

Minneapolis Community Development Agency

Request for City Council Action

Date: March 25, 2002

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee
Refer to: MCDA Board of Commissioners

Prepared by Iric Nathanson, Phone 612-673-5183

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: Micro Lending Extension

Previous Directives: City Council program approval 2001

Ward: Not applicable

Neighborhood Group Notification: Not applicable

Consistency with *Building a City That Works*: Goal 3, Objective A, Strategy 1:
Provide funds that allow retail businesses to expand or locate in neighborhood commercial areas.

Comprehensive Plan Compliance: Not applicable

Zoning Code Compliance: Not applicable

Impact on MCDA Budget: (Check those that apply)

- No financial impact
- Action requires an appropriation increase to the MCDA Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):

Living Wage / Business Subsidy: Not applicable

Job Linkage: Not applicable

Affirmative Action Compliance: Not applicable

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RECOMMENDATION:

City Council Recommendation: Amend the 2002 MCDA Appropriations Resolution to increase the appropriation in Fund SED(Economic Development) by \$100,000 from available fund balances and to decrease the appropriation in Fund SDA(Development Account) by \$100,000

MCDA Board Recommendation: To authorize an allocation of \$100,000 to the Minneapolis Consortium of Community Developers to extend the Micro Loan Program.

Background/Supporting Information

The Minneapolis Consortium of Community Developers, in cooperation with the MCDA, operates Micro Loan Program, which provides loans to very small neighborhood businesses. Most loans are under \$10,000. The program has been funded through a combination of MCDA, state, federal and private funds.

The program is operated by member organizations of the Consortium which include the Northside Residents Redevelopment Council, the Whittier Community Development Corporation, Seward Redesign, Phillips Community Development Corporation and the West Bank Community Development Corporations.

The Micro program has provided financing for more than 250 target area businesses during the last ten years. MCDA funds, which constitute less than 20% of the Consortium's capital pool, have enabled the Consortium to leverage over \$1.67 million in lending activity. Consortium loans represent the only significant source of MCDA-assisted financing for start-up businesses in Minneapolis. The Consortium has initiated an intensive and on-going technical assistance program for its borrowers, in an effort to strengthen their financial management skills.

Staff is proposing to allocate the \$100,000 as a grant to the Consortium, so the Consortium can use these funds to leverage other funding sources, including private bank funds.

The MCDA's 2002 budget had anticipated a \$100,000 allocation for the Micro Loan Program from Fund SDA(Development Account). Staff is proposing to shift the allocation for the program from Fund SDA to Fund SED. This shift will require a \$100,000 decrease in the 2002 appropriation for Fund SDA and a \$100,000 increase in the 2002 appropriation for Fund SED. Revenues for Fund SED are generated by fees charged for MCDA Industrial Revenue Bonds.

