

EXHIBIT A

SMALL BUSINESS REVOLVING LOAN FUND PROGRAM GUIDELINES

I. PURPOSE OF FUND

To provide financial assistance to neighborhood retail, service and light manufacturing businesses through joint private sector and public action.

To establish a city-wide low interest, longer term loan program to provide:

- Capability and incentive for owners and tenants to upgrade the appearance, structural condition and operating efficiency of their place of business.
- Improvement of their market and service of their business to the community.
- Retention and expansion of job opportunities.

In the event program funds are not sufficient to meet all eligible applications, priority will be given first to those businesses, which, without the low interest rate, would not be able to improve their property or expand their business. Secondly, priority will be given to those businesses located in Community Development Block Grant Target Areas of the City. Thirdly, priority to applicants with personal net worth less than \$1 million. Subject to these priorities, the City in reviewing applications may consider the following:

- The date of the application.
- The extent of the improvements leveraged by the Revolving Loan Funds.
- The extent of new or expanded business and job opportunities.
- The extent of rehabilitation and use of existing vacant structures.

II. PARTICIPATION AND FINANCING

The Revolving Loan Fund (RLF) program is established and will operate as a public/private sector partnership of the City of Minneapolis and local lenders and/or other lending partners.

The RLF program is shared financing among a bank, other lending partners and the City of Minneapolis. In the case of the 2% RLF it will provide up to one-half of each small business loan up to a maximum of \$50,000 at an interest rate of 2%. Other small business RLF programs may have a different level of participation between the lending partners and the City and may also have an interest rate that is agreed to among the lenders in keeping with the purpose of the fund.

Matching funds at least equal to the amount provided by the RLF will be provided at current interest rates by local community lenders and/or other lending partners.

The portion of the borrower's equity to be injected into the project will be determined by the lender.

Administration will be shared by the City of Minneapolis, Department of Community Planning and Economic Development and participating local lenders.

- the Department of Community Planning and Economic Development will coordinate the program with business and community development organizations.
- Local lenders will execute Lender Agreements with the City of Minneapolis to carry out their participation in accordance with these guidelines.

III. LOAN TERMS AND CONDITIONS

A. 2% RLF/LENDER Participation

The 2% RLF and a participating lender will share in a loan on a matching basis. For example, the 2% RLF and a lender will each provide \$50,000 for a \$100,000 loan.

B. Maximum Loan

2% RLF will participate in a loan up to a maximum of \$50,000 per project with up to 2 loans per borrower. A lender may increase its portion over \$50,000. Maximum loan per building is \$150,000 in the case of a multi-tenant building.

C. Interest Rates

The 2% RLF loans are made at a fixed rate of 2%. In most instances, these funds are subordinate to funds provided by the lender.

The participating lender is allowed to charge current interest rates, fixed or variable over the term of the loan.

EXAMPLE:

	Amount	Rate	Year Term	Monthly Payment
2% RLF Loan	\$25,000	2%	10	\$230.
Lender Loan	<u>\$25,000</u>	10%	10	<u>\$330</u>
Total	\$50,000			\$560
		Blended 6 %		

D. Term

The term of the City's loan shall be 10 years or less and will be matched by the term of the lender's loan. The lender shall make the determination for an appropriate term relating to the applicant's ability to pay and the use of funds.

E. Collateral Required

The lender shall have the sole responsibility of determining the applicant's credit risk through a credit bureau and any other type of investigation typically used by the lender.

City Staff will evaluate and approve individual loan applications in accordance with these approved program guidelines.

The lender and the City together shall determine the type and amount of collateral the borrower will provide and the lender shall in most cases have a senior lien on the collateral.

The lender shall file any liens required on collateral.

The City of Minneapolis is not named on the loan papers. All loan documents are to be in the name of the lender.

F. Loan Disbursements

Payments to borrowers and/or contractors shall be made by the lender. Loan disbursements will be limited to three (3) in total; two partial payments plus one final payment (minimum of 10% of total loan) when all work is completed and inspected.

G. Lien Waivers

The lender will collect lien waivers and/or other documentation as deemed necessary by the lender.

IV. ELIGIBILITY CRITERIA

A. Applicants

The applicant may be: individual owners, partnerships, corporations, tenant operators or contract for deed purchasers.

An applicant must have the ability to repay the loan and be an acceptable credit risk as determined by a lender.

Applicant must have obtained a commitment letter from a participating lending institution in order to secure a waiting list status for the RLF.

An applicant's property status must be as a conforming use or a legal non-conforming use under the City's Zoning Ordinance.

Applicants may apply for funding multiple times but can in no case borrow more than \$50,000 per project. In the case that the original \$50,000 has been paid off and 5 years have expired since the most recent loan origination, the borrower is eligible for an additional \$50,000.

Applicants must be willing to upgrade their property regarding health and safety problems as defined by the City.

Upon completion of the improvements, the applicant's property must pass a City of Minneapolis health and safety inspection.

In the event that the borrower moves his/her business out of the City of Minneapolis, the loan will become due and payable.

The applicant is encouraged to cooperate with the City of Minneapolis' jobs programs, including JOBLINK and any other employment and training opportunities that may be available at the time of closing.

B. Improvements

1. Exterior Improvement Loan

An applicant may improve the exterior appearance of the building and property and will not be required to do any interior improvements if the applicant passes the City of Minneapolis health and safety inspection. Where design standards have been established for the area in which the loan is to be made, review and approval of the business or community organization responsible will be obtained by the borrower.

The following are eligible expenditures:

- All work on the front and sides of business buildings facing public streets.
- Cleaning, painting and staining of exterior surfaces.
- Masonry repairs.
- Repairing or replacing of cornices, entrances, doors, windows, decorative details and awnings.
- Sign removal, repairing or replacement.
- Architectural design services for plans and specifications.
- Parking lots, including lighting, surfacing and landscaping.
- Building identification.
- Other items that are viewed necessary to complement the exterior of the building.
- Building permits.
- Energy audits.
- Roofing.
- Energy conservation and energy retrofits
- Handicap access.
- Streetscape costs not financed by special assessment.

2. Exterior-Interior Improvement Loan

Upon upgrading the exterior appearance and the correction of all health and safety code deficiencies (as recorded by the City Inspections Department) an applicant may include other fixed interior improvements in the work plan. In addition to the eligible expenditures listed previously under the exterior improvement loan, the following additional expenditures are eligible:

- Almost all fixed improvements including the repair and/or decoration of walls, ceilings, floors, lighting, windows, doors, entrances, electrical, plumbing, mechanical, air conditioning, architectural change, energy improvements, etc.
- Professional fees in conjunction with the completion of a project may be paid for reasonable engineering, architectural and other related service fees necessary to plan, estimate costs, etc.

3. Production Equipment Loan

If the applicant passes the City's health and safety inspection, loan funds may be borrowed for the purchase of production equipment. Production equipment is defined as any equipment or machinery that will increase the productivity of the business. The purchase of equipment should also contribute to new job opportunities or business investment. Replacement of equipment will not be considered an eligible purchase unless the applicant can demonstrate increased job opportunities resulting from the purchase of the equipment.

C. Ineligible Costs

The following costs are ineligible

- Refinancing of existing debts.
- Non-fixed improvements.
- Working capital.
- Inventory.
- Sweat Equity (payment for the applicant's own labor and performance for construction of improvements).
- Billboard Advertising

D. Improvements Completed Prior to Loan Closing

Such improvements are eligible if the following steps have been taken:

- Applicant must have already filled out a loan application with City prior to the work proceeding.
- Applicant must have a commitment letter from their Lender and the city confirming their financing and approval of the project.
- Applicant must agree to include all Health and Safety items in work to be done.
- Final bids will be required to assess the total City portion of the loan. Closing will not be set up until final bids have been received.

If the above conditions have been met, the applicant may proceed using his/her own funds or interim financing from a lender. However, this is done at the applicant's and/or lender's own risk until the total scope of work has been approved by the City and the loan has been closed.

E. Neighborhood Community Group Notification

The appropriate Neighborhood Group, as designated by the Department of Community Planning and Economic Development, will be notified of loan applications received from businesses in their neighborhood.

F. Public Purpose For Use of RLF Funds

The loan applicant must fit into at least ONE of the categories below, in order to be eligible for the RLF program.

1. Benefit to Low Income Persons

- a. The assisted project is located within an area defined by the city in which a majority of low and moderate income persons reside and provides improved services to the area.
- b. The assisted project provides jobs available to low and moderate income persons.
- c. The assisted project provides assistance to low income persons to expand an existing business or start a new one.

2. Prevention of Slums or Blight

The assisted project prevents or eliminates deterioration by making building improvements.

3. Community and Small Business Development

- a. The assisted project improves the economic viability of the community it serves.
- b. The assisted project provides for increasing operating efficiency, energy efficiency and marketability of the business.

V. CONTRACTING AND CONSTRUCTION

All applicants shall provide the City with information on the "Loan Application" detailing applicant's interest regarding rehabilitation of the building, giving permission for health and safety inspection and any other requested supplements necessary to achieve the approval of the project.

A document (Scope of Work) must be submitted to the Department of Community Planning and Economic Development and the lender detailing the work to be performed, estimated cost, specifically detailing how the health and safety work is to be satisfied and any other documentation necessary to achieve City approval of the project.

Contractors and all Sub-contractors providing work under this program are to be licensed and must meet the insurance and bonding requirements of the lender. The contractor and/or sub-contractor is to be knowledgeable of and/or responsible for quality and workmanship, conducting proper business practices, be financially capable and demonstrate that they are an Equal Opportunity Employer.

The quality and progress of the work is to be monitored throughout the term of the contract by the loan recipient, general contractor and the lender.

Payment requests (either partial or final) cannot be made by the borrower or contractor until a written request for payment (or estimate) is made and the loan recipient, City, and lender have accepted the improvement plan in writing. If the contractor requests periodic draws on completed work, the draws shall be limited in amounts equal to the value of materials furnished and/or services performed at the time of request. Number of payments will be limited to three (3) including the final payment. All payments are subject to a final 10% holdback. The holdback may be used to correct unsatisfactory work, or to defray costs to

obtain a replacement contractor and/or to complete the project. The contractor is to furnish the necessary lien waivers to the lender or borrower for all payments. All work is to be covered by the normal required permits and approvals of affected agencies.

All work must be inspected by the City of Minneapolis to insure conformance with code and compliance with specifications prior to final payment. Final payment will not be made until all building related permits have been signed off by the field inspectors.

VI MINNEAPOLIS EMPLOYMENT AND TRAINING PROGRAMS

Jobs created or vacated through the activities financed by the City's Revolving Loan Fund have the potential to be filled by working with the Community Planning and Economic Development Department's Workforce Coordinator. The City works closely with the Minneapolis Employment and Training network as well as ISEEK.org, a computerized metro-wide job posting service.

The borrower is encouraged to contact the Community Planning and Economic Development Department's Workforce Coordinator to obtain a list of neighborhood employment counselors located throughout the City. Companies located inside the Minneapolis Empowerment Zone may also be eligible for federal income tax credits as a result of their hiring. City assisted customized training may also be available.

VII ORIGINATION FEE

The applicant is required to pay an Origination Fee of 1% of the principal amount of the City's loan with a minimum payment of \$150 to cover program administration. It shall be the responsibility of the lender to collect this fee and to remit it to the City of Minneapolis.