


May 8, 2019

To: Mayor and Members of City Council  
From: Patrick A. Duhaney, City Manager   
Subject: Development Policies Framework Report

201900826

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**REFERENCE DOCUMENT #201900038**

On January 16, 2019, the Budget and Finance Committee referred the following for a report:

**MOTION**, submitted by Councilmembers Landsman, Dennard and Young, in the interest of updating our development subsidies and incentives programs in a way that continues to attract investments in our city while also better supporting our residents and neighborhoods and to ensure such an update is done collaboratively with the Administration, our communities, developers and residents. WE MOVE first for a report from the Administration within 60 days detailing the current incentive policies and programs as well as ways in which our efforts can be updated to include priorities such as the availability of and income definitions associated with affordable housing (and protecting against displacement), local job creation and incentivizing livable wage jobs, minority and local, small business inclusion, investing in disinvested neighborhoods and community engagement. This report should include specific and qualitative options, such as ways to quantify levels of achievement in these priority areas and suggested levels of development subsidies of varying kinds and categories best linked to the particular levels of achievement in each priority area. With several options or frameworks, we will need to engage key stakeholders, from residents to community leaders to developers, to ensure we put forward the best possible set of policies for our city. The revision of our tax abatement program last year created incentives for affordable housing and neighborhood projects. We hope this effort builds on these changes and provides a new reliable framework for ongoing (and more inclusive) investments in our city.

**Update**

The Administration has assembled a talented interdepartmental team consisting of the Department of Community and Economic Development (DCED), the Law Department (Law), and the Department of Economic Inclusion (DEI) to furnish a response.

At this time, the aforementioned departments are in the process of preparing a detailed report, per request of the sponsor of this Motion, that includes:

- Identifying statutory and regulatory authorities governing the City's incentive programs, City Council legislation and motions further refining application of such,
- Providing a discussion of the context and manner in which these programs are presently deployed,
- Evaluating best-practices broadly by location and subject matter,
- Evaluating outcomes of incentive programming among peer-cities, and
- Identifying legal implications related to adopting new or modified practices within the City.

This work is well underway. The work required to undertake such assessment is quite similar to the work the City contracted to a third-party (HR&A Advisors) in August of 2016, but even more voluminous. HR&A Advisors contracted to evaluate the City's economic development incentives platform for a cost of \$210,000. HR&A's body of work was developed after nearly 10 months of research by the consultant and produced recommendations that continue to be integrated within current procedures for evaluating, underwriting, and monitoring projects. This continues to guide the city's incentive policies.

However, we are adding to past work with the following deliverables:

### **Deliverables**

- 1) Full review of current state of City development incentives, when and why they are used.
- 2) Best practices on hiring, career training, inclusion, affordable housing community engagement, etc.
- 3) Possible new models or development incentive frameworks for discussion.

### **Timeline**

The Administration acknowledges the requested production timeline proposed by the sponsor, which specifically includes:

- Written report following City budget approval – est. August – September 2019
- Council Member engagement with stakeholders – est. August – October 2019
- Council proposed action – est. October – November 2019

The Administration will attempt in good faith to meet this timeline without outside support as it tries to balance its ability to deliver services to the City's constituents and be responsive to multiple requests for reports from the Mayor and Council. However, due to the extensive scope and other request for reports already in queue preceding this one, we cannot guarantee we will be able to meet this timeline with existing resources. As you know, the City's capacity to perform administrative tasks (e.g., research and report writing) has been reduced significantly through the years due to budget cuts. Current and past budget realities have caused the City to make cuts in these areas rather than cutting core services. Please note that the assigned lead department, DCED, currently has eight requests for reports in the process of being submitted or authored.

Copy: Philip M. Denning, Director, Department of Community and Economic Development