

# City of Minneapolis

## Request for Committee Action

**To:** Community Development & Regulatory Services  
**Date:** 6/21/2016  
**Referral:** Ways & Means  
**From:** Finance & Property Services  
**Lead Staff:** Jeff Schneider  
**Presented by:** Jeff Schneider  
**File Type:** Receive & File  
**Subcategory:** Report

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**Subject:**

2015 Financial Status report on CPED Development Programs

**Description:**

Receiving the 2015 Financial Status report on CPED Development Programs. This report displays the 2015 year end financial status of CPED's major housing and economic development programs, including annual expenditures, amounts committed by Council action, and remaining unspent balances.

**Previous Actions:**

The Financial Policies adopted on December 11, 2013 as part of the overall 2014 budget directed that an annual report on the financial status of CPED's capital projects and programs be provided to the Community Development and Ways & Means Committees. The initial report, covering fiscal 2013, was provided to the Council in August, 2014; a second annual report, covering fiscal 2014, was provided in June 2015. ([15-00763](#)) This is the third annual report.

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**Ward/Address:**

All Wards

**Background/Analysis:**

The Financial Policies approved as part of the 2014 budget process added a new annual reporting requirement for CPED development projects and programs.<sup>1</sup> This is the third such report, which summarizes the appropriation and spending status of CPED's major development programs and projects as of 2015 year-end. These Policies also set a four year time limit for all CPED development project and program appropriations (similar to the City's other capital programs), beginning in 2014, so the report includes information about the percent of appropriation, by program, actually spent in 2015. Projects which have not spent a minimum of 75% of their 2014 appropriation after four years [i.e. by the end of 2017] will need to obtain City Council approval to extend the appropriation.

Overall, CPED's major economic development programs spent 44.5% of their available 2015 appropriation [up from 41% last year], and housing programs spent 34.5% [up from 27% last year.]

Programs with significant uncommitted balances as of 2015 YE appear below, together with comments from CPED managers:

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<sup>1</sup> See attached excerpt

<b>Table 1</b>				
<b>CPED Programs with significant 2014 YE uncommitted balances</b>				
<b>Program</b>	<b>2015 Appropriation</b>	<b>2015 Expenditures</b>	<b>Committed as of 12/31/15</b>	<b>Unspent/un- committed balance*</b>
<b>Economic Development</b>				
<b>Great Streets – federal + local funds</b>	3,273,878	(882,271)	(1,175,553)	1,216,054
<i>In 2016, City Council committed an additional ~\$250,000 of this 2015 YE balance for BTAP and ~\$435,000 for the Great Streets façade program</i>				
<b>Grow North</b>	1,000,000	(200,000)	(280,000)	520,000
<i>The \$280,000 in commitments reflects a 4/25/14 City Council action to allocate \$200,000 for down payment assistance for Grow North employee homebuyers, and a 3/20/15 Council action approving a \$80,000 loan to Greenheck Fan Corp; loan was disbursed in 1Q 2016.</i>				
<b>Capital Acquisition Revolving Fund</b>	500,000	(34,464)	0	465,536
<i>In 2016 the CPED Director committed ~\$380,000 of the year-end balance for property acquisition of 1215 Second Ave North and staff expect to use the remaining balance of funds for demolition.</i>				
<b>Housing</b>				
<b>High Density Corridor Housing</b>	2,661,810	(478,876)	(97,198)	2,085,736
<i>As of 1Q 2016, \$795,451 of the \$2.1 M YE balance is either spent, under contract to purchase property, including demolition and relocation costs, or reserved for acquisitions currently in negotiations. Acquisition strategy and processes have been under review. Acquisition activity is expected to increase significantly in 2016, with all funds expected to be committed by the end of the year.</i>				
<b>Vacant and Boarded Housing</b>	3,893,678	(1,989,545)	0	1,904,133
<i>Funds are earmarked for on-going property management, staff cost, and for future acquisition/demolition activities.</i>				
<b>Homeownership Works Program [HOME] federal + local funds</b>	4,134,869	(1,265,797)	(1,000,721)	1,868,351
<i>Commitments have been made to developers and staff is working on contract execution.</i>				
<b>Affordable Housing Trust Fund</b>	30,394,827	(9,157,634)	(19,994,984)	1,242,209
<i>\$19.9 M of commitments includes unspent Council project awards from 2013, 2014, and 2015 funding rounds. The \$1.2 M of remaining uncommitted funding from 2015 is in the process of being committed through a pipeline process and is expected to be approved by council in June 2016.</i>				

\*After encumbrances and Council actions committing funds to specific projects are deducted from the unspent balance. These amounts appear in the attached table.

It is important to note, however, that encumbrances or commitments do not always reflect imminent expenditure.

#### Last year's HUD Finding Resolved

HUD routinely monitors the City's rate of CDBG spending. In April of 2015, HUD notified the City that its unspent CDBG balances exceeded HUD guidelines. CPED has resolved this as of HUD's most recent reporting period in April, 2016.

#### Summary

This report provides annual program-level financial information on CPED's major development programs. The information is intended to assist CPED in managing their programs, and to assist policymakers in understanding the financial status of CPED's major development programs.

#### **Financial Review:**

##### **No financial impact.**

There is no current budgetary impact. See attached table for detailed 2015 YE balances for major CPED housing and economic development programs.

#### **Attachments:**

1. Excerpt from adopted Financial Policies
2. 2015 YE financial status for major CPED housing and economic development programs

**Financial Policies**  
**Excerpt on Development Project and Program Status Report**  
Adopted December 9, 2015

**Development Project Funding Allocations and Re–Appropriation.** Beginning in 2014, appropriations for those development projects and program allocations, which by the end of four years including the appropriation year, have not moved forward toward implementation as indicated by a minimum of 75% of appropriation expended on tangible project activities are subject to expiration (i.e. unspent 2015 appropriation expires in 2019). The mechanism for tracking appropriations for multi – year projects shall be an annual report to the Community Development/Regulatory Services and Ways & Means Committees.

The annual development project and program status report shall contain the following information by individual project or program:

- 1) Brief description
- 2) Year of original appropriation
- 3) Annual appropriation for most recent completed fiscal year;
- 4) Annual expenditures for most recent completed fiscal year;
- 5) Total outstanding encumbrances and Council commitments as of the most recently completed fiscal year end;
- 6) The unexpended and unobligated appropriation balance;

The 2016 report shall include 2015 information and will expand to include subsequent fiscal years in the future years. The 2018 report [with 2014 – 2017 information] shall identify those development projects and programs whose expenditures in the first year, i.e. 2014, did not meet the 75% of appropriation spending threshold as defined above, and therefore will be subject to having the unspent portion of the 2014 appropriation expire and available for reprogramming, subject to review by the City Council.