

## SAINT PAUL HOUSING AND REDEVELOPMENT AUTHORITY JOB OPPORTUNITY FUND – PROGRAM SUMMARY

- Program Purpose:**
- To incentivize businesses to create new jobs in Saint Paul in ACP50 areas with further incentive to hire residents of ACP50 areas for the new jobs, by offering low-interest loans.
  - The Metropolitan Council defines an ACP50 area as follows: an Area of Concentrated Poverty (40% or more of the residents have family or individual incomes that are less than 185% of the federal poverty threshold) where 50% or more of the residents are people of color ([link](#) to map).
  - The incentives include up to 50% principal forgiveness:
    - 20% forgiveness for initial job creation with jobs retained for a five year period
    - Additional forgiveness of up to 30% for hiring ACP50 residents for the new jobs.
- Program Funding/  
Application Process:**
- This is a pilot program with initial funding of \$500,000.
  - Applications will be accepted on a first come first served basis.
  - All applications will be reviewed by PED staff for consideration.
  - Requests for \$50,000 or more will need to be approved by the HRA Board.
- Amount Available:**
- Amount of funds available for a business is based on number of jobs created in ACP50 areas.
  - Maximum of \$10,000 per new Full-Time Equivalent (FTE) job to be created, up to \$100,000.
- Required Match:**
- Funds must be matched with private debt or equity of at least 30% for existing businesses\* and of at least 60% for a start-up business (e.g., a request for \$10,000 must be matched with at least \$3,000 if an existing business (minimum total project cost of \$13,000), increasing to \$6,000 if a start-up business (minimum total project cost of \$16,000). *\* An existing business is defined as a business that has been in operation a minimum of 12 months and has filed a tax return as of the date of the application.*
- Eligible Businesses:**
- The business must be currently located, or if new will operate\*, inside or within 300 feet of an ACP50 area (e.g., the north side of Selby Avenue between Lexington Avenue and Mackubin Street is within an ACP50 area, businesses on the south side of Selby would also qualify) ([link](#) to map). *\* Any startup business or relocating business should have evidence of a qualifying address through a purchase or lease commitment.*
  - In order to maximize the principal forgiveness, the business must remain in place and retain the jobs for a five year period.
  - Start-up business must have a Business Plan and monthly income and cash flow projections for at least three years
- Eligible Costs:**
- Funds can be used for any business-related purpose related to job creation, such as:
    - Exterior or interior building improvements including parking, lighting, and landscaping
    - Leasehold improvements
    - Professional fees in conjunction with the completion of a project
    - Furniture, Fixtures and Equipment Purchases

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- Inventory Purchases
- Working Capital (as appropriate and demonstrated through monthly cash flow projections)

**Loan Terms:**

- Initial payment deferral period of 12 months, no interest will accrue (*deferral period may be extended with a longer construction period\*\**).
- Amortizing loan with a maximum term of ten (10) years (commencing after the deferral period).
- Interest rate is set at Prime minus 1%, with a floor of 1%.
- Loan will be set up at the closing with 80% of the principal as an amortizing loan with monthly payments up to the maximum ten (10) year term, with the balance of 20% set up as an amortizing forgivable loan with monthly payments with a five (5) year term.
- Monthly payments will be due on the amortizing loan commencing on the first anniversary from the closing date, until loan maturity.
- No payments will be due on the amortizing forgivable loan provided the business meets the job creation and retention requirements during the five (5) year term.
- If any ACP50 residents are hired for the new jobs, the loan terms will be modified, with up to an additional 30% of the principal included in the forgivable amortizing loan, with a like reduction in the amortizing loan principal.
- *For example: if the loan request is for \$40,000, and four (4) jobs will be created, the initial loan terms will include a \$32,000 (80%) amortizing loan and a \$8,000 (20%) amortizing loan that is forgivable; if all four (4) jobs are created and held by ACP50 residents when measured at the completion of the deferral period, the amortizing loan will be reduced to \$20,000 (50%) and the amortizing loan that is forgivable will be increased to \$20,000 (50%). The adjustment of the loan principal would be pro-rated, such that if one-half of the jobs are held by ACP50 residents, one-half of 30% or 15% will be adjusted (\$6,000).*

**Annual Job Reporting Requirements:**

- Annual Job Certification Reports are required, with the first due eleven (11) months from the closing date (*\*\* or later if the deferral period is extended*).
- The first certification report due eleven months from the closing date will document the number of Full-Time Equivalent (FTE) jobs created and whether any new jobs are held by ACP50 residents.
- All subsequent certification reports, commencing with the report due 23 months from the closing date (*\*\* or later if the deferral period is extended*), will document the number of FTE jobs created and retained during the five (5) year forgiveness period (without regard to whether those jobs are held by ACP50 residents).
- Annual reports will continue until the date that is five years and eleven months from the closing date (*\*\* or later if the deferral period is extended*).
- If the job creation or retention requirements are not fully satisfied with the submitted annual job certification, all or a pro-rated portion of the forgivable amortizing loan will be due over the subsequent 12 month period, until the next annual certification report is due.
- *For example: for the loan in the example above, if two of the four jobs are held by ACP50 residents when measured at the completion of the deferral period, the amortizing loan principal will be \$16,000 and the forgivable loan will be \$24,000; all four jobs were created in the first year so no payments will be due under the amortizing loan that is forgivable until the 2<sup>nd</sup> annual report is submitted. If the 2<sup>nd</sup> annual report demonstrates that only three of the four jobs remain, then only 75% of the amortizing forgivable monthly loan payment will be forgiven and 25% of the monthly payment will be due over the next twelve month period.*

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- A Full-Time Equivalent (FTE) Job shall mean any single employee who works at least thirty-two hours per week and receives same/similar benefits as a full time employee; or any single employee that is salaried with full benefits. Note: Employer provided health benefits for qualifying jobs will strengthen your application.

**Loan Collateral Requirements:**

- Minimum collateral requirements will include the following:
  - Loans must be full recourse obligations to the business and owners of the business
  - A mortgage will be recorded either on the real property or the leasehold interest, or other available real property
  - A fixture filing on all the assets of the business

**Loan Fees:**

- An application fee of \$75.00 is due at the time an application is submitted (application can be submitted electronically, with application fee mailed or delivered to the City).
- A fee equal to 1% of the loan principal issued will be due on the closing date.

**Compliance Requirements:**

- Based on the maximum loan of \$100,000, the following compliance may be required, depending on the total project cost and loan amount (see attached document with further detail):
  - Affirmative Action/Equal Employment Opportunity, applies to any project that receives \$50,000 or more in loan principal;
  - Labor Standards, applies to any project with a total cost of \$25,000 or more;
  - Two Bid Policy, applies to any loan of \$20,000 or more
  - Vendor Outreach Program, applies to any project with a total cost of \$50,000 or more;
- Business operation related:
  - Business Subsidy Law, annual reporting only

**Contact:**

- Please contact Vong Thao at [vong.thao@ci.stpaul.mn.us](mailto:vong.thao@ci.stpaul.mn.us) or 651-266-8557 for additional information.

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**Compliance Requirements Specific to Job Opportunity Fund**

Compliance	Thresholds	Requirements	Exemptions
<b>Affirmative Action / Equal Employment Opportunity (AA/EEO)</b>	a) \$50,000, total public subsidy or contract, cumulative over 12 months, OR b) Sales made under HRA Land disposition policy	1) All contractors, prime and sub, have a goal of 32% for minorities and 20% for women participating on the project. 2) In addition, the recipient must file an affirmative action program registration to diversify and implement fair employment practices with its workforce. The registration with the city remains in effect for 2 years. Must have a certified AAP (certifying as an equal employment opportunity employer). <a href="#">Link</a> to HREEO page on AA/EEO	None
<b>Business Subsidy</b> (State Law Chapter 116J.993)	a) \$150,000 for <u>grant or other subsidy</u> , yearly reporting is required beginning at \$25,000; b) over \$150,000 for <u>loan or loan guarantee</u> , yearly reporting required beginning at \$75,000	Wage and job goals, reporting.	Certain forms of assistance are not considered a business subsidy, refer to MN Statutes 116J.993, Subd. 3
<b>City Labor Standards (Little Davis-Bacon)</b>	\$25,000 (total project cost)	Projects \$25,000 or more consisting of new construction work, demolition work, or repair work; onsite workers whose duties are physical or manual are paid weekly minimum prevailing rates including fringe benefits. Weekly certified payroll and compliance documentation submittal required.  <a href="#">Link</a> to HREEO page on Labor Standards	None
<b>Two Bid Policy</b>	\$20,000	Requirement to obtain two bids from general contractors and subcontractors; award contract to lowest responsible bidder.	Exemption of process followed for negotiated contract with general contractor.
<b>Vendor Outreach Program (VOP)</b>	a) Total project cost in excess of \$50,000, regardless of City contribution b) Sales made under HRA Land Disposition Policy	Project goals set on a project-by-project basis. Generally, 25% of Business Opportunities should be awarded to CERT certified Small, Women-owned and Minority-owned businesses, with at least 10% awarded to Small businesses, 10% awarded to Women-owned businesses, and at least 5% to Minority-owned businesses. B2Gnow reporting required. (Good faith efforts) <a href="#">Link</a> to HREEO page on VOP	None