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# Report of the Main Street Economic Revitalization Program

Office of Small Business Partnerships  
02/15/2023

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# Table of Contents

|   |                                     |
|---|-------------------------------------|
| <b>Table of Contents</b> .....          | <b>2</b>                            |
| Authorizing Appropriation .....         | 3                                   |
| Economic Revitalization Program .....   | 3                                   |
| Eligible Partner Organizations .....    | 3                                   |
| Eligible Uses.....                      | 4                                   |
| Collaboration .....                     | 4                                   |
| Matching Funds .....                    | 5                                   |
| Program Activity .....                  | 5                                   |
| Application Process .....               | 5                                   |
| Proposal Evaluation and Selection ..... | 6                                   |
| Partner Organizations.....              | <b>Error! Bookmark not defined.</b> |
| Performance Measurement .....           | 10                                  |

## Authorizing Appropriation

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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 made 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

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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 aid 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

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### Application Process

The first round 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 5<sup>th</sup> and 12<sup>th</sup> with the recordings being made available online after the fact.

In the first round of funding, 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.

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the requested funds originated from organizations serving the Twin Cities Metropolitan Area and 34% originated from organizations serving Greater Minnesota.

## Proposal Evaluation and Selection: Round 1

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.

| <b>Table 1 – Round 1 Partner Organizations Awarded</b> |                         |                         |                    |                                     |                                     |                                |
|--|-------------------------|-------------------------|--------------------|-------------------------------------|-------------------------------------|--------------------------------|
| <b>Organization</b>                                    | <b>Metro/Greater MN</b> | <b>Leveraged Grants</b> | <b>Admin</b>       | <b>Total Award (\$)<sup>1</sup></b> | <b>Lending Capacity<sup>2</sup></b> | <b>Non-state Matching (\$)</b> |
| 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                   |
| <b>TOTAL</b>   |                         | <b>\$32,680,00</b>      | <b>\$1,361,600</b> | <b>\$37,441,600</b>                 | <b>\$13,600,000</b>                 | <b>\$87,446,846</b>            |

<sup>1</sup> 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%.

<sup>2</sup> 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.

## Proposal Evaluation and Selection: Round 2

| Table 2 – Round 2 Partner Organizations Awarded |                  |                  |           |                               |                               |                         |
|---|------------------|------------------|-----------|-------------------------------|-------------------------------|-------------------------|
| Organization                                    | Metro/Greater MN | Leveraged Grants | Admin     | Total Award (\$) <sup>3</sup> | Lending Capacity <sup>4</sup> | Non-state Matching (\$) |
| Center for Economic Inclusion                   | Metro            | \$961,538        | \$38,462  | \$1,000,000                   | \$0                           | \$11,500,000            |
| Chinese American Chamber                        | Greater MN       | \$961,538        | \$38,462  | \$1,000,000                   | \$0                           | \$16,000,000            |
| Destination Medical Center                      | Greater MN       | \$950,000        | \$38,000  | \$988,000                     | \$850,000                     | \$2,220,000             |
| Faribault Chamber of Commerce                   | Greater MN       | \$750,000        | \$30,000  | \$780,000                     | \$0                           | \$8,800,000             |
| Greater Mankato                                 | Metro            | \$1,913,462      | \$76,538  | \$1,990,000                   | \$0                           | \$4,900,000             |
| Heartland Lakes Development Commission          | Greater MN       | \$250,000        | \$10,000  | \$260,000                     | \$0                           | \$835,000               |
| Initiative Foundation                           | Greater MN       | \$4,304,808      | \$172,192 | \$4,477,000                   |                               | \$18,900,000            |
| Minneapolis Foundation                          | Metro            | \$11,500,000     | \$460,000 | \$11,960,000                  | \$18,816,000                  | \$26,820,000            |
| Northland Foundation                            | Greater MN       | \$3,300,000      | \$132,000 | \$3,432,000                   | \$3,305,600                   | \$29,214,079            |
| Northwest Minnesota Foundation                  | Greater MN       | \$2,103,846      | \$84,154  | \$2,188,000                   |                               | \$86,450,000            |
| Southern Minnesota Initiative Foundation        | Greater MN       | \$2,250,000      | \$90,000  | \$2,340,000                   |                               | \$18,590,000            |
| Southwest Initiative Foundation                 | Greater MN       | \$1,760,577      | \$70,423  | \$1,831,000                   |                               | \$8,283,333             |
| West Central Initiative                         | Greater MN       | \$3,348,077      | \$133,923 | \$3,482,000                   |                               | \$193,185,000           |
| Winona Area Chamber                             | Greater MN       | \$961,538        | \$38,462  | \$1,000,000                   |                               | \$22,350,000            |

<sup>3</sup> 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%.

<sup>4</sup> This represents the total lending capacity that has been authorized to be available for 80% loan guarantees. DEED sets aside 25% of the value of enrolled loans in a loan guarantee trust fund.

**Table 2 – Round 2 Partner Organizations Awarded**

| Organization | Metro/Greater MN | Leveraged Grants    | Admin              | Total Award (\$) <sup>3</sup> | Lending Capacity <sup>4</sup> | Non-state Matching (\$) |
|--------------|------------------|---------------------|--------------------|-------------------------------|-------------------------------|-------------------------|
| <b>TOTAL</b> |                  | <b>\$35,315,385</b> | <b>\$1,412,615</b> | <b>\$37,441,600</b>           | <b>\$22,121,600</b>           | <b>\$448,047,412</b>    |

**Table 3 – Geographic Request vs Distribution of Funding (All Rounds)**

| Region       | Total Request–       | Total Request (%) | Total Award (\$)    | Total Award (%) |
|--------------|----------------------|-------------------|---------------------|-----------------|
| Metro        | \$68,440,840         | 47%               | \$47,516,000        | 60%             |
| Greater MN   | \$77,456,653         | 53%               | \$32,184,000        | 40%             |
| <b>Total</b> | <b>\$145,897,493</b> | <b>100%</b>       | <b>\$79,700,000</b> | <b>100%</b>     |

## Partner Organizations

| Organization  | Description of MSERP Funding Program  |
|---|---|
| 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.  |
| Center for Economic Inclusion, Saint Paul                         | The Center for Economic Inclusion is a nonprofit organization focused on closing racial employment, income, and wealth gaps, and building racially inclusive and equitable regional economies. The Center for Economic Inclusion will work with NEOO Partners, the Mustard Seed Fund, and Ramsey and Hennepin counties to support Black- and Latino-owned small businesses with financing to spur commercial development and redevelopment along specified metro corridors. |
| Chinese American Chamber of Commerce, Bloomington                 | The Chinese American Chamber of Commerce (CACC-MN) is a nonprofit serving Asian American small businesses and community development in Minnesota. Through this funding CACC-MN plans to support economic development and redevelopment projects that deliver the most economic impacts in specified West Metro and West Metro suburban areas with the greatest needs due to conditions that have risen since March 15, 2020.  |
| Destination Medical Center Economic                               | The Destination Medical Center Economic Development Agency supports the Destination Medical Center initiative in collaboration with the City of Rochester, RAEDI, and the DMC Corporation. This second round of funding will expand their Main Street Economic  |



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|---|---|
| Development Agency, Rochester                             | Revitalization initiative to provide grants to businesses on the outside of 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.  |
| Faribault Area Chamber of Commerce and Tourism            | The Faribault Area Chamber of Commerce and Tourism has served area businesses since 1913. The Chamber advocates for businesses and builds community alliances with the goal of promoting growth and prosperity in the Faribault community. Working with partner organizations, the Faribault Area Chamber of Commerce and Tourism will provide grants to support economic development projects that deliver significant revitalized impact to the Faribault downtown area.  |
| Greater Mankato Growth, Inc. Foundation                   | The Greater Mankato Growth, Inc. Foundation is a 501(c)3 foundation managed by Greater Mankato Growth, Inc. (GMG) – an organization focusing on supporting and promoting economic growth in the Greater Mankato area. Through this funding GMG will provide grants to businesses to support economic recovery from the impacts of the COVID-19 outbreak within key commercial corridors in the Greater Mankato area.  |
| Heartland Lakes Development Commission, Park Rapids       | The Heartland Lakes Development Commission facilitates economic growth in the region that includes Park Rapids, Nevis, Dorset, and Lake George. This second round of funding will expand their program to the City of Akeley, and to provide grants to additional businesses in the commercial districts of Park Rapids, MN and support economic recovery from the impacts of the COVID-19 outbreak.  |
| Initiative Foundation                                     | The Initiative Foundation is a Regional Community Foundation supporting economic and community development in 163 cities and 14 Counties across Central Minnesota. The foundation plans to support economic recovery projects in some of the following downtown/main street corridors: Little Falls, Cold Spring, Long Prairie, Brainerd, St. Cloud/East St. Cloud and Pine River.  |
| Northland Foundation                                      | The Northland Foundation is a foundation serving seven northeastern Minnesota counties: Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis, and all or parts of five Native nations with shared geography: Bois Forte Band of Chippewa, Fond du Lac Band of Lake Superior Chippewa, Grand Portage Band of Lake Superior Chippewa, Leech Lake Band of Ojibwe, and Mille Lacs Band of Ojibwe. The foundation plans to support economic development and redevelopment projects that deliver the most economic impact for the rural communities and Tribal Nations of Northeast Minnesota, with the greatest needs due to conditions that have risen since March 15, 2020. |
| Northwest Minnesota Foundation                            | Northwest Minnesota Foundation is one of the six Minnesota Initiative Foundations and serves the Northwest Minnesota community. Their project plans to provide grants and loans to businesses within the commercial corridors of Bemidji, East Grand Forks, and the Highway 59 corridor within White Earth Nation boundaries, to support economic recovery from the impacts of the COVID-19 outbreak.   |

|  |  |
|--|--|
| Saint Paul and Minnesota Foundation      | 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.  |
| Southern Minnesota Initiative Foundation | Southern Minnesota Initiative Foundation (SMIF) invests for economic growth in the 20 counties of south central and southeastern Minnesota. Their project will provide grants in the hospitality, retail, and childcare industries specifically in the commercial corridors of Northfield, Blooming Prairie, and other Southern Minnesota regions to support economic recovery from the impacts of the COVID-19 outbreak and natural disasters since March 15, 2020.   |
| Southwest Initiative Foundation          | Southwest Initiative Foundation is a rural, regional community foundation serving the 18 counties and two Native Nations of Southwest Minnesota. Their project will expand on their existing funding to provide grants to businesses in the commercial corridors of Willmar, Marshall, and Montevideo to support the economic recovery from the impacts of COVID-19.   |
| The Minneapolis Foundation               | The Minneapolis Foundation is a community foundation supporting 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 expand on their existing funding to include partnering with MEDA and others to provide grants and loans to businesses in expanded areas of Minneapolis and surrounding areas impacted by the social unrest of summer 2020 and impacts due to the COVID-19 pandemic. |
| Virginia Community Foundation, Virginia  | Supports the economic vibrancy of the city of Virginia in Northeast 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.   |
| West Central Initiative                  | West Central Initiative is a nonprofit community foundation that serves the western Minnesota region. Their project plans to support corridors and communities that were significantly impacted by COVID-19 shutdowns and whose economies rely on summer tourism from the West to the lakes area, including communities of Browns Valley and Morris, and communities intersected by State Highway 10 from Moorhead to Bluffton.  |
| Winona Area Chamber of Commerce          | The Winona Area Chamber of Commerce is a 501(c)3 that plans to provide grants to qualifying businesses/capital development projects in downtown Winona, with the goal of supporting the economic recovery from the impacts of the COVID-19 outbreak.   |

## Program Activity

As of January 15, 2022, all 18 revitalization partners have launched their programs over the course of two rounds of funding. A total of 80 leveraged grants have been awarded totaling \$15,660,089 leveraging

\$222,646,763 in matching funds. These projects are projected to impact 1629 jobs and result in a net tax base increase of \$131,586,026.

In addition, 2 projects have enrolled in the guaranteed loan program, enrolling \$2,150,000 in loans representing \$1,720,000 in guarantees and \$537,500 in contributions to the loan guarantee trust fund.

Based on currently activity levels it is expected that approximately 267 additional projects will be awarded through the remaining amount of funding. These projects are projected to impact as many as 3,815 additional jobs.

## 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.

| Performance Measure                                      | Current Activity (As of 1/15/2022) | Projected Activity (6/30/2025)<br>* |
|--|------------------------------------|-------------------------------------|
| Total number of projects                                 | 80                                 | 347                                 |
| The total leverage of state to matching funds            | \$222,646,763                      | \$966,722,003                       |
| Projected increase in the tax base of communities served | \$131,586,026                      | \$571,340,473                       |
| The number of jobs created and retained                  | 1629                               | 5444                                |
| Average wages  | \$21.52                            | \$21.52                             |

\*Projections based on all funded being awarded and averages of program activity through 1/15/2022.

DEED believes that these 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.