



Request for City Council Committee Action from the Department of Community Planning & Economic Development

Date: January 31, 2012

To: Council Member Lisa Goodman, Community Development Committee
Council Member Betsy Hodges, Ways and Means/Budget Committee

Subject: Request for funding of the partnership with the African Development Center and the City of Minneapolis for the Alternative Financing Program for 2012 as part of the City's small business assistance programs.

Recommendation: City Council Recommendation: The CPED Director recommends that the City Council authorize an allocation of \$40,000 to the African Development Center (ADC) to extend the partnership on business loan activities in 2012.

Previous Directives: On December 13, 2006 City Council approved the partnership between the City of Minneapolis and the African Development Center and authorized the contract forming the Alternative Finance Program. Since 2007 the Business Finance staff on an annual basis has requested that the City Council approve the partnership arrangement with the ADC to operate the Alternative Finance Program.

Prepared by: Becky Shaw 673-5066
Approved by: Charles T. Lutz, Deputy Director CPED _____
Catherine A. Polasky, Director, Economic Development _____
Presenters in Committee: Becky Shaw
Funding Source and Appropriation
Language Reviewed by Development Finance: _____

Reviews

- Permanent Review Committee (PRC): Approval N.A. Date _____

Financial Impact

- Other financial impact: The \$40,000 has been appropriated in Fund 01SED (Small Business Finance) and is part of the CPED 2012 adopted budget.

Community Impact

- Neighborhood Notification: Activity is not neighborhood specific.
- City Goals: The Alternative Finance program and partnership with ADC meets the cities goals to provide entrepreneurial opportunities for everyone where diversity will be welcome, respected and valued. It also meets the city's goal of creating a connected community where individuals live within walking distance of what they need.
- Sustainability Targets: Not applicable.
- Comprehensive Plan: Not applicable.
- Zoning Code: Not applicable.
- Living Wage/Business Subsidy Agreement Yes ____ No X Not applicable.
- Job Linkage Yes ____ No X Not applicable.

Supporting Information

The African Development Center (ADC), in cooperation with the City of Minneapolis Department of CPED, operates the Alternative Finance Program which was approved by City Council in December of 2006.

The Alternative Finance Program operated in partnership between ADC and CPED provides Sharia compliant funding to Muslim business owners in the City of Minneapolis. The program officially began in January of 2007. Because of its unique interest/usury stipulations, funding Sharia compliant programs is not an easy task. Conventional banks cannot lend due to upstream/downstream connections to interest and most private parties do not have enough money to lend to or from friends and family. The partnership between CPED and ADC provides funding to entrepreneurs and established business owners not readily available in other places right now. Since the beginning of the program, CPED and ADC have closed 58 loans for a total of \$1,066,500. Of the 58 loans CPED and ADC have closed from the inception of the program, 44 loans are outstanding with a principal balance of \$595,077.13. Two loans are currently in default with an additional 6 on a watch list.

ADC has an intensive and on-going technical assistance program for its borrowers. The small business programs help new and early stage businesses obtain capital and technical assistance they need to grow and prosper. The program is set up to assist entrepreneurs in starting and maintaining a successful business within the parameters set up by the City of Minneapolis. ADC also provides servicing on our current loan portfolio. They take care of collections, remitting payments, and restructuring any problematic loans. City staff is proposing to allocate \$40,000 as a grant to ADC to provide support for program operations, loan origination and servicing, and to provide business mentoring for entrepreneurs and loan recipients.

Business Mentoring includes providing Business Development Workshops for anyone who is thinking of starting a business or has had a business for less than one year. Workshops shall cover topics such as:

- Writing a business plan
- Introduction to marketing, management, bookkeeping and accounting, business law and regulation, strategic planning and research
- How to secure financing
- Introduction to real estate development and small business association financing

- Strategies for expansion
- Employee recruitment and training
- Networking

ADC will also provide technical assistance on an as needed basis for loan recipients for topics such as:

- Affordable bookkeeping and tax preparation
- Retailing and wholesaling
- Restaurant and food service management
- Transportation
- Pro-Bono legal assistance

The \$40,000 for support of ADC's operations and business mentoring was included in CPED's 2012 budget in Fund 01SED – Small Business Finance.

The Alternative Finance Program has seasoned into an important financing tool for entrepreneurs wanting to start or expand a business while staying true to religious beliefs. The City's partnership with the African Development Center has truly fostered a number of success stories. Participants in 2011 include:

Hi-Grade Learning Center is a tutoring business in South Minneapolis owned by Firdaus Aden. Firdaus Aden worked as a teacher for Al Amal School and Minneapolis Public Schools. For the past three years, she has been meeting with students in their homes, or in various central locations. Firdaus moved into a central facility at 3355 Hiawatha Avenue South to allow for more efficient and effective student education. She requested Alternative Financing to purchase supplies such as desks, chairs, computers, boards, cabinets and software. ADC and CPED each financed \$5,000 to assist with the set up of the tutoring facility.

Ayan Shop is a sole proprietor business owned by Ms. Marian Mohamed located in the new Karmel Mall at 2910 Pillsbury. Ayan Shop is a retail business selling clothes, perfumes, jewelry, rugs, furniture and home décor. Ms. Mohamed entered ADC's business class and credit building program in spring of 2010. In July 2011 she requested alternative financing to expand her store to accommodate current trends and client requests. ADC and CPED each financed \$5,000 in alternative financing to help Ayan Shop's expansion.

Alternative Finance Program

PORTFOLIO SUMMARY

Total # of Loans to Date: 58	Total Loans Outstanding: 44
Total \$ Loaned to Date: \$1,066,500.00	Total \$ Outstanding: \$595,077.13
Total # of Loans Defaulted: 2	Total # of Loan on Watch List: 6
Total \$ Amount Written Off: \$23,888.03	Total # of Loans Paid Off: 12
Default Rate: 4%	Total \$ Private Invest: \$1,288,000

\$1.21 of Private Investment for every \$1.00 of Public Funds – Not Including Owner's Equity.



Alternative Financing Program Report January 18, 2012.