

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

Date: November 27, 2007

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

**Subject:** Request for Funding of Partnership with the Metropolitan Consortium of Community Developers and the City of Minneapolis for the Small Business Loan Programs.

**Recommendation:** The CPED Director recommends that the City Council authorize an allocation of \$135,000 to the Metropolitan Consortium of Community Developers to extend the partnership on small business loan programs for 2008.

**Previous Directives:** Since 1991 the Business Finance staff on an annual basis has requested that the City Council approve the partnership arrangement with the Metropolitan Consortium of Community Developers to operate the micro loan program and other small business assistance programs.

Prepared by: Bob Lind, CPED, Business Finance, 673-5068
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 2008 budget request.

## 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.
- Sustainability Targets: N.A.
- Comprehensive Plan: N.A.
- Zoning Code: N.A.
- 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 the financings and the projects are undertaken for a variety of community purposes.
- Job Linkage Yes \_\_\_\_\_ No \_\_X\_\_

## Supporting Information

The Metropolitan 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.

At this year's annual MCCD meeting in October 2007, it was announced the merger of the Minneapolis Consortium of Community Developers with the St. Paul counter-part, the St. Paul Coalition for Community Development, resulting in the subsequent name change to the Metropolitan Consortium of Community Developers. With the merger, MCCD is now an association of 43 members working across the seven county Twin Cities metropolitan area. As a group, MCCD sees the potential for greater leveraging of resources, opportunities for new alliances within the membership, and the development of new programs that operate across the metropolitan area. See the attached Exhibit B for a listing of the combined membership of the new MCCD.

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 has increased 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 for over a year now 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 500 target area businesses during the last seventeen years. See the attached exhibit for the 24 small businesses that have been assisted in the past twelve months. 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 is included in CPED's 2008 budget in Fund SEDO – Small Business Finance.

Attachments: Exhibit A: MCCD loans closed in 12 month period of October 1, 2006 through September 30, 2007.

Exhibit B: Membership list of the Metropolitan Consortium of Community Developers.