

Request for City Council Committee Action

Date: January 8, 2008

To: Community Development Committee
Referral to: Ways & Means / Budget Committee

Prepared by: Carsten Slostad (Phone 673-5150)

Approved by: Robert D. Miller, Director _____

Subject: NRP Administrative Contingency Fund Appropriation

Summary of the Request: On December 17, 2007 the Minneapolis Neighborhood Revitalization Program Policy Board approved the use of \$125,000 from the NRP Administrative Contingency Fund to support the Job Relocation, Resident Recruitment and Community Stabilization Agreement between NRP and the Allina Health System. City Council action is needed to appropriate these funds.

Recommendation:

1. Approve the use of up to \$125,000 from the NRP Administrative Contingency Fund as detailed in the "Agreement" between the Allina Health System and NRP as detailed and attached.
2. Amend the City of Minneapolis 2008 General Appropriation Resolution by increasing the Community Planning & Economic Development Department (CPED) agency Fund CRN-NRP Program Fund (CRN0-890-3350) appropriation by \$125,000;
3. Authorize the appropriate City officers to enter into any contracts or agreements needed to implement this request.

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The Honorable Lisa Goodman, Chair
Community Development Committee
Minneapolis City Council
315 City Hall
Minneapolis, Minnesota 55415

The Honorable Paul Ostrow, Chair
Ways and Means Committee
Minneapolis City Council
315 City Hall
Minneapolis, Minnesota 55415

Re: NRP Administrative Contingency Fund Appropriation

Dear Chairpersons Goodman and Ostrow:

At its meeting on December 17, 2007 the Neighborhood Revitalization Program Policy Board approved the use of \$125,000 from the NRP Administrative Contingency Fund to support the Job Relocation, Resident Recruitment and Community Stabilization Agreement between NRP and the Allina Health System.

In February 2005 NRP was informed that Allina and Abbott Northwestern Hospital were considering consolidating the hospital and physician billing operations of the corporation into a single location. We thought that this potential consolidation was important because of the number of jobs involved, their pay rates, and the limited prerequisites for new hires. As a result, we convened a meeting of representatives from the Central, Midtown Phillips, West Phillips, East Phillips, Whittier, Powderhorn Park and Corcoran neighborhoods to discuss the level of their interest in trying to encourage Allina to relocate its hospital and physician billing operations to the Lake Street site. Several sites were under consideration at that time and the competition was very stiff.

The neighborhoods asked if NRP could help prepare a proposal to Allina that would make relocation to the Exchange a more attractive option. The reason for neighborhood interest was simple: they hoped that some of their residents would be employed in the relocated division. In June, Allina's CEO decided to move the billing operations to Midtown Exchange. One of the major reasons for his decision was the help being offered by the neighborhoods.

In August 2005 the neighborhoods met with NRP staff to work on a final agreement. As part of that discussion, two new elements were added to the proposed agreement. The neighborhoods wanted a housing and career training component to be part of the final commitment. NRP drafted the agreement as an interest bearing forgivable loan for up to \$250,000 with a term of ten years. The funds for the loan were to come from the neighborhood NRP allocations and be either repaid with interest when its term expires or repaid through credits earned by:

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- 1) hiring from the neighborhoods committing resources to help with the relocation;
- 2) providing home purchase assistance to help hired employees from the participating neighborhoods purchase homes in the neighborhoods; and/or
- 3) providing scholarships for career training to hires from the neighborhoods.

This is a detailed and comprehensive arrangement that links the relocation loan to Allina performance and commitment to its surrounding neighborhoods. It is an agreement that benefits all parties.

Based on the commitments of neighborhood leaders and representatives from Allina and Ryan Companies, I recommended that NRP use \$120,000 of the \$1.5 million allocated for its contingency fund in April 2004 to help meet the neighborhood commitment under this agreement. This recommendation was approved by the Policy Board on November 21, 2005 and then by the City Council. At that time it was expected that five neighborhoods would be participating and contributing.

During the next year changes in neighborhood organization leadership, reassessments by Allina and Ryan of the original agreement, concerns about future NRP funding and other expenses that neighborhoods had to absorb reduced the neighborhoods who could still participate in the agreement. After much discussion and many versions of the Agreement, Allina proposed a version that was finalized in April 2007. The final version of the document is attached for your information.

The number of neighborhoods participating has now been reduced to a single neighborhood: Midtown Phillips. Midtown included support of the agreement in a plan modification that they adopted and allocated \$ 5,000 from their remaining NRP funds to support implementation.

The neighborhoods that most need this agreement and the jobs at Allina do not have the resources they need to reach the goal of \$ 250,000. Negotiations on this agreement took longer than initially expected and some of the neighborhoods involved in the early discussions have now fully committed their Phase II revenues to other neighborhood priorities (primarily housing and economic development projects). Other neighborhoods have expressed concerns that they may not have the Phase II resources needed to commit to this priority because of the changed projections on NRP's Phase II revenues. This agreement is important to the neighborhoods surrounding this site and they began these discussions with certain assumptions about the resources that they would have available in Phase II.

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The uncertainty surrounding the projections of future revenues is not the fault of the neighborhoods but a failure to complete this agreement would be a major blow to the community surrounding the Midtown Exchange. As a result, I am now recommending that NRP increase its set aside for this important effort by an additional \$ 125,000. NRP would be a signatory to the agreement and help ensure compliance with its terms.

On December 17, 2007 the Policy Board passed the following resolution:

RESOLVED: That the Minneapolis Neighborhood Revitalization Program (NRP) Policy Board ("Board") supports the Job Relocation, Resident Recruitment, and Community Stabilization Agreement Between the Allina Health System, NRP and the Neighborhoods of South Minneapolis ("Agreement") as detailed in the Attachment;

RESOLVED FURTHER: That the Board approves and appropriates \$125,000 from the Administrative Contingency Fund approved by the Board on March 22, 2004 as an additional NRP commitment to the relocation loan offered under this Agreement to the Allina Health Systems;

RESOLVED FURTHER: That the Board authorizes the Director to spend up to that amount for this loan and negotiate and sign any Agreements needed to transfer these funds without further approval from this Board; and

RESOLVED FURTHER, That the Director is hereby authorized and directed to request that the City Council, City of Minneapolis, appropriate \$125,000 to Fund CNR0-890-3550 for the purposes herein authorized.

Pursuant to this resolution, I make the following recommendations for consideration by your committees:

Recommendation:

1. Approve the use of up to \$125,000 from the NRP Administrative Contingency Fund as detailed in the "Agreement" between the Allina Health System and NRP as detailed and attached.

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2. Amend the City of Minneapolis 2008 General Appropriation Resolution by increasing the Community Planning & Economic Development Department (CPED) agency Fund CRN-NRP Program Fund (CRN0-890-3350) appropriation by \$125,000;
3. Authorize the appropriate City officers to enter into any contracts or agreements needed to implement this request.

Sincerely,

Robert D. Miller
Director