

Testimony of **Herbert B. Ferguson- Augustus** to the
Minnesota Senate Capital Investment Committee
Proponent for SF 1853 • **April 4th, 2023**

Chairman Pappas and Members of the Committee:

Thank you for the opportunity to testify in support of Senate file 1853. As a long time, South Minneapolis resident, I see this bill as essential to the city's economic recovery. Thank you, Senator Fateh as well as House Speaker Hothorn for advocating on our behalf.

I lived two blocks from where George Floyd was murdered. We Minneapolitans are living in the aftermath of the greatest social unrest since the Rodney King Riots, on top of Covid-19. We ask the city and the state, where is our recovery plan?

EPNI and its coalition partners have provided such a plan. Hence, why, I like so many others, have advocated for its inclusion in this capital improvements appropriations bill.

Their business plan would support 19 small businesses and nonprofits, generate an estimate 570+ jobs, create housing for 188 residents and provide the city and state more than \$3.6M tax revenue by developing local businesses in agriculture, retail, and professional services. This project is small business and community led, having raised \$7M in private investments as well as identified more \$9.7M in eligible grant opportunities to fund this project.

EPNI's plan exemplifies the broader bills aspirations: agriculture, employment and economic development and Minnesota Housing Finance and redevelopment.

Now members of this committee, may question why a privately led project would require state funding. The short answer: the plan did not need funding eight years ago.

Thrice the city of Minneapolis has denied the Phillips community the right to free enterprise. Thrice, the city has raised the price of the roof depot building, from \$5.7M, to \$6.8M, to \$14.5M and now \$15M over that same period, despite the fact many of this plan proponents saw their businesses looted and burned during the riots of 2020, including Ruhel Islam's Ghandi Mahal's restaurant.

Had the city stepped aside, the Phillips community would have generated an estimated \$159M in direct and indirect income as a result of green jobs to the state of Minnesota over the past three years. Instead, the community and the state at large face an expense of \$25.1M to redevelop the site in a way that is both environmentally safe and inclusive of the local community.

To verify the numbers we share with you today, EPNI asked me, given my experience in consulting small business incubators, including the Minnesota Economic Development Association (MEDA), to perform a due diligence on the project. They provided me the following documents as a part of my report:

- Letters of Intent from the business plan's 19 core sponsors,
- Project financials for renovation, new construction, and solar installation costs at the site,
- EPNI's 501c3 tax status and tax filings for the last three years
- A history of related projects EPNI and EPIC, their fiscal agent, has completed in the Phillip's neighborhood.

They provided all information requested and the due diligence verifies that project is not only feasible but beneficial to community at large. Detailed finding can be found in this testimonial's appendix, where I have included a summary of Covid-19 related damages to Minneapolis, a discount cash flow analysis of the project, social impact report and a summary of the many projects EPNI and its coalition partners have already delivered to the community.

As a citizen I will continue to support this project. I see this a viable model for the city's economic recovery. I hope you will consider, empowering communities and small businesses through this bill and investing in Minnesota's economic future.

Respectfully,

Herbert B. Ferguson-Augustus

Pro Bono Consultant

Attachments:

Appendix A – Impact of Covid-19 to the Minneapolis Economy

Appendix B – Social Impact Report: Estimated Net Gains to Minneapolis GDP - FY2024 – FY2034

Appendix C - 10 Year Projected Cashflows

Appendix D – List of EPNI-EPIC Community Development Projects

Appendix A – Impact of Covid-19 to the Minneapolis Economy (2020-2021)

An estimated 1400 businesses have closed or relocated since the onset of the Covid-19 pandemic, more than 20% of business closures across the state

Business Employment Dynamics and related statistics	Firm Size (employees)					
	Very Small (1 to 4)	Small (5 to 9)	Medium (10 to 49)	Large (50 to 249)	Very Large (250 +)	Total
A. Employment of closing establishments						
Jobs terminated in March-April 2020	18,530	15,752	38,334	18,837	6,976	98,429
Jobs terminated in March-April 2019	8,003	3,955	5,751	4,269	3,999	25,977
COVID Impact on employment	10,527	11,797	32,583	14,568	2,977	72,452
Ratio of COVID Impact to employment	8.7	9.3	6.6	2.2	0.2	2.5
B. Closing Establishments (CIE)						
Establishments in March-April 2020	10,767	2,625	2,487	917	608	17,404
Establishments in March-April 2019	5,242	729	439	231	271	6,912
COVID Impact on establishments	5,525	1,896	2,048	686	337	10,492
Ratio of COVID Impact to establishments	4.2	4.6	3.8	2.5	0.9	3.6
C. Average jobs terminated per closing establishment						
March-April 2020	1.72	6.00	15.41	20.54	11.47	5.66
March-April 2019	1.53	5.43	13.10	18.48	14.76	3.76
COVID Impact on average jobs terminated per CIE	0.19	0.57	2.31	2.06	-3.29	1.90
D. Source of COVID Impact on employment						
Jump in number of closing establishments (%)	90	96	97	97	100	82
Jump in average jobs terminated per CIE (%)	10	4	3	3	0	18

Source: Author's analysis of DEED's Quarterly Census of Employment and Wages.

Note: Colors indicate COVID-19 impact:

most severe least severe Not an impact

Appendix B – Social Impact Report

Despite recent inflations, the EPNI proposed plan can add an estimate \$648M over a 10 year period to the city of Minneapolis through job creation by unlocking grants funding for small and medium enterprises

	2024	2025	2026	2027	2028	2029	2030
SCENARIO 1: 2020 Proposal to the City+3:165A1253:1613:13:162							
Positive Externalities (Net Impact on 554.07 GDP)							
Product Sales Income	\$132,648.93	\$1,674,514.89	\$1,750,030.52	\$1,829,765.22	\$1,913,996.07	\$2,002,978.05	\$2,097,046.29
<i>Agriculture Gross Profits</i>	\$0.00	\$169,200.00	\$173,260.80	\$177,419.06	\$181,677.12	\$186,087.37	\$190,502.26
<i>Aquaponics Gross Profits</i>	\$0.00	\$647,360.00	\$662,896.64	\$678,806.16	\$695,097.51	\$711,779.85	\$728,862.56
<i>Retail Product Gross Profits</i>	\$0.00	\$720,000.00	\$770,400.00	\$824,328.00	\$882,030.96	\$943,773.13	\$1,009,837.25
<i>Restaurant/Retail Gross Profits</i>	\$132,648.93	\$137,954.89	\$143,473.08	\$149,212.00	\$155,180.49	\$161,387.70	\$167,848.21
Employment Development							
Direct Job Income generated	\$50,406,160.37	\$56,932,180.36	\$56,932,180.36	\$56,932,180.36	\$56,932,180.36	\$56,932,180.36	\$56,932,180.36
<i>Direct Jobs created</i>	570	644	644	644	644	644	644
<i>Retail Jobs Created</i>	10	10	10	10	10	10	10
<i>Agricultural Jobs Created</i>	0	73	73	73	73	73	73
<i>Housing Jobs Created</i>	100	100	100	100	100	100	100
<i>Restaurant Jobs Created</i>	31	31	31	31	31	31	31
<i>Office Jobs Created</i>	429	429	429	429	429	429	429
<i>Salor Maintenance Jobs Created</i>	2	2	2	2	2	2	2
<i>Indirect Jobs Created</i>	855	966	966	966	966	966	966
Other Income (Potential)							
<i>Government Grants - Agriculture</i>	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00
<i>Government Grants - SIVB Development</i>	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
<i>Government Grants - Education</i>	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00
<i>Government Grants - Infrastructure</i>	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00
Net Gain to Phillip's Community GDP	\$51,271,458.23	\$59,344,650.13	\$59,425,683.96	\$59,511,157.58	\$59,601,346.91	\$59,696,546.11	\$59,797,068.86
SCENARIO 2: 2022 Revised Proposal+ State Bonding Bill							
Positive Externalities (Net Impact on 554.07 GDP)	0	0	0	0	0	0	0
Product Sales Income	\$132,648.93	\$1,674,514.89	\$1,750,030.52	\$1,829,765.22	\$1,913,996.07	\$2,002,978.05	\$2,097,046.29
<i>Agriculture Gross Profits</i>	\$0.00	\$169,200.00	\$173,260.80	\$177,419.06	\$181,677.12	\$186,087.37	\$190,502.26
<i>Aquaponics Gross Profits</i>	\$0.00	\$647,360.00	\$662,896.64	\$678,806.16	\$695,097.51	\$711,779.85	\$728,862.56
<i>Retail Product Gross Profits</i>	\$0.00	\$720,000.00	\$770,400.00	\$824,328.00	\$882,030.96	\$943,773.13	\$1,009,837.25
<i>Restaurant/Retail Gross Profits</i>	\$132,648.93	\$137,954.89	\$143,473.08	\$149,212.00	\$155,180.49	\$161,387.70	\$167,848.21
Employment Development	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Job Income generated	\$529,26,468.39	\$59,778,789.37	\$59,778,789.37	\$59,778,789.37	\$59,778,789.37	\$59,778,789.37	\$59,778,789.37
<i>Direct Jobs created</i>	570	644	644	644	644	644	644
<i>Retail Jobs Created</i>	10	10	10	10	10	10	10
<i>Agricultural Jobs Created</i>	0	73	73	73	73	73	73
<i>Housing Jobs Created</i>	100	100	100	100	100	100	100
<i>Restaurant Jobs Created</i>	31	31	31	31	31	31	31
<i>Office Jobs Created</i>	429	429	429	429	429	429	429
<i>Salor Maintenance Jobs Created</i>	2	2	2	2	2	2	2
<i>Indirect Jobs Created</i>	855	966	966	966	966	966	966
Other Income (Potential)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<i>Government Grants - Agriculture</i>	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00
<i>Government Grants - SIVB Development</i>	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
<i>Government Grants - Education</i>	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00
<i>Government Grants - Infrastructure</i>	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00	\$200,000.00
Net Gain to Phillip's Community GDP	\$53,659,117.32	\$62,053,304.26	\$62,128,819.90	\$62,208,554.60	\$62,292,775.44	\$62,381,767.42	\$62,475,834.66

Appendix D – List of EPNI-EPIC Completed Community Investment Projects

The East Phillips Neighborhood Institute and East Phillips Improvement Coalition have developed the Phillips neighborhood for more than a decade, focusing on housing and recreations for the LatinX, Indigenous and East African communities that live there

Housing Development Projects

Housing Projects	Description	Tax Assessed Value		
		2012	2022	% Gain
Phillips Common Apartments	46 Rental units of affordable housing	\$2.4M	\$4.2M	75%
Franklin Station Development	28 Townhomes of Franklin Station Development	\$0.9M	\$2.5M	178%
Greenway Heights Apartments	42 Affordable Rental Units	\$4.4M	\$8.6M	95%
Bii Di Gain Dash Anwebi Housing	25 Rental Units	\$1.6M	\$4.2M	162%

Public Infrastructure Projects

Recreational Projects	Description	Investment	Service Area (Residents)
Cultural and Community Center	Multiuse recreational facility	\$3.5M	4,317
East Phillips soccer fields	Outdoor Park space reserved for soccer	\$0.3M	1,289
Phillips Aquatics Center	Facility Enhancement	\$0.1M	3,583

Other Initiatives

- C. Pass wrote the 501©(3), started and financed the **Hispanic Baseball League of Minnesota**, (\$40,000)
- C. Pass wrote the 501©(3) and helped start and finance the **Somali American Community organization**
- Helped build financial support for their new **Somali radio station, KALY Radio**. (\$23,000)
- EPIC funded the business plan for Minneapolis Swims **for the new swimming pool** (\$25,000)
- EPIC helped fund the match for the matching grant for saving and renovating **the swimming pool** offered by **Shakopee Midewakanton Sioux Community** (\$50,000) & hired **DJR** to design the added Warm Water Teaching Pool to what is now the **Phillips Aquatic Center..**
- Organized and ran the **Bloomington Ave. Citizens Patrol** (requested by children and parents) from 6:00 to 8:00 AM every weekly morning to make it safe for kids to catch the school bus and help those struggling with drug addiction while providing Community eyes on the street.
- Provided over \$200,000 to **fund two Native two Native American Elder Housing Buildings** at 24th St and Bloomington, and another \$200,000 plus of EPIC grant money for Little Earth Rehab.
- Founded and funded the **Hispanic Baseball League and the Somali-American Community Organization**.
- Created and funded numerous programs for East Phillips residents such as the Financial Literacy and Computer Literacy classes in the East Phillips the East Phillips Cultural and Community Center, the Native Youth Arts Collective, Summer Basketball Camps Carol helped organize the Annual East Phillips SummerFest in the renovated Park.