



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

Date: February 28, 2012

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Request for Authorization to develop a Small Business Technical Assistance Program and issue a Request for Proposals from local non-profit business consulting organizations to deliver technical assistance services to Minneapolis businesses.

Recommendation: The CPED Director recommends that the City Council:

1. Direct CPED staff to develop a Small Business Technical Assistance Program that is consistent with the program summary outlined in this report;
2. Direct CPED staff to issue a Request for Proposals from local non-profit business consulting organizations to deliver technical assistance services to Minneapolis businesses.

Previous Directives: Through agreements with technical assistance service providers, the City has supported technical assistance to businesses and entrepreneurs through the Great Streets Business District Support Program and contracts managed through CPED Business Finance.

Prepared by: Jessica Green, CPED Business Finance	Phone: 612-673-5232
Approved by: Charles T. Lutz, Deputy Director CPED	_____
Catherine A. Polasky, Director, Economic Development	_____
Presenters in Committee: Jessica Green	

Reviews

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

|

Financial Impact

- Other financial impact: It is anticipated that the Small Business Technical Assistance Program will be established with approximately \$500,000. A portion of the program funding is currently allocated to other programs in the 2012 CPED Budget and will be redirected to this new program.
- Community Impact: This program is intended to facilitate economic development through the establishment, stabilization, and expansion of small businesses and microenterprises.
- Neighborhood Notification: All neighborhood organizations have been notified of the proposed program.
- City Goals: Jobs & Economic Vitality
- Zoning Code: N.A.
- Living Wage/Business Subsidy Agreement Yes _____ No X
The Program is not subject to the State Business Subsidy Act.
- Job Linkage Yes _____ No X .

Supporting Information

In the past, the City has supported technical assistance (business planning, classes for entrepreneurs, one-on-one training on topics such as accounting, legal and tax issues, etc.) to businesses through the Great Streets Business District Support (BDS) as well as contracts managed through Business Finance. We know that technical assistance is a crucial component of growing and maintaining new and existing businesses, fostering entrepreneurship, and in turn creating jobs and thriving business districts. While the methods of support mentioned above have certainly played an important role in the success of many Minneapolis businesses, we know we can do better. We've heard from partner organizations such as the Metropolitan Consortium of Community Developers, the African Development Center, and the Latino Economic Development Center that there are some limitations to current City support. Most notably, because Great Streets focuses on very specific geographies (commercial corridors, commercial nodes, LRT station areas, and activity centers designated in the comprehensive plan), businesses located outside of these areas have been ineligible for assistance. The contracts managed through Business Finance fund a variety of activities, technical assistance included, that are available city-wide. However, because these activities are combined into one contract, it has been difficult to track how many businesses are receiving technical assistance with this funding. By developing a stand-alone Technical Assistance Program, our partner organizations will be able to assist a greater number of businesses while achieving a higher level of accountability. We expect the new program to result in a more efficient and effective service delivery with clearly articulated goals and measureable results. Going forward, staff will use this information along with input from service providers to continually improve the program.

CPED staff plan to issue a Request for Proposals from local non-profit business consulting organizations to administer the Small Business Technical Assistance Program. Through this competitive process, it is anticipated that up to five service providers will be chosen to deliver specified services to Minneapolis businesses through **outcomes-based** contracts. Both the RFP and the contracting process will be similar to the Business District Support Program in that the process will be competitive with clear evaluation criteria and a transparent decision making process. The City will require service providers that are awarded contracts to track exactly who they work with, what type of services are provided, and report on the anticipated outcomes. Based upon previous years of technical assistance support through the BDS program, we expect to see a variety of results. Examples of outcomes may include the adoption of a bookkeeping system, increased revenues,

implementation of an advertising campaign, etc. We also expect to see more substantial results that are commensurate with the outcomes described in the success stories below:

Simba Craftware at Midtown Global Market

Simba Craftware is a gift shop at the Midtown Global Market showcasing products created by artists from Kenya and other countries in Africa. Throughout 2010, supported by a City Great Streets BDS contract, Midtown Global Market staff worked with owner, Martin Akinseye on merchandizing, product display, and marketing strategies. Martin implemented strategies to make the shop more educational, developed a top of the line website that customers are using to submit orders, and explored the possibility of starting a drumming class that will support sales. In December 2010 Simba Craftware sales increased by 61% over December 2008 and by 349% over 2009 when the business was in serious trouble.

Tortilleria La Perla

Tortilleria La Perla, a tortilla manufacturer, had recently expanded their business when corn and wheat flour prices unexpectedly tripled. With their supply costs skyrocketing and a new, larger mortgage and equipment loan, the business was in trouble and losing money. Utilizing BDS support, LEDC helped the business owners, Jose and Noemi Payan, to reevaluate and restructure their operations. Within a year, the company returned to profitability. Because of the assistance provided by LEDC, Tortilleria La Perla was saved and 40 jobs were retained. LEDC also helped the Payan's to develop a succession plan for the future – when Jose retires from the business, his son will take over leadership of the company.

The Hive

The Hive is a full service chair rental salon with an eco-focused, natural and organic approach to hair care. Sisters Jennifer Cortez and Rebecca Bighley had worked in the beauty industry for several years but wanted to start a business of their own. Working with Rob Smolund of the Metropolitan Consortium of Community Developers, Jennifer and Rebecca developed a business plan and negotiated a lease for a space located at 400 Lowry Avenue NE. The salon opened in March, 2011 and has been growing in popularity ever since.

It is proposed that the Small Business Technical Assistance Program will be established with a total pool of up to \$500,000. Up to \$300,000 will be made available by redirecting funds currently allocated to other programs including \$200,000 from the Great Streets Business District Support Program. Up to \$200,000 of CDBG funds currently allocated to the Great Streets Real Estate Development Gap Financing Program (\$1.8MM will remain available for real estate development loans, which CPED management feels is sufficient to meet demand) will be used to target small businesses categorized as 'microenterprises' that are owned or established by low and moderate income individuals. Microenterprises are defined as businesses that employ five or fewer employees, one or more of whom owns the business. Consistent with federal CDBG guidelines, this assistance is intended to facilitate economic development through the establishment, stabilization, and expansion of microenterprises.

Proposals will be reviewed by a team comprised of CPED staff and community leaders. Upon completion, staff will return to this committee with a summary of the proposals received and a recommendation for funding.

The anticipated timeline for launching the Small Business Technical Assistance Program is:

March 12, 2012	Issue Request for Proposals
March 26, 2012	Pre-proposal meeting for prospective proposers
April 23, 2012	Proposal evaluation
May 15, 2012	Present staff recommendation to Community Development Committee
June 2012	Execute contracts with service providers

Attachments

- Exhibit A: Small Business Technical Assistance Program Summary
- Exhibit B: Technical Assistance Success Stories

Exhibit A

Small Business Technical Assistance Program Summary

Introduction

The City of Minneapolis currently supports technical assistance to businesses and entrepreneurs through various programs and contracts administered by the Department of Community Planning and Economic Development. This technical assistance includes everything from business planning to legal and tax advice to financial analysis. In order to obtain the highest level of outcomes and accountability, CPED staff is recommending the development of a Technical Assistance Program.

CPED intends to issue a Request for Proposals in March 2012 and enter into up to five outcome-based contracts that will allow the City to track valuable information and ensure that City dollars are used for their intended purpose.

Objective

The goal of the Technical Assistance Program is to help Minneapolis-based businesses successfully start or expand and to support job creation in the City. The assistance provided through this program is intended to facilitate economic development through the establishment, stabilization, and expansion of small businesses and microenterprises.

Program Funding

It is proposed that the Technical Assistance Program will be launched with a total pool of up to \$500,000. Up to \$300,000 will be made available by redirecting funds currently allocated to other programs including the Great Streets Business District Support Program. Additionally, up to \$200,000 of CDBG funds will be used to target microenterprises owned or established by low and moderate income individuals.

Eligible activities

Activities are eligible if they support the economic vitality of local small businesses and microenterprises through technical assistance, which may include, but is not limited to: business planning, educational classes or one-on-one sessions on legal, regulatory, and tax issues, financial record keeping, marketing and merchandizing, financial management, and business operations.

Eligible organizations

Eligible organizations include non-profit business consulting organizations that have the demonstrated capacity to perform the work. This includes staff devoted to business development, establishment, and expansion activities, past organizational and staff experience providing assistance to businesses, and managing contracts.

Eligible areas

The program is available throughout the City of Minneapolis.

Evaluation

Proposals will be evaluated based on the following criteria: leverage of other funds, impact and viability, capacity, feasibility and readiness, and how the organization will measure impact.

An evaluation panel consisting of CPED staff and partner organizations will review proposals and present a recommendation to City Council for final approval.

