



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

Date: February 14, 2012

To: Council Member Lisa Goodman, Community Development Committee

**Subject:** Year-end 2011 portfolio summary and delinquency report for the 2% Loan Program and 2% Commercial Corridor/Commercial Node Loan Program

**Recommendation:** 2011 year-end status report and loan portfolio and delinquency information for the 2% Loan Programs.

**Previous Directives:** The Small Business Revolving Loan Fund Program guidelines were established in 1986. Amendments were made in 1993, 1996, 2000, 2003, 2004 and 2010. The last portfolio summary submitted January 18, 2011.

### Department Information

Prepared by: Judy Moses, CPED, Business Finance, 673-5283
Approved by: Charles T. Lutz, Deputy Director, CPED _____
Catherine A. Polasky, Director, Economic Development _____
Presenters in Committee: Judy Moses

### Reviews

- Permanent Review Committee (PRC): Approval N/A Date \_\_\_\_\_

### Financial Impact

- X No financial impact: The revolving loan fund programs make use of loan repayments to fund any new loans. Funds have been adequate to provide annual loan volume of over \$2 million per year. Business Finance also maintains a loan default reserve to handle any loan losses.

### 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.
- Comprehensive Plan: N/A
- Zoning Code: The proposed projects must be in compliance with the City's Zoning Code.
- 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 because of the small size of the financing

package and because the projects that are undertaken are for a variety of community development purposes.

- Job Linkage Yes \_\_\_\_\_ No X

### **Supporting Information**

The 2% Revolving Loan Program began originating loans in 1986. The program was expanded in 2004 through the creation of the 2% Commercial Corridor/ Commercial Node Loan Program. The commercial areas eligible for the 2% Commercial Corridor/ Commercial Node Loan Program include 18 commercial corridors, 65 neighborhood commercial nodes, 7 neighborhood Hiawatha Light Rail Transit (LRT) station areas, 4 Central Corridor LRT station areas, and 18 activity centers.

In 2011 there was 22 loans closed under the 2% Revolving Loan Program and 19 loans closed under the 2% Commercial Corridor / Commercial Node Loan Program. It is estimated that these two programs helped create 255 new jobs and retain 300 jobs in 2011. These estimates are based on information obtained from the applicants at the time of loan origination. See the attached Exhibit A detailing the 41 loans made in 2011.

The 2% Loan Program continues its role in 2011 of providing key financing to many important neighborhood and community development projects, many times in conjunction with financing and assistance from Great Streets and in partnership with many of our non-profit development corporations. Some examples from 2011:

- The City closed on a \$75,000 2% Commercial Corridor Loan for Crescent Moon Bakery located at 2339 Central Avenue N. in participation with a \$150,000 loan from Northeast Bank. Crescent Moon Bakery opened for business in 1999 offering fresh baked flat breads and pizza. The improvements completed with this financing provided the company the ability to bake pita bread and pizza 24/7. Crescent Moon anticipates hiring two full-time and four part-time employees as a result of the bakery expansion.
- The City closed on a \$65,000 financing package to assist the Kitchen in the Market which opened at Midtown Global Markets in 2007. It is a commercial kitchen space for chefs, caterers and food manufacturers. The funds were used to expand their operation to include a retail area and a cooking school. The Neighborhood Development Center was the City's financing partner for this 2% loan.
- The City provided a \$68,300 2% Commercial Corridor loan to assist Twin Cities Eye Care with their relocation to 290 Main Street S.E. Twin Cities Eye Care worked with Park Midway Bank and the City to finance the purchase of the real estate and build out of the space. The owner anticipated hiring 3 additional employees with the completion of the project.
- The City provided a \$75,000 2% Commercial Corridor loan to Vertical Endeavors to assist with the expansion of their indoor rock climbing facility into the newly renovated Ice House building on 25<sup>th</sup> and Nicollet. The owners were also able to utilize the City's Energy Efficiency Revolving Loan Program to install high grade, energy saving insulation. Anchor Bank was the lending partner on this project.

The following is a summary of the respective portfolios as of 12/31/2011.

**2% Revolving Loan Program - Portfolio Summary**

Total # of Loans to Date: 954	Total Loans Outstanding: 158
Total 2% \$ Loaned to Date: \$22,746,310	Total \$ Outstanding: \$2,569,442
Total # of Loans Written Off: 52	Total # of Loans on Watch List: 6
Total \$ Amount Written Off: \$644,530	Total \$ Amount on Watch List: \$107,737
Total # of Loans Defaulted: 58*	Total # of Loans Paid Off: 738
Default Rate: 2.92%**	Total \$ Private Invest: \$57,355,070

\$2.52 of Private Investment for every \$1.00 of Public Funds – Not Counting Owner's Equity.

\*Includes loans on the Watch List and loans Written Off.

\*\*The default rate percentage does not include the loans currently on the Watch List.

**2% Commercial Corridor/ Commercial Node Loan Program - Portfolio Summary**

Total # of Loans to Date: 120	Total Loans Outstanding: 99
Total 2% \$ Loaned to Date: \$8,819,600	Total \$ Outstanding: \$5,172,873
Total # of Loans Written Off: 2	Total # of Loans on Watch List: 1
Total \$ Amount Written Off: \$127,715	Total \$ Amount on Watch List: \$57,639
Total # of Loans Defaulted: 3*	Total # of Loans Paid Off: 19
Default Rate: 1.44%**	Total \$ Private Invest: \$50,860,386

\$5.76 of Private Investment for every \$1.00 of Public Funds – Not Counting Owner's Equity.

\*Includes loans on the Watch List and loans Written Off.

\*\*The default rate percentage does not include the loans currently on the Watch List.