



Request for Action

TO: Economic Development Authority
THROUGH: Deanna Kuennen, Community & Econ Dev Director
FROM: Samantha Markman, Econ Development Coordinator
MEETING DATE: January 17, 2019
SUBJECT: Review Proposed Guidelines – Downtown
Commercial Rehabilitation Building Improvement
Program

Background

Due to the success of the Downtown Commercial Rehabilitation and Exterior Improvement Program, with nearly \$515,000 awarded through the program and about \$775,000 worth of improvements added to the Downtown, Staff has identified an additional \$200,000 in the EDA budget to bring back the Downtown Commercial Rehabilitation and Exterior Improvement Program for 2019. This program has been out of funding since September 2018, however Staff has received a number of calls regarding the program's funding.

With new dollars coming into the program, there are a few proposed guidelines based on the direction of the EDA. For the 2019 program, it is being recommended priority be given to projects that focus on the clean-up and maintenance of the rear or backsides of the buildings. The following list outlines the proposed guidelines for the 2019 program:

1. \$200,000 is available on a first-come first-serve basis for eligible applicants and eligible projects.
2. 2019 Priority Projects: For eligible permanent exterior/interior improvements up to 75-percent of project costs, \$15,000 maximum award per approved project.
3. 2019 Non-Priority Projects: For eligible permanent exterior/interior improvements up to 75-percent of project costs, \$10,000 maximum award per approved project.
4. Priority Projects include:
 - a. Permanent exterior improvements, including but not limited to clean-up and maintenance of the backside of buildings (i.e., trash enclosures, rear entrances, creation or maintenance of parking).

5. Non-Priority Projects include:
 - a. Permanent exterior improvements of the building to correct building code violations, including but not limited to: repair or replacement of door, window, and roof; tuck-pointing and painting.
 - b. Permanent façade improvements, including but not limited to: removal of aluminum or other metal awnings, frames, or siding; awning repair or replacement; pressure washing, paint removal and painting; tuckpointing; cornice restoration.
 - c. Permanent interior building improvements related to correction of electrical or plumbing violations, smoke detection system, sprinkler systems, and/or elevators.
6. At the EDA's request, Staff has removed the HVAC component from the eligible interior improvements. This item was not meeting the initial intent of the program – removing window air conditioner units.
7. Consideration for the maximum number of eligible projects per PID number, currently the program allows up to four EDA-approved projects (max. \$60,000). However, in order to maximize the dollars in the program the number of eligible projects per PID number could be two EDA-approved projects (max. \$30,000).

Staff is seeking direction on the proposed guidelines and based on the recommended feedback will finalize the 2019 Downtown Commercial Rehabilitation and Exterior Improvement Program.

Requested Action:

The EDA is asked to consider the changes to the 2019 Downtown Commercial Rehabilitation Building Improvement Program and provide direction for an updated policy for the 2019 project cycle.

Attachments:

- Proposed Updated Downtown Commercial Rehabilitation Building Improvement Program Guidelines



FARIBAULT ECONOMIC DEVELOPMENT AUTHORITY (EDA)

2019 DOWNTOWN COMMERCIAL REHABILITATION & EXTERIOR IMPROVEMENT PROGRAM

PROGRAM DESCRIPTION

The City of Faribault is proud of its historic downtown – and the community identified downtown as a priority through the Vision 2040 efforts. To encourage property owners to invest in buildings and to help preserve and enhance economic activity in the downtown, the City of Faribault created the Downtown Commercial Rehabilitation and Exterior Improvement Program. Originally this program was funded through revolved Small Cities Development Program funds – and nearly \$500,000 was awarded to eligible applicants for the rehabilitation of commercial properties in and adjacent to the downtown Central Business District (as shown on the attached map) – *to help maintain a vibrant downtown that provides a sense of place for our community for years to come.*

The program has been a such a success, that the Faribault Economic Development Authority (EDA) has identified additional funding for the program.

For the 2019 program, \$200,000 is available on a first-come first-serve basis for eligible applicants and eligible projects.

HOW IT WORKS

The Downtown Commercial Rehabilitation & Exterior Improvement Program is a forgivable loan program. Eligible property owners must apply and be approved for the program **prior** to beginning any work. Loans are awarded depending on eligibility, availability, and completeness of application. Only one project (building/PID) per owner at a time.

Once submitted projects are approved; the applicant pays 25-percent of project costs* and the City of Faribault agrees to reimburse up to 75-percent of project costs.

2019 Priority Projects:

- For eligible permanent exterior improvements: up to 75-percent of project costs \$15,000 maximum award per approved project (with a maximum of 4 EDA-approved projects per PID#), **or**
- For eligible permanent interior building improvements: up to 75-percent of project costs with a maximum award of \$15,000 per PID.

2019 Non-Priority Projects:

- For eligible permanent exterior improvements: up to 75-percent of project costs \$10,000 maximum award per approved project (with a maximum of 4 EDA-approved projects per PID#), **or**
- For eligible permanent interior building improvements: up to 75-percent of project costs with a maximum award of \$10,000 per PID.

The applicant has one (1) year from the award date of the loan award to complete the project and request payment of loan funds. All loan funds will be paid directly to the award recipient (*not* the supplier/contractor) upon receipt of paid invoices for the project and proof of payment at the end of the project – or based on a pre-determined disbursement plan.

** Please note: because this is a “match” program; owner equity must be the first money in, followed by the City’s funds.*

LOAN FORGIVENESS

Loans are considered deferred – which means that over time the loans will be forgiven based on the applicant successfully completing the rehabilitation or façade project and maintaining ownership of the building for a minimum of five (5) years. If the building is sold within this time period – the loan must be repaid in its entirety.

PROGRAM ELIGIBILITY

This program is intended to help maintain a vibrant downtown that provides a sense of place for our community for years to come. This includes a focus to enhance and preserve Faribault’s historic buildings of the downtown business district and adjacent commercial properties.

FOR THE 2019 PROGRAM

Priority will be given to projects that focus on the clean up and maintenance of the rear or backsides of the buildings.

- Eligible exterior improvements which include clean up and/or maintenance to the backside of the building are eligible to receive a maximum award of \$15,000.
- Eligible exterior improvements not in conjunction with the clean up of the rear or backside of a building are still eligible for funding but only to a maximum of \$10,000 – these awards will be structured the same, as a reimbursable award only at a lesser amount.

ELIGIBLE APPLICANTS/RECIPIENTS*

1. Must own the commercial property to be improved;
2. Must have the ability to provide a 25-percent cash investment in the project;
3. Must be current with mortgage, real estate taxes, and insurance payments;
4. Applicants/recipients can only receive funding for one project at a time. Successful completion of a project, and subject to funding availability – recipients can then apply for funding for a new project.

**Please Note: Any person who has defaulted on a publically funded program or is delinquent on loan payments for a publically funded program within the last two years is ineligible to receive funding.*

ELIGIBLE PROPERTIES*

1. Property must be located in the designated target area as shown on the attached map (Central Business District and commercial property immediately adjacent to the Central Business District);
2. Property must be free of exiting judgements, foreclosure actions, or delinquency of payments;
3. Property must require improvements that will meet the federal objectives – such as eliminating slum and blight, energy efficiency, and/or code compliance.

**Please Note: Any properties that have received and not corrected the AFFIDAVIT CONCERNING REAL PROPERTY are ineligible to receive funding.*

ELIGIBLE IMPROVEMENTS*

PRIORITY PROJECTS

1. Permanent exterior improvements, including but not limited to: clean up and maintenance of the backside of buildings (trash enclosures, rear entrances, creation or maintenance of parking).

NON-PRIORITY PROJECTS

1. Permanent exterior improvements of the building to correct building code violations, including but not limited to: repair or replacement of door, window, and roof; tuck-pointing and painting.
2. Permanent façade improvements, including but not limited to: removal of aluminum or other metal awnings, frames, or siding; awning repair or replacement; pressure washing, paint removal and painting; tuckpointing; cornice restoration.
3. Permanent interior building improvements related to correction of electrical or plumbing violations, smoke detection system, sprinkler systems, and/or elevators.

**Please Note:*

- a) *All projects located within the Historic Preservation District are required to obtain a Certificate of Appropriateness for any exterior work – prior to being awarded funds.*
- b) *All projects must be inspected; unless it is noted otherwise – prior to being awarded funds.*

INELIGIBLE IMPROVEMENTS

Ineligible improvements include but are not limited to:

- Improvements made prior to the award of the funds and the execution of required loan documents;
- Financing or paying off an existing debt or the payment of assessment for public improvements;
- Non-permanent improvements or lease-hold improvements;
- Interior improvements other than those noted above; and
- Exterior improvements not approved by the Heritage Preservation Commission (HPC).

HOW TO APPLY

All eligible property owners within the Central Business District, and commercial property owners immediately adjacent to the Central Business District are encouraged to apply. There is no application deadline; however, funds are limited and will be awarded to qualified applicants on a first-come, first-served basis – and there can only be one project (building/PID) per owner at a time.

The City of Faribault’s Community and Economic Development Department staff will be responsible for administering all aspects of the DOWNTOWN COMMERCIAL REHABILITATION AND EXTERIOR IMPROVEMENT PROGRAM – including marketing, application intake and review, loan processing, and program compliance. Final decisions on all program awards will be made by the City of Faribault Economic Development Authority (EDA).

1. APPLICATION SUBMISSION

Applications will be processed on a first-come first-served basis, with no set application deadline date. Completed applications with application fee of \$150.00 per commercial address should be submitted to:

City of Faribault - Community & Economic Development Department
Attn: Economic Development Coordinator
208 NW 1st Avenue
Faribault, MN 55021

2. PROCESSING AND REVIEW OF APPLICATION

Using the criteria outlined in the program guidelines, staff will determine project eligibility and completeness of application. Once determined eligible, an inspection of the property will be conducted to determine that the proposed improvements are necessary for the building to conform to current building code and property maintenance ordinances.

- If a project application is determined to be eligible, the final project information and deferred loan request will be forwarded to the EDA for consideration at their regularly scheduled meetings.
- If a project application is determined not to be eligible, the applicant will be notified including the reasons as to why the application is not being forwarded to the Economic Development Authority for review.

The project request is submitted to the EDA for consideration at their regularly scheduled meetings. Any recommendations, contingencies, and/or approval will be determined at that time. The EDA will either approve requested amount or modify loan amount:

- Loan recipients are required to seek at least two bids for all projects. The award calculations will be based on the lowest bid.
- For eligible **PRIORITY** permanent exterior improvements: up to 75-percent of project costs \$15,000 maximum award per approved project (with a maximum of 4 EDA-approved projects per PID#), or
- For eligible **PRIORITY** permanent interior building improvements: up to 75-percent of project costs with a maximum award of \$15,000 per PID.
- For eligible **NON-PRIORITY** permanent exterior improvements: up to 75-percent of project costs \$10,000 maximum award per approved project (with a maximum of 4 EDA-approved projects per PID#), or
- For eligible **NON-PRIORITY** permanent interior building improvements: up to 75-percent of project costs with a maximum award of \$10,000 per PID.

The applicant will be notified by staff as to the status of their application via email following the scheduled meeting.

3. CONTRACTING PROCEDURES AND REQUIREMENTS

All applicants awarded funds will be required to execute loan documents including a Promissory Note and Repayment Agreement. Please note: No work may begin on the project until award approval is received and all required loan documents have been executed.

No changes to the scope of the project will be allowed without the execution of a “Change Order” approved by the owner, contractor, and Community & Economic Development Staff. Furthermore – additional HPC review and approval may also be required.

Work must be completed within one-year from the date of the program award. Exceptions may be made for weather-related delays, changes in contractors for non-performance, or other natural disasters.

4. LOAN DISBURSEMENT

The award is a deferred loan and will be forgiven after the five (5) year compliance term.

Program awards will be secured with an executed Repayment Agreement and Promissory Note.

Payments to the awardee will be made only after the work is completed and receipts have been submitted.

Maximum Award Amount:

PRIORITY PROJECTS

For approved exterior improvements, up to \$15,000 per approved project with a maximum of 4 EDA-approved projects per PID#, or

For approved interior building improvements, up to \$15,000 per PID.

NON-PRIORITY PROJECTS

For approved exterior improvements, up to \$10,000 per approved project with a maximum of 4 EDA-approved projects per PID#, or

For approved interior building improvements, up to \$10,000 per PID.

When requesting for disbursement:

- Applicant must submit proof of work completed in order to be reimbursed. This proof must include date, description of work & materials, amount paid, payee and payer. A Lien Waiver is preferred, but, a paid invoice with date of payment, description of work, contractor name with a cancelled check is acceptable.
- Applicable projects must have an approved inspection of work completed before receiving disbursement. Please contact the Inspection Department at 507-333-0357 to make an appointment.

REIMBURSEMENT DISBURSEMENT SCHEDULE FOR PROGRAM AWARD*	
Provide receipts for 1 st 25% of project	Paid for with Owner Equity
Provide receipts for 2 nd 25% of project	City makes 1 st payment to awardee (25% of total project cost not to exceed a \$5,000 payment per \$15,000 award)
Provide receipts for 3 rd 25% of project	City makes 2nd payment to awardee (25% of total project cost not to exceed a \$5,000 payment per \$15,000 award)
Provide receipts for last 25% of project	City makes 3rd payment to awardee (25% of total project cost not to exceed a \$5,000 payment per \$15,000 award)
a) * Funds will be disbursed on a reimbursement basis – based on submitted receipts. b) Owners’ equity must be the first funds used (a minimum of 25% of the total project cost) before EDA can release funds. c) EDA awarded funds will be disbursed incrementally or in one-lump sum payment upon completion of project.	

5. **LOAN REPAYMENT**

Deferred loans will be immediately due and payable in the event that the applicant sells or otherwise transfers all of his/her/their ownership interest in the property within five (5) years of the date of the Agreement.

DESIGN REVIEW APPLICATION FORM

For applicants in the Heritage Preservation District with exterior projects only.

Site Address: _____ PID: _____

Owner / Applicant Name: _____

Telephone Number: _____ Email Address: _____

Mailing Address: _____ City: _____ State: _____ Zip: _____

Type of Work:

- Restoration
- Remodeling
- Site Improvements

Brief Description of Project:

ATTACHMENTS

- Photographs
- Historical Data/Site File Information
- Detailed Drawings
 - Proposed Modifications
 - Site Plan
 - Manufacturers Specifications

- Material Samples / Color Samples

Note: If this project is submitted as part of the City's SCDP rehabilitation program, it must receive a "no adverse effect" ruling from The State Historic Preservation Office.

RECEIPT AND WAIVER OF MECHANIC'S LIEN RIGHTS

Project/Owner(s)

Contractor

Project: _____

Name: _____

Address: _____

Address: _____

City State Zip Code

City State Zip Code

Contractor License: _____

Owner(s): _____

Contract Date: ____ / ____ / ____

Date of Payment: ____ / ____ / ____

The undersigned Contractor hereby acknowledges receipt of the sum of _____ Dollars (\$ _____) from _____ as (check appropriate box below)

- Partial payment for labor, skill, and material furnished
- Payment for all labor, skill, and material furnished or to be furnished (except the sum of _____ Dollars (\$ _____) retainage or holdback.
- Full and final payment for all labor, skill, and material furnished or to be furnished

for the above-described project at the above-described property. For said value received, the undersigned hereby waives all rights acquired by the undersigned to file or record a mechanic's lien against said property for labor, skill, or material furnished to said real property (only for the amount paid if Box 1 is checked, and except for retainage shown if Box 2 is checked). The undersigned affirms that all material furnished by the undersigned has been paid for, and all subcontractors employed by the undersigned have been paid in full, EXCEPT:

Dated this _____ day of _____, 20____

Contractor

By: _____

Its: _____