



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

Date: March 20, 2012

To: Council Member Lisa Goodman, Community Development Committee

Subject: Request for approval of renewal of contract with the Metropolitan Consortium of Community Developers and the City of Minneapolis for the Small Business Loan Programs.

Recommendation: The CPED Director recommends that the City Council authorize the execution of the contract extending the partnership with the Metropolitan Consortium of Community Developers 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. On February 10, 2012 the City Council authorized the annual partnership for 2012 in the amount of \$115,000.

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 _____

Reviews

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

Financial Impact

- Other financial impact: The \$115,000 in funds for the City's 2012 partnership with MCCD was approved by City Council action on February 10, 2012 and has been appropriated in Fund 01SED (Small Business Finance) and is 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

At the January 31, 2012 Community Development Committee and the February 6, 2012 Ways and Means/Budget Committee an action approving the 2012 annual allocation was approved and ratified by the City Council at its February 10, 2012 meeting. Staff however failed to reauthorize the underlying annual contract with MCCD to run the small business programs which expired on December 31, 2011. This proposed action would authorize the execution of a new contract extending the partnership with MCCD for another year.

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. 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 enter into a new contract with MCCD extending the City's partnership for another year.