



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

Date: July 12, 2011

To: Council Member Lisa Goodman, Community Development Committee
Council Member Betsy Hodges, Ways and Means/Budget Committee

Subject: Authorizing a \$100,000 allocation from the Economic Development Fund 01SED/89003300 for the Business Recovery Loan Program.

Recommendation: The CPED Director recommends that the City Council:

1. Amend the 2011 General Appropriation resolution for Community Planning and Economic Development Agency Economic Development Fund (01SED-8900330) by \$100,000 to reflect the allocation to the Business Recovery Loan Program; and
2. Amend the 2011 General Appropriation resolution by increasing the Community Planning and Economic Development Agency Fund 01600 – Other Grants – State and Local (01600-8900900-321504) by \$200,000; and
3. Authorize City officials to enter into a contract with the Metropolitan Consortium of Community Developers (MCCD) to reflect the establishment of the Business Recovery Loan Program and the initial funding from the City of Minneapolis.

Previous Directives: On July 1, 2011, Minneapolis City Council authorized the establishment of the Business Recovery Loan Program and the acceptance of a \$100,000 interest-free forgivable loan from the Minnesota Department of Employment and Economic Development. The \$100,000 from the State was to be matched by other funding partners or sources.

Prepared by:	Bob Lind, CPED, Business Finance, 673-5068
Approved by:	Charles T. Lutz, Deputy Director CPED _____
	Catherine A. Polasky, Director, Economic Development _____
Presenters in Committee:	Bob Lind
Funding Source and Appropriation Language	
Reviewed by Development Finance:	_____

Reviews

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

Financial Impact

- Other financial impact: The \$100,000 from the State of Minnesota will be structured as an interest-free forgivable loan to be matched by an additional \$100,000 of capital from available fund balance in 01SED/8900330.

Community Impact

- Neighborhood Notification: All programs are City-wide small business loan programs.
- City Goals: Assistance to small businesses aids in building communities and in creating the environment that maximizes economic development opportunities in Minneapolis.
- Sustainability Targets: N.A.
- Comprehensive Plan: N.A.
- Zoning Code: N.A.
- Living Wage/Business Subsidy Agreement Yes _____ No X
The small business assistance programs of the City have generally been exempt under the State Act and the City's local Ordinance given the small size of the financings and the projects are undertaken for a variety of community development purposes.
- Job Linkage Yes _____ No X

Supporting Information

Recommendation: That the City of Minneapolis authorizes an allocation of \$100,000 from Economic Development Fund 01SED/89003300 in order to begin delivering service under the Business Recovery Loan Program to assist Minneapolis businesses affected by a disaster. The award from the State requires a 1:1 match; CPED proposes to provide these funds from Business Finance Fund 01SED/8900330.

In response to the May 22 tornado, the City Council authorized the creation of a Business Recovery Loan Program as another tool in the City's small business assistance programs. The program was to be funded from a \$100,000 interest-free forgivable loan from the State of Minnesota matched by an additional \$100,000 from other funding sources. Due to the recent State shut-down, it is unclear when the State funds may become available. City staff continues to work to identify the additional \$100,000 match as required by the State, but at this time in order to launch the program, CPED Business Finance will utilize existing available funds. It is proposed that CPED Business Finance use the funds available in 01SED/8900330 to begin issuing loans to North-side businesses that have been negatively impacted by tornado damage. When the State resumes operations and the funds are received, they will be deposited into Fund 01SED/8900330.

Over the past several weeks, the City has seen a number of organizations coming together to assist not only the many residents affected by the May 22 tornado, but also a number of small businesses. A consortium of organizations including the West Broadway Business and Area Coalition, NEON, MEDA, NDC, MCCD, Pohlad Foundation, and Catalyst Community Partners have been assessing the impact on northside businesses. One reoccurring need that has been identified is the need for some quick dollars to assist with insurance deductibles, property and equipment repair, inventory replacement, and business interruption expenses.

The need for an emergency Business Recovery Loan Program has been discussed within CPED for some time, with the need resurfacing each time we have some localized disaster such as the fire at 50th and Bryant. While the City has been able to assemble a response to these localized disasters, the May 22 tornado covering a much larger area, spoke to the need for a permanent program to meet the immediate needs of the affected businesses. It is staff's recommendation that CPED Business Finance needs to have a shelf-ready Business Recovery Loan Program that can be quickly drawn upon when disaster strikes, and put back on the shelf when not needed.

How the Business Recovery Loan Program will work: All of the various organizations previously noted in the report working on the north side would be intake sites for businesses seeking assistance. Information from the businesses and their needs would be collected and

forwarded to City staff for loan approval. MCCD will process loan originations and provide loan servicing with administrative costs to be covered by program income. Funding for the program will come from a \$100,000 interest-free forgivable loan from the Minnesota Agricultural and Economic Development Board as part of DEED. An additional \$100,000 of capital will be committed from CPED Business Finance 01SED/8900330. This loan is similar to what the State did for the City of Wadena and others who also suffered damage to businesses from tornados.

A draft of the Business Recovery Loan Program Guidelines is attached as Exhibit A. As proposed, the program would allow business owners to apply for a loan of up to \$5,000 to assist with costs incurred due to a disaster. The loans would be available at 4% with a maximum amortization of 3 years. The program would allow partial forgiveness of the principal loan balance should the business remain in operation for 2 years from the loan origination date. Possible short term deferment of principal and interest payments will be considered on a case by case basis.

Attachments:

Exhibit A: Business Recovery Loan Program Guidelines Summary

Exhibit A

Business Recovery Loan Program Guidelines & Requirements Summary

The City of Minneapolis through the department of Community Planning & Economic Development (CPED) in partnership with the Minnesota Agricultural and Economic Development Board and the Metropolitan Consortium of Community Developers (MCCD) has established the Business Recovery Loan Program to provide financing to Minneapolis based business that have been directly impacted by a disaster.

The Process

Interested individuals should begin by contacting the CPED Department of Business Finance to determine eligibility. Business owners will need to submit a completed loan application and provide required financial documentation. City staff will review the proposal, determine financial viability, and process the loan request. MCCD will originate loans and provide loan servicing for the City. A \$25 loan origination fee will be collected from the borrower at loan closing.

The Loan

Loans of up to \$5,000 will be available at a 4% interest rate for a term not to exceed 3 years. A short term deferment of principal and interest payments will be considered on a case by case basis. Additionally, if the business remains in operation for two years beyond the loan origination date, the remaining principal balance of the loan will be forgiven. If at any time the business moves out of Minneapolis, the loan will become due immediately.

Eligibility

- Eligible applicants MUST BE an existing Minneapolis-based business that has been directly impacted by a disaster.
- The business must demonstrate the ability to repay the loan and be an acceptable credit risk as determined by the City.
- An applicant's property status must be a conforming use or a legal non-conforming use under the City's Zoning Ordinance.
- Meet Minneapolis City codes for all rehab work and equipment installations.
- Use Contractors licensed in Minneapolis.
- Business must be registered with the Minnesota Secretary of State.

Eligible Uses

Eligible uses of the Business Recovery Loan Program funds can include a variety of disaster related expenses, including insurance deductibles, building and equipment repair, and inventory replacement. Program funds can also be used to assist with business interruption expenses, but will be limited to a maximum of \$2,000. Applicants will be required to provide documentation of expenses.

Under no circumstances can program funds be used to finance vehicles or billboard advertising.