

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 5/3/2016
Referral: N/A
From: Community Planning & Economic Development
Lead Staff: Judy Moses
Presented by: Judy Moses
File Type: Receive & File
Subcategory: Report

Subject:

2015 Small Business Revolving Loan Programs Year-end Report

Description:

Receiving and filing the 2015 Year-end loan activity report for the Business Development Small Business Revolving Loan Programs.

Previous Actions:

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 year-end summary was submitted April 21, 2015 (15-00481).

Ward/Address:

All Wards

Background/Analysis:

The City of Minneapolis has developed a toolbox of financing programs designed to support small businesses located in Minneapolis. The programs facilitate business starts and expansions, leverage private sector investments, 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 businesses 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 and up to \$75,000 in designated neighborhood commercial districts.

Alternative Financing Loan Program: provides small businesses 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 its 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 the energy efficiency of businesses using funds seeded from a federal American Reinvestment and Recovery Act grant through the U.S. 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 federal capital for this program has been expended. Loan repayments are being recirculated.

Business Development Fund Loan Program: provides small 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 a 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 Program: provides financing and technical assistance for Minneapolis-based businesses that process and manufacture local food products. This program is a partnership between CPED and 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 small 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 2015, 46 loans closed under the Small Business Revolving Loan Programs. These City loans totaled \$2,020,585 and leveraged \$17,065,346 from private lending partners to support investments in Minneapolis businesses.

Borrowers estimated that these programs helped create 199 new jobs and retain 329 jobs in 2015. These estimates are based on information obtained from the applicants at the time of loan origination.

Fifty-nine percent of the business owners assisted with these loan programs were borrowers of color and/or female. More specifically 28 percent were male borrowers of color, 20 percent were white female borrowers, and 11 percent were female borrowers of color.

See charts below for further loan details.

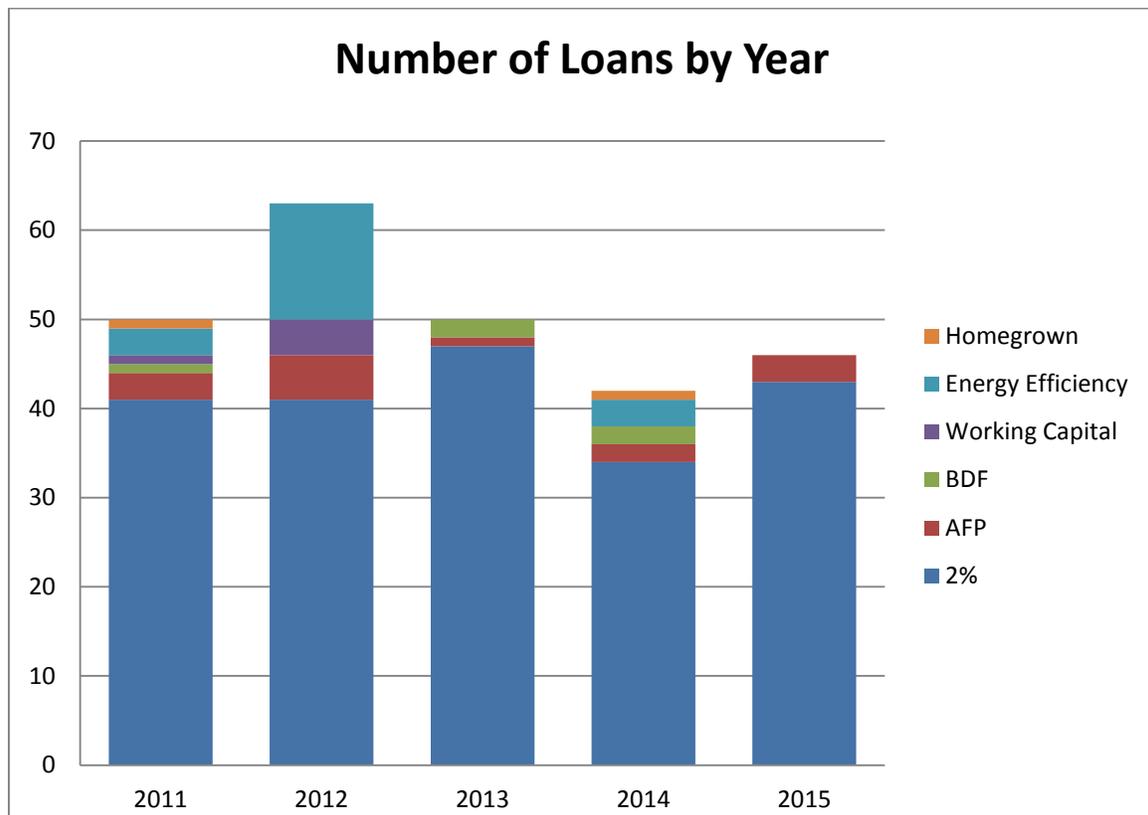
The Small Business Revolving Loan Programs continue their role in 2015 of providing key financing to support business investment in neighborhood commercial districts. Some examples from 2015:

- The City provided a \$30,000 2% loan to Sameh Wadi, for the addition of an ice cream shop, MilkJam Creamery next to his popular restaurant World Street Kitchen. The loan proceeds, in participation with a \$248,960 loan from Sunrise Bank were used to purchase equipment and leasehold improvements to the addition at 2743 Lyndale Avenue South.
- The City provided a \$75,000 2% loan to Appetite for Change dba Breaking Bread Cafe, a café that offers employment to at-risk youth in the community. The business also offers culinary arts and food service management training. The Nonprofits Assistance Fund participated in the financing by providing a \$105,000 loan for leasehold improvement and equipment.
- The City provided a \$17,500 2% loan to Rebecca Polston, the only African American midwife providing out-of-hospital services in the State of Minnesota.

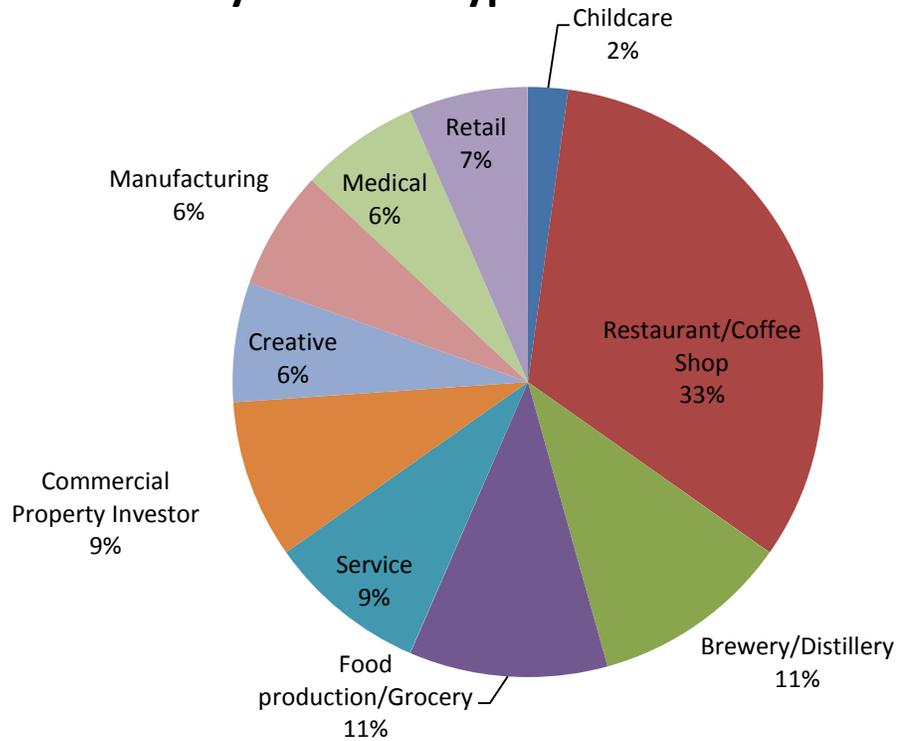
Ms. Polston purchased the building at 1901 44th Avenue North with a loan from Women Venture. Women Venture also loaned an additional \$35,000 for the purchase of equipment and building improvements. Ms. Polston anticipated hiring 2 full-time and 4 part-time employees.

- The City provided a \$24,500 Alternative Financing loan to Abdullahi Hussein, the owner of the South Minneapolis Walk-in Clinic. Mr. Hussein, a physician assistant who moved to Minneapolis from Kenya eleven years ago opened the clinic last September with financing and business assistance from the Metropolitan Consortium of Community Developers (MCCD), in a convenient location on Hiawatha Avenue near Minnehaha Park.
- The City provided a \$75,000 2% loan to Lowry Hill Meats, a full service butcher shop located at 1934 Hennepin Avenue for building improvements and equipment. Highland Bank participated in the project financing with a loan for \$75,000. The owners anticipated hiring 9 employees upon opening.

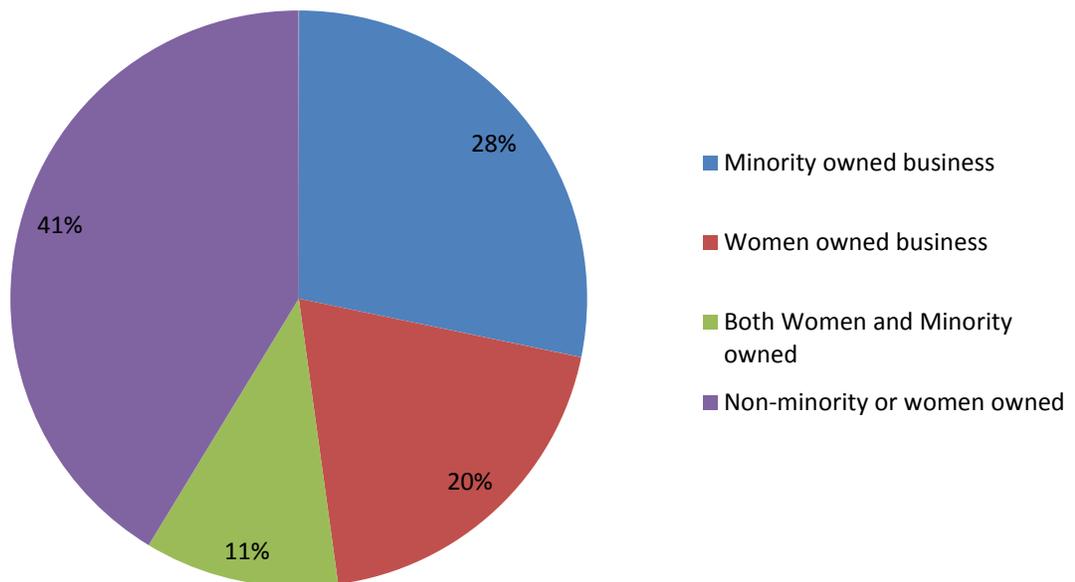
As of December 31, 2015, City had approximately \$8.3M in total loans outstanding, in the various small business loan programs, encompassing 284 separate loans.



2015 Loans by Business Type



2015 Borrower Demographics



Financial Review:

No additional appropriation required, amount included in current budget.

- Future budget impact anticipated.**
- Approved by the Permanent Review Committee.**
- Meets Small and Underutilized Business Program goals.**

Attachments:

1. 2015 Business Loan Program_MAP