

**CHAPTER 4355**  
**URBAN INITIATIVE BOARD**  
**URBAN CHALLENGE GRANT PROGRAM**

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**4355.0100 PURPOSE.**

The purpose of this chapter is to establish:

- A. procedures for use of the revolving loan fund under Minnesota Statutes, section 116M.18;
- B. procedures for the Urban Initiative Board to certify and enter into agreements with nonprofit corporations; and
- C. procedures for nonprofit corporations to make loans to eligible businesses.

**Statutory Authority:** *MS s 116M.18*

**History:** *19 SR 284*

**4355.0200 DEFINITIONS.**

Subpart 1. **Scope.** For the purposes of this chapter the terms in this part and in Minnesota Statutes, section 116M.14, have the meanings given.

Subp. 2. **Grant agreements.** "Grant agreements" means an agreement between the state and a nonprofit corporation through which the state provides funds to carry out specified programs, services, or activities.

Subp. 3. **Nonprofit corporation.** "Nonprofit corporation" means a not-for-profit organization operating in one or more eligible cities and certified by the board to receive grants and disburse these funds in the nature of loans to qualifying businesses.

Subp. 4. **Nonprofit revolving loan fund.** "Nonprofit revolving loan fund" means a board-certified revolving loan fund established by a nonprofit corporation to provide loans to new and expanding businesses in low-income areas.

Subp. 5. **Urban revolving loan fund.** "Urban revolving loan fund" means a fund established by the board to make grants to nonprofit corporations.

**Statutory Authority:** *MS s 116M.18*

**History:** *19 SR 284*

**4355.0300 BUSINESS LOANS BY NONPROFIT CORPORATIONS.**

Subpart 1. **Generally.** The board shall make available funds from the urban revolving loan fund for nonprofit corporations. The money awarded to each corporation shall be appropriated to its nonprofit revolving loan fund to be used to make loans to businesses in low-income areas. The funds are to be awarded on a project-by-project basis and must be matched by the corporation with an equal amount of money from sources other than government appropriations.

Subp. 2. **Grant agreement required.** A grant agreement must be established with each nonprofit corporation certified for funding by the board. Grant agreements shall be valid for a period of one year from the time they are fully executed. Agreements may be renewed by the board based on an evaluation of the corporation's lending activities, a finding that the corporation has complied with all the provisions of the agreement, and has made substantive progress in achieving the goals described in its application.

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In the event that a grant agreement is not renewed, the corporation must continue to administer all loans it may have made under the provisions of the grant agreement and Minnesota Statutes, section 116M.18.

**Subp. 3. Application by nonprofit corporation.** Any nonprofit corporation wishing to be certified as a participant in the urban challenge grant program must apply in a form prescribed by the board. The application must include:

A. an assurance signed by the nonprofit corporation's chair that the applicant will comply with all applicable state and federal laws and requirements;

B. a resolution passed by the applicant's board of directors approving the submission of an application and authorizing execution of the grant agreement if funds are made available;

C. a plan demonstrating the applicant's eligibility pursuant to Minnesota Statutes, section 116M.18, the manner in which minority business enterprises will be assisted, the outcomes expected to result from the corporation's participation in the program; and

D. any additional information that the board finds is necessary to clarify the applicant's ability to achieve the program's objectives.

**Subp. 4. Board review.** The board shall certify the corporation if it has demonstrated that it fully meets the eligibility standards in Minnesota Statutes, section 116M.18, subdivision 2.

**Subp. 5. Disapproval of applications.** In cases where the corporation fails to demonstrate that it has met the requirements in Minnesota Statutes, section 116M.18, subdivision 2, the board must disapprove the application. The commissioner shall inform the corporation of the board's decision, in writing, stating the reasons for the denial.

**Subp. 6. Contents of grant agreement.** If certified, the board must enter into a grant agreement with the nonprofit corporation. The grant agreement must include provisions that:

A. the corporation has established or will establish a board-certified revolving loan fund to provide loans to new and expanding businesses in low-income areas;

B. the grant recipient will comply with all applicable state and federal laws, including the requirements of Minnesota Statutes, section 116M.18; and

C. no grant funds shall be used to finance activities not approved in either the grant agreement or each loan agreement.

**Subp. 7. Other grant requirements.** The following provisions apply to grants awarded:

A. if it is determined that an improper use of the funds has occurred, the board shall take whatever action is necessary to recover improperly spent funds;

B. grant recipients must return funds that are improperly expended;

C. the board shall suspend payment of funds to recipients that are not in compliance with applicable state and federal laws, rules, and regulations;

D. amendments to the grant agreement must be in writing; and

E. the grant agreement may authorize the nonprofit corporation to be paid for administrative expenses out of the interest earned on loans it originates.

**Subp. 8. Corporation to make business loans.** Any business may make an application to the nonprofit corporation for an urban challenge grant loan. The application must be in a form approved by the corporation and the board. The corporation must review the application and may give preliminary approval for the loan based on Minnesota Statutes, section 116M.18. The loan application must then be forwarded to the board for final approval.

**Statutory Authority:** *MS s 116M.18*

**History:** *19 SR 284*

**4355.0400 BUSINESS LOANS BY THE BOARD.**

If the board receives a grant, gift, or loan, authorizing or requiring it to make business loans directly to qualifying businesses, and the board determines that businesses do not have access through a certified corporation, the board may receive applications for an urban challenge grant loan on the forms it prescribes. The board shall review applications and, based on the provisions of Minnesota Statutes, section 116M.18, and the business loan criteria in part 4355.0500, may approve them. If an application is denied, the commissioner shall inform the applicant as to the reasons for the denial.

**Statutory Authority:** *MS s 116M.18*

**History:** *19 SR 284*

**4355.0500 BUSINESS LOAN CRITERIA.****Subpart 1. Terms and conditions.**

A. The interest rate on a loan shall be established by the corporation, but may be no less than two percent per annum, nor more than ten percent per annum or one percent per annum above the prime rate, as published in the Wall Street Journal at the time the loan is closed, whichever is greater.

B. The corporation may only charge the business all out-of-pocket administrative expenses connected with originating the loan at the time of closing.

C. The loan funds may be used for normal business expenses including, but not limited to, site acquisition, new construction, renovation, machinery and equipment, and working capital. Loans may not be used to refinance a business or personal existing debt.

**Subp. 2. Loan repayment.** For loans made by the board, all loan repayments must be deposited in the urban revolving loan fund for further distribution to businesses or nonprofit corporations pursuant to Minnesota Statutes, section 116M.18.

For loans made by a nonprofit corporation, amounts equal to one-half of the principal and interest must be deposited in the urban revolving loan fund. The principal payments shall be made available to the corporation originating the loan in order to make additional loans, as long as the corporation remains certified and the grant agreement with the board is in effect. The board may return interest payments to the corporation in order to pay for the corporation's administrative expenses.

The remaining amount of the loan repayment may be deposited in the nonprofit revolving loan fund created by the corporation which originated the loan for further distribution by the nonprofit corporation, or for other uses as may be determined by the corporation.

**Statutory Authority:** *MS s 116M.18*

**History:** *19 SR 284; 25 SR 1609*