



**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.



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:

CITY MANAGER 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	Type
☐ Open to Business 2018 Summary	Backup Material
☐ Open to Business 2018 Results	Backup Material
☐ 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

Number of Clients	Low-Income Owned	Minority Owned	Woman Owned	Business Description	Industry	Business Stage	Business Source	City Impacted - Business	City Impacted - Resident	Summary Comments	All assistance Provided	Total TA Hours	Q1 TA Hours	Q2 TA Hours	Q3 TA Hours	Q4 TA Hours	Equity	Approved MCCD Financing Amount	Approved Outside Financing Amount	Jobs Created	Jobs Retained		
1	✓	✓	✓	Soul Food - Pop Up	Food	Start-up	Municipality	Minneapolis	Richfield	Start-up soul food pop-up	Operation/logistics;Initial Consultation	2	0	0	0	2							
1	✓		✓	Retail and Speciality Stationary	Retail	Existing - Challenged	Bank Referral	Excelsior	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.	Other Loan Related;Loan Committee;Cash Flow Analysis & Projections;Loan packaging;General business issues/guidance	23	0	0	0	23		\$60,000			2		
1	✓	✓		convenience store	Food	Existing - Challenged	Municipality	Richfield	Edina	Assisted client with a strategy on how to deal with a questionable lawsuit against his convenience store	Regulatory assistance;Strategic planning;General business issues/guidance	4	0	0	0	4							
2	✓		✓	Coffee Shop	Food	Existing - Opportunity	Municipality	Minneapolis	Richfield	Advising Long Time Client with management/operational issues as they adjust to newly expanded facilities.	TA for Existing Clients;General business issues/guidance;Cash Flow Analysis & Projections	7	5	0	0	2		\$10,000					
1	✓	✓	✓	hair salon	Retail	Existing - Challenged	Municipality	Richfield	Minneapolis	Helped long term hair stylist truly understand what her main goal is as she ages and desires to stay in the industry but not behind a chair.	Marketing;Strategic planning;Financial Management Assistance	4	0	0	4	0							
2	✓		✓	Dog day care, boarding & more	Service	Existing - Opportunity	Municipality	Richfield	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 employees over the last year.	Real estate analysis;Strategic planning	3	0	0	3	0					10		
1	✓	✓		Plumbing HVAC	Construction / Real Estate	Existing - Challenged	Web	Crystal	Richfield	Assisted plumbing contractor with planning cash flow for over a \$1M in major contracts	Cash Flow Analysis & Projections;General business issues/guidance;Strategic planning	7	7	0	0	0							
1		✓	✓	Food	Food	Existing - Opportunity	Other	Minneapolis	Richfield	Assisted long term client with real estate analysis	Real estate analysis	2	0	0	2	0							
1				Auto Body Shop	Service	Existing - Opportunity	Bank Referral	Richfield	Minneapolis	Cash Flow, Possible pro-bono legal help with tenant	Lease review/negotiation;Other Loan Related;Cash Flow Analysis & Projections;Financial Management Assistance	3	0	3	0	0							
1	✓		✓	Fitness, trainging	Health/Fitness	Existing - Opportunity	Web	Minneapolis	Richfield	general business issues	Initial Consultation	2	2	0	0	0							
1				State farm branded insurance agency	Professional / Consulting	Existing - Opportunity	Municipality	Richfield	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	6	0	6	0	0							
2	✓		✓	Music School/Coffee Shop	Service	Pre-start planning	Municipality	Richfield	Richfield	Assisted couple with the beginning stages of business planning for a music school and coffee shop	Business Plan Development	3	0	3	0	0							
1	✓	✓	✓	retail shop	Retail	Existing - Challenged	Municipality	Richfield	Richfield	Assisted client with varying options on how to reduce her monthly occupancy cost for her brick and mortar retail store	Close;Cash Flow Analysis & Projections;Strategic planning	3	0	3	0	0							
1	✓	✓		Grocery Store	Food	Existing - Challenged	Municipality	Chaska	Richfield	Client came to OTB because the city is purchasing the building they are in and they will have to relocate. They need help with possible building purchase and contractor referrals and help during this process.	Initial Consultation;General business issues/guidance;Relocation Assistance;Loan Facilitation	8	0	3	0	5							
1			✓	Dog Training	Service	Existing - Challenged	Municipality	Richfield	Eagan	Advised long standing dog training business on relocation. Suggested that consider subleasing or contacting businesses that have underutilized space to lease in the evenings.	Real estate analysis;Relocation Assistance	3	0	0	3	0							
1		✓	✓	Salon Suites	Construction / Real Estate	Pre-start planning	Municipality	Richfield	Richfield	Assisted Richfield resident and entrepreneur with evaluation feasibility of a salon suite business and real estate investment	Business Plan Development;Real estate analysis	4	0	0	4	0							
2	✓	✓	✓	Tibetan dumplings	Food	Pre-start planning	Municipality	Richfield	Edina	Assisted Farmers Market operator with strategic planning for expansion of his Tibetan food business	Business Plan Development;Tax Advice & Assistance;Licensing Assistance	5	0	0	0	5							
1	✓			Cooking school Doggie Day care and Boarding	Food	Existing - Challenged	Municipality	Richfield	Burnsville	Advised client on leased location for his cooking school	Real estate analysis	3	0	0	0	3							
1					Service	Start-up	Bank Referral	Minneapolis	Richfield	Loan Underwriting	Loan packaging;Other Loan Related;Loan Committee	10	0	0	0	10	\$71,574	\$35,000	\$442,292	3	12		
Individuals	23	13	9	12								99	13	18	16	53				0	12		
Businesses	19	68%	47%	63%								18	6	4	4	4					0		
												Totals	117	19	22	20	57		\$71,574	\$105,000	\$442,292	13.00	14.00

of direct capital access 2
Total Outside Capital Leverage \$513,866



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 development	Real Estate Analysis	Tax advice and assistance
Licensing	Cash Flow analysis and projections	Strategic planning
Relocation Assistance	Loan Facilitation	Lease review/ Negotiation
Financial Management Assistance	Operation/ logistical help	Loan Packaging
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 Entrepreneurs	12	60
Minority Entrepreneurs	9	38
Low Income Entrepreneurs	13	72

Types of Businesses:

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

Richfield Loan Client Highlights

Sisters Coffee Inc. dba Sister Sludge

Founded by triplets Judy Morris-Meyer, a **Richfield** resident, Maggie Morris-Gronlund and Katie Morris-Buch, Sister Sludge had been a defining feature in the Northrop neighborhood of south Minneapolis 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!"

