



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

Date: November 7, 2006

To: Council Member Lisa Goodman, Community Development Committee

Subject: Update on the 2% Commercial Corridor/Commercial Node Small Business Loan Program and CPED Business Finance.

Recommendation: **Recommendation: The CPED Director recommends that the City Council receive and file this report on the status update of the 2% Commercial Corridor/Commercial Node Small Business Loan Program.**

Previous Directives: In 2004 the City Council authorized the modification of the existing 2% Commercial Loan Program established by City Council action in 1986, to expand its effectiveness along commercial corridors and commercial nodes.

Prepared by: Bob Lind, CPED, Business Finance, 673-5068
Approved by: Chuck Lutz, Deputy Director CPED _____
Presenters in Committee: Bob Lind

Reviews

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

Financial Impact

- Other financial impact: The 2% Commercial Corridor/Commercial Node program has been very popular with businesses and banks. Available funds for the program have been exhausted and in order to continue making loans in 2007, staff is utilizing funds available in the "regular" 2% Commercial Loan Program. This practice will permit staff to continue making 2% loans in 2007, but cannot continue beyond 2007 and still have funds available for additional 2% loans.

Community Impact

- Neighborhood Notification: N.A. A City-wide program.

- City Goals: The 2% Commercial Corridor/Commercial Node Small Business Loan Program meets the City goal to create connected communities where residents will live within walking distance of what they need. It will also help support a mix of unique small businesses that give Minneapolis' neighborhoods unique identities and character.
- Comprehensive Plan: Projects when completed are in compliance.
- Zoning Code: Projects when completed are in compliance.
- Other: N.A.

Business Finance Recommendation:

It is recommended that the CPED Director recommends as part of the budget discussions for the 2008 Budget Request, that up to \$1 million of the Minneapolis Common Bond Fund contingency reserves as approved by City Council action on February 24, 2006, be allocated to the 2% Commercial Corridor/Commercial Node Small Business Loan Program in order to fund additional 2% loans in 2008 and beyond.

History:

In 2004 the existing 2% Commercial Small Business Loan Program was expanded through the creation of the 2% Commercial Corridor/Commercial Node Small Business Loan Program. The program is designed to assist businesses located along commercial corridors and within commercial nodes as designated by the Minneapolis Plan. Funding for this new initiative came from an initial \$1 million investment from the Hilton Legacy Fund (Fund SPH0) in 2004, with an additional \$500,000 in both 2005 and 2006. The program provides 2% commercial loans up to \$75,000, with matching funds provided by local lenders and other economic development organizations.

Where are we now with the 2% Commercial Corridor/Commercial Node Small Business Loan Program?

To-date the program has been seeded with \$2 million from Fund SPH0; the initial \$1 million in 2004 and an additional \$500,000 in both 2005 and 2006. With loans at up to \$75,000, all of the initial \$2 million has been placed in service through our providing 35 Commercial Corridor/Commercial Node loans. In addition, the annual loan repayments of about \$200,000 a year have also been recycled into making additional loans.

The 2% Commercial Corridor/Commercial Node program has been very popular in 2006. Through the third quarter of 2006, Business Finance has closed on 19 Commercial Corridor loans for a total of \$1,275,000. We have loaned out all of the \$2 million received from Fund SPH0 (Legacy Fund) in the years 2004-2006. In order to continue making additional loans in the fourth quarter of 2006, and into 2007, staff is utilizing the funds available in the "regular" 2% Commercial Loan Program and the repayments coming back in on the outstanding loans. This practice will need to continue into 2007 without any new capital for the Commercial Corridor/Commercial Node 2% Small Business Loan Program. However, it is clear that this practice of utilizing the regular 2% program to make additional loans under the Commercial Corridor/Commercial Node program can not continue beyond 2007 and that additional new capital will be required in 2008. It is Business Finance staff's recommendation that up to \$1 million of the Minneapolis Common Bond Fund contingency reserves as approved by City Council action on February 24, 2006, be allocated to the 2% Commercial Corridor/Commercial Node Small Business Loan Program in the 2008 budget discussions in order to fund additional 2% loans in 2008 and beyond.

The program has been very well received by both the private lenders and the 35 small businesses that have utilized the program since its inception in late 2004. The private banks involved have leveraged the City's \$2.45 million investment with over \$7 million in private bank financing. See the attached listing of the 35 small businesses that have made use of the program to-date.

Key City initiatives that would be served by additional funding for the 2% Commercial Corridor/Commercial Node Small Business Loan Program:

1. The Mayor's State of the City address on April 18, 2006 highlighted the efforts that need to happen to foster economic development in north Minneapolis, especially along West Broadway.
2. The April 21, 2006 City Council Study Session on Minneapolis Corridors also stressed the importance of having the necessary funding available to capitalize on the opportunities along our commercial corridors.
3. The 2% Commercial Corridor/Commercial Node Small Business Loan Program addresses the City's goal of creating connected communities where residents will live within walking distance of what they need. The program also helps to support a mix of unique small businesses that give Minneapolis' neighborhoods unique identities and character.

In order to accommodate the demand for the 2% Commercial Corridor/Commercial Node Small Business Loan Program, it will be necessary to provide additional new capital to supplement the recapture of the loan repayments if we are to have the necessary funds to meet the challenges of north Minneapolis and the City at-large. A transfer of \$1 million in 2008 from the \$5 million CBF contingency reserve would provide for 15-20 additional commercial corridor/commercial node loans, matched by private bank financing. Starting in 2009, the loan repayments from the commercial corridor/commercial node program should be generating about \$500,000 or more a year that would be used to make additional loans, thereby relieving the pressure on the program for any additional new capital needs.

Attachment: Listing of Loans Closed 2004 – September 30, 2006.

Commercial Corridor/Commercial Node 2% Small Business Loan Program

Business Finance 2004 – September 30, 2006

Applicant	Bank	City	Projected			
Retained	Ward	Date	Neighborhood			
Commercial Corridor/Commercial Node Program	Amount	Amount	Bank			
New Jobs	Jobs	Closed	Participating			
Rustica, LLC	\$125,000	\$75,000	6	0	11	
812 46TH ST W						6/16/2004
Anthony's Shopping Center	\$125,000	\$75,000	25	0	2	
804 WASHINGTON AVE S E						9/8/2004
Landmark 125 West Broadway	\$1,261,000	\$75,000	30	0	5	
1928 2ND ST N						11/3/2004
Master Engineering	\$75,000	\$75,000	3	18	5	
1928 2ND ST N						11/3/2004
McIntosh Embossing	\$75,000	\$75,000	2	14	2	
110 12TH AVE S						2/14/2005
WOODLAND STOVES & FIRE	\$60,000	\$60,000	3	11	2	
2901 FRANKLIN AVE E						3/9/2005
OLD ARIZONA STUDIOS	\$100,000	\$40,000	1	2	6	
2823 NICOLLET AVE						4/26/2005
Snap, Inc.	\$105,000	\$75,000	30	2	1	6/2/2005
2851 JOHNSON ST N E						6/13/2005
Saunders Dining, Inc.	\$291,209	\$75,000	15	0	5	6/22/2005
308 HENNEPIN AVE E						6/28/2005
Simm, Gauk	\$50,000	\$35,000	12	0	6	8/8/2005
2608 NICOLLET AVE						8/18/2005
The Green Institute Inc.	\$75,000	\$75,000	10	18		
2800 21ST AVE S						8/31/2005
NDC REDI II, LLC	\$1,000,000	\$150,000	300	0	9	7/22/2005

920 Lake St E						3/16/2006
Kick's Liquor Store, Inc.	\$75,000	\$75,000	2	8	5	3/22/2006
2201 WEST BROADWAY						3/24/2006
Everest Cafe (Sagarmatha Enter	\$50,000	\$31,450	3	5	9	
920 Lake St E						4/20/2006
City Market & Halal Meat	\$125,000	\$75,000	5	0	9	
1825 LAKE ST E						5/31/2006
Tortillas Payan, LLC	\$131,492	\$75,000	0	0	2	
2616 27TH AVE S						6/22/2006
Louis Ginther Inc	\$275,000	\$75,000	0	26	3	
1301 UNIVERSITY SE						6/28/2006
WonderWoman Construction LL	\$50,000	\$50,000	3	3	2	
50 BEDFORD ST						8/25/2006
Petersen Flowers	\$60,000	\$60,000	3	3	8	
410 38TH ST W						8/31/2006
Chang Bang	\$375,000	\$75,000	0	0		8/22/2006
920 LAKE ST E						9/15/2006
Franklin Street Bakery	\$75,000	\$75,000	0	75		
1020 FRANKLIN AVE E						9/28/2006
526	338		# Loans	35	\$7,012,951	\$2,455,100