



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

Date: December 12, 2006

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

**Subject:** Request for approval of renewal of contract and funding of the partnership with the Minneapolis Consortium of Community Developers and the City of Minneapolis for the Small Business Loan Programs.

**Recommendation:** **Recommendation: The CPED Director recommends that the City Council authorize the execution of the contract extending the partnership for another five years and authorize an allocation of \$135,000 to the Minneapolis Consortium of Community Developers to extend the partnership on small business loan programs for activity in 2007.**

**Previous Directives:** Since 1991 the Business Finance staff on an annual basis has requested that the City Council approve the partnership agreement with the Minneapolis Consortium of Community Developers to operate the micro loan program and other small business assistance programs that are carried out in partnership with the City of Minneapolis. The partnership arrangement has operated under a five-year contract that is set to expire on December 31, 2006.

Prepared by: Bob Lind, CPED, Business Finance
Approved by: Charles T. Lutz, Deputy Director CPED _____
Presenters in Committee: Bob Lind

### Reviews

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

### Financial Impact

- Other financial impact: The \$135,000 in funds have been appropriated in Fund SED0 (Small Business Finance) and are part of the CPED 2007 budget.

## Community Impact

- Neighborhood Notification: City-wide small business loan programs.
- City Goals: The small business loan partnership with MCCD supports the City goal of a mix of unique small businesses that give Minneapolis' neighborhoods unique identities and character. The program also supports entrepreneurial opportunities for residents by enabling financing for start-up businesses.
- Sustainability Targets: N.A.
- Comprehensive Plan: Projects when completed are in compliance.
- Zoning Code: Projects when completed are in compliance.
- Other: N.A.

## Supporting Information

The Minneapolis Consortium of Community Developers (MCCD), in cooperation with the City of Minneapolis Department of CPED, operates the micro loan program to provide loans to small neighborhood businesses. Many of the micro loans have been under \$10,000. The micro loan program is just one of a number of small business assistance programs that the MCCD operates. In addition to the funding from the City, MCCD uses other resources including state, federal and private foundation funds to further capitalize the various loan programs it operates, thereby leveraging the funds provided by the City of Minneapolis.

The MCCD is comprised of 27 nonprofit organizations engaged in housing and economic development activities in Minneapolis: small business programs are operated by member community development organizations of the Consortium that now include:

African Development Center	Alliance Housing Incorporated
American Indian NDC	Artspace Projects, Inc.
Central Community Housing Trust	City of Lakes Community Land Trust
CommonBond Communities	Development Corporation for Children
The Green Institute	Habitat for Humanity
Hope Community	Latino Economic Development Center
Lyndale Neighborhood Dev. Corp.	Metropolitan Economic Development Association
Northeast Community Dev. Corp.	Northside Neighborhood Housing Services
Neighborhood Development Center	Northside Residents Redevelopment Corp.
PRG	Project for Pride in Living (PPL)
Riverton Community Housing	RS Eden
Seward Redesign	Urban Ventures
West Bank CDC	Whittier Community Development Corp.

The small business loan programs in cooperation with the City of Minneapolis are a partnership of the following MCCD member lending organizations:

- African Development Center
- Latino Economic Development Center
- Neighborhood Development Center
- Northside Residents Redevelopment Corporation
- Phillips Community Development Corporation
- Seward Redesign
- West Bank Community Development Corporation
- Whittier Community Development Corporation

In 2006 the City expanded its partnership with MCCD through the creation of the Working Capital Small Business Loan Guaranty Program. This program should increase access to capital for small businesses that face challenges in obtaining credit from conventional sources. The program provides a matching guaranty and/or loan from MCCD and the City up to the maximum of \$25,000 for working capital term loans or revolving lines of credit.

This program has been up and running in 2006 and will continue to be a source of financing for many new emerging small businesses.

Through the micro loan program the City of Minneapolis has assisted MCCD in providing financing for more than 475 target area businesses during the last sixteen years. See the attached exhibit for the 55 small businesses that have been assisted in the first nine months of 2006. The MCCD loans represent one of the only sources of city-assisted financing for start-up and home-based businesses in Minneapolis. MCCD has initiated an intensive and on-going technical assistance program for its borrowers, in an effort to strengthen their financial, marketing and business management skills. The advise, counseling and technical assistance can often mean the difference between success and failure. The MCCD small business programs help new and early stage businesses access the capital and technical assistance they need to grow and prosper.

City staff is proposing to allocate the \$135,000 as a grant to MCCD so it can further leverage these funds with other funding sources. City funds will be used to capitalize the micro loan program, to provide guarantees for the working capital small business loan guaranty program, to support program operations including loan origination and servicing, and to provide technical assistance for loan recipients. The \$135,000 for support of MCCD was included in CPED's 2007 budget in Fund SED0 – Small Business Finance.

Attachment: MCCD loans closed in first nine months of 2006.

MCCD City Council Report for 2007

