

1 Department of Trade and Economic Development

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3 Adopted Permanent Rules Relating to the Urban Challenge Grant
4 Program

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6 Rules as Adopted

7 4355.0100 PURPOSE.

8 The purpose of this chapter is to establish:

9 A. procedures for use of the revolving loan fund
10 under Minnesota Statutes, section 116M.18;

11 B. procedures for the Urban Initiative Board to
12 certify and enter into agreements with nonprofit corporations;
13 and

14 C. procedures for nonprofit corporations to make
15 loans to eligible businesses.

16 4355.0200 DEFINITIONS.

17 Subpart 1. Scope. For the purposes of this chapter the
18 terms in this part and in Minnesota Statutes, section 116M.14,
19 have the meanings given.

20 Subp. 2. Grant agreements. "Grant agreements" means an
21 agreement between the state and a nonprofit corporation through
22 which the state provides funds to carry out specified programs,
23 services, or activities.

24 Subp. 3. Nonprofit corporation. "Nonprofit corporation"
25 means a not-for-profit organization operating in one or more
26 eligible cities and certified by the board to receive grants and
27 disburse these funds in the nature of loans to qualifying
28 businesses.

29 Subp. 4. Nonprofit revolving loan fund. "Nonprofit
30 revolving loan fund" means a board-certified revolving loan fund
31 established by a nonprofit corporation to provide loans to new
32 and expanding businesses in low-income areas.

33 Subp. 5. Urban revolving loan fund. "Urban revolving loan
34 fund" means a fund established by the board to make grants to
35 nonprofit corporations.

1 4355.0300 BUSINESS LOANS BY NONPROFIT CORPORATIONS.

2 Subpart 1. Generally. The board shall make available
3 funds from the urban revolving loan fund for nonprofit
4 corporations. The money awarded to each corporation shall be
5 appropriated to its nonprofit revolving loan fund to be used to
6 make loans to businesses in low-income areas. The funds are to
7 be awarded on a project-by-project basis and must be matched by
8 the corporation with an equal amount of money from sources other
9 than government appropriations.

10 Subp. 2. Grant agreement required. A grant agreement must
11 be established with each nonprofit corporation certified for
12 funding by the board. Grant agreements shall be valid for a
13 period of one year from the time they are fully executed.
14 Agreements may be renewed by the board based on an evaluation of
15 the corporation's lending activities, a finding that the
16 corporation has complied with all the provisions of the
17 agreement, and has made substantive progress in achieving the
18 goals described in its application.

19 In the event that a grant agreement is not renewed, the
20 corporation must continue to administer all loans it may have
21 made under the provisions of the grant agreement and Minnesota
22 Statutes, section 116M.18.

23 Subp. 3. Application by nonprofit corporation. Any
24 nonprofit corporation wishing to be certified as a participant
25 in the urban challenge grant program must apply in a form
26 prescribed by the board. The application must include:

27 A. an assurance signed by the nonprofit corporation's
28 chair that the applicant will comply with all applicable state
29 and federal laws and requirements;

30 B. a resolution passed by the applicant's board of
31 directors approving the submission of an application and
32 authorizing execution of the grant agreement if funds are made
33 available;

34 C. a plan demonstrating the applicant's eligibility
35 pursuant to Minnesota Statutes, section 116M.18, the manner in

1 which minority business enterprises will be assisted, the
2 outcomes expected to result from the corporation's participation
3 in the program; and

4 D. any additional information that the board finds is
5 necessary to clarify the applicant's ability to achieve the
6 program's objectives.

7 Subp. 4. **Board review.** The board shall certify the
8 corporation if it has demonstrated that it fully meets the
9 eligibility standards in Minnesota Statutes, section 116M.18,
10 subdivision 2.

11 Subp. 5. **Disapproval of applications.** In cases where the
12 corporation fails to demonstrate that it has ~~or can reasonably~~
13 ~~be expected to develop the capacities required by~~ met the
14 requirements in Minnesota Statutes, section 116M.18, subdivision
15 2, the board must disapprove the application. The commissioner
16 shall inform the corporation of the board's decision, in
17 writing, stating the reasons for the denial.

18 Subp. 6. **Contents of grant agreement.** If certified, the
19 board must enter into a grant agreement with the nonprofit
20 corporation. The grant agreement must include provisions that:

21 A. the corporation has established or will establish
22 a board-certified revolving loan fund to provide loans to new
23 and expanding businesses in low-income areas;

24 B. the grant recipient will comply with all
25 applicable state and federal laws, including the requirements of
26 Minnesota Statutes, section 116M.18; and

27 C. no grant funds shall be used to finance activities
28 not approved in either the grant agreement or each loan
29 agreement.

30 Subp. 7. **Other grant requirements.** The following
31 provisions apply to grants awarded:

32 A. if it is determined that an improper use of the
33 funds has occurred, the board shall take whatever action is
34 necessary to recover improperly spent funds;

35 B. grant recipients must return funds that are
36 improperly expended;

1 C. the board shall suspend payment of funds to
2 recipients that are not in compliance with applicable state and
3 federal laws, rules, and regulations;

4 D. amendments to the grant agreement must be in
5 writing; and

6 E. the grant agreement may authorize the nonprofit
7 corporation to be paid for administrative expenses out of the
8 interest earned on loans it originates.

9 Subp. 8. Corporation to make business loans. Any business
10 may make an application to the nonprofit corporation for an
11 urban challenge grant loan. The application must be in a form
12 approved by the corporation and the board. The corporation must
13 review the application and may give preliminary approval for the
14 loan based on Minnesota Statutes, section 116M.18. The loan
15 application must then be forwarded to the board for final
16 approval.

17 4355.0400 BUSINESS LOANS BY THE BOARD.

18 If the board receives a grant, gift, or loan, authorizing
19 or requiring it to make business loans directly to qualifying
20 businesses, and the board determines that businesses do not have
21 access through a certified corporation, the board may receive
22 applications for an urban challenge grant loan on the forms it
23 prescribes. The board shall review applications and, based on
24 the provisions of Minnesota Statutes, section 116M.18, and the
25 business loan criteria in part 4355.0500, may approve them. If
26 an application is denied, the commissioner shall inform the
27 applicant as to the reasons for the denial.

28 4355.0500 BUSINESS LOAN CRITERIA.

29 Subpart 1. Terms and conditions.

30 A. The interest rate on a loan shall be established
31 by the corporation, but may be no less than two percent per
32 annum, nor more than ten percent per annum.

33 B. The corporation may only charge the business all
34 out-of-pocket administrative expenses connected with originating
35 the loan at the time of closing.

1 C. The loan funds may be used for normal business
2 expenses including, but not limited to, site acquisition, new
3 construction, renovation, machinery and equipment, and working
4 capital. Loans may not be used to refinance a business or
5 personal existing debt.

6 Subp. 2. Loan repayment. For loans made by the board, all
7 loan repayments must be deposited in the urban revolving loan
8 fund for further distribution to businesses or nonprofit
9 corporations pursuant to Minnesota Statutes, section 116M.18.

10 For loans made by a nonprofit corporation, amounts equal to
11 one-half of the principal and interest must be deposited in the
12 urban revolving loan fund. The principal payments shall be made
13 available to the corporation originating the loan in order to
14 make additional loans, as long as the corporation remains
15 certified and the grant agreement with the board is in effect.
16 The board may return interest payments to the corporation in
17 order to pay for the corporation's administrative expenses.

18 The remaining amount of the loan repayment may be deposited
19 in the nonprofit revolving loan fund created by the corporation
20 which originated the loan for further distribution by the
21 nonprofit corporation, or for other uses as may be determined by
22 the corporation.