

## Legislation Text

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**File #:** 26-HCHRA-0008, **Version:** 1

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### **Item Description:**

Authorize supplemental appropriation to amend the 2026 HCHRA Budget; Authorize interfund cash transfers to support Small Business Recovery Fund program

### **Resolution:**

BE IT RESOLVED, that the Hennepin County Housing and Redevelopment Authority's (HCHRA) expenditure authority for Capital Project (Fund 37) 1009001 (HRA: Community Asset Transition Fund) be decreased by \$261,250; that the expenditure authority for Capital Project (Fund 37) 1006758 (HRA: Transit Oriented Development 2019-2023) be decreased by \$398,360; that the expenditure authority for Capital Project (Fund 37) 1012018 (HRA: Transit Oriented Communities 2026) be decreased by \$500,000; and that an appropriation transfer of \$1,159,610 be authorized from HCHRA Capital Projects (Fund 37) to HCHRA Operating (Fund 32); and that the Controller be authorized to transfer and disbursed funds as directed; and

BE IT FURTHER RESOLVED, that the 2026 HCHRA Operating (Fund 32) expenditure budget increase by \$2,019,610, funded through an appropriation transfer from the HCHRA Capital Project's (Fund 37) described herein (\$1,159,610) and use of HCHRA Operating (Fund 32) unassigned fund balance (\$860,000); that these funds be authorized to assist local businesses to survive and recover from the economic impacts of Operation Metro Surge, thereby helping to prevent wide-spread business closures, job loss, commercial vacancies, and blight in Hennepin County; and that the Controller be authorized to transfer and disburse funds as directed; and

BE IT FURTHER RESOLVED, that the Executive Director be authorized to negotiate Amendment 1 to Agreement PR00007976 with NextStage, Inc. with no change to the contract period of January 1, 2026 through December 31, 2026 and increasing the not to exceed amount by \$2,019,610 (including administrative fees up to \$30,294) for the purpose of administering and disbursing the Hennepin County Small Business Recovery Fund to a new total not-to-exceed amount of \$2,239,610; that following review and approval by the County Attorney's Office, the Chair be authorized to sign the amendment on behalf of the Authority; and that the Controller be authorized to disburse funds as directed.

### **Background:**

Hennepin County Resolution 26-0034 denounced the violent and constitutionally questionable actions by Immigrations and Customs Enforcement (ICE) and Customs and Border Patrol (CBP) and directed staff to undertake a range of actions, including direction to gain credible insights regarding the impacts of Operation Metro Surge and explore potential alignment with local government partners for joint or coordinated work to respond to these impacts.

The economic impacts of the federal immigration enforcement surge have been well-documented, including particularly severe impacts to small businesses in cultural corridors, to immigrant-owned businesses, and to food service and retail businesses that anchor business districts throughout the metro, including in Hennepin County.

The Federal Reserve's February Beige Book released on March 5, 2026 describes economic disruptions across many industry sectors in the Ninth District, the district that includes Minnesota, during the Operation Metro Surge timeframe. According to the report, impacts of the federal immigration enforcement actions were

felt across nearly all industry sectors. Industries that experienced the most severe impacts were retail, accommodation, and leisure, including food service businesses. These sectors experienced revenue losses due to “a sharp decline in foot traffic” as consumers stayed home out of fear, and operational impacts as “legal, foreign-born workers were choosing not to work due to safety concerns.”\* “Researchers at North Star Policy Action and the W.E. Upjohn Institute for Employment Research reported [in late February] that workers in the Twin Cities lost \$106 million in wages due to Operation Metro Surge.”\*\* Hennepin County is home to over 6,700 businesses that employ over 138,000 workers in the accommodation, food services, and retail trade sectors. Many Community Development Financial Institutions (CDFIs) reported a “significant increase in requests for loan modifications” from impacted businesses, indicating that many businesses have been challenged to meet their financial responsibilities. “Of 180 loan clients at Metropolitan Economic Development Association (MEDA), about 20% said in a recent survey they will likely be late on payments and in need of new repayment plans because of the crackdown, said Catherine McCarthy, development director for the nonprofit. More than 52% of overall clients reported being hurt by immigration crackdown activity.”\*\*\*

A survey conducted by Meet Minneapolis in January found that 90% of the restaurants, hotels, retail shops, service providers, and arts and events organizers reported negative impacts due to federal activity. A report published by the City of Minneapolis in February 2026\*\*\*\* estimated the combined revenue loss among restaurants and small businesses in Minneapolis were as high as \$81 million in January 2026. According to a city survey completed by restaurant and café owners and operators, one-third reported having to close temporarily and another third reported reducing hours. These survey findings and the documented steep decline in revenues suggest that without mitigation efforts, a significant percentage of restaurants, grocery, retail, and entertainment venues may be at risk of closure. The risk that closures lead to long-term vacancies is heightened because of several factors. First, because these types of establishments often anchor business districts, main streets, and commercial corridors, closures and vacancies among these businesses are likely to have ripple effects on neighboring businesses and communities in Hennepin County. Second, because the local landscape of restaurant owners and other entrepreneurs in the same sectors who are most likely to occupy newly vacant commercial spaces, and the community-based financial institutions that support them, have also likely suffered financial losses that make it difficult to take on the risk of a new establishment.

Outreach conducted by county staff found similar impacts. In one gathering of small business owners along a commercial corridor in Minneapolis, business leaders reported that customer traffic decreased by 60-75% in December and January, resulting in temporary closures of 25% of the businesses in a cooperatively owned marketplace. At a similar meeting of small business owners in another business district in late January, one owner noted that half of the business owners are challenged to cover expenses and remain open. In recent outreach conducted by a Hennepin County Elevate Hennepin advisor in the same Minneapolis business district, 100% of businesses contacted reported significant negative impacts. And the impacts are countywide: a city partner in Bloomington reported that 10 out of 14 businesses visited in early February experienced a wide range of impacts, including an estimated 70% reduction in customer traffic, reduced hours, worker absences, and business closures. Outreach conducted by Brooklyn Park staff showed that 69% of businesses reported decreased customer traffic, several reported worker shortages with minimal to no employees onsite.

Several local government agencies, including the cities of Brooklyn Park, Minneapolis, Minnetonka, Richfield and the Bloomington Port Authority have acted or are in the process of considering actions to authorize a combined total of \$7,720,000 in relief funding to small businesses experiencing hardship at this time.

In response to the economic impacts and hardships to small businesses caused by Operation Metro Surge, and in alignment with other local government agencies, the current action would utilize \$860,000 in Hennepin County Housing and Redevelopment Authority’s (HCHRA) Operating (Fund 32) unassigned fund balance and reallocate a total of \$1,159,610 in HCHRA funds previously authorized for the Community Asset Transition (CAT) Fund, Transit Oriented Development (TOD), and Transit Oriented Communities (TOC) programs to be used for a Small Business Recovery Fund to provide grants to impacted small businesses with a physical, brick-and-mortar establishment. Preservation of existing small businesses with a physical location in

Hennepin County will help prevent widespread business closures and the attendant job loss, commercial vacancies, and blight.

In accordance with HCHRA powers to carry out activities to prevent blight in Minnesota Statutes section 469.012, and to achieve the public purpose of preventing blight, wide-spread job loss, and the loss of local businesses supporting the economy of Hennepin County, the Small Business Recovery Fund will provide financial support to small businesses that have experienced impacts from Operation Metro Surge between December 1, 2025 and February 28, 2026 that threaten business operations and continued existence.

A total of \$2,019,610 will be made available for the Small Business Recovery Fund, as further detailed below:

- Resolution 23-HCHRA-0023 made \$398,360 available for future TOD capital and/or predevelopment programming through adjustments to TOD projects
- Resolution 20-HCHRA-0036 accepted the transfer of \$3,000,000 from Hennepin County (CP1009002) and established the CAT Fund (CP 1009001) to create a leveraged capital pool for acquisition of commercial and residential properties along commercial corridors within the City of Minneapolis that were adversely impacted by civil unrest in May and June 2020 and at risk of market conversion or gentrification. Repayment proceeds from one such loan in the amount of \$261,250 are available after a project closed on permanent financing and successfully paid off the CAT Fund acquisition loan.
- Reprogramming funds from the 2026 Adopted Budget in the HCHRA for TOC project plans allows \$500,000 to be reprioritized for small business relief.
- HCHRA Operating (Fund 32) unassigned fund balance (\$860,000)

Amendment 1 to Agreement PR00007976 would provide for administration of the Small Business Recovery Fund by a non-profit, community-based lender that currently provides Elevate Hennepin consulting services to small businesses including financial analysis and projections, underwriting, and access to capital, including small business financing programs funded by Hennepin County. Of the total amount of \$2,019,610 for the Small Business Recovery Funds, up to \$30,294 (1.5%) would pay for grant administration, including application processing, evaluation of eligibility, verification of documentation, grant disbursement, reporting, and issuance of required federal tax reporting forms.

**Outcomes:** Authorize a 2026 HCHRA Operating (Fund 32) expenditure budget increase of \$2,019,610 to provide recovery funding for small businesses, and Amendment 1 to Agreement PR00007976 with NextStage will provide for the establishment of the Hennepin County Small Business Recovery Fund, which will provide critical funding as part of Operation Reconnect, which will prevent blight by helping an estimated 198 businesses sustain operations and financially recover from the impacts of Operation Metro Surge, and remain in their commercial spaces, retaining jobs, preventing vacancies, stabilizing the local economy and preventing blight.

**Recommendation from County Administrator:** Recommend Approval