



Report of the Main Street Economic Revitalization Program

Office of Small Business Partnerships
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Authorizing Appropriation

As authorized in 2021 Minnesota Laws, 1st Special Session, Chapter 10, Article 1, Sec. 2, Subd. 2 (u) and Minnesota Statutes 116J.8749 up to \$80,000,000 is available for grants to partner organizations under the Main Street Economic Revitalization Program. A total of up to \$40,000,000 is available in the first round with the remaining funds available through a second round of funding.

Program funds will be made available to partner organizations in proportion to eligible demand with no more than 65% of funds awarded in any one region over the life of the program. The regions are defined as either the 7-county metropolitan area or the area outside the 7-county metropolitan area ('Greater Minnesota').

Economic Revitalization Program

This program seeks to establish economic revitalization programs through partner organizations that will provide leveraged grants and guaranteed loans to support economic development and redevelopment projects that deliver the most economic impact in communities with the greatest needs due to conditions that have arisen since March 15, 2020. Partner organizations define a service area that includes one or more commercial corridors and/or main streets within their communities that have experienced one or more qualifying conditions.

Qualifying conditions include but are not limited to:

- Widespread property damage due to fire, flood, arson, civil unrest and/or natural disasters.
- One or more employer closures or multiple commercial space vacancies that have significant impact on the corridor or main street.
- COVID-19 impacts on travel, tourism, retail and accommodation.

Successful efforts funded by this program will result in:

- The revitalization of corridors and main streets that have an outsized impact on businesses and surrounding communities,
- Expanding the tax base of targeted communities,
- Increasing the creation and retention of jobs relative to the local economy, and
- Delivering a positive impact on diverse communities most severely harmed by the events of the last year.

Eligible Partner Organizations

The following types of organizations are eligible for grant funding as a partner organization:

- Foundations engaged in economic development
- Community development financial institutions

- Non-profit organizations engaged in housing and commercial development

Partner organizations must demonstrate that they have the scale, experience, qualifications and capacity to successfully implement a program that will result in the successful completion of multiple development and redevelopment projects within one or more commercial corridors and main streets in their defined service area. In addition, regardless of state or national affiliation, organizations must have Minnesota-based operations, staff and services.

Partner organizations cannot receive financial assistance from this program for facilities or properties they own or lease. Partner organizations must establish a process of ensuring there are no conflicts of interest in determining awards under the program.

Local governments cannot receive funding from this program.

Eligible Uses

Partner organizations receiving grant funds from this program can use the funds to establish a program within one or more commercial corridors or main streets to provide assistance to eligible recipients and projects within a defined service area.

Leveraged grants and guaranteed loans can be used by eligible recipients for the following:

- Repair or renovation of real property
- Building construction
- Landscaping and street scaping
- Demolition and site preparation
- Predesign and design
- Engineering
- Non-publicly owned infrastructure
- Related site amenities

A portion of the grant to a partner organization may be used by the partner organization for administration and monitoring of the program.

Eligible project expenses do not include the purchase of real estate or business operations or business operating expenses, such as inventory, wages or working capital.

Collaboration

Partner organizations are encouraged to establish programmatic and co-financing partnerships with organizations that will assist with community outreach, review, awarding and the financing of eligible projects while ensuring there are no conflicts of interest in the award decision and grant monitoring process.

Partner organizations cannot award grants or loans to projects owned by that partner organization or its Main Street program partners. Main Street program partners cannot request or receive funds from the partner organization they are collaborating with. This is considered a conflict of interest and is prohibited.

Partner organizations and their program partners can request and receive funds from a separate partner organization they are not affiliated with or directly collaborating with as long as the grantor partner organization meets all conflict of interest requirements when making award decisions.

Any organization affiliated with another Mainstreet Program funded revitalization program applying for grants or loans from another program will have to meet all the same requirements as any other eligible recipient.

Matching Funds

Partner organizations must have matching funds secured or do so within the 15-month period following the awarding of grant funds. Matching funds may include, but are not limited to, funds contributed by a partner organization, funds contributed by a financing partner, local government funds, or cash contributions by eligible recipients including insurance proceeds from an eligible recipient. Matching funds cannot include state or federal funds.

Matching funds can take the form of cash contributions such as grants or the proceeds of loans offered by the partner organization or its financing partners, local governments, or the proceeds of loans or equity secured by eligible recipients. Leveraged grants can be matched with loan proceeds or cash.

An eligible project must have secured commitments for all required matching funds and all required development approvals before a leveraged grant or the proceeds of guaranteed loan may be distributed.

Program Activity

Application Process

The RFP was released at 3:00pm (CST) on August 3, 2021 and proposals were accepted from that date until 4:00pm (CST) on Tuesday August 31, 2021. Two informational webinars were hosted virtually on August 5th and 12th with the recordings being made available online after the fact.

In total, the Department of Employment and Economic Development (DEED) received 13 proposals requesting \$48 million in funding for grants and \$15 million in loan guarantees. Approximately 66% of the requested funds originated from organizations serving the Twin Cities Metropolitan Area and 34% originated from organizations serving Greater Minnesota.

Proposal Evaluation and Selection

A review committee evaluated each proposal on a 100-point scale. The review committee was composed of grant and subject matter experts at DEED and one community reviewer.

The Commissioner of DEED reviewed the recommendation and selected 8 to receive awards.

Table 1 – Partner Organizations Awarded						
Organization	Metro/Gr eater MN	Leveraged Grants	Admin	Total Award (\$)¹	Lending Capacity²	Non-state Matching (\$)
African Career, Education & Resource Inc	Metro	\$300,000	\$12,000	312,000	\$0	600,000
Destination Medical Center EDA	Greater MN	\$3,000,000	\$120,000	3,120,000	\$0	7,000,000
Duluth Local Initiatives Support Corporation	Greater MN	\$980,000	\$42,600	1,235,100	\$850,000	910,000
Heartland Lakes Development Commission	Greater MN	\$200,000	\$8,000	208,000	\$0	1,900,000
Saint Paul and Minnesota Foundation	Metro	\$7,000,000	\$280,000	7,280,000	\$0	14,000,000
Southwest Initiative Foundation	Greater MN	\$2,000,000	\$82,400	2,080,000	\$600,000	4,672,000
The Minneapolis Foundation	Metro	\$18,000,000	\$760,000	21,260,000	\$10,000,000	39,570,000
Virginia Community Foundation	Greater MN	\$1,200,000	\$56,600	1,794,100	\$2,150,000	18,794,846
TOTAL		\$32,680,00	\$1,361,600	\$37,441,600	\$13,600,000	\$87,446,846

¹ This includes only 25% of the value of the guaranteed loan lending capacity authorized by their award, which represents the actual dollars set aside in the Loan Guarantee Trust Fund to pay out defaults. Includes of admin rate of .04%.

² This represents the total lending capacity that has been authorized to be available for 80% loan guarantees. DEED set's aside 25% of the value of enrolled loans in a loan guarantee trust fund.

Table 2 – Geographic Request vs Distribution of Funding (Rnd 1 and Projected Total)

Region	Total Request– Rnd 1 (\$)	Total Request – Rnd. 1 (%)	Total Award – Rnd. 1 (\$)	Total Award – Rnd. 1 (%)	Projected Total Funding (Rnd. 1-3)	Projected Total Funding (%)
Metro	\$37,852,000	66%	\$28,852,000	77.1%	\$51,805,000	65%
Greater MN	\$19,586,320	34%	\$8,589,600	22.9%	\$27,895,000	35%
Total	\$57,438,320	100%	\$37,441,600	100%	\$79,700,000	100%

Partner Organizations

- African Career, Education & Resource (ACER), INC, Brooklyn Center
 - Provides access, equity, opportunity to African Immigrants in the north and northwest suburbs of Minneapolis. Their project will provide grants to businesses in commercial corridors in Brooklyn Park and Brooklyn Center to support economic recovery from the impacts of COVID-19 outbreak and social unrest in the area.
- Destination Medical Center Economic Development Agency, Rochester
 - Supports the Destination Medical Center initiative in collaboration with the City of Rochester, Olmstead County, and the DMC Corporation. Their project will provide grants to businesses in the Rochester’s central business district to support economic recovery from the impacts of the COVID-19 outbreak.
- Duluth Local Initiatives Support Corporation Inc., Duluth
 - Engages in neighborhoods with the highest racial and economic disparities in Duluth to provide a diverse range of loan and equity products for affordable housing, commercial real estate, community facilities, and business development. Their project will provide grants to businesses in the Downtown/Hillside area and the Aviation corridor to support economic recovery from the impacts of the COVID-19 outbreak and major employer closures.
- Heartland Lakes Development Commission, Park Rapids
 - Facilitates economic growth in the region that includes Park Rapids, Nevis, Dorset, and Lake George. Their project will provide grants to businesses in the commercial districts of Park Rapids, MN to support economic recovery from the impacts of the COVID-19 outbreak.
- The Minneapolis Foundation, Minneapolis
 - Supports efforts to address the greatest civic, social and economic needs of Minneapolis and surrounding communities through grantmaking, research, advocacy and donor services. Their

project will include partnering with Propel Nonprofits and LISC Twin Cities to provide grants and loans to businesses impacted by the social unrest of Summer 2020 including the Lake Street corridor, the 38th street corridor and West Broadway in North Minneapolis.

- Saint Paul and Minnesota Foundation, Saint Paul
 - Collaborates with communities across Minnesota in identifying, convening around and advocating for critical issues that affect the world today. Their project will provide grants to business in the Snelling-University-Rice Cultural district, East Side and West Seventh commercial corridors to support economic recovery from the impacts of social unrest and the COVID-19 outbreak.
- Southwest Initiative Foundation, Hutchinson
 - Provides grants and loans to businesses in the commercial corridors of Litchfield, Worthington and Granite Falls to support economic recovery from the impacts of the COVID-19 outbreak. They are a rural, regional community foundation serving the 18 counties and two Native Nations of Southwest Minnesota.
- Virginia Community Foundation, Virginia
 - Supports the economic vibrancy of the city of Virginia in North East Minnesota. Their project will provide grants to businesses in the commercial corridors of Virginia to support economic recovery from widespread damage due to fire and the impacts of the COVID-19 outbreak.

Performance Measurement

Performance measurement is a critical element of accountability for public resources. During the funding period, DEED will enhance its review and evaluation of program performance by examining the multiple performance data reported to DEED.

Some key performance measurements will be:

- The total leverage of state to matching funds
- The increase in the tax base of communities served
- The number of jobs created and retained
- The average wage of jobs created and retained
- The demographics of individuals benefiting from these efforts with specific reference to diverse populations including racial and ethnic communities, including American Indians, LGBTQI communities, people with disabilities, veterans, low-income communities, and rural communities.

DEED believes that these five critical performance indicators, along with quality demographic data, will highlight the comprehensive work our partners perform, and it will provide reliable data on the effectiveness and efficiency of the funded programs, and thereafter help with making future program and funding decisions.