Vacant Retail Activation ("Right Sized Retail") Forgivable Loan Downtown Pilot Program
Draft Guidelines

November 20, 2026

Introduction

This program was created to help bring life back to large empty storefronts in the city. Many large commercial spaces aren't being used because they're too big or too outdated for modern small businesses. By helping property owners divide these spaces into smaller, more useful areas, the city hopes to attract new shops, restaurants, and services. When more businesses open, more people visit the area, which increases vitality of the area.

Program Guidelines

1. Purpose of the Program

In 2026, the City appropriated $800,000 to help property owners update vacant commercial spaces. Many large retail spaces sit empty because they need repairs or are too big for the types of businesses that want to open today.

The program pays for building improvements such as creating new entrances, dividing a large space into smaller spaces, or retrofitting building infrastructure to suit new spaces. These improvements make the spaces more affordable and easier for small businesses to use.

Why this matters:

- Smaller, updated spaces make it easier for businesses to succeed.
- More people walking through the area means more safety and more customers for nearby shops.
- When businesses open, the community gets better access to goods and services.
- More business activity also increases tax revenue, helping support city services.

2. Eligibility Criteria

This section explains who can apply and what types of spaces qualify.

a. Eligible Locations

In the first year, only buildings on Nicollet Mall between 6th and 8th Streets can apply. These blocks have very high vacancy — between 50% and 70% of the available retail space. In future years, the program may expand to other parts of the city.

b. Eligible Applicants

To apply, property owners must:

- Own a commercial property.
- Be in good standing with the City or be willing to fix any violations.
- Have current property taxes
- Have resolved any legal judgments related to the property.

c. Eligible Spaces

The space must:

- Be vacant and at least 7,500 square feet.
- Be located on the ground floor and/or in the skyway.
- Be intended for an active use, such as retail, restaurants, entertainment, amusement, medical, or office use. (Zoning rules apply.)

d. Ineligible Uses for New Space

New spaces formed out of this funding cannot be for these types of businesses:

- Cannabis, tobacco, or off-sale liquor stores
- Places of worship
- Adult entertainment businesses
- Hotels/motels
- Event-only spaces
- Storage spaces
- Subleases to entities that are affiliated with the Borrower.
- Dividing a space for use by a single business in more than one space.

e. Eligible Expenses

The program will pay for improvements that help prepare a space for multiple smaller tenants. These include:

- Exterior doors and windows
- Interior doors, windows, walls, ceilings, floors
- ADA accessibility improvements
- Plumbing, electrical, lighting, mechanical system upgrades necessary for splitting spaces
- Painting
- Other construction work needed to divide a large space

f. Ineligible Expenses

The program will not pay for:

- Improvements that started before this funding is approved

- Improvements that are not related to making the space smaller
- Furniture, fixtures and equipment
- Refinancing debt
- Billboard advertising
- Political, religious, or anti-religious activities
- Lobbying or union-related activities

3. Selection Process

This section explains how applications will be reviewed and scored.

a. Scoring Priorities

Projects will receive more favorable evaluations when they demonstrate a greater number of the following characteristics that align with City objectives:

- A higher amount and percentage of property owner investment to match the City loan funds.
- Letter(s) of intent or signed lease(s) by tenants for the new spaces.
- Plans to offer longer-term leases to future tenants of the new spaces.
- Plans for active uses in the new spaces that are open to the public and encourage people to visit Nicollet Mall.
- A larger portion of the vacant space converted into usable new spaces, with minimal leftover areas that are difficult to lease or use.
- Creation of new ground floor spaces.
- Installation of exterior doors that provide direct access from the new space to Nicollet Mall.

b. Review Committee

A group made up of City staff and Downtown Council will review and score applications.

c. Scoring

- Project alignment with City objectives (50 points)
    - Uses, lease length, ground floor and door preference
- Value for the dollar (25 points)
    - Amount of space used, number of tenants, amount of funds requested, amount of matching funds)
- Project readiness (25 points)

4. Outcome requirements and forgiveness terms

The maximum loan amount available per property owner is **$800,000**. The requirements for receiving the loan depend on the amount of funding requested.

Loans of $150,000 or Less

- A public hearing before a City Council Committee is not required.
- A Business Subsidy Agreement is not required.

Loans Greater than $150,000

- A public hearing before a City Council Committee is required as part of the approval process.
- The property owner must enter into a Business Subsidy Agreement with the City.

Loan Forgiveness

The loan will be fully forgiven one year after the loan closing date if at least **50% of the total square footage** of newly created space has signed lease agreements with eligible business uses. To qualify, each lease must have a term of at least five years. Tenants do not need to have occupied the space by the one-year mark, but qualifying leases must be signed by that date.

For example, if a project creates 10,000 square feet of new space, at least 5,000 square feet must be covered by signed leases with eligible businesses for a minimum term of five years to qualify for full loan forgiveness.

Repayment requirements

If a loan does not qualify for forgiveness, the property owners must repay the loan under the following terms:

- **Loan term:** 10 years
- **Interest rate**: 5%, accrued from the date of loan closing
- **Payment terms:** Deferred for the first year, amortized for nine years from year two to the 10-year maturity date

5. Administration

Application Process

The City will release a Notice of Funding Availability (NOFA) announcing the program and providing application instructions and requirements.

- Applications will have an initial submission deadline approximately four weeks after the NOFA is released.
- After the initial deadline, applications may be accepted on a rolling basis until all available funds have been awarded or the City closes receipt of applications.

Applicants must submit a project proposal describing the proposed improvements and how the project will create new, leasable spaces. The proposal must include:

- **Existing vacant space:** Total square footage of the property that is currently vacant.
- **Proposed new spaces:** Number of new spaces to be created and the square footage of each space. Location in the building, including which floor the new spaces are on.

Design features of spaces, including where entrances will be located and if any will include additions of exterior doors to Nicollet Mall.
- **Intended uses and marketing:** Planned uses for the new spaces and how the spaces will be marketed to attract tenants.
- **Proposed lease terms:** Lease terms being offered to future tenants, including lease length and rental rates. Include any leases already signed or with letters of intent to show firm plans for new spaces.
- **Project budget:** Estimated project costs and the amount of funding requested from the City, as well as amount of funding being contributed by the property owner.

Review and Approval

Each loan award must be approved by the City Council and the Mayor before funding can be provided.

Contract Requirements and Compliance

Property owners receiving funding must enter into a loan agreement with the City and meet all applicable contract requirements.

City civil rights and contract compliance requirements apply. For more information, visit the City of Minneapolis Contract Compliance webpage.

Funding Disbursement

City loan funds will be disbursed as construction progresses through a construction draw process. Property owners must submit documentation of completed work and associated costs to request payment.

Self-Performed Work

Property owners cannot use City loan funds to pay for construction work they perform themselves. Construction work must be completed by qualified third-party contractors.

Annual Reporting

Property owners may be required to submit annual reports to document project progress and compliance with program requirements. Reports may include:

- Square footage of each newly created space.
- Number of new spaces and the number and percentage of spaces leased.
- Lease terms, including lease length.
- Tenant business uses.