

INTEROFFICE MEMORANDUM

June 1, 2015

MEMO TO: Ruffin Hall, City Manager
FROM: Ben Canada, Capital Improvement Program Manager
SUBJECT: Budget Note 05 – Targeted Economic Development Infrastructure Details

Introduction

One option in the alternative decision package presented on May 19th included \$2.5 million annually for targeted economic development infrastructure investments. This recurring investment is not included in the proposed budget, but, if funded by Council, would become one component of the broader economic development toolkit. This memorandum summarizes key policy questions that staff and Council would need to address in order to implement this new program.

Background

The \$2.5 million included in the alternative decision package would be one component of the economic development toolkit. These recurring funds would be targeted toward infrastructure investments in selected areas to enhance neighborhoods, encourage private development, and increase property values. Because the city has considerable expertise and experience in building infrastructure, such as streetscapes and other transportation improvements, we believe this is an appropriate way for the City to enhance neighborhoods.

Historically, staff prioritize infrastructure projects using traditional transportation criteria, such as pedestrian safety, traffic volume, and transit support. These scoring processes have led to funded projects for Hillsborough Street Phase 2 (\$10.2 million), Peace Street West (\$2 million), and Oberlin Road (\$2.8 million). With the targeted economic development infrastructure funds, staff would develop and apply different criteria, directing the recurring \$2.5 million to economically disadvantaged neighborhoods that do not receive higher scores using traditional criteria. This new program would also demonstrate the City of Raleigh’s commitment to enhancing all city neighborhoods.

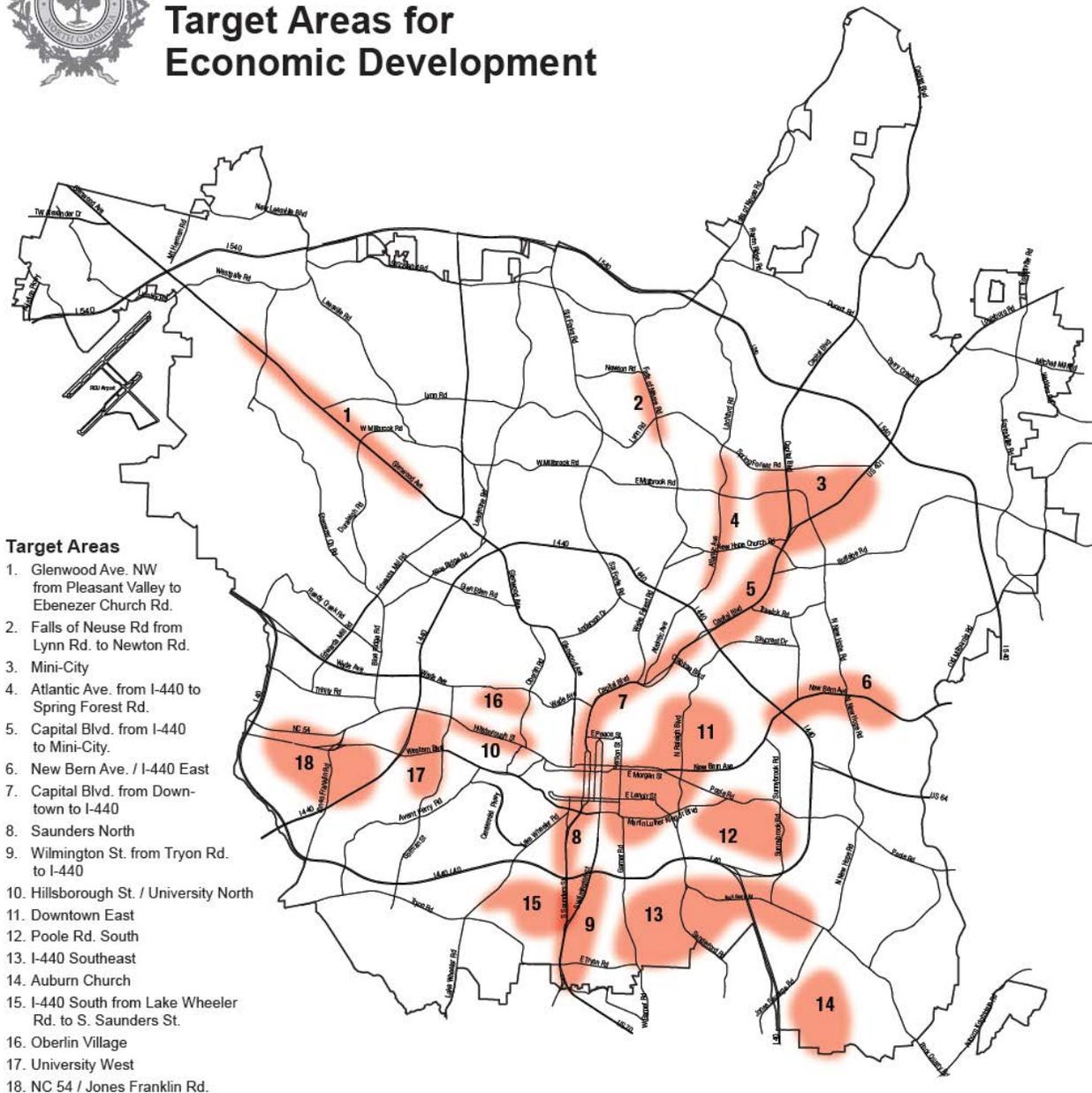
The city will evaluate projects submitted by community stakeholders, as well as projects identified through planning studies. Projects considered for the targeted economic development funds will be evaluated based on location and project type.

Target Areas for Investment

As part of the 2030 Comprehensive Plan, an analysis was conducted to identify areas demonstrating a need for reinvestment and presenting an opportunity for economic development. Areas of the city were scored using socio-economic and other variables, resulting in defined under-performing areas that could benefit from economic development activities. Project selection will be limited to these areas identified on the “Target Areas for Economic Development” map.



Target Areas for Economic Development



Infrastructure Type

Projects considered for funding will be limited to infrastructure projects, such as pedestrian enhancements, sidewalks, street lights, utilities, and similar improvements. The Tarboro/Oakwood streetscape concept, for example, is arguably similar to other streetscape projects the city has constructed. On the other hand, the South Park Heritage Walk vision plan includes not only streetscape improvements, but significant parks and cultural resource investments. The city will need to consider whether the parks and cultural assets qualify for funding in this program. The city could also use these economic development funds to add and improve infrastructure at commercial or industrial sites.

Key Policy Questions

Staff and Council would need to address the following policy questions to fully develop and implement this new program, should Council decide to fund it.

What are the goals for the new program, and how will we define success?

First, it will be important for staff and City Council to establish measurable goals for these investments. Once the city has established goals, it will be important to consider how we define success. If the highest priority is stimulating private development, then we might define success as a specific dollar amount of private investment, number of new business with sustained operations, or number of new jobs created and maintained.

What other criteria should be used to evaluate projects?

In addition to considering unique criteria, the city could use these funds to complement other community development efforts. As part of the new affordable housing plan, staff will seek to gain federal recognition of Neighborhood Revitalization Strategy Areas (NRSAs). NRSA is a Community Development Block Grant designation that provides additional flexibility to concentrate funds in a limited area, with the goal of having a substantial impact. The proposed targeted economic development infrastructure funds could be coordinated with these NRSA efforts.

How will the new economic development infrastructure be maintained?

Any additional infrastructure, such as new sidewalks, street lighting, or parks improvements, will require long-term maintenance. City staff would need to either use existing resources or build new resource requests into future budget proposals. If we partner with other entities, such as universities or nonprofits, we will need to clarify responsibilities and develop maintenance agreements.

Options for Next Steps

Should City Council wish to invest additional funds into targeted economic development infrastructure, it may choose to increase the property tax rate by 0.472 cents to fund the \$2.5 million annual program. Council could also reprioritize elements of the proposed budget to allocate funding for this new program.

If funding for the infrastructure is appropriated, Council could direct staff to develop new policies prior to selecting specific projects. This would provide time for staff to further incorporate this program into the broader economic development toolkit and other Strategic Plan initiatives.

As an alternative, Council may allocate the first year's funding to selected community development proposals. These include such infrastructure projects as the Tarboro/Oakwood streetscape, South Park Heritage Walk, and Washington Terrace development projects. Accurate cost estimates are not available for all proposals until additional planning is completed, and Council could direct staff to further evaluate and plan one or more of these projects to bring back firm cost estimates. At that time, Council could decide which project to fund.

Should you or Council Members have additional questions regarding the targeted economic development infrastructure proposal, please let us know.

