

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

Date: June 21, 2011

To: Council Member Lisa Goodman, Community Development Committee
Council Member Betsy Hodges, Ways and Means/Budget Committee

Subject: Acceptance of a \$100,000 interest-free forgivable loan from the State of Minnesota and the establishment of a Business Recovery Loan Program in partnership with the Metropolitan Consortium of Community Developers.

Recommendation: The CPED Director recommends that the City Council:

1. Authorize City officials to accept a \$100,000 interest-free forgivable loan from the State of Minnesota Agricultural and Economic Development Board and accept an additional \$100,000 of capital from other funding partners to establish the Business Recovery Loan Program;
2. Authorize City officials to enter into a contract with the Metropolitan Consortium of Community Developers (MCCD) or amend the existing Contract #C-24003 to reflect the establishment of the Business Recovery Loan Program;
3. Increase the 2011 Revenue Budget for the Community Planning & Economic Development Agency Fund 01600 – Other Grants – State and Local (01600-8900900-321504) by \$200,000 to reflect the \$100,000 from the State and an additional \$100,000 match from other funding partners;
4. Amend the 2011 General Appropriation resolution by increasing the Community Planning and Economic Development Agency Economic Development Fund (01SED-8900330) by \$200,000 from the available fund balance to reflect the \$100,000 from the State and an additional \$100,000 from other funding partners; and
5. Approve the attached Resolution delegating authority to the Executive Director of CPED or his designee to make and execute a contract with the Minnesota Department of Employment and Economic Development and the Metropolitan Consortium of Community Development consistent with the Business Recovery Loan Program guidelines.

Previous Directives: None. The City of Minneapolis offers a variety of loan programs to assist small and large businesses with financing and technical assistance in partnership with local lenders and various nonprofit community development organizations. The establishment of a Business Recovery Loan Program would fill a need for disaster recovery

assistance to businesses that is not currently offered through more conventional financing channels.

Prepared by:	Bob Lind, CPED, Business Finance, 673-5068
Approved by:	Charles T. Lutz, Deputy Director CPED _____
	Catherine A. Polasky, Director, Economic Development _____
Presenters in Committee:	Bob Lind
Funding Source and Appropriation Language	
Reviewed by Development Finance:	_____

Reviews

- Permanent Review Committee (PRC): Approval _N.A._ Date _____

Financial Impact

- Other financial impact: The \$100,000 from the State of Minnesota will be structured as an interest-free forgivable loan to be matched by an additional \$100,000 of capital from other funding partners.

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 development purposes.
- Job Linkage Yes _____ No _X_

Supporting Information

Recommendation: That the City of Minneapolis accept a \$100,000 forgivable loan from the Minnesota Department of Employment and Economic Development for the creation of a Business Recovery Loan Program within CPED to assist Minneapolis businesses affected by a disaster.

In the past month the City has seen a number of organizations coming together to assist not only the many residents affected by the May 22 tornado, but also a number of small businesses. A consortium of organizations including the West Broadway Business and Area Coalition, NEON, MEDA, NDC, MCCD, Pohlads Foundation, and Catalyst Community Partners have been assessing the impact on northside businesses. One reoccurring need that has been identified is the need for some quick dollars to assist with insurance deductibles, property and equipment repair, inventory replacement, and business interruption expenses.

The need for an emergency Business Recovery Loan Program has been discussed within CPED for some time, with the need resurfacing each time we have some localized disaster such as the fire at 50th and Bryant. While the City has been able to assemble a response to these localized disasters, the May 22 tornado covering a much larger area, spoke to the need for a permanent program to meet the immediate needs of the affected businesses. It is staff's recommendation that CPED Business Finance needs to have a shelf-ready Business Recovery Loan Program that can be quickly drawn upon when disaster strikes, and put back on the shelf when not needed.

How the Business Recovery Loan Program will work: All of the various organizations previously noted in the report working on the north side would be intake sites for businesses seeking assistance. Information from the businesses and their needs would be collected and forwarded to City staff for loan approval. MCCD will process loan originations and provide loan servicing with administrative costs to be covered by program income. Funding for the program will come from a \$100,000 interest-free forgivable loan from the Minnesota Agricultural and Economic Development Board as part of DEED. An additional \$100,000 of capital will be raised from other funding partners. This loan is similar to what the State did for the City of Wadena and others who also suffered damage to businesses from tornados.

A draft of the Business Recovery Loan Program Guidelines is attached as Exhibit A. As proposed, the program would allow business owners to apply for a loan of up to \$5,000 to assist with costs incurred due to a disaster. The loans would be available at 4% with a maximum amortization of 3 years. The program would allow partial forgiveness of the principal loan balance should the business remain in operation for 2 years from the loan origination date. Possible short term deferment of principal and interest payments will be considered on a case by case basis.

Attachments:

Resolution Delegating Authority

Exhibit A: Business Recovery Loan Program Guidelines Summary

Business Recovery Loan Program

RESOLUTION
of the
CITY OF MINNEAPOLIS

Delegating Authority to make and execute Contracts, Loan Agreements and other appropriate loan documents consistent with the Business Recovery Loan Program.

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 Contracts, Loan Agreements and other appropriate Loan Documentation not to exceed the City Council authorized appropriation for the Business Recovery Loan Program.

Exhibit A

**Business Recovery Loan Program
Guidelines & Requirements Summary**

The City of Minneapolis through the department of Community Planning & Economic Development (CPED) in partnership with the Minnesota Agricultural and Economic Development Board and the Metropolitan Consortium of Community Developers (MCCD) has established the Business Recovery Loan Program to provide financing to Minneapolis based business that have been directly impacted by a disaster.

The Process

Interested individuals should begin by contacting the CPED Department of Business Finance to determine eligibility. Business owners will need to submit a completed loan application and provide required financial documentation. City staff will review the proposal, determine financial viability, and process the loan request. MCCD will originate loans and provide loan servicing for the City. A \$25 loan origination fee will be collected from the borrower at loan closing. Other administrative costs will be paid from program income.

The Loan

Loans of up to \$5,000 will be available at a 4% interest rate for a term not to exceed 3 years. A short term deferment of principal and interest payments will be considered on a case by case basis. Additionally, if the business remains in operation for two years beyond the loan origination date, the remaining principal balance of the loan will be forgiven. If at any time the business moves out of Minneapolis, the loan will become due immediately.

Eligibility

- Eligible applicants MUST BE an existing Minneapolis-based business that has been directly impacted by a disaster.
- The business must demonstrate the ability to repay the loan and be an acceptable credit risk as determined by the City.
- 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.

Eligible Uses

Eligible uses of the Business Recovery Loan Program funds can include a variety of disaster related expenses, including insurance deductibles, building and equipment repair, and inventory replacement. Program funds can also be used to assist with business interruption expenses, but will be limited to a maximum of \$2,000. Applicants will be required to provide documentation of expenses.

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