



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

Date: March 19, 2013

To: Council Member Lisa Goodman, Community Development Committee

Subject: Year-end 2012 portfolio summary and delinquency report for the 2% Loan Program and 2% Commercial Corridor/Commercial Node Loan Program

Recommendation: Receive and file the year-end 2012 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 February 14, 2012.

Department Information

Prepared by: Judy Moses, CPED, 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

No financial impact: The revolving loan fund programs make use of loan repayments to fund any new loans.

Community Impact

- Neighborhood Notification: All programs are City-wide small business loan programs.
- City Goals: *Jobs and Economic Vitality* – Businesses, big and small, start here, stay here, thrive here.
- Comprehensive Plan: *Policy 1.4* Develop and maintain strong and successful commercial and mixed use areas with a wide range of character and functions to serve the needs of current and future users *Policy 4.1.1* Use public development resources and other tools to leverage maximum private sector investment for public benefit *Policy 4.1.4* Improve the coordination of economic development activity among units of

government, the business community, neighborhood organizations and nonprofit entities *Policy 4.9* Focus economic development efforts in strategic locations for continued growth and sustained vitality

- 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.
- 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, which provides a higher City maximum loan of \$75,000 in areas designated by the comprehensive plan as targets to support commercial and retail investment. 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 2012, 23 loans closed under the 2% Revolving Loan Program and 18 loans closed under the 2% Commercial Corridor / Commercial Node Loan Program. Borrowers estimated that these two programs helped create 239 new jobs and retain 387 jobs in 2012. These estimates are based on information obtained from the applicants at the time of loan origination.

The 2% Loan Program continues its role in 2012 of providing key financing to support business investment in neighborhood commercial districts. Some examples from 2012:

- The City provided a \$40,000 2% loan to Diamond Lake Animal Hospital, located to 5750 Nicollet Avenue in participation with a \$505,000 loan from US Bank. Loan proceeds were used for construction costs associated with the expansion of the veterinary clinic. The business was opened in this location in 1983 and has experienced a steady increase in the number of client visits. The owner expanded into the adjoining rental space and updated the equipment with the addition of digital radiography, dental radiography and ultrasound equipment. It is estimated that 3 new jobs were created with the completion of this project.
- The City closed on a \$75,000 2% Commercial Corridor Loan for Urban Homeworks, Inc. located at 1110 West Broadway Avenue in participation with a \$296,800 loan from University Bank. Urban Homeworks is a faith-based, non-profit housing organization, which seeks to provide affordable, mixed income housing to inner cities of Minneapolis and St. Paul. The loan was for Urban Homeworks' office expansion. The funds were used to fund extensive interior demolition and rehab to the newly acquired property. Currently they employ 23 full-time and 6 part-time. They intend on hiring additional 3-4 employees which will be located in the new space.
- The City closed on a \$50,000 2% loan to assist Indeed Brewing Company, LLC. Indeed Brewing is a startup craft brewing operation that is located at 711 15th Avenue Northeast in the Logan Park Neighborhood. It is anticipated that the project will initially generate 4 new full-time positions, with additional job opportunities created as the business grows. Bremer Bank was the financing partner, providing Indeed Brewing with a \$200,000 loan to purchase brewing equipment.

- The City provided a \$75,000 2% Commercial Corridor loan to Serve It Forth d/b/a The Lynn on Bryant, for leasehold improvements and kitchen equipment for the property at 5003 Bryant Avenue South. Franklin Bank was the City's financing partner for this project. The company anticipated that they will hire 16 full-time and 4 part-time employees with the completion of the project.
- The City closed on a \$16,000 2% loan for Smiling Faces Child Development Center which is a community based child care facility focusing on building self-esteem, self-confidence, healthy eating practices, early education and financial literacy for families. The business is located at 1500 6th Street NE. The Neighborhood Development Center was the lending partner for this loan which was used for leasehold improvements and equipment. The owner expected to hire 6 employees to fully staff the center.
- The City provided a \$20,000 2% loan to Butter Bakery Cafe for their new, larger location at 3700 Nicollet Avenue South. The financing was done in cooperation with The Metropolitan Consortium of Community Developers (MCCD). The business owner used the funds for leasehold improvements and equipment. Plymouth Church Neighborhood Foundation (PCNF) is the owner of the mixed use development which consists of 42 supportive housing units for young adults who have experienced homelessness. PCNF was very impressed with Butter Bakery's community standing and their interest in being an employment partner and apprenticeship site for their residential population. The business currently employs 5 full-time and 12 part-time employees. In the new location they expect to hire 1 additional full-time employee and 3 additional part-time employees.

The following is a summary of the 2% loan program portfolio as of 12/31/2012.

2% Revolving Loan Program - Portfolio Summary

(since program inception – 1986)

Total # of Loans to Date: 977	Total Loans Outstanding: 130
Total 2% \$ Loaned to Date: \$23,483,060	Total \$ Outstanding: \$2,297,440
Total # of Loans Written Off: 59	Total # of Loans on Watch List: 2
Total \$ Amount Written Off: \$681,621	Total \$ Amount on Watch List: \$39,634
Total # of Loans Defaulted: 61*	Total # of Loans Paid Off: 788
Default Rate: 2.90%**	Total \$ Private Invest: \$59,336,292

\$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: 138	Total Loans Outstanding: 106
Total 2% \$ Loaned to Date: \$10,221,568	Total \$ Outstanding: \$5,417,799
Total # of Loans Written Off: 2	Total # of Loans on Watch List: 3
Total \$ Amount Written Off: \$127,716	Total \$ Amount on Watch List: \$114,768
Total # of Loans Defaulted: 5*	Total # of Loans Paid Off: 30
Default Rate: 1.25%**	Total \$ Private Invest: \$57,154,441

\$5.59 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.