



SFY 2017 Neighborhood Development Center Small Business Programs Direct Appropriation

Report to the Legislature as required by 2016
Minnesota Session Laws, Chapter 189, H.F. 2749,
Article 12, Section 11, Subdivision e

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LEGISLATIVE REPORT FOR SFY 17 DIRECT EQUITY APPROPRIATION

Neighborhood Development Center

I. Introduction

The Minnesota State Legislature appropriated funds during the 2016 Legislative Session to the Neighborhood Development Center for small business programs including “for training, lending, and business services for aspiring business owners, and expansion of services for immigrants in suburban communities”, “Neighborhood Development Center model outreach and training activities in greater Minnesota”, and “grants for the small business incubator program”.

This equity appropriation provides \$1,500,000 in State Fiscal Year (SFY) 2017 and \$750,000 per year for SFY 2018 and thereafter. The Department of Employment and Economic Development (DEED) is permitted to use five percent of the appropriation to administer the grant. DEED withheld five percent of the non-incubator program funds for administration making the amount available to CCF for SFY 2017 \$1,473,000.00

A. Legislative Appropriation Reference

Funds for this project were appropriated in 2016 Minnesota Session Laws, Ch. 189, H.F. 2749, Art. 12, Sec. 2, Subd. 2(a).

B. Appropriation

For SFY 2017, the appropriation is \$1,500,000.

II. Project Goals

A. Summary of Goals and Objectives Presented in the Work Plan

1. Training, Lending, and Business services Program

Neighborhood Development Center services are designed to help low-income entrepreneurs overcome the barriers in achieving entrepreneurial success, while also having a positive impact in their lives for their families and in their communities. With these project resources from DEED, NDC will:

- Expand its four core services by 20% or more within our four primary and six secondary neighborhoods of Saint Paul and Minneapolis by increasing its staffing capacity and improving its management of programs.
- Form four new or expanded working relationships with local community organizations to advance its and their work by affecting greater change within the Black and Native Americans communities of Saint Paul and Minneapolis.
- Design and implement four catalytic economic development projects in the African American and Native American communities of Minneapolis and St. Paul:
 - African-American Entrepreneurs Food Industry Training and Incubation.
 - African-American and Native American business support within Midtown Global Market
 - Small Business Training and Lending for Ex-Offenders
 - NDC Online Business Workshops and Advice

2. Greater Minnesota Model Outreach and Training Program
Neighborhood Development Center (NDC) plans to reach out to a diverse group of key decision-makers and stakeholders from various Greater Minnesota areas with the purpose of learning about the types of economic development strategies underway in each community, and introducing rural communities to our approach of placed-based, low income entrepreneur-focused economic development.

NDC seeks to listen, learn and share models with active players in as many communities as possible, and see if our approach can add value as a strategy for bringing “concentrated opportunity to areas of concentrated poverty.”

The program has the following goals:

- Identify and make contact with at least 50 local economic development organizations and/or communities across Greater Minnesota that are potential candidates for participating in the program.
- Meet with 25 communities for two-hour discussions of their own economic development work and an overview of NDC approach.
- Identify 10 communities and/or organizations that are interested in working further with NDC and provide an in-depth orientation on the NDC model.
- Identify 4 interested communities and/or organization and provide an extensive two-day train-the-trainer on NDC’s Plan It!: Entrepreneurship Guide to Success Training Program.
- Identify and provide matching funds to 2 communities and/or organizations to launch a pilot program implementing the full NDC model in their communities.
- Partner with Southwest Minnesota Initiative Foundation, Region 9 Development Commission, and The Initiative Foundation to implement program activities and accomplish program goals.

3. Small Business Incubator Program
NDC and its partners have redeveloped seven key inner city commercial properties as business incubators, now housing 120+ entrepreneurs taking up nearly 100,000 square feet of commercial real estate. The NDC business model is most effective when there is a NDC small business incubator in these targeted neighborhoods combined with NDC’s training, lending, and business assistance that provides resources and opportunity for entrepreneurial success.

The grants funds will be used to make capital improvements to existing small business incubators and establish new incubators.

- *Mercado Central.* Inspired by the vision of a group of aspiring business owners from Mexico and Central America, the Mercado Central project opened in 1999 and dramatically transformed the intersection of Bloomington and Lake into a vibrant public market. This Small Business Incubator is home to more than 35 minority owned small businesses and serves as a cultural and economic hub.

Address: 1515 East Lake St, Minneapolis
Size: 30,000 square feet Year Built: 1902

Use of funds: Exterior improvements, Technology upgrades, Security Upgrades, Interior improvements

Status: Existing incubator. Grant contract being negotiated.

- *Frogtown Entrepreneur Center.* In 1996, NDC acquired and rehabilitated two vacant buildings at the northwest corner of University and Dale – converting them into business incubators for emerging entrepreneurs. The buildings have stabilized this important intersection in St. Paul and positioned it for future growth. The buildings are home to 14 small businesses and community organizations.

Address: 501 Dale St, Saint Paul Size: 4,780 square feet

Use of funds: Interior improvements, exterior improvements, signage

Status: Existing incubator. Grant contract being negotiated.

- *Midtown Global Market.* Located at the site of an abandoned Sears warehouse and regional distribution center, the Midtown Global Market (MGM) is a thriving multi-ethnic, year-round public marketplace. The project, which opened in 2006, is now home to more than 40 small businesses, restaurants and retail stores from around the world. MGM has created more than 200 jobs and, as a regional cultural destination, attracts more than 1.5 million visitors each year.

Address: 920 East Lake St., Minneapolis Size: 45,350 square feet

Use of funds: Exterior improvements, interior improvements, security upgrades, HVAC repairs

Status: Existing incubator. Grant executed.

- *Dayton's Bluff Business Incubator.* The project, located on Saint Paul's East Side, will provide over 10,000 square feet of leasable retail and professional office space to graduates of NDC's entrepreneurship training programs and other local entrepreneurs. The \$2M project is a total interior demo and renovation of a 13,000 square foot dilapidated building including new roof system, HVAC, plumbing, electrical, interior walls and exterior finishes.

Address: 809 East Seventh Street, Saint Paul Size: 13,000 square feet

Use of Funds: Acquisition and renovation

Status: New incubator. Grant contract being negotiated.

- 625 University / Small Business Center. The project is a community inspired, commercial development ideally situated at the Dale St. LRT Station. The goal is to develop an innovative business incubator with up to 15,000 square feet for retail businesses and 35,000 square feet for professional office and NDC operations and Business Lab. The project will build upon the success of the NDC entrepreneur and job- creation programs and support low-income entrepreneurs building wealth within their community.

Address: 625 – 633 University Avenue, Saint Paul Size: 30,000 - 50,000 square feet

Use of funds: predevelopment design and architecture

Status: New incubator. Grant contract being negotiated.

B. Data Elements and Performance Indicators Being Collected and Reported

1. Training, Lending, and Business services Program

The following are performance indicators being collected by the grantee and the projected output and outcomes as detailed in the grantee’s work plan.

Performance Metrics	Total
# New Jobs Created	47 by NDC and all Partners
# New Self-Employed Business Owners (new jobs)	38 by NDC and all Partners
# Jobs Retained/Sustained	142 by NDC and all Partners
Average Wage of Jobs Created/Retained	\$14
# Businesses Formed	45 by NDC and all Partners
Access to Capital - Total \$ Amount	\$790,000
Access to Capital - Total \$ Amount to Minority-owned Businesses	\$632,000
Access to Capital – Total # of Businesses	45
Access to Capital – Total # of Minority-owned Businesses	36
Technical Assistance Hours Provided - Total	4,094 by NDC and all Partners
Technical Assistance Hours Provided – Minority-Owned Businesses	3275.20 by NDC and all Partners
Number of Businesses Assisted - Total	437 by NDC and all Partners
Number of Businesses Assisted – Minority-Owned	349

2. Greater Minnesota Model Outreach and Training Program

The following are performance indicators being collected by the grantee and the projected output and outcomes as detailed in the grantee’s work plan.

Performance Metrics	Total

Technical Assistance Hours Provided - Total	750
Technical Assistance Hours Provided – Minority-Owned Businesses	100
Number of Businesses Assisted - Total	20
Number of Businesses Assisted – Minority-Owned	10
% Grant Award spent on Operating Expenses	13
Initial introduction of NDC approach to communities	50
Deeper engagement and training with communities	25
Two Day training about the NDC model, curriculum and methods	4
Pilot Community programs for training and integrated lending	2

3. Small Business Incubator Program

The following are performance indicators being collected by the grantee and the projected output and outcomes as detailed in the grantee’s work plan.

Existing Incubators

Performance Metrics	Total
# Jobs Created	6
# Jobs Retained	240
Average Wage of Jobs Created/Retained (depends on final leases)	\$12.00
# Businesses Formed	2
Access to Capital - Total \$ Amount	\$100,000
Access to Capital - Total \$ Amount to Minority-owned Businesses	\$100,000
Access to Capital – Total # of Businesses	2
Access to Capital – Total # of Minority-owned Businesses	2
Technical Assistance Hours Provided - Total	400 hours of TA
Technical Assistance Hours Provided – Minority-Owned Businesses	320 hours of TA
Number of Businesses Assisted - Total	20
Number of Businesses Assisted – Minority-Owned	16

New Incubators

Performance Metrics	Total
# Jobs Created	24
# Jobs Retained	10
Average Wage of Jobs Created/Retained (depends on final leases)	\$20.00

# Businesses Formed	8
Access to Capital - Total \$ Amount	\$300,000
Access to Capital - Total \$ Amount to Minority-owned Businesses	\$250,000
Access to Capital – Total # of Businesses	8
Access to Capital – Total # of Minority-owned Businesses	7
Technical Assistance Hours Provided - Total	500
Technical Assistance Hours Provided – Minority-Owned Businesses	400
Number of Businesses Assisted - Total	6
Number of Businesses Assisted – Minority-Owned	5

C. Outcomes to Date

1. Training, Lending, and Business services Program
The grant period for SFY 2017 funds runs from August 1, 2016 through July 31, 2017. No program or outcome data is available at this time. The first mid-term report will be due from NDC by April 30, 2017.
2. Greater Minnesota Model Outreach and Training Program
The grant contract is under negotiation. Not program or outcome data is available at this time.
3. Small Business Incubator Program
The grant contracts are under negotiation. Not program or outcome data is available at this time.

III. Expenditures

A. Amounts and Cost Categories Budgeted

1. Training, Lending, and Business services Program

Project Activities	DEED	Grantee	Total
Personnel	\$180,328	\$0	\$180,328
Fringe Benefits	39,672	0	39,672
Travel (Direct Only)	0	0	0
Equipment	38,000	0	38,000
Supplies	19,400	0	19,400
Contractual	264,000	52,500	316,500
Consultants	0	0	0
Other	60,000	480,000	540,000
Total Costs	\$601,400	\$532,500	\$1,133,900

2. Greater Minnesota Model Outreach and Training Program

Project Activities	DEED	Grantee	Total
Personnel	\$24000	\$	\$24000
Fringe Benefits			
Travel (Direct Only)	\$11000	\$2500	6,000
Equipment			
Supplies	\$14300		1,000
Contractual	\$30000	\$10000	20,000
Consultants	\$105000		30,500
Other			
Total Costs	\$184300	\$12500	\$196,800

3. Small Business Incubator Program

SFY2017 – Capital Improvements Project 1

Brief Description: Mercado Central will upgrade a number of structural components including; roof, security systems, entry/exit, energy efficiency, interior finishes, low voltage systems, and build out a maintenance room into a leasable small business space.

Project Name: MERCADO CENTRAL			
Project Activities	DEED	Grantee	Total
Roof Replacement (1 section of 3)	\$ 75,000		\$ 75,000
Security Cameras, doors, locks	\$ 24,000		\$ 24,000
Energy Efficiency (LED program)	\$ 11,000	\$ 7,500	\$18,500
Interior Painting (1 st and 2 nd floor)	\$ 55,000	\$ 17,000	\$ 72,000
Build-out for new leasable space	\$ 10,000		\$ 10,000
Phone/WIFI/Merchant Services upgrade	\$ 15,000		\$ 15,000
HVAC repairs		\$4,500	\$4,500
Parking resurfacing		\$4,500	\$4,500
Total Costs	\$ 190,000	\$ 33,500	\$ 223,500

SFY2017 – Capital Improvements Project 2

Brief Description: Frogtown Entrepreneur Center has 16 small businesses operating now and is in need of additional customer parking, interior walls and floors, and signage.

Project Name: FROGTOWN ENTREPRENEUR CENTER			
Project Activities	DEED	Grantee	Total
Demo 628 Sherburne for additional parking	\$ 28,000		\$ 28,000
Interior Improvements (walls and floors)		\$ 2,500	\$ 2,500
Total Costs	\$ 28,000	\$ 2,500	\$ 30,500

SFY2017 – Capital Improvements Project 3

Brief Description: Midtown Global Market will focus expenditures on interior and exterior improvements, building out a leasable space for new businesses, and expanding WIFI infrastructure for entire premises.

Project Name: MIDTOWN GLOBAL MARKET			
Project Activities	DEED	Grantee	Total
Replace Awnings	\$ 11,000	\$ 11,000	\$ 22,000
Upgrade WIFI Infrastructure	\$ 20,000		\$ 20,000
Hydraulic Lift	\$ 4,000		\$ 4,000
New Restaurant Build-out	\$ 125,000	\$ 30,000	\$ 155,000
Security Gates	\$ 5,000		\$ 5,000
Community Meeting Room Build-out		\$ 150,000	\$ 150,000
HVAC Repairs		\$ 20,000	\$ 20,000
Build Pedestrian Exit and Crosswalk/Lighting	\$20,000		\$20,000
Purchase Temporary Tenant Stall Carts	\$5,000		\$5,000
Upgrade Security Camera System	\$12,000		\$12,000
Recycling Containers		\$4,000	\$4,000
Total Costs	\$ 202,000	\$ 215,000	\$ 417,000

Individual Project Budgets: Business Incubator Creation Projects

SFY2017 –Business Incubator Creation Project 1

Brief Description: Acquiring and renovating 13,000 square feet dilapidated building on Saint Paul’s East Side, a target neighborhood of NDC, into new business incubator focusing on the construction industry.

Project Name: DAYTON’S BLUFF BUSINESS INCUBATOR
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Project Activities	DEED	Grantee	Total
Predevelopment Costs		\$ 60,400	\$ 60,400
Acquisition	\$ 200,000	\$ 200,000	\$ 400,000
Construction Costs		\$ 1,052,720	\$ 1,052,720
Professional Fees		\$ 241,504	\$ 241,504
Reserve Fund		\$ 175,000	\$ 175,000
Working Capital		\$ 80,000	\$ 80,000
Total Costs	\$ 200,000	\$ 1,809,624	\$ 2,009,624

SFY2017 – New Small Business Incubator Project 2

Brief Description: NDC is assembling land for a 50,000 square feet small business incubator on the north-west corner of University and Dale in the heart of Frogtown, St. Paul.

Project Name: 625 UNIVERSITY (NWUD) SMALL BUSINESS INCUBATOR PROJECT			
Project Activities	DEED	Grantee	Total
Design, Architecture	\$30,000		\$30,000
Total Costs	\$30,000		\$30,000

B. Expenditures to Date

1. Training, Lending, and Business services Program
The grant period for SFY 2017 funds runs from August 1, 2016 through July 31, 2017. As of 2/17/2017 there has been \$152,049.12 in approved expenditures.
2. Greater Minnesota Model Outreach and Training Program
The grant contract is under negotiation. There have been no expenditure to date.
3. Small Business Incubator Program
The grant contracts are under negotiation. There have been no expenditure to date.

