



MINNESOTA COUNCIL  
ON FOUNDATIONS

# Minnesota Council on Foundations

Integrated Capital Recovery Program

Date: 9-11 August 7, 2020

# Small Businesses & Entrepreneurs

- Metropolitan Consortium of Community Developers
- Neighborhood Development Center



# Metropolitan Consortium of Community Developers

Expanding the wealth and resources of neighborhoods through economic development and housing initiatives. Provides TA and financing to entrepreneurs, provide free services, and partners with culturally based/women centered CDFIs.

## Organization History and Scale

- Founded 1989
- Certified as a CDFI in 2013
- Operates in Twin Cities
- 12/2018 Total Assets: \$10,140,405

## Target Impacts

- DEI: Loan recipients in 2020 YTD are 75.3% BIPOC, impacted census tracts, and low-income communities
- Serve BIPOC, Women, and low-income business owners.

## Team

16 total staff

New CEO, started in May 2020

## Capital Needs

Loans: \$1,500,000 partially forgivable, 0-0.5%, 10 years with quarterly principal payments.

Grants: \$150,000 (or 10%) for underwriting, processing, and providing TA to borrowers.

## Use of Funds and timing

**Emergency response:** \$1,000,000 deployed over the next year. Used to restructure current debt by MCCD BIPOC, women, and low-income business owners impacted by shutdowns and riots. Lower interest rate from ~8% and extend maturity dates to improve businesses' cash flow and increase survival.

**Recovery efforts:** \$500,000 new loans to BIPOC, women, and low income businesses for return to work/new business models and operations. Deployed over the next year.

**Longer term resilience:** The ability to restructure loans, provide new lending, and technical assistance will help long term resilience for businesses and MCCD's portfolio. Grant will be used over the next 2 years, expecting that TA will be needed for at least 1 year after restructuring or providing loans.

## PRI/investors

McKnight Foundation

# Neighborhood Development Center

Provides entrepreneurship training, financing, and long term support in the highest-need neighborhoods of the Twin Cities. Empowers individuals to then contribute to the revitalization of their own communities.

## Organization History and Scale

- Founded 1993; Certified as a CDFI in 2013
- Operates in 8 lowest income MSP neighborhoods
- Loans Receivable: \$5,478,302
- 6/4/20 Total Assets: \$700,000 non-recourse and \$1,900,000 in recourse capital

## Target Impacts

- DEI: Focus on serving business owners of color
- Priority placed on business owners of color. In 2019 97% in training programs were POC and 27% immigrants.

## Team

28 total staff

## Capital Needs

Loans: \$1,000,000 at 0-1% interest for loan capital  
Grants: \$200,000 for loan loss reserve and \$100,000 for servicing and technical assistance

## Use of Funds and timing

**Recovery efforts:** For Reopen Your Business Loans to assist NDC entrepreneurs in NDC priority neighborhoods. Will include relaunch after COVID-19 shutdown/slowdown, startups from scratch or after a failure, expansions, and rebounding with new business models. Max \$50,000 at 2% interest for up to 5 years with 12 month deferral. Model also makes 50% forgivable after 5 years.

Already have capital for emergency response, so this would be for recovery/reopening and planning for it to be years of recovery.

## PRI/investors

Northwest Area Foundation  
McKnight Foundation  
Minneapolis Foundation  
St. Paul & Minnesota Foundation  
Otto Bremer

# Small Businesses & Entrepreneurs

- Entrepreneur Fund
- Initiative Foundation
- Northwest Minnesota Foundation



# Entrepreneur Fund

Partners with entrepreneurs to stimulate the growth of successful businesses with business loans and flexible financing, strategic support, and cultivating a culture of entrepreneurship.

## Organization History and Scale

- Founded 1989, Certified as a CDFI in 2013
- Operates in 17 counties in Northeast MN, Central MN, and Northwest Wisconsin
- Loans Receivable: \$11,596,145
- 12/2018 Total Assets: \$23,365,139

## Team

23 total staff (48% Women, 0% POC)  
CEO for 6 years

## Use of Funds and timing

**Recovery efforts & Longer term resilience:** Working capital for businesses to re-open and maintain cash flow for the next 1-2 years. This may include working capital loans, refinancing, start-up financing, and gap financing. They are also a SBA 7a lender, which gives them an advantage in providing working capital and refinancing. The CARES Act raised Express loan limits up to \$1M and 6 months of P&I payments from the SBA for loans originated by 9/15.

## Target Impacts

- DEI: Gender balanced staff and leadership, no POC in staff; Serves majority rural and low-income communities
- Past loans went 65% to rural communities, 50% to women-owned businesses, 10% to POC, 80% to low-income communities or individuals.

## Capital Needs

Loans: \$4,750,000 in at least \$1,000,000 increments for 5-10 years at a 2-3% interest rate depending on term length.

Grants: \$425,000 with \$200,000 for loan loss reserves and \$225,000 for net asset grant

## PRI/investors

Blandin Foundation  
Otto Bremer Trust  
Northwest Area Foundation  
Women's Foundation of Minnesota

# Initiative Foundation

Empowers Central MN through intersection of economy, community, & philanthropy. Most common products are gap loans. Provides grants, programs, donor services/charitable funds. MCF member.

## Organization History and Scale

- Founded 1986, Certified as a CDFI in 2014
- Operates in 14 counties of Central MN
- Loans Receivable: \$8,556,234
- 12/2018 Total Assets: \$71,595,102

## Target Impacts

- DEI: Very few POC in staff and board, gender balance in staff, only one woman in leadership; Expanding to include immigrant /minority entrepreneurs
- Serving underserved residents and newly arrived immigrants of a predominantly rural region

## Team

26 total staff (7.6% POC, 58% Women)  
President served for 3.5 years

## Capital Needs

Loans: \$1,000,000 at 1% for 10 years (prefer non-recourse)  
Grants: \$200,000 for administration costs, technical assistance to borrowers, loan loss reserve (if recourse)

## Use of Funds and timing

**Recovery efforts:** Approx. \$500,000 within 6 months  
**Longer term resilience:** Approx. \$500,000 within a year

## PRI/investors

Northwest Area Foundation  
Wells Fargo

# Northwest Minnesota Foundation

Sustains the region's rural communities through the health of the business community, rural issues, childcare, and housing. Provides grants, loans, and technical assistance across 6 program areas.

## Organization History and Scale

- Founded 1986: Certified as a CDFI in 2014
- Operates in 12 counties and 2 tribal nations of Northwest Minnesota
- 6/30/19 Total Assets: \$79,800,000
- 6/30/19 Loans Receivable: \$3,700,000

## Target Impacts

- DEI: Board and staff exhibit gender balance, Native Americans; Grantees/loanees and those they serve are rural
- Serves two tribal nations and rural communities. 3 of their 12 counties have significant Native American populations

## Team

22 total staff (14 Women, 3 with Native American heritage)

President for 1 year, at Northwest for 4 years

## Capital Needs

Loans: \$500,000 at 2%, 10 years. For small businesses, community development, and housing loans.

Grants: \$150,000 for underwriting costs, TA, and trainings. Grants to small businesses for expertise beyond the Foundation's.

## Use of Funds and timing

**Emergency response:** Use \$50,000 loan capital, \$30,000 grants by 9/30/2020

**Recovery efforts:** Use \$200,000 loan capital and \$60,000 grants by 3/31/2021

**Resilience:** Use \$250,000 loan capital and \$60,000 grant capital by 12/31/2021

Provided Small Business Emergency Microloans Loans, up to \$35,000, totaling \$668,500 to allow for businesses to recover, reopen and stay in business. •

Emergency Child Care Grants: \$279,000 • Northwest Minnesota Emergency

Disaster Recovery Grants: \$197,000 • Also will expand technical assistance

such as 1:1 coaching, training, information sharing, preparing a borrower, forecasting assistance, market niche research, or financial preparations for additional lending options. Also offer grants.

## PRI/investors

Women's Foundation of MN





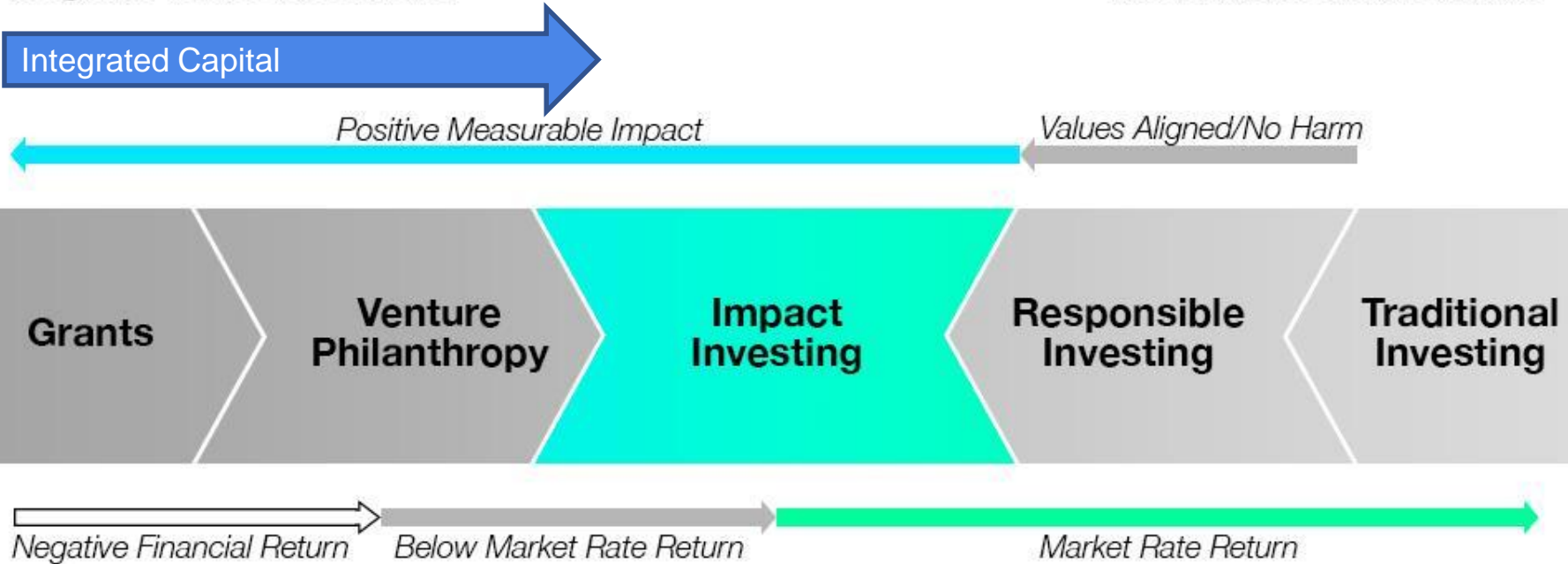
# Investing Spectrum

## Philanthropic Activities

Program Related Investments

## Investment Activities

Mission Related Investments



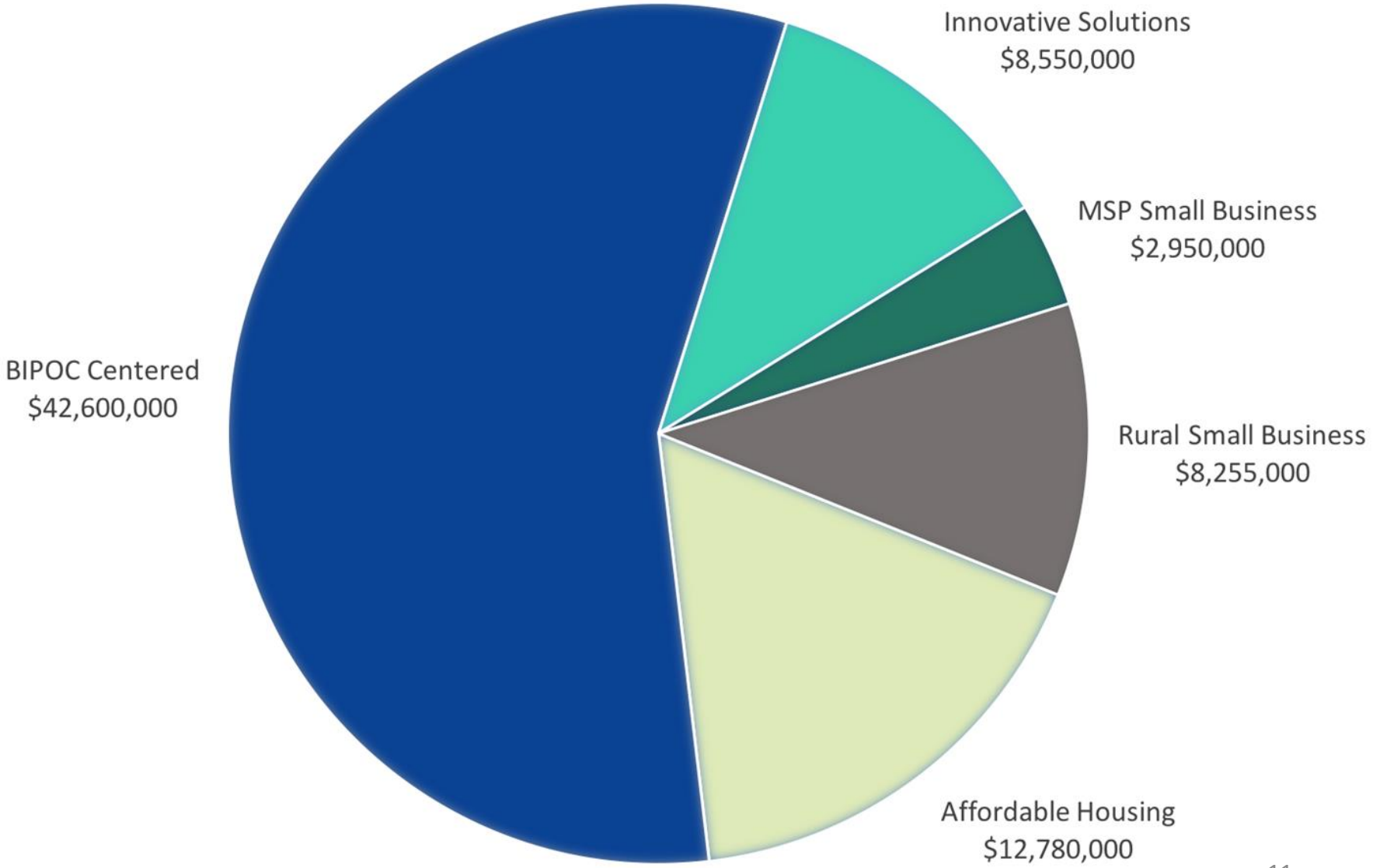
## **Integrated Capital is:**

*the coordinated use of different forms of financial capital and non-financial resources to support an enterprise that's working to solve complex social and environmental problems.*

*RSF Social Finance*

# TOTAL CAPITAL NEEDS

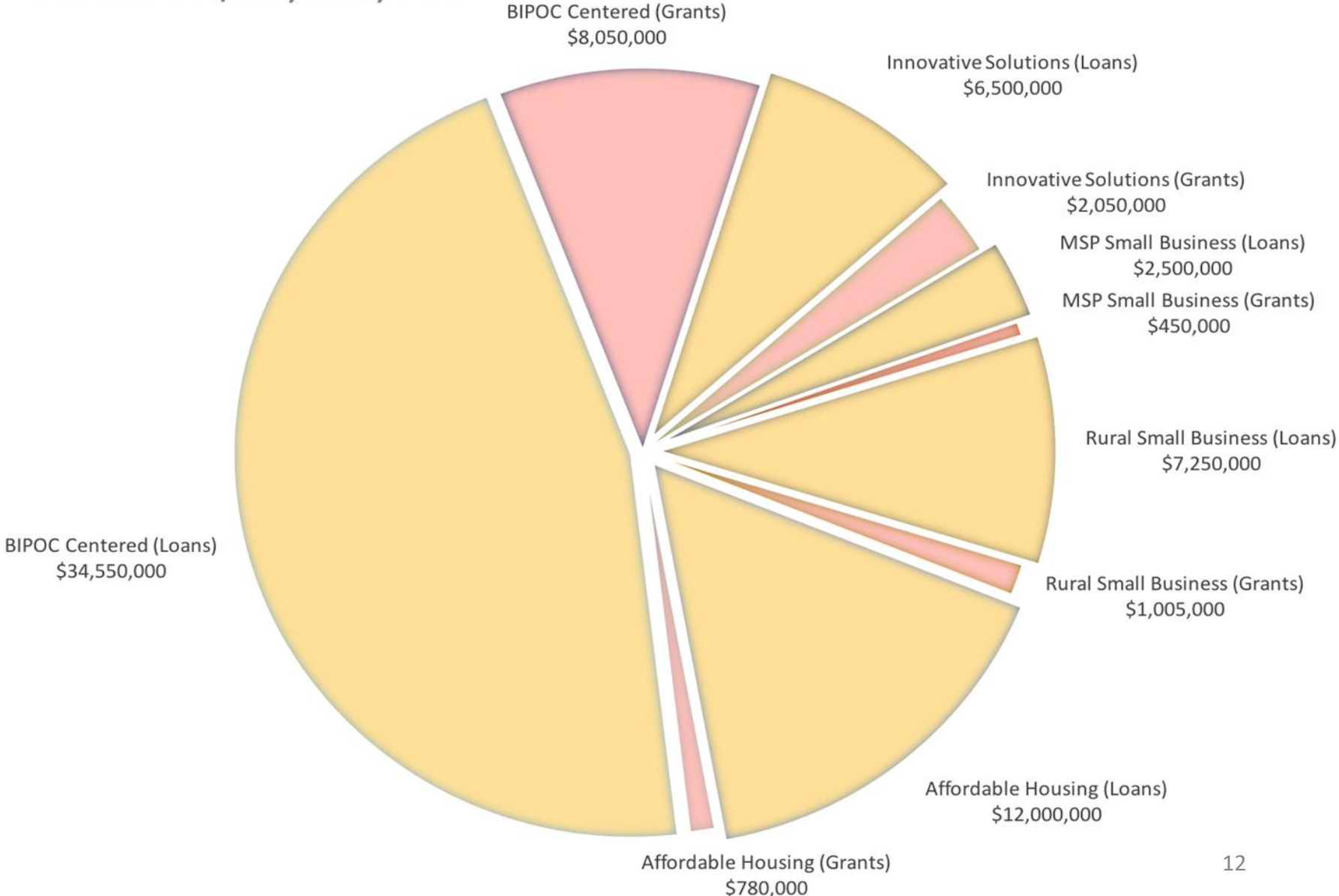
\$75,135,000

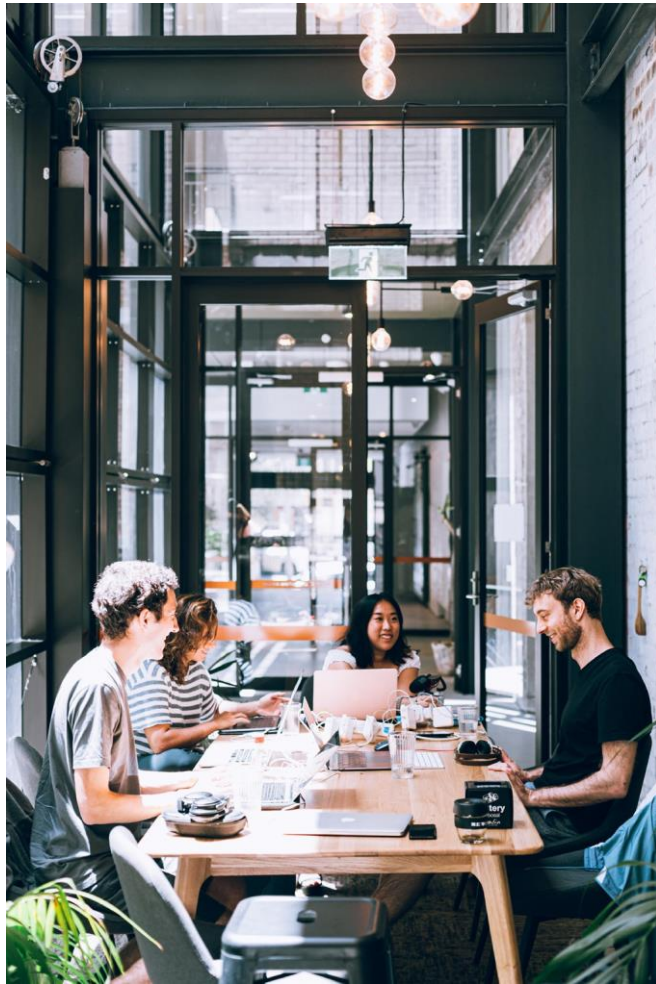


# TOTAL CAPITAL NEEDS

LOANS: \$62,800,000

GRANTS: \$12,335,000





# Next Steps

What are your next steps?

Whether you plan to invest independently, or as part of MCF's joint program, please connect with Susan Hammel, MCF's Executive in Residence for Impact Investing, to share/discuss your plans.

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