



# **Housing and Redevelopment Authority**

## **Blighted Properties Forgivable Commercial/Industrial Loan Policy Guidelines & Application**

Amended April, 2017  
HRA Adopted May 1, 2017

Original Amended: November 2015  
HRA Adopted November 2, 2015  
City Council Adopted: November 2, 2015

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HRA Adopted: September 8, 2015

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# **ELK RIVER HOUSING AND REDEVELOPMENT AUTHORITY BLIGHTED PROPERTIES FORGIVABLE COMMERCIAL/INDUSTRIAL LOAN POLICY GUIDELINES & APPLICATION**

## **I. OVERVIEW**

The Housing and Redevelopment Authority for the City of Elk River (HRA) recognizes the need to stimulate private sector investment to help spur new construction, create and retain employment opportunities and promote the sale and redevelopment of structurally substandard properties.

The focus is on commercial, retail, industrial, manufacturing, and technology-related industries to increase the local and state tax base and improve economic vitality. The program can be used toward the purchase of properties deemed structurally substandard.

## **II. TO APPLY**

Applications will be accepted on an ongoing basis. Projects will be scored based on attached Application Review Worksheet. The applicant shall complete and submit the attached application to the city, along with a processing fee of \$2000 to cover processing expenses. Once application is deemed complete, it will be reviewed by the cities Executive Director and HRA (process may take up to six weeks).

## **III. PURPOSE**

The Blighted Properties Forgivable Commercial/Industrial Loan funds are to be used for business start-ups, expansions, and relocations where jobs are created and tax base is generated. This can be accomplished by the following means:

1. Creation of permanent private-sector jobs in order to create above average economic growth;
2. Stimulation or leverage of private investment to ensure economic renewal and competitiveness;
3. Increase local tax base;
4. Improvement of employment and economic opportunity for citizens in the region to create a reasonable standard of living; and
5. Stimulation of productivity growth through improved commercial, retail, manufacturing or new technologies.

## **IV. PROJECT ELIGIBILITY AND REQUIREMENTS**

The Blighted Properties Forgivable Commercial/Industrial Loan must be based on the following criteria:

1. The minimum wage for a job to be considered a new or retained job shall be the greater of \$15.00 per hour or 150% of state or federal minimum wage, whichever is greater, exclusive of benefits required by law.
2. Increase in tax base
3. The project can demonstrate that investment of public dollars induces private funds;
4. The project provides higher wage levels to the community or will add value to current workforce skills;
5. The project results in the sale and/or redevelopment of properties deemed structurally substandard;
6. Whether assistance is necessary to retain existing business; and
7. Whether assistance is necessary to attract out-of-state business.

A Blighted Properties Forgivable Commercial/Industrial Loan is required to meet clause 5.). A loan cannot be made solely on a finding that the conditions in clause 5.), 6.) or 7.) exist. A finding must be made that a condition in clause 1.), 2.), 3.), or 4.) also exists.

Blighted Properties Forgivable Commercial/Industrial Loans are awarded to businesses that meet all project and job requirements as outlined within. Projects are evaluated on a first-come, first-served basis and awarded based upon meeting program criteria.

## **V. ELIGIBLE ACTIVITIES**

1. **Blighted Properties Forgivable Commercial/Industrial Loan may be used for the following activities:**
  - a. Property acquisition, demolition, soil prep, or building reconstruction.

## **VI. BUSINESSES ELIGIBILITY**

Any project meeting the above criteria, and located or proposed to be located within the city limits of Elk River as defined by this program, may be eligible for a Housing and Redevelopment Authority Blighted Properties Forgivable Commercial/Industrial Loan as further defined herein:

- Business must be a for-profit corporation, partnership, or sole proprietorship.
- Business must be a *small business* as defined by the Small Business Administration (SBA).
- Business must have a positive net worth.
- Non-Profit corporations, casino, sports facilities and sexually oriented businesses are not eligible to use the Housing and Redevelopment Authority Blighted Properties Forgivable Loan Program.

## **VII. BLIGHTED PROPERTIES FORGIVABLE**

### **COMMERCIAL/INDUSTRIAL LOAN TERMS & CONDITIONS**

#### **Loan Amount**

Blighted Properties Forgivable Commercial/Industrial Loan Policy & Guidelines

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There is a maximum of \$74,999 per Blighted Properties Forgivable Commercial/Industrial Loan. Federal guidelines require a minimum of one job to be created for every \$15,000 requested. To receive maximum loan amount of \$74,999, applicant would need to create five new FTE positions. The minimum wage for a job to be considered a new or retained job shall be the greater of \$15.00 per hour or 150% of state or federal minimum wage, whichever is greater, exclusive of benefits required by law.

### **Loan Structure**

All Housing and Redevelopment Authority Blighted Properties Forgivable Commercial/Industrial Loans shall be structured as direct loans.

Applicant must provide at least 50% of project cost through other means. Equity down payment requirements may vary depending on project and primary lending institution. Blighted Properties Forgivable Commercial/Industrial Loan funds may be used as equity upon approval of primary lending institution

The HRA may require additional agreements to be signed by the borrower (i.e. mortgage, promissory note, security agreement, personal guarantees, entity guarantees, business subsidy agreement).

### **Other HRA Incentives**

Projects can combine the Blighted Properties Forgivable Commercial/Industrial Loan with all other incentives (i.e.: Micro Loan Program, Tax Abatement, TIF, etc.)

### **Evaluate Building(s) Existing Condition**

An evaluation must be conducted to determine if the building(s) is structurally substandard by a licensed structural engineer, or city building code official with experience in inspection and facility assessment projects. Structurally substandard shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

Deliver a written narrative analysis of the property describing why the property does or does not meet the criteria as “structurally substandard” as established in Minnesota Statutes Section 117.025, subdivision 7.

### **Call of Loan**

Blighted Properties Forgivable Loan terms are set by the HRA. Projects which don't meet the terms may be required to repay all or a portion of the loan as determined in the loan agreement. A job creation extension may be granted upon review of the Housing and Redevelopment Authority on a case by case basis, except as otherwise required by law. Repayment terms will vary depending on the use of funds and collateral securing the loan. Specific repayment terms will be defined in the loan agreement in the event repayment of part or the entire Blighted Properties Forgivable Commercial/Industrial Loan is required. A loan shall become due and

payable in full if a business relocates outside of the city of Elk River prior to the maturity date of the loan. Jobs created must be maintained for a period of 2 years from the Benefit Date as defined in Minnesota Statutes, Section 116J.993, Subdivision 2.

### **VIII. LOAN SECURITY AND GUARANTEES**

Applicant must secure the loan by providing the HRA with a minimum of a subordinate mortgage upon the building and/or assets or other approved collateral.

Personal guarantees and entity guarantees may be made part of all loan agreements.

Key person life insurance may be required as determined by the HRA based on loan amount and company ownership partners.

### **VIII. TIMING OF PROJECT EXPENSES/PROJECT TIMELINE**

No project should commence until the Elk River Housing and Redevelopment Authority has approved the loan application. Any costs incurred prior to the approval of the loan application are generally not eligible expenditures. Applicant must submit project timeline with application; timeline will assist in determining job creation goal deadlines.

The applicant will be responsible for all legal, recording, and other fees required for protection of a security interest in the loan, payable by a non-refundable \$2,000 processing fee, which is paid at the time of application. In addition to the non-refundable \$2,000 processing fee, all legal and filing fees shall be paid by the borrower at loan closing.

### **X. PROCEDURAL GUIDELINES FOR APPLICATION AND APPROVAL**

1. All applicants shall first contact a primary lending institution to determine if additional equity is needed, and if so, how much.
2. The applicant and the primary lender (if applicable) shall then meet with City Staff to obtain information about the Housing and Redevelopment Blighted Properties Forgivable Commercial/Industrial Loan program, discuss the project, and obtain application forms.
3. The applicant shall complete and submit an application form to the City, along with a non-refundable processing fee of \$2,000. The applicant must provide evidence of their ability to meet the equity requirements or provide a letter of commitment for conventional financing from the primary lending institution if applicable.
4. The HRA is a governmental entity and as such must provide public access to public data it receives. Data deemed by Applicant to be nonpublic data under State law should be so designated or marked by

Applicant. See Minnesota Statutes, Chapter 13, as amended.

5. The application will be reviewed by the City staff to determine if it conforms to all City policies and ordinances and to consider the following:
  - a. The availability and applicability of other governmental grants and/or loan programs.
  - b. Whether the proposed project will result in conformance with building and zoning codes.
  - c. Whether it is desirable and in the best interests of the public to provide funding for the project.
  
7. The HRA Commissioners will review each application in terms of its consistency with the goals of the City's Comprehensive Plan and Housing and Redevelopment Authority Strategic Plan and in relation to the project's overall impact on the community's economy and will evaluate the project application in terms of the following:
  - a. Project Design - Evaluation of project design will include review of proposed activities, time lines and a capacity to implement.
  - b. Financial Feasibility - Availability of funds, private involvement, financial packaging and cost effectiveness.
    - Appropriate ratio of private funds to the Blighted Properties Forgivable Loan funds.
    - Sufficient cash flow to cover proposed debt service as demonstrated by financial statements and projections.
    - Ability to demonstrate a positive net worth.
    - Letter of Commitment from applicant pledging to complete the project during proposed project duration, if the loan application is approved.
    - Letter of Commitment from other financing sources stating terms and conditions of their participation in the project if applicable.
    - Sufficient collateral.
    - Certificate of Good Standing from the Minnesota Secretary of State
  - c. All other information as required in the application and/or additional information as may be requested by the Housing and Redevelopment Authority.
  - d. Project compliance with all city codes and policies.
  - e. Program Objectives - In addition to quality job and wage creation/retention requirements, the applicant must meet all of the Blighted Properties Forgivable Loan Program criteria and

demonstrate how the proposed activities will meet at least one of the following objectives listed on page two of this application.

8. The Housing and Redevelopment Authority will approve, deny, or request a resubmission.
9. A simultaneous closing with the primary lender is required to execute the Blighted Properties Forgivable Commercial/Industrial Loan documents.
10. Loan proceeds will be disbursed upon evidence of eligible demolition costs as incurred or paid by the borrower and upon submission of invoices and other supporting documentation satisfactory to the commission.

#### **XI. LOAN POLICY REVIEW**

The above criteria will be reviewed on an annual basis to ensure that the policies reflected in this document are consistent with the housing and redevelopment authority goals set forth by the City.

#### **XII. RIGHT OF REFUSAL**

The Elk River Housing and Redevelopment Authority may deny any project which it deems inappropriate according to the guidelines established in this document.

#### **XIII. COMPLIANCE WITH MN BUSINESS SUBSIDY LAW**

Each company receiving assistance in the principal amount of \$74,999 from the HRA Blighted Properties Forgivable Commercial/Industrial Loan Program shall be subject to the provisions and requirements set forth by Minnesota Business Subsidy Law Statute 116J.993 and the City of Elk River Business Subsidy Policy.

All applicants will be required to submit annual progress reports to the Housing and Redevelopment Authority until job creation requirements are met.

**ELK RIVER HOUSING AND REDEVELOPMENT AUTHORITY  
FORVIABLE COMMERCIAL/INDUSTRIAL LOAN  
APPLICATION**

**I. CONTACT INFORMATION**

Legal Name of Business: \_\_\_\_\_

Project Site Address: \_\_\_\_\_

City / State / Zip \_\_\_\_\_

Contact Person(s) \_\_\_\_\_

Business Phone \_\_\_\_\_ Fax \_\_\_\_\_

Home Phone \_\_\_\_\_ Email \_\_\_\_\_

Check One: \_\_\_\_\_ Proprietor \_\_\_\_\_ Corporation \_\_\_\_\_ Partnership

Federal ID # \_\_\_\_\_ State ID # \_\_\_\_\_

**II. NATURE OF LOAN REQUEST**

Does your project involve the redevelopment of structurally substandard property?

\_\_\_\_\_ Yes  
\_\_\_\_\_ No

Amount Requested: \$ \_\_\_\_\_ Total Project Cost: \$ \_\_\_\_\_

Project timeline:

Please give a brief summary of your business and its products or service:

Please give a brief summary of the project and how it complies to the criteria for approval of the blighted properties forgivable commercial/industrial loan program:

Please describe how this loan will impact your project:

### III. FINANCING

#### Project Costs

Land	\$ _____
Site improvements	\$ _____
Buildings (attach plans & costs)	\$ _____
Equipment/Machinery/Fixtures (attach list and estimated costs)	\$ _____
Remodeling	\$ _____
Industrial Inventory/Working Capital	\$ _____
Other (attach description)	\$ _____
<b>Total Costs</b>	<b>\$ _____</b>

Comments:

#### Proposed Sources of Financing

<u>SOURCE</u>	<u>NAME</u>	<u>TERMS</u>	<u>AMOUNT</u>
Bank Loan	_____	_____	\$ _____
Bank Loan	_____	_____	\$ _____
Other Private Funds	_____	_____	\$ _____

Applicant Contribution _____	_____	\$ _____
Other _____	_____	\$ _____
Fed Grant/Loan _____	_____	\$ _____
State Grant/Loan _____	_____	\$ _____
HRA Blighted Properties Forgivable Commercial/Industrial Loan Program	_____	\$ _____
Tax Increment Financing _____	_____	\$ _____
Tax Abatement _____	_____	\$ _____
<b>Total Financing</b>		<b>\$ _____</b>

**Collateral Assignments**

<u>Description of Collateral</u>	<u>Lien Position</u>
To Bank 1 _____	_____
To Bank 2 _____	_____
To Private Sources _____	_____
To Other Sources _____	_____
To State _____	_____
To HRA Micro Loan _____	_____
HRA Blighted Properties Forgivable C/I loan _____	_____

**Value of Collateral**

	<u>Book Value</u>	<u>Cost</u>	<u>Existing Liens</u>
Land	\$ _____	\$ _____	\$ _____
Buildings	\$ _____	\$ _____	\$ _____
Machinery & Equip.	\$ _____	\$ _____	\$ _____
Other _____	\$ _____	\$ _____	\$ _____
Other _____	\$ _____	\$ _____	\$ _____

#### IV. JOB & WAGE GOALS

How many employees do you currently have? \_\_\_\_\_

Guidelines require a minimum of one job created for every \$15,000 requested.

##### **Jobs to be Created\***

Please provide the following information on jobs you expect to create within 2-years.

Job Title	Number of Jobs	Average Hourly Wage	Annual Salary	Are the Jobs Permanent or Temporary?	Expected Hiring Date

##### **Program Objectives**

(Check all that apply)

- The project contributes to the fulfillment of the city's approved and adopted housing and redevelopment authority and/or redevelopment plans.
- The project prevents or eliminates slums and blight.
- The project increases the local tax base.
- The project brings a structure into compliance with an existing building code violation.

## **V. PROJECT CONTACTS**

### **Attorney**

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

\_\_\_\_\_

### **Accountant**

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

### **Financing Sources (lenders, partners, etc...)**

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

### **Parent Company**

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

### **Others**

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

## VI. ATTACHMENTS CHECK LIST

Please attach the following:

- \_\_\_\_\_A) Written Business Plan:
  - 1. Description of Business
  - 2. Ownership
  - 3. Management
  - 4. Date Established
  - 5. Products/Services
  - 6. Future Plans
  
- \_\_\_\_\_B) Financial Statements for Past Two Years
  
- \_\_\_\_\_C) Financial Projections for Two Years
  
- \_\_\_\_\_D) Resume of Owner/Management
  
- \_\_\_\_\_E) Personal Financial Statements of Proprietor, Partners,  
Guarantors
  
- \_\_\_\_\_F) Letter of Commitment from Applicant Pledging to Complete  
During the Proposed Project Duration
  
- \_\_\_\_\_G) Letter of Commitment from the Other Sources of Financing,  
Stating Terms and Conditions of their Participation in  
Project
  
- \_\_\_\_\_H) Application Fee of \$2,000
  
- \_\_\_\_\_I) Certificate of Good Standing

## VI. AGREEMENT

I / We certify that all information provided in this application is true and correct to the best of my/our knowledge. I / We authorize the City of Elk River Housing and Redevelopment Authority to check credit references and verify financial and other information. I / We agree to provide any additional information as may be requested by the HRA.

APPLICANT SIGNATURE \_\_\_\_\_

BY \_\_\_\_\_

DATE \_\_\_\_\_

# APPLICATION REVIEW WORKSHEET

## TO BE COMPLETED BY CITY STAFF

**In the event of multiple applicants, and limited funds dedicated to the program, the attached worksheet will be used to determine how the funds will be allocated.**

**The project meets the criteria set forth in Section IV of the Blighted Properties Forgivable Commercial/Industrial Loan Policy.** *Check those which apply. Must meet first four to score 20 points. 0 points if any of the first four boxes are unchecked.*

- wages and benefits equal to at least \$15.00/hr
- Creates new jobs. The minimum wage for a job to be considered a new or retained job shall be the greater of \$15.00 per hour or 150% of state or federal minimum wage, whichever is greater, exclusive of benefits required by law. (5 points)
- Increases tax base (5 points)
- The project can demonstrate that investment of public dollars induces private funds (5 points)
- The project provides higher wage levels to the community or will add value to current workforce skills. (5 points)
- The project results in the sale and/or redevelopment of structurally substandard properties as determined by a structural engineer. (*additional 100 points given*)

**Subtotal Section 1 (maximum 120 points)** \_\_\_\_\_

**2. Consideration of Capacity.** *Check those which apply. Must meet all four to score 20 points. 0 points if any boxes are unchecked.*

- Applicant included a realistic implementation /project schedule (5 points)
- Applicant has the ability to administer and monitor project (5 points)
- Applicant has the ability to conform to city, state and federal requirements (5 points)
- Applicant has agreed to annual progress reports and submission of salary surveys for all new hires (5 points)

**Subtotal Section 2 (maximum 20 points)** \_\_\_\_\_

**3. Impact** :  
**Points**

Number of new jobs as a result of the project: \_\_\_\_\_  
*\*Award five points per job created up to 150 points*

\_\_\_\_\_

Ratio of loan funds to jobs created/retained	
\$15,000 or less/job	80 points
\$15,001-\$24,999/job	60 points
\$25,000-\$34,999/job	40 points
\$35,000 and over/job	20 points

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Increase in the local real estate tax base	
>\$500,000	20 points
\$250,000 to \$500,000	15 points
<\$250,000	10 points

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Immediacy of Impact  
*\*20 points awarded if project will begin within 6 months*

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**Subtotal Section 3 (maximum 270 points) \_\_\_\_\_**  
*\*minimum of 60 points must come from this section in order for project to be considered*

**4. Wage Level of new jobs created**  
**Points**

Minimum hourly wage	of jobs created/retained: _____
Over \$21/ hour	5 points
\$18-21 / hour	4 points
\$14-17 / hour	3 points
\$11-13 / hour	2 points
Below \$11/ hour	application disqualified

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**5. Project size:**

The project will result in the construction of \_\_\_\_\_ square feet.

80,000+	50 points
65,000+	40 points
50,000+	30 points
35,000+	20 points
25,000+	10 point

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**Subtotal Sections 4-5 (maximum 55 points) \_\_\_\_\_**

**Sub - Total Points:** \_\_\_\_\_ **of a possible 465**  
**points**