

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

Date: April 5, 2011

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

Subject: Central Corridor LRT Project - Joint Powers Agreement between the Cities of Minneapolis and Saint Paul for a small business loan and grant program funded by the Metropolitan Council and the Central Corridor Funders Collaborative

Recommendation:

- a) Authorize City staff to enter into a Joint Powers Agreement (JPA) with the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (Saint Paul) for a Small Business Loan and Grant Program for businesses impacted by the Central Corridor LRT Project construction.
- b) Delegate authority to the CPED Director to authorize amendments to the JPA to modify the ratio of program funds allocated to the two affected cities.

Previous Directives: No previous directives

Department Information

Prepared by: Emily Stern, Senior Project Coordinator, 612-673-5191

Approved by: Charles T. Lutz, Deputy CPED Director

Catherine A. Polasky, Director, Economic Policy & Development

Presenters in Committee: Emily Stern, Senior Project Coordinator

Financial Impact

Action is within the Business Plan

Community Impact

- Neighborhood Notification: City staff have discussed the loan program with Minneapolis business associations along the Central Corridor – the West Bank Business Association, Stadium Village Commercial Association, and Southeast Business Association – and have conducted extensive outreach to many individual businesses located along and near the line.
- City Goals: Jobs & Economic Vitality – helping businesses survive LRT-related construction impacts and thrive post-construction; Livable Communities, Healthy Lives – building and maintaining strong and vibrant commercial and transit corridors.
- Comprehensive Plan: The proposed action is consistent with the Comprehensive Plan.
- Zoning Code: N/A

- Sustainability Targets: maintaining and growing commercial density along the Corridor.
- Living Wage/Business Subsidy Agreement: N/A
- Job Linkage: N/A

Supporting Information

The Metropolitan Council is constructing an 11-mile long Central Corridor Light Rail Transit (CCLRT) line linking downtown Minneapolis with downtown Saint Paul. Advanced construction began in 2009-2010, with major construction scheduled for 2011 through 2013.

Recognizing that businesses located along the line may experience reduced revenues during construction due to real and perceived challenges for customers to navigate road closures and locate temporary parking, the Metropolitan Council and the Central Corridor Funders Collaborative (a group of 13 foundations that have pooled resources for the Central Corridor) have funded a Central Corridor business loan program. They have provided \$1.5 million for the loan fund, and further commitments of funding are expected. The loans will be up to \$10,000 per business for working capital at 0% interest. It is possible that a portion of the loan will be converted to a grant. Currently, the funds provided by the Central Corridor Funders Collaborative (\$500,000 of the \$1.5 million) can be used as grants.

The Metropolitan Council and Central Corridor Funders Collaborative have provided the funds to the Saint Paul Housing and Redevelopment Authority, with the understanding that the program would be administered in both Minneapolis and Saint Paul by a third party under the terms of an agreement between the Cities of Minneapolis and Saint Paul. That agreement, allowing the administration of this business loan program to Central Corridor businesses within Minneapolis, is the subject of this report. The third party administrator will be selected through a Request for Proposals process with participation from both Cities.

The Program is part of a broader suite of business support tools, resources and assistance that is being coordinated through the Central Corridor Business Resources Collaborative, a partnership of CCLRT businesses and business associations, nonprofit technical assistance providers, the Cities of Minneapolis and Saint Paul, and the Metropolitan Council that is working to promote the interests of businesses and property owners in the Central Corridor.

The Central Corridor Business Resources Collaborative has established the following eligibility criteria for applicants. These criteria have been approved by the funders:

- Independent, for-profit business with fewer than five locations and up to \$2 million in annual gross sales and whose business focuses on retail or restaurant services. Professional service providers will be considered.
- Located within one block of a Central Corridor construction zone where the business can demonstrate a significant barrier to customer access due to construction.
- Located at current Central Corridor location for one year or more.

- Applicant can demonstrate they are current on taxes, rent/mortgage, utility, and employee payments at the beginning of the LRT line construction in their affected area
- Applicant must meet with a Small Business Consultant to review and access “Ready for Rail” technical assistance training and support services.
- Loan and grant applications can be accepted through December 2013.
- Loan and grant applications may be submitted 60 days or more after construction has started in the applicant’s immediate area.
- Applicant must present at least three years of financial records (or as long as business has been operational, if less than three years) and monthly financials demonstrating the period of revenue loss, to show inability to cover basic business expenses related to construction.
- Applicant must certify that the loan and grant will be used for basic business expenses including taxes, rent/mortgage, utilities or payroll.

Loan Features and Terms:

- 0% interest
- Loan and grant amounts will vary, depending on need. Single or cumulative loan and grant amounts will not exceed a total of \$10,000 per business of which up to one-third will be available in grant funds.
- The loan will be secured by a promissory note, personal guaranty and/or lien on business or property.
- Loan principal shall be repaid in equal monthly payments beginning 18 months after the loan is closed. Minimum monthly payment will be \$100. The maximum loan term will be five years, including the 18-month deferral period
- Loan balance payable in full on sale of the business or relocation from Central Corridor.

The ratio of Program funds per the Joint Powers Agreement is expected to be seventy percent (70%) for Saint Paul businesses and thirty percent (30%) for Minneapolis businesses, with modifications to this ratio as deemed necessary by the Saint Paul HRA and the City of Minneapolis (the “City”). This ratio is consistent with the relative allocation of CCLRT capital funds and track miles for each city and also roughly proportionate to the numbers of eligible businesses located along the line in each city. Any modification that changes this ratio will require written rationale and approval by the Minneapolis CPED Director and Saint Paul HRA Director.

Staff recommends authorization to enter into a Joint Powers Agreement to allow Minneapolis businesses access to the Central Corridor Ready for Rail loan program. This program will augment other City of Minneapolis business financing programs including the 2% loan program and the working capital guaranty program.