

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

Date: August 12, 2008

To: Council Member Lisa Goodman, Chair, Community Development Committee

Referral to: Council Member Paul Ostrow, Chair, Ways and Means/Budget Committee

Subject: **Three Minneapolis Empowerment Zone (EZ) loans, recommended to the City Council by the EZ Governance Board on July 10, 2008:**

- 1.) \$250,000 to Neighborhood Development Center
- 2.) \$136,000 to Great Neighborhoods Development Corporation
- 3.) \$100,000 to North End Hardware

Recommendation: Approve the recommendation of the EZ Governance Board to fund three loans – to the organizations and in the amounts identified above – according to the terms specified in the 2008 EZ Request for Proposals, which are described below.

Previous Directives: Loan #1: The City has previously approved loans for the Midtown Global Market totaling \$2,100,000. See Request for Council Action dated November 6, 2007. Loan #2: The City has previously approved a \$300,000 EZ grant for the GNDC/Broadway Plaza development. CPED staff has also recommended that the City accept and serve as intermediary for environmental remediation grants for this project totaling \$500,541. See Request for Council Action dated July 29, 2008. Loan #3: No previous directives.

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Approved by: Mike Christenson, Director, Community Planning & Econ. Development ____
Presenter in Committee: David Fey, Sr. Policy Manager & Interim EZ Administrator, x5238

Reviews

- Development Finance Committee Provided comments on June 19, 2008
- EZ Governance Board Approved recommendations on July 10, 2008

Financial Impact

- No financial impact: action is within CPED department and EZ program budgets
- Action is within the CPED Business Plan and EZ Strategic Plan

Community Impact

- Neighborhood Notification: Notification of the 2008 EZ Request for Proposals – including the times and locations of two public information meetings, and the anticipated timeline for related Governance Board and City Council actions – was emailed to neighborhood organizations, major media and community newspapers in April of 2008.

- **City Goals & Comprehensive Plan:** The 2008 EZ Request for Proposals, and these three resulting loan recommendations, reflect the priorities identified in the EZ Strategic Planning Framework 2006-2009, which was adopted by the EZ Governance Board and the City Council, and is consistent with the City's goals and comprehensive plan. Specifically, Loans #1 and #2 support the revitalization of the Lake Street and West Broadway Avenue commercial corridors, while Loan #3 supports the revitalization of the commercial node at Penn and Lowry Avenues, in North Minneapolis.
- **Zoning Code:** The proposed projects are consistent with the Minneapolis Zoning Code.

Supporting Information

The Minneapolis EZ was established in 1999 as a 10-year program of the U.S. Department of Housing and Urban Development. While Minneapolis originally expected to receive \$100 million over this 10-year period, actual funding received has totaled \$25.8 million, of which approximately \$1 million is available for allocation before the designation ends in 2009.

On April 7, 2008 the Minneapolis EZ issued a final Request for Proposals (RFP) to allocate these remaining dollars as loans and grants to projects, programs, services and business enterprises that will benefit residents of the EZ area. Eligible uses for loan applications include real-estate development projects that provide community, retail or commercial-industrial space (or a combination of these uses) and business-expansion activities that enable existing businesses to employ EZ residents.

Rather than negotiating different terms for each loan, the RFP established the terms of this round of loans as 20 years at a fixed interest rate of 2%. However, for projects that do not achieve the proposed benefit to EZ residents by year 10, the interest rate will reset to the current market rate (calculated as the prime rate plus 1%) for the balance of term.

Ten loan proposals were received. These proposals were reviewed for financial capacity of the applicants and overall financial viability of the proposed projects by the Development Finance Committee on June 19, 2008. A Proposal Review Committee was established by the Governance Board, including three staff members and three Governance Board members.

This committee reviewed the comments of the Development Finance Committee, ranked the loan and grant proposals according to the evaluation criteria set forth in the RFP, and made recommendations to the EZ Governance Board. On July 10, 2008, the Governance Board selected these three loan proposals for recommendation to the City Council. Here is a brief description of the purpose and expected benefit of each of the recommended loans. The complete loan applications are available from the EZ staff.

1.) Neighborhood Development Center/Midtown Global Market: NDC will use this EZ loan to make micro loans to key Midtown Global Market tenants for equipment purchase and build outs, as well as for improvements and build outs for the MGM itself. These loans will be used in conjunction with targeted, culturally-appropriate technical assistance to help MGM entrepreneurs enhance their product offerings and appeal, to help their businesses grow. The build-out funds will allow MGM administration to effectively double the amount of grocery space available, which is a key component of the MGM strategic plan.

2.) Great Neighborhoods Development Corporation/Broadway Plaza: GNDC will use this EZ loan to support the Broadway Plaza project, a 165,000 square foot real estate development that will bring 225 new jobs, 15 businesses, and improved health and educational opportunities to the West Broadway Corridor and the Empowerment Zone. The anchor tenant will be the YWCA of Minneapolis, which is also partnering with the Science Museum of Minnesota at the site, as well as a new Broadway Safety Center operated in collaboration with the Minneapolis Police Department.

3.) North End Hardware/Business Expansion: North End Hardware, located at the intersection of Penn and Lowry Avenue North, will use this EZ loan to expand retail services and goods available to residents in and around the North Minneapolis Empowerment Zone sub-zone. EZ loan funds will be used in combination with other funds to rehabilitate Near North's only hardware store, through improvements to the exterior and roof of the building.

In addition to these three loans, the EZ Governance Board also selected 12 grants for EZ funding, based on proposals also received in response to the 2008 Request for Proposals. The RFP required separate applications for grants and loans. Because the maximum grant request was \$50,000, these grants do not require City Council approval. They are listed to provide a context for the City Council's consideration of the loans described above, and to illustrate the wide range of activities funded by the EZ 2008 RFP as a whole.

Approved Grants

1. Mpls Public Schools / Teenage Pregnancy and Parenting Program	\$50,000
2. MCTC / Power of You	\$50,000
3. Council on Crime and Justice / Collateral Effects Initiative	\$40,000
4. Little Earth Residents Association / Capacity building	\$50,000
5. Cookie Cart / Youth job skills training	\$25,000
6. Division of Indian Work / American Indian Math Project	\$50,000
7. YMCA / Beacons Network	\$50,000
8. North End Hardware / business expansion	\$45,000
9. Step-Up / Achieve MPLS	\$50,000
10. SEARCH / Immigrant Youth Intervention Services	\$25,000
11. La Oportunidad / Padres Parenting Program	\$39,000
<u>12. African Chamber of Commerce / micro business development</u>	<u>\$40,000</u>
<i>Total Approved Grants</i>	<i>\$514,000</i>

Recommended Loans

1. Neighborhood Development Center / Midtown Global Market	\$250,000
2. Great Neighborhoods Devel. Corp. / Broadway Athletic Center	\$136,000
<u>3. North End Hardware / business expansion</u>	<u>\$100,000</u>
<i>Total Recommended Loans</i>	<i>\$486,000</i>

Total 2008 EZ RFP Recommended Funding ***\$1,000,000***