



City of Minneapolis 2% Loan Program 2025 Guideline Updates

Summary for Lending Partners

October 2025

Current Two Percent Loan Terms

- Participation loan with local lending partners
- City's amount is equal to or less than lead lender amount
 - Up to \$50,000 throughout Minneapolis
 - Up to \$75,000 in Great Streets eligible areas ([click to use map](#))
- Uses: Building improvements and equipment purchases
 - Property acquisition on a case-by-case basis
- Interest: 2% fixed
- Term: Maximum 10 years

**CHANGES
PROPOSED**



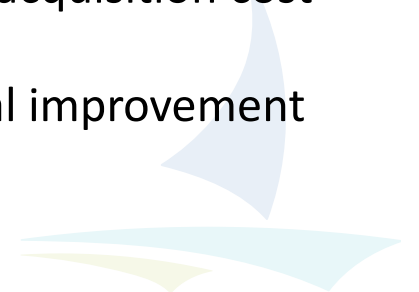
Loan Program Guidelines Background

- 1986: Program originated
- 2010: Last official guideline update
- 2015: Updated internal processes
- 2025: Goal to increase loan amounts and clarify guideline language to both 2% Loan and Alternative Financing programs
 - Summer: Staff propose and review updates
 - Fall: Community engagement
 - December: Business, Housing, and Zoning Committee / City Council
- Documents to be updated:
 - Program Guidelines
 - Lender Agreement
 - Certificate of Participation



Proposed Revisions

- **Increase loan amounts for inflation**
 - From a maximum of \$75,000 to a maximum of \$125,000 (see slide 5 for details)
 - Increase maximum total dollar amount of loans to one business entity, to align with larger maximum loan amounts (see slide 6)
- **Program guideline clarifications**
 - Term length remains a maximum of 10 years, equal to lender's term length
 - Limit by length of lease
 - Allow 6-month interest-only period, if lender also approves interest-only period
 - Eligibility:
 - Clarify eligible projects by public purpose (see slide 7)
 - Exclude residential based businesses
 - Property acquisition if minimum equity contribution by borrower is 10% of acquisition cost
 - Simplify eligible expenses
 - From tiered categories that prioritized exterior improvements, to any capital improvement and more clear eligible equipment definition



Increase Loan Amounts by Geography and Business Size

- **Up to \$75,000** anywhere within city limits (up from \$50,000)
- **Up to \$100,000** if project is in a Great Streets area defined as “Eligible”* and business qualifies as a “Small Business”** (up from \$75,000)
- **Up to \$125,000** if the project is in a “Priority Eligible”* or “Cultural District Priority Eligible”* area and business qualifies as a “Small Business”** (up from \$75,000)

* Based on [Great Streets Eligible Areas map](#)

** Defined by [Sec. 645.445 MN Statutes](#)

- City staff can help determine eligibility according to these criteria



Increase Allowed Cumulative Loans to a Business

- Cumulative outstanding 2% loans to a single borrower may not exceed \$250,000 (up from \$150,000)
- Outstanding 2% loans to a single property may not exceed \$125,000 (up from \$75,000)
 - A real estate entity with an on-site operating business run by the same owner cannot qualify for two 2% loans on the same property
- This policy typically applies to new loan requests from borrowers with existing 2% loans



Clarify Eligible Projects

- Eligible projects continue to be capital investments - exterior and interior building improvements – and production equipment
- Eligible projects must be found by City staff to be intended to either:
 - Upgrade the appearance, structural condition or operating efficiency of the property; or
 - Improve services being provided to the surrounding community; or
 - Retain or expand job opportunities.



Please provide your feedback!

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