



Request for City Council Committee Action Community Planning & Economic Development

Date: April 20, 2004

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways & Means/ Budget Committee

Prepared by: Jim White, Senior Project Coordinator, Phone 612-673-5170
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Approved by: Chuck Lutz, Deputy CPED Director _____

Subject Increase the appropriation to CPED for a Childcare Center by \$379,000 in additional federal Empowerment Zone funds.

Recommendation

- (1) Decrease the appropriation for 0300-890-8942 by \$379,000;
- (2) Increase the appropriation for the Inter-fund transfer agency (0300-127-FEZT-9001) in the amount of \$379,000 to develop a Childcare Center;
- (3) Amend the 2003 Appropriation Resolution for the CPED to increase the appropriation in Fund FEZ (Empowerment Zone) by \$379,000 and increase the revenue budget (3820 - Transfer from Special Revenue) in Fund FEZ by \$379,000; and
- (4) Authorize City officers to execute an agreement with CPED, setting forth the terms and conditions of administering federal Empowerment Zone funds for a Childcare Center.
- (5) Approve a waiver of the RFP regulations requiring the City to issue an RFP for contracts over \$50,000

Financial Impact

No financial impact or Action is within current budget.

Action requires an appropriation increase to the Capital Budget

Action requires an appropriation increase to the Operating Budget

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Other financial impact (Explain): _____

Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact: April 1999 MCDA Board action authorizing planning and development process for the childcare center. May 1999 Council action to appropriate \$788,500 for the center. September 19, 2002 authorizing an agreement between MCDA and Abbott Northwestern Hospital to develop the childcare center.

Ward: 8

Neighborhood Notification: Phillips West, and Midtown were notified of this report in advance of its presentation. A copy of this report was sent to each.

City Goals:

- Build communities where all people feel safe and trust the City's public safety professionals and systems.
- Maintain the physical infrastructure to ensure a healthy, vital and safe City.
- Deliver consistently high quality City services at a good value to our taxpayers.
- Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets.
- Promote public, community and private partnerships to address disparities and to support strong, healthy families and communities.

Comprehensive Plan

2.9. Minneapolis will strengthen long-term confidence in the economy by building innovative public to private sector partnerships.

2.6. Minneapolis will focus resources and efforts on connecting residents to living wage jobs.

4.4. Minneapolis will continue to provide a wide range of goods and services for city residents, to promote employment opportunities, to encourage the use and adaptive reuse of existing commercial buildings, and to maintain and improve compatibility with surrounding areas.

Zoning Code: In compliance.

Living Wage/Job Linkage: Living wage/business subsidy policies are not applicable. The developer will be asked to extend job opportunities to the unemployed or underemployed from the neighborhoods.

Previous Directives

On May 7, 1999 the Minneapolis City Council approved the appropriation of \$788,500 in Empowerment Zone (EZ) funds to the Minneapolis Community Development Agency (MCDA) for the Great Lake Child Care Center Project (99R-152). On August 30, 2003, the City Council approved the appropriation of \$211,500 in federal Empowerment Zone (EZ) funds to the Minneapolis Community Development Agency (MCDA) for the Great Lake Child Care Center Project (99R-152). On March 18, 2004 the EZ Governance board approved of the transaction requested in this report.

Background/Supporting Information

Since May 7, 1999 the Great Lake Child Care Center Project has been re-named the YWCA Childcare Center at Abbott Northwestern Hospital. The partners in the project are the Minneapolis Community Development Agency (MCDA), the Minneapolis Empowerment Zone (EZ), the YWCA of Minneapolis, Abbott Northwestern Hospital, and the Development Corporation for Children.

History of Empowerment Zone Investment

In December 1998, the City of Minneapolis Empowerment Zone Governance Board approved \$788,500 for a multicultural childcare business incubator that was planned for the former Sears development. The proposed Great Lake Commercial Center development by STA & Associates ultimately failed, however, and that left project advocates searching for a new project venue.

In October 2001, project advocates approached Abbott Northwestern to inquire about its interest in housing the childcare center. At the time, Abbott Northwestern Hospital was pursuing onsite childcare as one of several strategies to attract and retain employees in critical-skills jobs. After several meetings between project advocates, CPED staff and hospital leadership, Abbott Northwestern agreed to pursue a joint effort with the city that would merge public and private interests into one childcare project that would be operated by the YWCA of Minneapolis. On December 13, 2001 the Minneapolis EZ Governance Board approved the re-named Childcare Center to utilize \$788,500 in previously appropriated EZ funds and approved an additional \$211,500 in EZ funds (for a total of \$1 million). The additional \$211,500 provided a total of \$1,000,000 in EZ funds to develop a unique multicultural childcare center that will serve approximately 130 children. The center is designed to provide a model of childcare to meet the needs of new arrivals and other residents of the Empowerment Zone.

In December 2001, project advocates and Abbott Northwestern approached the Empowerment Zone Governance Board to request an additional \$211,500, bringing the City's commitment for the child care business development center to \$1 million. The EZ Board approved the request, in large measure because Abbott Northwestern and the YWCA agreed to match the \$1 million to build a facility for up to 120 children.

History of Private Investment

In 2002, Abbott Northwestern Hospital committed \$500,000 and the Abbott Northwestern Hospital Foundation joined with another \$250,000. Then, working with the YWCA of Minneapolis, the McKnight Foundation committed \$200,000, and the Phillips Family Foundation joined with \$50,000. Thus, the intended \$1 million match was raised.

Project design by Architectural Alliance (the architect of the Midtown YWCA) and construction documents were priced but revealed that the total expense of the project was closer to \$3.2 million. The project team worked through a process of value engineering that ultimately lowered the total project costs to \$2.543 million. We did this by incorporating program space that was planned for a new building into an adjacent gymnasium on the hospital campus.

In 2003, in consultation with city staff, the project team agreed to try to raise the remaining \$543,000 needed to launch the project. The following funds have since been secured:

Wells Fargo Bank	\$75,000
US Bank	\$50,000
Minneapolis Foundation	\$50,000
Abbott Northwestern Auxiliary	\$25,000
Mary Lee Dayton	\$25,000
Wendell Foundation	\$25,000
South Mpls. Rotary Club	\$ 1,600
TOTAL	\$251,600

At the time that Abbott Northwestern got involved in the project, the original EZ grant of \$788,500 had paid expenses of \$88,000 to the Development Corporation for Children. Thus, the gap to close to reach today's \$2.54 million project budget is \$379,000. An additional grant of \$379,000 from Empowerment Zone funds would essentially make the project a reality.

Continued Need for Project in New American Communities

In many other cultures, childcare is not a business. But in the United States, business knowledge is critical to the financial success of childcare operations. As a business, childcare involves government regulation (licensing, zoning, health, fire), payment policies (government subsidies and parent tuition), human resource issues (employment, personnel budgeting), and financial management (budgeting, forecasting, reporting). The multicultural childcare business development center is the place for New Americans to learn these skills, under the training of the YWCA of Minneapolis, which is known for its quality and award-winning childcare programming.

Census 2000 data shows that Minneapolis' population growth over the past ten years (3.6%) is due to an increase in its non-white population, specifically immigrants and African Americans. These citywide changes are reflected in the demographics of the Phillips neighborhood. Phillips' total population has increased by nearly 15% over the past ten years, while its European American population has declined by 19% and its Native American population has decreased by 45%. These losses have been more than offset by increases in the following populations: "Other race" (852%), Latinos (557.5%), and African Americans (58.5%). The adjacent Powderhorn Community has experienced a similar demographic explosion, including the following increases: "Other race" (770%), Latino (602%), and Asian (22.5%).

The City of Minneapolis is enriched and challenged by this growing diversity. While fifty years ago a one-sided assimilation process was expected, today's immigrant parents place value on bi-cultural lifestyles. Parents aren't determined to throw off language and customs from "the old country," but seek to weave it into fabric of life in their adopted land. When it comes to childcare, immigrant parents appear to looking for childcare that reflects this sensibility. For example, in 1998 the South Side Child Care Collaborative conducted a survey of recent immigrants. While all parents cited a lack of access to affordable, quality care, focus groups with Hmong and Somali parents found additional barriers. Specific issues ranged from

concerns about American care-giving practices (for example, feeding on schedule versus feeding “on cue”) to simply finding providers who speak their language.

As part of the planning process for the child care business development center, the YWCA has re-connected with the Somali community and reached out to a number of agencies for advice and input into the project, including:

- Association for the Advancement of Hmong Women
- Center for Asian and Pacific Islanders
- El Centro (Formerly Centro Chicano Cultural)
- Somali Community of Minnesota
- Somali Women’s Association
- Tibetan American Foundation of Minnesota

Childcare Remains Barrier to Employment & Empowerment

Allina's Abbott Northwestern Hospital has been a close partner with the Empowerment Zone. It has learned empowerment through a variety of investments made by the health system and other investors over the last five years. These investments have produced results. As can be seen from the attached table, south Minneapolis residents employed at the hospital have tripled since 1999 because of investments in empowerment.

Many of these employees began in entry-level positions through the Train to Work Program (over 800 graduates), a self-sufficiency program that was initiated and funded largely by private and nonprofit players. Many have since moved up in career tracks through the Health Careers Institute (over 900 students strong) who now have careers and are moving up the salary schedule at Abbott Northwestern Hospital and other hospitals. The EZ has expended about \$50,000 in support of scholarships for students from the Empowerment Zone

Abbott Northwestern Hospital believes that what the hospital has done is empowerment in the most powerful form: a career track in health care. And as a result, has helped to form the nation's largest hospital-based jobs program and helped open a college campus in Phillips.

The Phillips Partnership has worked closely with the EZ and public funders to knock down barriers to employment and empowerment. Abbott Northwestern has led that effort on jobs and careers. The two remaining barriers to empowerment are transportation and childcare. The Phillips Partnership is making progress on the transportation barrier by hiring from the neighborhood, allowing people to walk to work.

The childcare barrier remains intractable. Single parents, heads of household and EZ residents cannot begin a career path without a child care resource on Abbott's campus. They cannot spend an extra hour at school (after work) in the Health Careers Institute if they have no childcare. Nor can Abbott pay that freight for one employee but not thousands of others. So the neediest, single parents, will have no ability to get on career tracks unless and until this last remaining issue is solved: childcare. Abbott proposes to open their campus and other area employers fully to the single parents that most need careers, including schooling right after work at HCI.

Timely Connection to Employment in the Midtown Exchange

The recent announcement by Allina Hospitals & Clinics that the former Sears site will be its future corporate headquarters in 2006 has many important implications for employment in south Minneapolis and for the childcare business development center. As a 20-year anchor tenant, Allina's commitment means that many other businesses, especially the entrepreneurial efforts of cultural communities, can depend on their first start at the Midtown Exchange. Without the Allina commitment, developers of the Midtown Exchange were uncertain whether the redevelopment of the former Sears tower could take place.

As you know, the Midtown Exchange will include a global market that is being developed by the Neighborhood Development Corporation (NDC). This exciting market will provide space for many cultural businesses that will be operated by adults with young families, starting some time in 2006. The nearby multicultural childcare business development center will be the perfect place for these young families to bring their children for childcare during the day and early evening.

The multicultural child care business center will be in operation at least 18 months prior to the opening of the global market and other commercial ventures within the Midtown Exchange. This means that the first group of multicultural childcare operators will be ready to transition into the community, thus increasing the supply of quality childcare in the immediate area. The second group of child care trainees will be selected in partnership with the Neighborhood Development Corporation to ensure that the right mix of cultural groups is present to support the businesses that will be starting in the Global Market.

YWCA Child Care Business Development Center at Abbott Northwestern Hospital

General Sources & Uses
3/29/04

Total Project Costs: **\$2,543,000**

Capital Campaign Budget: **\$2,543,000**

Predevelopment \$ 78,000

Total: **\$2,621,000**

Sources (Committed):

City of Minneapolis, Empowerment Zone **\$1,369,400**

Abbott Northwestern Hospital **\$ 500,000**

Abbott Northwestern Hospital Foundation **\$ 250,000**

McKnight Foundation **\$ 200,000**

Wells Fargo Foundation **\$ 75,000**

Jay and Rose Phillips Family Foundation **\$ 50,000**

U.S. Bancorp Foundation **\$ 50,000**

Minneapolis Foundation **\$ 50,000**

ANW/SKI Auxiliary **\$ 25,000**

Wendel Foundation **\$ 25,000**

Mary Lee Dayton **\$ 25,000**

Rotary Club of South Minneapolis **\$ 1,600**

Total Sources Committed To Date **\$2,621,000**