Bill Summary

H.F. 3028

First engrossment

Subject	Economic Development Omnibus
Authors	Hassan
Analyst	Anna Scholin
Date	April 12, 2023

Overview

This bill as amended is the omnibus bill for the Economic Development Finance and Policy Committee.

Article 1: Appropriations

Appropriates money to the Department of Employment and Economic Development and Explore Minnesota Tourism. See fiscal spreadsheet for details.

Article 2: Economic Development Policy

Section	Description – Article 2: Economic Development Policy
1	**[116J.418] Office of Child Care Community Partnerships.** Establishes the Office of Child Care Community Partnerships within the Department of Employment and Economic Development to coordinate with government and business entities to promote investment in child care businesses and access and to administer child care economic development grants, among other duties. Requires an annual report to the legislature on the office's activities.
2	**[116J.681] Small business navigators.** Creates small business navigator positions as part of the Small Business Assistance Office to help small businesses and entrepreneurs navigate state programs and other potential sources of support.
3	**Definitions. [Economic Development]** Modifies the definition of "economic development" under existing law to also include financial assistance for detached single-family affordable homeownership units on a single project site with fewer than five units. Makes such projects subject to the prevailing wage requirements and enforcement provisions under § 116J.871, subdivision 2, as modified in section 4.

Section	Description – Article 2: Economic Development Policy

4 **Prevailing wage required.**

Expands existing prevailing wage requirements and enforcement provisions for projects receiving state financial assistance for economic development related purposes under § 116J.871, subdivision 2. In addition to paying the prevailing wage rate to laborers and mechanics on such projects, as currently required, additional enforcement and other requirements under the prevailing wage law and the Minnesota Fair Labor Standards Act would apply, including the commissioner's enforcement and compliance authority, recordkeeping, and penalty provisions.

Paragraph (b) clarifies that the issuing state agency is the contracting authority for the purpose of certain recordkeeping and reporting requirements, and that the project is considered a public works project. Requires the person receiving financial assistance to notify employers on the project of certain recordkeeping and reporting requirements, and in turn, the employers must provide certain information to the state agency as the contracting authority.

5 **[116J.8746] Small business partnership program.**

Codifies the small business partnership program, formerly known as the business development competitive grant program.

Subd. 1. Definitions. Defines terms, including that an "eligible business" is one that is either (1) located in greater Minnesota, (2) in the field of high technology, or (3) majority owned by people who are people of color, women, immigrants, veterans, people with disabilities, low-income, or LGBTQ+.

Subd. 2. Establishment. Establishes the program to make grants statewide to community-based nonprofits to provide free or low-cost professional business development and technical assistance services to eligible businesses.

Subd. 3. Grants to nonprofits. Sets the rules for the competitive grants to the nonprofits. Allows up to ten percent of the grant amount to be used by the nonprofit for administration. Requires preference for nonprofits that can demonstrate successful outcomes serving historically underserved communities and increasing economic mobility of clients.

Subd. 4. Administration. Allows the commissioner of employment and economic development to use up to five percent of program funds for administration and monitoring.

Subd. 5. Reporting. Stipulates grant recipients provide annual reports to the commissioner on the use of funds and program impact. Requires the commissioner to make reports to the legislature every two years on the use of funds and program impact.

Section	Description – Article 2: Economic Development Policy
6	**Minnesota job creation fund business designation; requirements.** Lowers the requirements for participation in the job creation fund incentives to only require retention of 100 employees rather than 200 for projects located in the metropolitan area and 50 employees rather than 75 for projects located in greater Minnesota. Also lowers the capital investment requirement from $25,000,000 to $10,000,000 for projects located in greater Minnesota.
7	**Certification; benefits.** Allows the job creation fund to award up to $1,000,000 in job creation awards to projects with 100 new or retained employees, rather than 200, in the metropolitan area or with 50 new or retained employees, rather than 75 in greater Minnesota. Allows the installation and purchase of machinery and equipment to count towards capital investment. Stipulates that a job creation award of $2,000 per retained job may be provided if the business meets these new lower standards for at least two years.
8	**Job creation award.** Adds higher award amounts for creating jobs paying higher wages: $3,000 incentives for jobs paying at least $45,000 but less than $55,000; and $4,000 incentives for jobs paying at least $55,000. Allows a business to receive a onetime $2,000 award for each job retained and maintained under the conditions set out in section 5 (above) if the retained job pays total compensation, including nonmandated benefits, equal to 150 percent of the federal poverty level for a family of four.
9	**Transfer.** Allows the commissioner to transfer up to $2,000,000 of a fiscal year appropriation between the Minnesota job creation fund program and the redevelopment grant program to meet business demand.
10	**[116J.8751] Launch Minnesota.** Codifies the existing Launch Minnesota program that provides support for entrepreneurs and emerging technology-based companies.
11	**Grant amount; project phasing.** Increases the maximum grant amount for the targeted community capital project grant program from $1,500,000 to $3,000,000.
12	**[116J.9925] Community wealth-building grant program.** Creates the community wealth-building grant program. **Subd. 1. Definitions.** Defines terms for the program, including that “community business” means a cooperative, employee-owned business, or commercial land

Section	Description – Article 2: Economic Development Policy

trust that is at least 51 percent owned by people who are Black, Indigenous, People of Color, immigrants, low-income, women, veterans, or people with disabilities. Defines "partner organization" to mean a community development financial institution or nonprofit corporation.

Subd. 2. Establishment. Establishes the community wealth-building grant program to make grants to partner organizations to fund low-interest loans to community businesses. Sets goals for the program.

Subd. 3. Grants to partner organizations. Awards grants to partner organizations through a competitive process that will consider defined criteria relating to the organization's ability to administer the program in accordance with its goals. Requires the commissioner to ensure that loans are made to businesses statewide and that reasonable attempts are made to balance the amount of funding going inside and outside the metropolitan area. Allows partner organizations to use up to ten percent of their award for specialized technical and legal assistance to the businesses they serve. Sets grants as being for five-year terms.

Subd. 4. Loans to community businesses. Requires grantee partner organizations to establish a plan for making low-interest loans to community businesses and get that plan approved by the commissioner. Sets plan requirements, such as prioritization of loans in the lowest income areas and minimum ($50,000) and maximum ($2,500,000) amounts for the state contribution, as well as interest rates and loan origination fee allowances. Stipulates that 50 percent of all repayments on principal of a loan under the program go back into the state account, with all other repayments remaining with the partner organization to fund loan servicing and additional technical assistance.

Subd. 5. Community wealth-building account. Creates the community wealth-building account in the special revenue fund in the state treasury. Appropriates funds in this account for grants under this section.

Subd. 6. Reports. Requires annual reports from partner organizations to the commissioner and from the commissioner to the legislature on loans made through the program.

13 **[116J.9926] Emerging developer fund program.**

Creates the emerging developer fund program, with the proposed coding 116J.9926, to make grants partner organizations to make grants and loans to less established developers from targeted groups to pursue development projects that are intended to reduce racial and socioeconomic disparities. Includes minorities, women, people with disabilities, and low-income people as the groups potentially eligible for grants and loans under the program. Allows partner organizations to use up to ten percent

Section	Description – Article 2: Economic Development Policy

of grant funds for administrative costs. Limits predevelopment grants to $100,000 and all types of loans to $1,000,000. Sets loan duration as six months to eight years, all at low or zero interest, depending on the use of loan proceeds and analysis of project risk. Mandates flexible collateral requirements and allows both personal guaranty requirements and largely unsecured loans. Anticipates repayment of loans once permanent financing or a conventional loan is secured, with no prepayment penalty. Allows the commissioner to require a recipient to work with a more experienced developer or professional services consultant as the project develops. Directs all loan repayments to the emerging developer fund account in the special revenue fund, also created in this bill, which will fund additional loans. Defines what expenses are eligible uses of the various types of grants and loans. Requires annual reports to the legislature on grants and loans made under the program.

14 **Empowering enterprise program.**

Establishes a grant program for federally certified community development financial institutions, nonprofits, and cities to develop and implement local economic relief programs to assist businesses and nonprofits in communities adversely affected by civil unrest, particularly microenterprises in those areas. Allows assistance in the form of both grants and loans and sets out procedures. Limits grants and loans to $500,000 each per entity and requires staying in the community for a minimum of three years. Directs loan repayments back to the general fund. Requires annual reporting of performance measures to the commissioner and legislature. Exempts assistance under this section from the laws governing business subsidies and grantmaking. Allows the commissioner to use up to seven percent of the appropriation for administrative expenses of the department and participating eligible organizations.

Effective date: This section is effective the day following final enactment and expires the day after the last loan is repaid or forgiven.

15 **Canadian boarder counties economic relief program.**

Creates the Canadian border counties economic relief program to assist businesses adversely affected by the 2021 closure of the Boundary Waters Canoe Area Wilderness or the closures of the Canadian border since 2020. Directs the Northland Foundation to design the grant making process for approval by the commissioner of employment and economic development and to establish performance measures for the grants. Allows for a maximum grant of $50,000 per business and exempts the program from all normal business subsidy requirements, though businesses must still provide for job creation and retention goals and wage and benefit goals. Makes the program effective July 1, 2023, and causes it to expire on June 30, 2024.

Limits eligibility for grants to businesses:

Section	Description – Article 2: Economic Development Policy
	1) located within a county that shares a border with Canada; 2) able to document a reduction of at least ten percent in gross receipts in 2021 compared to 2019; and 3) able to explain in writing how the closures in 2020 and 2021 resulted in that reduction in receipts.
16	**Repealer.** Repeals: 1) subdivision 6 of the targeted community capital project grant program which made provisions of chapter 16A relating to general fund appropriations for capital projects apply to this grant program and which kept grants available until the project is completed or abandoned; and 2) the existing uncodified version of the Launch Minnesota program (since the program is being codified by section 8 above).

Article 3: Capitol Area

Creates and funds a Capitol Area Community Vitality Task Force and appropriates money for road projects within the Capitol Area.

Section	Description – Article 3: Capitol Area
1	**Capitol Area Community Vitality Task Force; appropriation.** Establishes a Capitol Area Community Vitality Task Force. The purpose of the task force is to make recommendations to the Capitol Area Architectural and Planning (CAAP) Board on the administration, program plan, and oversight of the Capitol Area community vitality account, newly established by this bill. The recommendations of the task force must receive approval by the CAAP Board, and the board must submit them to the legislature no later than February 1, 2024. Provides an appropriation to support the work of the task force.
2	**Capitol Area community vitality account.** Establishes a Capitol Area community vitality account in the special revenue fund. Money is appropriated to the commissioner of administration to improve the livability, economic health, and safety of communities within the Capitol Area. No funds may be expended until a detailed program and oversight plan, recommended by the Capitol Area Community Vitality Task Force, has been approved by the CAAP Board and further approved by the legislature in the form of a law. The bill appropriates $5,000,000 to this account in fiscal year 2024.

Section	Description – Article 3: Capitol Area
3	**Capitol Mall Design Framework; appropriations.** Appropriates $1,000,000 to the Capitol Area Architectural and Planning Board for the purpose of updating the Capitol Mall Design Framework, and for initial implementation of the framework. Specific requirements for the updated framework and a timeline for completion are included. This section also appropriates $5,000,000 to the commissioner of administration for implementing the framework, prioritizing certain projects specified in the bill.