



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

Date: December 8, 2008

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

Subject: Empowerment Zone application to U.S. Housing and Urban Development, Community Planning and Development, Economic Development Initiative-Special Project Grant

Prepared by: Maria M. Conley, Project Coordinator, Minneapolis Empowerment Zone (612) 673-5115

Presenter
in Committee: Jack Kryst, Director, Development Finance
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Approved by: Charles T. Lutz, Deputy Director, Community Planning and Economic Development _____

RECOMMENDATION

Approve Empowerment Zone grant application for \$264,600 for a Federal Appropriation via the Office of Congressman Keith Ellison

Previous Directives

None.

Financial Impact (Check those that apply)

No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)

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 funding 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, Broadway Plaza and Neighborhood Development Center/Midtown Global Market support the revitalization of the Lake Street and West Broadway Avenue commercial corridors, while North End Hardware 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.

Background/Supporting Information

The Minneapolis Empowerment Zone has been selected to receive a grant of \$264,600 from the U.S. Department of Housing and Urban Development, Community Planning and Development office to support economic development within the designated Empowerment Zone. The funds must be applied for through a grant application, which is due December 31, 2008. This funding supports the 2008 Request for Proposals in which three projects were chosen to receive loan funds from the Empowerment Zone funds: Neighborhood Development Center/Midtown Global Market, Great Neighborhoods Development Corporation, and North End Hardware. The grant will be used to fund 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 expand and employ EZ residents.

The terms of the loans were set at an amortization of 20 years at a fixed interest rate of 2% by the Empowerment Zone Governance Board to reflect the 2% loan program offered by the Business Finance Department of CPED. 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 the term.

The funding 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 review committee was chosen by the Empowerment Zone Governance Board including three Empowerment Zone staff and three Governance Board members. The review committee ranked the proposals according to the evaluation criteria set forth in the RFP application and made recommendations to the Governance Board. The Governance Board chose the 3 applicants listed above for funding.

Project Details

Neighborhood Development Center Project: NDC will utilize the EZ funding 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. The funds will be used in conjunction with targeted, culturally-appropriate technical assistance to help MGM entrepreneurs to enhance their product offerings and appeal, to help their

businesses to grow. The funds will also allow MGM administration to effectively double the amount of grocery space available, which is a key component of the MGM strategic plan.

Great Neighborhoods Development Corporation Project: funding for GNDC will 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.

North End Hardware Project: The funding for North End Hardware, located at 3117 Penn Avenue North, will further expand retail services and goods available to Empowerment Zone residents in and around the North Minneapolis sub-zone. Empowerment Zone 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.