



Small Cities Development Program Application *Commercial Rehabilitation Program*

Fact Sheet

The City of Ortonville has received a grant to provide 0% interest deferred loans to 7 commercial properties within the target area of the City of Ortonville. The goal is to prevent deterioration of downtown commercial buildings. The funds are to be used by target area business owners to make repairs to their buildings.

Target Area

The target area for the commercial SCDP deferred loans is the designated slum and blight district:

- Bounded on the north by Jefferson Ave.
- Bounded on the east by 3rd St.
- Bounded on the south by the southmost intersection of Hwy 7 (Sioux Trail) and Hwy 12.
- Bounded on the west by 1st St and Scale Rd.

The slum and blight district includes buildings contiguous to 2nd St/Ingersoll Ave/Hwy 7 within the downtown business district.

Timeline

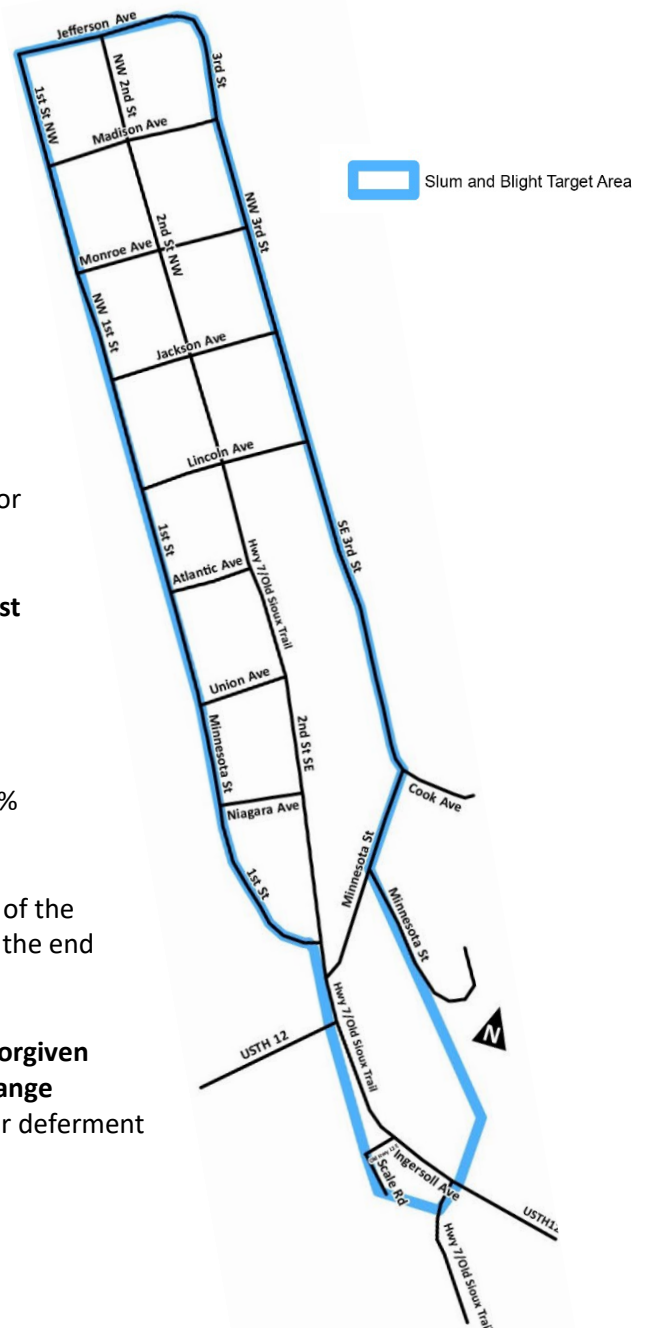
The program will take applications until approximately April 1, 2025, or when funds run out, whichever comes first. The timeline to complete projects can take 12 – 30 months, depending on the project size and scope, so start early! **All properties will be served on a first come, first served basis. Those who filled out the interest survey will receive priority in the first round of applications.**

Deferred loan amount:

Maximum Loan - The maximum is \$40,000 and is offered through a 0% “Deferred” loan over 5 years or 60 months.

Minimum Loan – SCDP assistance is intended to utilize all or as much of the \$40,000 deferred loan as possible. Smaller projects may be held until the end of the program.

A deferred loan is a loan with no monthly payments, which will be forgiven 1/5th per year or will revert into a grant if the property does not change ownership within 5 full years. If the property is sold before the 5-year deferment period, the outstanding balance of the loan is paid to the city.





If you have an eligible property in the target area, what would you need to do to receive these funds?

1. Submit a complete application with supporting documents in a timely manner.
2. Work with the building inspector, decide what improvements to make and find a contractor.
3. Adhere to all rules and regulations (Davis Bacon, State Historical Preservation Office (SHPO)).
4. Sign contracts and enable the contractor to work on your property.
5. Pay any matching funds that you would be responsible for. These would include:
 - 20% of the total project
 - Any project cost above \$40,000
 - Filing fees (\$46) and mortgage registry tax (.23%)

Who can receive the funds:

- **Only the owner of the property can apply for a commercial rehabilitation loan. Tenants are not eligible to apply for the funds. The owner of the property would include all persons with a legal interest in the property and all owners are required to execute the loan.**
- There are no income restrictions for either the owner or the tenant.
- The building must be located in the target area.
- The property must be occupied by a business during the rehabilitation or have an executed lease indicating that the property will be occupied prior to the end of the grant period. **A Unique Entity Identifier (UEI) must be submitted.** The UEI recently replaced the DUNS number.
- The property can be occupied by a business that is owned by the applicant or a commercial tenant.
- No property will be eligible for funds if the current mortgage or other real estate loan is in default or if the applicant is filing for bankruptcy. An owner may apply if the default has been resolved or the bankruptcy has been discharged.
- **Real Estate Taxes** – The owner must be current with property taxes.
- **Insurance** – The owner must have property insurance for the loan's full term, and must insure at least the amount of the rehabilitation.
- **Lien on Property** - The property cannot have an existing SCDP loan that has not yet expired or paid off.

Eligible Improvements

Eligible Improvements include, but are not limited to, exterior improvements, code violation or addresses lead-based paint/asbestos with the goal to eliminate slum/blight conditions.

Examples are roofing, façade, tuckpointing/siding, windows, doors, foundation, address structural and health and safety issues and ADA modifications to make building accessible. Minnesota Historical Society/SHPO mandated repairs take priority for historically significant buildings.

Some additional repairs are eligible if there is a documented code violation, safety issue or ADA needs.

The inspection will outline eligible and ineligible expenses. SCDP ineligible improvements must be Owner financed and may count towards the 20% match requirements.



COMMERCIAL REHABILITATION PROCESS

The program will follow the guidelines below:

Application Procedure – The Applicant will need to complete a full application and provide proof of property ownership and other eligibility requirements. All commercial properties will be served on a first come first serve basis.

- 1. Application** - An Applicant completes the rehabilitation application and provides proof of ownership of their property, current insurance policy, proof that the real estate taxes have been paid and verification of match funds. This information is submitted to the UMVRDC.
- 2. Application Approval** – The UMVRDC verifies that the Applicant meets property requirements.
- 3. Property Inspection** - The property will be inspected by SWMHP, who will identify any building deficiencies and will work with the applicant to determine what repairs should be done.
- 4. Walk-away Policy** – The SWMHP Inspector will determine the suitability for rehabilitation of the property. If the property is determined unsuitable for rehabilitation, the walk away policy will go into effect. The applicant will be informed of the issues and have a timeframe to address them. If the applicant drops out of the application process after the inspections have been done, the applicant will be charged for those inspections.
- 5. Scope of Work** - The SWMHP Inspector will develop a scope of work and prepare bid packets. The owner will select contractors to bid on the project and distribute copies of the specifications. Please note, only licensed general contractors are able to provide a bid.
- 6. Bid Awards** – The owner accepts or rejects bids.
- 7. Repayment Agreement** - The Applicant enters into a repayment agreement with the City to accept the conditions of the loan. The repayment agreement is filed at the County Recorder's office. This is when any matching funds will need to be paid.
- 8. Proceed to Work** - The inspector sends a letter notifying the contractor that the work may begin at the owner's property. Prior to work beginning, a pre-construction meeting must be held with all parties to discuss federal requirements. Davis Bacon labor standards apply.
- 9. Payments** – Payments can be made on a partial basis or when all work has been completed. In order to receive payment, the contractor must submit a lien waiver, a billing statement, and a signed completion certificate (all furnished) as well as weekly payroll reports. In order to make payment, SWMHP must inspect the property. The property owner must give signed permission to pay the contractor.
- 10. Project Completion** - Upon completion, a final inspection is done and the project is closed.



What to expect and not to expect from this SCDP Commercial Rehabilitation Program

Things that Property Owners Do in the Commercial Rehabilitation Program

Program Staff will help business owners during the rehabilitation process, but Property Owners are responsible for making the choices and doing the work listed below.

1. Property Owners provide the program staff with necessary information promptly.
2. Property Owners, **not the program staff**, choose contractors to put together bids.
3. Property Owners, **not the program staff**, select the contractor to do the work on the property.
4. Property Owners sign improvement contracts with the selected contractor.
5. Property Owners request and approve payments to their contractors.
6. Property Owners are part of inspecting and approving work performed by their contractors.
7. Property Owners work with contractors to settle disagreements during the job.
8. Property Owners contact their contractors to ask them to correct problems covered by contractor warranties during the first two years after the job has been completed.

Things You Should Think About Before Taking out a Rehabilitation Loan

1. Not all the work that applicants want to be done can always be done with program funds. SCDP funds can only be used for exterior and code violation corrections.
2. Don't expect the property to be completely new after the work is done.
3. It can be stressful working in a property while a contractor is performing the work.
4. Very few times in life is anyone completely satisfied with things they buy or have repaired. Having a property repaired is no different.
5. Finally, the **program staff** is not the contractor and cannot guarantee that Property Owners will be satisfied with the work done by the contractors.



Eligible and Ineligible Improvements (2023)

The Ortonville Commercial Rehabilitation Program is designed to eliminate slum and blight conditions and to prevent further deterioration of commercial buildings and eliminate conditions that are detrimental to the health, safety and welfare of the residents and users of the downtown area.

Below is an outline of eligible and ineligible expenses, but the inspection will outline what is specifically eligible on your building. Some repairs may be required depending on your building's history or if structural integrity issues are found.

Eligible Improvements include, but are not limited to the following:

- Roofing
- Façade
- Tuckpointing/siding
- Windows
- Doors
- Foundation
- Signage attached to the building.
- Code violations
 - Fire Code
 - National Electrical Code
 - Uniform Plumbing Code
 - Mechanical Code
 - Local/city Building Code
- Elimination of lead-based paint and asbestos.
- Address structural and health and safety issues.
- Minnesota Historical Society/SHPO mandated repairs for historically significant buildings.
- ADA modifications to make building accessible.

Eligible Improvements only if there is a documented code violation/safety issue/ADA improvement:

- Interior repairs
- Electrical System Repairs
- Mechanical repairs
- Heating/HVAC systems (must be documented to be at the end of its useful life)
- Insulation (case by case basis)
- Air Conditioners
- Ventilation
- Floors
- Ceilings
- Lighting
- Energy improvements



Ineligible Improvements include, but are not limited to the following:

- Interior repairs unless eligible with a code violation/safety/ADA
- Remodeling for any purpose outside of those improvements listed as eligible.
 - Remodeling is viewed as altering the structure of the building. Changing a flat roof to a pitch roof is an example of ineligible remodeling as it changes the original structure of the building. If you feel your project cannot meet local or building code standards without remodeling consult your SCDP representative. Changes that are allowable include ADA accessibility and historic restoration activities.
- Structural modifications/additions.
- Metal roof. If existing roof is not metal (i.e., asphalt shingle) material, SCDP funds can pay up to the cost of a shingle roof with the owner paying the cost difference to install a steel roof.
- Business equipment or signage not affixed to the building.
- Fireplaces, wood stoves, or central air conditioning unless there is a documented code violation.
- Parking lots.
- Exterior landscaping.
- Sidewalks, except when addressing documented safety or accessibility issues on private property only.
- 200-amp electric services, unless need is justified under special circumstances approved by DEED.
- New infill buildings.
- Inventory, property assessments or property debt.
- SCDP funds cannot be used to finance inventory, equipment, accounts receivable, refinancing, or any other business costs other than those for rehabilitation.
- SCDP funds shall not be used in whole or in part to finance or to satisfy an existing debt.
- SCDP funds shall not be used for the payment, in whole or partly for the satisfaction of assessments for public improvements.

NOTE: SCDP ineligible improvements must be Owner financed and may count towards the 20% match requirements.