

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

Date: April 5, 2011

To: Council Member Lisa Goodman, Chair, Community Development Committee

Referral to: Council Member Betsy Hodges, Chair, Ways & Means Committee (Finance sections only)

Subject: CPED 2010 – 2014 Business Plan

Recommendation: Approve CPED's 2010–2014 Business Plan and related staff directions:

- a) *CPED to work with Finance and Public Works to propose amendments to the capital budget process to focus scarce development resources in areas that are most likely to result in job and tax base growth – especially along transit corridors.*
- b) *CPED to work with Finance and the City Assessor to develop options for structuring a "Growth Fund" for consideration as part of the 2012 budget.*
- c) *CPED to assist IGR in supporting efforts to secure TIF TOD legislation; CPED to prepare amendments to the City's existing TIF policy to clarify city intent regarding use of TIF for infrastructure, transit corridors, and job creation for consideration by the Mayor and City Council.*
- d) *CPED to engage McKinsey for a follow-up organizational assessment as described in the business plan, with a report back in time for consideration as part of the 2012 budget process.*

Previous Directives: This plan updates CPED's previous business plan through 2014, per 2010 direction to all city departments. The Plan and associated Finance resource plans also serve as the department's response to the December budget resolution direction to address the department's long range financial challenges by providing funding and service options.

Department Information

Prepared by:	<u>Jeff Schneider, 673-5124</u>
Approved by: _____	<u>Chuck Lutz, 673-5196</u>
Presenters in Committee:	<u>Mike Christenson, 673-5122</u>
<i>(if applicable)</i> Funding Source and Appropriation	
Language Reviewed by Development Finance:	NA

Reviews – not applicable

Financial Impact

Other financial impact: the Business Plan and associated Finance Resource Plan proposes both revenue enhancement and service reduction options to address the department's long range budget challenges.

Community Impact

Consistent with direction to city departments, the Plan describes how CPED will respond to City goals and directions, and implement the City's Comprehensive Plan.

Supporting Information

This report transmits CPED's proposed 2010-2014 Business Plan for review and approval. The department's mission of "growing a sustainable city" remains the foundation on which this Plan is based. The core growth indicators of population, housing, jobs, and tax base will be the metrics which CPED will use to prioritize its programs and measure its progress.

The department's last five year plan was marked by two trends:

- o the recession, which required government at all levels to intervene in the economy at unprecedented levels; and
- o an increasing recognition that currently projected resources will not be sufficient to sustain the department's capacity to support continued recovery and growth.

Thanks to federal support and the above local interventions, the City's economic and housing markets are now emerging from crisis mode to a period of slow but stable recovery. With CPED assistance, overall construction volume remained steady through the recession. The unemployment rate is decreasing, companies are starting to rehire, foreclosures are decreasing, real estate prices are stabilizing, and housing construction is returning. In fact the city permitted 878 new housing units in 2010, up from 399 in 2009 and more than any other city in the metro area.

In response to the emerging fiscal challenge, the Mayor convened a panel of business and government experts last fall to provide advice on how best to effectively support the City's development function and growth agenda. Their recommendations included suggestions to:

1. Focus the City's development efforts – including future investments in infrastructure – on projects and areas that are best positioned to grow the city's tax base.
2. Allocate a portion of this new tax base as a "Growth Fund" to support future infrastructure and development investments.
3. The City should seek legislative approval for an enhanced development tool such as transit improvement TIF districts.
4. The City should once again review the City's organizational structure and processes for development, both internally and externally.

The business plan acknowledges these recommendations, which will be incorporated into the department's 2011 work plan and future budget discussions.

In response to December's budget direction from the Ways & Means Committee, and consistent with the above recommendations, the business plan also proposes a combination of focused program priorities, budget and service reductions and new revenues to address CPED's long term budget challenges. The department intends to bring its budget into structural balance within the five year period of this business plan, and is seeking Council approval for the overall approach and the specific options being recommended. Its future capacity to deliver on the growth targets noted therein will be directly related to the financial solutions being proposed.