To: City Council Members
From: Mayor R.T. Rybak
Date: March 25, 2011
Re: Recommendations from the Mayor's Council on Economic Development Finance

As you know, one of the City's many financial challenges is how to continue to support our work to growing the city's tax base. Projected future funds are not sufficient to continue current levels of promoting economic growth, developing our transit corridors, training our workforce, building affordable housing and planning for a rapidly changing future. This threatens not only the City's long term fiscal health but our role as the economic engine of this region.

Last fall I convened a small group of experienced businesses and governmental experts[1] to review these challenges and offer ideas on how to sustain efforts to grow the City. This panel reviewed a wealth of information on existing City development policies and finances, as well as comparisons with nine peer cities about their development activities and associated budgets.[2] In late January they offered several ideas on how to address this challenge; after reviewing them, I believe that we should proceed accordingly:

1. **The City should focus our development efforts – including our future investments in infrastructure – on projects and areas that are best positioned to grow the city's tax base.**

   The panel encouraged us to identify a small number of key enterprise development priorities and to align city resources from all departments on these priorities. Focusing our scarce development resources in areas that are most likely to result in job and tax base growth – especially along transit corridors – will provide the resource base to support future growth. As I review the 2012 development and capital budget requests, I will be asking how proposed investments will further this overall goal.

2. **The City should allocate a portion of this new tax base as a "Growth Fund" to support future infrastructure and development investments.**

   We should annually allocate a portion of the revenue derived from newly realized tax base as a "Growth Fund." These dollars would then be incorporated into various department budgets as a source of funding to help pay for investments in future infrastructure development activities (both capital and related administrative costs) needed to catalyze projects that are best positioned to grow the City and its tax base. I have asked Finance, the City Assessor and CPED to develop options for structuring such a Fund for consideration as part of the 2012 budget.

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[1] Members of the panel included Pat Born, Frank Fairman of Piper Jaffray, Lee Sheehy from the McKnight Foundation, John Taft of RBC Dain Rauscher, and Pam Wheelock from the Bush Foundation.
[2] This material is available on the City Clerk's web site: Session1 Materials-CPED Business Plan; Session2 Materials-Resources; Session3 Materials-CPED Admin

3. **The City should seek legislative approval for enhanced development tools such as transit improvement TIF districts.**

   In partnership with the federal government, the Metropolitan Council is in the midst of building the region's second LRT line along the Central Corridor. We need to find better ways to realize the public efficiencies of concentrating growth on transit corridors by refining our existing development tools, such as the TOD TIF bill proposed last year by Sen. Dibble and Rep. Hornstein. The City should also explore ways to reduce existing restrictions associated with CPED revenue sources which are imposed at the state or local level.

4. **We should once again review the City's organizational structure and processes for economic development, both internally and externally.**

   It has been almost ten years since McKinsey & Co. reviewed our internal development and related city functions, resulting in the creation of CPED. Some of their original recommendations were never acted upon. I believe it is time to re-engage McKinsey & Company to not only revisit CPED's size and role relative to other City departments and agencies, but to review the City's relationships with other public and private entities engaged in housing and economic development. In this time of constrained resources, we must work together even better with our partners to identify all possible opportunities to coordinate efforts, achieve efficiencies, and improve outcomes.

I believe these steps are essential if Minneapolis is to sustain our historical role as the economic engine for the region. If our City is to keep moving from "good" to "great" and get on a sustainable financial path, we must grow: in jobs, in housing, in people, and in tax base. Maintaining City efforts to promote and sustain and adequately plan for this growth is not cost free; we are currently too reliant on one-time sources to support this work. Absent new funding, our efforts to grow the city will diminish: we will not be able to provide as many loans to small businesses, train as many young adults, build as much housing or conduct our regulatory reviews in an expedited manner. I look forward to working with you to incorporate these ideas into CPED's business plan and budget moving forward.