

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 280

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OFFICIAL STATUS
Introduction and first reading
Referred to Jobs and Economic Growth Finance and Policy

1.1 A bill for an act
 1.2 relating to economic development; creating a new markets grant program;
 1.3 authorizing rulemaking; appropriating money; proposing coding for new law in
 1.4 Minnesota Statutes, chapter 116J.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[116J.952] NEW MARKETS GRANT PROGRAM.**

1.7 Subdivision 1. **Grant program established.** The commissioner shall award new markets
 1.8 grants for qualified low-income community investments as specified under this section.
 1.9 The commissioner shall adopt rules to establish criteria for determining grant eligibility.

1.10 Subd. 2. **Definitions.** (a) For purposes of this section, the terms in paragraphs (b) to (i)
 1.11 have the meanings given them.

1.12 (b) "Applicant" means a qualified community development entity as defined in paragraph
 1.13 (h).

1.14 (c) "Commissioner" means the commissioner of employment and economic development.

1.15 (d) "Greater Minnesota" means the area of the state that excludes the metropolitan area,
 1.16 as defined in section 473.121, subdivision 2.

1.17 (e) "Internal Revenue Code" has the meaning given in section 290.01, subdivision 31.

1.18 (f) "Low-income communities" as defined in section 45D of the Internal Revenue Code
 1.19 and applied to any term or requirement used in this section or an incorporated provision of
 1.20 federal law includes the area of any home rule charter or statutory city that:

1.21 (1) is located in greater Minnesota;

2.1 (2) has a population, as defined in section 477A.011, subdivision 3, of 500 or more; and

2.2 (3) has net tax capacity of property, classified as class 3 under section 273.13, of less
2.3 than \$500 per capita for property taxes assessed in 2015, payable in 2016, including the
2.4 city's distribution net tax capacity and excluding its contribution net tax capacity under
2.5 chapter 276A.

2.6 (g) "Qualified active low-income community business" has the meaning given in United
2.7 States Code, title 26, section 45D, of the Internal Revenue Code. The term does not include:

2.8 (1) any trade or business engaged in insurance, banking, lending, lobbying, political
2.9 consulting, or leisure; or

2.10 (2) any trade or business activity consisting of the operation of any private or commercial
2.11 golf course, country club, suntan facility, hot-tub facility, massage parlor, racetrack, or other
2.12 facility used for gambling, or any store the principal business of which is the sale of alcoholic
2.13 beverages for consumption off premises.

2.14 (h) "Qualified community development entity" has the meaning given in section 45D
2.15 of the Internal Revenue Code, provided that the entity has direct lending experience serving
2.16 businesses in disadvantaged communities in the state and a primary mission of economic
2.17 development.

2.18 (i) "Qualified low-income community investment" means any capital or equity investment
2.19 in, or loan to, any qualified active low-income community business.

2.20 Subd. 3. **Grant awards.** The commissioner shall award grants to qualified community
2.21 development entities based on a competitive review of applications received by the
2.22 commissioner using criteria established in subdivision 4.

2.23 Subd. 4. **Application.** (a) The commissioner shall develop an application form requiring
2.24 information necessary to evaluate the benefits to Minnesota from awarding the grants.

2.25 (b) Prior to awarding grants to an applicant under this subdivision, the commissioner
2.26 shall consider the following:

2.27 (1) whether the qualified community development entity has demonstrated experience
2.28 providing capital or technical assistance to disadvantaged businesses or communities in the
2.29 state;

2.30 (2) the extent to which an applicant demonstrates direct experience in asset and risk
2.31 management and in fulfilling government compliance requirements;

(3) the extent to which an applicant demonstrates a capitalization strategy that ensures that the economic benefit of the grant allocation remains in the state;

(4) the extent to which the applicant establishes standards for wages and benefits exceeding federal poverty guidelines and includes a means by which to monitor and measure ongoing compliance with those standards;

(5) the financial contributions expected to be made to the project from nonstate sources; and

(6) any other criteria the commissioner deems necessary.

Subd. 5. **Annual reporting by community development entity.** A community development entity that has been awarded a grant must submit an annual report to the commissioner within 180 days after the end of the fiscal year. The report must include information on investments made in the preceding year, including but not limited to the following:

(1) the types of industries, identified by the North American Industry Classification System Code, in which a qualified low-income community investment was made;

(2) the names of the counties in which the qualified active low-income community businesses are located that received qualified low-income community investments;

(3) the number of jobs created and retained by qualified active low-income community businesses receiving qualified low-income community investments, including verification that the average wages and benefits paid to full-time employees, based on an hourly wage for a 40-hour work week, meet or exceed 105 percent of the federal poverty income guidelines for a family of four; and

(4) other information and documentation required by the commissioner to verify continued certification as a qualified community development entity under United States Code, title 26, section 45D, of the Internal Revenue Code.

Subd. 6. **Application fees; fund created.** The qualified community development entity must submit a nonrefundable application fee at the time the application is submitted equal to the amount published in the Minnesota new markets grant program application. The commissioner may allow up to 25 percent of the fee to be submitted up to 180 days following the grant award and up to 25 percent of the fee to be submitted up to 270 days following the grant award. Application fees shall be deposited in the new markets grant program administration account in the special revenue fund.

4.1 Subd. 7. **Administrative fees.** Upon the issuance of a qualified low-income community
4.2 investment by a qualified community development entity, an administrative fee in an amount
4.3 determined by the commissioner and published in the grant agreement must be deposited
4.4 in the new markets grant program administration account in the special revenue fund.

4.5 Subd. 8. **Administrative expenses.** Amounts in the new markets grant program
4.6 administration account are annually appropriated to the commissioner for administrative
4.7 expenses related to administering the new markets grant program in this section.

4.8 Subd. 9. **Annual report.** Beginning in 2020 and ending in 2023, the commissioner shall
4.9 annually, by January 15, report to the chairs and ranking minority members of the legislative
4.10 committees on economic development on the implementation of the grant program, including
4.11 an evaluation of the success and economic impact of the program in the state. The report
4.12 must include:

4.13 (1) the number of women-owned and minority-owned businesses assisted by the grants;

4.14 (2) the number of businesses located in greater Minnesota assisted by the grants and the
4.15 amount of that assistance;

4.16 (3) the number of businesses located in the metropolitan area assisted by the grants and
4.17 the amount of that assistance;

4.18 (4) the number of jobs created by the grants, including the number of women and
4.19 minorities obtaining jobs; and

4.20 (5) the number of jobs created by the grants located in greater Minnesota and in the
4.21 metropolitan area.

4.22 Subd. 10. **Expiration.** This section expires the earlier of July 1, 2024, or when the last
4.23 of the grant funds have been awarded. The commissioner must adopt rules for implementing
4.24 this section to allow grant awards to begin by January 1, 2018.

4.25 **EFFECTIVE DATE.** This section is effective January 1, 2018.

4.26 Sec. 2. **APPROPRIATION.**

4.27 \$30,000,000 in fiscal year 2018 is appropriated from the general fund to the commissioner
4.28 of employment and economic development for the new markets grant program under
4.29 Minnesota Statutes, section 116J.952. This is a onetime appropriation and is available until
4.30 June 30, 2024. The commissioner may award grants of up to \$10,000,000 per fiscal year.