

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

Date: January 18, 2011

To: Council Member Lisa Goodman, Community Development Committee

Subject: Year-end 2010 portfolio summary and delinquency report for the 2% Loan Program and 2% Commercial Corridor/Commercial Node Loan Program.

Recommendation: Receive and file loan portfolio and delinquency information included in this report.

Previous Directives: The Small Business Revolving Loan Fund Program guidelines were established in 1986. Amendments were made in 1993, 1996, 2000, 2003, 2004 and 2010. The last portfolio summary submitted January 19, 2010.

Department Information

Prepared by: Judy Moses, CPED, Business Finance, 673-5283

Approved by: Charles T. Lutz, Deputy Director, CPED _____

Catherine A. Polasky, Director, Economic Development _____

Presenters in Committee: Judy Moses

Reviews

- Permanent Review Committee (PRC): Approval _N/A_ Date _____

Financial Impact

- __X__ No financial impact: The revolving loan fund programs make use of loan repayments to fund any new loans. Funds have been adequate to provide annual loan volume of over \$2 million per year. Business Finance also maintains a loan default reserve to handle any loan losses.

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.
- Comprehensive Plan: N/A
- Zoning Code: The proposed projects must be in compliance with the City's Zoning Code.
- 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 because of the small size of the financing

package and because the projects that are undertaken are for a variety of community development purposes.

- Job Linkage Yes _____ No X

Supporting Information

The 2% Revolving Loan Program began originating loans in 1986. The program was expanded in 2004 through the creation of the 2% Commercial Corridor/ Commercial Node Loan Program. The commercial areas eligible for the 2% Commercial Corridor/ Commercial Node Loan Program include 18 commercial corridors, 65 neighborhood commercial nodes, 7 neighborhood Hiawatha Light Rail Transit (LRT) station areas, 4 Central Corridor LRT station areas, and 18 activity centers.

In 2010 there was 32 loans closed under the 2% Revolving Loan Program and 20 loans closed under the 2% Commercial Corridor / Commercial Node Loan Program. It is estimated that these two programs helped create 75 new jobs and retained 269 jobs in 2010. These estimates are based on information obtained from the applicants at the time of loan origination.

The 2% Loan Program continues its role in 2010 of providing key financing to many important neighborhood and community development projects, many times in conjunction with financing and assistance from Great Streets and in partnership with many of our non-profit development corporations. Some examples from 2010:

- The City closed on a \$75,000 2% Commercial Loan for Zeus Jones LTD located at 2640 Lyndale Ave. S. in participation with a \$185,000 loan from Venture Bank. Zeus Jones is a Minneapolis based marketing company specializing in marketing strategy, design and innovation. They had outgrown their current location and worked with City staff to find a new larger space on Lyndale Avenue. The financing completed the improvements to the new facility. Zeus Jones currently employs 12 and anticipates adding up to 15 additional employees in their new space.
- The City closed on a \$225,000 financing package making use of three small business loan programs of the City to assist the Linden Hills Food Cooperative in making their move to a larger facility at 3815 Sunnyside Avenue. The City financing was in participation with a \$736,000 loan from People's Bank of Commerce, a \$350,000 loan from the North Country Cooperative Development Fund and \$1.5 million raised through Linden Hills Coop member loans.
- The City provided relocation assistance to WindRider International, a sailboat manufacturing company that relocated from Pine City, MN to 1226 Linden Avenue in Minneapolis. In addition to the relocation assistance, the City closed on a \$25,000 2% Loan and a \$50,000 Working Capital Loan in participation with Franklin Bank. The company has plans to hire 7-10 employees to assist with the manufacturing, assembly and customer service for the sailboat business.
- The City closed on a \$75,000 2% Commercial Loan for Sun Street Breads, Inc. a new bakery café to be located at 4600 Nicollet Avenue South, in participation with a \$250,000 loan from Venture Bank. The bakery owners anticipate hiring 8 part-time employees.
- 2010 also saw the City celebrating the 1,000th 2% Loan with the closing on a \$75,000 loan for Blackbird Café at their new location at 3800 Nicollet Avenue South, in participation with a \$150,000 loan from Park Midway Bank.

The following is a summary of the respective portfolios as of 12/31/2010.

2% Revolving Loan Program - Portfolio Summary

Total # of Loans to Date: 931	Total Loans Outstanding: 161
Total 2% \$ Loaned to Date: \$22,091,610	Total \$ Outstanding: \$2,687,596
Total # of Loans Written Off: 49	Total # of Loans on Watch List: 8
Total \$ Amount Written Off: \$589,498	Total \$ Amount on Watch List: \$99,612
Total # of Loans Defaulted: 57*	Total # of Loans Paid Off: 721
Default Rate: 2.67%**	Total \$ Private Invest: \$54,958,670

\$2.49 of Private Investment for every \$1.00 of Public Funds – Not Counting Owner's Equity.

*Includes loans on the Watch List and loans Written Off.

**The default rate percentage includes the loans currently on the Watch List.

2% Commercial Corridor/ Commercial Node Loan Program - Portfolio Summary

Total # of Loans to Date: 101	Total Loans Outstanding: 86
Total 2% \$ Loaned to Date: \$7,452,800	Total \$ Outstanding: \$4,978,790
Total # of Loans Written Off: 2	Total # of Loans on Watch List: 1
Total \$ Amount Written Off: \$127,715	Total \$ Amount on Watch List: \$50,496
Total # of Loans Defaulted: 3*	Total # of Loans Paid Off: 13
Default Rate: 1.71%**	Total \$ Private Invest: \$39,904,197

\$5.35 of Private Investment for every \$1.00 of Public Funds – Not Counting Owner's Equity.

*Includes loans on the Watch List and loans Written Off.

**The default rate percentage includes the loans currently on the Watch List.