

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

Date: December 8, 2009

To: Council Member Lisa Goodman, Community Development Committee
Council Member Paul Ostrow, Ways and Means/Budget Committee

Subject: Request for funding of the partnership with the African Development Center and the City of Minneapolis for the Alternative Financing Program as part of the City's small business assistance programs.

Recommendation: City Council Recommendation: The CPED Director recommends that the City Council authorize an allocation of \$40,000 to the African Development Center (ADC) to extend the partnership on business loan activities in 2010.

Previous Directives: On December 13, 2006 City Council approved the partnership between the City of Minneapolis and the African Development Center and authorized the contract forming the Alternative Finance Program. Since 2007 the Business Finance staff on an annual basis has requested that the City Council approve the partnership arrangement with the ADC to operate the Alternative Finance Program.

Prepared by: Becky Shaw 673-5066

Approved by: Charles T. Lutz, Deputy Director CPED _____

Catherine A. Polasky, Director, Economic Development _____

Presenters in Committee: Becky Shaw

Reviews

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

Financial Impact

- Other financial impact: The \$40,000 has been appropriated in Fund 01SED (Small Business Finance) and is part of the CPED 2010 budget request.

Community Impact

- Neighborhood Notification: Activity is not neighborhood specific.
- City Goals: The AFLP program and partnership with ADC meets the cities goals to provide entrepreneurial opportunities for everyone where diversity will be welcome, respected and valued. It also meets the cities goal of creating a connected community where individuals live within walking distance of what they need.

- Sustainability Targets: Not applicable.
- Comprehensive Plan: Not applicable.
- Zoning Code: Not applicable.
- Living Wage/Business Subsidy Agreement Yes ____ No X Not applicable.
- Job Linkage Yes ____ No X Not applicable.

Supporting Information

The African Development Center (ADC), in cooperation with the City of Minneapolis Department of CPED, operates the Alternative Finance Program which was approved by City Council in December of 2006.

The Alternative Finance Program operated in partnership between ADC and CPED provides Sharia compliant funding to Muslim business owners in the City of Minneapolis. The program officially began in January of 2007. Because of its unique interest/usury stipulations, funding Sharia compliant programs is not an easy task. Conventional banks cannot lend due to upstream/downstream connections to interest. Most private parties simply do not have enough money to lend to friends and family. The partnership between CPED and ADC provides funding to entrepreneurs and established business owners which simply isn't available in other places right now. Since its inception, the CPED and ADC have closed 38 loans for a total of \$646,000. Please see the attached exhibit containing 2007 through 2009 loans closed in Minneapolis. ADC has an intensive and on-going technical assistance program for its borrowers. The small business programs help new and early stage businesses obtain capital and technical assistance they need to grow and prosper complete with courses, accountants and a computer training center. The program is set up to ensure entrepreneurs will succeed.

City staff is proposing to allocate \$40,000 as a grant to ADC so it can further leverage these funds with other funding sources. City funds will be used to provide guarantees for the alternative finance program, to provide support for programs operations including loan origination and servicing, and to provide technical assistance for loan recipients. The \$40,000 for support of ADC was included in CPED's 2010 budget in Fund 01SED – Small Business Finance.

Alternative Finance Program

PORTFOLIO SUMMARY

Total # of Loans to Date: 38	Total Loans Outstanding: 38
Total \$ Loaned to Date: \$646,000	Total \$ Outstanding: \$531,227
Total # of Loans Defaulted: 0	Total \$ Amount on Watch List: 7
Total \$ Amount Written Off: \$0	Total # of Loans Paid Off: 0
Default Rate: 0%	Total \$ Private Invest: \$816,000

\$1.26 of Private Investment for every \$1.00 of Public Funds – Not Counting Owner's Equity.

Small Business Loans Closed for the Period of January 1, 2007 through October 31, 2009 Under the City's Partership with the ADC

<u>Project/Address</u>	<u>Loan Amount</u>	<u>Date Closed</u>	<u>Ward</u>	<u>Neighborhood</u>
Global Clothing and Accessories 206 Elroy Street	\$12,500.00	2/15/2007	6	Whittier
Mulki Shop 620 16th Ave S	\$7,500.00	5/18/2007	2	Cedar Riverside/ West Bank
Mustaqbal Computer Center 912 24th St E	\$25,000.00	5/29/2007	6	Ventura Village
Kulan Deli Express 137 Franklin Ave E	\$25,000.00	6/11/2007	6	Whittier
Hiawatha Halal Pizzeria 2740 Minnehaha Ave E	\$25,000.00	7/30/2007	9	Longfellow
Amal Latest International Fashion 2910 Pillsbury Ave	\$7,500.00	9/24/2007	6	Whittier
Midwest Auto Repair 2401 2nd St N	\$17,500.00	9/24/2007	3	Hawthorne
Hiiraan Limo and Taxi 12 Franklin Ave E	\$7,500.00	9/24/2007	6	Stevens Square/ Loring Heights
Dur Dur Clothing 2910 Pillsbury Ave	\$5,000.00	10/29/2007	6	Whittier
Perfume Plus 2910 Pillsbury Ave	\$10,000.00	10/30/2007	6	Ventura Village
Quale Company 1502 Franklin Ave E	\$15,000.00	12/17/2007	6	Ventura Village
Hijaz Clothing & Merchandise 912 24th St East	\$5,000.00	2/14/2008	6	Ventura Village
Frontier Stationers 2223 Central Ave NE	\$35,000.00	5/8/2008	1	Windom Park
Basim Store 2910 Pillsbury Ave	\$5,000.00	5/8/2008	6	Whittier
<u>Project/Address</u>	<u>Loan Amount</u>	<u>Date Closed</u>	<u>Ward</u>	<u>Neighborhood</u>
Total Post Plus, Inc. 2740 Minnehaha Ave	\$9,000.00	5/8/2008	9	Longfellow

East Metro Auto Service, LLC 2314 Hennepin Ave E	\$14,000.00	7/11/2008	1	Como
Katar Ethiopian Bakery & Rest. 2751 Minnehahah Ave	\$15,000.00	7/11/2008	9	Longfellow
Twin Cities Coffee 1603 Chicago Ave	\$5,000.00	8/13/2008	7	Elliot Park
Fashion Corner 920 Lake St E	\$5,000.00	9/11/2008	9	Midtown Phillips
Diverse Home Health Care 2019 Lake St E	\$5,000.00	9/11/2008	9	Corcoran
Al-fatah Store 2910 Pillsbury Ave	\$5,000.00	9/11/2008	6	Whittier
Wholesale Brothers 912 24th St E	\$75,000.00	10/6/2008	6	Ventura Village
Nicollet Family Dollar 2515 Nicollet Ave	\$10,000.00	10/6/2008	6	Whittier
Mulki Shop 920 Lake St E	\$7,500.00	10/6/2008	9	Midtown Phillips
Pillsbury Market 120 Lake St W	\$25,000.00	10/6/2008	6	Whittier
Idil International Shop 2910 Pillsbury Ave	\$5,000.00	10/31/2008	6	Whittier
Waaberi Restaurant 3201 Cedar Ave	\$15,000.00	11/26/2008	9	Corcoran
Soma Transportation 3033 42 nd Ave S	\$15,000.00	12/16/08	12	Cooper
Akmal Book Store 912 24 th St E	\$18,000.00	12/16/08	6	Ventura Village
Alamagan Corporation 401 Lake St E	\$50,000.00	2/19/08	8	Central

<u>Project/Address</u>	<u>Loan Amount</u>	<u>Date Closed</u>	<u>Ward</u>	<u>Neighborhood</u>
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A-Z Merchandising 2910 Pillsbury Ave	\$10,000.00	4/02/09	6	Whittier
International Wholesale 1435 Franklin Ave E	\$50,000.00	04/27/09	6	Ventura Village
Ultimate Ice Cream & Smoothie 2910 Pillsbury Ave	\$15,000.00	4/27/09	6	Whittier
West Bank Grocery 425 Cedar Ave S	\$25,000.00	4/27/09	2	Cedar Riverside/ West Bank
General Merchandise Dollar Store 2114 Lake St E	\$10,000.00	6/10/09	9	East Phillips
Al Qudus Halal Meat 3013 27 th Ave S	\$15,000.00	6/18/09	9	Longfellow
Ainushams Halal Foods 139 Lake St W	\$20,000.00	8/31/09	10	Lyndale
Community Halal Grocery Inc 341 Lake St E	\$25,000.00	8/31/09	8	Central
TOTAL:	<u>\$646,000.00</u>			