

CHAPTER 419. NEIGHBORHOOD REVITALIZATION PROGRAM*

*Special law reference--For a special act amending the expenditure provisions pertaining to the neighborhood revitalization program, see Laws 1991, Ch. 291, Art. 10.

419.10. Purpose. The purpose of this chapter is to establish a neighborhood revitalization program pursuant to Minnesota Statutes, Section 469.1831, as amended. (90-Or-157, § 1, 6-15-90; 2001-Or-018, § 1, 3-2-01)

419.20. Definitions and general guidelines.

(a) In this chapter, unless a different meaning clearly appears from the context:

Agency means the Minneapolis Community Development Agency, its successors or assigns.

Chapter 604 means Laws 1990, Chapter 604, Article VII, Section 29, as amended by Laws 1991, Chapter 291, Article X, Section 20, which is the special law requiring the city and the agency to reserve ten million dollars (\$10,000,000.00) in 1990 and twenty million dollars (\$20,000,000.00) from 1991 to 2009, for a total of three hundred ninety million dollars (\$390,000,000.00), to be expended for neighborhood revitalization anywhere within the city.

City means the City of Minneapolis.

City council means the City Council of the City of Minneapolis.

City neighborhood revitalization program funds mean:

- a. The program money;
- b. The funds required to be expended for neighborhood revitalization under Chapter 604; and
- c. Other tax increment and non tax increment revenues from the agency's common project necessary to fulfill a twenty million dollar (\$20,000,000.00) annual commitment to the neighborhood revitalization program. The twenty million dollar (\$20,000,000.00) annual commitment shall not include, and shall be in addition to, the amounts required to be transferred to the school district for school aid reduction and to the county for property tax relief pursuant to subdivision 4 of the neighborhood revitalization program law.

Common project means the projects and districts included in that certain common development and redevelopment plan and common tax increment financing plan adopted by the agency on December 30, 1989, as amended from time to time.

Discretionary development funding plan means that certain resolution adopted by the city council on August 22, 2003, providing funding for discretionary development activities from 2004 through 2009.

Library board means the Library Board of the City of Minneapolis.

Mayor means the Mayor of the City of Minneapolis.

Neighborhood action plan means the plan developed with the participation of neighborhood residents under Subdivision 6 of the neighborhood revitalization program law.

Neighborhood revitalization program means the program established by the city under the neighborhood revitalization program law, Chapter 604 and this chapter.

Neighborhood revitalization program law means Minnesota Statutes, Section 469.1831, as amended, which authorizes the city to create the neighborhood revitalization program.

Park board means the Park and Recreation Board of the City of Minneapolis.

Phase I means the first phase of the neighborhood revitalization program (1990-2000), funded by the Phase I funds.

Phase I funds means the city neighborhood revitalization program funds reserved from 1990 through 2000.

Phase II means the second phase of the neighborhood revitalization program (2001-2009), funded by the Phase II funds.

Phase II funds means twenty million dollars (\$20,000,000.00) in 2001, eleven million dollars (\$11,000,000.00) in 2002 and, for 2003 through 2009, the funds required to be reserved for neighborhood revitalization under chapter 604, subject to the priorities stated in section 419.35.

Policy board means the board established to review, modify where appropriate, and approve neighborhood action plans, pursuant to subdivision 6 of the neighborhood revitalization program law.

Program income means income (net of contractually defined costs and obligations) received by the city, the NRP neighborhood, or an NRP contractor or subcontractor directly generated from the use of NRP contract funds. Sources of program income include, but are not limited to:

- (1) NRP funded loan and grant repayments and collections (exclusive of contractually defined administrative costs), including principal, interest, late fees and penalty payments.
- (2) Proceeds from the sale or lease of real property purchased with NRP funds that require the repayment or recapture of all or a portion of the NRP funds.
- (3) Proceeds from the sale or rental of equipment or other personal property purchased with NRP funds and held by a neighborhood group for its offices or administrative purposes.
- (4) Proceeds from the sale of loans and other repayment obligations made with NRP contract funds.
- (5) Interest earnings on NRP contract funds, including program income, held in NRP contractor or subcontractor accounts.

Program money means the tax increment revenues required to be expended for neighborhood revitalization pursuant to Minnesota Statutes, Section 469.1781(b).

School district means Special School District No. 1.

Sources of securities and repayment shall have the meaning set forth in the discretionary development funding plan.

Strategies means the specific actions identified in each neighborhood action plan as necessary to achieve the action plan objectives.

Tax Increment Act means Minnesota Statutes, Sections 469.174-469.1799, as amended, which establishes the powers relating to use of tax increment.

(b) The neighborhood revitalization program shall be administered pursuant to the neighborhood revitalization program law, Chapter 604 of this chapter. (90-Or-157, § 1, 6-15-90; 2001-Or-018, § 2, 3-2-01; 2003-Or-111, § 1, 8-22-03; 2006-Or-019, § 1, 2-24-06)

419.30. Neighborhood revitalization program.

(a) In furtherance of the goals stated herein and pursuant to the neighborhood revitalization program law and Chapter 604, the city hereby creates a neighborhood revitalization program to preserve and enhance the private and public infrastructure, public health and safety, economic vitality, the sense of community, and social benefits within Minneapolis neighborhoods. The goals of the first phase of the neighborhood revitalization program (1990-2000) are to:

- (1) Establish a cooperative and coordinated service planning, funding and delivery process involving neighborhood residents, public agencies and private interests.
- (2) Develop a joint planning effort that results in a multiyear plan complementing the programming of all parties.

- (3) Provide a framework which encourages and enables the reallocation of existing resources to fund specific program priorities.
- (4) Reserve and dedicate resources from program money and the common project.
- (5) Preserve and dedicate a source of funding for multijurisdictional youth projects of high city priority.

(b) The goals of the second phase of the neighborhood revitalization program (2001-2009) are to:

- (1) Create a greater sense of community so that the people who live, work, learn and play in the City of Minneapolis have an increased sense of commitment to, and confidence in, their neighborhood and their city.
- (2) Sustain and enhance neighborhood capability in order to strengthen the civic involvement of all members of the community.
- (3) Ensure that neighborhood-based planning remains the foundation of the program, is informed and leads to creative and innovative approaches.
- (4) Strengthen the partnerships among neighborhoods and jurisdictions to identify and accomplish shared citywide goals.
- (5) Ensure that government agencies learn from and respond to neighborhood plans so that public services ultimately reflect neighborhood priorities.
- (6) Develop and support life cycle housing citywide through the preservation of existing housing and new construction by reaffirming our commitment to the state mandate that fifty-two and five tenths (52.5) percent of the Chapter 604 funds be spent on housing programs and related purposes.

(c) To achieve the Chapter 604 requirement that at least fifty-two and one-half (52.5) percent of the funds reserved for neighborhood revitalization be expended on housing programs and related purposes, the policy board shall take the following actions:

- (1) Commission an independent audit of compliance with the Chapter 604 requirement for neighborhood revitalization program funds under contract or expended through June 30, 2003. The audit shall allocate contracted and actual expenditures for housing programs and related purposes among the following cost categories:
 - a. Creation of new rental housing units affordable to persons whose annual incomes do not exceed (i) thirty (30) percent of and (ii) fifty (50) percent of the median family income.

- b. Rehabilitation or preservation of existing rental housing units affordable to persons whose annual incomes do not exceed (i) thirty (30) percent of and (ii) fifty (50) percent of the median family income.
- c. Provision of affordable ownership housing opportunities, including first-time homebuyers' mortgages (with income qualifications).
- d. Rehabilitation of existing housing units through housing loan and grant programs with income qualifications.
- e. Rehabilitation of existing housing units through housing loan and grant programs without income qualifications.
- f. Administrative costs associated with the operation of housing projects, programs, services and activities.

The policy board shall complete the audit by October 15, 2003.

- (2) Develop a plan to make up any deficiency identified by the audit using existing Phase I fund balances and/or Phase II funds. The plan shall include a timeframe and measurable outcomes that are consistent with city housing plans and policies as well as neighborhood action plans. The policy board shall submit the plan to the city council for consideration consistent with section 419.70 by October 22, 2003 and each October to the end of the program.
- (3) Prepare and transmit by July 1 of each year to the governmental bodies represented on the policy board an annual recommended budget and five-year plan for use of the Phase II funds and any other funds made available to the policy board consistent with city goals, plans and policies, approved neighborhood action plans and applicable laws, ordinances and resolutions. The policy board submission will constitute its recommendations to the mayor and other appropriate parties for consideration in the budget deliberations for the upcoming year. (90-Or-157, § 1, 6-15-90; 2001-Or-018, § 3, 3-2-01; 2003-Or-111, § 2, 8-22-03)

419.35. Common project priorities for Phase II. (a) Tax increment and other revenues generated from the common project, but excluding the sources of security and repayment, shall, for purposes of Phase II, be applied in accordance with the following priorities in order given.

- (1) Payment or reservation for payment of any debt obligations, contractual obligations or other obligations incurred by the agency or the city from time to time with respect to the common project;
- (2) Payment of tax increment administration costs related to the common project as permitted pursuant to the tax increment act;
- (3) Reservation of Phase II funds pursuant to this chapter, except that no more than twenty million dollars (\$20,000,000.00) shall be reserved for neighborhood revitalization in any fiscal year; and
- (4) General development purposes, as permitted by law.

(b) The sources of security and repayment shall be applied in accordance with the discretionary development funding plan.

(c) The revenues identified in that certain target center finance plan adopted by the city council in 1995, as amended through August 22, 2003, including revenues not generated by the common project, shall be applied to offset target center obligations. (2003-Or-111, § 3, 8-22-03)

419.40. Commitment of city neighborhood revitalization program funds.

(a) *Phase I.* In furtherance of the goals stated in section 419.30 (a), the city hereby commits to provide the Phase I funds, commencing in 1990 through and including 2000, for phase 1 of the neighborhood revitalization program.

(b) *Phase II.* In furtherance of the goals stated in section 419.30(b), and subject to the priorities established by section 419.35, the city hereby commits to reserve the Phase II funds for Phase II neighborhood action plans, commencing in 2001 through and including 2009, to the extent that such funds are available pursuant to section 419.35. The difference, if any, between the total Phase II funds reserved in any fiscal year and the twenty million dollar (\$20,000,000.00) cap shall not be carried forward to any subsequent fiscal year. (90-Or-157, § 1, 6-15-90; 2001-Or-018, § 4, 3-2-01; 2003-Or-111, § 4, 8-22-03)

419.50. Neighborhood revitalization program process.

(a) The neighborhood revitalization program is a long-term commitment to give priority to neighborhood needs in the city. Service planning and delivery will focus on neighborhood needs, as defined by residents from each of the city's neighborhoods, working through neighborhood organizations and the staff and policy officials of the agencies represented on the policy board.

(b) The neighborhood revitalization program will provide financial resources to neighborhood groups to work with residents to identify the most important existing and anticipated needs in their neighborhoods. Identified needs may be for services, rehabilitation, development or capital improvements. They may be for neighborhood-based activities, programs and projects of the city, Special School District No. 1, the park and recreation board, the library board, or Hennepin County, among others.

(c) Needs will be identified in neighborhood action plans. Neighborhood revitalization program staff and other agencies will provide technical assistance. Additional funds will be available for groups to purchase their own technical assistance when appropriate. In recognition that the neighborhood revitalization program broadens the scope of citizen participation in the planning and the implementation of neighborhood action plans, financial support will be provided to ensure effective citizen participation in the neighborhood revitalization program. The nature, level, and means of allocating such

support shall be developed consistent with the purposes of the neighborhood revitalization program.

(d) The neighborhood planning process will be designed to ensure that all neighborhood interests are adequately represented in the identification of needs and preparation of neighborhood action plans. Neighborhood planning organizers shall take affirmative steps to assure that participation in the planning process is inclusive of all populations and interests in the neighborhood, including renters, homeowners, people of color, businesses, institutions, socioeconomic groups, youth, elderly people and people with disabilities.

(e) The neighborhood revitalization program process, including actions by the policy board, the city council and mayor, as described below, will determine the use of city neighborhood revitalization program funds. Where applicable, the city will conduct redevelopment activities in a manner consistent with neighborhood priorities and encourage the reallocation of existing resources to fund the specific program priorities determined by Minneapolis neighborhoods.

(f) All neighborhood revitalization activities that are funded with city neighborhood revitalization program funds require approval by the city council and the mayor after receipt of recommendations from the policy board. (90-Or-157, § 1, 6-15-90)

419.55. Phase II neighborhood revitalization program process. The provisions of section 419.50 shall apply only to Phase I of the neighborhood revitalization program. The following provisions apply to Phase II of the neighborhood revitalization program.

(a) *Purposes; qualifying costs.* Neighborhood action plans may provide for expenditure of Phase II funds for the following purposes:

- (1) To eliminate blighting influences by acquiring and clearing or rehabilitating properties that the city finds have caused or will cause a decline in the value of properties in the area or will increase the probability that properties in the area will be allowed to physically deteriorate.
- (2) To assist in the development of industrial properties that provide employment opportunities paying a livable income to the residents of the neighborhood and that will not adversely affect the overall character of the neighborhood.
- (3) To acquire, develop, construct, physically maintain, rehabilitate, renovate, or replace neighborhood commercial and retail facilities necessary to maintain neighborhood vitality.
- (4) To eliminate health hazards through the removal of hazardous waste and pollution and return of land to productive use, if the responsible party is unavailable or unable to pay for the cost.
- (5) To rehabilitate existing housing and encourage homeownership.
- (6) To construct new housing, where appropriate.
- (7) To rehabilitate and construct new low-income, affordable rental housing.
- (8) To remove vacant and boarded up houses.

- (9) To rehabilitate or construct community-based nonprofit and public facilities necessary to carry out the purpose of the neighborhood revitalization program.

(b) *Phase II funds; distribution and restrictions.*

(1) Phase II funds may only be expended in accordance with the neighborhood revitalization program

- (i) For a purpose listed in section 419.55(a); or
- (ii) As provided in Subdivision 4 of the neighborhood revitalization program law, including the promotion of neighborhood safety and stability through community crime prevention programs and activities such as neighborhood block and police patrols, block clubs and community outreach; or
- (iii) To cover administrative costs attached to implementation of strategies contained in approved neighborhood action plans.

(2) Phase II funds may not be used in those project areas of the city where the city determines that private investment will be sufficient to provide for development and redevelopment of the project area without public sector assistance, except in cases where Phase II funds are being used to remove or rehabilitate structurally substandard or obsolete buildings in a manner consistent with the neighborhoods' priorities as reflected in an approved neighborhood action plan.

(3) Except as provided in the neighborhood revitalization program law, revenues derived from tax increments may only be expended for the purposes otherwise permitted by law.

(4) A minimum of fifty-two and one-half (52.5) percent of the Phase II funds must be expended on housing programs and related purposes. Compliance with this provision shall be measured annually. The Phase II target for housing programs and related purposes shall be adjusted to accommodate for any shortfall in expenditures in Phase I such that the total expended in Phase I and Phase II for housing programs and related purposes shall be no less than fifty-two and one-half (52.5) percent.

(5) If a strategy in an approved neighborhood action plan has not expended fifty (50) percent of the allocated dollars in three (3) years, the neighborhood must verify that the strategy remains appropriate or the strategy must be changed or the dollars will be reallocated to the NRP program.

(6) No more than twenty (20) percent of the program dollars expended (on an annual basis) may be used for administrative costs, both in central administration and at neighborhood level.

(c) *General principles.* Phase II of the neighborhood revitalization program must be developed based on the following general principles:

- (1) The social needs of neighborhood residents, particularly lower income residents, must be addressed to provide a safe and healthy environment for neighborhood residents, provide for the self-sufficiency of families, and increase the economic and social stability of neighborhoods.
- (2) The children residing in the neighborhoods must be given the opportunity for a quality education and the needs of each neighborhood must be addressed individually wherever possible.
- (3) The physical structure of the neighborhoods must be enhanced by providing safe and suitable housing and infrastructure to increase the desirability of neighborhoods as places to live.

(d) *Required program elements.* Phase II of the neighborhood revitalization program must include the following:

- (1) The identification of the neighborhoods that require assistance through the program.
- (2) A strategy of the citizen participation required under this chapter.
- (3) The neighborhood action plans required under this chapter.
- (4) The activities of participating organizations undertaken to address the general principles.
- (5) An evaluation of the success of the neighborhood action plans.

(e) *Neighborhood action plans.* Phase II of the neighborhood revitalization program must include the preparation and implementation of neighborhood action plans. The city must organize neighborhoods to prepare and implement the neighborhood action plans. The neighborhoods must include the participation of, whenever possible, all populations and interests in each neighborhood including renters, homeowners, people of color, business owners, representatives of neighborhood institutions, youth, and the elderly. Each neighborhood action plan must be submitted to the policy board established under this chapter and the neighborhood revitalization program law. The city will provide available resources, information, and technical assistance to prepare the neighborhood action plans.

(f) *Approval.* The policy board shall review, modify where appropriate, and approve, in whole or in part, the neighborhood action plans and forward its recommendations for final action to the governing bodies represented on the policy board. The city council

shall review, modify where appropriate, and give final approval, in whole or in part, to those actions over which it has programmatic jurisdiction. (2003-Or-111, § 5, 8-22-03)

419.60. Policy board. Pursuant to subdivision 6 of the neighborhood revitalization program law, the city council, by resolution, shall establish the policy board consisting of membership from the city council, the Hennepin County Board, the board of Special School District No. 1, the library board, the Parks and Recreation board, the mayor or the mayor's designee, a representative from the Minnesota House of Representatives delegation from Minneapolis, and a representative from the Minnesota Senate delegation from Minneapolis. The elected officials on the policy board may appoint to the policy board such additional representatives of Minneapolis labor, business, neighborhood, community, city-wide and social service organizations as they deem appropriate. (90-Or-157, § 1, 6-15-90; 2001-Or-018, § 6, 3-2-01)

419.70. Program recommendations.

(a) The mayor and the city council will use the following criteria in considering neighborhood action plan strategies for use of Phase I funds and Phase II funds:

- (1) Demonstrated public purpose of the strategies.
- (2) Demonstrated need for the strategies.
- (3) Short-term or long-term needs of the neighborhood.
- (4) Benefiting population.
- (5) Ability of the strategies to provide a return on the investment.
- (6) Coordination with programming elements or providers.
- (7) Availability of operating or maintenance funds.
- (8) Lack of alternative sources of revenue.
- (9) One-time or ongoing capital requirement.
- (10) Multijurisdictional benefits of the strategies.
- (11) Neighborhood revitalization benefits of the strategies.
- (12) Demonstrated ability of the neighborhood revitalization program as a whole to meet the fifty-two and one-half (52.5) percent funding requirement for housing programs and related purposes.

(13) The extent to which the strategies leverage existing city programs and funds to accomplish city housing and development objectives in the neighborhoods that carry out the purposes of the neighborhood revitalization program.

(b) Concurrent with approval of each neighborhood action plan, the city council will reserve Phase I or Phase II funds, as appropriate, for appropriation and expenditure consistent with such action plan.

(c) Because of the acknowledged substantial unmet need and severe lack of resources available for disadvantaged youth in the City of Minneapolis, beginning in 1990 and continuing through 2003, the city council, at the request of the policy board, shall appropriate two hundred thousand dollars (\$200,000.00) of the city neighborhood revitalization program funds each year to the multi-jurisdictional youth coordinating board from non-tax increment sources.

(d) With respect to Phase I only, the amounts made available during the first phase of the neighborhood revitalization program to Special School District No. 1 and to Hennepin County for education programs and services and for social services, respectively, must be expended as part of an approved neighborhood action plan, as required by subdivision 4 of the neighborhood revitalization program law. The boards of Special School District No. 1 and Hennepin County shall each approve appropriations from the funds available to them from the neighborhood revitalization program and shall forward proposed strategies to the policy board for approval.

(e) When program income is received from an activity that is only partially funded by NRP funds and unless otherwise contractually defined, the NRP program income shall be equal to the amount of program income, prorated to reflect the percentage of NRP funds used.

(f) The city shall consider program income generated within a particular NRP neighborhood to be available for future use by that same NRP neighborhood, as determined by the designated NRP neighborhood organization, subject to applicable procedures for NRP policy board review and city council approval.

(g) NRP contractors and subcontractors shall report annually in form and detail acceptable to the city finance department and NRP on their annual program income activity and balances. City staff shall prepare an annual program income report for review by the mayor and city council that includes the above information. (90-Or-157, § 1, 6-15-90; 2001-Or-018, § 7, 3-2-01; 2003-Or-111, § 6, 8-22-03; 2006-Or-019, § 2, 2-24-06)

419.80. Conflict of interest.

(a) *Statement of purpose.* It is the policy of the city that all persons, neighborhood or nonprofit organizations or groups, or businesses seeking to contract with the City of Minneapolis or the Minneapolis Community Development Agency for city neighborhood revitalization program funds be treated equally. No person who participates individually,

on behalf of a neighborhood nonprofit organization or group or on behalf of a business in the activities described in section 419.50, or family member(s) of such person(s), who subsequently seeks to receive city neighborhood revitalization program funds, whether by means of a contract, grant, loan or similar agreement with the City of Minneapolis or the Minneapolis Community Development Agency should personally benefit to a greater extent than other eligible persons, groups or businesses because of such participation. Such a result is declared to be a conflict of interest. Persons subject to this ordinance shall include, without limit, board members, officers or employees of neighborhood or nonprofit groups or organizations, or businesses which receive city neighborhood revitalization program funds in any form, and persons seeking such funds directly or indirectly, who also participated in the activities described in section 419.50.

(b) *Conflict of interest prohibited.* Persons or organizations defined in (a) above (the applicant) as having a conflict of interest are prohibited from receiving program city neighborhood revitalization program funds unless all the following conditions are met:

- (1) The applicant for city neighborhood revitalization program funds fully discloses the existence of an actual or potential conflict of interest in the required application for city neighborhood revitalization program funds.
- (2) The applicant for city neighborhood revitalization program funds meets all applicable eligibility requirements established by the City of Minneapolis, the Minneapolis Community Development Agency and the neighborhood revitalization program for the particular program.
- (3) The application is reviewed and acted upon in accordance with the guidelines and/or review criteria of the program under which the application is made and which are applicable to all other applicants.
- (4) The applicant does not participate in any manner in the review of his or her own application.
- (5) The person or organization responsible for the disbursement of city neighborhood revitalization program funds certifies that the applicant meets the disclosure requirements of this section and is eligible to receive city neighborhood revitalization program funds.

(c) *Sanctions.* Any violation of this ordinance shall be considered a breach of any contract providing for disbursement of city neighborhood revitalization program funds, whether between the City of Minneapolis or the Minneapolis Community Development Agency, and the contracting party, or the contracting party and any other recipient(s) of city neighborhood revitalization program funds. All contracts concerning the disbursement of city neighborhood revitalization program funds shall include a provision which, at the option of the City of Minneapolis or the Minneapolis Community Development Agency, provides for cancellation of such contract, repayment of all city neighborhood revitalization program funds previously disbursed, reasonable attorneys' fees and costs for collection of such disbursed city neighborhood revitalization program funds, and debarment from future participation in neighborhood revitalization program activities as remedies for conflict of interest violations.

(d) *Grievances.* Any organization or person aggrieved by a decision as to the existence or nonexistence of a conflict of interest may file a grievance as provided in the bylaws of the policy board. (93-Or-150, § 1, 10-29-93; 2001-Or-018, § 8, 3-2-01)