



FY25 Cannabis Industry Startup Financing Grants Annual Report

As required by Minn. Stat. § 116J.659

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As required by Minnesota Statute 3.197: This report costs approximately \$493.79 to prepare, including staff time, printing, and mailing expenses.

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Cannabis Industry Startup Financing Grants Program Report

Minnesota Statutes, Section 116J.659, Subd. 7(b) requires the Department of Employment and Economic Development (DEED) to report to the legislature on the Cannabis Industry Startup Financing Grants Program (CanStartup). The report is to include the following:

1. Awards given through the CanStartup program and the use of grant money, including any measures of success toward financing new cannabis microbusinesses and creating jobs in communities where long-term residents are eligible to be social equity applicants.

Minnesota Statutes, Section 116J.8752, Subd. 5(d) requires the Department of Employment and Economic Development to biannually report average interest rates charged by the nonprofit corporations and be publicly published by both the agency and the nonprofit corporation.

Program Background

The CanStartup program was established by Minn. Stat. § 116J.659. The CanStartup Program awards grants to nonprofit corporations to fund loans to new cannabis microbusinesses. The goal of the program is to support small business and job creation, especially in communities where long-term residents are eligible to be Social Equity Applicants (SEA), as defined by Minn. Stat. § 342.17. Nonprofit organizations must use grant funds to finance loans for new microbusinesses in the legal cannabis industry that are not likely to undertake the project for which loans are sought without the assistance from the program. Priority in loan applications is provided to businesses that meet either of the following criteria: (1) businesses that individuals who and eligible to be SEA have at least 65% ownership or, (2) businesses that are located in communities where long-term residents are eligible to be SEA.

The minimum State contribution to a loan is \$2,500 and the maximum of \$50,000; however, loans up to \$150,000 are available if State contributions are matched by an equal or greater amount of new private investment. Loan applications are given preliminary approval by the nonprofit corporation and must be forwarded to the DEED commissioner for final approval. The commissioner may approve partial or full forgiveness of interest or principal amounts if the borrower has been current on all payments for at least three years and meets additional forgiveness criteria approved by the commissioner.

History and Funding Availability

This program was authorized by the Legislature pursuant to Laws of Minnesota 2023, Chapter 63, Article 3, Section 1. CanStartup is codified in Minn. Stat. § 116J.659. The appropriation to initially fund the program included \$3,000,000 each year in SFY24 and SFY25, pursuant to Laws of Minnesota 2023, Chapter 63, Article 9, Section 9(b). An additional appropriation of \$1,000,000 each year in SFY26 and

SFY27 is available, pursuant to Laws of Minnesota 2025 – 1st Special Session, Chapter 6, Article 1, Section 7(b). The CanStartup revolving loan account is established in the special revenue fund.

Activity

On March 10, 2025, DEED solicited a Request for Proposals from qualified nonprofits to originate and service loans to new cannabis microbusinesses. This solicitation resulted in five proposals of which three were qualified to proceed. Three lenders were deemed eligible for the program and received notification of an award on July 31, 2025. Of the three selected lenders, two withdrew citing staffing and capacity issues and lack of ongoing board support. The remaining lender, Propagate Community Development Corporation (Propagate CDC), received an allocation of \$500,000 and executed a grant contract agreement on October 22, 2025. The initial allocation to the sole lender was increased to \$1,500,000 on December 17, 2025.

In 2025, Propagate CDC approved one loan to support a cultivation operation in Minneapolis's Hiawatha neighborhood. Once operational, the business is expected to create ten full-time and two part-time jobs. This loan of \$200,000 to a verified Social Equity Applicant is expected to close in 2026. Additional community engagement and communication activity undertaken by Propagate CDC is shown in Appendix A.

Awards and Use of Grant Funds

In 2025 no loans were funded. Propagate CDC reported incurring approximately \$44,000 in administrative expenses but did not seek reimbursement in 2025.

Average Interest Rates

Since program inception no loans have been funded.

Closing

Although Propagate CDC did not fund a loan in 2025, they are building a pipeline of projects with businesses in various stages of loan readiness. To build additional lender capacity, DEED will publish a Request for Proposals in 2026. Nonprofit lenders that are Community Development Financial Institutions (CDFI) or seeking CDFI certification have expressed concern that lending to a cannabis businesses could jeopardize their CDFI federal funding sources.

Appendix A – Propagate CDC Annual Report

Loans Paid in Full

None

Loans Written Off

None

Community Engagement and Communication

- A. Describe the program’s impact on business creation and job creation, particularly in communities where long-term residents are eligible to be social equity applicants.

In 2025, Propagate CDC approved one loan to support a cultivation operation in Minneapolis’s Hiawatha neighborhood. Once operational, the business is expected to create 10 full-time and 2 part-time jobs.

- B. How many loans did the organization make to social equity applicants during 2025? What was the value of those loans?

In 2025, Propagate CDC did not close any loans. One loan was approved during the year and is expected to close in 2026. The borrowers are social equity verified, and the approved loan amount is \$200,000.

- C. How did the organization provide culturally and linguistically relevant services to target groups during 2025?

In 2025, Propagate CDC ensured culturally and linguistically relevant support by working through its affiliate, the Minnesota Consortium of Community Developers, which provides access to Business Advisors fluent in Spanish, Hmong, and Somali.

- D. Please describe in detail the source and amount of money collected and distributed by the program.

No funds were collected or distributed through the program during this period.

- E. Please provide the program’s total assets and liabilities.

Since there was no program revenue or disbursement activity during the reporting period, the program had no assets or liabilities.

- F. Please provide an explanation of all administrative expenses for the program.

In 2025, the program incurred approximately \$44,000 in administrative expenses. These costs included insurance coverage, email and telecommunications setup, an IT tenant, and contracted professional services. No program funds were collected or used to cover these expenses.

- G. Which of the following outreach mechanisms did the organization use to reach the program's target groups in 2025?

Because the grant agreement was executed in the final two months of 2025, outreach activities during the year were limited. Outreach consisted of a webinar introducing the program; no additional outreach mechanisms (e.g., social media, mailers, or partner channels) were utilized in 2025.