



## **Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED**

**Date:** April 17, 2007  
**To:** Council Member Lisa Goodman, Community Development Comm.  
**Referral to:** Council Member Paul Ostrow, Ways & Means Committee  
**Subject:** Great Streets Neighborhood Business District program

**Recommendation:** 1) Adopt revised Community Economic Development Fund (CEDF) program guidelines and the commercial corridor categorization based on an assessment of corridor economic health reported here to target CEDF resources; 2) Reallocate Tax Increment Common Project, levy and Legacy funds from the Commercial Corridor Revitalization Fund (CCRF) to CEDF/NEDF; 3) Divide remaining balances, 2007 budget allocation and March 30, 2007 additional CDBG allocation roughly equally between the CEDF and NEDF programs; and 4) Amend the 2007 General Appropriation Resolution by increasing the Community Planning and Economic Development agency fund SCD0 – Community Development (SCD0-890-8933) appropriation by \$15,000, from the available fund balance.

### **Previous Directives:**

1) On February 5, 1999, the City Council designated four priority target commercial corridors – portions of Central Avenue, West Broadway, Franklin Avenue and East Lake Street; 2) Guidelines for the new Commercial Corridor Revitalization Fund (CCRF), with the intent of “supporting projects that will provide benefits to multiple businesses or to the commercial area in general” were adopted by the Council on October 15, 1999 and administratively revised by the CPED director effective January 1, 2004 to acknowledge the formation of CPED; 3) *The Minneapolis Plan*, designating 11 Commercial Corridors and 45 Neighborhood Commercial Nodes, was adopted by the City Council on March 24, 2000; 4) Guidelines for the Community Economic Development Fund (CEDF) were revised to direct CEDF monies to the four priority corridors effective January 1, 2004; 5) Guidelines for the Neighborhood Economic Development Fund (NEDF), originally adopted January 15, 1987, were administratively revised to reflect the creation of CPED effective January 1, 2004; 6) The City Council established the 2% Commercial Corridor/Node Loan program for businesses located on Commercial Corridors and at Commercial Nodes, adopting guidelines on April 16, 2004; 7) On December 19, 2005, the City Council established a Capital Acquisition Revolving Fund (CARF) for redevelopment acquisition on commercial and transit corridors and at commercial nodes; the Council adopted guidelines for CARF on July 21, 2006; and 8) On March 30, 2007, the City Council allocated \$1,060,000 in CDBG monies to the CEDF/NEDF programs.

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Mike Christenson, Dir. Economic Policy & Development \_\_\_\_\_

Presenter in Committee: Kristin Guild

### Financial Impact

- No financial impact
- Action requires an appropriation increase to the Capital Budget \_\_\_\_\_ or
- Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact
- Request provided to the Finance Department when provided to the Committee Coordinator

### Community Impact

- Neighborhood Notification – Notification on the proposed modifications to the CEDF guidelines was sent to neighborhood organizations on February 2, 2007; notification was also sent to all City business associations and to community development corporations engaged in commercial development; comments were received from West Bank Community Development Corporation and the South Chicago Business Alliance and are attached to this report;
- City Goals – A safe place to call home, One Minneapolis, Connected communities, Enriched Environment, Premier destination;
- Sustainability Targets – Economically vibrant neighborhood commercial districts create attractive urban neighborhoods for infill development, support efficient growth, and reduce the need for car travel to obtain necessary goods and services;
- Comprehensive Plan - 4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods, and 4.3 Minneapolis will support development in Commercial Corridors where it enhances the street's character, improves its ability to accommodate automobile traffic and foster pedestrian movement, and expands the range of goods and services offered;
- Zoning Code – N/A
- Living Wage/Business Subsidy Agreement Yes \_\_\_\_\_ No
- Job Linkage Yes \_\_\_\_\_ No
- Other

## Supporting Information

### Overview

Commercial corridors and nodes designated by *The Minneapolis Plan* are the basis for a number of different City programs that support these neighborhood commercial districts with attractive financing tools for businesses and commercial real estate development and provide matching grant support for district-wide efforts such as façade improvement programs. These programs have grown by accretion over the past several years and are uncoordinated. The actions recommended in this report will revamp the City's approach to neighborhood commercial districts, crafting a unified whole from disparate elements.

This report recommends Council action that will 1) alter the targeting method for City commercial corridor revitalization funding, 2) redirect some of the resources allocated for commercial corridors to neighborhood commercial nodes to support development gap financing and façade improvement programs more broadly throughout the City, and 3) authorize a new disbursement and marketing strategy for these and other City neighborhood commercial district support programs.

1) For commercial corridors designated in *The Minneapolis Plan*, we recommend targeting City commercial corridor revitalization funding based on three categories supported by the data in this report — intervene, support and monitor. Commercial corridor revitalization funding decisions will be governed by the program guidelines of the Community Economic Development Fund (CEDF), revised as part of this Council action – guidelines attached as Appendix 2.

2) Neighborhood commercial nodes currently do not have needed resources allocated for commercial real estate development gap financing or façade improvement programs, as revealed by discussions with Councilmembers and local community development professionals over the past several months. We recommend the Council remedy this omission by dividing the allocation to commercial corridors roughly in half between commercial corridors and neighborhood commercial nodes: approximately \$2,000,000 for corridors from the Common Project Tax Increment district, the Hilton Legacy Fund and Federal Community Development Block Grants (CDBG) and \$2,000,000 for nodes from CDBG, the Hilton Legacy Fund and the economic development levy.

The analysis of the City's neighborhood commercial nodes is not complete. Therefore, this report does not yet suggest that commercial node funding be controlled by the three categories governing commercial corridor investment. We will be recommending this categorization for the 2008 budget. In the meantime, there is an immediate need to invest in commercial nodes and this report therefore proposes interim guidelines for commercial nodes. Those interim guidelines can be found in the existing Neighborhood Economic Development Fund (NEDF) program of the City — guidelines attached here as Appendix 3.

It should be noted that the NEDF guidelines are focused on need. Under the guidelines, priority will be given to commercial nodes situated in areas with a majority of low- and moderate-income residents (see Map 5 in Appendix 5). While staff seeks the Council's approval for an expansion to commercial nodes funding, we emphasize that this funding is clearly targeted to areas of need by the NEDF program guidelines. Commercial nodes that are performing well, or above City averages, are not likely to qualify under these interim measures. High crime rates, large numbers of substandard buildings, and other clear signs of market struggle will likely be necessary to qualify for funding under the NEDF guidelines. A rigorous analysis of the commercial nodes, applying a similar methodology for assessing economic health and need as that used for corridors, will be within CPED's 2008 budget document.

3) We plan to market both of these tools and the rest of the City's commercial corridor and node resources under a single heading – the Great Streets neighborhood commercial district program. On the new Great Streets website, business owners and developers will find a description of the City's policy support for neighborhood commercial activity, online applications for gap financing for development projects on commercial corridors and nodes, links to the following:

- 2% Commercial Corridor/Node Loan program;
- Alternative Financing Program;
- Capital Acquisition Loan (CAL) program;
- Capital Acquisition Revolving Fund (CARF); and
- Requests for Proposals for matching grant support for façade improvement programs and business district contracts for services such as business technical assistance, market studies and retail recruitment efforts.

### **Background**

Neighborhood business districts provide vital goods, services, gathering places, jobs and entrepreneurial opportunities to Minneapolis residents and visitors throughout the City. Commercial corridors and nodes serve local needs – they provide a place to buy milk for breakfast, get a haircut and drop off dry cleaning, a place to get to know our neighbors. Many are destinations as well, attracting visitors to the city or neighborhood to sample that unique restaurant, buy specialty goods, or just to soak in the urban vibe. Whether already vibrant or in need of additional investment to realize their potential, our neighborhood business districts are our Great Streets - essential elements of a Great City.

Recognizing the crucial role that healthy neighborhood businesses play in the vitality of Minneapolis, the City has long provided financial and technical support to small businesses. Since 1999, the City has supported commercial and transit corridors and commercial nodes specifically, through policy defined in *The Minneapolis Plan* and an increasing variety of programs and funds. There is a list of the designated 11 commercial corridors and 45 neighborhood commercial nodes in Appendix 1. See also Map 1 in Appendix 5.

The City Council also recognized that the Hiawatha Light Rail Transit (LRT) line would provide unique opportunities to create new neighborhood centers at station areas (Map 2 in Appendix 5) with higher density residential uses and supportive retail. Small area plans have been prepared for the station areas, and the areas are eligible for a number of City programs and funds as part of this important transit corridor.

The City's policy and programmatic emphasis on commercial corridors and neighborhood business districts has been effective. Many of the City's commercial corridors and nodes are more economically vital now than just a few years ago. One measure of success is property values. Even in a market dominated by a rise in residential values, where Citywide Estimated Market Values have risen just over 100 percent in the six years between 1999 and 2005, the increase in property values along commercial corridors has outstripped the City as a whole (see Charts 1 and 2 in the Appendix 5). In addition, commercial properties along corridors and at nodes have generally gained more value than those located elsewhere (shown in green on Map 3 in Appendix 5).

A number of methods and strategies have achieved this success. We have studied the work done on commercial corridors throughout the City and based our recommendations for the future of the City's commercial corridor and node programs on the lessons learned. The strategies and case studies of several City commercial corridors, as well as recommendations for consolidating, coordinating, marketing and refreshing the City's commercial corridor and node programs were reported to the Council on November 7, 2006 (at [http://www.ci.minneapolis.mn.us/council/2006-meetings/20061117/Docs/08\\_Cmrcial\\_Corridor\\_New\\_Strategy.pdf](http://www.ci.minneapolis.mn.us/council/2006-meetings/20061117/Docs/08_Cmrcial_Corridor_New_Strategy.pdf)). The Council actions requested in this report will allow for CPED implementation of those recommendations.

### **Policy and Program Recommendations**

Based on what we have learned in observing commercial corridor revitalization within the City over the past several years, we recommend maintaining support for a variety of strategies and tools. The City of Minneapolis has developed a set of programs that are responsive to market forces, tap the strengths of local partners, and harness the energy and good ideas of many actors including business owners, community development corporations, business associations and neighborhood organizations. We recommend maintaining and strengthening these varied programs and expanding the geographic eligibility for these supports.

Essential economic development tools for neighborhood commercial districts include:

- Business finance programs;
- Gap financing assistance for catalytic real estate development;
- Business district support: marketing and branding, retail recruitment; and
- Façade and public realm improvements.

1) Refresh Commercial Corridor Policy – CEDF Guideline Revisions, Resource Targeting and Corridor Program Merge

In early 1999, the Minneapolis City Council created a policy of targeted commercial investment in four key commercial corridors – sections of West Broadway, Central, Franklin and Lake. As in 1999 when these priority corridors were designated, differences in need between corridors remain. No two corridors are alike, and corridor development lies on a continuum. Some commercial corridors require direct intervention in the development process to catalyze private sector investment and reduce risk for private investors. Others require fewer City resources for technical assistance, redevelopment and limited financing support. Still others are economically and socially vibrant and have robust markets aligned to the retail needs and desires of area residents.

Several of the four target commercial corridors have become more successful, meanwhile other parts of the City have demonstrated need for public sector support of business activity. Common concerns in some commercial corridors include lack of shared parking, mismatches between business mix and neighborhood resident shopping desires and vacancy and high turnover. Moreover, the Hiawatha Light Rail Transit (LRT) line now provides opportunities to create neighborhood business districts located on this major transit corridor.

Recognizing the nuanced continuum of needs across a broader geography than the existing four priority corridors, we recommend broadening the eligibility for commercial corridor resources in the CEDF to include all City commercial corridors designated in *The Minneapolis Plan* and Hiawatha Light Rail Transit (LRT) Station Areas south of the downtown Central Business District (Appendix 1). To target these resources, we recommend grouping the corridors and station areas into three categories based on a number of measures of corridor health.

The categories are:

- Intervene** Commercial corridors that are experiencing social and economic problems and LRT station areas that present difficult infrastructure or land assembly obstacles to Transit-Oriented Development and are experiencing social and economic problems;
- Support** Commercial corridors that have strong signs of resurgence, but remain fragile and LRT station areas that have some barriers to market development; and
- Monitor** Commercial corridors that are experiencing very few social or economic problems and LRT station areas with strong market development activity.

Greater competitive consideration will be given to activities within areas identified for intervention and support, and the City will have higher leverage expectations for commercial corridors and LRT stations classified for monitoring and support than those categorized for intervention.

CPED Business Development recommends using the following data to assess corridor health and need for public sector involvement. These measures were

developed in consultation with CPED Business Finance and Community Planning, the Local Initiatives Support Corporation (LISC), the Minneapolis Consortium of Community Developers (MCCD) and business association partners. The ratings were determined by a combination of Citywide benchmarks, comparisons among corridors and natural breaks in the data.

**COMMERCIAL CORRIDOR/LRT STATION AREA  
HEALTH ASSESSMENT CRITERIA**

<b>Measurement</b>	<b>Source</b>	<b>Rating</b>
City-owned property available for redevelopment	MINS	None=1 Few=2 Many=3
2006 Estimated Market Value/acre	Assessor data	>\$2 mil/acre=1 \$1-\$2 mil/acre=2 <\$1 mil/acre=3
EMV % Change, 1999* - 2006 (*2006 dollars)	Assessor data	>100% & EMV > \$2 mil/acre=1 >150% & EMV <\$2 mil/acre=1 <100% & EMV<\$2mil/acre=2 >100% & EMV <\$1mil/acre=2 <100% & EMV < \$1mil/acre=3
CDBG target area (neighborhoods with HH income at less than 80% MMI and substandard housing condition of 3.3% or more)	Map approved by City Council 2/25/2005 (Appendix 5: Map 4)	0-33%=1 34-66%=2 67-100%=3
Opportunity sites for redevelopment	CPED (Business Development, MF Housing, Community Planning), neighborhood organizations	0 to 2=1 3 to 5=2 Many=3
2006 Part 1 Crime Data (incidents/mile)	CODEFOR	1-100=1 101-200=2 >201=3
2006 Property Crime Data (incidents/mile)	CODEFOR	1-100=1 101-200=2 >201=3
Ratio of Occupied to Vacant Storefronts	Windshield surveys, Business Development staff	0-10%=1 10.1-20%=2 >20.1%=3
Substandard buildings (rated 6 and 7)	Assessor data	0-3%=1 3.1-5.0%=2 >5.0%=3

**Key:**

- 1 - Monitor
- 2 - Support
- 3 - Intervene

Data for each quantitative measure are reported in Charts 1 through 6 in Appendix 5. Using these measures as a basis, Business Development staff recommends categorizing the City's commercial corridors and neighborhood Hiawatha LRT station areas as follows for targeting CEDF resources:

**Commercial Corridors**

**Intervene**

West Broadway

**Support**

Lyndale Ave N  
Central Ave  
Franklin Ave  
East Lake Street  
Nicollet Ave

**Monitor**

East Hennepin Ave  
West Lake Street  
Excelsior Blvd  
Lagoon Ave  
Lyndale Ave S  
Hennepin Ave S

**Hiawatha LRT Station Areas**

**Intervene**

Cedar-Riverside

**Support**

Franklin  
Hiawatha/Lake  
38th Street  
46th Street  
50th Street

**Monitor**

Veterans Admin

These measures of commercial corridor health will be collected annually for assessment, and revisions to the category brought for consideration to the Council as needed.

In order to effect these changes in targeting, the guidelines for the Community Economic Development Fund (CEDF) must be revised (proposed revised guidelines attached as Appendix 2). In addition to incorporating the target categories, the revised guidelines also outline a number of the strategies for effectively distributing the funds and emphasize the importance of aligning the City's commercial corridor investments with other investments or policy implementation activities, including: investments in transit; street repaving; renovations or development of prominent buildings such as libraries, schools, multi-family housing and/or a recent planning effort.

CEDF program funds will be disbursed via an online open application for real estate development gap financing and through Requests for Proposals. The application for real estate development gap financing will be online in April and an RFP for business district support contracts such as market studies and retail recruitment will also be issued then. A second RFP for participation in a new façade improvement program (replacing the various Fix and Paint programs with different guidelines and limited marketing) will be issued in the fall. In addition to these mechanisms, the CEDF program guidelines provide flexibility for City participation in funding partnerships pending Council approval, and CPED staff



are currently discussing a possible partnership for corridor work with the Local Initiatives Support Corporation (LISC).

There are currently two CPED programs oriented toward commercial corridor revitalization – the Commercial Corridor Revitalization Fund (CCRF) and the Community Economic Development Fund (CEDF). In 1999, the Minneapolis City Council created the CCRF to finance commercial corridor revitalization activities. The CEDF, established in the 1980s with federal Community Development Block Grant funds, was at that time directed at “community-level commercial centers and general (strip) commercial areas.” This land use category was replaced with Commercial Corridors by *The Minneapolis Plan*, and the CEDF guidelines were revised in 2004 to target the four priority corridors. This guideline revision effectively created a program parallel to the Commercial Corridor Revitalization Fund. In the intervening years, monies have been allocated to the CCRF from the Common Project, economic development levy, and Hilton Legacy funds. CPED recommends consolidating these programs under the Community Economic Development Fund (CEDF) name and requests that the Council reallocate to the CEDF all monies currently allocated to the CCRF.

## 2) Expand real estate development and façade improvement support to neighborhood commercial nodes

The City of Minneapolis offers a broad array of business support tools available to businesses located anywhere within the City including bonding and capital acquisition lending for large development projects, low-interest small business loans for building improvements and purchasing equipment, annual grants to business associations, and support to MCCD to provide business technical assistance. For the past several years, City financing assistance for commercial real estate development and business district technical assistance such as façade improvement programs and streetscape improvements has been limited to the four priority commercial corridors, per Council direction through the budget process and standing directives now being re-evaluated.

The proposed changes to the CEDF program described above would broaden program eligibility to all designated commercial corridors and neighborhood stations along the Hiawatha LRT, and the recently-initiated Capital Acquisition Revolving Fund (CARF) program provides for either direct City acquisition of property or gap financing to a developer for property redevelopment along commercial and transit corridors and at neighborhood commercial nodes. However even these changes would leave neighborhood commercial nodes ineligible for more generalized real estate development gap financing and business district assistance such as façade improvement programs.

While CPED Business Development staff have not performed the sort of rigorous assessment of neighborhood commercial nodes that is reported here for the designated commercial corridors, conversations with local experts in community development over the past several months have highlighted the need for resources to support redevelopment and more small-scale approaches such as

façade improvement programs and streetscape investments at a number of neighborhood commercial nodes in the City.

On March 30, 2007, the City Council allocated an additional \$1,060,000 in CDBG funds to the CEDF/NEDF programs. CPED staff request Council authorization to redirect roughly half of the total CEDF/NEDF program allocation for real estate development gap financing and façade improvement programs at designated neighborhood commercial nodes under the NEDF program. As we conduct an assessment of neighborhood commercial node economic health using a similar methodology as that employed to assess commercial corridors, we propose utilizing the existing NEDF program guidelines to direct investments to areas of need. The NEDF program guidelines, attached as Appendix 3, prioritize projects in commercial areas with majority low- and moderate-income residents (see Map 5 in Appendix 5).

In addition, *The Minneapolis Plan* does not apply the land use designations of commercial corridor and neighborhood commercial node anywhere within the downtown ring, deferring to the Downtown 2010 Plan, which did not utilize these designations. Therefore, by basing neighborhood commercial district programs on the land use designations of *The Minneapolis Plan* over the past several years, we have omitted areas within downtown Minneapolis that are clearly neighborhood-oriented business districts serving residential uses. Therefore, we also recommend eligibility for NEDF commercial node funding the following downtown neighborhood business districts identified in a number of adopted policy documents:

- Nicollet Ave between I-94 and Grant Street;
- Hennepin Ave between 10<sup>th</sup> and 16<sup>th</sup> streets;
- Chicago Ave and 10<sup>th</sup> St;
- Washington Ave and Fifth Ave S; and
- Washington Ave and Fifth Ave N.

#### 4) Marketing and fund disbursement strategy

The commercial corridor and neighborhood commercial node resources are a small component of the neighborhood business district supports provided by the City of Minneapolis. Other powerful and effective tools include low- and blended-interest business loans, profit-based business loans for building improvements, equipment purchase and property acquisition, and development acquisition resources targeted to commercial and transit corridors and commercial nodes.

In addition to refining the way the City targets commercial corridor resources through the CEDF and expanding support for real estate redevelopment and façade improvements to neighborhood commercial nodes and downtown neighborhood commercial districts under the NEDF, we plan to market all neighborhood business district tools under a new heading – Great Streets.

These programs are currently not marketed together or well coordinated, and many are not widely known. Marketing the programs more aggressively through the City's web site, materials such as brochures and fliers and attending

business association and neighborhood organization meetings will remove some of the barriers to information that exist with the City's diffuse programs and funds.

The programs and funds to be marketed under the Great Streets Neighborhood Business District umbrella include:

- Community Economic Development Fund (CEDF) commercial corridor program
  - Real estate development gap financing (application online May 2007);
  - Marketing and branding, market studies and retail recruitment (RFP for neighborhood review May 2007);
  - Façade and public realm improvements (RFP fall 2007)
- Neighborhood Economic Development Fund (NEDF) neighborhood commercial district program
  - Real estate development gap financing (application online May 2007);
  - Façade and public realm improvements (RFP fall 2007)
- 2% Commercial Corridor/Node Loan program
  - Business matching loans to finance equipment purchases and building improvements;
  - City provides up to \$75,000 at 2% interest
- Alternative Financing Program
  - Business matching financing for equipment purchases and building improvements;
  - Profit-based financing where no interest is paid or collected, an up-front profit payment is added to the financing and amortized over the life of the financing;
  - A private lender provides half of the financing at their rate of return, and the City provides the rest, up to \$50,000, at a 2% rate of return;
  - Not directed specifically at commercial corridors and nodes, but most of activity is in these locations
- Capital Acquisition Loan (CAL) program
  - Financing of \$50,000 to \$700,000 for private business owner acquisition of commercial or mixed-use commercial/residential property;
  - Not directed specifically at commercial corridors and nodes, but most of activity is in these locations
- Capital Acquisition Revolving Fund (CARF)
  - Acquisition financing or direct City acquisition for commercial or mixed use development on commercial and transit corridors and at commercial nodes

In addition to these programs and resources, there are a number of resources available to businesses throughout the City regardless of location. These are described in Appendix 4.

To market and administer the program, CPED Business Development staff recommends appropriation of \$15,000 from the CEDF/NEDF levy funds for

materials such as a program brochure and renderings for the Great Streets façade improvement program.

## APPENDIX 1

### TARGET AREAS: COMMERCIAL CORRIDORS, NODES AND LRT STATION AREAS

#### Commercial Corridors

- Lyndale Ave N – 42<sup>nd</sup> Ave N to 49<sup>th</sup> Ave N
- West Broadway – Mississippi River to 26<sup>th</sup> Ave N
- Central Ave – 18<sup>th</sup> Ave NE to 29<sup>th</sup> Ave NE
- E Hennepin Ave – Mississippi River to 6<sup>th</sup> St SE
- Franklin Ave – Mississippi River to I-35W
- Lake Street – Abbott Ave S to 36<sup>th</sup> Ave S
- Excelsior Blvd – 32<sup>nd</sup> St to Lake St
- Lagoon Ave – Dupont Ave to Humboldt Ave
- Nicollet Ave – I-94 to Lake St
- Lyndale Ave – Franklin to Lake St
- Hennepin Ave – Franklin to Lake St

#### Hiawatha LRT Station Areas

- Cedar-Riverside
- Franklin
- Hiawatha-Lake
- 38<sup>th</sup> Street
- 46<sup>th</sup> Street
- 50<sup>th</sup> Street/Minnehaha Park
- Veterans Administration

#### Commercial Nodes

- 42<sup>nd</sup> St N and Fremont Ave N (44<sup>th</sup> and Humboldt)
- 44<sup>th</sup> St and Penn Ave N
- 46<sup>th</sup> St and Lyndale Ave N
- Camden (41<sup>st</sup>/42<sup>nd</sup> St N and Lyndale Ave N)
- Plymouth Ave and Penn/Oliver Ave N
- Lowry Ave and Emerson Ave N
- Lowry Ave and Penn Ave N
- Lowry Ave and Lyndale Ave N
- West Broadway and Penn Ave N
- Glenwood Ave and Cedar Lake Rd
- Penn Ave S and Cedar Lake Rd
- 13<sup>th</sup> Ave NE/Broadway/University Ave
- Como Ave and 16<sup>th</sup> Ave SE
- 29<sup>th</sup> Ave NE and Johnson St NE
- 22<sup>nd</sup> Ave NE and Johnson St NE
- University Ave and Bedford St SE
- Bloomington Ave and 25<sup>th</sup> St E
- Bloomington Ave and 35<sup>th</sup> St E
- 38<sup>th</sup> St and 42<sup>nd</sup> Ave S
- 38<sup>th</sup> St and Minnehaha Ave S
- 38<sup>th</sup> St and 23<sup>rd</sup> Ave S
- 38<sup>th</sup> St and Cedar Ave S

- 38<sup>th</sup> St and Bloomington Ave
- 38<sup>th</sup> St and Chicago Ave S
- 38<sup>th</sup> St and 4<sup>th</sup> Ave S
- 42<sup>nd</sup> St and Bloomington Ave S
- 42<sup>nd</sup> St and Cedar Ave S
- 50<sup>th</sup> St E and 34<sup>th</sup> Ave S
- Cedar Ave S and Minnehaha Parkway
- 48<sup>th</sup> St and Chicago Ave S
- 56<sup>th</sup> St and Chicago Ave S
- 36<sup>th</sup> St and Bryant Ave S
- 38<sup>th</sup> St and Nicollet Ave S
- 43<sup>rd</sup> St and Nicollet Ave S
- 46<sup>th</sup> St and Nicollet Ave S
- 46<sup>th</sup> St and Bryant Ave S
- 50<sup>th</sup> St and Bryant Ave S
- 50<sup>th</sup> St and Penn Ave S
- 50<sup>th</sup> St and Xerxes Ave S
- 54<sup>th</sup> St and Penn Ave S
- 54<sup>th</sup> St and Lyndale Ave S
- Nicollet Ave and Diamond Lake Rd
- 60<sup>th</sup> St and Nicollet Ave S
- Linden Hills (Sheridan Ave S and 43<sup>rd</sup> St W)
- Morningside (44<sup>th</sup> St W and France Ave)

**Downtown Neighborhood Commercial Districts**

- Nicollet Ave between I-94 and Grant Street
- Hennepin Ave between 10<sup>th</sup> and 16<sup>th</sup> streets
- Chicago Ave and 10<sup>th</sup> St
- Washington Ave and Fifth Ave S
- Washington Ave and Fifth Ave N

## **APPENDIX 2 COMMUNITY ECONOMIC DEVELOPMENT FUND (CEDF) GUIDELINES Revision 2007**

### **Public Purpose**

The City's comprehensive plan, *The Minneapolis Plan*, identifies eleven commercial corridors and encourages their development and revitalization. The Community Economic Development Fund (CEDF) guidelines were revised in 2004 to provide funding for economic development and area technical assistance on commercial corridors.

Traditional economic development funding sources, such as Tax Increment Financing, industrial revenue bond financing and Community Development Block Grant funds, are oriented toward large-scale real estate development, social service provision, housing and job creation. The CEDF is a supplemental funding tool to meet the needs for smaller development projects and area-wide support activities for commercial corridors and LRT station areas.

There are three public purposes served by the CEDF: (1) enhancement of quality of life through the revitalization of commercial corridors and development of Light Rail Transit (LRT) station areas, (2) retention and provision of neighborhood employment and entrepreneurial opportunities and (3) expansion of the City's property tax base and sales tax revenues.

### **Fund Objectives and Goals**

1. Strengthen the economic vitality of the City's commercial corridors and neighborhood station areas of the Hiawatha Light Rail Transit line (LRT).
2. Provide for the physical revitalization and development of the City's commercial corridors and neighborhood station areas of the Hiawatha Light Rail Transit (LRT) line.
3. Retain and provide new neighborhood employment and entrepreneurial opportunities for City residents.
4. Expand the City's property tax base and sales tax revenues.
5. Support the provision of goods, services and public gathering spaces within the City's neighborhoods, thereby enhancing the quality of life for City residents.

### **Geographic Eligibility**

In 2004, the CEDF guidelines were revised to target four corridors established as priorities by the Council on February 5, 1999 (West Broadway from the Mississippi River to Girard Avenue N, Central Avenue from 18<sup>th</sup> Avenue NE to 29<sup>th</sup> Avenue NE, Lake Street from 36<sup>th</sup> Avenue S to Abbott Avenue S and Franklin Avenue from the Mississippi River to I-35W). Some target commercial corridors are more economically vibrant now than just a few years ago. Even in a market dominated by a rise in residential values, where Citywide Estimated Market Values have risen just over 100% in the six

years between 1999 and 2005, the increase in property values along all commercial corridors has outstripped the City as a whole.

Despite this, challenges remain in many commercial corridors. Common concerns include lack of shared parking, mismatches between business mix and neighborhood resident shopping desires, vacancy and high turnover. The Hiawatha Light Rail Transit line provides new opportunities to create neighborhood business districts located on a major transit corridor. With this 2007 revision of the fund guidelines, all commercial corridors designated in *The Minneapolis Plan* and Hiawatha Light Rail Transit (LRT) Station Areas south of the downtown Central Business District (CBD) are eligible for CEDF resources.

As in 1999 when four priority corridors were designated, differences in need between corridors remain. No two corridors are alike, and corridor development lies on a continuum. Some commercial corridors and station areas require direct intervention in the development process to catalyze private sector investment and reduce risk for private investors. Others require fewer City resources for technical assistance, redevelopment and financing support. Still others are economically and socially vibrant.

Our commercial corridors and LRT station areas are all unique, facing different challenges and opportunities. A one-size-fits-all approach will miss the mark. Therefore, corridors and station areas will be grouped into three categories – intervene, support and monitor – based on criteria identified to assess economic health and the need for public involvement (e.g. Estimated Market Values, crime rates, ratio of vacant to occupied storefronts). The City Council will adopt the categorization of the corridors and station areas and periodically reassess them as market conditions change. The categories can be described as follows:

- Intervene** Commercial corridors that are experiencing social and economic problems and LRT station areas that present difficult infrastructure or land assembly obstacles to Transit-Oriented Development;
- Support** Commercial corridors that have strong signs of resurgence, but remain fragile and LRT station areas that have few barriers to market development; and
- Monitor** Commercial corridors that are experiencing very few social or economic problems and LRT station areas with strong market development activity

### **Fund Priorities**

- The CEDF will prioritize support for projects that will provide benefits to multiple businesses or to the commercial area in general, including such activities as:
  - the development of shared parking facilities;
  - removal of blight;
  - area-wide marketing and branding efforts;



- retail recruitment efforts;
- façade improvement programs;
- public realm enhancements; and
- real estate development for office, institutional or anchor retail use that will increase the number of visitors to the business area, raise the area's profile or catalyze a transformation in a derelict area.
- CEDF monies should leverage funds from other private and public sources. Other sources include developer equity, business or property owner investment, banks, foundations, resource partners such as the Local Initiatives Support Corporation, the Neighborhood Revitalization Program, the Empowerment Zone and other levels of government.
- Priority will be given in allocating funds to uses which will provide re-payment.
- Priority will be given in allocating funds to projects located on corridors or within LRT station areas that are categorized for intervention.
- Projects located on corridors or within LRT station areas that are categorized for support will be expected to leverage private or other funds and/or provide an essential service to the business area as a whole.
- Projects located on corridors or within LRT station areas that are categorized for monitoring will be expected to leverage significant private or other non-governmental funds and demonstrate a clear and critical need for public involvement.
- Priority will be given in allocating funds to projects consistent with recent policy documents and planning efforts including redevelopment plans, small area plans, implementation plans, Corridor Housing Initiative areas, *Access Minneapolis* (the ten-year transportation plan), and historic district and landmark designations.
- Priority will be given in allocating funds to projects strongly aligned with corridor investments made by other CPED divisions and other units of government. Examples include public investment in multifamily housing development; strategic public investment in housing stabilization, such as the Northside Home Fund Cluster program and public investment in street repaving or renovations of public buildings and facilities such as schools, libraries, parks and transit.

### **Guidelines and Eligibility Related to Fund Source**

The CEDF draws from a number of different sources, including Common Project Tax Increment, economic development levy funds, the Hilton Legacy Fund and Community Development Block Grants. All monies are subject to the eligibility requirements, guidelines for use and reporting requirements associated with their original source in addition to these guidelines. Federal regulations regarding eligible uses of CDBG funds must also be followed for activities funded by that source.

### **Fund Operation, Responsible Agency and Reporting**

The City of Minneapolis' Department of Community Planning and Economic Development (CPED) will disperse CEDF monies through open solicitations for such activities as gap financing for catalytic real estate development and

through Requests for Proposals for corridor business area technical assistance such as retail recruitment efforts, branding and marketing campaigns and façade improvement programs. These open solicitations and Requests for Proposals will further define goals and objectives for the use of the funds as well as recipient eligibility. Funds may be dispersed, with City Council approval, outside of these processes for unique circumstances such as a funding partnership with a non-governmental organization or another level of government. All fund dispersions will require City Council appropriation. CEDF funds will be supplemented by other available financial resources, such as tax increment financing, industrial revenue bonds and such other resources as may be available

CPED will administer the CEDF. Responsibilities include proposing the appropriate funding level for the program each year, selecting the activities and areas in which CEDF will be used, carrying out the redevelopment activities to be funded by the CEDF and preparing all necessary reports for the City Council regarding the use of CEDF CDBG funds. The City will also meet the requirements of the Department of Housing and Urban Development's Consolidated Annual Performance Report.

### **Displacement**

When activities funded through CEDF cause displacement of residents or businesses, CPED will follow the City's Displacement Policy in providing relocation benefits and assistance to displaced parties. If CDBG funds are used, Federal displacement regulations also apply.

**APPENDIX 3**  
**NEIGHBORHOOD ECONOMIC DEVELOPMENT FUND (NEDF) GUIDELINES**  
**(Priority areas are those with 50% or greater low- and moderate-income**  
**residents, see Map 5 in Appendix 5)**  
**Effective January 1, 2004**

The Neighborhood Economic Development Fund (NEDF) was established in 1981 as a means of assisting commercial redevelopment efforts in neighborhood commercial areas. Department of CPED administers the NEDF as a means to provide funding to eligible groups for activities that accomplish the rehabilitation, revitalization, or expansion of neighborhood commercial centers.

**I. Public Purpose**

The preservation and enhancement of neighborhood commercial areas is an integral part of the City's efforts to preserve and enhance its quality of life, which is one of the three main goals of the City of Minneapolis' "Directions Framework." Neighborhood commercial centers serve most of the everyday needs for goods and services within walking distance of City residents' homes, as well as provide neighborhood employment opportunities. Yet many of these centers experience problems such as physically deteriorated buildings, dilapidated or vacant storefronts, a lack of adequate off-street parking, a limited range of goods and services offered, and a general lack of amenities, such as street furniture, lighting and public signage promoting those centers. Factors such as fragmented ownership of property, absentee property owners, the lack of central management of the centers, and the marginal financial level at which many neighborhood businesses operate, limit the ability of the centers to improve these conditions. Prior to the establishment of NEDF, commercial revitalization efforts in Minneapolis focused primarily on the central business district and community-level commercial centers. NEDF was created to provide a source of financial assistance to enable business associations and other nonprofit entities to accomplish physical improvements that benefit an entire neighborhood commercial center.

**II. Program Objectives and Goals**

The objectives and goals of the NEDF may be stated as follows:

1. Provide for the physical revitalization of blighted neighborhood commercial centers.
2. Strengthen the economic vitality of neighborhood commercial centers.
3. Retain and provide new neighborhood-based employment opportunities for the City's low- and moderate-income residents.
4. Upgrade the quantity and quality of goods and services available within the City's neighborhoods, thereby enhancing the quality of life for City residents.

### **III. Program Target**

Neighborhood commercial centers are the target areas of the NEDF. Such centers provide convenience goods and services for day-to-day consumption and typically include from 6 to 15 stores. Those commercial centers located within the areas of the City with a majority of low- and moderate-income residents are the priority areas for the NEDF.

### **IV. Eligibility Criteria**

All activities funded by the NEDF must meet one of three objectives: 1) principally benefit persons of low and moderate income; 2) accomplish the elimination of slums and blight; or 3) eliminate certain urgent health and safety hazards. Applications for NEDF funds must provide specific documentation that the affected neighborhood commercial center primarily serves low- and moderate-income people, that the jobs that will be retained or provided will principally benefit low- and moderate-income people, or that the proposed activities will eliminate a blighting condition or a health and safety hazard within the neighborhood commercial center.

Beyond these basic eligibility criteria established, the NEDF program has the following specific eligibility criteria:

Eligible areas for the use of NEDF funds are neighborhood commercial centers. Those centers located within the City's low- and moderate-income areas and contain at least six commercial uses that provide day-to-day needs for the neighborhood residents will receive the highest priority. Priority two will be proposals for neighborhood commercial centers that contain at least six commercial uses that provide day-to-day needs for the neighborhood residents outside the low- and moderate-income areas and retain or create a significant number of jobs for persons of low and moderate income, or that involve the elimination of blight. Priority three will be other commercial areas, and these may be considered if all other eligibility criteria are met. All areas receiving NEDF funds must be essentially commercial in nature. The primary impact of any proposed activities must be the revitalization of the neighborhood commercial center.

Eligible activities include, but are not limited to, acquisition of buildings for commercial rehabilitation, acquisition of land and/or buildings for public parking lot construction, rehabilitation of commercial buildings, storefront renovation, pedestrian and streetscape improvements, and associated costs. The use of NEDF funds for sign design, construction and installation is limited to 1) signs that promote a general commercial area and all businesses in that area, or 2) signs installed on parking lots available to customers of neighborhood commercial centers. The use of NEDF funds for activities that cause displacement of residents or businesses is discouraged. Any applicant proposing such displacement must demonstrate that the

City's Displacement Policy will be followed and that full relocation assistance and benefits will be provided to displaced persons or businesses.

Eligible applicants are neighborhood-based business associations, nonprofit corporations, local nonprofit development corporations, and other neighborhood-based groups within the City of Minneapolis. Private, for-profit businesses and individuals are not eligible applicants. All recipients of NEDF funds are required to have a federal Tax Identification Number.

Various other criteria beyond the basic eligibility standards will be used in the evaluation and selection of proposals for funding. The criteria shall include, but may be not limited to:

- The ability of the applicant to carry out the proposed activities, including the ability to begin activities immediately upon the execution of a contract with the City , the demonstrated availability of sources of financing, and the ability to complete the activities within a reasonable time frame and within the funding resources identified by the applicant. Funds approved for activities not begun within six months of approval date will be used in future funding rounds of the program;
- The positive impact on the neighborhood commercial center and surrounding neighborhood;
- The benefit to persons of low and moderate income;
- The visibility of improvements;
- The number of jobs retained or created for neighborhood residents and JTPA-eligible persons;
- The contribution toward Affirmative Action and employment strategy goals;
- The amount of private investment that is leveraged by private funds;
- The extent and timing of the repayment of NEDF funds; and
- The amount of property taxes generated by the improvements.

Proposals that do not include administrative costs will be given higher priority.

## **V. Program Operation**

NEDF proposals for loans or grants will be reviewed by CPED staff and various community groups and selected for funding by the City Council . Funds for program activities will be released in accordance with program regulations and under the terms of the contract between the City and each recipient of NEDF funds.

Recipients of funds may be required to enter into a Job Linkage Agreement with the City , depending upon the nature of the funded proposal.

Recipients of funds may be required to repay the funds, and minimum recapture on all loans will be no less than 50% of the prime interest rate as of June 1 each year. Recapture will be negotiated on a project-by-project basis.

## **VI. Program Costs and Funding**

Each year, CPED will propose an appropriate funding level for the NEDF. The funding level will be determined by the City Council. When the funding level for

each year is known, CPED will announce the availability of funds and the schedule for the preparation, review and selection of proposals. Current year NEDF funds may be supplemented by unused funds from previous program years.

**VII. Citizen Participation**

CPED will notify the Citizen Participation Office of all eligible NEDF proposals received. Community groups under contract with the City will receive a listing of any eligible NEDF proposals affecting their defined area. Such groups may submit written comments regarding the proposals to the City prior to action by the City Council. Public comments will also be accepted at the City Council meetings.

**VIII. Responsible Agency**

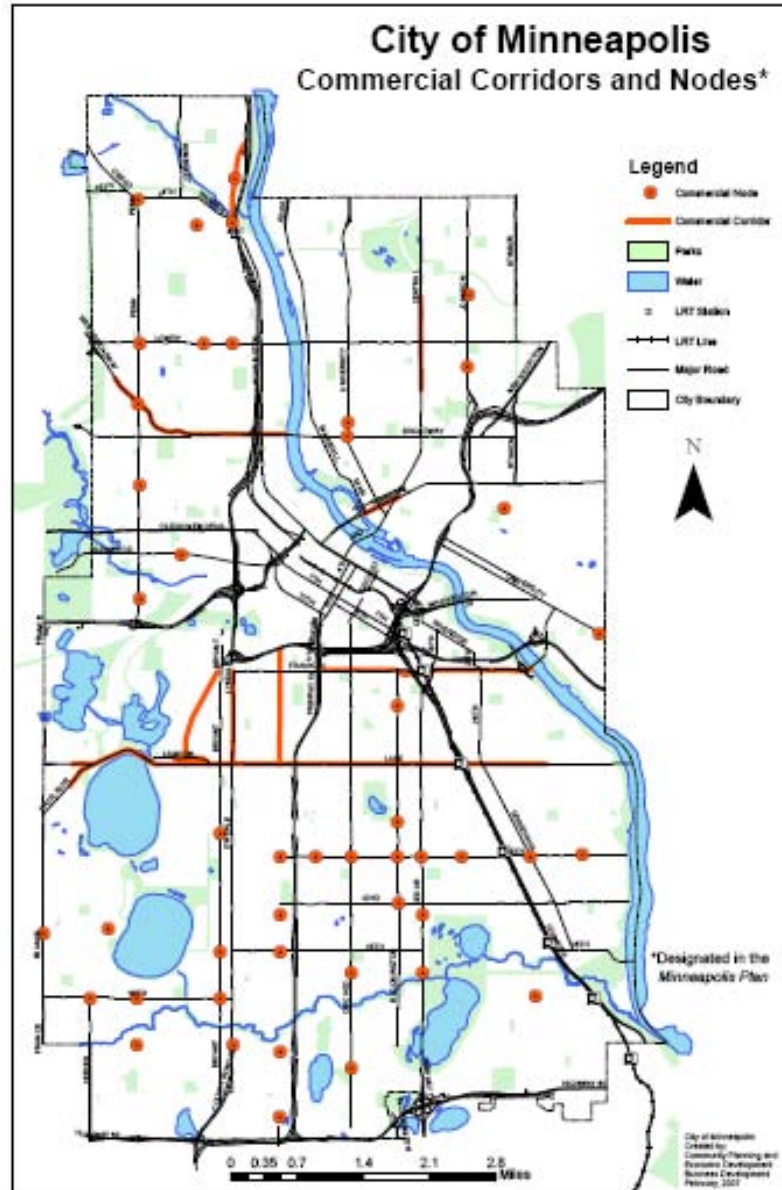
CPED staff will prepare all necessary reports for the City Council regarding the use of NEDF funds.

## APPENDIX 4

### ASSISTANCE FOR BUSINESS AND BUSINESS DISTRICTS CITYWIDE

- **2% Loan Program** – A private lender provides half the loan at market rate, and the City provides the rest, up to \$40,000, at two-percent interest to finance equipment purchases and/or building improvements;
- **Alternative Financing Program** – Profit-based financing for equipment purchases and/or building improvements where no interest is paid or collected; an up-front profit payment is added to the financing and amortized over the life of the financing; a private lender provides half of the financing at their rate of return and the City provides the rest, up to \$50,000, at a two percent rate of return;
- **Capital Acquisition Loan Program** – Used to finance private business owner acquisition of commercial or mixed-use commercial/residential properties of \$50,000 to \$700,000;
- **Business Development Fund** – Loans of up to \$75,000 at prime rate as gap financing to businesses providing living wage jobs to Minneapolis residents;
- **Business Technical Assistance** – The City of Minneapolis provides funds to the Minneapolis Consortium of Community Developers (MCCD) to provide technical assistance such as developing business plans, obtaining financing and navigating the City's permitting process. A number of local community development corporations also provide technical assistance to businesses, often in partnership with MCCD;
- **Business Association Grants** – The City of Minneapolis has for years given all business associations in the city an annual grant of roughly \$6,000 for operating and marketing expenses. These grants will continue in 2007 with more clearly-defined expectations for the use of the funds and measurable outcomes;
- **Neighborhood Revitalization Program** – Many neighborhood organizations have allocated a portion of their NRP funds toward business assistance or business district assistance;
- **Empowerment Zone** – Development financing, business assistance within the Empowerment Zone boundaries (<http://www.ci.minneapolis.mn.us/ez/>);
- **Other business assistance** - Numerous area Community Development Corporations (CDCs) and some Business Associations provide business technical assistance, offer small business loans, provide corridor support services, or own property for lease along important commercial corridors. Among the area CDCs and Business Associations providing these services:
  - African Development Center (ADC);
  - American Indian Neighborhood Development Corporation (AINDC);
  - Lake Street Council;
  - Latino Economic Development Center (LEDC);
  - Minneapolis Consortium of Community Developers (MCCD);
  - Neighborhood Development Center (NDC);
  - Northeast Community Development Corporation (NECDC);
  - Seward Redesign; and
  - West Bank Community Development Corporation (WBCDC)

## APPENDIX 5: MAPS AND CHARTS



### Map 1: Commercial Corridors designated by *The Minneapolis Plan*

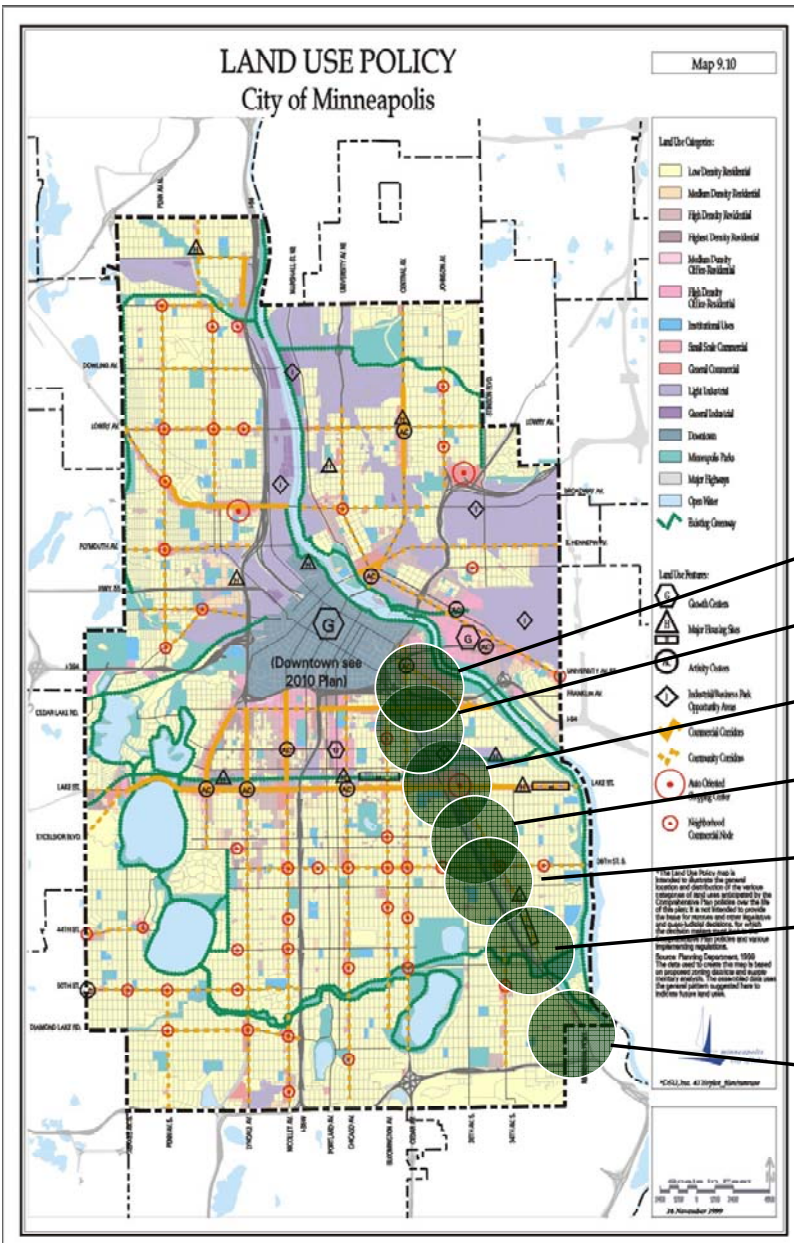
#### Key Commercial Corridor Characteristics:

- Major commercial/ retail destinations
- 20,000-30,000 vehicles/ day
- Mostly commercial uses
- Traditional urban form

#### Designated Commercial Corridors:

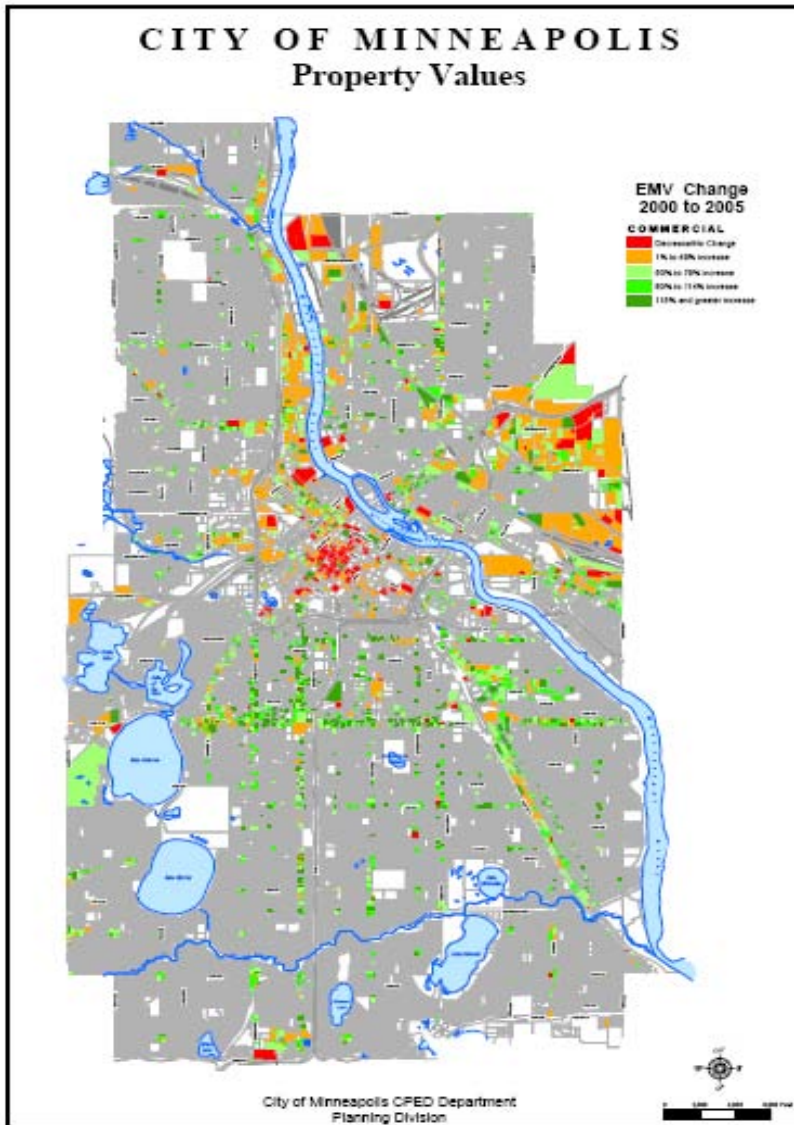
- Lyndale Ave N - 42nd Ave N to 49th Ave N
- West Broadway -Mississippi Riv. to 26th Ave N
- Central Ave - 18th Ave NE to 29th Ave NE
- E Hennepin Ave - Mississippi Riv. to 6th St SE
- Franklin Ave - Mississippi Riv. to I-35W
- Lake Street - Abbott Ave S to 36<sup>th</sup> Ave S
- Excelsior Blvd - 32nd St to Lake St
- Lagoon Ave - Dupont Ave to Humboldt Ave
- Nicollet Ave - I-94 to Lake St
- Lyndale Ave - Franklin to Lake St
- Hennepin Ave - Franklin to Lake St





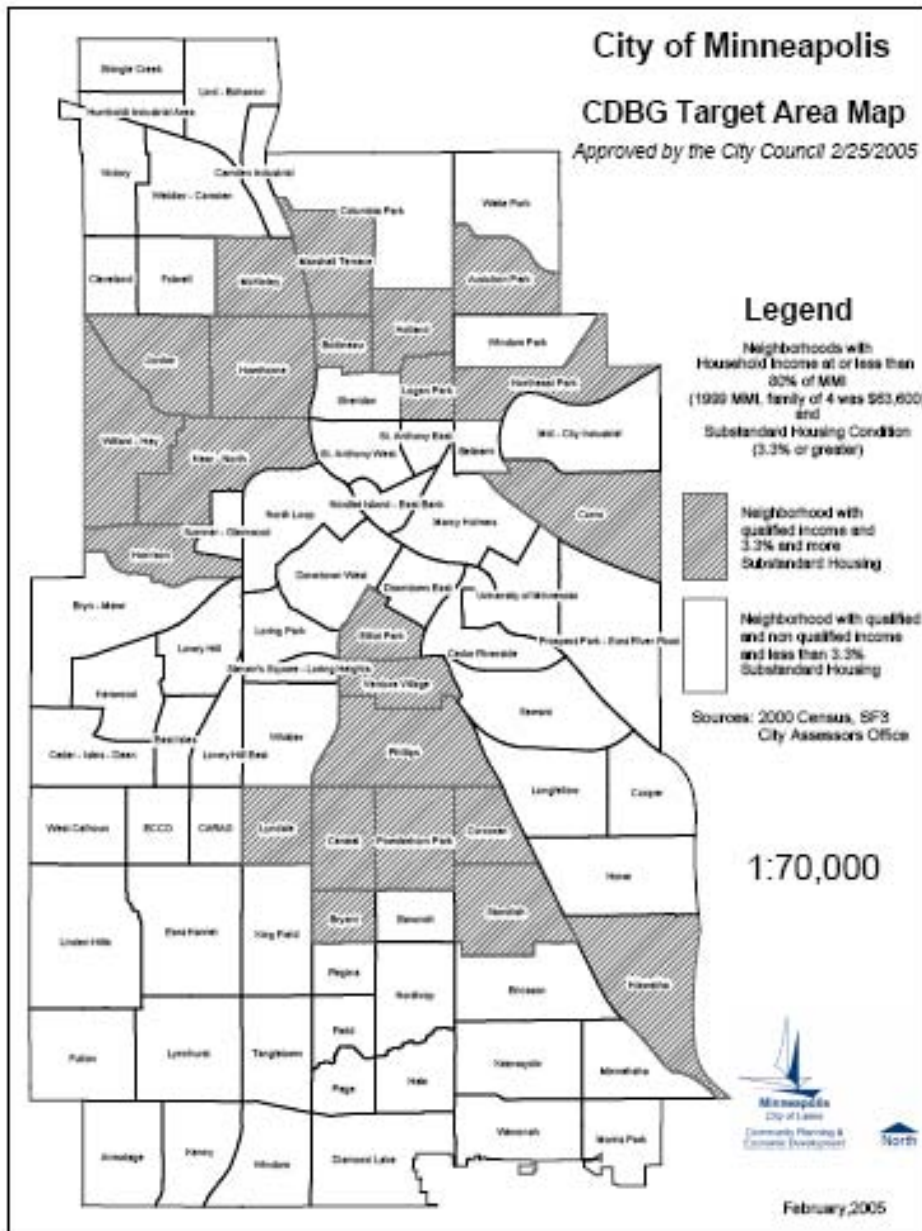
Map 2: Hiawatha Light Rail Transit (LRT) Station Areas

- Cedar/Riverside
- Franklin Avenue
- Lake Street/Midtown
- 38th Street
- 46th Street
- 50th Street/Minnehaha Park
- VA Medical Center



Map 3: Change in Estimated Market Value for Commercial Properties, 2000-2005

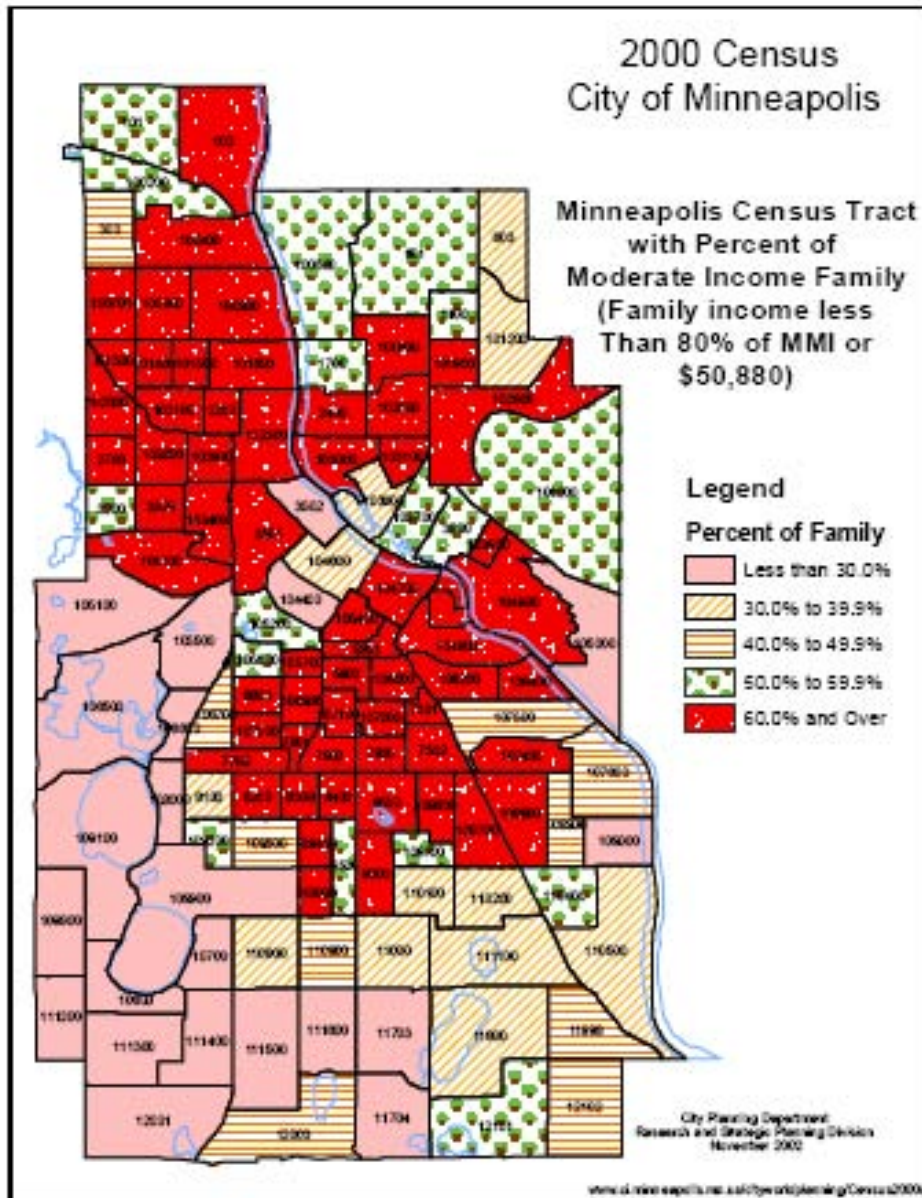
Rising commercial property values on commercial corridors - a rough measure of success



Map 4: CDBG Target Areas

Used as one of several measures to assess commercial corridor health (see criteria on page 7 of this report)

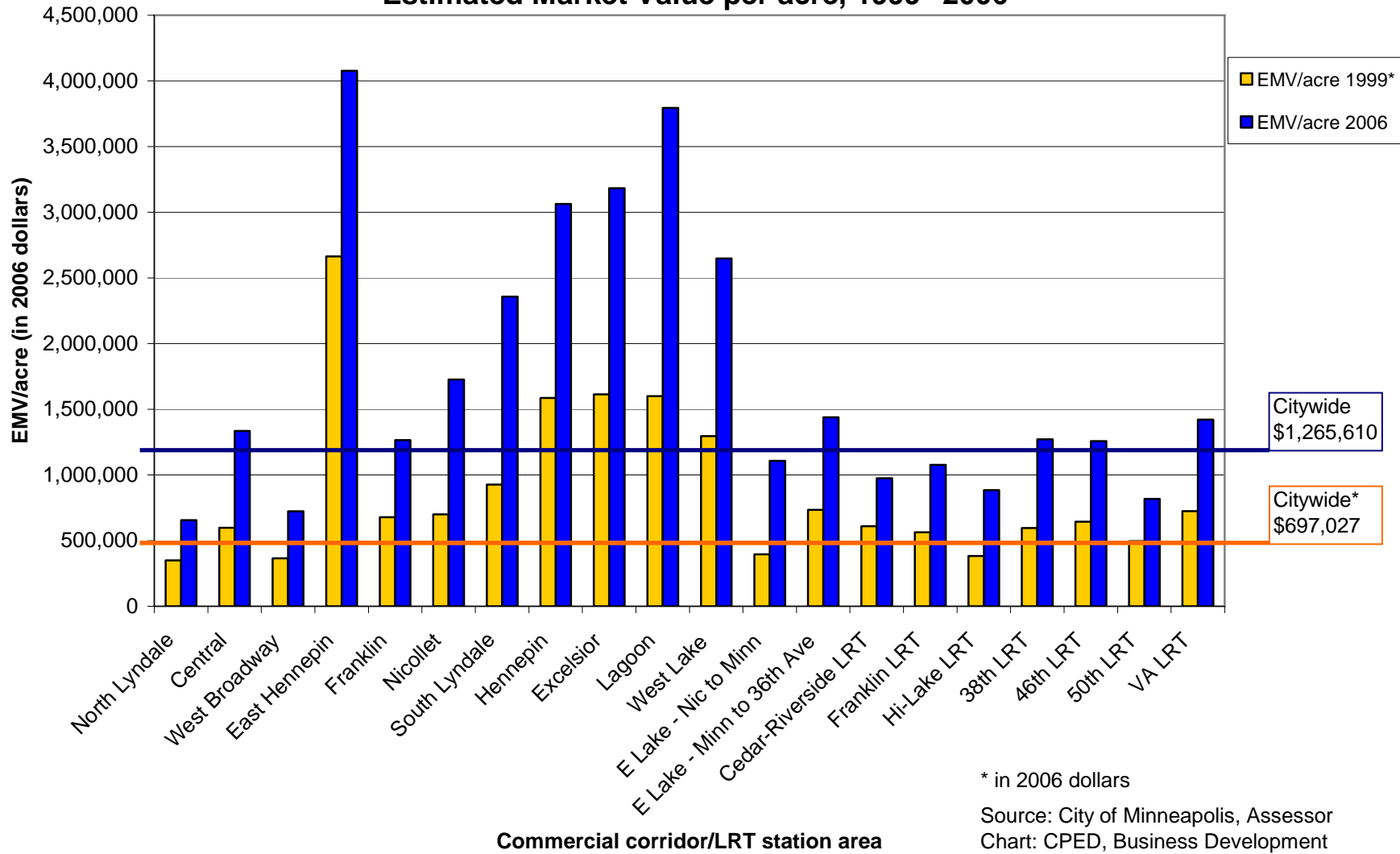




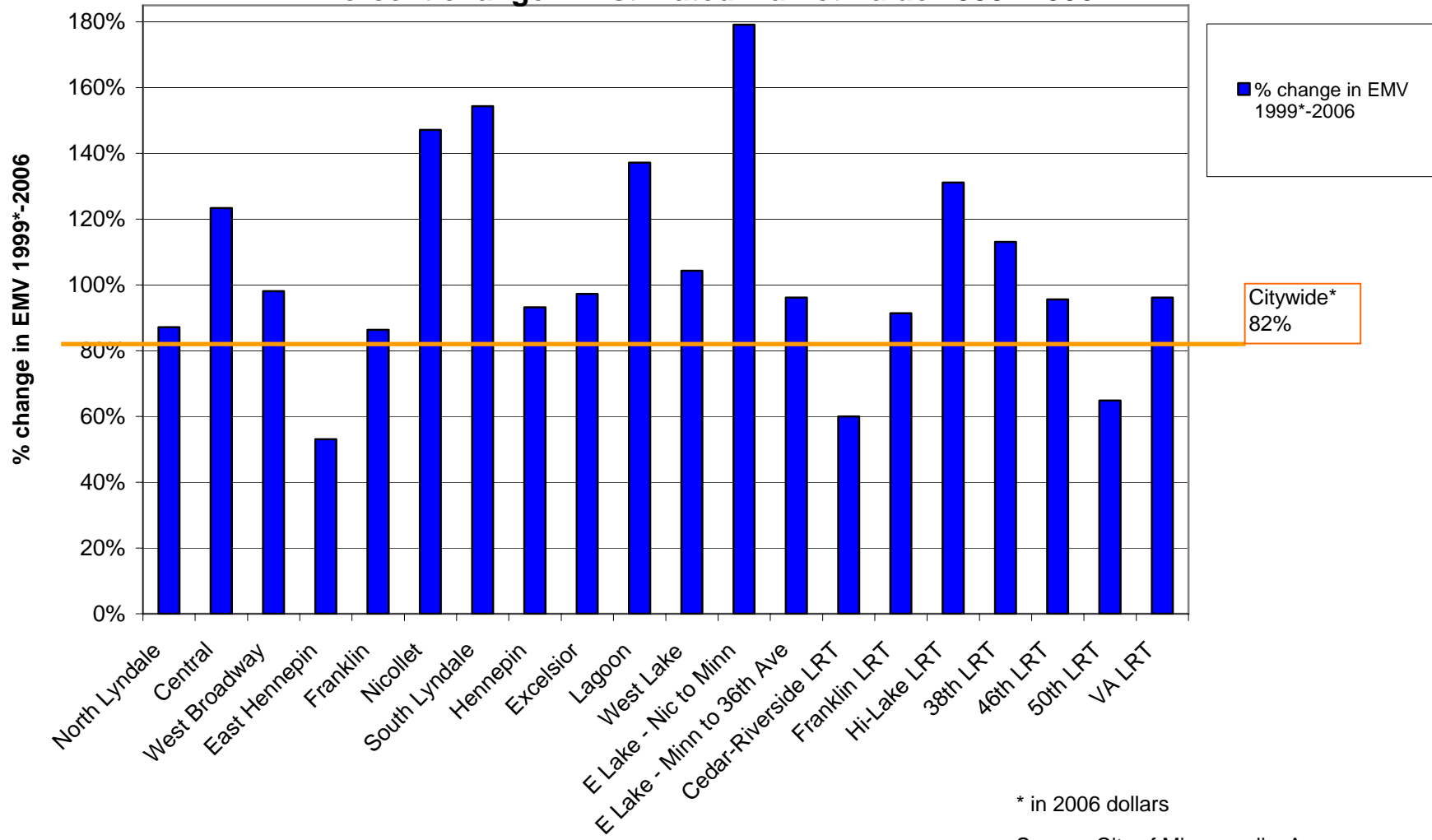
Map 5: Percentage of  
Moderate Income Families  
by Census Tract

Areas with greater than 50% moderate income families (patterns are green trees and red splotches) are priority areas of the City commercial node investment under the NEDF program guidelines

**Chart 1: Commercial Corridors and Hiawatha LRT Station Areas  
Estimated Market Value per acre, 1999\*-2006**



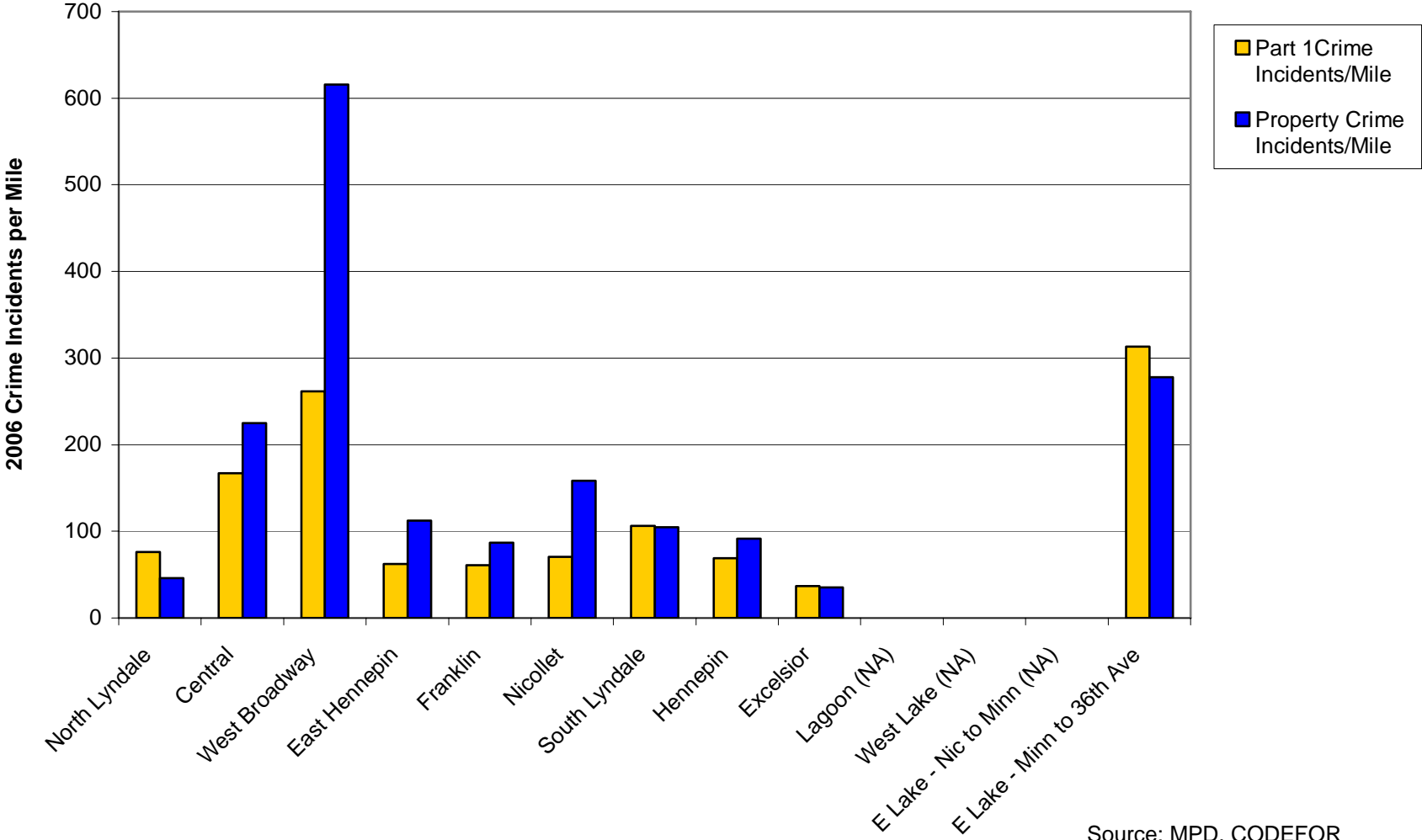
**Chart 2: Commercial Corridors and Hiawatha LRT Station Areas  
Percent change in Estimated Market Value 1999\*-2006**



\* in 2006 dollars

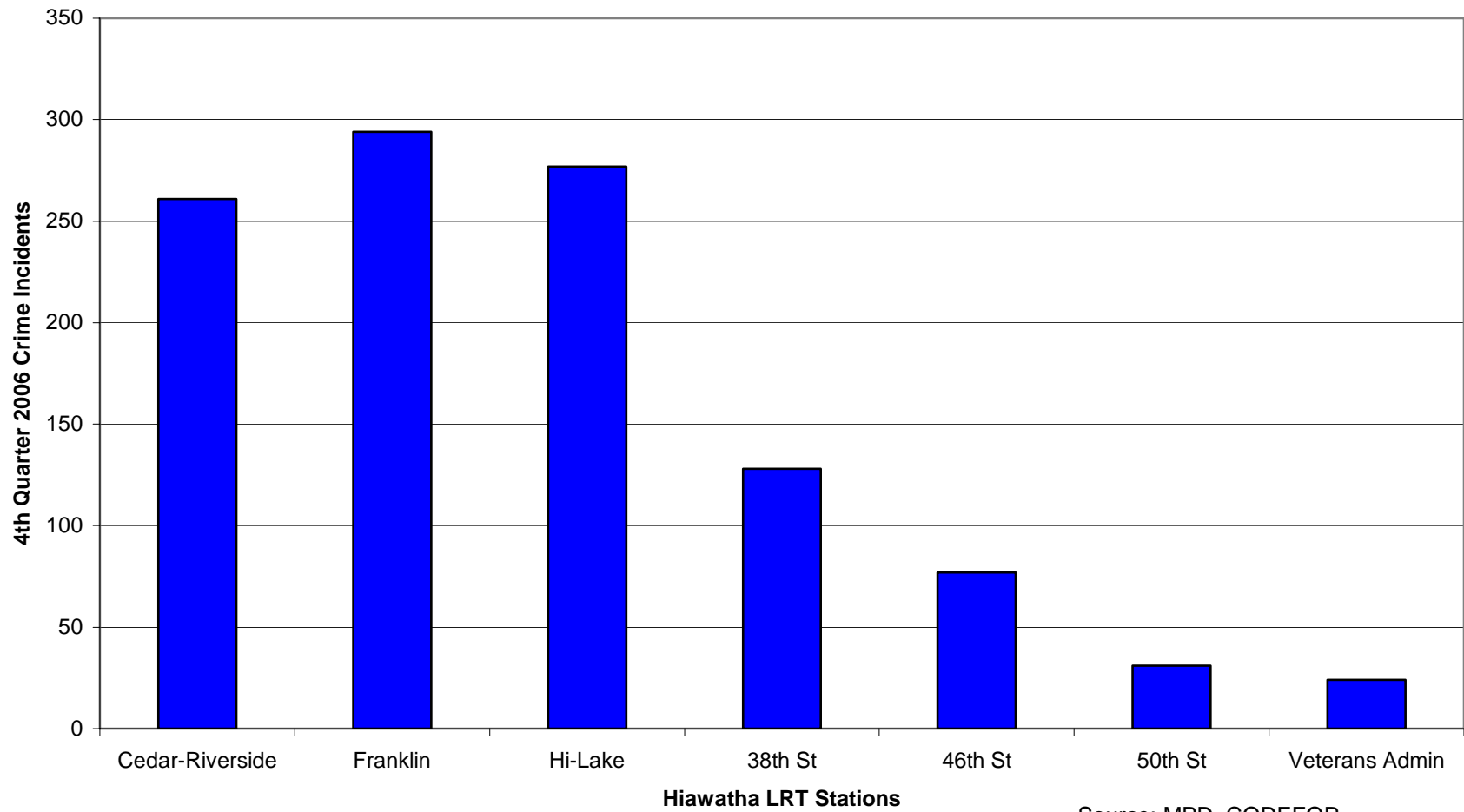
Source: City of Minneapolis, Assessor  
Chart: CPED, Business Development

**Chart 3: Commercial Corridor  
2006 Crime Incidents per Mile**



Source: MPD, CODEFOR  
Chart: CPED, Business Development

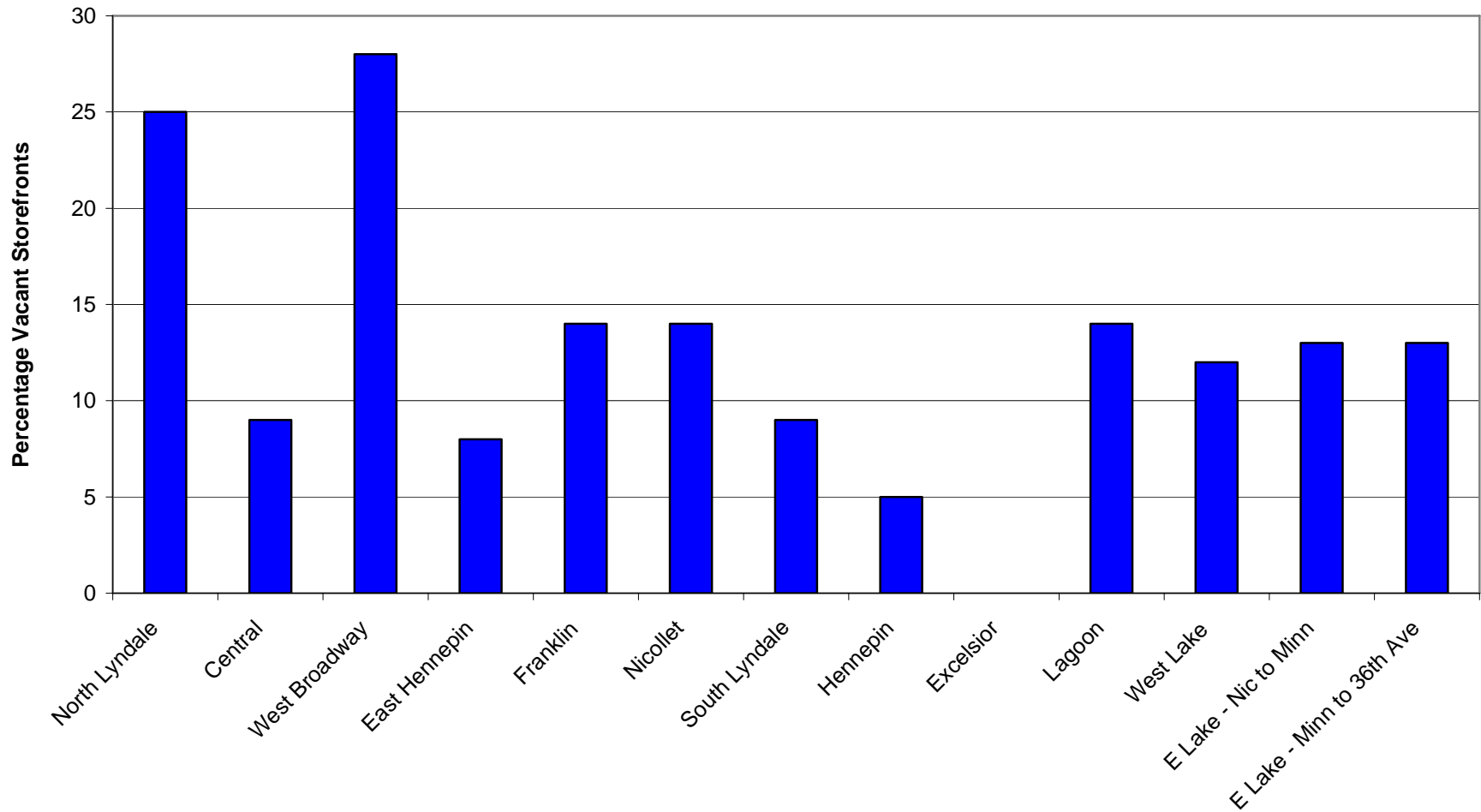
**Chart 4: Hiawatha LRT Station Area  
2006 Fourth Quarter Crime Incidents, Station-adjacent Neighborhoods**



Source: MPD, CODEFOR  
Chart: CPED, Business Development



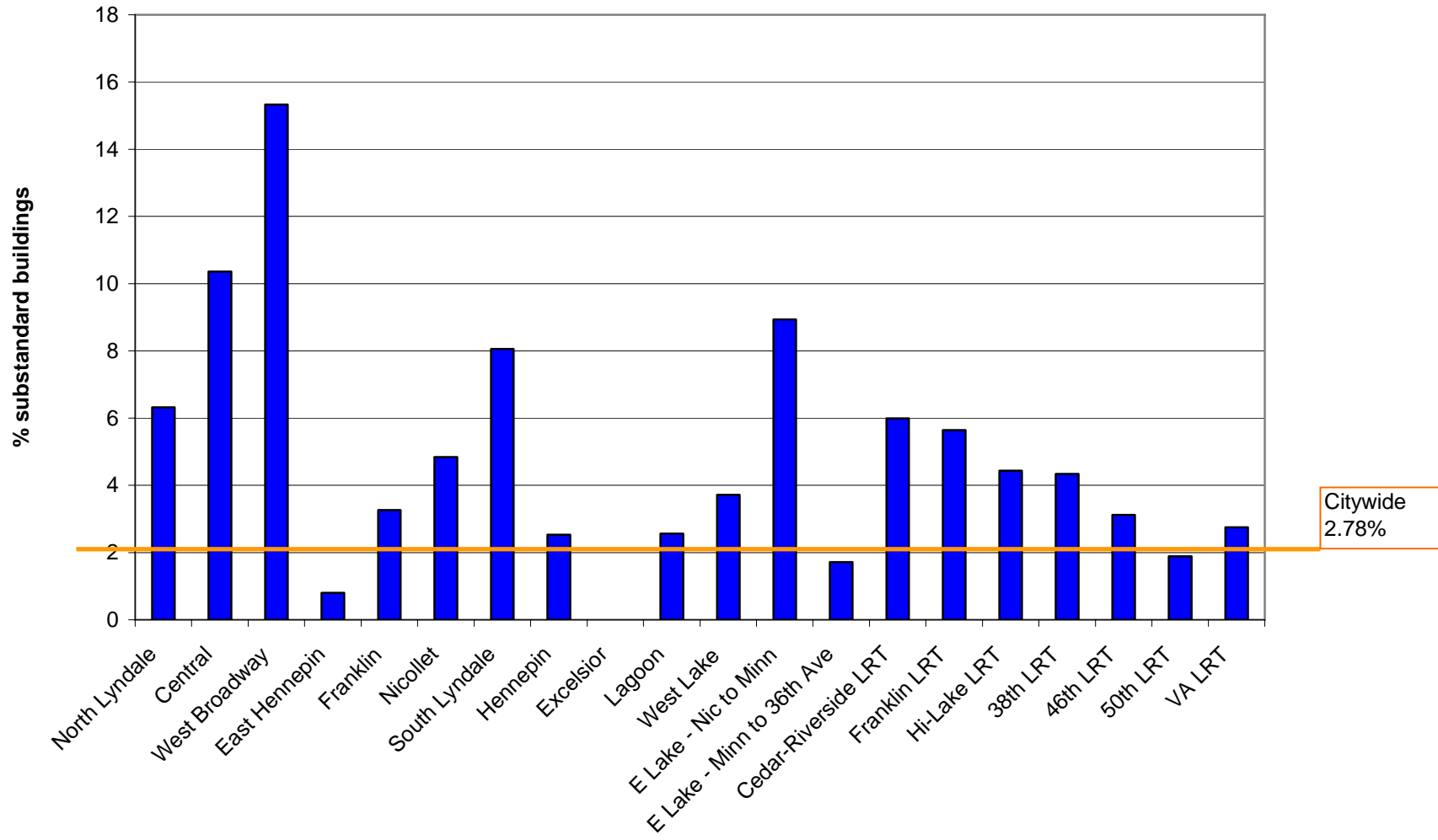
**Chart 5: Commercial Corridor  
December 2006 Percentage Vacant Storefronts**



**Commercial Corridor**

Source: CPED, Business Development

**Chart 6: Commercial Corridors and Hiawatha LRT Station Areas  
Percent Substandard Buildings (Rated 6 and 7)**



**Commercial corridors/LRT station areas**

Source: City of Minneapolis, Assessor  
Chart: CPED, Business Development