



Community Wealth-Building Grant Program
Pilot Project
2024 Annual Report

As Required by 2023 Minn. Laws, Chap. 53, Article 15, Sec. 33, Subd. 8
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Program Background

The Community Wealth-Building Grant Program Pilot Project (CWB) was established to encourage tax-base revitalization, private investment, job creation for targeted groups, creation and strengthening of business enterprises, assistance to displaced businesses, and promotion of economic development in low-income areas. It provides funding for low-interest loans to be deployed statewide to community businesses. Community businesses are defined as cooperatives, employee-owned businesses, or commercial land trusts that are at least fifty one percent owned by individuals from targeted groups. Targeted groups are defined as persons who are Black, Indigenous, People of Color, immigrants, low-income, women, veterans, or persons with disabilities.

The legislature directly appropriated three million dollars to the Metropolitan Consortium of Community Developers (MCCD) to administer the pilot program. On September 1, 2023, the Minnesota Department of Employment and Economic Development (DEED) and MCCD entered into a grant contract agreement. Per the agreement, MCCD established a plan, approved by the Commissioner, to make loans of \$50,000 to \$500,000 dollars to community businesses at an interest rate or fee no higher than two percent over Wall Street Journal prime rate with a maximum rate of ten percent. The maximum origination fee that can be charged is one percent or less. Up to fifteen percent of a loan's principal amount may be forgiven if prescribed criteria are met including job retention and/or job creation goals and loan payments are remitted timely for twenty-four consecutive months. Fifty percent of the loan program allocation each year is reserved for use in Greater Minnesota for the first 180 days. Loans are for projects that are unlikely to be undertaken unless a loan is received under CWB and priority is given to borrowers located in the lowest income areas.

To assist in the formation and growth of shared ownership and community businesses, MCCD also provides specialized technical and legal assistance either directly or through a partnership free of charge to recipients to help businesses become loan ready. Shared ownership models, including employee ownership, cooperatives and commercial land trusts, are proven methods for economic recovery and growth. They retain and grow businesses and jobs, revitalize distressed areas, prevent displacement, and expand ownership opportunities for Black, Indigenous, People of Color (BIPOC) and other underrepresented groups.

History

This pilot program was authorized by the Legislature pursuant to 2023 Minn. Laws, Chap. 53, Article 15, Sec. 33. The appropriation to fund this pilot program with \$1.5 million in SFY24 and \$1.5 million in SFY25 was made pursuant to 2023 Minn. Laws, Chap. 53, Art. 20, Sec. 2, Subd. 2(bb).

The legislature modified the pilot program during the 2024 legislative session to provide for a fee in lieu of interest, increased the interest rate from the Wall Street Journal prime rate to the prime rate plus two percent, added the ability to provide up to fifteen percent forgiveness of the loan's principal balance, and modified reporting deadlines.

Loan Activity and Impact

Since the program's inception, MCCD has engaged with the community through 10 panels and workshops, conducted more than 35 individual or small group consultations, hosted 18 virtual info session, and responded to more than 100 inquires. One loan of \$300,000 originated through the pilot program. Two additional loans totaling \$446,131 have been approved by MCCD's loan committee and are scheduled to be funded in 2025. A copy of the partner organization report is attached as Appendix A.

Loan Detail

In 2024, MCCD funded one loan of \$300,000 for the Rondo Community Land Trust (RCLT). The RCLT is a community-based organization dedicated to facilitating affordable housing and commercial spaces through a land trust model in St. Paul and suburban Ramsey County, with a special emphasis on the historic Rondo neighborhood. The \$454,000 project was for construction and improvements of the Rondo Selby-Milton-Victoria (SMV) small business incubator currently owned by a subsidiary of RCLT. The improvements will create low cost, low risk commercial space for local entrepreneurs. The space will include four to five incubator spaces where tenants will pay only \$7 per square-foot in base rent compared to the average cost of \$25 per square-foot in Saint Paul. Challenges like rising rents, high insurance costs, and insufficient access to capital disproportionately impact low to moderate-income BIPOC entrepreneurs, restricting business growth and job creation. This loan will help the initiative that aims to address those systemic barriers.

For nearly 30 years, RCLT's commercial development work has been rooted in its mission to restore prosperity and intergenerational wealth lost due to the construction of Interstate 94. By using a land trust model, RCLT ensures permanent affordability within this commercial space, creating a sustainable environment that not only supports local entrepreneurs but also strengthens the economic resilience of the Rondo community.

Job Creation

The Rondo Project has already created seven full time and eight part time positions. All the jobs created were hires from targeted populations.

Administrative Expenses

The Grant Contract Agreement total amount is \$2,940,000 of which \$394,000 is dedicated to administrative and technical assistance expenses. In 2024, DEED reimbursed MCCD \$35,970.13 for the following: \$28,772.00 for technical assistance to borrowers and potential borrowers; \$2,793.13 for marketing, promotion, and travel; and \$4,402.00 for personnel toward various administrative expenses.

Independent Audit of Grant Funds

An independent audit of grant funds has not yet been completed as of the date of this report.

Contact Information

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Appendix A

Partner Organization Report



Grant Contract Agreement No. SPAP-23-0004-P-FY24
Reporting Period: 10/1/2024-12/31/2024, includes 2024 cumulative data

Program Expenditures: 01/01/24 – 12/31/24

Activity	Amount	Highlights & Impact
Loans	\$300,000.00	<ul style="list-style-type: none"> • Closed on a \$300k loan with Rondo Community Land Trust • Approved 2 loans totaling \$426,131 that will close in January 2025.
Technical Assistance	\$121,557.00	<ul style="list-style-type: none"> • Responded to 100+ inquiries. • Delivered 1:1 technical assistance and hosted 18 virtual info sessions (6–8 participants/session). • Met with 32 potential borrowers. • Conducted 35+ individual or small-group consultations. • Engaged the community through 10 panels and workshops.
Marketing, Promotion, Travel	\$9,956.72	Expenses include travel, meal and lodging costs for client meetings, workshops, panels, and conferences, as well as marketing expenses such as brochures and website updates.
Personnel	\$21,721.93	This amount includes costs for staff supporting the program through marketing design, website updates, administration, accounting and finance, and loan operations.

Third-Party Audit	\$0.00	
Total	\$453,235.76	

An account of all loans made through the program the preceding calendar year and the impact of those loans on community businesses and job creation for targeted groups.

We are pleased to report that our loan committee has now approved three loans from the CWB program, the first of which is scheduled to close in Q4. The other two loans were approved this quarter and are scheduled to close in Q1 2025.

The first borrower approved for a loan through the Community Wealth Building Loan Program was Rondo Community Land Trust (RCLT), a community-based organization dedicated to facilitating affordable housing and commercial spaces through a land trust model in St. Paul and suburban Ramsey County, with a special emphasis on the historic Rondo neighborhood. For nearly 30 years, RCLT has been building community wealth and neighborhood stability through strategic land development and stewardship.

Rondo CLT’s expansion into commercial development is rooted in its mission to restore the prosperity and intergenerational wealth lost due to the construction of I-94. By using the land trust model, Rondo CLT ensures permanent affordability within this commercial space, creating a sustainable environment that not only supports local entrepreneurs but also strengthens the economic resilience of the Rondo community. To further their mission, Rondo Development on Selby, LLC, a subsidiary of RCLT, is developing the Rondo Exchange, a 2,800 sq ft commercial space as part of the CDBG Area Benefit National Objective. The Rondo Exchange is designed to provide affordable, low-risk opportunities for local entrepreneurs to launch and grow their businesses. Recent outreach from 15 local businesses struggling to secure suitable locations underscores the urgent need for such a space. Challenges like rising rents, high insurance costs, and insufficient access to capital disproportionately impact low to moderate-income BIPOC entrepreneurs, restricting business growth and job creation. This initiative aims to address those systemic barriers.

It will include 2,200 sq ft of retail space, accommodating 4-5 incubator businesses and a franchise location for Golden Thyme Coffee Café, an anchor tenant in SMV. Commercial tenants will pay just \$7/sq ft in base rent, significantly below the St. Paul average of \$25/sq ft, allowing them to allocate more resources to key aspects of their businesses. To enhance this supportive environment, Rondo CLT will partner with an Incubator Service Provider who will offer one-on-one technical assistance, business planning, and connections to additional resources. With this financing, the incubator aims to level the playing field for BIPOC entrepreneurs, promoting inclusive economic growth along key commercial corridors ultimately aiding small business operators’ pathway to creating jobs. The project began construction in Spring 2024 and was completed in the 4th quarter of 2024.

Details of the deal are as follows:

MCCD Loan Amount	\$300,000	CWB/Shared Ownership Fund
Term	120 months	
Amortization	234 months	

Interest Only Period?	Y	No. of Months: 6 months
Interest Rate:	4%	
Monthly Payment:	\$1848.43	
Origination Fee:	\$3,000	1% of total loan amount

May Day Cafe, a beloved establishment in South Minneapolis, has been successfully operating at 3440 Bloomington Avenue for over 20 years. Renowned for its high-quality, affordable baked goods and community-centered atmosphere, the cafe has built a loyal customer base in the Powderhorn Neighborhood. After more than two decades of ownership, founder Andy Lunning decided to sell both the cafe business and the property it occupies as he transitions to retirement. In response, a dedicated group of employees united to preserve the business, safeguard its community legacy, and retain and grow the jobs it provides. After nearly a year of building their cooperative, fundraising more than \$100,000, and negotiating the sales, May Day Cafe Workers Cooperative and its real estate holding company May Day Workers Cooperative Real Estate LLC came to MCCD to finance the purchase of the business assets and commercial real estate owned by The Lunning-Koplin Corporation d/b/a May Day Café, wholly owned by Andy Lunning. The holding company will purchase and manage the property through a lease agreement between the two entities. Additionally, the holding company is the co-borrower and the loan is structured with a commercial guaranty from the operating entity. Currently, May Day Workers Cooperative has 8 members.

The board negotiated a purchase price of \$600,000 and finalized a Purchase Agreement for the purchase of May Day Cafe. The Seller, The Lunning-Koplin Corporation, is selling the business assets for \$250,000 & the commercial real estate for \$350,000. In addition, the project includes initial working capital for the new co-op business operating entity, soft costs, and closing costs. The capital campaign demonstrates significant community support for the transition to a worker owned cooperative. By enabling the employees to purchase the business and secure the property through a real estate holding company, the loan plays a critical role in preventing the business and property from being sold to private equity or outside investors, which could lead to the extraction of wealth from the community and jeopardize the cafe’s mission and accessibility. By supporting the transition to employee ownership and community-ownership of real estate, the loan ensures that both the business and the real estate remain locally owned, keeping wealth, decision-making power, and economic benefits within the Powderhorn Neighborhood. This approach not only preserves jobs but also strengthens the community by prioritizing shared prosperity over profit-driven extraction, while enhancing the cultural and economic vibrancy of the neighborhood.

Upon approval of an amendment to MCCD’s loan policy and pursuant to 2024 session law changes enabling up to 15% of the loan amount to be eligible for forgiveness, this loan has been identified as one that may meet eligibility criteria and conditions upon successful repayment of the base note.

MCCD’s Loan Forgiveness Eligibility Criteria is as follows:

- i. The client must be BIPOC or meet low-wealth criteria.
- ii. The project must demonstrate a clear benefit to the community.
- iii. The business must develop a diversity plan and commit to racial equity.

Conditions for a forgivable loan are:

- i. Loan forgiveness is granted upon successful repayment of the base note.
- ii. The client must remain in good standing throughout the loan term.
- iii. The term of the base note must not exceed five years.
- iv. The forgiveness amount must not exceed 15% of the base loan.

Details of the deal are as follows:

MCCD Loan #1 Amount	\$310,000	CWB/Shared Ownership Fund
Term	60 months	
Amortization	240 months	
Interest Only Period?	No	
Interest Rate:	4%	
Monthly Payment:	\$1848.54	
Origination Fee:	\$3,100	1% of total loan amount
MCCD Loan #2 Amount	Up to \$15,000	CWB/Shared Ownership Fund
Term	60 months	
Amortization	120 months	
Draw Period	36 months	
Interest Rate:	4%	
Monthly Payment:	\$151.87	
Origination Fee:	\$150	1% of total loan amount

Like St. Paul’s Rondo neighborhood, North Minneapolis has a rich history of resilience and activism in the face of systemic challenges. Historically a vibrant and diverse neighborhood, redlining, disinvestment, housing discrimination, and disruptions caused by urban renewal and highway construction have disproportionately harmed BIPOC residents, deepening economic and social disparities. Today, North Minneapolis continues to evolve as a hub of community-driven development, with initiatives that prioritize racial equity, sustainability, and wealth-building for historically marginalized populations. The Northside Investment Cooperative Enterprise (NICE) is a relatively new real estate investment cooperative (REIC) in North Minneapolis, dedicated to creating and preserving affordable housing and commercial spaces, with a focus on supporting BIPOC-owned businesses. REICs are mission-driven, businesses where members pool resources to collectively own, develop, and manage properties. Unlike traditional, profit-maximizing real estate ventures, real estate investment cooperatives are democratically governed and prioritize community-focused goals such as equitable access to property ownership, preserving housing and commercial

real estate affordability, promoting small businesses, and preventing displacement, all while fostering economic revitalization and wealth-building.

By offering accessible membership shares at \$50 each, NICE empowers Northside residents and business owners with a pathway to shared ownership in properties purchased and managed by the cooperative. This model fosters community stability and enables both individual and collective wealth-building. Currently, NICE MN has 117 members.

This loan is a key component of a broader shared ownership strategy in North Minneapolis. It supports the acquisition of two additional properties at the intersection of 35th Avenue North and Penn Avenue North, advancing efforts to secure all four properties located at 3445, 3449, 3453, and 3501 Penn Avenue North. The first two properties, 3445 and 3449 Penn Avenue North, were purchased by Partnership in Property Commercial Land Trust (PIPCLT) from Land Bank Twin Cities (LBTC) in 2022, with financing provided by MCCD. As of December 2024, the remaining loan balance for that purchase is \$270,602.

The second set of properties are currently owned by LBTC, and this financing will facilitate their sale to PIPCLT. LBTC has held these properties for the past three years with the intention of transferring ownership to PIPCLT. To complete the transfer of all four properties to NICE MN, PIPCLT must first acquire 3453 and 3501 Penn Avenue North from LBTC. MCCD plans to provide financing for that transaction with a total loan amount of \$348k, which is inclusive of the \$101,000 approved by our loan committee to finance NICE MN's equity investment in two properties—3453 and 3501 Penn Avenue.

Despite PIPCLT being the primary lien holder as a result of this transaction, PIPCLT and NICE MN have entered into an agreement to sell the four buildings to NICE while PIPCLT retains ownership of the land. MCCD will facilitate the financing for NICE MN's purchase of the four buildings from PIPCLT, including the repayment of our existing loan with PIPCLT. The \$348k loan will pay off the remaining outstanding MCCD debt with PIPCLT of approximately \$270k.

The loan demonstrates how layering shared ownership models and suitable creative financing can support neighborhood revitalization efforts through community ownership. The properties have been subject to ownership changes over the years and each turnover rent increases threaten tenants' ability to continue operations. This acquisition and NICE's eventual ownership will ensure local businesses will stay in these properties, affordability is preserved, and local residents and entrepreneurs have opportunities to become members of their local real estate cooperative.

Details of the deal are as follows:

MCCD Loan Amount	\$101,131	CWB/Shared Ownership Fund
Term	12 months	
Interest Only Period?	Yes	12 months
Interest Rate:	4%	
Monthly Payment:	\$337.10	
Origination Fee:	\$1,011.31	1% of total loan amount

Additionally, we have several participation deals in progress and our pipeline is growing steadily. We continue to support several community-owned commercial enterprises, from start-up worker co-ops and real estate investment co-ops to established commercial community land trusts, with technical assistance and loan readiness support as they have all indicated the securing financing is among their goals.

- Pending acquisition next steps – Direct: NICE MN (acquisition) estimated at \$216,869
- Committed/Awaiting information from lead lender – Participation - Growth: Diverge Finance Cooperative (working capital for capacity building) estimated between \$75,000 - \$125,000
- Committed/Awaiting information from lead lender – Participation – Start-up: Ignite Business Women Investment Group (commercial asset acquisition loan) estimated at \$125,000
- In exploration phase – Direct: Halcyon House Cooperative (construction and working capital) estimated between \$30-\$50,000
- In exploration phase – Direct: MN Drivers Cooperative (working capital) estimated between \$50-\$150,000

Throughout 2024, MCCD has actively advanced the Community Wealth Building (CWB) Loan Program, serving and promoting the initiative to Minnesotans who are Black, Indigenous, People of Color, immigrants, low-income, women, veterans, and individuals with disabilities. MCCD has educated a diverse range of stakeholders—including lending partners, municipal and state officials, regional economic development organizations, area agencies on aging, small business coalitions, professional and neighborhood associations, attorneys, accountants, commercial real estate and shared ownership developers, community organizations serving targeted groups, and the general public—on shared ownership models. These in-person, virtual, and hybrid efforts highlight the benefits of shared ownership and how MCCD's specialized technical assistance, loan readiness support, and the fund's purpose, eligibility criteria, loan features (amounts, rates and terms, uses), and application process are designed to support the startup, growth, and conversion of community-owned businesses.

Our outreach and marketing strategies are designed to effectively engage and educate our target audiences about the program. These efforts include engaging with communities through local events and leveraging public sector platforms, disseminating brochures, flyers and email newsletters, and publishing events and highlights on social media. We collaborate with local organizations, nonprofits, and community development partners to amplify our message, with word-of-mouth referrals from these groups and professional service providers playing a crucial role in expanding our reach and fostering trust among prospective participants.

Interactive content such as webinars, Q&A sessions, workshops, and small group initial consultation meetings enables us to directly educate and engage with potential participants. Additionally, we participate in networking events, panels, and conferences to build relationships and uncover new outreach opportunities. To ensure inclusivity and accessibility, we provide multilingual outreach materials, culturally relevant technical assistance, and translation services, catering to non-English-speaking communities, individuals with limited English proficiency, and immigrants. This work has generated interest in the program, creating new leads, partnerships, referrals, outreach opportunities, and participation lending and gap financing prospects. By integrating these strategies, we employ a dynamic and comprehensive approach to outreach and marketing, fostering meaningful engagement and building lasting connections across the state.

Additionally, we are active participants in five (5) working groups, collaboratives, or steering committees focused on shared ownership and business succession and transition, one of which is a national initiative. With increasing demand for start-up, growth, and conversion technical assistance and growing interest from local governments and economic development agencies, coordination across sectors and areas of expertise is critical to capture emerging opportunities to expand and scale shared ownership. These partnerships are already facilitating and streamlining shared ownership development activity and building toward more impactful and cohesive education, outreach, and entrepreneurial ecosystem supports.

Throughout 2024, including the 4th quarter, we actively engaged with the community through 10 panel presentations and workshops, 18 virtual information sessions (averaging 6-8 participants each), and over 35 one-on-one or small group consultation meetings. As awareness of the program continues to grow through outreach efforts and partner referrals, we now receive an average of 2-3 inquiries per week. When individuals contact us or registrants miss an information session, we proactively follow up to invite them to schedule a consultation meeting or attend the next session. During introductory meetings, we take the time to explore each group's unique goals and needs, identify areas of alignment with various business models and strategic approaches, explain the differences and advantages of these options, and address their questions. We also provide an overview of the loan fund, share information about our technical assistance services, and offer additional resources to help them succeed. Every individual we meet with receives some level of advising, resources to address their specific needs, or referrals to one of MCCD's conventional business advisors for additional support.

Our advising and lending capacity has grown significantly with the addition of Darren Mozenter, our new Senior Advisor of Shared Ownership, who joined us in early October. Based in Duluth, Darren brings over 20 years of experience in cooperative development, specializing in supporting and managing worker-owned cooperatives. Most recently, Darren served as the Regional Director at the Minnesota Center for Employee Ownership (MNCEO), where he expanded the organization's reach and programming by fostering strategic community partnerships and leading educational initiatives, including community conversations, panel discussions, and webinars promoting employee ownership models. Darren's efforts have significantly contributed to MCCD's programming and lending by raising awareness about shared ownership as a practical succession and wealth building strategy, a method for preserving jobs, and a powerful tool for advancing racial justice, fostering economic resilience, and creating opportunities for marginalized populations in Minnesota communities.

To conclude this report, we are proud of the strides made through the Community Wealth Building (CWB) Program this year. The program continues to demonstrate its potential to create meaningful impact by supporting the development, conversion, and growth of community-owned businesses. Through focused outreach, technical assistance, and strategic partnerships, we have laid the groundwork for sustainable, inclusive economic development in Minnesota.

Our efforts this quarter—including virtual and in-person engagements, direct consultation meetings, and the approval of impactful loans—highlight the increasing demand for shared ownership models and the

resources needed to make them successful. We are building growing pipeline of prospective borrowers and projects that align with our mission to advance racial and economic equity.

Looking ahead, we are committed to strengthening our outreach and educational efforts, enhancing collaboration across sectors, and expanding access to the Community Wealth Building loan fund. By empowering local entrepreneurs and communities statewide, the CWB Program will continue to foster resilience, preserve local wealth, and drive transformative change in the Minnesota economy.