



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

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 Partnership with the Metropolitan Consortium
of Community Developers and the City of Minneapolis for the Small
Business Loan Programs in 2012

Recommendation: The CPED Director recommends that the City Council
authorize an allocation of \$115,000 to the Metropolitan
Consortium of Community Developers to extend the City's partnership on small
business loan programs for 2012.

Previous Directives: Since 1991 the Business Finance staff on an annual basis has requested that the City
Council approve the partnership arrangement with the Metropolitan Consortium of Community Developers to
operate the micro loan program and other small business assistance programs.

Prepared by:	Bob Lind, CPED, Business Finance, 673-5068
Approved by:	Charles T. Lutz, Deputy Director CPED _____
	Catherine A. Polasky, Director, Economic Development _____
Presenters in Committee:	Bob Lind
Funding Source and Appropriation Language	
Reviewed by Development Finance:	_____

Reviews

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

Financial Impact

- Other financial impact: The \$115,000 in funds have been appropriated in Fund 01SED (Small Business Finance) and are part of the CPED 2012 budget.

Community Impact

- Neighborhood Notification: All programs are City-wide small business loan programs.
- City Goals: Assistance to small businesses aids in building communities and in creating the environment that maximizes economic development opportunities in Minneapolis.

- Sustainability Targets: N.A.
- Comprehensive Plan: N.A.
- Zoning Code: N.A.
- Living Wage/Business Subsidy Agreement Yes ____ No X
The small business assistance programs of the City have generally been exempt under the State Act and the City's local Ordinance given the small size of the financings and the projects are undertaken for a variety of community development purposes.
- Job Linkage Yes ____ No X

Supporting Information

The Metropolitan Consortium of Community Developers (MCCD), in cooperation with the City of Minneapolis Department of CPED, operates a number of small business assistance programs to provide loans to small neighborhood businesses. Many of these loans are micro loans in amounts under \$15,000 to both start-up and existing businesses. In addition to the funding from the City, MCCD uses other resources including state, federal and private foundation funds to further capitalize the various loan programs it operates, thereby leveraging the funds provided by the City of Minneapolis.

In 2009 the City launched the Credit Building Program. Since then, the program has been expanded through new partnerships with PPL and others. Many residents continue to find that credit impairment is limiting their access to the capital they need to enhance their economic opportunities. Particularly for small business owners and aspiring entrepreneurs, having low or non-existent credit scores constitute a major barrier to financial success. With few opportunities to create or improve their credit scores at credit bureaus, these borrowers have less access to competitive interest rates and safe loan products. Particularly hard hit of late, are residents who have been victimized by predatory home mortgage loans and are finding that their credit history is being adversely affected. The program has been a good link with the City's existing foreclosure mitigation initiatives and our other small business efforts.

Also in 2009, MCCD began a new financing program, called Transactional Financing, to meet the needs of contractors who were unable to secure and perform on building contracts due to insufficient capital to front-end material and subcontractor cost. MCCD's program is targeted to small independent, minority or women-owned contracting businesses, and provides the working capital for specific contract, with repayment to be made from the eventual contract draw. MCCD piloted this program with two local contractors, both of whom have completed their projects and repaid their financing. Based on the success of the pilot, the program was rolled out to the broader public in 2010 and 2011.

In 2011 the City rolled out two additional small business programs in partnership with MCCD, the Homegrown Business Development Center and the Business Recovery Loan Program. The Homegrown Business Development Center provides financing and technical assistance for Minneapolis based businesses that process and manufacture local food products. The purpose of the program is to foster the development and expansion of business ventures that promote sustainable agriculture and food production within Minneapolis and the surrounding region. A number of very promising entrepreneurs are utilizing the program to advance and expand their businesses. The second program, the Business Recovery Loan Program was established by the City Council in response to the May 22 tornado. The City in partnership with funding from the State, was able to respond quickly with financing to Minneapolis businesses impacted by the disaster. Over 30 businesses have received financial assistance to cover disaster related expenses, including insurance deductibles, building and equipment repair, and inventory replacement. The Business Recovery Loan Program will continue to be available throughout the City should a disaster in the form of a fire, flood or storm struck again.

The small business loan programs that MCCD provides in cooperation with the City of Minneapolis are a partnership of the following MCCD member lending organizations:

- African Development Center
- Latino Economic Development Center
- Metropolitan Economic Development Association
- Neighborhood Development Center
- Northside Residents Redevelopment Corporation
- Northeast CDC
- Seward Redesign

Through the various loan programs the City of Minneapolis has assisted MCCD in providing financing for more than 627 target area businesses during the last twenty-one years. See the attached exhibit for the 62 small businesses that have been assisted in the past twelve months. The MCCD loans represent one of the only sources of city-assisted financing for start-up and home-based businesses in Minneapolis. MCCD has initiated an intensive and on-going business mentoring program for its borrowers, in an effort to strengthen their financial, marketing and business management skills. The advice and counseling assistance can often mean the difference between success and failure. The MCCD small business programs help new and early stage businesses access the capital and technical assistance they need to grow and prosper.

City staff is proposing to allocate the \$115,000 as a grant to MCCD so it can further leverage these funds with other funding sources. City funds will be used to capitalize the various loan programs, to provide guarantees for the working capital small business loan guaranty program and to support program operations including loan origination and servicing. The \$115,000 for support of MCCD is included in CPED's 2012 budget in Fund 01SED – Small Business Finance.

Attachment: Exhibit A: MCCD loans closed in 12 month period of January 1, 2011 through December 31, 2011.

MCCD Council Report for 2012 Appropriation

EXHIBIT A

Small Business Loans Closed For the Period of January 1, 2011 Through December 31, 2011 Under the City's Partnership with MCCD

Applicant – Loans in Partnership with MCCD Neighborhood	Loan Amount	Ward	Projected New Jobs	Projected Jobs	Retained Jobs	Date Closed	Date
<u>Credit Building Program</u>							
2929 Chicago Ave. S. Midtown Phillios	250		9	0	0	01/10/2011	
1401 18 th Ave. N. North	250		5	0	0	01/17/2011	Near
5359 Minnehaha Ave. Minnehaha	250		12	0	0	01/21/2011	
1619 Irving Ave. N. North	250		5	0	0	02/11/2011	Near
3226 Humboldt Ave. N. Folwell	250		4	0	0	04/26/2011	
921 W. 36 th Street Harriet	250		10	0	0	09/23/2011	East
1400 14 th Ave. N. North	250		5	0	0	12/19/2011	Near
<u>Homegrown Business Development Center</u>							
Black Onyx Creations, LLC 2117 36 th St. E.	3,900	9	0	1	1	10/24/2011	Standish
<u>Micro Loans</u>							
Deportes Azteca, LLC Park 3016 Bloomington Ave. S.	4,000	9	0	1	1	04/19/2011	Powderhorn

Saucy's Burt, LLC 3515 22 nd St. W.	9,500	7	1	0	05/24/2011	Bryn Mawr
Dairy Queen University 718 Washington Ave. S.E.	16,500		2	0	10	10/10/2011
Cedar Cultural Center Cedar Riverside 416 Cedar Ave. S.	20,000		2	0	22	10/13/2011
Nomad World Pub Cedar Riverside 501 Cedar Ave. S.	20,000		2	0	16	10/19/2011

Applicant – Loans in	Loan	Projected	Retained	Date		
<u>Partnership with MCCD</u>	<u>Amount</u>	<u>Ward</u>	<u>New Jobs</u>	<u>Jobs</u>	<u>Closed</u>	
<u>Neighborhood</u>						
<u>Micro Loans - Continued</u>						
Depth of Field Yarn, Inc. Cedar Riverside 405 Cedar Ave. S.	20,000		2	0	4	10/24/2011
Cedar Wireless and Accessories Cedar Riverside 521 Cedar Ave. S.	8,450		2	0	1	10/25/2011
Espresso Expose 600 Washington Ave. S.E.	20,000	2	0	15		11/02/2011 University
Blue Ox Coffee Company 3736 Chicago Ave. S.	1,100	8	0	1		11/14/2011 Central
Samiya Clothing Store Riverside 408 Cedar Ave. S.	8,600	2	0	1		11/15/2011 Cedar
Big Ten Restaurant and Bar Loop 600 Washington Ave. N.	20,000		7	0	43	11/18/2011 North
Hamdi Clothing Store Cedar Riverside 417 Cedar Ave. S.	8,700		2	0	1	12/15/2011
Daleb Jewelry and Fashion Cedar Riverside 417 Cedar Ave. S.	12,600		2	0	1	12/15/2011

Dairy Queen	3,500	2	0	0	12/21/2011	University
718 Washington Ave. S.E.						
Campus Pizza	20,000	2	0	28	12/23/2011	Prospect
Park						
210 Ontario St.						

Business Recovery Loan Program

Lowry Food Market	5,000	3	0	0	08/02/2011	McKinley
626 Lowry Ave. N.						
Get Happy Foods	5,000	5	0	0	08/02/2011	Jordan
1501 Lowry Ave. N.						
Iceberg Digital Photography	5,000		5	0	0	08/03/2011
Willard-Hay						
2341 Penn Ave. N.						
Mr. Afros Barbershop	5,000	5	0	0	08/04/2011	Willard-Hay
2415 West Broadway						
Clipper Cuts Plus Hairstylist	5,000	5	0	0	08/05/2011	Jordan
2064 West Broadway						

Applicant – Loans in	Loan	Projected	Retained	Date
<u>Partnership with MCCD</u>	<u>Amount</u>	<u>Ward</u>	<u>New Jobs</u>	<u>Jobs</u>
<u>Neighborhood</u>				<u>Closed</u>

Business Recovery Loans - Continued

D.W. Cleaning Service	2,762	4	0	0	08/05/2011	Jordan
3102 Morgan Ave. N.						
All Washed Up Laundry	3,060	4	0	0	08/05/2011	Jordan
3010 Penn Ave. N.						
Rise & Shine Early Learning Center	5,000	4	0	0	08/05/2011	Folwell
3457 Fremont Ave. N.						
One Stop Deals	4,300		5	0	0	08/10/2011
Jordan						
2406 Penn Ave. N.						
Kids Zone Daycare Center	5,000	4	0	0	0	08/15/2011
Camden						
4324 Lyndale Ave. N.						
Watson Chiropractic Clinic	4,600		5	0	0	08/15/2011
Jordan						

2104 West Broadway						
Broadway Foods	5,000	5	0	0	08/23/2011	
Jordan						
2118 West Broadway						
Mississippi Hospitality Beauty	5,000	5	0	0	08/23/2011	Jordan
2126 West Broadway						
Before and After Hair Studio	5,000	5	0	0	08/23/2011	Hawthorne
3116 Emerson Ave. N.						
United Network International	5,000	5	0	0	08/23/2011	Willard-Hay
2507 West Broadway						
A Sign and Screen Printing	1,050	3	0	0	08/24/2011	
McKinley						
710 Lowry Ave. N.						
Robinson, Diane	5,000	5	0	0	09/01/2011	
Jordan						
2128 West Broadway						
Comfort Home Health Care	2,140	5	0	0	09/01/2011	
Jordan						
1501 Lowry Ave. N.						
Allbritton, Trena	5,000	4	0	0	09/29/2011	Folwell
3457 Fremont Ave. N.						
Selene Properties, LLC	5,000	5	0	0	09/29/2011	Jordan
2104 West Broadway						
Crystal Lake Floral	5,000	4	0	0	10/14/2011	Camden
3800 Humboldt Ave. N.						
2606 Penn, LLC	5,000	5	0	0	10/14/2011	Jordan
2606 Penn Ave. N.						
Applicant – Loans in	Loan		Projected	Retained	Date	
Partnership with MCCD	Amount	Ward	New Jobs	Jobs	Closed	
Neighborhood						
<u>Business Recovery Loans - Continued</u>						
Love, Jerome	2,500	3	0	0	10/14/2011	
Hawthorne						
2619 3 rd St. N.						
Penn Real Estate Holdings, LLC	5,000	5	0	0	10/14/2011	Jordan
2606 Penn Ave. N.						
Otieno, Larban	5,000	5	0	0	10/18/2011	Jordan

2126 West Broadway							
Otieno, Larban	5,000	5	0	0	10/18/2011	Jordan	
2126 West Broadway							
Murphy, Greg	1,936	4	0	0	10/31/2011	Camden	
3800 Humboldt Ave. N.							
<u>Other Business Loans</u>							
Boiler Room Coffee Square	15,000	6	3	0	01/30/2011	Stevens	
214 19 th St. E.							
Pumphouse Creamery	8,000		8	0	20	01/05/2011	Field
4744 Chicago Ave. S.							
Integrity Health Care Corporation	15,000		5	0	40	02/15/2011	
Willard-Hay							
2100 Plymouth Ave.							
All Washed Up Laundry	15,000	4	2	0	02/16/2011	Jordan	
3010 Penn Ave. N.							
Midwest Auto Repair, LLC	35,000		3	0	3	03/14/2011	
Hawthorne							
2410 2 nd St. N.							
Spyhouse Espresso Bar	17,000	6	3	0	04/04/2011	Whittier	
2443 Nicollet Ave. S.							
Finer Meats Company	7,500		8	0	5	05/23/2011	King
Field							
3743 Nicollet Ave. S.							
Erbert & Gerbert's	20,000		2	0	18	08/10/2011	
University							
718 Washington Ave. S.E.							
Acadia Café	18,900		2	0	16	09/19/2011	
Cedar Riverside							
331 Cedar Ave. S.							
Café Southside	20,000		8	3	0	10/04/2011	
Powderhorn Park							
3405 Chicago Ave. S.							
The North Beach Deli	25,000		13	1	0	11/19/2011	West
Calhoun							
3033 Excelsior Blvd.							

Applicant – Loans in	Loan	Projected	Retained	Date	
<u>Partnership with MCCD</u>	<u>Amount</u>	<u>Ward</u>	<u>New Jobs</u>	<u>Jobs</u>	<u>Closed</u>
<u>Neighborhood</u>					
<u>Other Business Loans – Continued</u>					
R.F. Beardsley Services, LLC	25,000	12	0	20	11/22/2011
3830 Dight Ave.					
Total # Loans	62		\$537,348	13	267

We all know that financing is only one part of a successful business. In addition to partnering with the City on the above loans, MCCD also provides the advice, counseling and technical assistance to businesses that can mean the difference between success and failure. The City utilizes the services of MCCD and its member organizations to provide help in planning, organizing and managing the businesses that are seeking financing for their projects. For more information on the services provided by the MCCD visit: <http://www.mccdmn.org>

For more information regarding all other programs offered through the City's Business Finance, visit: <http://www.minneapolismn.gov/cped/ba/businesssupport>