



Local Small Cities Development

Program Loan Fund

Guidelines

The City of Preston Economic Development Authority (EDA) will provide low interest, residential multi-family housing rehabilitation and commercial property rehabilitation loans to qualifying downtown building owners through the 274 loan fund. Loans will be made to sustain affordable housing in Preston, revitalize and strengthen the downtown for business expansion, job creation, provide affordable housing for low to moderate income families, and in some cases compliment Small Cities Block Grant Funding.

Program Purpose:

- To lend low interest funds to the existing commercial building owners, and/or multi-family property owners to rehabilitate affordable apartments and rehabilitate their commercial property.
- To lend low interest funds to improve energy efficiency and overhead costs.
- To repair and revitalize commercial property in the downtown area through exterior improvements and the correction of health and safety codes.
- When applicable, to compliment the Small Cities Block Grant application.
- To improve apartments in Preston for the purpose of job retention, workforce housing, business retention, expand businesses, and to encourage Preston's landlords to improve the building's overall livability.

Location of Qualifying Commercial Buildings:

- Downtown Preston – Properties within the B-3 Business District.

Amount of Funds:

- The Economic Development Authority commits the City of Preston 274 account into the "Small Cities Development Local Program" for commercial rehabilitation and residential multi-family housing rehabilitation.

Terms:

1. Maximum loan per property is \$10,000.
2. Loan can fund up to 75% of the project with 25% coming from property owner's personal funding sources.
3. 0% deferred loan for 5 years.

4. May be used for Rehabilitation of Commercial Properties
 - a. Exterior Improvements: painting, siding, tuckpointing, masonry repair, doors, windows, awnings, roof repair, and signage.
5. May be used for Rehabilitation of Rental Units
 - a. Single family, multi-family, mixed-use and duplexes.
6. Loans in the 100-year flood plain are permissible when the building's utilities and apartments are not in the lower level of the structure.
7. Applicant must have equity in the building and provide a good and marketable title.
8. Applicant will assist the City Attorney and the EDA Director with the collection of documents to create a funding package for the EDA Director's review and the EDA Board and City Council approval. The EDA Director will work with the applicant's commercial banker to verify repayment ability.
9. Approval of the funding package is determined by the applicant qualifying as a qualified owner.
10. When the applicant is working with a commercial bank, EDA funds will be transferred to the bank at closing into the applicant's construction loan account. Payment to the contractor will be made by the bank after a signed lien waiver has been provided.
11. Repayment of the loan is paid to the City of Preston by the applicant/building owner should the owner sell, transfer or otherwise convey real estate within 5 years of loan closing.
12. The Economic Development Authority reserves the right to deny loans.
13. Compliance with the requests of the City Attorney concerning title work and closing of the loan are necessary for closing.

Effective Date:

1. The lending program begins February 16, 2021 with no foreseen program sunset date at this time.
2. This program can be extended and funding can be added by recommendation of the Economic Development Authority Board and City Council approval.

Additional Requirements:

1. The applicant is to provide 5 pre-construction photos to accompany the application and 5 after-construction photos.
2. The applicant is to participate in annual EDA surveys and allow EDA inspections of work in progress.
3. The applicant is encouraged to apply for a commercial bank loan, as this program is considered gap financing to compliment bank financing, and when applicable, Small Cities Block Grant program funding.
4. The applicant is encouraged to also improve the facades of the historic downtown Preston buildings.
5. Acknowledgement to conform, if asked, to report on the State of MN Low to Moderate Income and Rent annual guidelines.
6. Sign a Promissory Note at closing.
7. Sign the Mortgage.
8. Sign the Request for Notice of Foreclosure.
9. Provide a copy of insurance on the building (fire and extended coverage in an amount equal to the full insurable value of the project with an overlap endorsement or rider to cover the risk of the rehabilitation work in an amount equal to the loan proceeds used in the project).
10. Provide a copy of Comprehensive General Liability insurance (including operations, contingent liability, operations of subcontractors, completed operations and contractual liability insurance) with limits against bodily injury of not less than one million dollars and against property damage of not less than \$250,000). Umbrella excess liability policy may be used. Applicant to name City of Preston as the additional insured, with not less than a 10-day written notice to the EDA/City of Preston of policy changes.
11. Agree to an assignment of rents in case of default (provided by the City Attorney at closing).
12. Agree to sign Indemnification Agreement Compliance (provided by the City Attorney at closing).

13. Provide signed lien waivers for work performed by contractors.
14. Sign a consent to release information to allow the EDA to obtain credit information and personal finance information from the applicant's commercial banker.

Fees:

There is a \$250.00 attorney fee paid to the City Attorney at closing. *When applicable, the applicant may have additional fees for the title search or to record a lien position on a mortgage, a tax per thousand on the mortgage, and/or when applicable, a \$20.00 fee for recording UCC documents for liens on inventory and equipment.* The collected fee(s) shall be used to offset expenses associated with implementation of the loan.

EDA Board adopted: 1-25-2021

City Council adopted: 2-16-2021