

CITY OF HAYFIELD WORKFORCE HOUSING REVOLVING LOAN FUND CRITERIA

I. Program Description

The purpose of this program is to ensure that publicly assisted economic development projects guarantee a public benefit and to assist the City Economic Development Authority (EDA) in satisfying its community and economic development goals and objectives. Each application will be reviewed on a case-by-case basis based on project eligibility and funding is determined by availability.

The City of Hayfield EDA will administer the program, determine eligibility and approve applications.

- A. Redevelopment:** The project will remove, prevent, or reduce blight or other adverse conditions of the property, thereby protecting the City's property values and the general public health, safety and welfare.
- B. Highest and Best Land Use:** The use of the loan will encourage high quality of construction and promote the highest and best use of land, consistent with the City's Comprehensive Plan, zoning ordinances and other local regulations. All projects must be approved by the City Planning and Zoning Board prior to signing of final loan agreement.
- C. Economic Feasibility:** The recipient can demonstrate that it has experience, sufficient other financing for the project, and that the project can be completed in a timely manner.
- D. Eligible Use of Funding:** Funds may be used for the purpose of developing and constructing new, and redevelopment of existing workforce and affordable housing within the city limits of Hayfield, MN.
- E. Loan Requests:** The Hayfield EDA will make loans at a minimum of \$50,000 and a maximum of \$150,000. Amount awarded will be determined by the existing EDA board based on current funds available and potential benefits of the project to the community as a whole.
- F. Collateral & Personal Guarantees:** Each loan will be secured by collateral adequate to safeguard the lender. If the EDA is the sole lender, it will take a first security interest in the assets financed. If the EDA is in partnership with another lending source, the EDA will take a subordinate interest in the assets being financed. Personal guarantees will be required for all projects. Personal guarantees may be collateralized with personal assets where appropriate.
While the EDA will endeavor to secure each loan with adequate collateral, lack of hard collateral, by itself, will not be a reason to decline a loan.
- G. TIF and Tax Abatement:**
 - a. Tax Increment Financing: A TIF District or Redevelopment TIF District may be required for the project by the Hayfield EDA in an effort to ensure program longevity and to grow the program fund over time.
 - b. Tax Abatement: Tax abatement may be requested by the applicant to assist with public infrastructure updates. All requests for tax abatement will be considered by the EDA, but are not guaranteed to be awarded as part of this application process.
- H. Deadline:** Applications are received throughout the year and are reviewed at the EDA meeting following receipt of application.

II. ELIGIBILITY REQUIREMENTS FOR ALL WORKFORCE HOUSING LOANS

Types of eligible applicants include, but are not limited to, Residential Developers, Contractors, Builders and Construction Companies.

- A.** Applicants must own the property or have permission from property owners to move forward with this project at the time of the application to the EDA.
- B.** Applicants must have the authority to incur debt and carry out the proposed project purpose within the City of Hayfield.
- C.** Applicants must have the legal right to own and operate the project for which a workforce housing loan is requested.
- D.** Applicants must be unable to finance the proposed project from their own resources or through commercial credit or other federal or state programs at reasonable rates and terms.
- E.** A workforce housing loan must not result in any conflict of interest as prohibited by law.

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- F. Any delinquent debt to the federal, state or local government, by the Applicant or any of its principals, shall cause the Applicant to be ineligible to receive a workforce housing loan in the City of Hayfield.
- G. Applicant must be up to date on all obligations to the City of Hayfield at the time of application.

III. GENERAL LIMITATIONS FOR ALL WORKFORCE HOUSING PROJECTS

- A. The overall level of public financing necessary, as a percent of the total project costs, is no more than twenty-five percent (25%) of the project total.
- B. The city shall require at least as much Applicant/Owner cash or private equity in the project as the level of public financing. The balance of the project cost may be funded privately or through a private lender.

IV. MINIMUM STANDARDS & COSTS FOR ALL WORKFORCE HOUSING PROJECTS

- A. A building or zoning permit shall not be obtained and construction shall not begin until the City Council and the Authority have approved the applicable workforce housing revolving loan fund documents, and executed with the applicant a corresponding development agreement / contract for private development , or other appropriate agreements.
- B. The Applicant shall be responsible for all costs associated with contract professionals for reviewing the workforce housing revolving loan fund application, preparing and approving required documents, and executing the agreements. The Applicant will deposit with the City an administrative fee equal to 100% of the projected costs, which will be applied to costs incurred by the City in conjunction with the proposed project. In the event such costs exceed the deposit, the Applicant may be required to pay the additional costs as billed by the City or Authority. In the event the deposit exceeds the costs, the balance will be refunded to the Applicant.
- C. At all times, policies and procedures related to the proposed or actual approval of the workforce housing loan shall comply with all applicable laws.
- D. All applications and supporting documents shall become the property of the City, and the classification of the data shall be governed by the Data Practices Act.
- E. The Authority reserves the right to select and retain at the expense of the applicant, a third party to assist in the evaluation of the proposed development project and corresponding documents and agreements.
- F. The Applicant shall pay all permits and fees normally charged by the City as part of the approval process unless otherwise waived by the City.
- G. Interest rate shall be determined by the type/source of loan and the useful life of the project being financed, limited to the following schedule. The typical loan will be for a term of up to ten years on a self-amortizing repayment schedule to be re-evaluated following a period of five years.
 - i. Acquisition of Land ----- Maximum of 10 Year Financing
 - ii. Acquisition of Building ----- Maximum of 10 Year Financing
 - iii. Building Renovation ----- Maximum of 7 Year Financing
 - iv. New Construction ----- Maximum of 10 Year Financing

V. WORKFORCE HOUSING LOAN APPLICATION PROCEDURE

- i. Prior to any consideration by the EDA, the Applicant must deliver to the EDA:
 - a. Completed Workforce Housing Revolving Loan Fund Application with relevant attachments.
 - b. An application fee of \$25.00
 - c. A Letter of Feasibility from a bank, lender/financial advisor, to include the following (where applicable):
 - 1. Letter of commitment for bank/private financing
 - 2. Property appraisal for the proposed project

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VI. APPLICATION REVIEW AND PROJECT APPROVAL

A. Preliminary Approval

City EDA Staff and/or a third party will review the full application and provide a recommendation for preliminary approval to the Authority. Other required project approvals may proceed simultaneously with the workforce housing loan approval process.

The City EDA will make a finding based upon information presented as to whether the proposed project is consistent with this Policy. If deemed appropriate, the Authority may direct staff and consultants to prepare the required documents and agreements.

B. Final Approval

Final approval of a workforce housing loan shall occur with the approval and signing of all required documents and agreements, including, but not limited to:

- i. A Workforce Housing Loan/Development Agreement
- ii. A Loan Agreement and Promissory Note
- iii. Collateral adequate to safeguard the loan, with the understanding that the city interest in the assets financed may be subordinate to the primary lender.
- iv. Personal Guarantees may be required in any project at the sole discretion of the EDA and may be collateralized with personal assets where appropriate.
- v. Certificate of Insurance Coverage listing the City as loss payee.
- vi. Following project funding, periodic financial reporting and participation in a city record-keeping program or technical management assistance may be required.

C. Data Privacy

All applications and supporting documents shall become the property of the City and/or County, and the classification, retention, destruction and/or disclosure of the data shall be governed by the Minnesota Data Practices Act, M.S.13.01 et seq., and other Minnesota Statutes as appropriate.

VII. RIGHT OF ULTIMATE REVIEW

The Hayfield Economic Development Authority reserves the right of ultimate review and will demine approval of submitted applications. If approved, the EDA will determine the amount of funding to provide, which may not match the request of the applicant. To receive funds from this program, applicants must be current on all obligations to the city.

IF you have any questions or concerns regarding this program or to submit an application, please contact EDA Coordinator, Rebecca Charles at Rebecca.Charles@cedausa.com for assistance. Applications may also be dropped off in person at Hayfield City Hall, located at 18 W. Main Street, PO Box 53, Hayfield, MN 55940.