

ECONOMIC DEVELOPMENT AUTHORITY WORK SESSION RICHFIELD MUNICIPAL CENTER, BARTHOLOMEW ROOM OCTOBER 21, 2019 5:45 PM

Call to order

1. Discussion of Business Development Activities and Programs

Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.

AGENDA SECTION:
AGENDA ITEM#

Work Session Items

1.



STAFF REPORT NO. 3 WORK SESSION 10/21/2019

REPORT PREPARED BY: John Stark, EDA Executive Director

DEPARTMENT DIRECTOR REVIEW: John Stark, EDA Executive Director

10/14/2019

OTHER DEPARTMENT REVIEW:

CITYMANAGER REVIEW:

ITEM FOR WORK SESSION:

Discussion of Business Development Activities and Programs

EXECUTIVE SUMMARY:

The Richfield Economic Development Authority (EDA) was founded in 2018, in part to provide programming for business development. Before the formation of the EDA, there was no reliable funding source for programming to assist our local businesses. In the past, the Richfield Housing and Redevelopment Authority (HRA) did fund some area-specific projects in business districts and had a couple of minimally funded business development activities. These currently include:

- Open to Business: an emerging business counseling service available for businesses opening in Richfield or for Richfield residents opening a business elsewhere. The HRA funded this program from 2013-17, and the EDA took over the budget in 2018. The current cost for providing this service is \$12,500 per year, half of which is paid by Hennepin County. The Open to Business program is administered by the Minnesota Consortium of Community Developers (MCCD). Rob Smolund of MCCD has been working in some economic development capacity with the community for 20 years. The 2018 annual report and 2019 year-to-date summary for Open to Business are attached.
- Bike Rack Cost Share Program: Since 2016, the HRA will pay half the cost of the installation of a new bike rack at a Richfield business. In the first 3 years of the program, Blue Cross-Blue Shield reimbursed the HRA for 50% of our costs. The cost to run this program is minimal. Typically, the HRA funds two or three racks per year at an annual cost of less than \$1,500.
- Penn Central Business District: Since 2008, the HRA has funded several initiatives along Penn Central from 62nd to 69th Streets (the Penn Central Business District). The HRA received a cost-sharing grant from Hennepin County to fund the Penn Avenue Façade Grant program. In 2018 and 2019, \$26,500 in HRA funds have been pledged to leverage \$84,000 in County and private money to make improvements to buildings in the corridor. The HRA has also funded enhanced landscaping in the right-of-way fronting the water tower, fire station and liquor store, two rounds of banners (in 2015 and 2019) and paid for costs associated with Open Streets at Penn.
- Lyndale & 66th Street Wayfinding: The HRA has pledged a total of \$80,000 in its 2019 and 2020 budget to fund enhanced signage and hardscape features to help coalesce the various developments and public space in the area.
- From 2013 to 2015, the City employed an Economic Development Specialist position to coordinate several programs and projects. The position was eliminated when a cost-benefit analysis concluded

that the position did not produce sufficient results to justify the salary and benefits of the position.

With the formation of the EDA there is now a reliable source of funding for more business development activities. In the 2018 budget, the EDA decided to budget \$75,000 for these uses but decided to let the funds accumulate rather than expending them. Both the 2019 and the 2020 EDA budget contain \$95,000 for "Business Assistance/Development."

EDA staff has researched how our peer communities provide programming to help their local businesses, has met with economic development consultants, and have garnered feedback from EDA Commissioners at past discussions. Staff is reluctant to propose programs that would necessitate the hiring of additional personnel, as a full-time position would consume the entire annual business development budget.

Staff is recommending that the EDA consider the implementation of the following programs:

- · Low-Interest Loans for Small Businesses;
- Displaced Businesses Grant, and;
- Subsidize Participation in Energy and Environment Loan Program.

A summary of these programs is as follows:

Revolving Low-Interest Loan

- 2% EDA Loan
- · Requires matching private lending
- Loan term amortizes at the same rate as private lending
- EDA funds "last in"
- \$50,000 maximum EDA loan as staff approval (up to \$74,500 with EDA approval)
- \$5.000 minimum EDA loan
- Administered & Underwritten by the Minnesota Consortium of Community Developers (MCCD): costs included in "Open to Business" contract

Displaced Business Fund

- Businesses displaced by HRA/EDA funded redevelopment
- Must relocate in Richfield
- Initial \$1,750 payment for lease rate differential at the signing of the lease
- Additional \$1,750 reimbursement for actual moving, fixtures and signage costs

Center for Energy and Environment Loan Program

- Low-interest loan to businesses for making energy-wise improvements
- Serve in a referral mode only or pay to buy down interest rates
- Administered by the Center for Energy and the Environment (CEE)

Lee Hall (Chief Operating Officer) and Rob Smolund (Senior Business Advisor) for the Minnesota Consortium of Community Developers will be in attendance at the meeting to discuss their administration of Open to Business in Richfield since 2013 as well as other services that they provide for economic development to other cities and agencies throughout the region.

DIRECTION NEEDED:

Discuss past activities and potential future Business Development programming and direct staff to pursue specific programs or projects.

BACKGROUND INFORMATION:

A. HISTORICAL CONTEXT

The Richfield Housing and Redevelopment Authority and City of Richfield have both taken on Business Development programming in the past, including:

- "Enterprise Facilitation" business counseling and financing during the approximate time frame of 1998 2003.
- Economic Development Specialist position from 2013 2015.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

Economic Development Authorities are given levying power in Minnesota and permissible use of the resulting funds are Business Development and Assistance.

C. **CRITICAL TIMING ISSUES:**

n/a

D. FINANCIAL IMPACT:

The EDA budgeted \$75,000 in 2018 and \$95,000 in both 2019 and 2020 for "Business Development/Assistance."

E. **LEGAL CONSIDERATION:**

Economic Development Authorities are given levying power in Minnesota and permissible use of the resulting funds are Business Development and Assistance.

ALTERNATIVE(S):

n/a

PRINCIPAL PARTIES EXPECTED AT MEETING:

Lee Hall (Chief Operating Officer) and Rob Smolund (Senior Business Advisor) for the Minnesota Consortium of Community Developers (MCCD)

ATTACHMENTS:

	Description	Туре
D	Open to Business 2018 Summary	Backup Material
D	Open to Business 2018 Results	Backup Material
D	Open to Business 2019 year to date	Backup Material

2018 Richfield Year end report As of 2019-01-16 13:51:55 • Generated by Rob Smolund

Individuals Businesses

	Low-							City	City			Total						Appro MCCD	Outs	ide		
Number of Clients		Minority	Woman	Business Description	Industry	Business Stage	Business Source	Impacted - Business	Impacted - Resident	Summary Comments	All assistance Provided	TA				Q4 TA Hours		Financ		ncing Jol		Jobs Retained
or Clients	Owned	Owned	Owned	Soul Food - Pop	industry	business stage	Source	business	Kesident	Summary Comments	All assistance Provided	Hours	Hours	Hours	Hour	Hours	Equity	Amou	it Amo	unt Cre	eated	xetained
1	✓	✓	1	Up	Food	Start-up	Municipality	Minneapolis	Richfield	Start-up soul food pop -up	Operation/logistics;Initial Consultation	1 2	2	0	0	0	2					
1	<		,	Retail and Speciality Stationary	Retail	Existing - Challenged	Bank Referral	·	Richfield	Client is seeking OTB's help to purchase an existing stationary business specialising in high-end, custom stationary and invitations. OTB approved financing in late 2018 to close in early 2019.						0 2	2	26	0,000			2
- 1				Stationary	ivecan	Chanengeu	Dank Referral	Excelsion	McIllela	Assisted client with a strategy on how to deal with		- 2.	,		0	0 2		50	3,000			
1	✓	_		convenience store	Food	Existing - Challenged	Municipality	Pichfield	Edina	a questionable lawsuit against his convenience store	Regulatory assistance;Strategic planning;General business issues/guidance			1	0	0	4					
-				31016	1000	Chanengeu	ividilicipality	Ricillela	Luma	Advising Long Time Client with	TA for Existing Clients; General business											
						Existing -				management/operational issues as they adjust to	issues/guidance;Cash Flow Analysis &											
2	✓		✓	Coffee Shop	Food	Opportunity	Municipality	Minneapolis	Richfield	newly expanded facilities.	Projections	7	7	5	0	0	2	\$1	0,000			
										Helped long term hair stylist truly understand												
	1	_	/	hair salon		Existing -		D: 16 11		what her main goal is as she ages and desires to	Marketing;Strategic planning;Financial				0		0					
1	٧	٧	· ·	hair salon	Retail	Challenged	Municipality	Richfield	Minneapolis	stay in the industry but not behind a chair.	Management Assistance	- 4		D	0	4	0					
2	✓		_	Dog day care, boarding & more	Carrier	Existing - Opportunity	Municipality	Dishfield	Richfield	Helped existing business evaluate growth strategies that fit their personal goals for their doggy day care business. Business has grown and has added 10 new employess over the last year.	Real estate analysis;Strategic planning			0	0	3	0				10	
	•			boarding & more	Service	Opportunity	iviunicipality	Richfield	Richfield	has added 10 new employess over the last year.	Real estate analysis; strategic planning	-	,	J	U	3	U				10	
					Construction	Existing -				Assisted plumbing contractor with planning cash	Cash Flow Analysis & Projections; General											
1	✓	✓		Plumbing HVAC	/ Real Estate		Web	Crystal	Richfield	flow for over a \$1M in major contracts	business issues/guidance;Strategic planning	1 7	,	7	0	0	0					
						Existing -																
1		✓	✓	Food	Food	Opportunity	Other	Minneapolis	Richfield	Assisted long term client with real estate analysis	Real estate analysis	2	2	0	0	2	0					
						Existing -				Cash Flow, Possible pro-bono legal help with	Lease review/negotiation;Other Loan Related;Cash Flow Analysis &											
1				Auto Body Shop	Service	Opportunity	Bank Referral	Richfield	Minneapolis	tenant	Projections;Financial Management Assistance	3	3	D	3	0	0					
					Health/Fitnes	Existing -																
1	✓		✓	Fitness, trainging	S	Opportunity	Web	Minneapolis	Richfield	general business issues	Initial Consultation	2	2	2	0	0	0					
1				State farm branded insurance agency	Professional /	Existing - Opportunity	Municipality	Pichfield	Minneapolis	Developed a full real estate analysis for different scenarios for the purchase of 2500 s.f. building in Richfield by a Minneapolis insurance agency.	Cash Flow Analysis & Projections; Real estate analysis; Strategic planning			n	6	0	0					
				Music	Consulting		ividilicipality	Nicimeia	Ivilinieapons	Assisted couple with the beginning stages of	analysis, strategic planning											
				School/Coffee		Pre-start				business planning for a music school and coffee												
2	✓		✓	Shop	Service	planning	Municipality	Richfield	Richfield	shop	Business Plan Development	3	3	0	3	0	0					
						Existing -				Assisted client with varying options on how to reduce her monthly occupancy cost for her brick	Close;Cash Flow Analysis &											
1	✓	_	1	retail shop	Retail	Challenged	Municipality	Pichfield	Richfield	and mortar retail store	Projections;Strategic planning		,	0	3	0	0					
-				retail shop	Retail	Chanengeu	iviunicipanty	Kicilielu	Kiciliela	Client came to OTB because the city is purchasing the building they are in and they will have to	Projections, strategic planning		,		3	U						
						Existing -				relocate. They need help with possible building purchase and contractor referrals and help during	Initial Consultation;General business issues/guidance;Relocation Assistance;Loan											
1	✓	✓		Grocery Store	Food	Challenged	Municipality	Chaska	Richfield	this process.	Facilitation	8	3	0	3	0	5					
						Existing -				Advised long standing dog training business on relocation. Suggested that consider subleasing or contacting businesses that have underutilized												
1			1	Dog Training	Service	Challenged	Municipality	Richfield	Eagan	space to lease in the evenings.	Real estate analysis;Relocation Assistance	3	3	0	0	3	0					
				.3	Construction				. 8	Assisted Richfield resident and entrepreneur with evaluation feasibility of a salon suite business and												
1		✓	1	Salon Suites	/ Real Estate		Municipality	Richfield	Richfield	real estate investment	analysis	4		0	0	4	0					
-					,					Assisted Farmers Market operator with strategic	·											
2	1	_	/	Tibetan dumplings	Food	Pre-start planning	Municipality	Pichfield	Edina	planning for expansion of his Tibetan food business	Business Plan Development;Tax Advice & Assistance;Licensing Assistance			0	0	0	5					
2	-			uumpiings	roou	Existing -	iviumcipanty	Mennela	Luma	Advised client on leased location for his cooking	Assistance, Licensing ASSISTance	- 1	,	U		v	,					
1	✓			Cooking school	Food	Challenged	Municipality	Richfield	Burnsville	school	Real estate analysis	3	3	0	0	0	3					
				Doggie Day care							Loan packaging;Other Loan Related;Loan											
1				and Boarding	Service	Start-up	Bank Referral	Minneapolis	Richfield	Loan Underwriting	Committee	10				0 1		1,574 \$3	5,000 \$4	142,292	3	12
23	13	9	12								Total Direct TA Hours		1	3 1	8 1	16 5	3				0	(
19	68%	47%	63%								Office Hours, Program Administration, Public Events/Meetings		3	6	4	4	4					
											Totals	117	19	22	20	57	\$71,	574 \$105	000 \$44	2,292	13.00	14.00
																	# of dir					
																	capital					
																	access		2			

capital
access 2

Total
Outside
Capital



Updates

City/County: Time Frame:

Richfield 1/1/18-12/31/18

Clients Served:

Client inquiries	2
New Entrepreneur/Start-up	5
Existing Business	14
Total	21

How did client hear about OTB:

Bank	
Referral	3
Municipality	13
Other	1
Web	2

Direct & Facilitated Financing approved:

of loans 4

Amount **\$105,480**

Capital Leveraged: \$513,866

Jobs retained or created from MCCD

closed loan clients: 27

Program related hours TA/Admin: 117

Types of Services Provided:

Business plan	Real Estate	Tax advice and
development	Analysis	assistance
Licensing	Cash Flow	Strategic
	analysis and	planning
	projections	
Relocation	Loan	Lease review/
Assistance	Facilitation	Negotiation
Financial	Operation/	Loan Packaging
Management	logistical help	
Assistance		
Regulatory		
Assistance		

Industry Segment:

Construction / Real	
Estate	2
Food	7
Health/Fitness	1
Professional / Consulting	1
Retail	3
Service	5

Client Demographics

Demographic	# of Clients	TA Hours					
Women	12	60					
Entrepreneurs							
Minority	9	38					
Entrepreneurs							
Low Income	13	72					
Entrepreneurs							

Types of Businesses:

Types of Businesses:													
Auto Body	Coffee Shop	Convenience											
Shop		Store											
Cooking	Dog Day Care	Dog Day care											
School		and boarding											
Dog training	Fitness	Grocery store											
	training												
Hair Salon	Music	Plumbing/											
	School/Coffee	HVAC											
	Shop	contractor											
Speciality	Salon Suites	Soul Food											
Stationery		Pop Up											
store													
State Farm	Tibetan												
Agency	Dumplings												

Richfield Loan Client Highlights

Sisters Coffee Inc. dba Sister Sludge

Founded by triplets Judy Morris-Meyer, <u>a Richfield</u> resident, Maggie Morris-Gronlund and Katie Morris-Buch, Sister Sludge had been a defining feature in the Northrop neighborhood of south <u>Minneapolis</u> for twenty years. In March 2017, their lease was terminated by a new landlord and the neighborhood was in a panic that they might have to close. With help from MCCD, they relocated a mile from their original location to the up and coming area of 38th Street and 23rd Avenue South. The larger space will allow the sisters to add a wine bar and a small plates menu. This additional loan in first quarter 2018 was for working capital.

Clean Paws LLC dba City Paws is a start-up pet boarding and day care facility that is owned by a Richfield married couple. The business will also offer pet grooming and self and full service bathing. They just opened on the first floor in the Mill City Quarters building at 3rd Avenue and South 2nd Street just outside of downtown Minneapolis. The business is targeting affluent pet owners who travel, primarily those that work or live in or near downtown. Recent years have shown a significant growth in the number of upscale residential units in and around downtown Minneapolis. Many of these occupants are dog owners. Open to Business provided a working capital loan after the business experience some unexpected delays in the buildout

Epitome Papers LLC

Epitome Papers was founded more than 40 years ago, and for approximately 10 years beginning in 2005 it operated out of the Galleria Mall in Edina. The business sells retail stationary and gift items, but generates the largest portion of its revenue from custom stationary and invitations for weddings and other special events. In 2016 the business was purchased and relocated to Excelsior. The current owners are selling the business now to the store manager, a Richfield resident, and Open to Business approved a loan for her to purchase the business.

Non Loan Client Highlights:

- Advised client on leased location for his cooking school
- Advised long standing dog training business on relocation. Suggested that consider subleasing or contacting businesses that have underutilized space to lease in the evenings.
- Advising Long Time Client with management/operational issues as they adjust to newly expanded facilities.
- Assisted client with a strategy on how to deal with a questionable lawsuit against his convenience store
- Assisted client with varying options on how to reduce her monthly occupancy cost for her brick and mortar retail store

- Assisted Farmers Market operator with strategic planning for expansion of his Tibetan food business
- Assisted plumbing contractor with planning cash flow for over a \$1M in major contracts
- Assisted Richfield resident and entrepreneur with evaluation feasibility of a salon suite business and real estate investment
- Developed a full real estate analysis for different scenarios for the purchase of 2500 s.f. building in Richfield by a Minneapolis insurance agency.
- Helped long term client evaluate growth strategies that fit their personal goals for their doggy day care business. Business has grown and has added 10 new employees over the last year.

Credit Builder Loans:

In 2018, MCCD provided two credit builder loans to a Richfield residents. MCCD works in partnership with several nonprofit organizations to offer the credit building program. Our partners provide financial counseling in conjunction with small personal loans from MCCD. This combination of counseling with loans is helping program participants improve their credit scores, thus allowing for better interest rates for various types of lending.

Client Testimonials from 2018:

"Rob is definitely someone you want in your corner. He takes a holistic approach to understanding your business objectives and provides the appropriate strategy/ solution(s). Rob possess the unique expertise to understand both the legal and financial side as it relates to revenue/ ROI. He has been an amazing resource and huge asset to the team."

"I say this in all seriousness, I have NO idea how I could've done it without you. If there is anywhere that I can tout you or Open To Business's help let me know I will stand on a rooftop and tout away!"

Richfield Open to Business Activity thru 9/30/19 As of 2019-10-08 15:26:57 • Generated by Rob Smolund

		Low-											Total					Approved MCCD	Approved Outside			
N	ımber	Income	Minority	Woman	Business		Business		City Impacted				TA	Q1 TA	Q2 TA	Q3 TA		Financing	Financing	Jobs	Jobs	
0	Clients	Owned	Owned	Owned	Description	Industry	Stage	Source	- Business	- Resident	Summary Comments	All assistance Provided	Hours	Hours	Hours	Hours	Equity	Amount	Amount	Created	Retained	Outcomes
					Soul Food - Pop						Looking for kitchen and pop up											
	1	TRUE	TRUE	TRUE	Up	Food	Start-up	Municipality	Minneapolis	Richfield	spaces	General business issues/guidance	1	0.25	0.75							
					Retail and						Assisted loan client with cash flow	Other Loan Related; General										
					Speciality		Existing -				management and provided general	business issues/guidance;Financial										
	1	TRUE	FALSE	TRUE	Stationary	Retail		Bank Referral	Excelsion	Richfield	business guidance	Management Assistance	12 79	11.75								
	-	INOL	TALDE	INOL	Stationary	netun	chancingea	bank_nererrar	Execusion	Memicia	Assisted client with formulating a	Business Plan Development;Real	11.7.	11.75		`						
					Community						structure to test business feasibility	estate analysis; Regulatory										
					coffee shop and		Pre-start				for a neighborhood bakery/coffee	assistance;General business										
	1	TRUE	FALSE	TRUE	bakery	Food	planning	Municipality	Richfield	Richfield	shop.	issues/guidance	2.5	2.5	() (
												Other Loan Related; Cash Flow										
												Analysis & Projections;Loan										
											l	packaging;Lease										
												review/negotiation;Regulatory										
					Indoor/Outdoor						flow analysis, loan packaging,	assistance;Loan										
					Dog park with						regulatory issues and lease review	Committee;Licensing										
		TRUE	FALSE	FALSE	beer, wine and food	Food	Pre-start planning	Bank Referral		DI-LE-14	for his new concept incorporating a dog park with a brewery and eatery.	Assistance; Networking/referrals; Gen eral business issues/guidance	44.5	. 0	17.5	23	\$198.000	\$50,000	\$665,000	1:		MCCD direct financing
	1	IKUE	FALSE	FALSE	Snow plowing	F000	planning	вапк кетегга	iviinneapolis	Kichfield		Business Plan	44.3		17.3) Z:	\$198,000	\$50,000	3005,000) 1.	L	MCCD direct financing
					and Gig worker						few entrepreneurial ideas to	Development;Marketing;Networking										
	1	TRUE	FALSE	FALSE	app	Technology	Start-up	Web	Richfield	Richfield	enhance his gig activity.	/referrals;Operation/logistics	13.5	. 0	11.5							Established business
	-	INOL	TALDE	TALDE	арр	reciniology	Start up	***************************************	rucinicio	Memicia	Assisted entrepreneur with business	y certain, operation y logistics	10									Established basiness
												Business Plan Development;Cash										
					Body Sculpting		Pre-start				options for her body contouring	Flow Analysis & Projections; Loan										
	1	TRUE	TRUE	TRUE	and contouring	Health / Fitness	planning	Other	Richfield	Bloomington	business	packaging;Regulatory assistance	4	0	4							
											Assisted client with a framework to											
					cosmetics/clothi						develop a business plan and evaluate											
					ng with		Pre-start				feasibility for a Caribbean Inspired	Flow Analysis & Projections; Personal										
	1	FALSE	TRUE	TRUE	Carribean Flair	Retail	planning	Web	Richfield	Richfield	cosmetic line	Financial planning; Marketing	2.5	0	2.5							
					Beauty Eyelash		Existing -				Client was seeking QuickBooks setup											
	1	FALSE	FALSE	TRUE	Studio	Service	Challenged	Entrepreneur	Richtield	Bloomington	and training for an existing business	Consultation	19.75	0	6.25	13.5						
											Client was seeking QuickBooks setup	Desert keeping/heekkeepingshitisl										
	1	TRUE	FALSE	TDITE	Beauty Spa	Service	Start-up	Entrepreneur	Dichfield	Planmington	and training for an existing business		5.5	. 0	2.5							
	-	mor	TALDE	INOL	beauty spa	Scrvice	Start up	Entrepreneur	rucinicio	Dioonington	and training for an existing business	Business Plan	J.,	-								
											Assisted resident with developing a	Development;Regulatory										
							Pre-start				plan to start a cottage food business											
	1	TRUE	TRUE	TRUE	Tbd	Retail	planning	Municipality	Richfield	Richfield		issues/guidance	1	. 2) (
							_															
					Dog day care,		Existing -				Assisted client on ways of dealing											
	2	TRUE	FALSE	TRUE	boarding & more	Service		Municipality	Richfield	Richfield	with a regulatory issue	Regulatory assistance	- 2	. 0	- 1							
							Existing -		L													
	1	FALSE	FALSE	FALSE	Auto Body Shop	Service	Opportunity	Bank_Referral	Richfield	Minneapolis	Andread with a bust-see size 5	Other Loan Related	2	. 2	() (
					Cannabis			MCCD Community			Assisted with a business plan format											
					Dispensary when		Pre-start	Partner/Mem			to evaluate a cannabis dispensary business when it becomes legal in	Business Plan										
	1	FALSE	TRUE	TRUE	it becomes legal		planning		Richfield	Richfield	MN	Development;Regulatory assistance	1 3	. 0) 3						
	1	PALSE	INUE	INUE	it becomes legal	neidli	pidillillig	MCCD	Maineia	mannelu	IVIIX	Development, negulatory assistance	-			1 -						
								Community														
							Existing -	Partner/Mem		Brooklyn												
	1	TRUE	TRUE	TRUE	Comestology	Service	Opportunity	ber Org	Richfield	Center	Microgrant inquiry, new client	Initial Consultation; Marketing	1.25	0		1.25						
S	15			11									116.25	18.5	48	45.75	\$ 198,000.00	\$ 50,000.00	\$ 665,000.00	1:	1 0	
4		71%	43%	79%																		
		Low-																				

Low-Income Minority Woman Owned Owned Owned

Total Individuals
Businesses