

To: Mayor R.T. Rybak

From: Members of the Mayor's Council on Economic Development Finance

Date: January 25, 2011

Re: Findings and Recommendations

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We would like to take this opportunity to thank you for the appointment and allowing us to serve on your Council on Economic Development Finance. We truly appreciate the confidence that you have placed in this group. The experience was both challenging and for some members even educational.

The panel convened for three sessions during the last quarter of 2010. The members reviewed and assessed the attached materials compiled by City Finance staff. The materials presented to the panel proved to be quite useful and informative. After a thorough analysis and careful deliberation, the panel recommends that the City adopt and act on the following four (4) core principles for growing a sustainable City (and concurrently its tax base) and to support the ongoing staff work at CPED required to achieve this goal.

1. **Clarify and Align Policies for Use of Development Tools.** The City should identify key enterprise development priorities across all involved departments and clarify its policies on the use of development finance tools to achieve its overall development goals. Infrastructure development should be prioritized based on, and closely aligned with, the overall development goals of the City.
2. **Focus Efforts on Enhancing Development Tools.** The City should seek legislative approval for an enhanced development tool such as transit improvement TIF districts to capture the value created by transit infrastructure investments. The City should also explore any potential through legislative action for loosening the existing restrictions associated with CPED revenue sources which are imposed at the State or local level.
3. **Fund CPED Development Efforts Based on Performance Results.** Based on a metric to be developed jointly by CPED, Finance, and the City Assessor, the City should reserve a fixed portion of the revenue from new property tax value created by CPED's work for supporting future CPED programs and operations. Finance should collaborate with CPED, Public Works and the City Assessor for factoring major infrastructure and development project pipelines and anticipated project completion into tax base analysis to more accurately project the City's future tax base.
4. **Re-Engineer City's Organizational Process for Development.** The City should conduct a systems analysis of CPED's relationships with other public and private entities engaged in economic development activities, including Hennepin County, the

new Regional Economic Development Entity and the State of Minnesota, in order to identify opportunities to coordinate efforts, improve outcomes and fund operations. The City should study examples of best practices in economic development from around the country. The panel also recommends the City re-engage McKinsey & Company to revisit CPED's role relative to other City departments and agencies, to evaluate how CPED's organizational structure can be adapted, and / or how the delivery of CPED products or services can be altered to better coordinate with other public and private planning and development work and to assist with bringing CPED's budget back into structural balance.

In conclusion, panel members and City staff agree that the specific details as to how these principles are to be implemented should be developed by staff rather than by panel members. The panel would be happy to reconvene in advance of your delivery of a proposed 2012 budget to the City Council for purposes of evaluating the City's performance and success in carrying out these four core principles.

*Attachment: Council on Economic Development Finance Binder (Complete and updated)*