



Request for City Council Committee Action
From the Department of Community Planning & Economic Development

Date: April 6, 2004
To: Council Member Lisa Goodman, Community Development Cmte
Prepared by: Barbara Allivato, Business Finance, Phone 612-673-5232
Presenter in Committee: Barbara Allivato
Approved by: Chuck Lutz, Deputy CPED Director _____
Subject: 2% Revolving Loan Fund Program

RECOMMENDATION:

- Approve the proposed 2% Revolving Loan Fund guideline changes as outlined on Exhibit A to this report.
- Approve the proposed Program Guidelines for 2% Revolving Loan Fund Commercial Corridor/Commercial Nodes Program – Exhibit B to this report
- Approve the attached Resolution delegating authority to the Executive Director of CPED or his designee to make and execute Lender Agreements for the 2% Loan Programs as permitted by City Charter.

Previous Directives:

The 2% Revolving Loan Fund Guidelines were established in 1986. Amendments were made in 1993, 1996, and 2000, and 2003.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 2% Loan programs are city wide

Neighborhood Notification: N/A

City Goals: The City's small business loan programs meet the City Goals to create an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets; maintain the physical infrastructure to ensure a healthy, vital and safe City; and to promote public community and private partnerships to address disparities and to support strong, healthy families and communities

Comprehensive Plan: The proposed projects must be in compliance with the Policies of the Minneapolis Plan.

Zoning Code: The proposed projects must be in compliance with the City's Zoning Code.

Living Wage/Job Linkage: N/A

Background/Supporting Information: As we transition the small business loan programs from the MCDA to the City, our program guidelines and documentation has been reevaluated for compliance with City process and procedures. The attached guidelines reflect changes to bring them into compliance.

The goal of the 2% Revolving Loan Fund is to provide assistance to small businesses in Minneapolis through financing commercial building improvements and production equipment. Frequently, small businesses locate in old, inner city buildings that need substantial rehab. Further, they have equipment needs that are not easily funded with conventional bank financing. The structure of the program is meant to provide a 1:1 match with bank financing. The features of a low interest rate and the subordinate security position make the program beneficial to both the borrower and the Bank and an essential element to obtaining credit for many of our borrowers.

The 2% Program has originated over \$16 million in 726 loans since it began in 1986. The maximum loan amount has been capped at \$40,000 since August of 2000. Recognizing the conditions of some of the buildings along designated commercial corridors and nodes, and the establishment of ethnic businesses along these corridors, a second 2% Revolving Loan Program has been created with identical guidelines and processes but with a maximum loan amount of \$75,000. The start-up program has been funded with a \$1 million dollar allocation from the Hilton Legacy Fund.

The delegation authority to the Director of CPED or his designee for the 2% Lender Agreement will only be effective after certain City Charter changes currently under 90-day review period are made. Such delegation will allow the program to continue to operate at the same pace that has been a trademark of the program for the past eighteen years.

2% 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:

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- The date of the application.
- The extent of the improvements leveraged by the 2% 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 2% Revolving Loan Fund (RLF) program is established and will operate as a public/private sector partnership of the City of Minneapolis and local banks.

The 2% RLF will provide one-half of each small business loan up to a maximum of \$40,000 per borrower at an interest rate of 2%.

Matching funds at least equal to the amount provided by the 2% RLF will be provided at current interest rates by local community banks.

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

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

- the Department of Community Planning and Economic Development will coordinate the program with business and community development organizations.

- Local banks will execute Lender Agreements with the City of Minneapolis to carry out their participation in accordance with these guidelines.

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III. LOAN TERMS AND CONDITIONS

A. 2% RLF/BANK Participation

The 2% RLF and a participating bank will share in a loan on a matching basis. For example, the 2% RLF and a bank will each provide \$40,000 for a \$80,000 loan.

B. Maximum Loan

2% RLF will participate in a loan up to a maximum of \$40,000 per project with up to 2 loans per borrower. A bank may increase its portion over \$40,000. Maximum loan per building is \$120,000 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 bank.

The participating bank is allowed to charge an annual rate, fixed or variable of up to two percent above the prime rate of interest over the term of the loan.

EXAMPLE:

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

D. Term

The term of the loan shall be up to 10 years. The bank 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 bank 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 bank.

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

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

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The bank 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 bank.

F. Loan Disbursements

Payments to borrowers and/or contractors shall be made by the bank. 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 Wavers

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

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 bank.

Applicant must have obtained a commitment letter from a participating lending institution in order to secure a waiting list status for the 2% 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 \$40,000 per project. In the case that the original \$40,000 has been paid off and 5 years have expired since the most recent loan origination, the borrower is eligible for an additional \$40,000.

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.
- 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 Bank 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 bank. However, this is done at the applicant's and/or bank'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 2% RLF Funds

The loan applicant must fit into at least ONE of the categories below, in order to be eligible for the 2% 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 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 bank 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 bank. 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 bank.

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 bank 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 bank 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 2% 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

Deleted: When applicable, contractors must submit an Affirmative Action Plan Statement that complies with City Ordinance 139.50. City staff will assist applicants in this matter.

Minneapolis Employment and Training network as well as JOB LINK, 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 detailed 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 bank to collect this fee and to remit it to the City of Minneapolis.

Revised ~~4/16/04 2% guidelines~~

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2% REVOLVING LOAN FUND AGREEMENT**BETWEEN****CITY OF MINNEAPOLIS****AND****PARTICIPATING BANKS**

THIS AGREEMENT, entered into this ____ day of _____, 20____ by and between the

CITY OF MINNEAPOLIS
(Hereinafter referred to as the City)

and

(Hereinafter referred to as the Bank)

WHEREAS, the City of Minneapolis has established a 2% Revolving Loan Fund (2% RLF) for the purpose of making loans to neighborhood small business firms; and

WHEREAS, the establishment of the 2% RLF requires that loan monies advanced from the 2% RLF be matched by an equal amount from a local bank;

NOW THEREFORE, in consideration of the above premises, the parties hereto agree as follows:

1. That the document dated August 2000, entitled "2% Revolving Loan Fund Program Guidelines," attached hereto as Exhibit A and incorporated herein, governs this agreement.
2. That the Bank in conjunction with the City will make eligible loans for rehabilitation at a ratio of 1:1 not to exceed a program maximum limit of \$80,000. Any additional loan monies exceeding the program maximum limit shall not be the responsibility of the City.
3. That, for each loan made, half the funds will come out of the 2% RLF, up to a maximum of \$40,000, and at least half the funds will be made available by the Bank.

4. That interest will be computed in the following manner. At the annual rate of two percent (2%) on the City's portion and no more than 2% above prime rate for the monies loaned from the Bank.

5. That the term of the loan shall not exceed ten (10) years. The Bank shall make the determination of the appropriate term.

6. That the City will pre-screen the applicants for loans to determine if their request meets the program eligibility standards.

7. That prior to approving or rejecting a loan request the Bank shall process the request in the same manner as any other commercial improvement loan request.

8. That the Bank shall then approve or reject the loan based on the program requirements, provided that no application can be rejected for any unlawful reason; provided further that the City shall not have the authority to approve or reject a loan on behalf of the Bank.

9. That if the Bank and the City approves the loan, the City shall tender its check drawn on the 2% RLF for half of the principal amount of the loan, up to a maximum of \$40,000, at the time of the loan closing.

10. That for each loan, the Bank shall have the loan recipient execute a promissory note(s) and appropriate collateral documentation such as a security agreement, loan agreement, mortgage, personal guarantees, etc., to the Bank except under special circumstances agreed to by the Bank. The City interest in the promissory note and collateral or guarantees shall be subordinate to that of the Bank. The promissory note shall, along with other documents, state the interest rate and schedule for payment.

11. That for each loan entered into under the Agreement, the loan recipient shall be required to file Form 1, "Loan Application" and "Loan Applicant's Certification" indicating he/she has read and understood the Program Guidelines. Form 1 shall be executed substantially in the form of Form 1 attached hereto as Exhibit B.

12. That in conjunction with City's tendering of its check for half the loan, the Bank shall execute Form 2 "Certificate of Participation" for each loan whereby the Bank sells one-half of the loan to the City 2% RLF at the rate of two percent (2%) per annum. A blank copy of said Form 2 "Certificate of Participation," is attached hereto as Exhibit C and is incorporated herein by reference hereto.

13. That the Bank upon closing the loan will collect the City's Origination Fee of 1% of the loan City loan amount (with a minimum of \$150) from the Borrower and remit said Fee to the City in conjunction with requesting the City's Participation Amount.

14. That the schedule for loan payments by the recipients shall be determined by the Bank and said payments shall be made to the Bank on a monthly basis in accordance with the promissory note.

15. That the Bank shall provide to the loan recipient a Truth-in-Lending Disclosure when applicable.

16. That the Bank shall remit loan payments to the City on a monthly basis. On a monthly basis, the Bank shall pay to the City that portion of the loan recipient's payments for the prior month which represents a two percent (2%) payment of interest on the outstanding principal balance for the City's share of the loan, and that portion of the monthly payment which represents a repayment of the principal amount of the loan.

17. That this Agreement shall expire when the 2% RLF monies available to the ~~City~~ are exhausted. Provided, however, either party may terminate this Agreement at any time for any reason by written notice to the other of its intention to do so. Such termination shall be effective upon the effective date set forth in such notice, or, if no date is set forth, upon giving of the notice. If this Agreement is terminated in accordance with the procedures set forth above, said termination shall not affect the rights and obligations of the Bank and the City with respect to loans outstanding on the effective date of such termination.

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18. Through Minneapolis City Ordinance 109.470, City and City-derived funds are prohibited from use to pay for billboard advertising as a part of a City project or undertaking.

19. The Bank agrees to be bound by the City's Code of Ethics, Minneapolis Code of Ordinances, Chapter 15 ~~as it exists on the date of this Agreement.~~ ~~The Bank~~ certifies that to the best of its knowledge, all City employees and officers participating in this Agreement have also complied with that ordinance. It is agreed by the Parties that any violation of the Code of Ethics constitutes grounds for the City to void this Agreement. All questions relative to this section shall be referred to the City and shall be promptly answered.

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20. The books, records, documents and accounting procedures and practices of the Bank relevant to this contract shall be subject to examination by the City or its designees.

21. The Bank understands that the use or disclosure of applicant or recipient data, when not directly connected with the administration of the Bank's or the City's responsibilities under this Agreement, may be prohibited by the Minnesota Government Data Practices Act or other state and federal laws and regulations on data privacy unless written consent is obtained from such applicants and recipients.

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~~IN WITNESS~~ FURTHERANCE WHEREOF, the parties hereto have set their hands as of the day and year first above written.

CITY OF MINNEAPOLIS

By _____
Mayor

Attest _____
City Clerk

Countersigned _____
Finance Officer

Department Head Responsible
for Monitoring Contract:

Robert Lind, Manager of Business
Finance (CPED)

Approved as to form:

Assistant City Attorney

Participating Bank

By: _____
Its: _____

By: _____
Its: _____

COMMERCIAL CORRIDOR/COMMERCIAL NODES

**2% 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 in designated Commercial Corridors & Commercial Nodes (exhibit A) 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 the demands of all eligible applicants, 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:

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- The date of the application.
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The portion of the borrower's equity to be injected into the project will be determined by the bank.

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

- the Department of Community Planning and Economic Development will coordinate the program with business and community development organizations.

- Local banks will execute Lender Agreements with the City of Minneapolis to carry out their participation in accordance with these guidelines.

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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:

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C. Ineligible Costs

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

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F. Public Purpose For Use of 2% RLF Funds

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- 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.

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4. Community and Small Business Development

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c. The assisted project improves the economic viability of the community it serves.

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d. The assisted project provides for increasing operating efficiency and marketability of the business.

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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 bank 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 bank. 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 bank.

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 bank 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 bank 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.

Deleted: When applicable, contractors must submit an Affirmative Action Plan Statement that complies with City Ordinance 139.50. City staff will assist applicants in this matter.

VI MINNEAPOLIS EMPLOYMENT AND TRAINING PROGRAMS

Jobs created or vacated through the activities financed by the City's 2% 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 JOB LINK, 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 detailed 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 bank to collect this fee and to remit it to the City of Minneapolis.

- 38th St. and 4th Ave So
- 42nd St. and Bloomington Ave So
- 42nd St. and Cedar Ave So
- 50th St. and 34th Ave So
- Cedar Ave So and Minnehaha Parkway
- 48th St. and Chicago Ave So
- 56th St. and Chicago Ave So
- 36th St. and Bryant Ave So
- 38th St. and Nicollet Ave So
- 43rd and Nicollet Ave So
- 46th St. and Nicollet Ave So
- 46th St. and Bryant Ave So
- 50th St. and Bryant Ave So
- 50th St. and Penn Ave So
- 50th St. and France Ave So
- 54th St. and Penn Ave So
- 54th St. and Lyndale Ave So
- Nicollet Ave and Diamond Lake Rd
- 60th and Nicollet Ave So
- Linden Hills (Sheridan Ave So and 43rd St W)
- Morningside (44th and France Ave So)

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COMMERCIAL CORRIDOR/COMMERCIAL NODES
2% REVOLVING LOAN FUND AGREEMENT

BETWEEN

CITY OF MINNEAPOLIS

AND

PARTICIPATING BANKS

THIS AGREEMENT, entered into this _____ day of _____, 20____ by and between the

CITY OF MINNEAPOLIS
(Hereinafter referred to as the City)

and

(Hereinafter referred to as the Bank)

WHEREAS, the City of Minneapolis has established a 2% Revolving Loan Fund (2% RLF) for the purpose of making loans to neighborhood small business firms; and

WHEREAS, the establishment of the 2% RLF requires that loan monies advanced from the 2% RLF be matched by an equal amount from a local bank;

NOW THEREFORE, in consideration of the above premises, the parties hereto agree as follows:

1. That the document dated March 2004, entitled "Commercial Corridor/Commercial Nodes 2% Revolving Loan Fund Program Guidelines," attached hereto as Exhibit A and incorporated herein, governs this agreement.

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2. That the Bank in conjunction with the City will make eligible loans for rehabilitation at a ratio of 1:1 not to exceed a program maximum limit of \$150,000. Any additional loan monies exceeding the program maximum limit shall not be the responsibility of the City.

3. That, for each loan made, half the funds will come out of the 2% RLF, up to a maximum of \$75,000, and at least half the funds will be made available by the Bank.

4. That interest will be computed in the following manner. At the annual rate of two percent (2%) on the City's portion and no more than 2% above prime rate for the monies loaned from the Bank.

5. That the term of the loan shall not exceed ten (10) years. The Bank shall make the determination of the appropriate term.

6. That the City will pre-screen the applicants for loans to determine if their request meets the program eligibility standards.

7. That prior to approving or rejecting a loan request the Bank shall process the request in the same manner as any other commercial improvement loan request.

8. That the Bank shall then approve or reject the loan based on the program requirements, provided that no application can be rejected for any unlawful reason; provided further that the City shall not have the authority to approve or reject a loan on behalf of the Bank.

9. That if the Bank and the City approves the loan, the City shall tender its check drawn on the Commercial Corridor/Commercial Notes 2% RLF for half of the principal amount of the loan, up to a maximum of \$75,000, at the time of the loan closing.

10. That for each loan, the Bank shall have the loan recipient execute a promissory note(s) and appropriate collateral documentation such as a security agreement, loan agreement, mortgage, personal guarantees, etc., to the Bank except under special circumstances agreed to by the Bank. The City interest in the promissory note and collateral or guarantees shall be subordinate to that of the Bank. The promissory note shall, along with other documents, state the interest rate and schedule for payment.

11. That for each loan entered into under the Agreement, the loan recipient shall be required to file Form 1, "Loan Application" and "Loan Applicant's Certification" indicating he/she has read and understood the Program Guidelines. Form 1 shall be executed substantially in the form of Form 1 attached hereto as Exhibit B.

12. That in conjunction with City's tendering of its check for half the loan, the Bank shall execute Form 2 "Certificate of Participation" for each loan whereby the Bank sells one-half of the loan to the City 2% RLF at the rate of two percent (2%) per annum. A blank copy of said Form 2 "Certificate of Participation," is attached hereto as Exhibit C and is incorporated herein by reference hereto.

13. That the Bank upon closing the loan will collect the City's Origination Fee of 1% of the loan City loan amount ~~from the Borrower and remit said Fee to the City in conjunction with requesting the City's Participation Amount.~~

Deleted: (with a minimum of \$150)

14. That the schedule for loan payments by the recipients shall be determined by the Bank and said payments shall be made to the Bank on a monthly basis in accordance with the promissory note.

15. That the Bank shall provide to the loan recipient a Truth-in-Lending Disclosure when applicable.

16. That the Bank shall remit loan payments to the City on a monthly basis. On a monthly basis, the Bank shall pay to the City that portion of the loan recipient's payments for the

prior month which represents a two percent (2%) payment of interest on the outstanding principal balance for the City's share of the loan, and that portion of the monthly payment which represents a repayment of the principal amount of the loan.

17. That this Agreement shall expire when (i) the 2% RLF monies available to the City are exhausted or (ii) the tenth (10th) anniversary of this Agreement, whichever occurs first. Provided, however, either party may terminate this Agreement at any time for any reason by written notice to the other of its intention to do so. Such termination shall be effective upon the effective date set forth in such notice, or, if no date is set forth, upon giving of the notice. If this Agreement is terminated in accordance with the procedures set forth above, said termination shall not affect the rights and obligations of the Bank and the City with respect to loans outstanding on the effective date of such termination.

22. Through Minneapolis City Ordinance 109.470, City and City-derived funds are prohibited from use to pay for billboard advertising as a part of a City project or undertaking.

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23. The Bank agrees to be bound by the City's Code of Ethics, Minneapolis Code of Ordinances, Chapter 15 as it exists on the date of this Agreement. The Bank certifies that to the best of its knowledge, all City employees and officers participating in this Agreement have also complied with that ordinance. It is agreed by the Parties that any violation of the Code of Ethics constitutes grounds for the City to void this Agreement. All questions relative to this section shall be referred to the City and shall be promptly answered.

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24. The books, records, documents and accounting procedures and practices of the Bank relevant to this contract shall be subject to examination by the City or its designees.

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25. The Bank understands that the use or disclosure of applicant or recipient data, when not directly connected with the administration of the Bank's or the City's responsibilities under this Agreement, may be prohibited by the Minnesota Government Data Practices Act or other state and federal laws and regulations on data privacy unless written consent is obtained from such applicants and recipients.

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IN FURTHERANCE WHEREOF, the parties hereto have set their hands as of the day and year first above written.

CITY OF MINNEAPOLIS

By _____
Mayor

Attest _____
City Clerk

Countersigned _____
Finance Officer

Department Head Responsible
for Monitoring Contract:

Approved as to form:

Assistant City Attorney

Deleted: Robert Lind, Manager of
Business ¶
Finance (CPED)¶

Participating Bank

By: _____
Its: _____

By: _____
Its: _____

Delegating authority to make and execute Lender Agreements consistent with 2% Revolving Loan Fund Program Guidelines and Commercial Corridor Nodes 2% Revolving Loan Fund Program Guidelines.

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

If the City Charter allows, authority is delegated by the City Council to the Director of the Department of Community Planning and Economic Development (CPED) or his designee, to make and execute Lender Agreements not to exceed the City Council authorized appropriation for the 2% Revolving Loan Fund Program and the Commercial Corridor Nodes 2% Revolving Loan Fund Program respectively and for a maximum term of ten (10) years.

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