COMMERCIAL REHABILITATION LOAN PROGRAM

The purpose of this program is to provide low interest financial assistance to commercial/retail businesses to stimulate private investment, increase the property tax base and promote new job opportunities in Zumbrota's Commercial Districts. The program will provide owners of businesses the capability and incentive to upgrade appearance, structural condition, and operating efficiency of their places of business.

I. Loan Terms and Conditions:

A. The Economic Development Authority (EDA) loan will finance one dollar to every two dollars of private funds up to a maximum of $30,000.

   Example:  
   EDA Commercial Rehabilitation Loan $10,000
   Private Funds $20,000
   Total Improvements $30,000

B. Loan Maximum - The maximum amount of any loan will be $30,000.

C. Interest Rate - The interest rate on loans provided through this program shall be based on the level of financial risk associated with the project. Well-leveraged projects can be given a rate as low as three percent below prime rate (minimum of 3%) fixed for the term of the note compounded on an annual basis. Interest rate will be based upon the prime rate on the day of closing as published in the Wall Street Journal.

D. Term - The maximum term will be ten (10) years. The EDA will determine the appropriate term based upon the amount of the loan and a pro-forma analysis of the project.

E. Collateral - The EDA will determine the appropriate collateral based upon the following parameters:
   1. The EDA lien position will usually be subordinate to the bank.
   2. Liens will generally take the form of a mortgage on the improved property.
   3. If the applicant is a building tenant, evidence that the building owner agrees to provide a mortgage as collateral for the EDA loan must be provided. Otherwise, tenants are required to provide collateral in an amount and type which is deemed acceptable to the EDA.
   4. Building tenants are required to provide evidence that the building owner is agreeable to the rehabilitation project.
F. Repayment Plan – All loan recipients must enroll in automatic clearing house payment (ACH), ensuring all payment are deducted from an established bank account monthly.

G. Insufficient Funds Penalty – A fee of 5% of the scheduled payment will be added to any unaccepted payment.

H. Approval Process - All loan requests will be evaluated by the EDA Finance Committee and the Community Development Director. The Finance Committee will provide the EDA Board with a recommendation, and the EDA Board will grant final approval of the loan. Financial documents will not be distributed to the full board unless special circumstances apply.

I. Environmental Assessments - The EDA reserves the sole right to determine whether or not Phase I and Phase II environmental assessments are required.
   1. If required, environmental assessments shall be submitted to the EDA prior to final approval.
   2. A mortgage document will contain an indemnification provision to protect the EDA against any potential undiscovered environmental and/or hazardous waste contamination of the property.

II. **Eligibility Criteria:**

   A. Building/Applicant:
   1. Building must be located within a Commercial District.
   2. Building must contain small or medium sized commercial or retail businesses, and have a principal commercial or retail character.
   3. Building must not be one that is identified by the EDA/City for possible acquisition as part of a pending or proposed redevelopment project.
   4. Building and businesses within the building must be “conforming uses” under the City's Zoning Ordinance. Plans and specifications submitted must be in conformance with the Uniform Building Code, all Zumbrota's City Codes, and subject to review and approval by the Zumbrota Building Inspector. Improvements to the building must comply with all applicable code, permit, and license requirements.
   5. An eligible applicant must either be a building owner or tenant within the approved boundaries.
   6. Applicants must be an acceptable credit risk as determined by the EDA and be able to demonstrate the ability to repay the loan. The following information must be provided by the applicant:
      a. Sources and Uses Schedule
      b. Balance Sheets and Profit & Loss statements for the last three fiscal years
c. Past three years of business and/or personal tax returns

d. Personal financial statements on all borrowers

e. Income & Cash Flow projections for three years (for a tenant application)

f. Pro-Forma of the property for three years (for building owners)

g. Projected salary of Officer(s)

h. Proof of insurance for full replacement value throughout the term of the loan

i. Resumes for all individuals listed under “Management”

j. Commitment letter and credit analysis from lending institution

k. Environmental review when applicable

* Certain items may be waived by the EDA if deemed appropriate.

**City Staff can provide technical assistance if possible.

7. Applicants are required to wait a period of three (3) years prior to submitting a second Commercial Rehabilitation Loan application.

B. Costs:

1. Exterior Improvements:

   a. Improvements to the front, sides or rear of a commercial building.

   b. Cleaning, painting and staining exterior surfaces.

   c. Masonry repairs.

   d. Repairing or replacing of cornices, entrances, doors, windows, decorative details and awnings.

   e. Sign removal, repairing or replacement.

   f. Building identification.

   g. Repair of parking lots, including lighting, surfacing and landscaping (no new construction)

   h. Roofing is an eligible expenditure under this program, but loans for roof improvements are required to be accompanied by fixed exterior improvements equaling a minimum of 100% of the cost of the roof improvements.

   i. Other miscellaneous improvements to the exterior as determined appropriate.

2. Addition/Expansion: A building expansion will be considered for eligibility based upon the following factors:

   a. Exterior improvements and applicable health and safety code deficiencies are required to be corrected as part of the loan.

   b. Expansion or addition will not detract from the appearance of either existing structure or surrounding area.

   c. Proposed expansion or addition will meet all zoning, parking, permit license requirements, etc.

   d. Expansion or addition is required to be in conjunction with improving the main building.

3. Miscellaneous (to be paid by applicant):

   a. Attorney fees related to proposed project

   b. Appraisal fees
c. Credit reports
d. Abstract and filing fees
e. Mortgage registration fees
f. Title insurance premiums
g. Service charges
h. Fees for credit approval
i. Building permit fees and inspections
j. Environmental surveys
k. Architectural and engineering
l. Energy audits
m. Architectural design services for plans and specifications (Staff will provide approval of interior and exterior design plans. Staff may request the help of an outside consultant as determined appropriate to complete this review.)

4. Ineligible items - The following are ineligible costs under the City's Commercial Rehabilitation Loan Program:
   a. Refinancing
   b. Non-fixed Improvements
   c. Working Capital
   d. Inventory
   e. Sweat Equity (applicant's own labor and performance in completing construction or improvements)
   f. Improvements completed prior to loan closing

III. Contracting and Construction

A. Staff and the EDA may request additional supplemental information necessary for adequate review of the loan request. In addition, the applicant will also grant permission for City staff to conduct a complete inspection of the property to which the improvements are to be made.

B. Contractors and all sub-contractors providing work under this program are to be licensed, and must meet the insurance and bonding requirements of the City of Zumbrota. The contractor and/or sub-contractors are to be responsible for quality and workmanship, proper conduction of business practices, and financially capable of completing the required work items.

C. The quality and progress of the work is to be monitored though the term of the contract by the loan recipient, general contractor, and City staff when appropriate.

D. All necessary permits and approvals of appropriate agencies are required to be fulfilled.

E. Payment request forms will be provided to the loan recipient at the time of loan closing. Payments equal to one-third (1/3) of the total eligible expenses will be paid to the loan recipient within two weeks of the date the request is submitted. Verification of the request is required by providing copies of invoices and staff inspections of the project.
F. All payments may be subject to 10 percent retainage which will be used to correct unsatisfactory work and/or defray costs to obtain a replacement contractor to complete the required improvements.

G. Change orders are required to be approved by the bank, EDA, and owner if they decrease the project cost or change the capacity of the project.

H. All improvements are required to be inspected by the City of Zumbrota Building Inspections department in order to ensure conformance with appropriate codes, and must be verified for proper completion by City staff prior to final payment. Final inspection cannot be scheduled until all permits have been signed off by field inspectors.

I. Contractors and sub-contractors are required to provide a 12-month warranty from the date of completion on all improvement work. Warranty is required to cover the quality of materials and workmanship. The EDA is not a guarantor of the project and, as such, is not responsible for complaints of unfinished or defective workmanship or products.

IV. Loan Closing

A. Documents - The following loan documents are to be executed by the borrower as a condition to funding the Commercial Rehabilitation Loan. In appropriate instances, certain loan documents may be waived, but at the sole discretion of the EDA. All loan documents shall be prepared by legal counsel for the EDA and shall contain such terms, conditions, and provisions as are required by the EDA and its counsel. The borrower shall pay all attorneys' fees incurred by the EDA in connection with the approval, processing, and closing of the Commercial Rehabilitation Loan.

1. Promissory Note. A Promissory Note in the full amount of the Commercial Rehabilitation Loan.

2. Mortgage, Security Agreement and Fixture Financing Statement. The Mortgage, Security Agreement and Fixture Financing Statement shall contain an environmental warranty and indemnification agreement whereby the borrower indemnifies the EDA from any and all liabilities associated with hazardous substances, contamination or environmental concerns affecting the secured property.

3. Assignment of Leases. (optional) An Assignment of Leases assigning all leases affecting the secured property as collateral for repayment of the Commercial Rehabilitation Loan.

4. Estoppel Certificate, Subordination Agreement (optional). Estoppel Certificate(s) and Subordination and Attornment Agreement(s) from each tenant of the subject property. These documents show that the lease is current and that there are no other leases before the EDA's.
5. **Guaranty Agreement.** A Guaranty Agreement from each required Guarantor of the Commercial Rehabilitation Loan.

6. **Intercreditor Agreement.** If the Commercial Rehabilitation Loan is to be subordinated to any prior mortgages, the borrower, prior mortgage holder and the EDA shall execute an Intercreditor Agreement or Subordination Agreement containing such terms and conditions as shall be required by the EDA including, but not limited to, the prior mortgage holders' consent to the Commercial Rehabilitation Loan and such other provisions as shall be requested by the EDA to protect the security of the Commercial Rehabilitation Loan.

7. **UCC Financial Statements.** Uniform Commercial Code Financing Statements perfecting the security interest granted to the EDA in any personal property to be pledged as collateral security for the Commercial Rehabilitation Loan.

8. **Security Agreements.** If the collateral for the Commercial Rehabilitation Loan is personal property, a Security Agreement granting the EDA a valid first security interest in such collateral.

9. **Landlord's Agreement.** If the collateral for the Commercial Rehabilitation Loan is personal property located on the premises owned by a party other than the borrower, borrower shall be required to provide a Landlord's Agreement from the property owner acknowledging the EDA's rights in the collateral, including the right to enter the property on which the collateral is located for the purpose of assembling and repossessing such collateral.

10. **Other Documents.** Other documents may be requested as the EDA feels necessary.
APPLICANT INFORMATION

Business Name: ________________________________________________

Street Address: ________________________________________________

E-mail: _________________________________________________________

Telephone: _____________________________________________________

Authorized Rep.: ______________________________________________

Street Address: ________________________________________________

City/State/Zip: _________________________________________________

Telephone: _____________________________________________________

MANAGEMENT INFORMATION

Parent Organization (if any):

Names and addresses of all major owners, officers, directors and/or partners having 20% or greater interest:

A. _____________________________________________________________

B. _____________________________________________________________

C. _____________________________________________________________

D. _____________________________________________________________
BUSINESS INFORMATION

Business structure (circle one):  Proprietorship  Corporation
Other ________________________

Give the nature of the business and principal products or services:

Please attach a business plan including information regarding background, business history, education and future business expectations.

PROJECT INFORMATION (Attach additional pages as necessary)
What is the scope of this project?

Project address and/or parcel identification number:

Please provide a brief project narrative:

Estimated project costs:

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<th>Amount Needed</th>
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<tbody>
<tr>
<td>Site Improvements</td>
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<tr>
<td>Exterior Building Improvements</td>
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<td>Clean-up</td>
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<td>Signage/Lighting</td>
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<tr>
<td>Other</td>
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<tr>
<td>Total Project Costs</td>
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Estimated sources of financing and amounts (business equity, conventional financing, other):

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<tr>
<th></th>
<th>Amount Needed</th>
<th>Amount Committed</th>
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<tbody>
<tr>
<td>Equity</td>
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<tr>
<td>Bank Loan</td>
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<td>EDA CRLP funds requested</td>
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<td>Other</td>
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<td>Total Sources.</td>
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Name of Primary Lending Institution and Contact Person:

Please attach a letter of commitment or rejection letters from lenders or other funding sources evidencing credit availability. The letter(s) should also include the amount to be borrowed, terms, interest rate, collateral, guarantees required, and special conditions under which the borrowing is to occur.
Loan amount requested from the EDA: $___________________

Use of requested funds: ____________________________________________

Proposed collateral: ______________________________________________

FINANCIAL DATA (Please attach the following:)

1) Current Balance Sheet and Income Statement

2) Income Projections (profit and loss statements and balance sheets)
   * 3-year summary
   * Detailed by month for first year
   * Detailed by quarter for second and third years
   * Notes of explanation

3) Pro-forma cash flow
   * 3-year summary
   * Detail by month for first year
   * Detail by quarter for second and third years
   * Notes of explanation

4) Business Financial Statement

5) Personal Financial Statements for past three years

AUTHORIZATION:

I am submitting this pre-application for a loan with the Zumbrota Economic Development Authority and verify that the above information is correct. I also grant authorization to contact references, obtain credit information, and to confirm information contained in this application.

____________________________________  ____________________________
Signature of Applicant, Title                      Date

The Zumbrota EDA reserves the right to waive certain requirements of this program and may request additional information and documentation as deemed necessary.

Date Received _________     Loan Application # ______