

**SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION**

S.F. No. 1696

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DATE
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Introduction and first reading
Referred to Jobs and Economic Development
See SF3035

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to economic development; creating the community wealth-building grant
1.3 program; creating the community wealth-building account; requiring reports;
1.4 appropriating money; proposing coding for new law in Minnesota Statutes, chapter
1.5 116J.

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

1.7 Section 1. 116J.9925 **COMMUNITY WEALTH-BUILDING GRANT PROGRAM.**

1.8 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have
1.9 the meanings given.

1.10 (b) "Commissioner" means the commissioner of employment and economic development.

1.11 (c) "Community business" means a cooperative, an employee-owned business, or a
1.12 commercial land trust that is at least 51 percent owned by individuals from targeted groups.

1.13 (d) "Partner organization" means a community development financial institution or
1.14 nonprofit corporation.

1.15 (e) "Program" means the community wealth-building grant program created under this
1.16 section.

1.17 (f) "Targeted groups" means persons who are Black, Indigenous, People of Color,
1.18 immigrants, low-income, women, veterans, or persons with disabilities.

1.19 Subd. 2. Establishment. The commissioner shall establish a community wealth-building
1.20 grant program to award grants to partner organizations to fund low-interest loans to
1.21 community businesses. The program must encourage tax-base revitalization, private
1.22 investment, job creation for targeted groups, creation and strengthening of business

2.1 enterprises, assistance to displaced businesses, and promotion of economic development in
2.2 low-income areas.

2.3 Subd. 3. Grants to partner organizations. (a) The commissioner shall award grants to
2.4 partner organizations through a competitive grant process where applicants apply using a
2.5 form designed by the commissioner. In evaluating applications, the commissioner shall
2.6 consider whether the applicant:

2.7 (1) has a board of directors that includes members experienced in business and community
2.8 development, operating community businesses, addressing racial income disparities, and
2.9 creating jobs for targeted groups;

2.10 (2) has the technical skills to analyze projects;

2.11 (3) is familiar with other available public and private funding sources and economic
2.12 development programs;

2.13 (4) can initiate and implement economic development projects;

2.14 (5) can establish a program and administer funds;

2.15 (6) can work with job referral networks assisting targeted groups; and

2.16 (7) has established relationships with communities of targeted groups.

2.17 (b) The commissioner shall ensure that loans through the program will fund community
2.18 businesses statewide and shall make reasonable attempts to balance the amount of funding
2.19 available to community businesses inside and outside of the metropolitan area as defined
2.20 under section 473.121, subdivision 2.

2.21 (c) Partner organizations that receive grants under this subdivision shall use up to ten
2.22 percent of their award to provide specialized technical and legal assistance, either directly
2.23 or through a partnership with organizations with expertise in shared ownership structures,
2.24 to community businesses and businesses in the process of transitioning to community
2.25 ownership.

2.26 (d) Grants under this subdivision are available for five years. The commissioner shall
2.27 review existing grant agreements every five years and may renew or terminate the agreement
2.28 based on that review and consideration of the criteria under paragraph (a).

2.29 Subd. 4. Loans to community businesses. (a) A partner organization that receives a
2.30 grant under subdivision 3 shall establish a plan for making low-interest loans to community
2.31 businesses. The plan requires approval by the commissioner.

2.32 (b) Under the plan:

3.1 (1) the state contribution to each loan shall be no less than \$50,000 and no more than
3.2 \$2,500,000;

3.3 (2) loans shall be made for projects that are unlikely to be undertaken unless a loan is
3.4 received under the program;

3.5 (3) priority shall be given to loans to businesses in the lowest income areas;

3.6 (4) the interest rate on a loan shall not be higher than the Wall Street Journal prime rate;

3.7 (5) 50 percent of all repayments of principal on a loan under the program shall be repaid
3.8 to the community wealth-building account created under subdivision 5. The partner
3.9 organization may retain the remainder of loan repayments to service loans and provide
3.10 further technical assistance;

3.11 (6) the partner organization may charge a loan origination fee of no more than one
3.12 percent of the loan value and may retain that origination fee; and

3.13 (7) a partner organization may not make a loan to a project in which it has an ownership
3.14 interest.

3.15 Subd. 5. **Community wealth-building account.** A community wealth-building account
3.16 is created in the special revenue fund in the state treasury. Money in the account is
3.17 appropriated to the commissioner for grants under this section.

3.18 Subd. 6. **Reports.** (a) Grant recipients shall submit an annual report to the commissioner
3.19 by January 31 of each year they participate in the program. The report shall include:

3.20 (1) an account of all loans made through the program the preceding calendar year and
3.21 the impact of those loans on community businesses and job creation for targeted groups;

3.22 (2) information on the source and amount of money collected and distributed under the
3.23 program, its assets and liabilities, and an explanation of administrative expenses; and

3.24 (3) an independent audit of grant funds performed in accordance with generally accepted
3.25 accounting practices and auditing standards.

3.26 (b) By February 15 of each year beginning in 2024, the commissioner shall submit a
3.27 report to the chairs and ranking minority members of the legislative committees with
3.28 jurisdiction over workforce and economic development on program outcomes, including
3.29 copies of all reports received under paragraph (a).

4.1 Sec. 2. **COMMUNITY WEALTH-BUILDING PROGRAM; APPROPRIATION.**

4.2 \$15,000,000 in fiscal year 2024 is appropriated from the general fund to the commissioner
4.3 of employment and economic development for deposit in the community wealth-building
4.4 account in the special revenue fund. Of this amount, up to five percent is for administration
4.5 and monitoring of the community wealth-building grant program under Minnesota Statutes,
4.6 section 116J.9925. For fiscal years 2025 and beyond, the base amount is \$2,000,000.