



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

Date: April 21, 2015

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee

Subject: Small business revolving loan programs

Recommendation: Receive and file the 2014 year-end loan portfolio report for the Business Development Small Business Revolving 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 was submitted March 18, 2014.

Prepared by: Judy Moses, Senior Economic Development Specialist (673-5283)

Approved by: D. Craig Taylor, Executive Director, CPED _____

Presenter in Committee: Judy Moses

Financial Impact

The City invested \$1.66 m in new loans to small businesses through these programs in 2014, from the 2014 budgeted amount. These loans are repaid with interest.

Community Impact

Neighborhood Notification: n/a

City Goals: The Small Business Loan Programs supports multiple City goals including: A Hub of Economic Activity and Innovation and Great Places.

Sustainability Targets: Economically vibrant neighborhood commercial districts create attractive urban neighborhoods for infill development, support efficient growth, and reduce the need for car travel to obtain necessary goods and services.

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 investments must be in compliance with the City's Zoning code.

Living Wage/Business Subsidy Agreement: NA

Job Linkage: NA

Supporting Information

Programs Summary

The City of Minneapolis has developed a robust toolbox of small business financing programs designed to increase the competitiveness of Minneapolis businesses, facilitate business starts and expansions, leverage private sector investments in Minneapolis businesses and support the growth of businesses, jobs and the tax base.

CPED's key small business loan programs include the following:

2% Loan Program: provides financing to small Minneapolis businesses (retail, service or manufacturing) to purchase equipment and/or to make building improvements. A private lender provides half the loan at market rate and the City provides the rest, up to \$50,000 at 2 percent interest (up to \$75,000 in neighborhood commercial districts designated in the City's comprehensive plan).

Alternative Financing Loan Program: provides small Minneapolis businesses (retail, service or manufacturing) an alternative financing approach to the interest-based system. The program provides financing that complies with Islamic Sharia law to purchase equipment and/or make building improvements. A private lender provides half the financing at their rate of return, and the City provides the rest, up to \$50,000, at a 2 percent rate of return.

Energy Efficiency Loan Program: provides financial assistance to improve energy efficiency in neighborhood retail, service and light manufacturing businesses using stimulus grant funds through the Department of Energy. CPED provides a loan up to \$75,000 at a low interest rate for a term not to exceed 10 years. The initial Department of Energy capital for this program has been expended. Loan repayments are being recirculated.

Business Development Fund Loan Program: provides Minneapolis businesses loans of up to \$75,000 for equipment or capital improvements at market rate in partnership with a private lender. The program offers prepayment credits for each Minneapolis resident hired at living wage (during the first three years of the loan) and employed at least one year. The borrower can receive prepayment credits for up to half of the City loan amount.

Homegrown Business Development Center loans: provides financing and technical assistance for Minneapolis-based businesses that process and manufacture local food products. This program is a partnership between CPED & the Metropolitan Consortium of Community Developers (MCCD). 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. To be eligible for loan funds, a minimum of 10% of the business's product must come from local ingredients. For the purposes of this program, a 'local ingredient' must be produced, grown or raised in Minnesota or within approximately 200 miles of Minneapolis. Loans can be up to \$10,000, with a fixed interest rate of 2%. The maximum term is 5 years.

Business Health and Safety Loan Program: This program provides financing to businesses to make minor improvements to achieve standard health and safety code requirements. This program offers loans up to \$10,000 at a 7% interest rate for a term of 5 years or less. The program is administered by the Metropolitan Consortium of Community Developers (MCCD).

Loan Portfolio Summary

In 2014, 41 loans closed under the Small Business Revolving Loan Programs. These City loans totaled \$1,665,233 and leveraged \$7,095,928 from private lending partners to support investments in Minneapolis businesses.

Borrowers estimated that these programs helped create 345 new jobs and retain 239 jobs in 2014. These estimates are based on information obtained from the applicants at the time of loan origination.

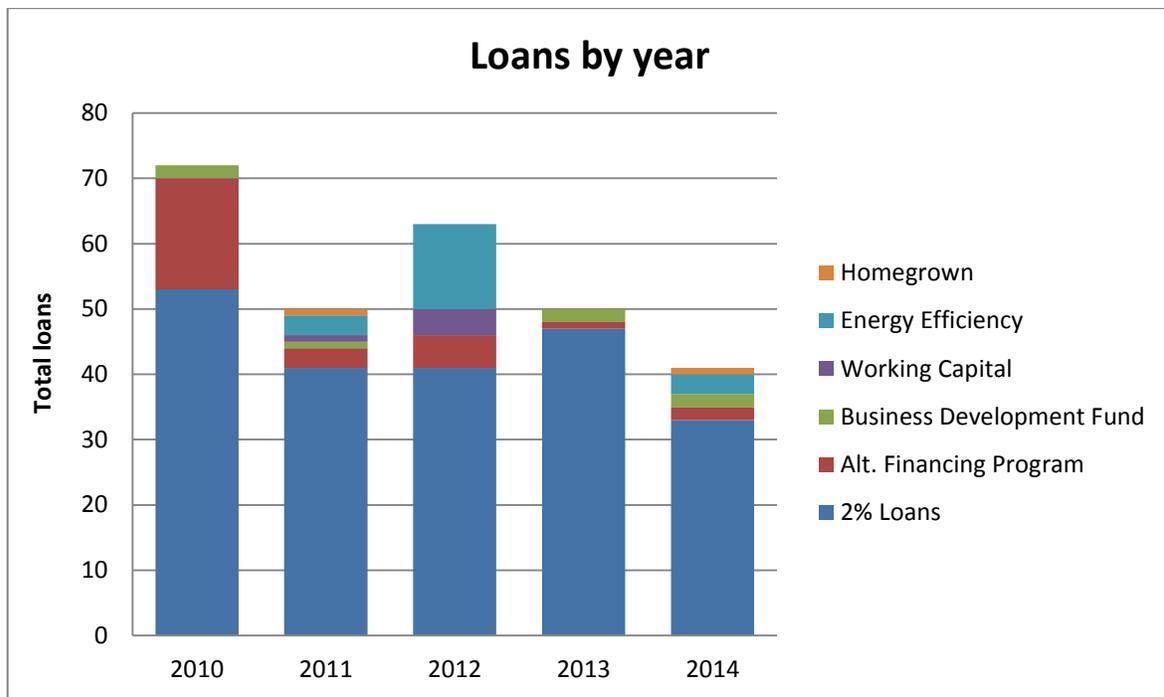
The Small Business Revolving Loan Programs continue their role in 2014 of providing key financing to support business investment in neighborhood commercial districts. Some examples from 2014:

- The City provided a \$50,000 2% loan to Anne Rucker, the owner of Bogart's Doughnut Co. in participation with a \$50,000 from Vision Bank. The loan proceeds were used for building improvements and equipment for her new doughnut and coffee shop at 3552 Bryant Avenue South. The business has quickly expanded and now has 8 employees.
- The City provided a \$41,000 2% loan to Volt Studios, a post-production/visual effects facility located in the Lumber Exchange Building and owned by Steve Medin. Volt Studios is a growing company that needed to purchase additional equipment, expand their studio, and add an additional editing room. Venture Bank participated in the financing by providing a \$110,000 loan to the business.
- The City provided an Alternative Financing loan to Faysal Warfa the owner of a new coffee shop at 2429 E. Franklin Avenue. The coffee shop also has a deli that offers lunch selections which include African and Mediterranean cuisine. The African Development Center, along with the Metropolitan Consortium of Community Developers and the Neighborhood Development Center each made a loan for \$25,000 and the City provided a \$50,000 loan. Mr. Warfa indicated that he would be hiring 10 employees for the business.
- The City provided a \$50,000 2% loan to Paul Neseth and Wynne Yelland, the owners of Locus Architecture, for building improvements to their newly acquired property at 4453 Nicollet Avenue. Venture Bank participated in the project financing with a loan for \$130,000. The business owners anticipated hiring one new full-time employee once they moved into their new office.
- The City provided a \$10,000 Homegrown loan to Punk Rawk Labs, Inc, located at 2224 35th Street E. The company produces a gourmet dairy free alternative to cheese that actually tastes like cheese. Punk Rawk Labs has made significant entry into the market place since opening in 2012. The loan was requested to finance new packaging options for their product in order to ship it to additional markets on the

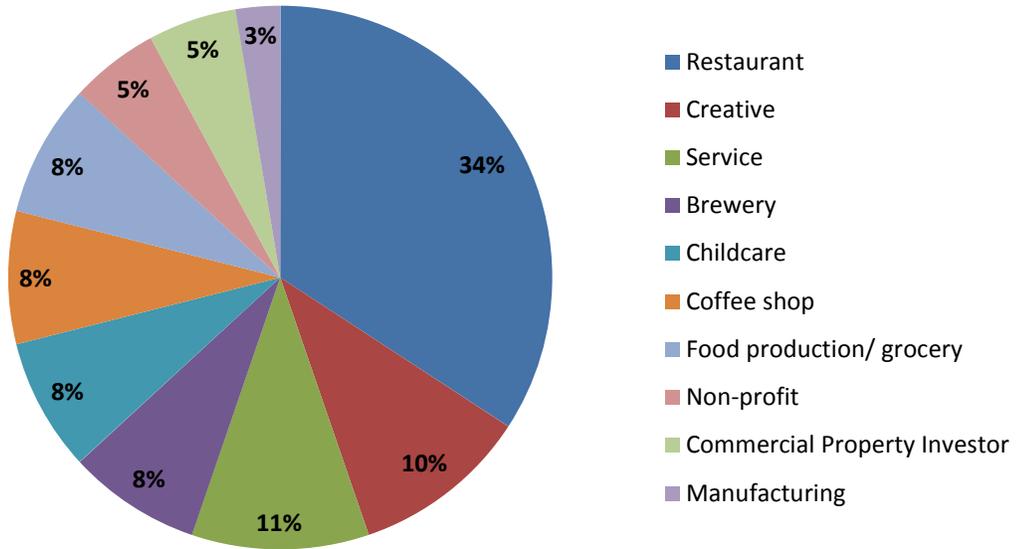
West Coast. With the expansion in their market area they plan to hire 4 additional part-time employees.

- The City provide a \$75,000 Business Development Fund loan to Gloria Freeman, the owner of Olu's Home, in conjunction with her purchase and rehab of the building located at 1315 12th Avenue North. Olu's Home has provided supportive services for the elderly and mentally ill since 1999 and is expanding by adding a multi-generational daycare center and office space for the company employees. Community Reinvestment Fund partnered with the City by financing \$977,500 with an SBA loan. The business owner anticipated hiring between 10-15 full-time employees with the completion of the project.

As of December 31, 2014, City had approximately \$7.6M in total loans outstanding, in the various small business loan programs, encompassing 270 separate loans.



2014 Loans by Business Type



2014 Loan Demographics

