



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

Date: November 19th, 2013
To: Council Member Lisa Goodman, Chair, Community Development Committee
Subject: Small Business Technical Assistance Program

**The CPED Director recommends that the City Council:
Authorize CPED staff and the appropriate City Officers to negotiate and execute contracts for the Small Business Technical Assistance Program consistent with the recommendations given in the body of this report, subject to modifications as approved by the CPED Director.**

Previous Directives: On March 9, 2012, City Council directed CPED staff to develop a Small Business Technical Assistance Program and issue a Request for Proposals (RFP) from non-profit community development organizations to provide technical assistance services to Minneapolis businesses. On June 15th, 2012, the City Council authorized contracts for the first round of B-TAP funding.

Prepared by: Daniel Bonilla, Senior Project Coordinator	Phone: 612-673-5232
Approved by: Charles T. Lutz, Deputy Director CPED	_____
Catherine A. Polasky, Director, Economic Development	_____
Presenters in Committee: Daniel Bonilla	Phone: 612-673-5232

Reviews

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

Financial Impact

The funding for the Business Technical Assistance Program is budgeted in the 2013 CPED budget. The total amount available for the Small Business Technical Assistance Program will be \$500,000, combining funds 01400-G489ED34 (Great Streets CDBG) and 01SED-8900330-MSED019.

Community Impact

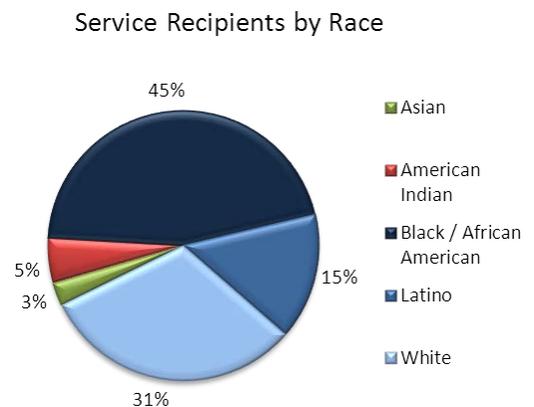
- An RFP (attached) soliciting proposals for technical assistance support was released to neighborhood organizations, community development corporations, business associations, and other community partners and posted on the City's website on September 20th, 2013. An informational meeting was hosted on September 27th, 2013.
- City Goals: The Business Technical Assistance Program supports multiple City goals including Jobs & Economic Vitality, Many People, One Minneapolis, and A City That Works.
- Zoning Code: N.A.
- Living Wage/Business Subsidy Agreement Yes ____ No X Service providers with contracts over \$50,000 will need to comply with the City's Living Wage ordinance.
- The Program is not subject to the State Business Subsidy Act.
- Job Linkage Yes ____ No X.

Supporting Information

In early 2012, CPED gained Council approval for a new technical assistance program for entrepreneurs. The Program began after receiving feedback from small businesses that the lack of advice on business planning, financial and regulatory matters was a significant barrier to success in the City. Responses to the City's RFP resulted in contracts with six providers, offering a range of geographic coverage, ethnic and cultural focus and business services. The City had provided past support for these services to entrepreneurs through the Great Streets program and individual contracts with providers. The Business Technical Assistance Program (B-TAP) allows the City and our partner organizations to assist a greater number of businesses anywhere in the city while achieving a higher level of accountability.

In mid-2013, CPED Staff conducted a first-year evaluation of the Business Technical Assistance Program performance. Some of the Staff findings for the first funding round are:

- A total of 427 clients were served, of which 171 were new businesses.
- The provided technical services supported the creation of 143 new jobs and retention of 548
- The program covered a diverse group of service recipients, including: Asian: 3%, American Indian: 5%, Black: 45%, Latino: 15%, White: 31% (90% female). 55% of the businesses were female owned and 45% male owned.



The team also evaluated the program's outcomes, effectiveness and reporting systems, and provided recommendations to increase the program social and economic impact. Some of the recommendations to be implemented in the 2014 funding round include:

- To focus on quality vs. quantity of services provided to create a stronger business community that will generate more jobs.
- Allocate resources based on demonstrated outcomes divided in 3 technical assistance categories:
 - Category 1: \$185,000.00 for new business development
 - Category 2: \$165,000.00 to support targeted business growth

- Category 3: \$100,000.00 for general TA for existing business retention
- Contract incentive: \$50,000.00 to incentivize:
 - strategic growth in key areas designated as “intervene” by the City’s Great Streets program; or
 - target industries including manufacturing, technology, health, green and renewable energy, and arts and creative economy; or
 - Businesses that create at least 5 full time jobs employing residents of Minneapolis
- Extend contract length to 2 years instead of 1 year
- Improve the quality of the reports by creating standard templates to be submitted quarterly.

The selected service providers will enter into **outcomes-based** contracts with the City to deliver specified services to Minneapolis businesses and entrepreneurs. Service providers will be required to track and report to the City, at minimum, the following: demographic information, types of businesses assisted, number of hours assisted and nature of the assistance, number of jobs created or retained and number of businesses established or expanded. All the report templates are provided by CPED Staff. Organizations will be paid on a reimbursement basis after services have been provided and the deliverables have been received and reviewed by City staff.

For the 2013 funding round, B-TAP is seeking to achieve the following objectives:

- Provide financial and technical support to create new business in the City of Minneapolis.
- Support business growth, job creation and real estate acquisition for existing businesses conducting operations in the City of Minneapolis.
- Provide technical assistance tools to retain existing business in the City of Minneapolis.

Based upon previous years of technical assistance support, we anticipate a wide range of results. From helping aspiring entrepreneurs develop a business plan, to helping existing businesses learn to cut expenses and increase revenues, we know there will be many benefits of the work supported through B-TAP. Small businesses create job opportunities, provide needed goods and services, fill vacant storefronts, create vibrant community gathering spaces, improve dilapidated buildings, pay taxes, support other neighborhood businesses and strengthen the local economy.

Request for Proposals

A Request for Proposals from non-profit business consulting organizations was issued on September 20th, 2013 with responses due October 18th, 2013. The RFP defined the eligible activities as those that support the economic vitality of local small businesses through technical assistance. Suggested activities will support the creation, expansion and retention of businesses in Minneapolis, including activities like educational classes or one on one sessions regarding legal, regulatory, and tax issues, financial record keeping, marketing and merchandizing, financial management, business operations and business planning.

CPED received 14 proposals by the October 18th deadline requesting a total of \$1,035,000.00. The total amount budgeted for B-TAP is \$500,000, making the evaluation process very competitive. All proposals were reviewed and evaluated by staff from CPED Economic Development, representatives from the State of MN Department of Employment and Economic Development (DEED), Minnesota Philanthropy Partners, and the McKnight Foundation.

Recommendations for Funding

The table below summarizes the 11 proposals recommended for full or partial funding. Staff is not recommending funding for 3 proposals. The rationale for the proposals recommended as well as not recommended for funding is below.

Rationale for Funding Recommendation

The table below shows the funding recommendations for the 2013 B-TAP funding round:

Organization	Scope of Work	Average Score	Funding Requested	Funding Recommendation
Metropolitan Consortium of Community Developers	- 10 New businesses - 4 Business Expansion - 100 hours of TA	89	\$95,000	\$ 75,000
Neighborhood Development Center	- 9 New businesses - 4 Business Expansion - 200 hours of TA	86	\$95,000	\$ 75,000
Metropolitan Economic Development Association	- 10 Business Expansion	85	\$50,000	\$ 50,000
Lake Street Council	- 2 New businesses - 4 Business Expansion - 200 hours of TA	83	\$40,000	\$ 40,000
Latino Economic Development Center	- 3 New businesses - 4 Business Expansion - 300 hours of TA	72	\$100,000	\$ 50,000
Northside Economic Opportunity Network	- 7 New businesses - 300 hours of TA	71	\$100,000	\$ 50,000
Asian Economic Development Association	- 2 New businesses - 2 Business Expansion - 300 hours of TA	69	\$100,000	\$ 35,000
Women Venture	- 2 New businesses - 300 hours of TA	68	\$100,000	\$ 25,000
African Development Center	- 2 New businesses - 300 hours of TA	68	\$125,000	\$ 25,000
Midwest Minority Supplier Development Council	- 4 Business Expansion	67	\$75,000	\$ 20,000
Seward Redesign	- 1 Business Expansion	65	\$20,000	\$ 5,000

The evaluation team reviewed each proposal based on the criteria articulated in the RFP (attached). The evaluation criteria include: (a) leverage of other resources committed for technical assistance work; (b) impact, visibility, and public impact; (c) organizational capacity to perform the proposed work; (d) feasibility and readiness; (f) evaluation methodology, impact measurement and best practices or lessons learned; and (g) alignment with City goals (Attachment A, pg. 5)

To define the dollar allocations, the team combined the average score of each proposal, with the level of available and requested funds, the organization's area of expertise and historical performance in creating, expanding and retaining small businesses in Minneapolis.

The Metropolitan Consortium of Community Developers (MCCD) and the Neighborhood Development Center (NDC) presented a holistic approach to provide training and technical assistance to a diverse pool of clients. Both organizations have a strong historical performance supporting new business development and expansion. MCCD has contracts with multiple counties from their Open for Business Program. NDC has expertise in translating training and technical assistance into jobs, training over 4200 entrepreneurs since 1993; 20% who are trained go on to start a new business.

The evaluation team also took into a consideration the interest of the City to support second stage businesses growth, as those companies are typically poised for significant job growth. Both the Metropolitan Economic Development Association (MEDA) and the Midwest Minority Supplier Development Council (MMSDC) business model support second stage businesses and provide Disadvantaged Business Enterprise (DBE) certification to Minneapolis small businesses. MEDA has a strong track record with Minority and Women Owned Disadvantaged Business Enterprises (MWDBE). In the current contract, MEDA assisted DBE's in creating 67 new jobs, retaining 100 and securing \$7m in contracts. MMSDC has a unique niche of building procurement relationships. The focus of its work is to provide MWDBEs access to large buyers. MMSDC builds the relationships to large corporations, with a presence in 5 states, 300 MBE members and 116 large corporate partners.

Finally the evaluation team took into a consideration the core competencies of the organizations, including their cultural competency to work with specific ethnic groups and geographic target areas. The Lake Street Council (LSC) has a strong model to support a diverse set of target businesses located in South Minneapolis, and the Latino Economic Development Center (LEDC) provides expertise working with 95% low-to middle-income Latinos. The Northside Economic Opportunity Network (NEON) has expertise working with African American entrepreneurs in North Minneapolis. The Asian Economic Development Association (AEDA) will support the development of Asian American and Asian Pacific businesses, focusing particularly on those located in North Minneapolis. Women Venture (WV) targets women and women minority owned businesses. The African Development Center (ADC) serves economically disadvantaged businesses in the African community, and Seward Redesign will provide technical assistance to businesses looking to make significant investments in their physical space in the Seward Neighborhood and Hiawatha Corridor in South Minneapolis.

Rational for Not Funding Recommendation

The evaluation team did not recommend funding for proposals that scored under 65 points (out of 100). The following proposals were not recommended for this funding round:

African Economic Development Solutions: Applied for \$35,000 for categories 1, 2 and 3. AEDS proposed service to the African immigrant business community, with a particular focus on Ethiopian and Eritrean business owners. The evaluation team was concerned about the organization's capacity to deliver the desired outcomes. Further, from the proposal outline, the proposed budget is primarily for general operations rather than specific services to businesses, and City funds would not leverage any other resources.

Nicollet-East Harriet Business Association: Applied for \$25,000 for category 3. The proposed scope of work did not match the funding activities for B-TAP eligible activities and projected outcomes. The proposal discussed how this grant would ease the organization's transition into a paid staffing model. NEHBA notes that they have expertise providing business technical assistance, but the proposal does not outline the specific programs or services they offer. The funding source for the service category NEHBA applied for is CDBG. Though the RFP asked applicants to indicate experience with CDBG funding, the NEHBA proposal did not indicate whether the organization has experience administering CDBG funds or whether the businesses they expect to work with would meet CDBG eligibility requirements.

University of Minnesota: Applied for \$75,000 for categories 1 and 2. Although the University of Minnesota's performance in the current year of this program has been relatively strong, the proposal did not clearly articulate how the provided services were going to impact the service recipients, how business outreach was going to be conducted, and how outcomes and program impact would be evaluated. The proposal noted that the program funded by the current B-TAP contract was being reconfigured, but did not specify when the revised program would be finalized or what focus, emphasis and curriculum the new program would deploy.

Attachments

Exhibit A: Business Technical Assistance Program RFP

Exhibit B: Business Technical Assistance Reports