

Minneapolis Community Development Agency

Request for City Council Action

Date: July 29, 2002

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

Prepared by Jack Kryst, Project Planning & Finance Manager, Phone 612-673-5130

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: 2002 Funding Cycle Process Recommendations for Levy-Funded Categories – Affordable Housing and Job Creation

Previous Directives: On December 13, 2001, the City Council authorized the MCDA to levy a 2001 property tax payable in 2002, not to exceed \$4,000,000, and stipulated that the levy not be spent until the City Council has approved the MCDA/Planning/NRP reform plan. On July 26, 2002, the City Council directed staff to report back with proposals for an allocation process to be used in ranking and selecting projects for funding.

Ward: Citywide

Neighborhood Group Notification: Not applicable.

Consistency with *Building a City That Works*: Not applicable.

Comprehensive Plan Compliance: Not applicable.

Zoning Code Compliance: Not applicable.

Impact on MCDA Budget: (Check those that apply)

- No financial impact
- Action requires an appropriation increase to the MCDA Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):

Living Wage / Business Subsidy: Not applicable.

Job Linkage: Not applicable.

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Affirmative Action Compliance: Not applicable.

RECOMMENDATION:

City Council Recommendation: Approve staff recommendations regarding the 2002 funding cycle process of allocating levy funds for affordable housing and job creation and forward to the MCDA Board of Commissioners.

Board of Commissioners Recommendation: Approve staff recommendations regarding the 2002 funding cycle process of allocating levy funds for affordable housing and job creation.

Background/Supporting Information

On July 26, 2002, the City Council directed staff to report back "... with proposals for an allocation process to be used in ranking and selecting projects for funding, including recommendations for implementation of said allocation process for projects within the parameters of affordable housing, Minneapolis Industrial Land and Employment Strategy (MILES) and small business assistance". Each of these parameters falls within one of two key strategic areas identified by the McKinsey report -- affordable housing and job creation.

The recommended process for each category varies depending on the nature of the program and the requirements and expectations of the MCDA's development partners. Specific recommendations are noted below.

For this first Chapter 595 levy funding cycle, staff is recommending the allocation of \$3 million for affordable housing and \$1 million for job creation. This ratio of funding can have the greater impact on affordable housing due to the number of proposals in the pipeline for approval. Alternatively, an allocation of \$2 million for affordable housing and \$2 million for job creation could also be considered, although this ratio would leave a larger number of housing proposals unfunded in favor of job creation activities that have less immediacy.

Affordable Housing

The 2002 Multifamily RFP process occurred in February and corresponded with the Minnesota Housing Finance Agency's (MHFA) Super RFP process, which occurs each February and again in July or August. This partnership with MHFA is critical to successfully leveraging the funding necessary to make affordable housing projects financially feasible.

In the 2002 Multifamily RFP round, numerous multifamily development and stabilization proposals were determined to be appropriate candidates for awards but were not able to receive funding because the number of requests exceeded the available resources.

Staff is proposing that in this first Chapter 595 funding cycle, levy funds be allocated to those worthy projects that were denied funding in the 2002 Multifamily RFP process due to limited resources. In future years a semi-annual Multifamily RFP process and funding cycle which mirrors the MHFA cycle can be used for allocating project funding. Recommendations for levy funding will be brought forward to the City Council and MCDA Board.

Job Creation

The Job Creation allocations identified in the July 26 Council action were MILES, Commercial Corridors and small business assistance. We are recommending that in this first funding cycle the portion of Chapter 595 levy not used by affordable housing be directed to the MILES program.

MILES

The Minneapolis Industrial Land and Employment Strategy (MILES) is a highly successful program operating under City Council-approved guidelines. MILES evaluations and recommendations are made by an inter-agency MILES Committee consisting of MCDA, City Environmental, and Hennepin County staff which meets on a bi-monthly basis. The committee prioritizes and allocates MILES funds from the Council-approved allocation and appropriation to projects that seek to create new jobs, expand the City's tax base and redevelop vacant and underused light industrial sites. Proposed projects are evaluated based on cost-effectiveness, site marketability, project timeline, commitment to hiring of Minneapolis employees and payment of living wages, leverage of non-local funds, reinforcement of current redevelopment activities, and whether the project will generate revenues back to the City.

Although this is the only City program directed to the preparation of vacant, polluted and underused industrial land for re-use, it has not received new funding for two years. Staff recommends that the current MILES program be recapitalized and that the existing multi-jurisdictional committee process and criteria continue to be used for allocating project funding. Recommendations for levy funding will be brought forward to the City Council and MCDA Board.

Commercial Corridors

The MCDA Commercial Corridors Review Team consists of MCDA, Planning Department, NRP and Empowerment Zone Staff. The purpose of commercial corridors funding is to support projects that will provide benefits to multiple businesses, including mixed-use developments, along commercial and community corridors identified in *The Minneapolis Plan*. The team evaluates proposals based on desired outcomes, cost-benefit, leverage of non-local funds and the ability of the project to repay funds.

Although staff is not recommending a specific level of funding in this first funding cycle for the Commercial Corridors, program it is possible that there may be future requests for reallocation of Chapter 595 levy dollars for this purpose.