State of Minnesota
HOUSE OF REPRESENTATIVES
NINETY-FOURTH SESSION

H. F. No. 1114

A bill for an act

relating to economic development; appropriating money for the GroundBreak capital access and innovation fund; requiring a report.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **GROUNDBREAK CAPITAL ACCESS AND INNOVATION FUND.**

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given.

(b) "Commissioner" means the commissioner of employment and economic development.

(c) "Originating partner" means a community development financial institution or nonprofit organization engaged in business development or economic development.

(d) "Startup" means a business that is seeking seed funding to initiate or expand revenue.

(e) "Equity enhancements" means financial assistance that increases ownership.

(f) "GroundBreak" means a coalition of philanthropic, private, and civic partners working to expand access to flexible capital and traditional bank loans.

(g) "GroundBreak loan pool" is private capital for low-cost, long-term loans.

Subd. 2. **Appropriation.** $50,000,000 in fiscal year 2026 is appropriated from the general fund to the commissioner of employment and economic development for a grant to the Minneapolis Foundation to improve access to capital for entrepreneurship, commercial real estate development, and homeownership through forgivable business loans, commercial real estate equity enhancements, and forgivable down payment assistance loans. The base for this appropriation is $25,000,000 in fiscal year 2028, $25,000,000 in fiscal year 2029, and $0 in fiscal year 2030.

Subd. 3. **Forgivable startup business loans.** (a) The Minneapolis Foundation shall provide capital to originating partners to make forgivable startup loans to eligible businesses using criteria and reporting requirements approved by the commissioner.

(b) To be eligible for a forgivable business loan under this subdivision, a business must:

(1) have primary business operations located in the state;

(2) be a startup business seeking capital to grow;

(3) lack access to startup capital through a traditional financial institution or other sources;

(4) submit a business plan; and

(5) complete a technical assistance program provided by an originating partner or obtain a letter of recommendation from an originating partner stating that the business plan is complete and has been reviewed and recommended for a loan.

(c) Forgivable loans may be used for inventory purchases, payroll, rent, technology, equipment, marketing, professional services, leasehold improvements, and other similar expenses related to business formation or growth.

(d) Forgivable loans under this subdivision shall not exceed $50,000.

(e) No business or individual may receive more than one forgivable loan under this subdivision.

(f) The originating partner shall forgive 100 percent of the loan after three years if the business uses funds for approved purposes.

(g) Preference shall be given to businesses that seek to hire at least one W-2 employee.

Subd. 4. **Commercial real estate equity enhancements.** (a) The Minneapolis Foundation shall provide capital to originating partners to provide equity enhancements for commercial real estate developments using criteria and reporting requirements approved by the commissioner.

(b) To be eligible for an equity enhancement under this subdivision, a project must:

(1) have primary business operations located in the state;

(2) have total project costs under $10,000,000; and

(3) submit a complete development plan.

(c) Preference shall be given to developments that secure at least 60 percent of senior debt through a traditional financial institution and up to 35 percent of junior debt through an originating partner that provides capital through the GroundBreak loan pool.

(d) Equity enhancements under this subdivision must not exceed $250,000.

Subd. 5. **Forgivable down payment assistance loans.** (a) The Minneapolis Foundation shall provide capital to originating partners for the Advancing Black Homeownership Community Fund Special Purpose Credit Program or a similar special purpose credit program for forgivable down payment assistance loans using criteria and reporting requirements approved by the commissioner.

(b) To be eligible for a forgivable loan under this subdivision, an applicant must qualify as an eligible borrower of an approved special purpose credit program under Code of Federal Regulations, title 12, section 1002.8, Regulation B, and:

(1) be a resident of the seven-county metropolitan area;

(2) have no present ownership interest in a principal residence during the previous three-year period; and

(3) have annual income equal to or less than the Start Up Income Limits for one to two person households published by the Minnesota Housing Finance Agency.

(c) Forgivable loans under this subdivision must not exceed $25,000.

(d) The originating partner shall forgive 100 percent of the loan over five years subject to the following:

(1) a loan under this subdivision is forgivable at the rate of 20 percent per year. The prorated balance is repayable if the property converts to nonowner occupancy, is sold, is subjected to an ineligible refinance, an unauthorized transfer of title, or a completed foreclosure action within the loan term;

(2) recapture may be waived in the event of a financial or personal hardship with the approval of the originating partner; and

(3) recaptured funds must be returned to the program for redistribution to eligible borrowers.

(e) Forgivable loans under this subdivision may be combined with other state, federal, or local down payment assistance programs.

Subd. 6. **Program administration.** (a) The Minneapolis Foundation shall establish appropriate accounting practices for the purpose of tracking forgivable loans and equity enhancements.

(b) Up to five percent of a forgivable startup loan and commercial real estate equity enhancement under this section may be used by originating partners for administration and monitoring of the program, and up to an additional three percent may be used by the originating partner for technical assistance to applicants for help with language, culture, and technology.

(c) Up to ten percent of a forgivable down payment assistance loan under this section may be used for administration of the program.

(d) Any money appropriated in fiscal year 2026 not committed by June 30, 2029, must be returned to the commissioner and canceled back to the general fund.

Subd. 7. **Reporting requirements.** (a) By February 15, 2027, and annually until February 15, 2030, the Minneapolis Foundation shall submit a report to the chairs and ranking minority members of the legislative committees with jurisdiction over economic development on the use of funds and program outcomes. This report shall include the following:

(1) the number of businesses, commercial real estate projects, and homeowners to which capital was provided;

(2) a description of businesses and commercial real estate projects supported by the program;

(3) aggregated demographic information as specified by the commissioner regarding each recipient; and

(4) the program's impact on job creation.

(b) The Minneapolis Foundation must establish and maintain a public website reporting on the use of funds and any relevant performance measures. Up to four percent of funds may be used by the Minneapolis Foundation for administration and monitoring of the program.

(c) By February 15, 2027, the Minneapolis Foundation must complete an independent audit of the use of funds under this section in accordance with standard accounting practices.