

**CITY OF CENTERVILLE
ECONOMIC DEVELOPMENT AUTHORITY**

**REVOLVING LOAN AND GRANT PROGRAM (RLGP)
APPLICATION PACKET**

Revised August 21, 2024

CENTERVILLE ECONOMIC DEVELOPMENT AUTHORITY REVOLVING LOAN AND GRANT PROGRAM (RLGP)

I. BACKGROUND

The Centerville Economic Development Authority (the “CVEDA”) endeavors to support a program of city revitalization. This effort is aimed at strengthening the city’s vitality in terms of market share and physical appearance.

Working with the City, the CVEDA has designed a Revolving Loan and Grant Program (RLGP). The RLGP is aimed at improving the utility and appearance of downtown local businesses and non-residential property owners while encouraging the leveraging of private investment which would otherwise not occur. The program has two distinct components: Loan and Grant. The program is designed to address -redevelopment needs throughout the city.

The Centerville CVEDA established an initial \$25,000 loan/grant pool, through an earmark of the city’s Housing and Redevelopment Authority funds, administered by Anoka County. This pool of money may be used for either the Grant or Loan Portion of the program.

The Centerville RLGP is operated with the following program goals:

- Provide affordable financing or grant funds to small businesses for program-eligible real estate improvements.
- Target downtown businesses along Centerville Road and Main Street with other businesses located in the City also being eligible.
- Serve as a catalyst to leverage private resources.
- Require that improvements be consistent with city code. For businesses within the M-1 & M-2 zoning districts, this includes the design guidelines referenced in city code.
- Require local businesses and non-residential real estate owners receiving funds to be compliant with existing city code or to come into compliance in the course of the improvements proposed. This includes codes related to signage, parking, screening and other exterior regulations. Whether the interior of the building needs to come into compliance with the building code shall be governed by the building code and related city code. Structures which qualify as legal nonconformities may remain.

The program is administered by the EDA under the guidance of policies set by the City Council and EDA.

The City of Centerville EDA is responsible for:

- Determining individual applicant’s eligibility based on:
 - Location of property to be improved;
 - Improvement scope;
 - Compliance with City Codes and Ordinances.
- Determining schedule for submission of competitive funding applications and scoring criteria for the award of loans and grants when there are more applications than funds.

- Distribution of program information to local businesses and non-residential real estate owners.
- Referral of applicants to local banks.
- Participation agreements with local banks.

Financial institutions are responsible for:

- Receipt and processing of loan applications.
- Provision of matching loan funds at least equal to funds to be provided from the City's RLGP.
- Underwriting to determine applicant's credit risk and required collateral.
- Determining loan amortization period.
- Approval or disapproval of loan subject to City certification as to program eligibility.
- Collection of lien waivers and other documents deemed necessary for loan disbursements.
- Distribution of loan funds subject to final approval by the CVEDA.
- Distribution of principal and interest payments to the CVEDA RLGP. On default, the claims of the CVEDA are subordinate to the financial institution.

II. PROGRAM OBJECTIVE

The purpose of the RLGP is to provide local businesses and non-residential real estate owners with an incentive to increase their investment in the community by making structural and beautification improvements to existing buildings.

The RLGP will not provide working capital loans nor fund operating expenses.

III. PHYSICAL BOUNDARIES OF PROGRAM AREA

To be eligible for the RLGP, the property must be located within the City limits.

IV. PROGRAM ADMINISTRATION AND STRUCTURE

Administration will be shared by the EDA and participating financial institutions.

The EDA, as the program's administrator, will maintain and update program guidelines and monitor their compliance.

Administration of the EDA's responsibility will be under the direction of the EDA's Executive Director and Assistant Treasurer.

Servicing of RLGP loans shall be administered by local banks and savings and loans which make application to the EDA. All such institutions must be within 15 miles of the corporate limits of the City. The RLGP will operate as a public/private sector partnership.

The financial base of \$50,000 for the public share of RLGP funds will come from Housing and Redevelopment Authority funds, administered by Anoka County on behalf of the City. The fund

will be replenished by an annual contribution of \$10,000 from HRA income and any interest and principal repayments resulting from outstanding loans.

V. IMPROVEMENT REVIEW PROCESS

Prior to being given loan or grant approval, the applicant shall receive a positive recommendation from the CVEDA. The EDA shall review proposed plans and the existing exterior condition of the property being improved. The EDA shall base its recommendation upon the project's consistency with program objectives and city code, including, where applicable, design guidelines. The applicant may appeal any recommendation of the EDA to the City Council. In the event of limited funds, priority will be given to projects which score the highest on the program's application scoring worksheet.

VI. CONTRACTING AND CONSTRUCTION

The applicant shall prepare or have prepared a detailed Scope of Work, which will also be the project's bidding document. The Scope of Work will be submitted to the CVEDA and the participating financial institution (for loan projects).

The Scope of Work shall include:

- A detailed description of the work to be undertaken;
- Estimates of the quantity and materials to be used in the project;
- Qualified licensed contractor(s)

The cost of having the Scope of Work prepared shall be reimbursable to the applicant from the loan or grant proceeds. No RLGP loan or grant will be approved until an adequate Scope of Work/Bidding Document is submitted and approved by designated EDA staff. The applicant must receive and submit at least two itemized competitive bids for all work to be completed and materials to be purchased with the loan or grant funds. The bids will be reviewed and filed by the city (grant program) or financial institution (loan program) to establish that they are competitive and address the work identified in the Scope of Work. The city or financial institution may waive the requirement for two competitive bids if it is impractical to obtain a second bid.

The EDA, through the City Building Inspector, shall monitor the quality and progress of all work funded through the Program. Request(s) for payment (up to three partial payments and one final payment) by the applicant for completed work and supplied materials shall be in writing to the financial institution (or city, for grant-only projects). Partial payments shall not exceed 90 percent of the total project amount. The final payment shall be held until a certificate of completion is obtained from the City and submitted to the financial institution.

Upon submission and approval of a written request for the release of loan funds, designated EDA staff will, in writing, authorize the financial institution to release the requested funds.

All work must be inspected by the City Building Inspector to ensure conformance with code and must be verified for proper completion by City staff to ensure compliance with specifications prior to final payment. The final inspection cannot be scheduled until all permits taken out have been signed off by field inspectors. Upon satisfactory completion, a certificate of completion will be granted.

All work must be completed within 12 months of issuance of a building permit unless written permission of an extension is granted by designated EDA staff and financial institution (for loan projects). This action does not constitute an extension to any other deadlines imposed by permits or other regulation.

All eligible improvement work performed pursuant to an approved RLGP loan or grant must provide a 12-month warranty from the date of accepted completion by the loan recipient and the EDA. This warranty must cover the quality of materials used and workmanship in performing the work. This warranty is the responsibility of the recipient and shall meet the requirements and definitions in MN State Statute, Chapter 327A.

VII. LOAN PROGRAM

The Loan portion of the RLGP will provide one-half of each small business loan up to a maximum of \$20,000 (from the fund) at an interest rate of two percent, provided that funds are available. Multiple loans may be made to local businesses and non-residential real estate owners, provided that the principal balance does not exceed \$20,000 (from the fund) at any time, and also provided that all payments of principal and interest are current.

Local banks will execute participation agreements with the EDA to carry out their participation in accord with these guidelines.

VIII. LOAN STRUCTURE

- A. The RLGP shall provide a 100% match to private loans up to a maximum amount of \$20,000 RLGP participation.
- B. The interest rate of the RLGP loan shall be two percent per annum.
- C. The RLGP loan shall be amortized over a term not to exceed 10 years but shall, at the option of either the lending institution or the local business or non-residential real estate owner, be renegotiable at the end of each three-year period, but no loan including extensions shall exceed 10 years. In no event shall the interest rate on the RLGP loan change from two percent per annum.
- D. RLGP loans in the amount of \$8,000 or greater must be fully secured with a perfected security interest as determined by the lender.
- E. The City subordinates its position on the RLGP loan to that of the lending institution.

IX. UNDERWRITING STANDARDS

- A. Small and medium sized commercial buildings are defined as those buildings whose gross square footage does not exceed 30,000 square feet.
- B. Local businesses or non-residential real estate owners receiving RLGP loans shall not have more than five (5) or more locations, franchises, or chains.
- C. Types of local businesses or non-residential real estate owners receiving RLGP loans shall be legal permitted or legal conditional uses within their respective zoning districts.
- D. RLGP loans shall be made to fee owners or recorded contract for deed vendees.

X. FINANCIAL GUIDELINES

- A. Applicants shall demonstrate a ratio of net operating income (NOI) to debt service of 1.1:1. NOI = Gross property income less operating expenses and real estate taxes, but not including mortgage payments, income tax depreciation or non-operating expenses.
- B. Participating financial institutions shall use customary lending practices in determining eligibility for RLGP loans so as to ensure repayment of principal.
- C. The property shall not be delinquent in the payment of property taxes and special assessments, and shall not become delinquent during the term of the loan. If taxes shall become delinquent, the loan may be called at the option of the financial institution if the delinquency is not remedied in a reasonable time frame.
- D. The structure shall be fully insured during the term of the loan with the lending institution and City named as mortgagor or covered under a loss payee clause endorsement.
- E. No loan shall exceed 80 percent of the estimated market value of the property to be rehabilitated upon completion of the rehabilitation, less the principal balance of any prior mortgage existing on the property at the time the loan is made; as required by MSA 469.184, Subd. 4(3).
- F. All out-of-pocket loan application expenses shall be the responsibility of the applicant. No other fees shall be charged.

XI. ANNUAL REPORTING

Within 90 days of filing federal tax statements, local businesses or non-residential real estate owners receiving loans shall annually submit to the lending institution the following three items:

- A. Proof of non-delinquency of property tax payments;
- B. Profit/loss statement from Schedule C of federal tax statements; and
- C. Personal financial statement satisfactory to the lender.

Participating lending institutions shall annually report to the EDA by March 1 of each year the status of the RLGP loan. The annual report shall include the status and balance of each loan as of December 31 of the previous year.

XII. LOAN DISBURSEMENTS

Loan funds shall be released by the financial institution, but not before written approval from the EDA is provided, and an RLGP check is issued. A minimum of 10 percent of the total loan will be retained until all work is completed, inspected, and approved, as evidenced by current certificate of completion.

XIII. IMPROVEMENTS COMPLETED PRIOR TO LOAN CLOSING

Such improvements are not eligible unless the applicant's structure requires immediate attention (hazardous code deficiencies, etc.) and the following steps are taken:

- Applicant must fill out a loan application with the financial institution.
- Applicant must submit a written request to the financial institution describing the need.
- Applicant must receive written permission from both the EDA and the financial institution.
- If the above conditions have been met, the applicant may proceed using his own funds or interim financing from a financial institution. However, this is done at the applicant's and/or financial institution's own risk until the total Scope of Work has been approved by the EDA and the loan has been closed.

XIV. ELIGIBLE COSTS (LOAN PROGRAM)

The following are eligible expenses for either the public or private sector (matching) portion of the loan.

- Generally, all work on front and sides of - commercial buildings facing public streets
- Cleaning, painting and staining of exterior surfaces
- Façade masonry repairs
- Repairing, replacing and installing of cornices, entrances, exterior doors and windows, decorative details, awnings and exterior lighting
- New signage
- Sign removal, repairing and replacement
- Building identification
- Streetscape costs on private property
- Landscaping visible from the street
- Decks or patios used for business purposes
- Parking lot improvements
- Handicapped accessibility improvements
- Health and safety improvements

The following may be funded with the private sector (matching) loan portion only:

- Any of the items listed as public sector loan-eligible, above.
- Generally, all interior fixed improvements including the repair and/or construction of walls, ceilings, floors, lighting, windows, doors and entrances
- Heating, ventilating and air conditioning improvements
- Wall and floor finishes and tenant fixtures
- Roof repairs and replacement

XV. INELIGIBLE COSTS (LOAN PROGRAM)

The following costs are ineligible:

- Refinancing of existing debts
- Non-fixed improvements
- Working capital
- Inventory
- Sweat equity (payment for the applicant's own labor and performance for construction of improvements)
- Internal improvements to mixed use buildings that involve the residential portion of the structure

XVI. GRANT PROGRAM

In order to encourage building façade and streetscape improvements that are more aesthetic in nature, grants between \$2,000 and \$10,000 are available provided there is a 1:1 match of private investment. For example, to qualify for a grant of \$2,000, a total of \$4,000 must be spent. For a \$20,000 project, a maximum of \$10,000 in grant money may be awarded.

Applicants can apply for grants totaling \$10,000, along with an option to submit another application for a maximum of \$5,000 after three-years from the date of the first application.

After reaching the \$15,000 cap, applicants are ineligible to receive funding through this program again.

For signage, 50% of the cost toward the sign will be paid on day one and the other 50% will be paid after one year, on day 366 if the business is still operational.

XVII. ELIGIBLE COSTS (GRANT PROGRAM)

The following are eligible expenses for either the public or private sector (matching) portion of the grant.

- Generally, all work on front and sides of commercial buildings facing public streets.
- Façade masonry repairs
- Repairing, replacing and installing of cornices, entrances, exterior doors and windows, decorative details, awnings and exterior lighting
- New signage
- Sign removal, repairing and replacement
- Building identification
- Streetscape costs on private property
- Landscaping visible from the street

- Decks or patios used for business purposes

The following may be funded with the private sector (matching) funds portion only:

- Any of the items listed as grant-eligible, above.
- Parking lot improvements
- Handicapped accessibility improvements
- Health and safety improvements

XVIII. INELIGIBLE COSTS (GRANT PROGRAM)

The following costs are ineligible:

- Heating, ventilating and air conditioning improvements
- Wall and floor finishes and tenant fixtures
- Roof repairs and replacement
- Refinancing of existing debts
- Non-fixed improvements
- Working capital
- Inventory
- Sweat equity (payment for the applicant's own labor and performance for construction of improvements)
- Internal improvements to mixed use buildings that involve the residential portion of the structure

Prior to incurring expenses for which a grant is sought, applicants must have the proposed work approved in writing by the City EDA staff. Grant monies are not available for "sweat equity". Grants will be distributed upon final inspection by the City and submittal of a paid invoice.

**CENTERVILLE REVOLVING LOAN PROGRAM
APPLICATION FORM**

I. APPLICANT INFORMATION

Local Business Owner or Non-Residential Real Estate Owner Name(s): _____

Home Address: _____

Phone: _____ E-Mail Address: _____

Name of Business: _____

Business Address: _____

Phone: _____

Business Structure: _____ Sole Proprietorship
_____ Partnership (all partners must sign this
application)
_____ Corporation (list officers on separate sheet)

Type of Business (describe): _____

II. PROPERTY INFORMATION

Local Business or Non-Residential Real Estate Owner: _____

Address: _____

Phone: _____ E-Mail Address: _____

Does the applicant occupy the total building?

Yes _____ No _____

If NO, what percentage does the applicant occupy and what occupies the balance of space?

III. REHABILITATION PROPOSED

Briefly describe the proposed work and purpose.

Exterior: _____

Interior: _____

*Note: A detailed Scope of Work document is required prior to approval.

IV. BUILDING INSPECTION

Building owner grants permission for the city inspector to inspect all work to be performed as outlined in Scope of Work.

Signature of Owner

Date

V. FINANCIAL INSTITUTION INFORMATION

Name: _____

Address: _____

Loan Officer: _____ Phone: _____

Local Business or Non-Residential Real Estate Owner's Signature

Date

Local Business or Non-Residential Real Estate Owner's Signature

Date

**2% REVOLVING LOAN PROGRAM
SCOPE OF WORK**

See pages 3 and 4 of the Guidelines and Regulations Handbook for information on eligible expenses.

PROGRAM ELIGIBLE EXPENSES

	Item	Amount
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____
6.	_____	_____
7.	_____	_____
8.	_____	_____
9.	_____	_____
10.	_____	_____
TOTAL		\$ _____

AMOUNT REQUESTED FROM EDA \$ _____

AMOUNT REQUESTED FROM BANK \$ _____

Note: Wall and floor finishes and tenant fixtures may be funded with the private sector (matching) loan portion only.

CITY OF CENTERVILLE EDA REVOLVING LOAN PROGRAM OWNER AGREEMENT

Owner Certification

DATE: _____

OWNER: _____

ADDRESS: _____

PROPERTY ADDRESS TO BE REHABILITATED:

BUSINESS NAME(S): _____

As owner of the above property, I hereby agree that I will adhere to the following conditions of the City of Centerville EDA Revolving Loan Program (the “Program”):

1. Each loan from the Program will be requested on an individual property and will not exceed one-half the cost of the eligible building improvement or \$20,000, which is less.
2. It is understood that the loan from the Program is for contract construction and is only for eligible expenses. No refinancing and no acquisition will be done utilizing the City of Centerville EDA loan.
3. Hazard insurance will be maintained on the property at all times in an amount sufficient to cover the full amount of the loan and will be paid by myself and will not be paid out of the loan proceeds.
4. At least two detailed and legible competitive bids based upon a work specification prepared by the owner and approved by a participating financial institution prior to approval will be submitted.

5. Change orders will be issued only with the written approval of the City of Centerville EDA staff. No change order will be issued decreasing the private loans such that the private loan is less than the loan from the CVEDA Revolving Loan Fund.
6. I agree to abide by the regulations as listed, and the City of Centerville EDA Revolving Loan Program Handbook. Upon failure to comply with any or part of the above, the City of Centerville EDA may enforce the Revolving Loan Program and note/lien through any lawful suit or action as permitted under the laws of the State of Minnesota.
7. I understand that any inspection made by the City of Centerville under this program is for purposes of determining the applicant's eligibility under this program, and it is not intended to represent or warrant the condition of the premises.
8. I further understand that making application in no way insures approval of loans or guarantees funding.
9. I understand that "approval" means specific, written approval from both the City and my financial institution.
10. I understand any work performed prior to specific written approval from both the financial institution and the City will be considered ineligible unless otherwise waived in writing by the City EDA and the financial institution according to the guidelines.

Fee Owner/Contract Purchaser:

Signature

Print Name

Witness

Date

**CITY OF CENTERVILLE
REVOLVING LOAN AND GRANT PROGRAM
GRANT APPLICATION**

Local Business or Real Estate Owner(s): _____

Business Name: _____

Business Address: _____

Phone: _____

Qualifying work description: _____

Total cost of project (attach detailed bid): _____

Facade Improvement(s): _____

Facade Improvement Cost: _____

Grant Amount Requested: _____

Signature of Owner

Date

Signature of Executive Director EDA Authorizing Grant

Date

**CITY OF CENTERVILLE
REVOLVING LOAN AND GRANT PROGRAM
GRANT REIMBURSEMENT REQUEST**

Local Business or Real Estate Owner(s): _____

Business Name: _____

Business Address: _____

Phone: _____

Qualifying project work complete (this request): _____

Cost of work (this request): _____

Grant amount requested (this request): _____

Total project cost to date (including this request): _____

Total grant reimbursed (including this request): _____

I hereby acknowledge that the facade work and/or materials referenced above have been completed and paid for at the above address, and documentation for that work is attached.

Signature of Owner

Date

Signature of Executive Director EDA,
Authorizing Reimbursement

Date

Centerville Revolving Loan & Grant Program Rating Criteria

The following criteria are eligible expenditures of Loan and Grant funds. In the case of multiple qualifying applications for the program, the applications will be ranked according to their conformance with the following rating scale.

Centerville Revolving Loan & Grant Program Rating Criteria

Improvement Type Priority List

- 1 Repairing, replacing, or installing cornices, entrances, windows, decorative details, awnings and exterior lighting
- 2 Sign removal, repairing or replacement
- 3 New signage
- 4 Streetscape or landscape improvements on private property
- 5 Handicapped accessibility improvements
- 6 Health and safety improvements
- 7 Parking lot improvements
- 8 Cleaning, painting and staining of exterior surface
- 9 Building identification
- 10 Decks or patios used for business purposes