



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

Date: April 17, 2007
To: Council Member Lisa Goodman, Community Development Committee
Subject: Resource, Inc. Loan Request

Recommendation: Authorize a Neighborhood Economic Development Fund loan not to exceed \$125,000 to Resource, Inc. to finance tenant improvements and relocation costs for the Employment Action Center on Penn and Lowry avenues and approve the use of not more than \$125,000 from the existing CDBG allocation for Neighborhood Economic Development Fund (NEDF).

Previous Directives: On July 28, 2000 the MCDA and City approved the use of \$1,650,000 of Limited Tax Supported Development Revenue Bonds to Resource, Inc to purchase 3200 Penn Avenue North and 1900 Chicago Avenue South.

Prepared by: Erik Hansen, 612-673-5022
Approved by: Mike Christenson, Economic Development Director _____
Chuck Lutz, Deputy CPED Director _____
Presenter in Committee: Erik Hansen

Financial Impact

Action is within the Business Plan

Community Impact

Neighborhood Notification – Staff notified Jordan Area Community Council of this action.
City Goals - Complies with One Minneapolis - Opportunity, Equal Input Equal Access, Equal Sustainability Targets - N/A.
Comprehensive Plan – Business location is consistent with providing neighborhood services at designated nodes and follows urban design goals with the use on the second floor over street-level retail.
Zoning Code - Use complies with zoning.
Living Wage/Business Subsidy Agreement Yes___ No X
Job Linkage Yes___ No X

Supporting Information

Resource, Inc requests a loan not to exceed \$125,000 to finance relocation and tenant improvement expenses associated with its move of its Employment Action Center (EAC) from 3200 Penn Avenue North to the new Penn Lowry Crossings development. This move will accommodate right-of-way needs for the Lowry Corridor project. Hennepin County has agreed to purchase the building and Resource, Inc has a letter of understanding with Penn-Lowry Crossing, LLC to lease the second floor of the new

development. The proposed source for this loan is Community Development Block Grant funds in the Neighborhood Economic Development Fund (NEDF). The use of the funds complies with CDBG objectives NEDF program criteria and guidelines.

Assistance to Northside residents

Resource, Inc. offers a number of critical services to Northside residents at the Penn-Lowry EAC through the Minneapolis Employment and Training Program (METP). These services include employment, training and job placement services to low-income youth and adults, and dislocated workers. Overall Resource, Inc assisted over 1,700 people through a variety of our employment and training services in 2006 including 642 job placements under the METP contract at this location. It also earned awards for the best performance by a METP adult and youth vendor for the last program year, the first time that one agency was selected to receive both awards in the same year.

In addition to the METP contract, Resource, Inc. provides a wide array of career planning, training, employment, youth development, parenting, financial and other life skill building services to welfare recipients, young parents, low income single working mothers, youth, and dislocated workers at the Penn-Lowry EAC. These programs are funded through Hennepin County or State of Minnesota contracts as well as corporate, foundation and United Way support. This additional work that is located at the Penn-Lowry location. These services bring additional resources to the help Northside residents climb the economic ladder. The Women Achieving New Directions (WAND) program for example assisted 165 single working mothers in 2006 on average increased their incomes 46 percent from \$16,544 to \$24,190.

Strategic Community Investment

Investing in the Penn-Lowry EAC contributes to recent City and other public activities and investments in area. The new space is in the previously City-owned redevelopment property that will open later this year. This site is on Lowry Avenue, a roadway that Hennepin County will reconstruct in 2008. Adjacent to the new location the Mayor's Great City Design team is preparing redevelopment scenarios for the northwest corner of the intersection.

Investment in Resource, Inc. also keeps the job training center at a key Northside location. Of the eleven job training vendor on the Northside, only three are located north of Lowry Avenue including the Penn-Lowry EAC. Other available and acceptable office locations on the Northside would likely be south of Lowry closer to a majority of the existing job training facilities or Resource, Inc. would need to be build new. The proposed Penn-Lowry location best disburse the City job training resources.

Compliance with CDBG and NEDF and Offering Process

The use of these funds complies with both the CDBG and NEDF programs. EAC serves low- and moderate-income individuals, one of the required national objectives of CDBG and the NEDF program target. The use for property rehabilitation or associated costs is an eligible use of both programs and Resource, Inc is an eligible applicant of both programs.

Staff received a request for funding from Resource, Inc. for the established NEDF program. This request did not come as a response to a request for proposals, but as a direct request to an on-going program of the City, established in 1981 and last revised in 2003.

Loan Terms

Resource, Inc requests a loan not to exceed \$125,000. This will be up to half of actual costs of relocation and tenant improvement expenses for the move. The other half of the funds will come from equity from Resource, Inc. The proposed loan has a twenty-year repayment schedule based on a twenty-year amortization. The interest rate is fixed at 4 percent.

Maximum Loan Amount	\$125,000.00
Interest Rate	4.00%
Term (years)	20
Amortization Period (years)	20
Maximum Monthly Payment (240)	\$757.48
Maximum Annual Debt Service	\$9,089.70
Repayment Start Date	07/01/2007

Risk Assessment

- Strengths

Resource Inc. has a track record to attract private operational and governmental funding for its programs. It provides a needed service to the local community at a high level. It will occupy space in a new retail/commercial development that the City spent more than a decade to redevelop. Resource, Inc. matches the loan with equity.

- Weaknesses

Repayment depends on the success of Resource, Inc. to obtain adequate funding each year to repay its debts. The Penn-Lowry EAC move increases the operational debt by more than 59 percent.

- Risks

Resource, Inc could move non-contractual programs out of North Minneapolis if it does not find adequate space. There are potential impacts to the Penn-Lowry Crossings project if Resource, Inc. does not lease this space.