



# City of Blaine Anoka County, Minnesota

Blaine City Hall  
10801 Town Sq Dr NE  
Blaine MN 55449

## Legislation Text

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**WORKSHOP ITEM** *Erik Thorvig, Economic Development Coordinator*

### **DISCUSS CREATION OF A SMALL BUSINESS LOAN PROGRAM**

At a recent EDA meeting, staff was asked to research potential financing options for small businesses to complete remodeling or expansion projects. About 2-3 times per year staff is approached by a business that is struggling to obtain bank financing to complete a remodeling or expansion project. Typically the situation occurs due to lack of equity and/or low value of existing assets (typically the real estate) resulting in a lower amount a bank is willing to lend towards a project. The difference between what a business is able to obtain in financing versus what the project costs is often called a “gap”.

The City of Blaine doesn’t currently have a formal program to assist in project financing. Typically staff will direct the business to the Open to Business program which offers gap financing. The Open to Business program has provided a total of \$350,000 in loans to two Blaine businesses since the program began in 2015. Large to medium sized businesses have access to certain grants and loans from the Minnesota Department of Employment and Economic Development.

There formally existed an entity called the Blaine Area Development Corporation (BADC) which was created to provide loans to small and medium sized Blaine businesses. The funds for this program originally came from the Community Development Block Grant (CDBG) Federal program. Under this program the maximum loan amount was \$100,000 and funds were used for purchase, acquisition or construction of industrial/commercial real estate or machinery and equipment. The loans were secondary to bank financing. This program was used most in the early 2000s, however the program dissolved and all loans were transferred to Anoka County in 2014. The main reason for dissolving the program was decreased interest and the additional requirements of administering CDBG dollars.

Staff researched two comparable neighboring cities to determine what programs they offer. Coon Rapids has two programs that provide loans for commercial rehabilitation and real estate/M&E purchases. Brooklyn Park has a real estate and equipment loan program. Based on the terms of the programs in other cities, staff would propose the following for discussion purposes.

## **Blaine Small Business Loan Fund**

**Who:** Existing commercial/industrial buildings or buildings/improvements constructed as part of a redevelopment. Not for use on green field construction. Business must have fewer than 25 employees.

**Term:** Maximum of 10 years, with interest rates determined by market conditions at time of closing.

**For:** Site improvements, such as parking lots, signs, trash enclosures, fences and landscaping. Exterior building improvements such as additions, windows, awnings, masonry repairs and exterior finishes. Demolition of existing buildings, parking areas or signs. Not intended for any interior improvements, M&E, or real estate.

**Amount:** Maximum loan amount of \$50,000. At least 50% of the financing must come from a private lender or private equity. Funds will be set up as a revolving loan fund with \$250,000 initially allocated from the EDA general fund.

**Business/Property:** Must be current on property taxes and utilities. Must not have any outstanding code violations.

### **Questions:**

- 1.) Do we want a minimum loan amount? Is the maximum amount okay?
- 2.) Do we want a maximum employee number?
- 3.) Do we want this structured as a loan, grant, forgivable loan, etc.?
- 4.) Do we want to allow the loan for interior improvements?
- 5.) Do we want to limit this to just for-profit businesses?
- 6.) Do we want criteria for approving the loans such as job creation, job value, etc.?

Discuss the item and provide staff direction.