

Hutchinson Economic Development Authority

Commercial Rehabilitation Loan Program

www.hutchinsoneda.com



Hutchinson EDA Commercial Rehabilitation Loan Program: Application

Property Owner Name: _____

Property Owners Address: _____

Address to be improved: _____

Phone(s): _____ Date: _____

Short Project Description:

Total Improvement Cost: _____ Loan Request: _____

Maximum loan amount is \$30,000 and minimum amount is \$3,000

The interest on loans is **fixed at the current prime rate.**

Please select the term of your loan: 10 yrs (loans \$10,000 to \$30,000)

7 years (loans \$5,000 to \$9,999)

Contractor Name _____ Bid Amount _____

1. _____

2. _____

Your application is not complete if you do not include:

- 1. Business & personal financial statements of owner(s)**
- 2. Contractor bids must be itemized with amounts**
*(Applicant must provide one bid for each project under \$15,000. Projects over \$15,000 require two bids)
(If you are doing the work yourself, attach a copy of the material costs on letterhead form the material supplier)*
- 3. Most recent Federal tax return**
- 4. McLeod County Assessor's most recent estimated market value for the property**
- 5. Abstract or Torrens certificate for the property**
- 6. \$200.00 Application fee**
- 7. Sketch/Image of Project**
- 8. Building Permit**
(You may apply without permit, EDA needs it before you receive funds—Building Department: 320-234-4203)
- 9. Required documents must be submitted no later than the first Friday of the month for consideration during the same month**

I AGREE with and UNDERSTAND the following:

I have read and am within the guidelines for the Commercial Rehab Loan Program. I understand that if any 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.

Eligibility Criteria

1. Properties must be located within Hutchinson's historic downtown district. The boundaries of which are the Crow River on the North, Fourth Avenue on the South, properties with frontage on the west side of Franklin Street and the East side of Hassan street.
2. Applicant must have an 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 rehabilitation 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 include the following:

Eligible exterior improvements:

- Windows and doors
- Painting, sandblasting or other façade improvements
- Roofs
- Foundations
- Exterior lighting
- Handicap accessibility (ramps)
- Cement work such as private steps and sidewalks
- Private parking lots
- Landscaping

Eligible safety, accessibility, habitability and energy efficiency improvements:

- Heating
- Electrical
- Plumbing
- Insulation
- Handicap accessibility
- Asbestos abatement

Eligible interior improvements include **only general remodeling of areas that are accessible to the public**, to include:

- Lighting improvements
- Built-in cabinetry
- Painting or other wall coverings
- Flooring

Ineligible uses of funding include:

- Debt refinancing
- Working capital needs
- Inventory
- Security systems
- Equipment
- Furniture

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

Terms

1. The downtown loan program may provide loans ranging from \$5,000 to \$30,000 per project.
2. The interest rate will be fixed at the current Prime Rate (as noted in the current Wall Street Journal). Loans from \$5,000 to \$9,999.99 will have a 7 year term. Those ranging from \$10,000 to \$30,000 will have a 10 years term.
3. If a Federal Government Lending program is involved with a project, this loan may be amortized as required by the Federal program at the rate of Prime + 2%, fixed, with a note maturity of not more than 10 years. Said loans may be refinanced for up to 10 additional years at the then current Prime Rate + 2%, fixed.

Conditions

1. If the applicant has an EDA loan or loans in repayment, the applicant is eligible for no more than the difference between the maximum loan amount and the amount due on the active loan(s). For example, if the previous loan(s) total \$30,000 with a balance due and payable of \$10,000 – the property owner would be eligible for no more than \$20,000 in new financing.
2. The applicant may use **no more than 30%** of the loan for interior improvements other than heating, electrical, plumbing, insulation, handicap accessibility, and/or asbestos abatement.
3. Loans on property sold by contract-for-deed are due when the title transfers.
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 in the 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 or the property's appraised value; if needed, an appraisal will be done at the owner's expense. In the event an appraisal is required, the cost of obtaining the appraisal will be the responsibility of the borrower. The final report must be mailed, faxed, or emailed from the appraisal firm directly to the EDA. Any appraisal submitted with the application or delivered by the borrower WILL NOT be accepted.

7. Loan applicants will pay a non-refundable application fee of \$200 that will be used to verify ownership of property and for recording fees associated with the mortgage. **If the cost of executing the loan exceeds \$200, the remaining balance associated with closing 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

1. Applicant must provide a copy of the most recent business financial statements.
2. Applicant must provide a copy of personal financial statements from all partners / guarantors who have 25% or more ownership in the business.
3. Applicant must provide a copy of Federal Tax returns for the last two years on all partners / guarantors who have 25% or more ownership in the business.
4. Applicant must provide one bid for each project under \$15,000. Projects over \$15,000 require two bids.
5. If the project involves exterior beautification, the applicant must provide a sketch of the proposed work.
6. Required documents must be submitted by the first Friday of the month to be considered by the Finance Team and EDA Board.

Loan Application Review Process

1. EDA staff will evaluate the loan application to determine eligibility. Staff will forward applications that meet the eligibility criteria to the EDA Finance Team.
2. Once office staff makes a determination the application meets eligibility requirements, the Hutchinson building inspector and / or EDA staff 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 Hutchinson's rehabilitation standards.
3. The Finance Team considers loan applications on the third Wednesday of the month. The Finance Team is not the final arbiter. They make recommendations to approve or deny loan applications to the EDA Board of Directors. If the Finance Team needs more information to consider an application, they will table the discussion until the following month.
4. The EDA Board of Directors considers loan applications on the fourth Wednesday of the month. EDA staff will notify applicants of the decision as soon as possible after the board meeting.

IMPORTANT: Work may not begin before EDA Board approval

Upon Approval

1. Weather permitting, contractors must complete work within 120 days of the date the promissory note is executed by borrowers.
2. If the final project 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 Hutchinson until 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. A completed W-9
 - c. Completion certificates signed by the borrower and the contractor
 - d. Copies of all required city permits (also indicating final inspection by the city when necessary)
 - e. Final inspection by the EDA (if necessary)
 - f. Lien waivers
5. If the borrower completed the work, loans proceeds will not be disbursed prior to purchase and installation of. The City will issue a two-party check payable to both the borrower and the materials provider. The borrower must obtain all permits and have the work inspected by the City of Hutchinson and / or other appropriate personnel as required by city ordinance.

Applications may be hand delivered or mailed to:

**Hutchinson EDA
City Center
111 Hassan Street SE
Hutchinson, MN 55350**

Please call the Hutchinson EDA at (320) 234-5652
if you have any questions or need additional information.