

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

Date: March 22, 2011

To: Council Member Lisa Goodman, Community Development Committee
Referral to: Council Member Don Samuels, Public Safety, Civil Rights & Health Committee
Council Member Betsy Hodges, Ways and Means/Budget Committee

Subject: Approval of contract and funding of the partnership with the Metropolitan Consortium of Community Developers and the City of Minneapolis to establish the Homegrown Business Development Center as part of the City's small business assistance programs.

Recommendation: The CPED Director recommends that the City Council:

1. Authorize an allocation of \$150,000 to the Metropolitan Consortium of Community Developers to establish the Homegrown Business Development Center.
2. Increase the 2011 Revenue Budget for the Community Planning and Economic Development agency Fund 01SED - Economic Development Program (01SED-8900330) by \$150,000;
3. Amend the 2011 General Appropriation resolution by increasing the Community Planning and Economic Development Agency Economic Development Fund (01SED-8900330) by \$150,000 from the available fund balance.
4. Approve the attached Resolution delegating authority to the Executive Director of CPED or his designee to make and execute a contract with MCCD consistent with the Homegrown Business Development Center guidelines.

Previous Directives: City Council approved action on June 26, 2009 (Resolution 2009R-283) in support of the Homegrown Minneapolis Report and the establishment of a Homegrown Minneapolis Task Force to carry out the eight actions related to Homegrown Minneapolis.

Department Information

Prepared by: Jessica Green, CPED, Business Finance 673-5232	
Approved by: Charles T. Lutz, Deputy Director CPED	_____
Catherine A. Polasky, Director, Economic Development	_____
Presenters in Committee: Bob Lind and Jessica Green	
Funding Source and Appropriation	
Language Reviewed by Development Finance:	_____

Reviews

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

Financial Impact

- Action requires an appropriation increase to the Capital Budget or Operating Budget
Dept Name: Business Finance (8900330)
Fund Name: Economic Development Program (01SED)

Project Name & Number (if capital budget): N/A

Amount: \$150,000

- Action provides increased revenue for appropriation increase
Dept Name: Business Finance (8900330)
Fund Name: Economic Development Program (01SED)
Project Name & Number (if capital budget): N/A
Amount: \$150,000
- Other financial impact: \$150,000 has been appropriated in Fund 01SDA – Development Account, and is part of the approved CPED 2011 budget. The funds will be transferred to fund 01SED – Economic Development Program. The program will eventually become self-supporting through the revolving loan fund nature of the program, similar to the other small business assistance programs of the City of Minneapolis administered through CPED. All program revenue will be returned to the loan fund.

Community Impact

- Neighborhood Notification: All programs are City-wide small business loan programs.
- City Goals: This Program supports several City goals including Livable Communities and Healthy Lives, Eco-Focused, and Jobs and Economic Vitality.
- Sustainability Targets: The Program will assist with the City's efforts increase the availability of local foods.
- Comprehensive Plan: Loans funded through the Program will be in compliance with the City's Comprehensive Plan.
- Zoning Code: Projects will comply.
- 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 financings and the projects that are undertaken for a variety of community development purposes.
- Job Linkage Yes ____ No X

Supporting Information

Homegrown Minneapolis is an initiative of the City of Minneapolis to improve the growth, sales, distribution, and consumption of healthy, locally grown foods within the city and the surrounding region. Under the leadership of Mayor R.T. Rybak, Council Member Cam Gordon and the Minneapolis Department of Health and Family Support, Homegrown Minneapolis is bringing together key partners from local government, area businesses, community organizations, non-profits, and residents to build a healthy, local food system.

The food industry has played an important role in the in history of Minneapolis and the surrounding area. Once known as the flour milling capital of the world, Minneapolis has evolved over time to become home to a variety of food related businesses. And as times have changed, so have the needs and wants of Minneapolis residents. Over the past several years, interest in local food has been increasing. The many stakeholders involved in Homegrown Minneapolis – community residents and individuals representing schools, neighborhood groups, non-profits, and the City – have made it clear that there is a great demand for a local food system that provides access to healthy, sustainably produced, and locally grown food. With much of the foundation already laid through the work of Homegrown Minneapolis, we have an opportunity to foster small business development in the City and build businesses that will contribute to a strong local food system in Minneapolis.

Starting back in the summer of 2010, CPED was a part of a number of events sponsored by Homegrown Minneapolis that built on the recommendations to:

- Support the growth and development of local businesses
- Explore opportunities for partnerships linking farmers markets, community gardens and open space
- Promote and support the local food system
- Create economic opportunity for growers, processors and distributors of local food

In an effort to promote the sustainable agenda of Homegrown Minneapolis, City staff has worked in cooperation with the Metropolitan Consortium of Community Developers (MCCD) to create the Homegrown Business Development Center. The Center will serve as a resource that will provide financing and technical assistance to Minneapolis based businesses that process and manufacture local food products. Providing these businesses with a program that addresses both financing and technical assistance issues will fill an unmet need not currently served by private lenders or other organizations.

The Center will provide matching, low-interest loans of up to \$10,000 for businesses based in Minneapolis. Loan recipients will need to match the Center's loans with their own funds. In addition to providing financing, the Center will also coordinate a team of technical assistance providers tailored to the individual needs of each business venture.

Loans will be available for business projects that involve the production, distribution, marketing and manufacture of food products that include a minimum of one ingredient grown within approximately 200 miles of Minneapolis.

It is proposed that Homegrown Business Development Center be launched on a pilot basis and administered by MCCD. To qualify for the loans, prospective recipients will work with MCCD to develop proposals for the use of funds. MCCD will review loan proposals, determine financial viability, process loan requests and service outstanding loans. \$100,000 from the total program allocation of \$150,000 will be available for these loans. The remaining funds will be used to compensate MCCD for providing technical assistance and to cover costs associated with loan originations, monitoring and servicing. During its pilot phase, the Center will aim to provide assistance for up to 24 business projects. MCCD will provide CPED staff with quarterly status reports regarding loan activity and the projected number of jobs created and retained.

The purpose of this program is to foster the development and expansion of business ventures that promote sustainable agriculture and food production within Minneapolis and the surrounding region. Building on the success of the 2% loan program and other small business assistance programs offered through CPED, having a resource available to these new businesses will encourage job creation and grow businesses within the City, creating a stronger local economy.

As an additional resource for all individuals interested in starting a local food business, CPED staff has worked with Grow Good Consulting to create a Guide to Starting a Local Food Business in Minneapolis (Exhibit B). The guide contains helpful information that will assist business owners as they establish and grow their businesses.

Attachments

- Exhibit A: Homegrown Business Development Center Program Guidelines
- Exhibit B: Guide to Starting a Local Food Business in Minneapolis
- Exhibit C: Resolution

Exhibit A

Homegrown Business Development Center Guidelines & Requirements Summary

The City of Minneapolis through the department of Community Planning & Economic Development (CPED) in partnership with the Metropolitan Consortium of Community Developers (MCCD) has established the Homegrown Business Development Center to provide financing for Minneapolis based businesses that process and manufacture local food products.

The purpose of this program is to foster the development and expansion of business ventures that promote sustainable agriculture and food production within Minneapolis and the surrounding region. To be eligible for loan funds, a minimum of 10% of the business's product must come from local ingredients. For the purposes of this program, a 'local ingredient' must be produced, grown or raised in Minnesota or within approximately 200 miles of Minneapolis.

The Process

Interested individuals should begin by contacting MCCD to determine eligibility. In addition to submitting a completed loan application, prospective recipients will need to work with MCCD to develop a proposal for the use of funds. MCCD will review the proposal, determine financial viability, and process the loan request.

The Loan

The Center will provide a loan up to \$10,000 at a 2% interest rate for a term not to exceed 5 years. Loan Recipients will need to match the Center's loan. A loan origination fee in the amount of \$100 will be collected by MCCD at the time of the loan closing. If at any time the business moves out of Minneapolis, the loan will become due immediately.

Eligibility

- The business must be located in Minneapolis.
- The business must demonstrate the ability to repay the loan and be an acceptable credit risk as determined by MCCD.
- An applicant's property status must be a conforming use or a legal non-conforming use under the City's Zoning Ordinance.
- The business must comply with all City, State and Federal Health and Food Safety codes and regulations.

In the event that program funds are not sufficient to meet the demands of all eligible applicants, priority will be given first to those businesses which, without the assistance of the Center, are unable to secure financing to manufacture their product or expand their business. Secondly, priority will be based upon the number of locally sourced ingredients included in the business's end product. Thirdly, priority will be given to applicants with personal net worth less than \$1 million. Subject to these priorities, MCCD in reviewing applications will also consider the date of the application, the extent of the improvements leveraged by loan funds, and the extent of job opportunities created as a result of the financing.

Eligible Uses

Eligible uses of the Homegrown Business Development Center's loan funds can include the costs associated with the processing, manufacturing, distribution and marketing of local food products. Each food product will have its own unique life cycle, requiring varying ingredients, packaging, storage conditions, and marketing strategies. Based upon the business's product, MCCD will determine the eligible use of program funds.

For example, the following would be considered eligible costs depending on the type of business and food product:

Processing and Manufacturing – raw materials, washing and drying of produce, packaging, storage containers, equipment.

Distribution – leasehold improvements, approved off-site storage facilities, logistics equipment.

Marketing – advertising, packaging materials, branding.

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

RESOLUTION
of the
CITY OF MINNEAPOLIS

Delegating Authority to make and execute Loan Agreements and other appropriate loan documents consistent with the Homegrown Business Development Center Guidelines.

Resolved by The City Council of The City of Minneapolis:

Authority is delegated by the City Council to the Director of the Department of Community Planning and Economic Development (CPED) or his designee the Manager of Business Finance for CPED, to make and execute Loan Agreements and other appropriate Loan Documentation not to exceed the City Council authorized appropriation for the Homegrown Business Development Center Program.

