

# SLEEPY EYE EDA DOWNTOWN COMMERCIAL REHABILITATION INCENTIVE PROGRAM

*The purpose of this program is assist downtown business owners in the revitalization of the downtown business district with the focus on store fronts and capital improvements.*



**IMPORTANT:** Work cannot begin before EDA Board approval

**Sleepy Eye EDA Commercial Rehabilitation Incentive Program: Application**

Property Owner Name: \_\_\_\_\_

Property Owner Address: \_\_\_\_\_

Address to be improved: \_\_\_\_\_

Phone: \_\_\_\_\_

Date: \_\_\_\_\_

Short Project Description:

Total Improvement Cost: \_\_\_\_\_

Loan Request: \_\_\_\_\_

*(The amount of the loan must be greater than \$5000.00. Terms are a 10 year note @ Prime Rate.)*

Contractor Name

Bid Amount

1. \_\_\_\_\_

2. \_\_\_\_\_

**Your application is not complete if you do not include:**

1. **Business and personal financial statements**
2. **Contractor bids must be itemized with amounts** *(Applicant must provide one bid for each project under \$10,000. Projects over \$10,000 require two bids. If you are doing the work yourself, attach a copy of the material costs on letterhead from the material provider.)*
3. **Most recent Federal tax returns**
4. **Brown County Assessor's most recent estimated market value for your property**
5. **Abstract or Torrens certificate for your property**
6. **\$200.00 application fee**
7. **Sketch/Image of the project**
8. **Building Permit** (You may apply without permit, EDA needs it before you receive funds)
9. **Required documents must be submitted by the second Friday of the month**

**I AGREE with and UNDERSTAND the following:**

I have read and am within the guidelines for the Downtown Commercial Rehab Incentive Program. I understand that if any of the information is incorrect or incomplete; my chances of receiving funding will be delayed and/or hindered. **IMPORTANT:** I also understand that I cannot begin work before EDA Board approval of my application.

**SIGNATURE:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**(Applications will be reviewed in the order they are received)**

## **Sleepy Eye EDA: Commercial Rehabilitation Incentive Program**

(Program will be based upon available calendar year funding.)

### **Eligibility Criteria**

1. Properties must be located within the downtown area, the boundaries of which are: Original Plat Block 23, 24, 25, & 26, and Brackenridge 1<sup>st</sup> Addition Block 1, 2, 3, & 4. Businesses outside these blocks may be considered by EDA Board approval.
2. Applicant must have ownership interest in the property.
3. Applicant must use a portion of the building for commercial purposes.
4. The total outstanding obligation (including loans under this program) secured by the property must be less than 100% of the assessor's estimated market value, or the appraised value, whichever is greater.
5. Applicant must not have started or completed work on the proposed project.
6. Proposed improvements must comply with the Minnesota State Building Code for rehab work.
7. Eligible improvements include exterior improvement to buildings, as well as interior improvements such as general remodeling and improvements related to safety, accessibility, habitability, and energy consumption. Specific eligible improvements will be evaluated on a graded scale and include the following :

#### ***Eligible exterior improvements: (high priority improvements)***

- Windows and doors
- Façade improvements(brick-work, stucco, painting)
- Roofs
- Foundations
- Exterior lighting
- Landscaping
- Signage

#### ***Other improvements will be considered on a lower priority:***

- Heating
- Electrical
- Plumbing
- Insulation
- Asbestos abatement
- Handicap accessibility (ramps)
- Cement work such as private steps and sidewalks
- Private parking lots

\*Loans are not available to remodel apartments above the business or areas not generally accessible by the public.

## Terms

*(This program is a combination of a 10 year loan at the prime rate, and a forgivable loan of 50% after 10 years.)*

1. The downtown incentive program can provide funds for exterior improvements and in some cases interior improvements, at a loan amount of \$5,000.00 to \$30,000.00 per commercial building, per applicant.
2. The program will be a ten 10 year loan at the prime rate, which becomes forgivable after 7 years.
3. After the 7<sup>th</sup> year, 25% of the remaining loan will be forgiven, 8<sup>th</sup> year 50% forgiven, 9<sup>th</sup> year 75%, and the 10 year, 100% of the remaining half of the loan will be forgiven.
4. After 7 years if the loan payments are not current, it must be made current before credit described in #3 above is given.

## Conditions

1. If the loan applicant is currently holding an EDA loan, they will need to meet with the EDA Board prior to receiving approval for this program.
2. Forgivable loans that become payable shall carry interest from day one at a rate equal to the payable portion of the loan.
3. The loan automatically becomes payable by death, contract-for-deed, or sale of the property.
4. All owners must join in the application including contract holders. (In case of Life Estate, at least one-third of the owners must join application.)
5. A mortgage, a note, and a personal guarantee will secure all loans. The mortgage will be collateralized in a first lien position whenever possible.
6. The loan-to-value ratio must not exceed 100% of the greater assessor's estimated market value of the property's appraised value; if needed, an appraisal will be done at the owner's expense.
7. Loan applicants will pay a non-refundable deposit of \$200 towards the total hard costs upon submission of the application. **The balance of hard costs will be paid or withheld from loan proceeds at the time of loan closing.** These costs include, but are not limited to:
  - Ownership & Encumbrance Report
  - Recording Fees (Abstract or Torrens)
  - Mortgage Registry Tax
  - Mortgage Satisfactions (Abstract or Torrens)

## Application Materials

Applicant must provide:

1. A copy of the most recent business financial statements.
2. A copy of personal financial statements (balance sheet and profit/loss from current and last fiscal year) from all partners/guarantors in the business.
3. A copy of Federal Tax returns for the last two years on all partners/guarantors in the business.
4. One bid for each project under \$10,000. Projects over \$10,000 require two bids.
5. A copy of the Brown County Assessor's most recent estimated market value for the property.
6. A copy of the Abstract of Torrens Certificate to certify availability.
7. If the project involves exterior beautification, the applicant must provide a sketch of the proposed work.
8. Required documents must be submitted by the second Friday of the month to be considered by the Finance Committee and EDA Board.

## **Loan Application Review Process**

1. EDA Loan Committee will evaluate the loan application to determine eligibility, and present application that have met eligibility criteria to the EDA Board.
2. Once the EDA Loan Committee and EDA Board determines the eligible applications, the Sleepy Eye building inspector and/or EDA Board member, will conduct an inspection of the property. At the inspection, there will be a determination if corrective actions are necessary for the property to conform to the City of Sleepy Eye's rehabilitation standards.
3. The EDA Loan Committee is not the final arbiter. They will make recommendations to approve or deny loan applications to the full EDA Board of Directors. If the Loan Committee needs more information to consider the application, they will table the discussion until the following month.
4. The EDA Board of Directors considers loan applications as submitted by the Loan Committee. The EDA Coordinator will notify applicants of the decision as soon as possible after the EDA Board Meeting.

## **Upon Approval**

1. Weather permitting, contractors must complete work within 180 days of the date the promissory note is executed by the borrowers. (Extension by EDA approval only)
2. If the final project(s) cost exceeds the amount the borrower qualified for, the borrower must obtain the additional funds from another source.
3. Loan funds will remain in an escrow account maintained by the City of Sleepy Eye until the work is complete.
4. The items listed below must be received before funds can be released from the escrow account:
  - a. Final, original invoice from contractor (or material list from supplier)
  - b. Completion certificates signed by the borrower and the contractor
  - c. Copies of all required city permits (also indicating final inspection by the city when necessary)
  - d. Final inspection by the EDA Board (if necessary)
  - e. Lien Wavers
5. The borrower can perform the work. However, the borrower can only use the loan proceeds for materials. The Sleepy Eye EDA will not disburse loan proceeds until the borrower purchases and installs the materials. Progress payments will be made only upon work completed. Under unusual circumstances, the Sleepy Eye EDA will provide a partial advance to the borrower. In either case the City will issue a two-party check payable to both the borrower and the materials provider. Interest will be calculated during progress payments. The borrower must obtain all permits and have the work inspected by the City of Sleepy Eye and/or other appropriate personnel when required by city ordinance.

Applications can be dropped off at the City Municipal Building or mailed to:

**Sleepy Eye Economic Development Authority (EDA)**  
**200 Main Street East**  
**Sleepy Eye, Minnesota 56085**

Please call the Sleepy Eye EDA at (507) 794-5636 if you have any questions or need additional information.