

CHAPTER 116M

URBAN INITIATIVE BOARD

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Subdivision 1. **Terms.** For the purposes of this chapter, the following terms have the meaning given them.

Subd. 2. **Board.** "Board" means the urban initiative board.

Subd. 3. **Commissioner.** "Commissioner" means the commissioner of trade and economic development.

Subd. 4. **Low-income area.** "Low-income area" means Minneapolis, St. Paul, and those cities in the metropolitan area as defined in section 473.121, subdivision 2, that have an average income that is below 60 percent of the median income for a four-person family as of the latest report by the United States Census Bureau.

Subd. 5. **Minority business enterprise.** "Minority business enterprise" means a business that is majority owned and operated by persons belonging to a racial or ethnic minority as defined in Code of Federal Regulations, title 49, section 23.5.

History: 1993 c 369 s 54; 2002 c 380 art 2 s 7

116M.15 URBAN INITIATIVE BOARD.

Subdivision 1. **Creation; membership.** The urban initiative board is created and consists of the commissioners of trade and economic development and economic security, the chair of the metropolitan council, and eight members from the general public appointed by the governor. Six of the public members must be representatives from minority business enterprises. No more than four of the public members may be of one gender. All public members must be experienced in business or economic development.

Subd. 2. **Membership terms.** The membership terms, compensation, removal, and filling of vacancies of public members of the board are as provided in section 15.0575.

Subd. 3. **Chair; other officers.** The commissioner of trade and economic development shall serve as chair of the board. The board may elect other officers as necessary from its members.

Subd. 4. **Staff.** The commissioner of trade and economic development shall provide staff, consultant support, materials, and administrative services necessary for the board's activities. The services must include personnel, budget, payroll, and contract administration.

History: 1993 c 369 s 55; 1994 c 483 s 1

116M.16 POWERS.

Subdivision 1. **Contracts.** The board may enter into contracts and grant agreements necessary to carry out its responsibilities.

Subd. 2. **Gifts; grants; appropriation.** The board may apply for, accept, and disburse gifts, grants, loans, or other property from the United States, the state, private foundations, or any other source. It may enter into an agreement required for the gifts, grants, or loans and may hold, use, and dispose of its assets in accordance with the terms of the gift, grant, loan, or agreement. Money received by the board under this subdivision must be deposited in a separate account in the state treasury and invested by the state board of investment. The amount deposited, including investment earnings, is appropriated to the board to carry out its duties.

History: 1993 c 369 s 56; 1995 c 224 s 59

116M.17 DUTIES.

Subdivision 1. **General duties.** The board shall investigate and evaluate methods to enhance urban development, particularly methods relating to economic diversification through minority business enterprises and job creation for minority and other persons in low-income areas. The enterprises shall include, but are not limited to, technologically innovative industries, value-added manufacturing, and information industries.

Subd. 2. **Technical assistance.** The board through the department, shall provide technical assistance and development information services to state agencies, regional agencies, special districts, local governments, and the public, with special emphasis on minority communities.

Subd. 3. **Budget.** The board shall adopt an annual budget and work program and a biennial budget.

Subd. 4. **Reports.** The board shall submit an annual report to the legislature of an accounting of loans made under section 116M.18, including information on loans to minority business enterprises, the impact on low-income areas, and recommendations concerning minority business development and jobs for persons in low-income areas.

History: 1993 c 369 s 57

116M.18 URBAN CHALLENGE GRANTS PROGRAM.

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

Subd. 2. **Challenge grant eligibility; nonprofit corporation.** The board may enter into agreements with nonprofit corporations to fund and guarantee loans the nonprofit corporation makes in low-income areas under subdivision 4. A 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.

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 to promote minority business enterprises and job creation for minority and other persons in low-income areas.

(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.

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

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

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

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

Subd. 4a. **Microenterprise loan.** Urban challenge grants may be used to make microenterprise loans to small, beginning businesses, including a sole proprietorship. Microenterprise loans are subject to this section except that:

- (1) they may also be made to qualified retail businesses;
- (2) they may be made for a minimum of \$1,000 and a maximum of \$25,000; and
- (3) they do not require a match.

Subd. 5. **Revolving fund administration; rules.** (a) The board shall establish a minimum interest rate for loans or guarantees to ensure that necessary loan administration costs are covered.

(b) Loan repayment amounts equal to one-half of the principal and interest must be deposited in a revolving fund created by the board for challenge grants. The remaining amount of the loan repayment may be deposited in a revolving loan fund created by the nonprofit corporation originating the loan being repaid for further distribution, consistent with the loan criteria specified in subdivision 4.

(c) Administrative expenses of the board and nonprofit corporations with whom the board enters into agreements under subdivision 2, including expenses incurred by a nonprofit corporation in providing financial, technical, managerial, and marketing assistance to a business enterprise receiving a loan under subdivision 4, may be paid out of the interest earned on loans and out of interest earned on money invested by the state board of investment under section 116M.16, subdivision 2, as may be provided by the board.

Subd. 6. **Rules.** The board shall adopt rules to implement this section.

Subd. 6a. **Nonprofit corporation loans.** The board may make loans to a nonprofit corporation with which it has entered into an agreement under subdivision 1. These loans must be used to support a new or expanding business. This support may include such forms of financing as the sale of goods to the business on installment or deferred payments, lease purchase agreements, or royalty investments in the business. The nonprofit corporation must provide at least an equal match to the loan received by the board. The maximum loan available to the nonprofit corporation under this subdivision is \$50,000. Loans made to the nonprofit corporation under this subdivision may be made without interest. Repayments made by the nonprofit corporation must be deposited in the revolving fund created for urban initiative grants.

Subd. 7. **Cooperation.** A nonprofit corporation that receives an urban challenge grant shall cooperate with other organizations, including but not limited to, community development corporations, community action agencies, and the Minnesota small business development centers.

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

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

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

History: 1993 c 369 s 58; 1995 c 224 s 60-62; 2002 c 380 art 2 s 8-14