


ROSEVILLE
ECONOMIC DEVELOPMENT AUTHORITY

Date: 3/13/2023
Item No.: 5.b

Department Approval

Executive Director Approval

Janice Gundlach

Paul J. Trueman

Item Description: Discuss small business micro-loan pilot program

BACKGROUND

Beginning in 2020, the Roseville Economic Development Authority (REDA) began budgeting for a small business loan program. The intent behind a small business loan fund was to provide resources to small businesses who may struggle to obtain traditional financing. This loan program is offered in partnership with Open to Business, with maximum individual loans valued at \$50,000. This program was formalized in 2021, but to-date zero loans have been made under this program.

In the summer of 2021, the REDA launched the Choose Roseville marketing campaign utilizing American Rescue Plan Act (ARPA) funds to assist small businesses in Roseville. The purpose and intent of this campaign was to provide small business support as the economic climate was attempting to normalize post-covid. This campaign required identification of small businesses meeting certain criteria, with an emphasis on those that identify as BIPOC, then conducting in-person visits from August 2021 through December 2022.

Through these efforts, staff heard from several businesses that they could benefit from smaller-value grants in order to expand their services. Many of the improvements these small business were/are exploring are capital investments into space they lease. In an effort to respond to the request for grants, staff reviewed existing programs for small businesses and found that there are no grants or forgivable loans that exist in Ramsey County.

Given the interest in grants by Roseville-area small businesses, the lack of existing grant programs, and City access to ARPA funds aimed at supporting economic development efforts of small businesses staff felt exploration of a small business pilot grant program was worth consideration by the REDA. Staff began exploring how such a program could be structured/offered, but was advised by the REDA attorney that grants are not statutorily allowed. And while grants are allowed if they are funded with ARPA, because this would be considered a “pilot” program whereby if successful it could be continued with non-ARPA funds, staff pivoted to a forgivable loan so as to ensure compliance with Statute. As such, staff has developed a small business micro-loan pilot program for the REDA’s consideration. The program would utilize up to \$30,000 of ARPA funds.

If the REDA is interested in entertaining such a pilot program, staff has offered the following program parameters for consideration and feedback:

36 **Anticipated Program Parameters**

37 Loan funds would only be used for capital improvements. Eligible capital improvements include, but are not
38 limited to repair, renovation and rehabilitation of buildings; building code corrections; and façade
39 improvements.

40 To be eligible for a small business loan, a business must meet all of the following criteria:

- 41 • Employ no more than 5 fulltime equivalent employees (including business owner).
- 42 • Have a bricks and mortar presence in Roseville. Home-based businesses are not eligible for funds,
43 unless the funds are proposed to be used towards expansion into a bricks and mortar location
44 within Roseville.
- 45 • The business must use the loan funds in connection with an expansion of business operations that
46 results in an increase of employees.

47 **Loan Structure**

- 48 • Loans would be forgiven if the business remains open in the City of Roseville for a period of 3
49 months.
- 50 • At the end of 3 months, the business must provide a statement describing how the funds helped to
51 expand the business, increase the number of employees, or retain employees.
- 52 • Loan proceeds would be disbursed on a reimbursement basis. Invoices for eligible costs would be
53 required prior to disbursement.
- 54 • Loan recipients would enter into a forgivable loan agreement with REDA.

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56 **Application Requirements**

- 57 • Basic details about the business (who, what, where).
- 58 • Must be able to demonstrate the business has been in business for at least one year.
- 59 • Description of capital improvements to be funded with the loan.
- 60 • A statement of need, including whether access to traditional funding has been explored, and if yes,
61 why traditional funding was not pursued for the intended use of the loan funds.
- 62 • A summary of the business’s monthly revenues & expenditures for the last 1-2 years.
- 63 • An explanation of how the forgivable loan will help the business remain and expand in the City of
64 Roseville and create jobs.

65
66 **Marketing & Administration**

67 The loan program would be marketed to eligible businesses, including those that were identified through the
68 Choose Roseville program. Applications would be reviewed and awards would be given on a first-come
69 first-served basis until all funds are extinguished. The program administrator would reserve the right to
70 approve or reject applications on a case-by-case basis, taking into consideration program parameters, level
71 of need, prospective benefit potential, and other factors, as well as adherence to other City-established
72 policies and criteria. Meeting the criteria would not guarantee that an application will be approved.
73 Approval or denial of an application would be at the sole discretion of the program administrator.

74
75 **Businesses Not Eligible**

76 The following businesses would not be eligible:

- 77 • Businesses that do not have a physical commercial address located within the city of Roseville
- 78 • Non-profit organizations
- 79 • Businesses with annual gross revenues greater than \$1 million
- 80 • Chain retail

- 81 • Businesses that derive income from passive investments without operational ties to operational
- 82 businesses
- 83 • Businesses that engage in sexually explicit goods/services
- 84 • Businesses that engage in gambling enterprises
- 85 • Businesses that engage in activities prohibited by law
- 86 • Businesses that earn revenue from pyramid schemes, lending services and/or day trading/short term
- 87 investments
- 88 • Businesses that are not in compliance with all state and local laws and regulations pertaining to
- 89 licensing, building codes, zoning, and environmental requirements.
- 90 • Businesses that have delinquent taxes, bills, fines or other charges due to the city.

91 **Anticipated Total Program Funding**

- 92 • *Maximum Loan* funding per business would be capped at \$5,000 (not to include Open to Business
- 93 fees)
- 94 • Total program budget would not exceed \$30,000
- 95 • Administrative fees would not exceed \$5,000 (included in the \$30,000)
- 96 • Funding would be dispersed by December 1, 2024
- 97 • Loans would be administered through the Open to Business program
- 98 • Administrator would be responsible for execution of loan agreements with loan recipients and
- 99 follow-up after 90 days for loan forgiveness criteria
- 100 • Administrator would enter into an agreement with the REDA for program administration
- 101

102 **Anticipated Minimum & Maximum Loan Amounts** – loan award to be determined based on need*

- 103 • \$5,000 max (would result in no less than 5 recipients)
- 104 • \$1,500 min
- 105 • If costs of improvement exceeds loan proceeds, then the business will need to show proof of funds
- 106 to complete improvements before award of loan.

107 *Loan award amounts would be based upon need - businesses with the most demonstrated need would
108 receive the maximum funding and businesses not able to demonstrate need would not be funded. Total
109 number of loans awarded, and loan amounts, would be driven by available funding and number of qualified
110 applicants.

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112 At this time, staff suggests the program only be considered as a pilot program. If, at the end of 2024 the
113 program is deemed successful, the REDA could discuss continuing the program in some form, whether
114 adhering to the requirements established for the pilot, and/or making changes based upon lessons learned
115 through implementation. Of course, the continued funding source for the forgivable loan program would
116 have to be identified.

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118 **POLICY OBJECTIVE**

119 The REDA’s role is to coordinate and administer housing, economic development and redevelopment
120 efforts for the City of Roseville.

121 **BUDGET IMPLICATIONS**

122 The REDA would utilize up to \$30,000 of ARPA funds for this pilot program.

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124 **RACIAL EQUITY IMPACT SUMMARY**

125 There are no identified racial equity impacts related to this request.

126 **STAFF RECOMMENDATION**

127 Receive information on a small business micro loan pilot program and provide feedback and direction to
128 City staff.

129 **REQUESTED REDA ACTION**

130 Receive information on a small business micro loan pilot program and provide feedback and direction to
131 City staff. If the REDA wishes to pursue the pilot program, staff would bring a formal program forward for
132 action at a future REDA meeting.

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134 Prepared by: Jeanne Kelsey, Housing & Economic Program Manager, 651-791-7086

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137 Attachments A: Prospective Roseville Small Business Forgivable Micro Loan Program

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Prospective Roseville Small Business Forgivable Loan Program

Roseville is exploring the opportunity to provide forgivable loans of up to \$5,000 for small businesses with less than 5 fulltime-equivalent employees to assist the businesses with making capital improvements. Applications would be reviewed on a first-come, first-served basis. Loans would be given to business to fund capital improvements that foster business growth and business expansions, help redevelop and improve aging commercial properties, and help create jobs in the City of Roseville. Businesses identified in the Choose Roseville program would be encouraged to apply for the loan program.

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Loan Structure

- Loans would be forgiven if the business remains open in the City of Roseville for a period of 3 months.
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Application Requirements

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- A summary of the business's monthly revenues & expenditures for the last 1-2 years.
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