many People, One Minneapolis; Jobs and Economic Vitality; Livable Communities, Healthy Lives; Eco-Focused

**Sustainability Targets:** Incenting capital investments in sustainable building systems in North Minneapolis is an explicit objective of the proposed Grow North program.

**Comprehensive Plan:** Projects will comply with the comprehensive plan.

**Zoning Code:** Projects will comply with zoning.

**Living Wage/Business Subsidy Agreement:** Yes\_\_\_ No\_\_\_ This will be determined on a case-by-case basis, with subsequent Council action.

**Job Linkage:** Connecting North Minneapolis residents with new jobs recruited to the neighborhood is an explicit objective of the proposed program.

## Supporting Information:

Given CPED's role to grow a sustainable city, equalizing opportunity is a primary focus for the department. Disparities exist throughout the city, but concentrated unemployment in our very ethnically diverse Northside – up to 24% in some census tracts compared to a city rate of 4.9% - is a significant contributor to Minneapolis' disgraceful ranking as first among the nation's 50 largest cities for employment disparity between white and African American residents.

To address disparities in North Minneapolis, CPED has developed programs to prepare youth for employment, link Northside residents to jobs, build safe and affordable housing, and support retail vitality on commercial corridors. However, we lack a tool to recruit employers committed to hiring North Minneapolis residents. Despite concerted effort, we have been unable to recruit such a business.

We propose a new, targeted financial incentive package to broaden the toolbox for recruitment in this market-challenged area. In concert with existing financing tools available in many parts of the city, we propose additional incentives to recruit businesses specifically to North Minneapolis including:

- Forgivable loans for capital investments (acquisition, building improvements, new construction),
- Minneapolis Advantage homebuyer downpayment assistance targeted to employees of recruited businesses wishing to purchase a home in North Minneapolis,
- Workforce training and recruitment assistance.

These incentive packages would be approved by the City Council on a case by case basis. At this juncture, we seek approval for the concept and overall framework.

The proposed incentive package would be available to for-profit businesses that commit to:

- Bring at least 75 jobs to North Minneapolis,
- Offer a significant number of jobs to Northside residents, and to
- Pursue a high level of green construction for new construction or building renovations.

To warrant a subsidy, we believe business investments must further multiple priority City objectives. In this case, we seek a triple bottom line of **job growth** in an area of market failure, **employment equity** for an area with extreme employment disparities, and **sustainability**.

We propose to fund the new incentive program at the level of \$400,000 annually in both 2013 and 2014, using excess CDBG dollars appropriated for commercial real estate development on commercial corridors. As CDBG dollars are not readily usable for the Minneapolis Advantage program, we propose to swap \$50,000 CDBG dollars appropriated for commercial development financing with flexible dollars provided by the Wells Fargo Foundation for homebuyer assistance for foreclosed properties. Wells Fargo has approved this redirection of funds.

## Details

- Projects must meet a but-for test, similar to that utilized to assess proposed Tax Increment Finance deals.
- The percentage of jobs to Northside residents will be determined based on an assessment of skills needed and immediately available. The percentage of Northside hires may be scaled to increase as residents are trained.
- Capital investments to meet LEED, Minnesota Sustainable Building Guidelines (B3) or, for building renovations Energy Star standards.

- Other City investments in the projects, such as Tax Increment Finance and Industrial Revenue Bonds, will be subject to the standard due diligence, review and authorization defined in the program guidelines.
- Forgivable loans for capital investments will be structured with annual reporting on hiring objectives and repayment with interest required if the objectives are not met after a defined period.
- The maximum per job investment permitted by HUD for CDBG investments is \$35,000. We expect that this subsidy will have a significantly lower per job cost. The forgivable loan subsidy would be \$2,500-4,000 per job and the total subsidy, including a forgivable loan and TIF will not exceed \$15,000 per job created (for a company bringing 75 jobs to North Minneapolis, this would be a total combined subsidy of \$1.1 million through a combination of TIF and the forgivable loan).
- North Minneapolis for the purpose of this recruitment incentive is defined as the area between the City boundary on the north and west, the Mississippi River on the east and Bassett Creek on the south, excluding the North Loop neighborhood.

As a complement to the finance tool, we've also developed a Grow North pitch packet (attached) that articulates reasons the area is attractive to business investment.