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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **1105**

02/19/2015 Authored by Vogel, Isaacson, Loonan and Smith

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance

1.1 A bill for an act
1.2 relating to economic development; modifying the urban challenge grants
1.3 program; appropriating money; amending Minnesota Statutes 2014, sections
1.4 116M.14, by adding a subdivision; 116M.18, subdivisions 1, 2, 3, 4, 8.
1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2014, section 116M.14, is amended by adding a
1.7 subdivision to read:

1.8 Subd. 6. **Low-income person.** "Low-income person" means a person who has an
1.9 annual income, adjusted for family size, of not more than 80 percent of the area median
1.10 family income for the seven-county metropolitan area.

1.11 Sec. 2. Minnesota Statutes 2014, section 116M.18, subdivision 1, is amended to read:

1.12 Subdivision 1. **Eligibility rules.** The board shall make urban challenge grants
1.13 ~~for use in low-income areas~~ for use in the seven-county metropolitan area to nonprofit
1.14 corporations to encourage private investment, to provide jobs for minority persons and
1.15 others in low-income areas, to create and strengthen minority and low-income persons'
1.16 business enterprises, and to promote economic development in a low-income area. The
1.17 board shall adopt rules to establish criteria for determining loan eligibility.

1.18 Sec. 3. Minnesota Statutes 2014, section 116M.18, subdivision 2, is amended to read:

1.19 Subd. 2. **Challenge grant eligibility; nonprofit corporation.** The board may enter
1.20 into agreements with nonprofit corporations to fund and guarantee loans the nonprofit
1.21 corporation makes in low-income areas under subdivision 4 and to low-income persons. A
1.22 corporation must demonstrate that:

(1) its board of directors includes citizens experienced in development, minority business enterprises, and creating jobs in low-income areas;

(2) it has the technical skills to analyze projects;

(3) it is familiar with other available public and private funding sources and economic development programs;

(4) it can initiate and implement economic development projects;

(5) it can establish and administer a revolving loan account; and

(6) it can work with job referral networks which assist minority and other persons in low-income areas.

Sec. 4. Minnesota Statutes 2014, section 116M.18, subdivision 3, is amended to read:

Subd. 3. **Revolving loan fund.** (a) The board shall establish a revolving loan fund to make grants to nonprofit corporations for the purpose of making loans and loan guarantees to new and expanding businesses in a low-income area, and to promote minority business enterprises and job creation for minority and other persons in low-income areas low-income persons throughout the seven-county metropolitan area.

(b) Eligible business enterprises include, but are not limited to, technologically innovative industries, value-added manufacturing, and information industries. Loan applications given preliminary approval by the nonprofit corporation must be forwarded to the board for approval. The commissioner must give final approval for each loan or loan guarantee made by the nonprofit corporation. The amount of the state funds contributed to any loan or loan guarantee may not exceed 50 percent of each loan.

Sec. 5. Minnesota Statutes 2014, section 116M.18, subdivision 4, is amended to read:

Subd. 4. **Business loan criteria.** (a) The criteria in this subdivision apply to loans made or guaranteed by nonprofit corporations under the urban challenge grant program.

(b) Loans or guarantees must be made to businesses that are not likely to undertake a project for which loans are sought without assistance from the urban challenge grant program.

~~(c) A loan or guarantee must be used for a project designed to benefit persons in low-income areas through the creation of job or business opportunities for them. Priority must be given for loans to the lowest income areas.~~

~~(d)~~ (c) The minimum state contribution to a loan or guarantee is \$5,000 and the maximum is \$150,000.

~~(e)~~ (d) The state contribution must be matched by at least an equal amount of new private investment.

3.1 ~~(f)~~ (e) A loan may not be used for a retail development project.

3.2 ~~(g)~~ (f) The business must agree to work with job referral networks that focus on
3.3 minority applicants from low-income areas.

3.4 Sec. 6. Minnesota Statutes 2014, section 116M.18, subdivision 8, is amended to read:

3.5 Subd. 8. **Reporting requirements.** A nonprofit corporation that receives a
3.6 challenge grant shall:

3.7 (1) submit an annual report to the board by September 30 of each year that includes a
3.8 description of projects supported by the urban challenge grant program, an account of loans
3.9 made during the calendar year, the program's impact on minority business enterprises and
3.10 job creation for minority persons and low-income persons ~~in low-income areas~~, the source
3.11 and amount of money collected and distributed by the urban challenge grant program, the
3.12 program's assets and liabilities, and an explanation of administrative expenses; and

3.13 (2) provide for an independent annual audit to be performed in accordance with
3.14 generally accepted accounting practices and auditing standards and submit a copy of each
3.15 annual audit report to the board.

3.16 Sec. 7. **APPROPRIATION.**

3.17 (a) \$350,000 in fiscal year 2016 and \$350,000 in fiscal year 2017 are from the
3.18 general fund to the commissioner of employment and economic development for the
3.19 department's business development pilot program.

3.20 (b) \$500,000 in fiscal year 2016 and \$500,000 in fiscal year 2017 are from the
3.21 general fund to the commissioner of employment and economic development for the urban
3.22 initiative loan program in Minnesota Statutes, section 116M.18.