

Star Tribune Editorial

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Our perspective

New rural tool

Pooling resources for growth

Who would have expected it: City leaders in Lake Crystal are putting their town's tax money into an economic development pool that might put a new business farther west on Hwy. 60, in archrival Madelia.

More such cooperation among longtime competitors is happening in Kasson and Mantorville, Laverne and Worthington, Moose Lake and Cloquet — in fact, all over outstate Minnesota. It's happening because a new tool to generate capital for economic development has come along, one that offers a promise to participating communities that if they combine resources, everybody can win.

The tool is the Minnesota Community Capital Fund, a nonprofit spinoff of the Northland Institute, which in turn is a subsidiary of the McKnight Initiative Fund's Northland Foundation.

What it offers that previous economic-development stimulus programs did not is ready access to the national secondary lending market, through the Minneapolis-based nonprofit Community Reinvestment Fund. (It's the same bundler and reseller of community development loans that is bringing new sources of capital to entrepreneurs in St. Paul, through the city's new Small Business Expansion Program, and Minneapolis, through the Minneapolis Community Development Association.)

With the Community Reinvestment Fund involved, the Minnesota Community Capital Fund can offer its members — outstate cities and counties, and their subdivisions and consortiums — a chance to issue an unlimited number of qualifying gap-financing

loans for business or housing projects. Loan amounts are limited only by the size of a member's contribution to the pool; members can originate loans of up to 10 times the amount they put in.

To qualify, a project must have a local lender participating in the financing, and the loan must be salable in the secondary market. That's it. Unlike some government-funded loan and grant programs, there are no job-creation or wage requirements on the enterprise being funded, and no restriction on whether a loan can apply to fixed assets or, with proper collateral, working capital. There is no lengthy, politics-laden application process. Loan approvals can be made within two to four weeks.

This takes Minnesota's tradition of building economic activity through public-private partnerships in a positive new direction, at a propitious time. Capital for business investment has been hard to come by in small Minnesota towns. Most of the revolving loan funds established 20 years ago around the state are too small to offer entrepreneurs much meaningful help. State government's Minnesota Investment Fund was drained to the dregs by the 2003 Legislature.

The Minnesota Community Capital Fund has only been operational for a few months, and it has already approved six loans in five cities, and has 15 others pending. CEO Scott Martin, who is also the Northland Institute president, predicts that his fund is on to something big. Here's hoping he's right.

The fund is reachable on the Internet at www.mncommunitycapitalfund.org.