

Strengthening Community and Economic Development in Minneapolis

CITY OF MINNEAPOLIS

Summary of Findings

June 14, 2002

This material was used by McKinsey & Company during an oral presentation; it is not a complete record of the discussion.

EXECUTIVE SUMMARY

Minneapolis faces five critical challenges related to community and economic development

- Over the last decade, housing affordability and availability have decreased, and job growth lagged the suburbs and the national average. Housing and job creation should be designated top priorities for city resources and investments, and should be the primary drivers of city development
- Transportation, education, and community building are also critical priorities, and – while not the focus of the city's resources and investments – the city must track the progress of accountable entities and keep these priorities in mind when designing its own investments and programs

We identified nine major issues the city must address to improve its community and economic development situation

1. The city's current financial situation and previous development results suggest that Minneapolis will be unable to meet its development priorities using current development approaches
2. City leadership has not been strong and consistent in setting strategy, making project decisions, and managing the execution of its vision
3. The current approach to development lacks key elements for success, including clear priorities and measurable short and long term goals
4. The current spending strategy focuses on physical (e.g. real estate) development, neglecting other attractive approaches, levers and tools
5. The city lacks a number of clear development management processes (e.g. project prioritization, development budgeting, strategic planning)
6. Development planning is fragmented across many city entities
7. The city's flat organizational structure results in a lack of accountability for meeting citywide goals and targets
8. Poor customer service due in part to fragmentation of development functions between departments makes it difficult to do business with the city
9. While each development department has distinctive capabilities, there are conflicts or frictions in areas where their duties intersect

We recommend that the city implement an integrated package of actions to address these financial, strategic, and organizational barriers

- Agree on development priorities and establish goals for its top priority development issues
- Adopt four new processes to ensure better strategic planning and development management
- Change the development organization to increase accountability, improve coordination, and align the organization with stated city priorities
 1. Create a single Office of Community Planning and Economic Development (CPED) to ensure cooperation and coordination between development departments and lead the new development processes described above
 2. Make it easy to do business in Minneapolis by creating a Development Services department responsible for streamlining development processes and operating a One-Stop Development Shop for all city reviews, inspections, and licenses
 3. Integrate neighborhoods into city planning by creating a Neighborhood and Community Planning (NCP) department which gives neighborhood planning groups a leading role in shaping city strategies and integrates all city planning from neighborhoods, Planning, MCDA, and others
 4. Recognize housing as a critical city priority by creating a Housing Development department
 5. Recognize job creation as a top priority through a new Business Development department
 6. Develop the city's workforce and increase emphasis on education, schools, and youth through a Human Development department
 7. Coordinate development planning with Public Works by moving Public Works planners into NCP and locating its project reviewers within Development Services

Implementation must be timely and should minimize disruption of city services. All process improvements and organizational changes related to jobs and housing, including planning and regulatory changes, should occur within the next 12 months, and within 18 months the entire CPED office should be up and running smoothly

We have gathered data and opinions from a variety of sources

KEY SOURCES

- Conducted 311 interviews with stakeholders
 - 87 internal/224 external
 - 75 business owners/leaders
 - 29 neighborhood associations
- Received 978 responses to web survey*
 - 88 business owners
 - 123 neighborhood group leaders
 - 767 residents
- Reviewed more than 125 documents
- Conducted periodical and academic literature searches

* Internet survey respondents were a self-selecting group, and may not reflect the views of the city's entire population

Minneapolis faces five critical challenges related to development

CITY DEVELOPMENT PRIORITIES

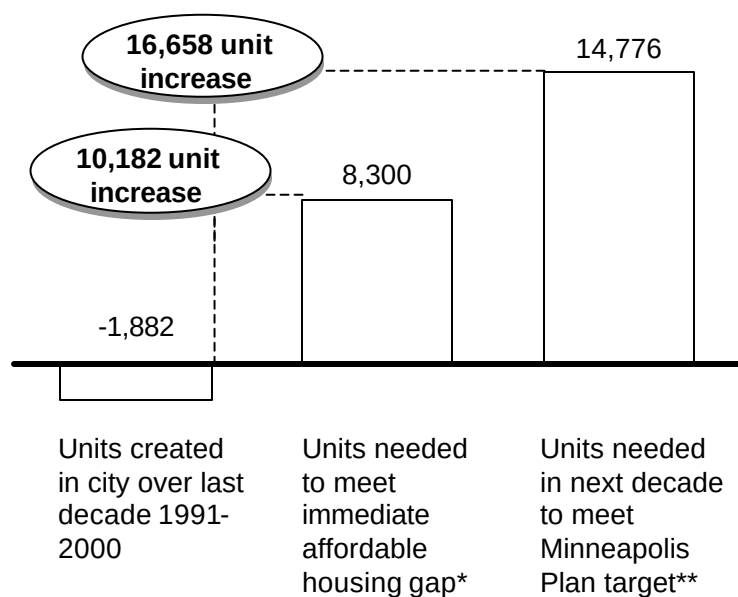
	Key findings	Recommendations
Housing	- Over the last decade, - Rents and home prices have increased over 10% faster than income - The city sustained a net loss of 1,882 housing units - Housing quality has deteriorated significantly, with units rated “average minus” or below by city inspectors moving from 13.1% in 1995 to 21.5% in 1999 - The homeless rate in the metro increased 67% 93% of interviewees and 50% of Internet survey respondents indicated that housing is a top priority	- Internal and external interviews and data confirm these as high priorities - City should set clear targets and focus efforts on meeting needs
Job and business creation	- Job growth in Minneapolis lags the suburbs and the national average - A 1999 Brookings Institute study ranked Minneapolis 76th out of 92 cities on the difference between urban and suburban job growth 87% of interviewees indicated job/business creation is a top priority 71% of Internet survey respondents felt it is deserving of public funding	
Transportation	- Traffic congestion is worsening - Minneapolis lags peers in availability of mass transit	- Work closely with state and Met Council to ensure city’s needs are met - Integrate into broader city development strategy, leveraging investments
Education	- Limited interaction between city and public schools - Public school graduation rate is 41 points below state average - Public schools and local colleges not leveraged to improve work force	Work closely with the school district to support efforts to improve the educational system
Community building	- Neighborhood attractiveness, civic engagement, low crime rates, parks, arts, and libraries all contribute to the vibrancy of the city and its attractiveness for residents and investors - Increasing diversity creating new challenges and opportunities for community building	Coordinate with other city and non-city entities to support and integrate efforts

Note: For details on key findings, see the Phase I summary report, released March 26
Source: Interviews; Internet survey results as of 03/19/02

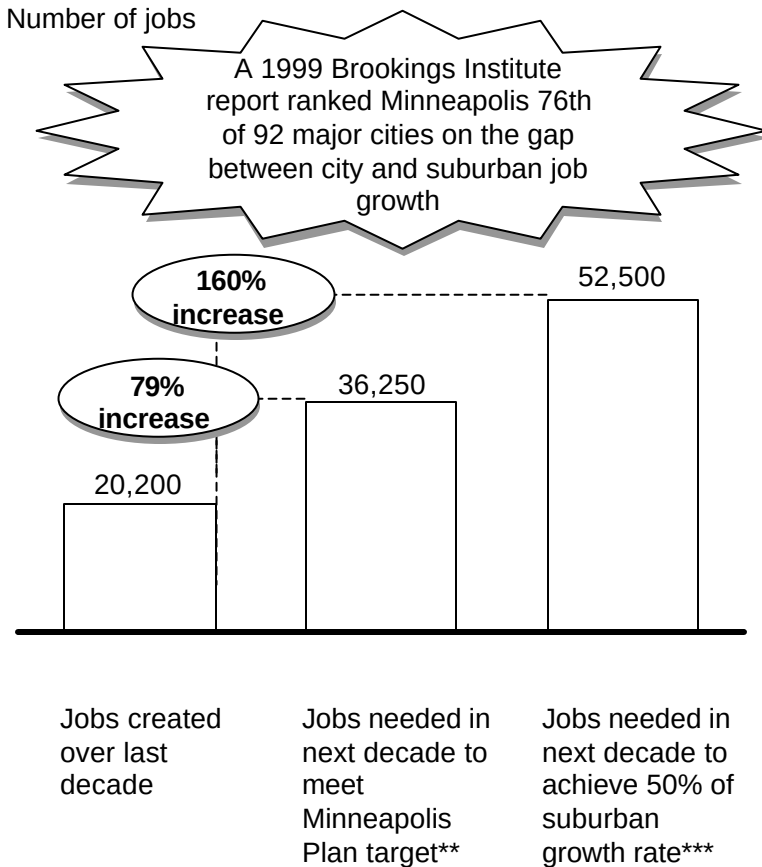
Over the last decade, housing availability decreased and job growth in Minneapolis significantly lagged the suburbs. To improve performance, jobs and housing should be designated top city development priorities

HOUSING AND JOB CREATION GOALS

Net housing creation
Number of units



Net job creation
Number of jobs



* Shortage as defined by HUD (based on 1990 census data)

** 50% of 2020 Minneapolis Plan high growth targets of 16,600 housing units and 72,500 jobs. Revised 4/9/02

*** Assumes 1996-2000 suburban job growth rate of 3.0% per year continues

Source: Minnesota Department of Economic Security; State of the City reports; Minneapolis Comprehensive and Consolidated Plans

Minneapolis faces five critical challenges related to community and economic development



We identified nine major issues the city must address to improve its community and economic development situation

1. The city's current financial situation and previous development results suggest that Minneapolis will be unable to meet its development priorities using current development approaches
2. City leadership has not been strong and consistent in setting strategy, making project decisions, and managing the execution of its vision
3. The current approach to development lacks key elements for success, including clear priorities and measurable short and long term goals
4. The current spending strategy focuses on physical (e.g. real estate) development, neglecting other attractive approaches, levers and tools
5. The city lacks a number of clear development management processes (e.g. project prioritization, development budgeting, strategic planning)
6. Development planning is fragmented across many city entities
7. The city's flat organizational structure results in a lack of accountability for meeting citywide goals and targets
8. Poor customer service due in part to fragmentation of development functions between departments makes it difficult to do business with the city
9. While each development department has distinctive capabilities, there are conflicts or frictions in areas where their duties intersect

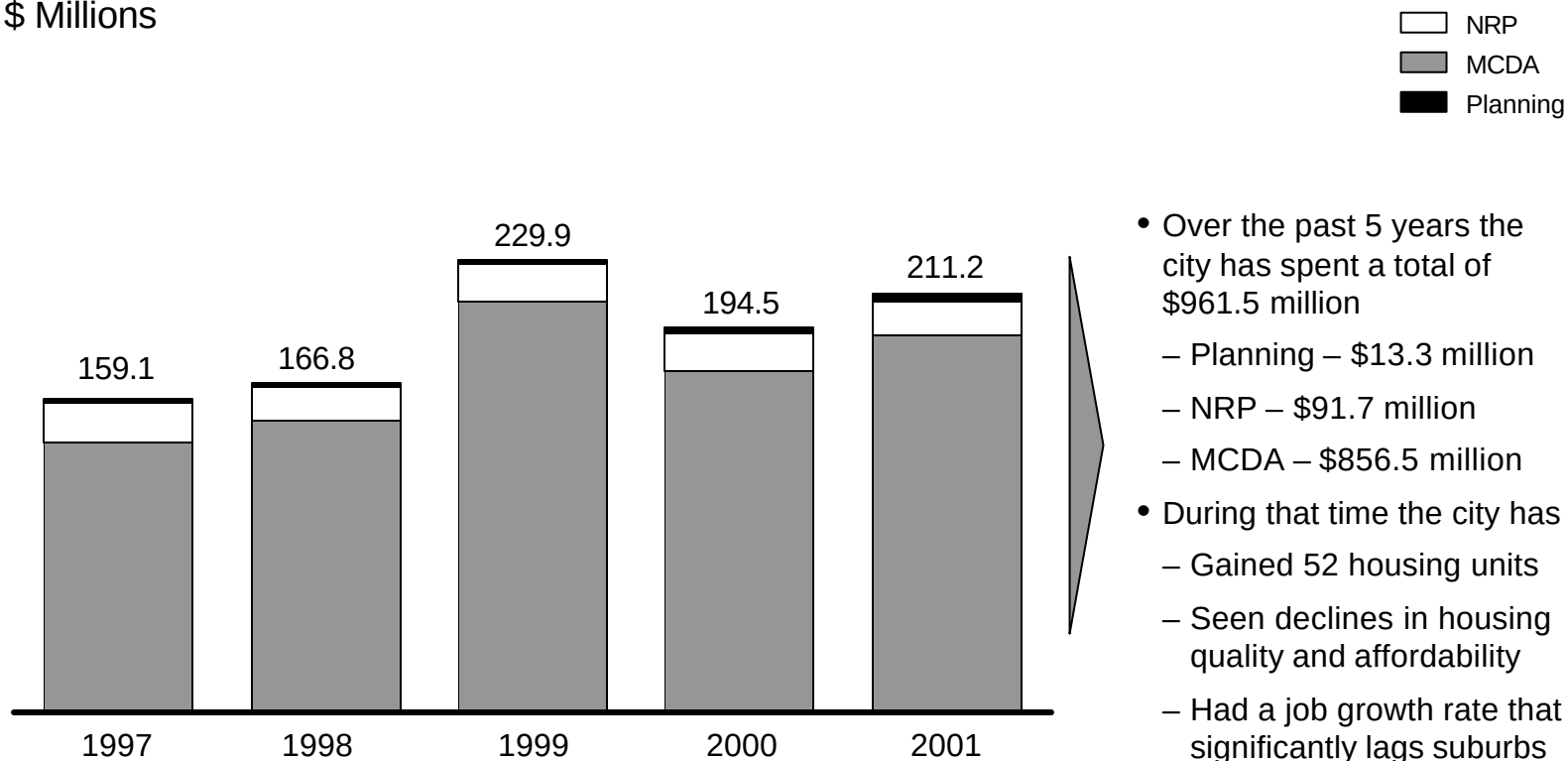
We recommend that the city implement an integrated package of actions to address these financial, strategic, and organizational barriers

Implementation must be timely and should minimize disruption of city services. All process improvements and organizational changes related to jobs and housing, including planning and regulatory changes, should occur within the next 12 months, and within 18 months the entire CPED office should be up and running smoothly

1. Over the past 5 years, considerable city spending made limited progress against housing and job creation needs, suggesting that Minneapolis will be unable to meet its development needs using current approaches

MCDA, NRP, AND PLANNING SPENDING

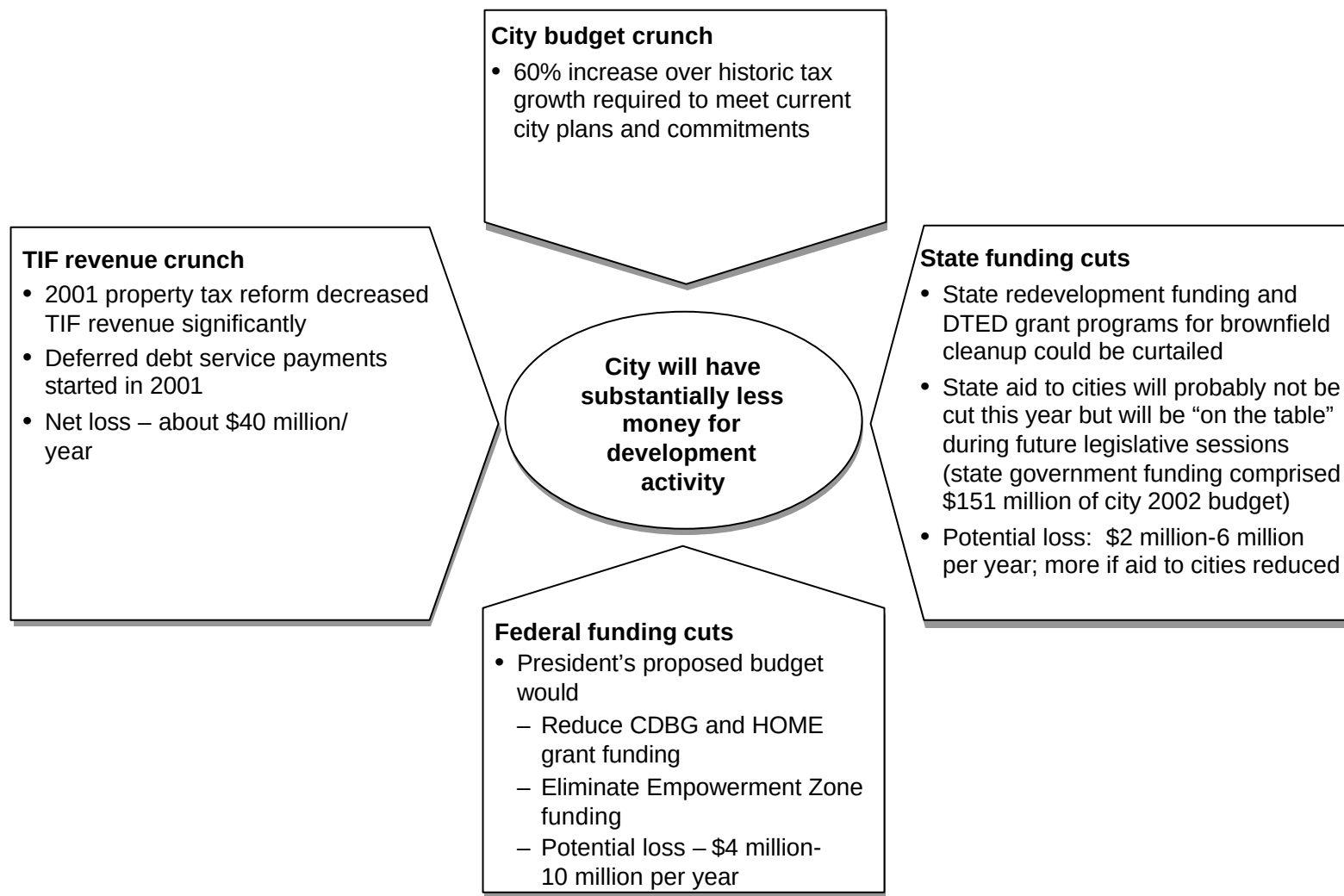
\$ Millions



Note: Departments had focus on and impact in other development areas beyond housing and job creation
Source: MCDA and Planning Budget Reports

As the city's financial situation is currently uncertain, the city may have to do more with less money to address the situation

FINANCIAL SITUATION



Note: Revised March 25, 2002

Source: City and MCDA Finance, 2002 adopted city budget, Senator Wellstone's Office, National Community Development Association

2. City leadership has not been strong and consistent in setting strategy, making project decisions, and managing the execution of its vision

CITY LEADERSHIP'S ROLE IN DEVELOPMENT

	Leadership responsibilities	Current issues	
Setting strategy	Setting strategy is the primary development responsibility of the Mayor and City Council	- Current citywide strategy lacks critical elements for success - Current citywide strategy not broadly understood - Strategic decisions effectively made throughout the city without central coordination	Mayor and Council spend very little time on strategy
Making project decisions	- If overall strategy is crafted well with clear objectives, project decisions will fall naturally from the strategy - In current role as MCDA Board of Commissioners, City Council makes individual project decisions - Ultimate responsibility for development projects falls on Mayor and City Council	- Current decision-making processes not clearly tied to citywide priorities - Project prioritization is not apparent – there is no formal trade-off mechanism for most decisions - Decisions perceived as political – due in part to dual role of commissioners	Time spent on project decisions not used effectively
Executing vision and projects	Under current city structure, Mayor and City Council are jointly responsible for overseeing and managing execution of development vision and projects	- No central person or management system to coordinate city efforts and make cross-departmental trade-offs - Evaluation of development entities not tied to clear goals/measures - Department heads perceived as autonomous actors	Execution is less efficient and effective due to city structure/governance

3. The city's current approach to development lacks key elements critical to success, including clear priorities and measurable short and long term goals

EVALUATION OF CURRENT CITYWIDE DEVELOPMENT APPROACH

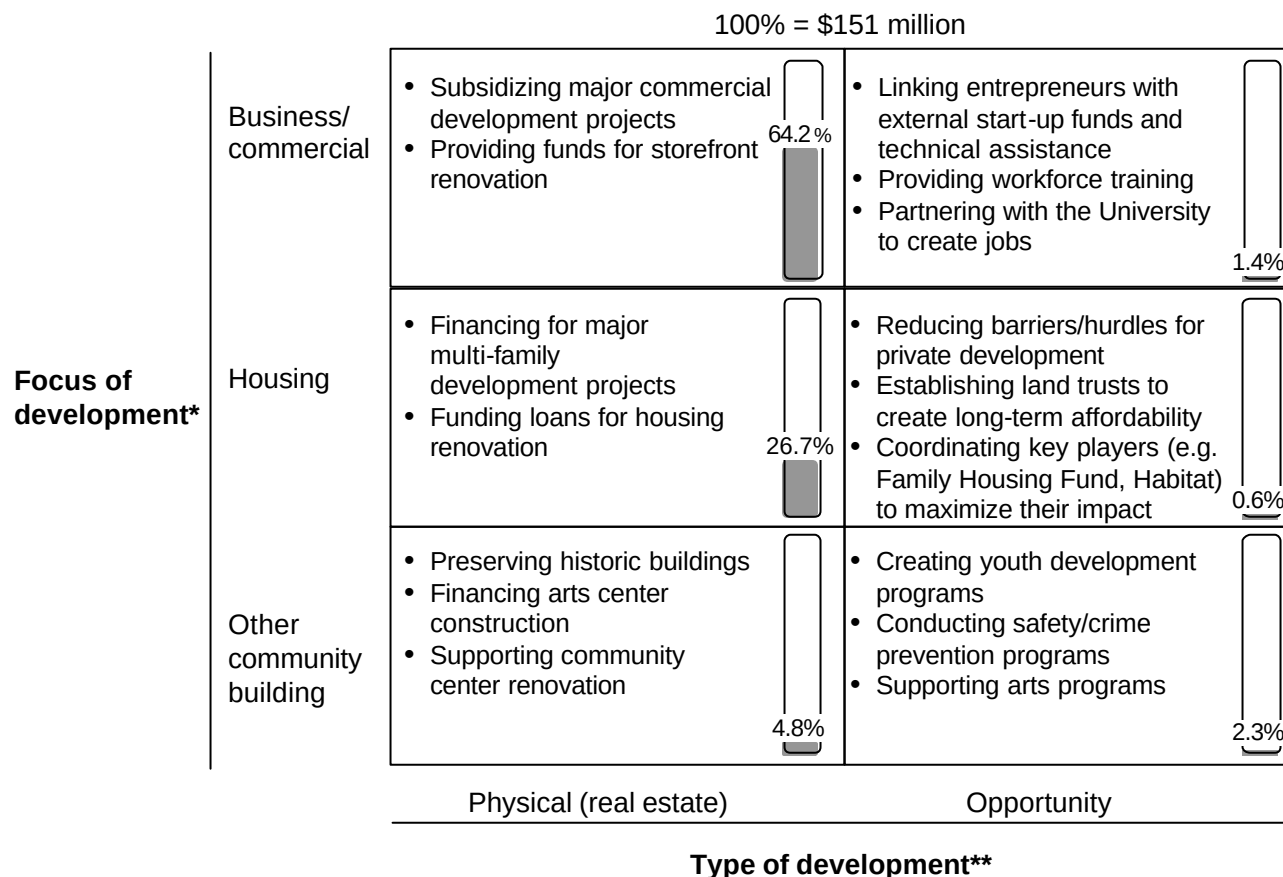
Key element	What is happening?	What is missing?	
1 Specific and measurable goals	- Minneapolis Plan gives long-term job and housing growth targets - Consolidated Plan identifies current gap in housing units	- Ownership and commitment to citywide long-term goals - Citywide annual targets	No citywide goals
2 Key strategies for attaining goals	- City plans give outline of potential strategies for select areas - Individual departments make experience-based decisions on strategies	- Broad effort to prioritize strategies based on effectiveness - Strategies not tied to specific goals - Limited efforts to learn and adopt best practices from other cities	No clear prioritization of strategies
3 Clear priorities	- Minneapolis Plan provides potential starting point for priority setting process - Strong indication of citizens' priorities from election, surveys, and interviews	- Clear, joint statement of Mayor and City Council's development priorities - Specific identification of target geographies, populations, industries, housing types, etc.	No clear city-wide priorities
4 Clear assignments and responsibilities for attaining goals	Departments operate under traditional distribution of functions	- Departments and individuals not evaluated on achievement toward goals - Clear ultimate authority to hold accountable	Performance evaluation not tied to meeting goals
5 Resource allocation across priorities and strategies	City budgeting allocations made at department level	- Budget for TIF projects - Limited direction to entities (particularly NRP)	Resource allocation not tied to city-wide priorities

4. The city development spending strategy focuses almost exclusively on physical (e.g. real estate) development, neglecting other attractive approaches, levers and tools

DEVELOPMENT ACTIVITY MATRIX

EXAMPLE ACTIVITIES

Percent of MCDA, NRP, and Planning development spending, 2001



* Business-commercial includes commercial corridor development, small business loans, and job training; Neighborhood/housing includes housing loans and developments, homeowner training, etc.; Other includes park and school improvements, bike trails, etc.

** Physical includes new construction, renovations, improvements, equipment, etc.; opportunity includes non-physical items such as training classes, programming, etc.

Note: Does not include \$383,130 of NRP funds being recategorized through audit; some funding sources have restricted uses

Source: MCDA; Planning Department; team analysis

...while many other cities use non-physical “opportunity development” strategies to spur private investment, supplementing limited city development funds

EXAMPLES OF OPPORTUNITY DEVELOPMENT

ILLUSTRATIVE

	Housing/job creation initiatives	Location
- The city’s current strategy is focused on physical (real estate) development – 95.7% of MCDA, NRP, and Planning dollars spent on physical development - Other development levers have been neglected – in particular those which lay the foundation for private investment in priority areas	Developed fast-track pre-permitting process – communities select sites for specific economic development and identify all permits required for making the sites shovel-ready	New York City, NY
	Worked with university to create biotechnology research park and incubator	Richmond, VA
	Sponsors annual conference to bring together venture capital firms with companies seeking financing	New York City, NY
	Created a fund to match volunteer labor, materials, and cash for neighborhood projects	Seattle, WA
	Launched a region-wide marketing campaign, utilizing volunteer local professionals, to attract engineers to the area	San Diego, CA
	Partnered with local universities and businesses to develop and market a life sciences industry cluster	St. Louis, MO
	Contracts with local community development corporations (CDCs) to develop affordable housing	Cleveland, OH

Note: See Feb 21 Phase 1 Interim Report for more complete discussion of development levers
Source: Interviews; city web sites; literature search

5. Minneapolis also lacks a number of clear development management processes

PROCESS ISSUES IN DEVELOPMENT MANAGEMENT

- There is little City Council direction on how development resources should be allocated, both on project and program levels
- For most development projects, there are no prioritization or trade-off mechanisms to allocate spending between projects
- There is no TIF spending budget or targets
- No regular meetings are held between the MCDA and the City Council to inform them of prospective projects and help plan the use of funds
- No emergency funds are put aside to support projects particularly well aligned with city goals as they arise

"We make major decisions on how to spend city money based on when proposals come in. We should be having competitive reviews to pick the best projects."

– City Council Member

"Without having a clear budget it's impossible for us to truly set priorities."

– City Council Member

"We have no clear direction from the Council on how much TIF financing it is appropriate to provide or which type of projects should or should not be financed using TIF."

– MCDA Official

"The business community would have been much tougher on TIF decisions than the city has been – especially in determining whether financing was really needed."

– Business Leader

6. Development planning is fragmented across many city entities, resulting in a lack of coordination of activity

DEVELOPMENT PLANNING IN MINNEAPOLIS

City planning processes are uncoordinated

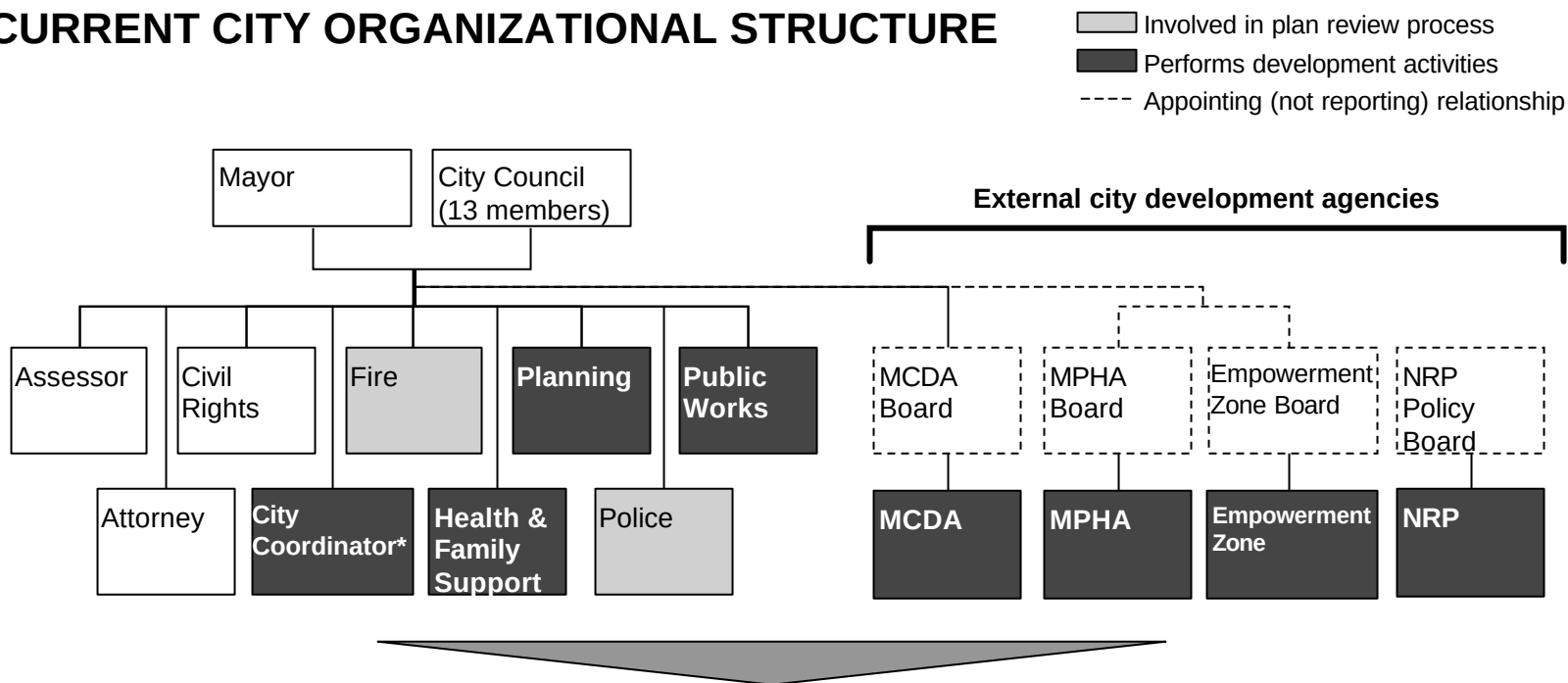
- The Minneapolis Plan
- The Consolidated Plan
- MCDA Plan
- MCDA Area Plans
- MPHA 5-Year Strategic Plan
- MPHA Annual Agency Plan
- Planning Department Area Plans
- Public Works Capital Improvement Plan
- Minneapolis Parks and Recreation Plan
- Light Rail Transit Corridor Plans
- Minneapolis Library Board Plan
- NRP Neighborhood Plans (66 plans for 81 different neighborhoods)
- Neighborhood-developed master plans
- Area plans developed by business/citizen groups (e.g., Lake Street Council)
- Capital Long-Range Infrastructure Plan
- Metropolitan Council Transportation Plan



- The city has over 80 different plans derived by a wide array of city departments and external entities
- These plans are a result of separate planning processes in many entities, including NRP, Public Works, MPHA, and Parks & Recreation
- Plans are often developed without knowledge of what other agencies and departments are planning or developing
- As a result, plans are often poorly coordinated or even contradictory

7. The city's flat organizational structure results in a lack of accountability for meeting citywide goals and targets

CURRENT CITY ORGANIZATIONAL STRUCTURE



Flat organization with fragmented responsibility for development

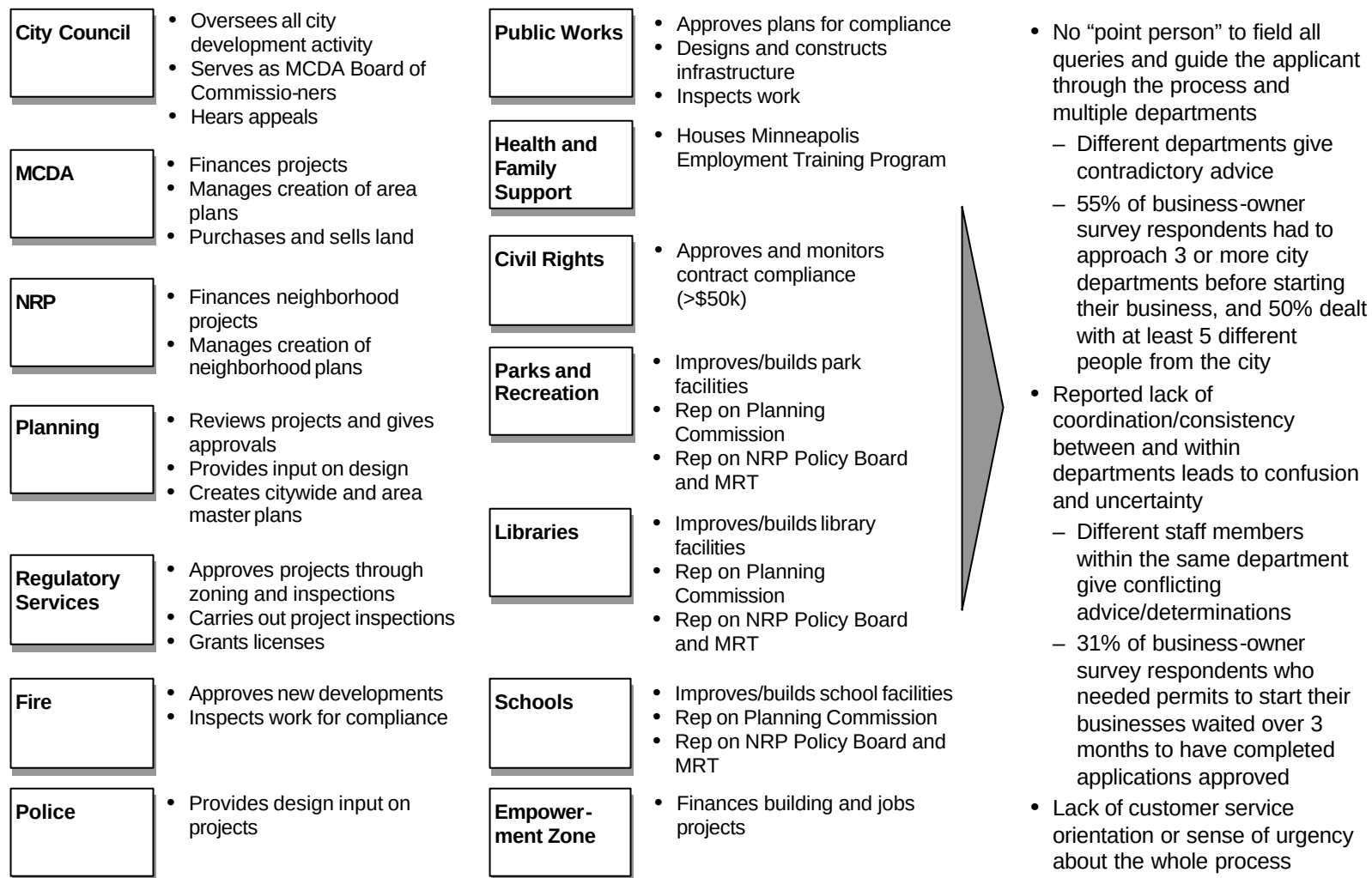
- Department heads are autonomous and at equal level
- No central person to coordinate execution of city development activities
- No central figure is accountable for performance on development issues
- No robust performance management system to compensate for lack of central accountability
- No clear process for cross-department decision making

* Operations and Regulatory Services, located within the City Coordinator's office, performs zoning, inspections, licensing, and many other development-related functions

Source: Interviews, City 2002 Adopted Budget

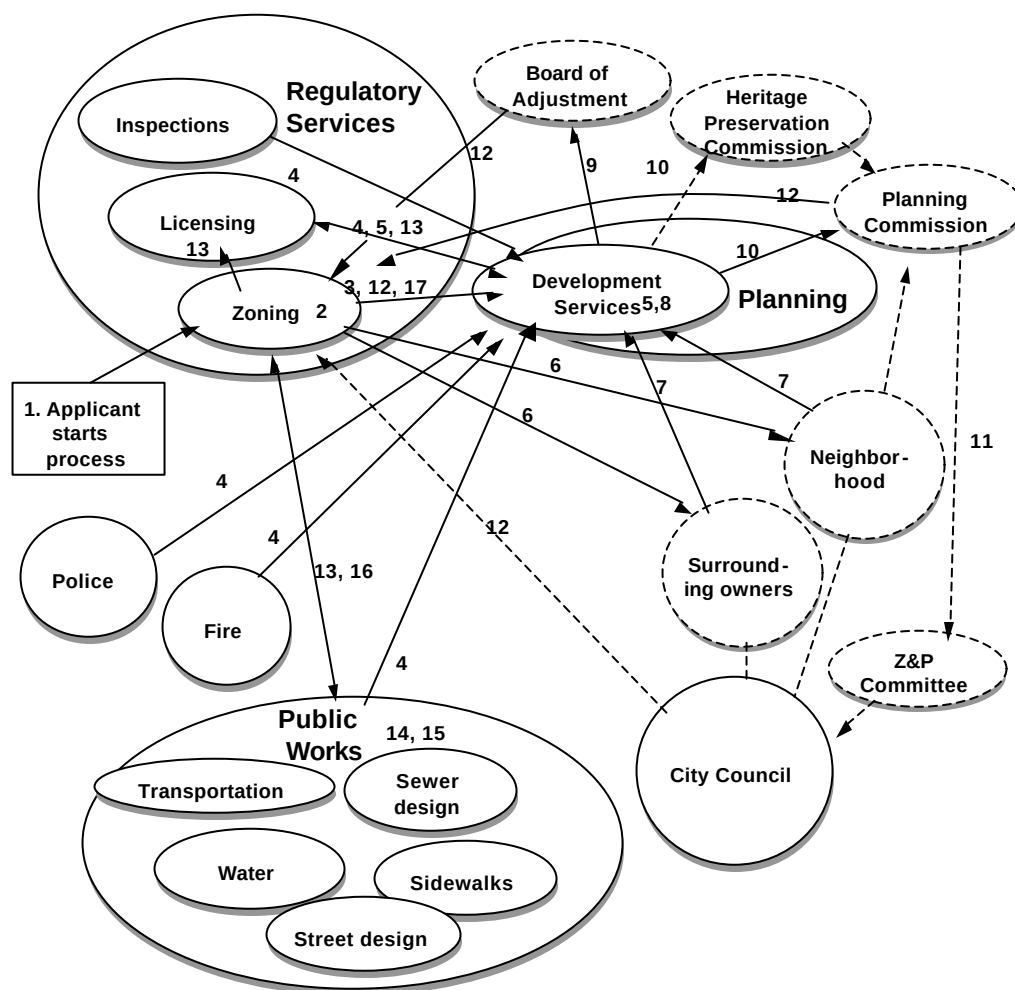
8. Poor customer service due in part to fragmentation of development activities across many city departments makes it difficult to do business with the city

DEVELOPMENT ACTIVITY BY DEPARTMENT/ENTITY



One symptom of this fragmentation is the difficult path projects can follow to receive city approval

NAVIGATING DEVELOPMENT PROCESSES



Note: This indicates the path for a project with some complexity (e.g., a business renovation). Many small residential applications can be processed by Zoning only with no variances

Source: Interviews

EXAMPLE

----- Infrequent path
 ————— Majority of cases

Key steps in zoning/planning application¹

1. Applications lodged at Zoning.
2. Assessed for completeness and code compliance
3. Referred to Planning (Development Services) if required.
4. Preliminary plan review meeting to gain input from other departments (Fire, Police, Inspections, Licensing, Public Works).
5. Planning assesses against the code, plan and other city policies. Liaises with licensing on relevant conditions (e.g. number of parking spaces)
6. Zoning issues notices to neighborhood groups and surrounding properties.
7. Neighborhood and adjoining owner feedback received by Planning
8. Planning prepares recommendations for hearings at commission/s and Board of Adjustment
9. Heard by Board of Adjustment if variance only.
10. Heard by Planning Commission if multiple issues (and Heritage Preservation Commission if relevant)
11. If an appeal is made, application goes to Zoning & Planning Committee and then council
12. Copies of approved plans lodged at Planning, then routed to Zoning for stamp-off.
13. Zoning transfers documents to Licensing and Public Works
14. Public Works and Licensing review drawings. Sign off or make recommendations for changes as required.
15. Public Works sends plans to applicant or applicant collects.
16. Copies of drawings returned to Zoning
17. Zoning transfers documents to Planning

9. Each development department, including the MCDA, NRP, and Planning Department, has distinctive strengths and limitations...

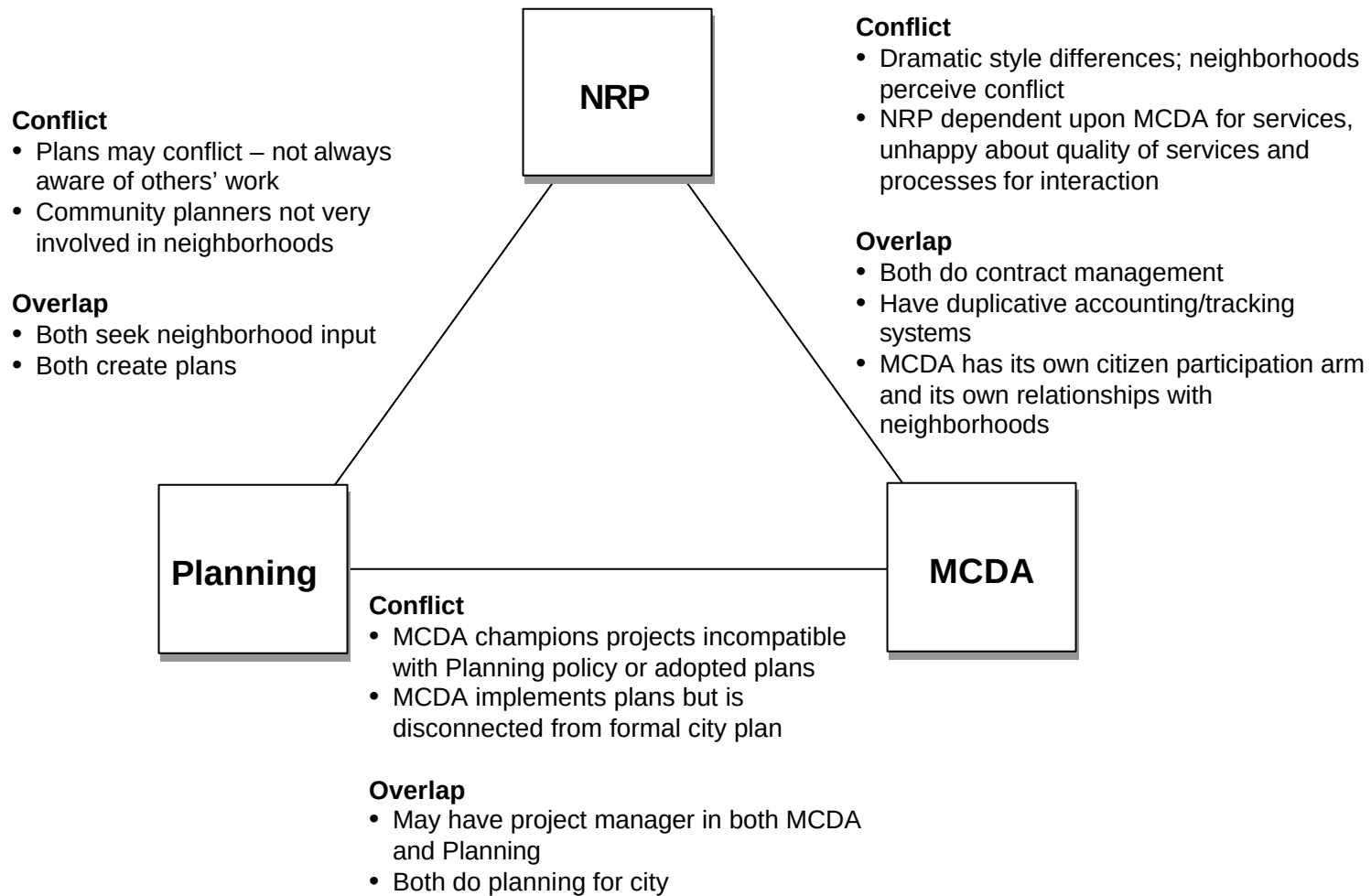
KEY FINDINGS ON MAIN DEVELOPMENT ENTITIES

	Strengths	Limitations
MCDA	• Has completed many high-impact projects • Has helped to spur considerable development in downtown Minneapolis and along the riverfront • Is considered an effective project manager for major, complicated projects • Has taken proactive steps to improve its internal operations • Helps access non-city public dollars • Finance programs allow people to access capital they otherwise could not, and are generally viewed as effective • Some staff are considered very strong and productive, although others are viewed as weak and/or unproductive	• Processes are viewed as highly political and many perceive an uneven playing field when competing for MCDA attention and resources • Reacts to financing requests rather than proactively seeking ways to facilitate development • Provides lots of help for publicly-funded projects but does not offer same services for private initiatives • Viewed as aligned with developers or political interests rather than overall city interests • Has separate, parallel functions to city (e.g., Finance, HR, Legal Counsel)
Planning Department	• Generally considered competent, thoughtful planners • Has a professional staff and is supported by independent commissions of experts	• Does not proactively shape development strategy • Development services staff feel their job is to ensure projects are within the scope of the code while developers consider them inflexible and uncreative • Has trouble retaining and progressing staff • Under-resourced – unable to perform valuable functions effectively (e.g., sustain strong community relationships, promote plans)
NRP	• Involves citizens in their communities • Utilizes local knowledge to plan locally • Empowers neighborhoods • Has produced numerous high-impact projects • Governing entities bring together key stakeholders and decision makers	• Neighborhood processes have shortcomings • Participation and leadership not always representative • Some neighborhoods lack needed expertise and/or guidance • Neighborhood boundaries limit scope of development perspective and are difficult to work across • No formal mechanism to guide neighborhood spending in accordance with citywide priorities • Some perceive independence of program has contributed to “us vs. them” attitude with city • Program structure has bred feeling of entitlement for funds rather than drive to compete for the best ideas and development opportunities

Note: See March 25 summary of Phase 1 findings for detailed analysis on these organizations

...but there are conflicts and frictions in areas where department duties intersect

INTER-AGENCY ISSUES



Significant issues also arise in other development-related departments, including Public Works, Regulatory Services...

ISSUES IN DEVELOPMENT-RELATED DEPARTMENTS

Public Works

Issues

- People consider the department cumbersome to deal with as they have to consult with multiple people with different areas of expertise/jurisdiction (e.g., sidewalks, transportation, street design, sewers)
- Reported competent engineering capabilities, but limited project management skills to run complex projects with multiple stakeholders and interface with public/private sector

Conflicts

- Seen as sometimes holding up development work as they are protective of carrying out the majority of design and construction work
- Capital Improvement Plan drives their work
 - Seen as being inflexible to other proposals
 - Developed outside of city planning process

Overlaps

- Capital works projects may overlap with MCDA or NRP-sponsored development

Regulatory Services

Issues

- Construction inspections are onerous, time-consuming, and inconsistent
 - Multiple inspectors will visit each project to review different things at different times
 - Multiple inspections carried out by each inspector
 - Some customers complain of same individual giving contradictory advice on separate occasions
- Businesses claim that obtaining liquor licenses is particularly time-consuming and onerous
- Permitting and licensing was most often cited as one of the most negative aspects of doing business in Minneapolis by business owners responding to the development survey
- Different zoning staff reported to give contradictory interpretations of the code

Conflicts

- Zoning and Planning occasionally have different interpretations of the code

Overlaps

- Zoning and Planning both deal with development applications
 - Leads to confusion for applicants who deal with different departments for intake and evaluation
 - Potential doubling of work (i.e. ordinance assessment)

...and many other city entities

ISSUES IN DEVELOPMENT – OTHER ENTITIES

	What we've heard	Illustrative quotes
Police	- Parallel system in neighborhoods (Block Clubs) is not related to NRP activities - Secretive in their dealings and agenda - Perception of high turnover among CCP/SAFE officers - Allegations of racial profiling	"The Police Department's Citizen Engagement Program is completely separate and they won't cooperate and share info." – <i>NPO Leader</i>
Parks & Recreation	- Seen as removed from the neighborhood and community development process - Unresponsive and unaccountable to neighborhoods	"Every neighborhood worked on their park through the NRP, and every one of them ended up mad at the Park Board." – <i>County Official</i>
Schools	- Claims of being difficult to work with - Sometimes reluctant to allow community members use NRP-improved facilities	"Schools should be providing opportunity development, but they're reactive. There are no vocational training programs." – <i>County Official</i>
Fire	- Not customer oriented - Reported to take a long time to approve development applications - Will hold up construction if inspections need to be done	"They have no qualms about holding up approvals." – <i>City Official</i>
Empowerment Zone	- Disconnected from citywide development decision processes - Funds projects similar to other agencies, including real estate and other work force development	"The Empowerment Zone has its own set of funding and its own goals. They should work more closely with other city entities to fund development." – <i>City Official</i>
Health & Family Support	Employee development not integrated into other job creation activities	"The Minneapolis Employment and Training Program is not a perfect fit under the Health and Family Support Department. It might be better placed in the MCDA." – <i>City Employee</i>
Civil Rights	Review process can cause delays	

Source: Interviews

Minneapolis faces five critical challenges related to community and economic development

We identified nine major issues the city must address to improve its community and economic development situation



We recommend that the city implement an integrated package of actions to address these financial, strategic, and organizational barriers

- Agree on development priorities and establish goals for its top priority development issues
- Adopt four new processes to ensure better strategic planning and development management
- Change the development organization to increase accountability, improve coordination, and align the organization with stated city priorities
 1. Create a single Office of Community Planning and Economic Development (CPED) to ensure cooperation and coordination between development departments and lead the new development processes described above
 2. Make it easy to do business in Minneapolis by creating a Development Services department responsible for streamlining development processes and operating a One-Stop Development Shop for all city reviews, inspections, and licenses
 3. Integrate neighborhoods into city planning by creating a Neighborhood and Community Planning (NCP) department which gives neighborhood planning groups a leading role in shaping city strategies and integrates all city planning from neighborhoods, Planning, MCDA, and others
 4. Recognize housing as a critical city priority by creating a Housing Development department
 5. Recognize job creation as a top priority through a new Business Development department
 6. Develop the city's workforce and increase emphasis on education, schools, and youth through a Human Development department
 7. Coordinate development planning with Public Works by moving Public Works planners into NCP and locating its project reviewers within Development Services

Implementation must be timely and should minimize disruption of city services. All process improvements and organizational changes related to jobs and housing, including planning and regulatory changes, should occur within the next 12 months, and within 18 months the entire CPED office should be up and running smoothly

The city must agree on development priorities and establish specific, measurable goals for its top priority development issues to guide development activity and measure progress against priorities

SETTING CITYWIDE GOALS – HOUSING AND JOB CREATION

Housing

Potential overarching goals

- Net housing units created
- Net gain in affordable units

Potential subgoals

- New units in target locations (e.g. impacted areas; rental units in neighborhoods)
- Single vs. multi-unit increases
- New owner-occupied rental units
- Units affordable to target groups (e.g. seniors, families earning <30% of MMI)
- Increased diversity of housing choices

Job/business creation

Potential overarching goals

- Net new jobs created

Potential subgoals

- Net gain in target job types
- Net job growth in target industries
- Average wage level
- New jobs in target locations
- Increase in job or business opportunities for selected demographic groups (e.g. recent immigrants)

- Citywide development targets should be
 - Set by City Council and Mayor to support development objectives
 - Aggressive but attainable using limited city resources
 - Limited in number
 - Focused on highest priority aims
 - Supplemented by department level performance metrics
- The city should also monitor progress on other important issues, including transportation, education, and community building using similar measures

The city should adopt four new processes to ensure better strategic planning and development management

RECOMMENDED NEW DEVELOPMENT PROCESSES

	Description	Goals of process
Strategic Planning Process	A major reevaluation of development priorities, goals, strategies, and organization every four years. Annually, a review of progress against goals and refinement of strategies if necessary	Provide clear direction to city development staff on city goals and priorities and preferred strategies for making progress toward these initiatives
Performance Management	Regular goal setting and performance evaluation for individual departments, with clear consequences/interventions if goals are not met	- Provide explicit expectations and incentives for department performance, and gauge progress toward stated goals - Provide immediate support to struggling departments
Project Selection and Prioritization	A mechanism to make clear, intelligent tradeoffs between development options based on city strategy and priorities	- Award city support and development spending to the highest impact projects available - Ensure an even playing field for developers
Customer Service Improvement	Regular diagnosis and repair of problems with development/regulatory processes which make it difficult to develop housing and businesses in Minneapolis	Make the city an easier place to do business, encouraging both more construction and more business startups in the future

The city should make several changes to the development organization to increase accountability, improve coordination, and align the organization with stated priorities

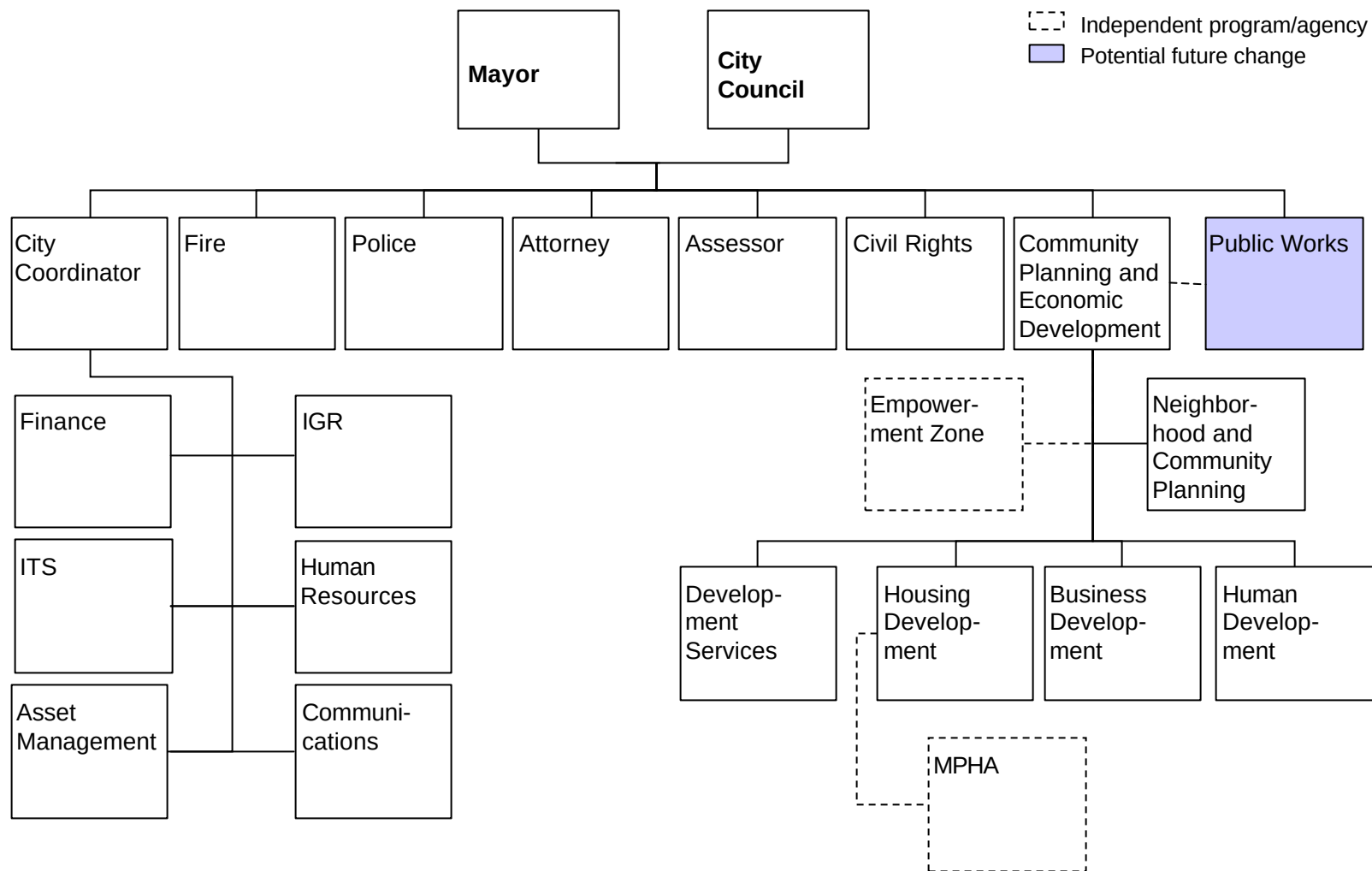
CITY OVERVIEW – PROPOSED CHANGES

Key changes	Rationale
Create Office of Community Planning and Economic Development (CPED) to oversee and coordinate all city development activity	- Clarifies accountability for development activity - Facilitates cooperation and coordination between development-related departments - Facilitates interdepartmental tradeoffs to maximize return on development resources
Incorporate MCDA and NRP functions into city structure under CPED	Maximizes alignment and coordination of city development activities
Create a new Neighborhood and Community Planning (NCP) department under CPED that gives neighborhood planning groups a leading role in shaping the city strategies and integrates all city planning activities from Planning, MCDA, Public Works, and other city departments into one organization	- Ensures coordination of development plans and resources - Elevates neighborhood planning efforts and links them directly into the development of one city-wide vision
Combine external development support (e.g., Inspections, Licensing, etc.) and internal project support functions (e.g., project finance, contract management) into new Development Services Department under CPED	- Creates clear point of first contact for all development projects - Provides foundation for true one-stop shopping (incorporating representatives from all other relevant agencies, e.g., Planning/Zoning, Office of Small Business, Fire) and case management assistance to guide people through the process
Create Housing Development and Business Development Departments under CPED	- Organizes city resources around stated priorities - Identifies clear responsibility for meeting housing and job creation goals - Ensures that the city pursues nonphysical development activities through the creation of Strategy and Partnerships divisions
Bring current Health and Family Support Department under CPED as Human Development Department	- Recognizes human capital development as foundation for and integral to other development efforts - Ties employment programs and other community services to other city development and community building efforts
Ensure alignment between CPED and external city development agencies (i.e. Empowerment Zone and MPHA)	- Ties in entities largely guided by federal mandates but performing related functions - Increases impact of city and federal city spending through improved coordination of efforts
Potential future change	
Bring development-related Public Works functions under CPED	Integrates building and maintenance of city infrastructure with other city development efforts

Source: Team analysis

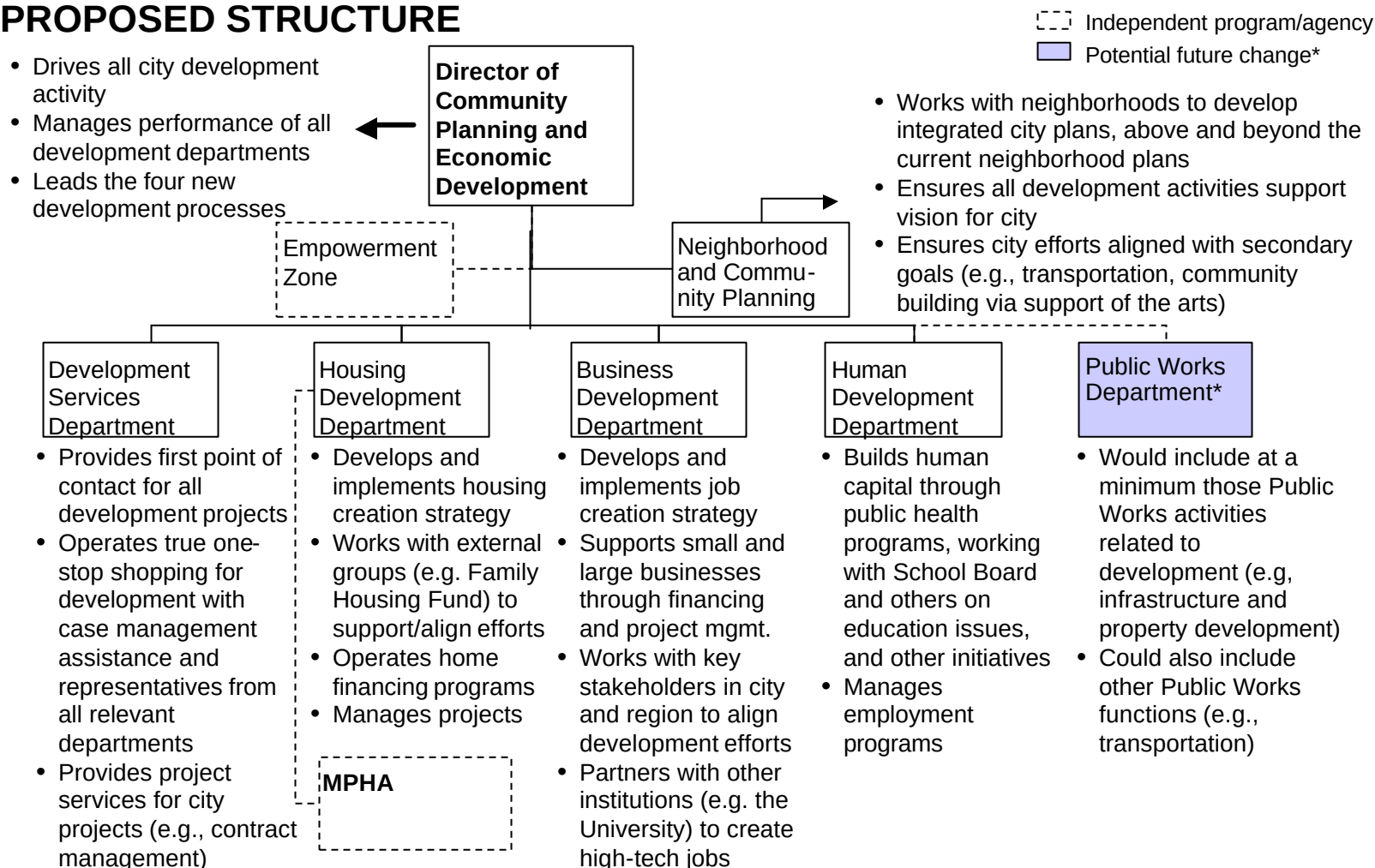
This move will retain five distinct and independent planning and development departments, but place all development-related activities under a single manager who is directly accountable for meeting city development goals

CITY OVERVIEW – PROPOSED STRUCTURE



1. The city should ensure coordination between these departments by creating an Office of Community Planning and Economic Development (CPED) to which all five new development departments report

OFFICE OF COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT – PROPOSED STRUCTURE



* All development related Public Works functions may be moved to CPED after further review. Seven FTEs from Public Works that currently are involved with planning/development services should move to CPED immediately. See page 41.

Source: Team analysis

The Director of CPED will be directly responsible for meeting citywide development goals, ensuring cooperation between departments, and leading the annual development planning process

OFFICE OF THE CPED DIRECTOR – ROLE DESCRIPTIONS

	Job responsibilities
Director	• Oversees all development-related departments and is ultimately accountable for achieving the city's stated goals – Appoints CPED department heads and holds them directly accountable for departmental performance – Provides direction on interdepartmental projects, encouraging cooperation between departments • Leads development planning process – Facilitates Mayor/City Council discussions on goal-setting, priorities, and resource allocation – Allocates resources between departments, according to Mayor/City Council direction – Works with department heads to develop specific targets and implementation plans • Serves as the direct interface and single point of contact for the Mayor and City Council on all development issues • Facilitates cooperation with non-development departments and external agencies – Sits on development boards, including Empowerment Zone – Coordinates city support of external efforts (e.g., city assistance with MPHA public housing development) • Advises Mayor and City Council on development project decisions and broader development policy questions • Oversees all development spending, and makes spending recommendations to Mayor/City Council
Deputy Director	• Assists and stands in for Director as needed • Coordinates and oversees large special development projects (e.g., Heritage Park) • Hired by and reports directly to CPED Director
Policy Aide	• Assists the Director as needed • Performs analysis and provides strategy recommendation to the Director to inform project and strategic decision-making processes • Hired by and reports directly to CPED Director
Administrative Assistant	• Provides administrative support to Director and other office staff • Hired by and reports directly to CPED Director

2. The city should make it easy to do business in Minneapolis by creating a Development Services department responsible for streamlining development processes and operating a One-Stop Shop for permits, reviews, and approvals

DESCRIPTION – DEVELOPMENT SERVICES

Mission

- To make the city an easy place to do business by streamlining development processes and providing excellent customer service
- To assist public and private development initiatives by providing guidance and project support services
- To ensure that development standards are maintained across the city by providing reliable, fair and consistent inspections services

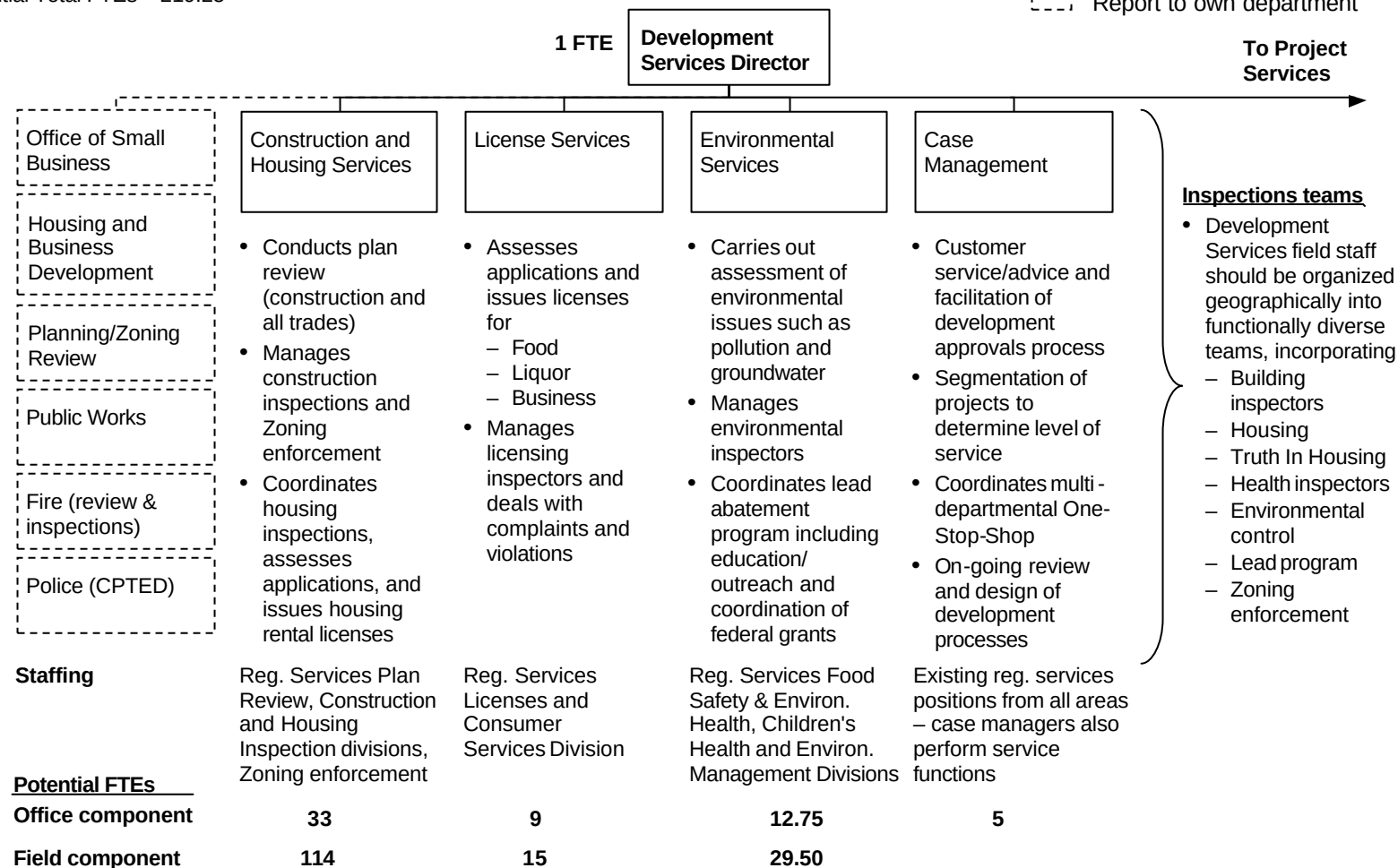
Key activities

- Guide developers, business people and residents through the development process requirements to ensure consistent information and expectations
- Coordinate the One-Stop Shop and all staff and other departments co-located there
- Provide specialized support services to the Business and Housing Development Departments (including real estate, finance, legal, etc.)
- Perform contract management services for NRP and other city-sponsored projects
- Assess all applications for permits and licenses, providing input where appropriate and making recommendations for approvals
- Conduct inspections to ensure that the standards set in city codes and ordinances are being met, and to help people to improve their properties and businesses

PROPOSED STRUCTURE – DEVELOPMENT SERVICES (ONE-STOP SHOP)

Potential Total FTEs = 219.25

 Report to own department



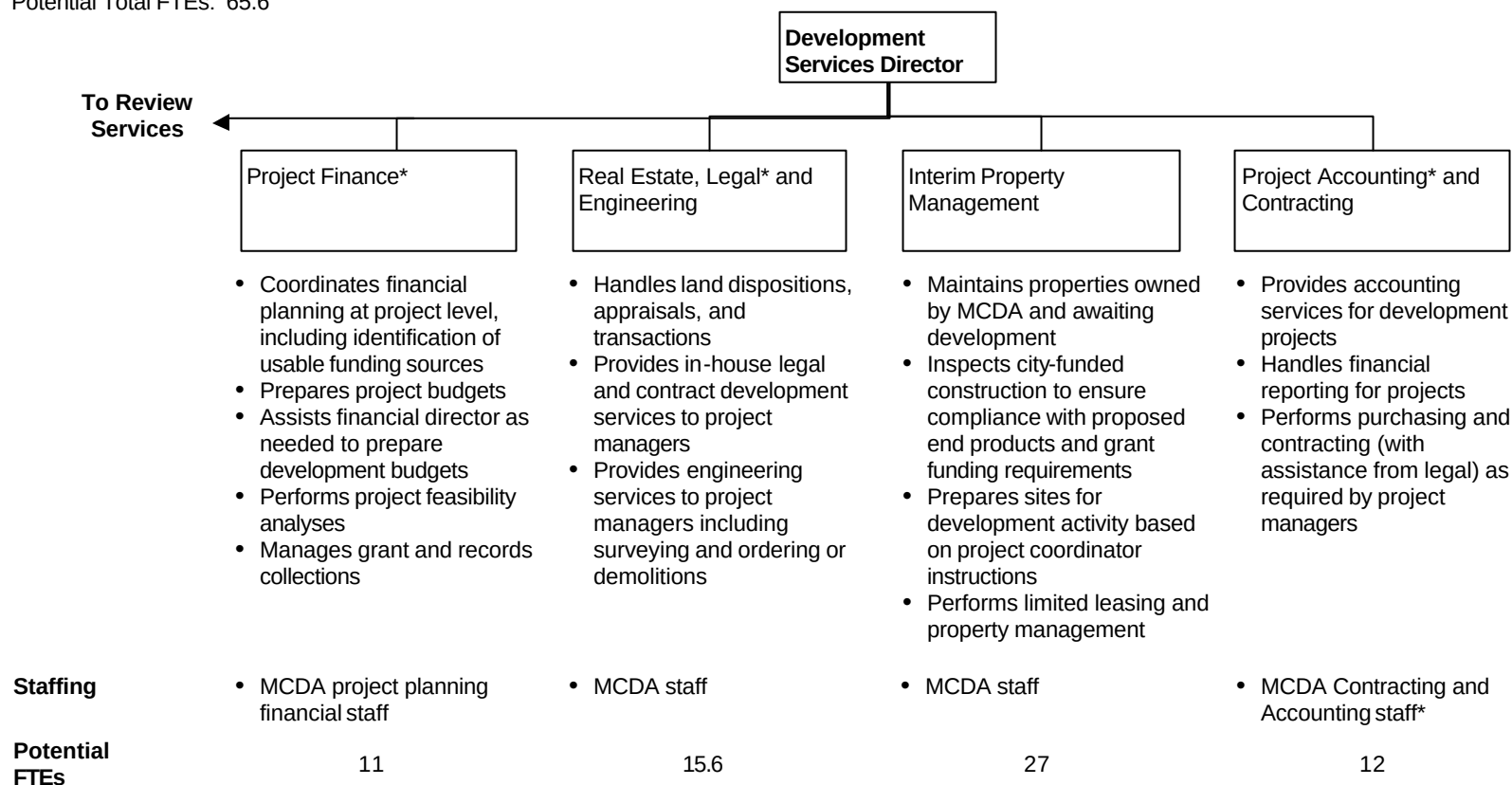
Note: FTE numbers are estimates based on current staffing levels and the proposed functions of each division. These estimates assume that positions which are currently vacant due to the hiring freeze are filled

Note 2: Issuing permits from all city departments through one central entity may also increase efficiency, and merits further study

Source: Interviews, City 2002 Adopted Budget

PROPOSED STRUCTURE – DEVELOPMENT SERVICES (PROJECT SERVICES)

Potential Total FTEs: 65.6



* Alternatively, finance, legal, and accounting personnel could report to their corresponding city departments, reducing decentralization. Regardless of reporting, physically co-locating these staff with other development staff will encourage high quality service

** From MCDA Administrative Services department. HR and IS functions would be moved to city departments under the City Coordinator's office, but could also remain co-located with Development Services to maintain high levels of service

Note: FTE numbers are estimates based on current staffing levels and the proposed functions of each division. These estimates assume that positions which are currently vacant due to the hiring freeze are filled.

Source: Interviews, City 2002 Proposed Budget, team analysis

3. Minneapolis should integrate neighborhoods into city planning by creating a new Neighborhood and Community Planning (NCP) department which provides a holistic, integrated planning approach for city development

DESCRIPTION – NEIGHBORHOOD AND COMMUNITY PLANNING

Mission

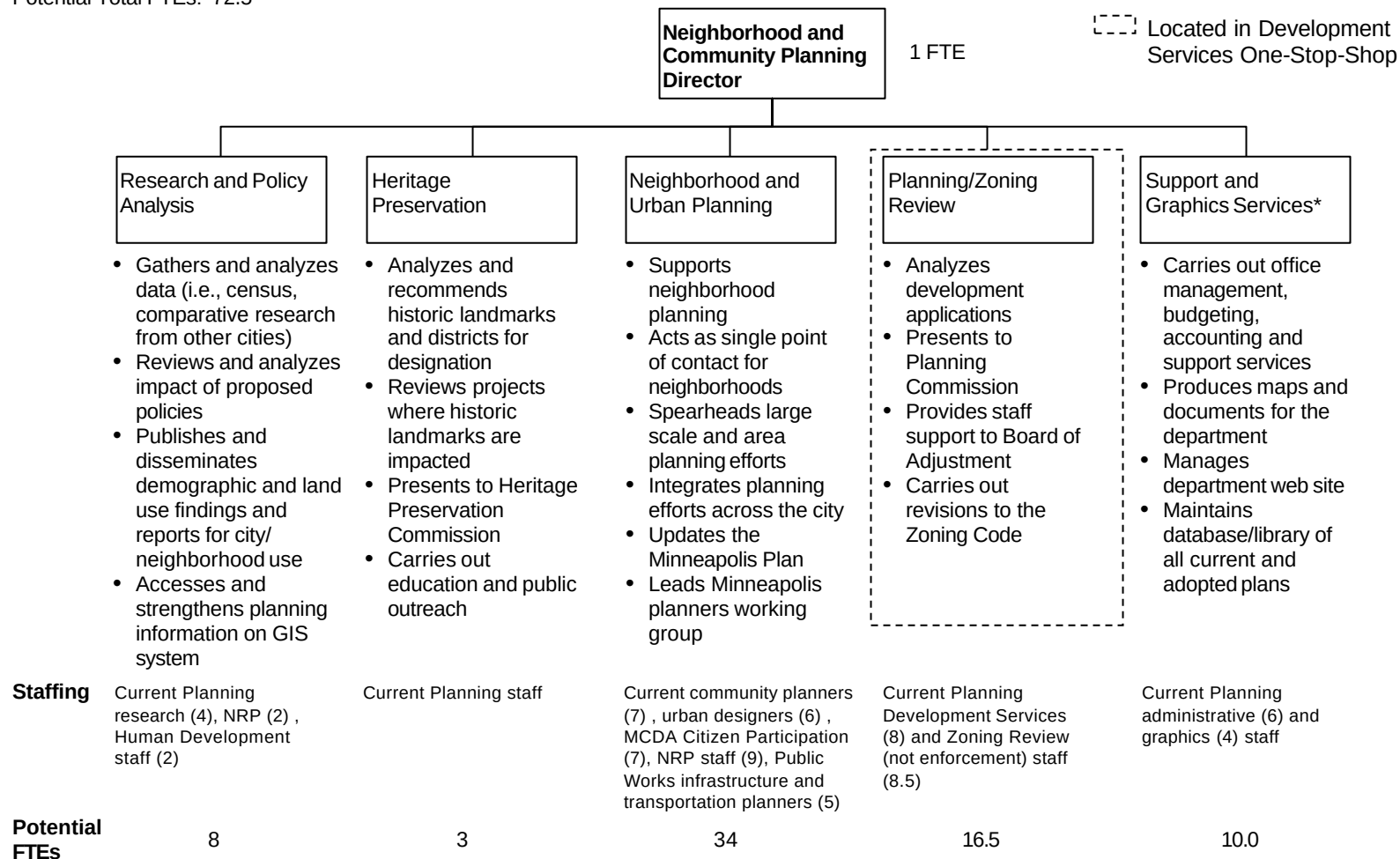
- To develop high quality, relevant plans at the neighborhood, area and citywide levels and ensure consistency and coordination between them
- To incorporate the needs of the neighborhoods fully into city planning and to elevate their involvement in the processes and functions which affect them
- To actively ensure that all Minneapolis planning and development activities are focused on the five city-defined priorities of housing creation, job/business creation, education, transportation and community building

Key activities

- Continue NRP program providing a higher level of planning expertise and city support
- Maintain close relationships with neighborhoods, facilitated by Neighborhood Liaisons to help coordinate access to city resources and services
- Synchronize planning between all levels (top-down and bottom-up) – from the broad vision of the Minneapolis Plan down to specific neighborhood-level plans
- Carry out an integrated approach to planning between all functional areas (neighborhood planning, research, urban design, etc.) citywide through geographic planning teams
- Make continuous improvements to the Minneapolis Plan and Zoning Code to make them stronger, better development tools
- Support fact-based decision making at all levels by providing robust research and analysis to guide development decisions
- Educate the public, developers, neighborhoods, and other entities on the city's plans and the implications for development
- Coordinate with other city agencies (e.g., parks, school and library boards) and regional/state entities (e.g., MNDOT, Hennepin County, Met Council) to achieve integrated planning

PROPOSED STRUCTURE – NEIGHBORHOOD AND COMMUNITY PLANNING

Potential Total FTEs: 72.5



* Alternatively, graphics services could be moved to Communications to encourage wider use of this service and increase the consistency of city branding

Note: FTE numbers are estimates based on current staffing levels and the proposed functions of each division. These estimates assume that positions which are currently vacant due to the hiring freeze are filled.

Source: Interviews, City 2002 Adopted Budget

The NRP program should continue within NCP, strengthened through connections to greater city resources. Neighborhoods should be encouraged to align their spending with city priorities

PROPOSED NEW PROCESS – NEIGHBORHOOD REVITALIZATION PROGRAM (NRP)

Current NRP process	Proposed future neighborhood process
• Administered/supported by independent agency (NRP) • Neighborhoods maintain relationships with multiple city departments/agencies • Neighborhoods supported primarily by NRP staff • Neighborhood plans go through NRP's Management Review Team and the Policy Board (with representatives from neighborhoods, the county, Library Board, Parks Board, area foundations, council members, etc.) • Neighborhoods decide how to spend funds allocated to them, with the exception of competitive funds administered through an Affordable Housing RFP – with projects chosen by the NRP Policy Board	• Administered/supported by integrated city development department – Neighborhood and Community Planning (NCP) – with direct links to other relevant departments • Neighborhoods assigned a first point-of-contact (Neighborhood Liaison) within NCP to act as a link between the neighborhood and the city • Neighborhood planning process more fully supported by the city – City resources brought in by Community Planner and Neighborhood Liaison working in tandem with neighborhoods through planning and implementation – Community Planner assigned to each neighborhood to directly assist in planning and data gathering – NCP geographic teams – composed of Neighborhood Liaisons, Community Planners and planning specialists familiar with issues specific to the neighborhoods/regions – maintain continuity with neighborhoods – Neighborhood Liaisons work with other city departments, and external partners to develop curricula and seminars to expand trainings offered and build neighborhood association capacity • Single board – the Neighborhood and Community Planning Policy Board – similar in composition to the current NRP Policy Board, which – Administers the NRP program, reviewing neighborhood plans and projects – Undertakes a broader city planning role by overseeing city planning functions and advising NCP on collaborative planning efforts • Neighborhoods retain discretion over most NRP funds, but are encouraged to align most of their spending with stated city priorities. The city should make more active use of RFP processes to provide funding for neighborhood-sponsored projects. RFP process requires – Neighborhood sponsorship for proposal submission – Projects be evaluated and chosen by the NCP Policy Board

Source: Interviews, team analysis

4. The city should recognize housing as a top priority by charging a new housing Development Department to achieve city housing goals

DESCRIPTION – HOUSING DEVELOPMENT

Mission

- To improve the quantity, quality and affordability of city housing stock
- To ensure the city achieves its housing goals by catalyzing private, as well as public, housing development activities

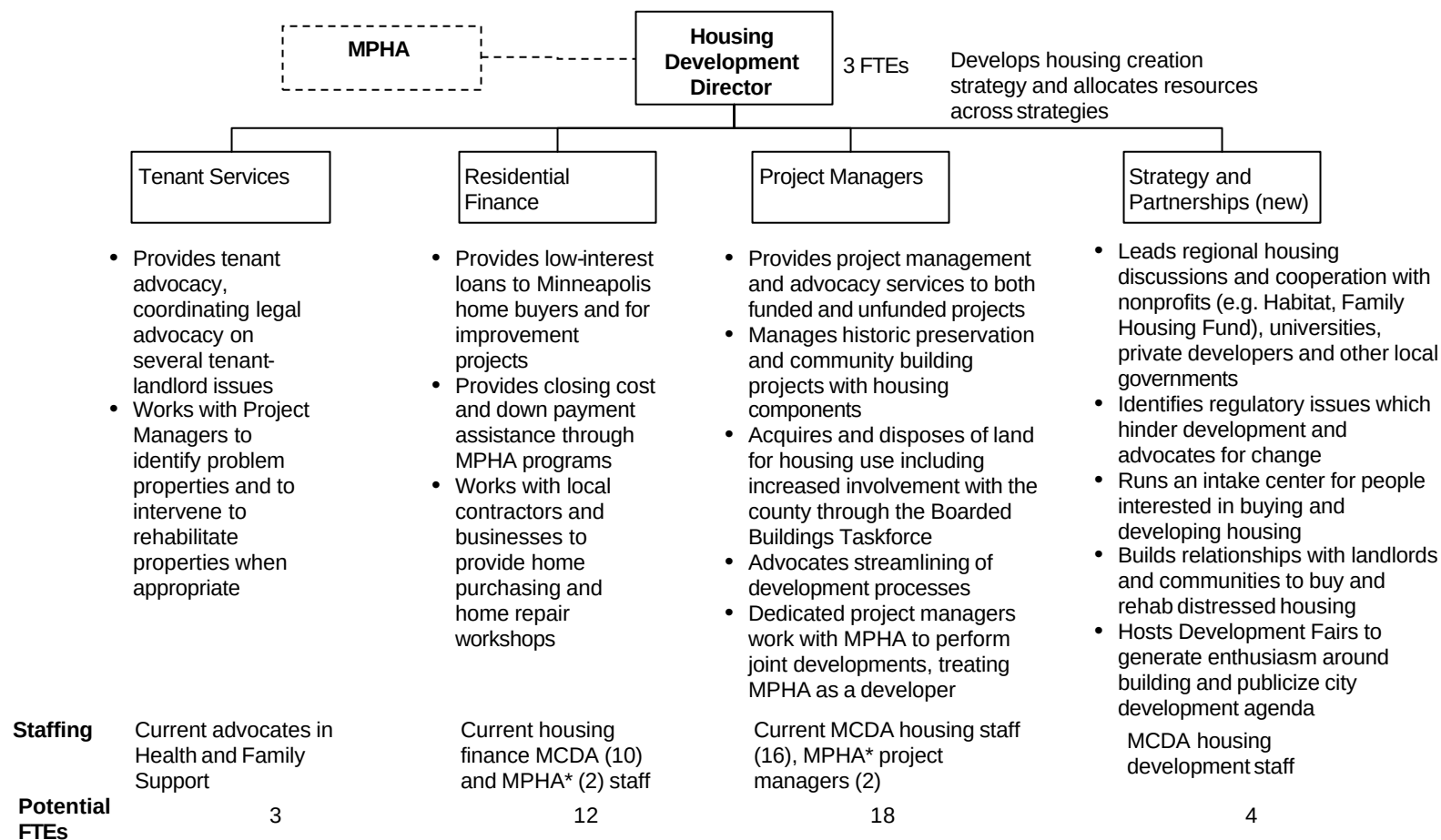
Key activities

- Develop the city's strategy to achieve housing goals
- Partner with neighborhoods, developers, landlords, nonprofits, and other stakeholders to encourage and facilitate improvement of the housing stock
- Work to ensure MPHA activities are fully aligned and coordinated with city housing development priorities
- Identify housing creation projects which best fit the city's priorities, and provide them with funding and/or project assistance
- Make homeownership in Minneapolis more affordable for families by providing low-interest loans and closing cost assistance
- Identify and recommend changes in processes, policies, and regulations that would make it easier to build and rehabilitate quality housing in Minneapolis
- Help resolve tenant-landlord issues through tenant advocacy services
- Develop creative approaches to housing development, employing best practices from other cities

PROPOSED STRUCTURE – HOUSING DEVELOPMENT

Potential Total FTEs: 40

--- Independent agency indicates working, not reporting relationship



* MPHA staff should be co-located with Housing Development staff and report jointly to MPHA and Housing Development. These staff should be funded by MPHA and work exclusively on MPHA-related projects and programs. In all, only 5 MPHA staff are affected by these recommendations

Note: FTE numbers are estimates based on current staffing levels and the proposed functions of each division. These estimates assume that positions which are currently vacant due to the hiring freeze are filled.

Source: Interviews, City 2002 Adopted Budget, MCDA Project Planning and Finance, MCDA Annual Reports

5. A Business Development department should be created to recognize job creation as a top priority and make progress on this agenda, in part through opportunity development activities designed to catalyze private investment

DESCRIPTION – BUSINESS DEVELOPMENT

Mission

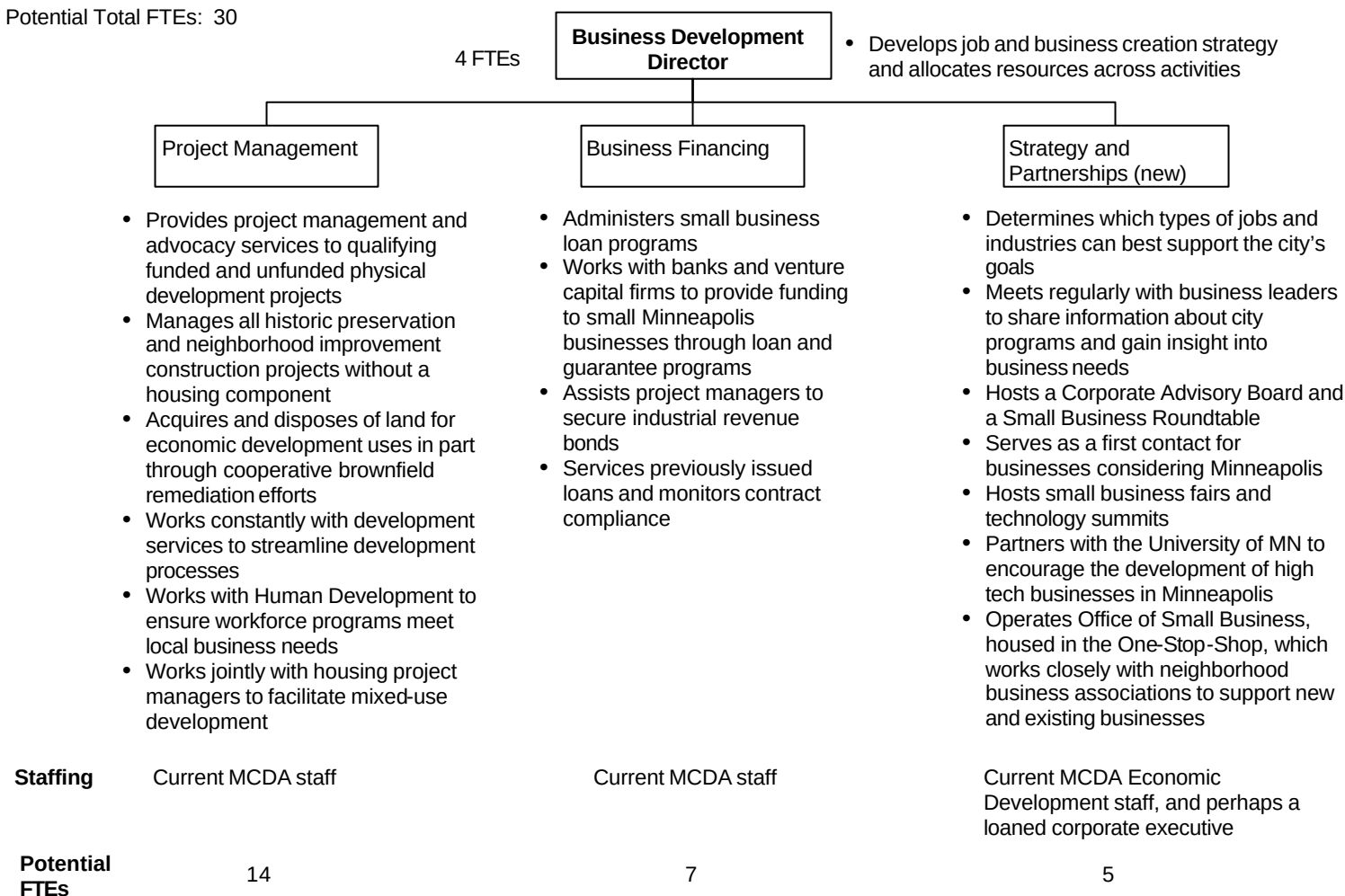
- To accelerate job growth in Minneapolis, thus creating opportunities for its diverse citizens
- To ensure the city achieves its job creation goals by catalyzing private, as well as public, development activity
- To build a robust corporate tax base to support city and neighborhood programs and keep taxes low

Key activities

- Develop the city's strategy to achieve business development goals, with a focus on targeting neighborhoods with high unemployment, maintaining a vibrant downtown, and assisting small businesses
- Partner with neighborhoods, developers, businesses, local colleges and universities, and entrepreneurs to encourage and facilitate business creation and expansion in Minneapolis
- Identify business development projects which best fit the city's priorities, and provide them with funding and/or project assistance
- Help entrepreneurs to open and run successful small businesses through development, financing, and technical assistance
- Aggressively and responsively communicate with businesses considering moving to or from the Twin Cities
- Ensure Minneapolis reaps the benefits of the region's high growth industry clusters
- Identify and recommend changes in processes, policies and regulations that would make it easier to open and operate a business in Minneapolis
- Develop creative approaches to business development, employing best practices from other cities

PROPOSED STRUCTURE – BUSINESS DEVELOPMENT

Potential Total FTEs: 30



Note: FTE numbers are estimates based on current staffing levels and the proposed functions of each division. These estimates assume that positions which are currently vacant due to the hiring freeze are filled.

Source: Interviews, City 2002 Adopted Budget, MCDA Project Planning and Finance, MCDA Annual Reports

6. The Human Development department should develop the city's workforce and increase city emphasis on education, schools, and youth

DESCRIPTION – HUMAN DEVELOPMENT

Mission

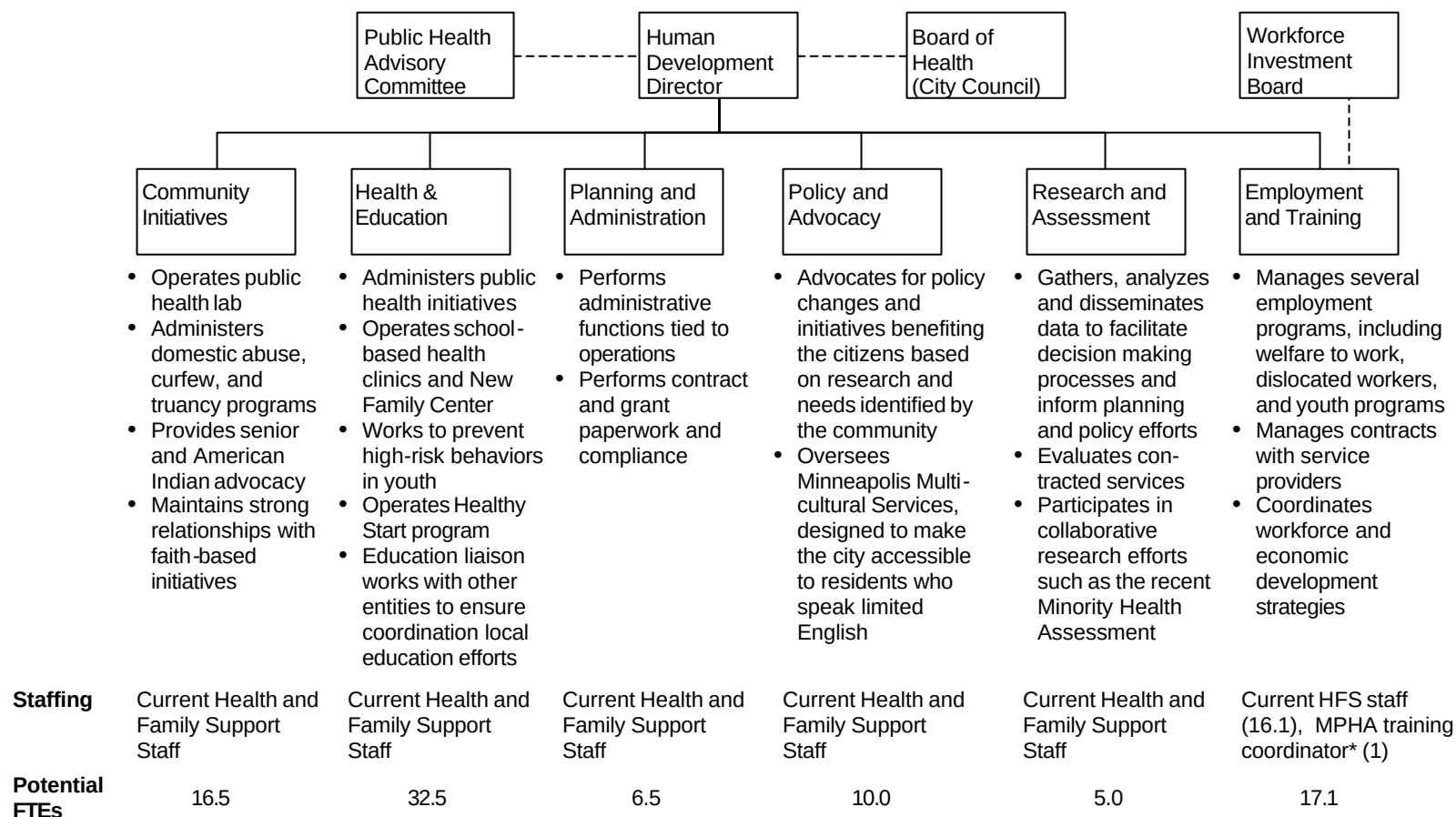
- To build the city's human capital to create a foundation for sustainable community growth
- To ensure sufficient health, advocacy, and education services are available to help Minneapolis residents succeed

Key activities

- Develop the city's strategy to achieve human development goals
- Continue all current community and school-based programs to improve public health
- Help Minneapolis residents to obtain good jobs through the Minneapolis Employment Training Program (METP), a federally funded workforce training program
- Reach out and advocate for new immigrants through the Office of Multicultural Services, as well as through a Human Development Liaison to new immigrant communities
- Support education by developing strategies and ideas for how existing and future development efforts can contribute to improving city schools
- Build relationship with Library Board and Minneapolis Park and Recreation Board to ensure facilities use and educational programs are closely tied to city human development goals and priorities
- Integrate health and other human development issues into overall city development plans by working with Neighborhood and Community Planning
- Educate residents and policy makers through thorough research and analysis on public health and human capital development issues
- Provide advocacy for seniors and American Indians

PROPOSED STRUCTURE – HUMAN DEVELOPMENT

Potential Total FTEs: 87.6



* MPHA staff should be co-located with Human Development staff and report jointly to MPHA and Housing Development. This position should be funded by MPHA and work exclusively on MPHA-related projects and programs. In all, only 5 MPHA staff are affected by these recommendations

Note: FTE numbers are estimates based on current staffing levels and the proposed functions of each division. These estimates assume that positions which are currently vacant due to the hiring freeze are filled.

Source: Interviews, City 2002 Adopted Budget

7. The city can coordinate development planning with Public Works by moving its planners and project reviewers into CPED. Further study is needed to determine the appropriate location of other Public Works functions

PUBLIC WORKS – PROPOSED CHANGES

	Recommended actions	Rationale
Immediate	• Create new roles (from existing Public Works staff) for dedicated transportation (1 FTE) and infrastructure capital improvement planners (4 FTEs) and move to NCP • Locate Public Works representatives (2 FTEs) within One-Stop Shop • Combine all Engineering Services staff into one place and locate near the One-Stop Shop	• Ensures that Public Works planning, project design and scheduling are coordinated with other city and neighborhood plans and long-term goals • Improves communication between staff working on related issues (e.g., transportation) or in similar geographic locations • Strengthens CLIC process as PW and NCP planners can make presentations based on overall city vision • Provides the public with a central point of contact in Public Works and helps coordination of the various divisions which are involved in sign-offs for development projects • Makes Public Works staff accessible to other development staff and vice-versa • Facilitates communication on infrastructure planning and enables projects to be managed within a citywide framework • Improves accessibility of engineers to the public to provide input and sign-off on development projects • Increases transparency of their activities and public/city staff access
Long-term	• Carry out full-scale review of Public Works leading to potential departmental redesign • Consider bringing development-related functions into CPED	• The department is considered large and unwieldy with many different functions housed within it. A thorough review could help determine the optimal grouping of and responsibility for the various functions • Could ensure that Public Works development-related activities are aligned and integrated with other city efforts • Reorganization could align appropriate Public Works activities with achievement of city goals by other departments of CPED

Source: Team analysis

KEY BENEFITS OF NEW PROCESSES AND ORGANIZATION

- Makes it easier to do business with the city
- Elevates housing and jobs as main development priorities, and recognizes the importance of transportation, education, and community building to development
- Elevates neighborhoods as main players in citywide planning, thus fulfilling the original intent of the NRP
- Establishes clear accountability for meeting housing and job goals
- Clearly defines the Council's role as setting development strategies
- Charges one manager with ensuring cooperation between development departments
- Assigns clear staff responsibility for pursuing non-physical opportunity development activities (e.g. marketing, partnerships)

Minneapolis faces five critical challenges related to community and economic development

We identified nine major issues the city must address to improve its community and economic development situation

We recommend that the city implement an integrated package of actions to address these financial, strategic, and organizational barriers



Implementation must be timely and should minimize disruption of city services. All process improvements and organizational changes related to jobs and housing, including planning and regulatory changes, should occur within the next 12 months, and within 18 months the entire CPED office should be up and running smoothly

Implementation must be timely and should minimize disruption of city services to be successful

OVERVIEW OF ORGANIZATIONAL TRANSITION

Objective

Execute proposed organizational changes in a timely manner while preserving the quality of city services

Key steps

1. Appoint an interim CPED Director* and interim department heads to manage transition
2. Establish interim department heads' reporting relationships to CPED Director to ensure immediate coordination of efforts
3. Department heads develop plans for minimizing disruption to city operations during departmental transition
4. Appoint permanent management personnel
5. Begin to shift resources, add new activities and scale back discontinued activities

* If desired or necessary to attract a well-qualified candidate, the Mayor and City Council may choose to appoint a permanent CPED Director immediately

Source: Team analysis

All process improvements and organizational changes related to jobs and housing should occur within the next 12 months, and within 18 months

PHASED IMPLEMENTATION TIMELINE

	Integrate all core functions into CPED	Integrate related functions into CPED	Integrate functions requiring further study, if warranted
Actions needed	• Agree on priorities and goals • Implement new development management processes • Make all job- and housing-related organizational changes, moving the following into CPED – Housing and business development activities – Integrated planning, including NRP and planning functions housed in other departments – Regulatory services – Workforce programs, plus the creation of an education liaison to work with local colleges	• Move non-workforce functions from Health and Family Support department, including health and advocacy issues, into CPED under Human Development • Move relationships focused on youth education, including those with the schools, parks, libraries, and local colleges into Human Development • Begin to consider moving development-related Public Works functions (e.g. infrastructure development) into CPED	• Perform an in-depth study of the Public Works department to determine which Public Works functions belong within CPED • Move all or parts of Public Works into CPED, based on the results of this study
Rationale	• These changes are all critical to improved progress against job and housing priorities • These functions are all inextricably linked and must be moved as a unit to ensure any impact. Central coordination of these development functions through the CPED office is essential	• The city should concentrate its resources first on the major change required to improve housing and business creation, then focus on other priorities, including education and community building	• While further study of Public Works is needed, this large effort should wait until the new development processes and organization are largely in place, ensuring near-term focus on the development reorganization
Timing	Begin as soon as possible	Within 6-12 months	Within 12-18 months

Source: Team analysis, interviews