



Report of the Small Business Relief Grant Program

Office of Small Business Assistance
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Authorizing Appropriation

The Minnesota Small Business Relief Grant (SBRG) Program is authorized under Laws of Minnesota 2020, 1st Spec. Sess. Chapter 1, Section 4 appropriating \$60 million in federal Coronavirus Relief Fund (CRF) dollars and \$2.5 million in state dollars from the Small Business Loan Guarantee Trust Fund account. By law, funding was distributed across the following categories:

- \$57.5 million for Small Business Relief Grants (Federal CRF funds)
- \$2.5 million for Cultural Mall Operator Grants (Federal CRF funds)
- \$2.2 million for administrative costs incurred from making grants (State funds)
- \$0.3 million for additional Small Business Relief Grants (State funds)

Small Business Relief Grant Program

This program makes available up to \$10,000 in grants to Minnesotan owned and operated businesses that can demonstrate financial hardship as a result of the COVID-19 outbreak. A total of \$57.8 million is available for grant awards which will be selected through a computer-generated, randomized selection process.

To qualify, an applicant must:

- Be a private for-profit business that has a permanent physical location in Minnesota.
- Be majority owned by a permanent resident of Minnesota.
- Be in good standing with the Minnesota Secretary of State and the Minnesota Department of Revenue as of March 1, 2020.
- Employ the equivalent of 50 or fewer full-time workers.
- Be able to demonstrate financial hardship as a result of the COVID-19 outbreak.

Grant funds received by individual businesses shall be used for working capital to support payroll expenses, rent, mortgage payments, utility bills, and other similar expenses that occur or have occurred since March 1, 2020, in the regular course of business. These are grants and no repayment will be required.

In making awards, there are minimum set asides for various targeted groups and categories of businesses.

- 50% of funds will be available for businesses based in Greater Minnesota.
- 50% of funds will be available for businesses based in the 7-county metro area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties).
- A minimum amount of funds must be awarded as follows:
 - \$18 million for businesses with six or fewer full-time workers.
 - \$10 million for minority business enterprises.
 - \$2.5 million for businesses that are majority owned and operated by veterans.
 - \$2.5 million for businesses that are majority owned and operated by women.

- \$2.5 million for operators of indoor retail and food markets with an ethnic cultural emphasis.

Grant applications that have been randomly selected in the lottery process conducted by DEED are assigned to qualified local and regionally based nonprofit organizations previously authorized as a lender under the Small Business Emergency Loan program pursuant to Laws 2020, chapter 71, section 11. Grant administrators received selected applications from DEED, review applications for eligibility, administer awards to eligible applicants, and request funds for transfer from DEED upon approval for relief grants.

The data and information contained in this report is current as of December 1, 2020. Per law (under Laws of Minnesota 2020, 1st Spec. Sess. Chapter 1, Section 4), this one-time report is required to be submitted to the legislature by December 31, 2020.

Participating Grant Administrators

Through December 1, 2020, 14 agencies have participated as administrators for this program. For Twin Cities based organizations, which applications and the quantity of applications assigned to administrators is based on the following criteria: the (1) staffing and technical capacity of the administrator, (2) the preference of applicant if they have stated one in their application, (3) the agency mission's if they have a specific mission to serve certain geographies, language, gender, ethnic, or racial groups, and (4) random assignment if all other applicants in those categories are exhausted.

For Greater Minnesota agencies applications are assigned based on the location of the business within that organizations Minnesota Initiative Foundation (MIF) service area.

Twin Cities Grant Administrators:

- African Development Center
- African Economic Development Solutions
- Hmong American Partnership
- Latino Economic Development Center
- Metropolitan Economic Development Association
- Neighborhood Development Center
- Northside Economic Opportunity Network
- WomenVenture

Greater Minnesota Grant Administrators

- Initiative Foundation (Central Region)
- Northland Foundation (Northeast Region)

- Northwest Minnesota Foundation (Northwest Region)
- Southern Minnesota Initiative Foundation (Southeast Region)
- Southwest Initiative Foundation (Southwest Region)
- West Central Initiative (West Central Region)

Application Process

Applications were received online on DEED’s website between June 23 8:00am and July 2nd 5:00pm. By law applications could be collected for no more than 10 days.

DEED collected over 27,000 applications of which 23,396 were found to meet the minimum requirements to proceed to randomized selection process.

Randomized Selection Process

A total of 5,780 applications were selected through a computer-based randomized selection process to receive a grant award of \$10,000. DEED consulted with the Minnesota Lottery on the design of the selection process and representatives of the Lottery, MMB and DEED’s internal auditor participated as observers to the selection process.

Per the enacting legislation, three criteria influenced the prioritization of applicants in the lottery:

Targeted groups: A minimum number of awards will be issued to business in the following targeted groups, regardless of geographic region:

- Veteran-owned: 250 awards
- Woman-owned: 250 awards
- Minority-owned: 1,000 awards
- Microbusinesses (under 6 FTE): 1,800 awards

Geography: Total funding for the Small Business Relief Grant program and the related (but separately administered) Cultural Mall program must be split evenly between Greater Minnesota and the 7-county Twin Cities metro area. Because the majority of funding set aside for the Cultural Mall program went to metro-based facilities, more relief grants (3,004) were awarded to businesses based in Greater Minnesota than to businesses in the Twin Cities (2,776).

Executive Order impact: Priority was given to businesses that were restricted from operating by executive orders in effect on May 18, 2020, such that the business could not operate at more than 50 percent of normal capacity. This included the following categories of businesses:

- Campgrounds, charter boats
- Gyms, personal fitness and yoga studios, martial arts

- Indoor events and entertainment
- Organized sports (adult and youth)
- Outdoor events and entertainment (non drive in)
- Personal services (e.g. hair and nail salons, tattoo parlors, barbershops)
- Restaurants, bars
- Retail

Lottery Process

The lottery process consisted of five rounds of randomized award selections prioritized by the targeted categories and by whether the applicants were restricted from operating by executive orders in effect on May 18, 2020, such that the business could not operate at more than 50 percent of normal capacity.

Rounds 1-4 each focused on one of the targeted business groups and were conducted in a pre-determined order based on the total number of Minnesota businesses in those targeted groups (see Table 1). This allowed the lottery to proceed from hardest-to-fill to easiest-to-fill target groups and gave businesses in harder-to-fill pools the fairest chance of winning an award. After each round, winners were removed from the pool and non-winners advanced either to the next selection round for which they were eligible or to the Round 5 general pool.

Figure 1 – Minimum Award Categories

Round	Target Category	Minimum Awards Made	Business Population
1	Veteran-Owned	250	45,582
2	Minority-Owned	1,000	47,565
3	Microbusiness	1,800	89,257 businesses employ <10 employees. Among these, almost 71,000 employ <5 employees
4	Women-Owned	250	157,821

Sources: 2012 Survey of Business Owners and 2017 County Business Patterns

After Rounds 1-4, the geographic distribution of awards was assessed and used to determine the number of remaining awards in Round 5 that needed to be awarded to businesses based in either Greater MN or the Twin Cities Metro in order to maintain the required 50/50 funding split.

Round 5 was a general pool of all remaining applications that either did not win an award in Rounds 1-4 or that did not qualify for those targeted rounds.

Waiting List Procedures

Each winner from the lottery is paired with a program administrator who will verify the awardee's eligibility and administer the grant funds. Should an awardee be found to be ineligible (for example, it turns out they have a tax lien or received funding through the Small Business Emergency Loan program), their award will instead be given to the next eligible applicant that would have been selected in the same round (among remaining non-selected applicants), but with consideration for maintaining the funding balance by region.

Program Activity

Since launching, the program has received over 27,000 applications, randomly selected and processed 7,076 applications, and approved 5,313 applications for awards for a total value of \$53 million in relief grants. A total of 1,763 application have been found to be ineligible.

Figure 2 –Selections, Approvals, Ineligibles by Geography

Region	Selected (as of 12/10/20)	Approved (as of 11/30/20)	Not eligible (as of 11/30/20)
Greater MN	3,229	2,754	801
Metro	3,001	2,559	962
Total	6,230	5,313	1,763

Targeted Businesses

In making awards, there are minimum set asides for targeted groups and categories of businesses.

- \$18 million for businesses with six or fewer full-time workers (Micro businesses)
- \$10 million for minority business enterprises.
- \$2.5 million for businesses that are majority owned and operated by veterans.
- \$2.5 million for businesses that are majority owned and operated by women.

As of the time of this report DEED has met the minimum award amount with the exemption of veteran-owned businesses. DEED has taken additional steps to ensure that the minimum amount of dollars will be awarded to veteran-owned business by program expiration date of December 30, 2020.

Figure 3 – Relief Grants by Targeted Businesses

BUSINESS CATAGORY	AWARD MINIMUM	APPROVED (11/30/2020)
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MICRO	1800	3,690
VET	250	228
WOMEN	250	2,551
MINORITY	1000	1,114

NOTE: If a business qualifies for multiple categories that business is counted twice for the purposes of the minimum award thresholds. For example, if a veteran-owned business is also a women-owned business it is counted for both categories.

Industry

The program prioritized non-critical customer facing business restricted from operating at full capacity by Executive Orders in place on May 18, 2020. These businesses included the following categories of businesses:

- Campgrounds, charter boats
- Gyms, personal fitness and yoga studios, martial arts
- Indoor events and entertainment
- Organized sports (adult and youth)
- Outdoor events and entertainment (non drive-in)
- Personal services (e.g. hair and nail salons, tattoo parlors, barbershops)
- Restaurants, bars
- Retail

Figure 4 - Approvals by Non-Critical Customer Facing Businesses

Customer Facing Industry	TOTAL	PERCENTAGE	TOTAL VALUE OF GRANTS
Campgrounds, charter boats	63	1%	\$630,000
Gyms, personal fitness and yoga studios, martial arts	394	7%	\$3,940,000
Indoor events and entertainment	303	6%	\$3,303,000
Organized sports (adult and youth)	65	1%	\$650,000
Outdoor events and entertainment (non drive in)	108	2%	\$1,080,000

Personal services (e.g. hair and nail salons, tattoo parlors, barbershops)	1393	26%	\$13,930,000
Restaurants, bars	1540	29%	\$15,400,000
Retail	1447	27%	\$14,470,000
Other	0	0%	\$0
State	5313	100%	\$53,130,000

Cultural Mall Operator Grant Program

Laws of Minnesota 2020, 1st Spec. Sess. Chapter 1, Section 4 authorizes \$2.5 million of Small Business Relief Grant program funding for the Cultural Mall Operator Grant program.

This program provides grants up to \$250,000 to Minnesota-based operators of privately owned, permanent indoor retail space and food markets that have an ethnic cultural emphasis. A total of \$2.5 million is available for grant awards.

To qualify, an applicant must:

- Be an operator of a privately owned, permanent indoor retail space and food market located in Minnesota.
- Be a facility that leases space to 25 or more tenants.
- Be a facility in which 50% or more of the tenants have fewer than 20 employees.
- Be a facility in which 50% or more of tenant businesses are majority owned by one or more individuals who identify as one or more of the following racial or ethnic categories: Black, African American, Asian or Pacific Islanders, Hispanic, Latinx, American Indian, Alaska Native, or other racial or ethnic minority.

Applications are collected and reviewed by DEED and grants are administered and disbursed by qualified local and regionally based nonprofit organizations also participating in the Small Business Relief Grant program. All but \$10,000 of grant funds received by cultural mall operators must be used to make subgrants to existing tenants of the operator for maintaining existing tenants. At least 50% of the grant must be used to forgive the rent of existing tenants. In order to receive benefits through the operator grant, a tenant subgrantee must meet the same eligibility requirements as applicants for the Small Business Relief Grants Program.

DEED Received 16 applications and approved 12 facilities for a grant. As of this report, all facilities have completed the eligibility review, reporting and fund request process.

Figure 5 – Cultural Mall Operator Grant Activity

Cultural Mall	City	# Eligible Tenants	Average Tenant Subgrant	Award
24Mall	Minneapolis	118	\$ 2118.00	\$ 250,000.00
Al Karama Mall	Minneapolis	33	\$ 5,378.79	\$ 187,500.00
Global Center LLC	St. Cloud	16	\$ 6,250.00	\$ 110,000.00
Hmong Village Shopping Center	St. Paul	103	\$ 2,330.10	\$ 250,000.00
Hmongtown Market Place	St. Paul	76	\$ 3,157.89	\$ 250,000.00
JigJiga Business Center/Plaza Verde	Minneapolis	27	\$ 3,981.48	\$ 117,500.00
Karmel Mall	Minneapolis	307	\$ 781.75	\$ 250,000.00
Madina Mall	Minneapolis	36	\$ 4,652.78	\$ 177,500.00
Mercado Central	Minneapolis	24	\$ 10,000.00	\$ 210,000.00
Midtown Global Market	Minneapolis	15	\$ 7,666.67	\$ 125,000.00
Plaza Mexico	Minneapolis	28	\$ 8,571.43	\$ 250,000.00
Riverside Mall, Inc	Minneapolis	41	\$ 3,536.59	\$ 157,500.00
TOTAL		824	\$ 5,552.57	\$ 2,332,500.00