

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

Date: December 2, 2008

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 Loan Program (AFLP) 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 \$35,000 to the African Development Center to extend the partnership on business loan activities in 2009.

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. In November of 2007, City Council approved an allocation of \$25,000 to the African Development Center for business loan activities.

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 \$35,000 has been appropriated in Fund 01SED (Small Business Finance) and is part of the CPED 2009 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 25 loans for a total of \$378,000 and have several more in process. Please see the attached exhibit containing 2007 and 2008 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 \$35,000 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 \$35,000 for support of ADC was included in CPED's 2009 budget in Fund 01SED – Small Business Finance.

Alternative Finance Program

PORTFOLIO SUMMARY

Total # of Loans to Date: 26	Total Loans Outstanding: 26
Total \$ Loaned to Date: \$383,000	Total \$ Outstanding: \$351,392
Total # of Loans Defaulted: 0	Total \$ Amount on Watch List: -0-
Total \$ Amount Written Off: \$0	Total # of Loans Paid Off: 0
Default Rate: 0%	Total \$ Private Invest: \$538,000

\$1.40 of Private Investment for every \$1.00 of Public Funds – Not Counting Owner's Equity.

Alternative Financing Program Report December 2, 2008.