



## LEGAL UPDATES

# COVID-19 Economic Stimulus – State of Minnesota

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With the introduction of the Small Business Loan Guarantee Program and the Small Business Emergency Loan Program, Minnesota small business owners now have access to two loan programs in addition to the [Paycheck Protection Program Loans](#) and the [Economic Injury Disaster Loans](#) introduced under the Federal Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”).

## Small Business Loan Guarantee Program

The Minnesota Small Business Loan Guarantee Program, established by the Minnesota Department of Employment and Economic Development (**DEED**) in response to the COVID-19 pandemic, is a temporary program intended to help Minnesota lenders provide capital to small businesses affected by COVID-19. DEED estimates the program can guarantee \$20–\$25 million in private loans to 100-200 small businesses. As long as funds are available, the Small Business Loan Guarantee program will support the origination of loans made to Minnesota small businesses within the 12 months following Gov. Walz’s March 13, 2020 declaration of a peacetime public health emergency.

## Who is eligible?

The funds can only be provided to Minnesota businesses with fewer than the equivalent of 250 employees, which includes employees of parent companies and at locations outside of Minnesota. Businesses that derive income from passive investments without operational ties to operating businesses, primarily generate income from gambling activities, and/or generate any part of its income from adult-oriented activities are not eligible.

## What are the terms?

All loans will be made by lenders enrolled in the program – no loans will come directly from DEED. The rate, term, and collateral requirements will be set by each lender’s policies and the program will provide an 80% guarantee up to a

## Related People

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maximum of \$200,000. A fee of .25 percent on the guarantee loan principal will be charged for each loan enrolled into the program.

### How can I use my funds?

Funds can be used for machinery or equipment purchases, maintenance or repair; expenses related to moving into or within Minnesota; and working capital. All uses must be exclusively for Minnesota operations.

### How do I apply?

Businesses must apply for assistance through lenders that are enrolled in the program. Lender contact information will be posted [here](#). Each lender will utilize their own underwriting and loan evaluation criteria, and the lending decisions will be at the sole discretion of the lending institution.

## Small Business Emergency Loan Program

The Small Business Emergency Loan (**SBEL**) program was established by peacetime emergency Executive Order 20-15. The program provides up to \$30 million to the Commissioner of DEED to be disbursed in loan amounts ranging from \$2,500 to \$35,000 for Minnesota businesses that were directly and adversely affected by Executive Orders 20-04 and 20-08. These loans will be available until funds are exhausted which is expected occur no later than August 1.

### Who is eligible?

Businesses, regardless of organizational form (i.e., independent contractor, sole proprietorship, limited liability company, etc.) in the industries noted in Executive Orders 20-04 and 20-08 including restaurants, bars, breweries, theaters, concert halls, fitness centers, salons and barber shops, recreational facilities, and golf clubs are eligible. If an eligible industry represents at least 51% of business revenues (and the ineligible operation represents no more than 49%), then the business is eligible. The above is not an exhaustive list – please consult [here](#) for the complete list of industries noted in Executive Orders 20-04 and 20-08. Additionally, businesses need to file applicable insurance claims and be ineligible for a standard loan from a lender (which may include a SBEL certified lender).

Businesses must also:

- be current on financial obligations as of March 1, 2020;
- be an existing small business (whatever the form of their organization);
- have been operating in Minnesota long enough to demonstrate financial viability;
- be willing to provide collateral or a personal guarantee for at least 20% of loan;
- be unable to qualify for a standard loan through a bank, credit union, or nonprofit lending organization; and
- pay-off the emergency loan if financing is received subsequent to loan approval.

### What are the terms?

Loans are between \$2,500 and \$35,000 – the actual amount depending on the lender's determination of business need (e.g., operating expenses) and ability to repay. The loans will be 50% forgivable, and offered at a 0% interest rate but will not be for an amount exceeding three (3) months operating expenses. They will be paid back monthly over five (5) years



and the first payment will be deferred six (6) months. If other financing (e.g., an SBA loan under the CARES Act) becomes available to small businesses that received a Minnesota Small Business Emergency Loan, the emergency loan must be promptly repaid.

### How can I use my funds?

Among other things, SBEL funds can be used for rent or mortgage payments, payroll for current employees and working capital. The loan must not be used to refinance debt that existed at the time of the COVID-19 peacetime emergency declaration.

### How do I apply?

To apply, a borrower must complete DEED's application and submit it to one of 19 certified nonprofit lenders based on the county in which the business operates. All applicants must supply historical and projected financial information for the business, as well as a personal financial statement for each owner who holds at least a 20% interest in the business. Lenders may ask for additional information required to process the loan, including permission to pull credit reports, after the initial application is submitted. Funds are disbursed to lenders on a project-by-project basis after the DEED Commissioner approves the loan as recommended by lenders.

### Minneapolis Gap Funds for Small Businesses

The city of Minneapolis has instituted two programs to support the city's small businesses during the COVID-19 crisis. The Minneapolis Gap Funds for Small Businesses includes a new Small Business Debt-free Fund for companies with 20 employees or less and people who are self-employed. The city of Minneapolis has also revamped its 2% loan program, adjusting it to a 0% rate.

#### *Forgivable No-Interest Loans for Small Business*

### What are the terms?

The new Forgivable No-Interest Loans for Small Business will come in fixed amounts of \$5,000 or \$10,000, depending on need resulting from the COVID-19 emergency.

### Who is eligible?

Eligible small businesses will be located in a designated area of Minneapolis, such as Cultural Districts, Promise Zone, Green Zone, or ACP50 and include businesses that have 20 or fewer employees and/or \$1 million or less in annual revenue. Self-employed workers are eligible and immigration status does not impact eligibility.

### How can I use the funds?

The new loan will prioritize near-term working capital needs of businesses such as payroll and employee benefits, rent or mortgage payments, accounts payable and supply chain payments, and other critical working capital needs.

### How do I apply?

The city has not yet released guidance on applications. This alert will be updated when the application becomes available.

#### *Revamped 2% Loan Program to 0%*



## Who is eligible?

All businesses located in the City of Minneapolis. Applicants may be individual owners, partnerships, corporations, tenant operators or contract for deed partners and businesses that benefit low-to-moderate income persons by creating jobs or improving services. Eligible borrowers will demonstrate a financial impact from the COVID-19 emergency and have 20 or fewer employees and/or \$1 million or less in annual revenue. Self-employed workers are eligible for the 0% Loan Program.

## What are the terms?

Loans are available to businesses city-wide in amounts up to \$50,000 or \$75,000 depending on location to be matched by the lending partner. Up to a ten year term with an interest rate that is now 0%. Payments may be deferred for up to the first six (6) months matching the deferral terms of the lending partner with the principal and interest amortized over the loan term thereafter. Loans will be originated and serviced by participating lenders.

## How can I use the funds?

The city of Minneapolis has expanded the list located [here](#) to include working capital needs.

## How do I apply?

Complete an online application [here](#), or to request a printed application at (612) 673-5072.

\*The City of Minneapolis has also committed to re-examining all city loans. If you have a city loan, you may be eligible for forbearance and/or deferred payments.

## St. Paul Bridge Fund for Small Businesses

To sustain St. Paul's existing small retail business community and commercial corridors, the city of St. Paul will provide one-time working capital grants to qualified small businesses. If a small business's application is approved and funds are available, it will be notified within 10 business days and provided with an electronic grant agreement for signatures. Following full execution of the signed grant agreement, in approximately 10 business days the city will mail a check for the full amount of the grant award to the business address registered with the Minnesota Secretary of State.

## Who is eligible?

Small businesses located and operating out of physical establishments within the city of St. Paul are eligible for a Bridge Fund. They also have to:

- Be a for-profit, retail-oriented business.
- Be a legal entity registered with the Minnesota Secretary of State.
- Have less than \$2M in annual gross revenue primarily from sales to the general public (as opposed to business to business transaction).
- Have operated and conducted business at the same location within St. Paul for at least three months.
- Be independently owned.



- Have four or fewer locations within the City of St. Paul.
- Have been ordered to close or have had to significantly reduce its business due to State of Minnesota Emergency Executive Order in 2020.

A business or business owner with more than one operating location within the city of St. Paul can apply for each location independently, as long as each location meets the above criteria.

Commercial or residential real-estate businesses, subsidiaries or affiliates (including chain or franchise businesses), businesses that conduct most or all operations remotely, independent consultants, or residential-based businesses are not eligible for the program.

What are the terms?

The St. Paul Bridge Fund provides one-time working capital grants of \$7,500 and are dependent on program guidelines and availability of funding. Those receiving funds must commit to using the funds for basic business expenses, and agree to document and report specific uses of the funds, as well as the economic impact of the grant program, including, but not limited to, employees retained or rehired, and sales.

### How can I use my funds?

Qualified small businesses may use funds for any business expenses such as rent, mortgage payments, utilities, payroll, earned sick and safe time relief to employees, accounts payable, or other immediate business expenses.

### How do I apply?

Online applications will open April 8, 2020 and close April 19, 2020. A businesses must provide basic details about its operations, a narrative description and calculation of the impact of COVID-19 on the business, its intended use of the grant funds, a narrative description of the current plans for reopening following the COVID-19 crisis, and supporting documentation and application attachments. The staff committee reviewing the application may request additional information. Final approval will be made by the Executive Director of the Housing and Redevelopment Authority.

For more information, please contact [Luke Greiner](#), [David Morehouse](#) or your regular Lathrop GPM contact.