~~EXHIBIT B~~

~~COMMERCIAL CORRIDOR/COMMERCIAL NODES~~

2% ~~REVOLVING~~ LOAN ~~FUND~~ PROGRAM GUIDELINES

I. PURPOSE OF FUND

To provide financial assistance in collaboration with participating private lenders to neighborhood retail, service, office and light manufacturing businesses ~~through joint private sector and public action~~undertaking capital Projects.

To establish a city-wide low interest~~, longer~~ term loan program ~~in designated Commercial Corridors & Commercial Nodes (**Attachment 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:~~

- ~~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 ~~Commercial Corridor/ Commercial Nodes~~ 2% ~~Revolving~~ Loan ~~Fund (CC/CN RLF) program~~Program is established and will operate as a public/private sector partnership of the City of Minneapolis and local ~~banks and/or other lending partners~~participating lenders.

~~The CC/CN CC/CN RLF~~ Under the program ~~is shared financing among a bank, other lending partners and~~, the City ~~of Minneapolis. CC/CN RLF~~ provides funds to a private lender to participate in their lending to a borrower. The City's participation loan will provide up to one-half of the total lending being funded to each ~~small~~ business. The City loan amount will be up to a maximum amount based on the size of the business and the address of the capital improvement being made, as defined by the Great Streets eligible areas, with maximum amounts, as follows:

- Up to $75,000 ~~at an~~ anywhere within the city limits of Minneapolis,

- Up to $100,000 if the Project is in an area defined as "Eligible," and the business qualifies as a "Small Business"

- Up to $125,000 if the Project is in an area defined as "Priority Eligible" or "Cultural District Priority Eligible," and the business qualifies as a "Small Business"

"Small Business" means a business entity (either for-profit or non-profit) meeting the following criteria:

i. Is not an affiliate or subsidiary of a business dominant in its field of operation; and
ii. Has 20 or fewer full-time employees; and
iii. in the preceding fiscal year has not had more than the equivalent of $1M in annual gross revenues; or If the business is a technical or professional service, shall not have had more than the equivalent of $2.5M in annual gross revenues in the preceding fiscal year.

The City loan funds will have a fixed interest rate of 2%.

Matching funds at least equal to the amount provided by the ~~CC/CN RLF~~City will be provided at current market interest rates by ~~local community banks and/or other lending partners~~participating lenders.

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

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

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

- ~~Local-~~ Participating lenders will execute a Lender ~~Agreements with the City of Minneapolis to carry out their participation in accordance~~Agreement with the City of Minneapolis and will follow the requirements outlined in the Lender Agreement, Participation Agreement, City Application, and these guidelines.

III. LOAN TERMS AND CONDITIONS

A. ~~CC/CN RLF~~2% LOAN/LENDER Participation

The ~~CC/CN RLF and a participating lender~~ City will ~~share in a loan on a matching basis.~~provide funding for up to 50% of the lending. For example, the ~~CC/CN RLF~~City and ~~a~~ lender will each provide $~~75~~50,000 for a ~~$150~~cumulative amount of $100,000 ~~loan~~in loans. The participating lender may increase its loan funds over the City's maximum amount.

B. Maximum Loan

~~CC/CN RLF~~The City will participate in a loan up to a maximum of $~~75~~125,000 ~~per project with up to 2 loans per borrower. A lender may increase its portion over $75,000, provided that the maximum combined loan per building is $225,000.~~ , depending on Great Streets eligible areas location of business, and size of business as noted in section “II. Participation and Financing” above.

C. Interest Rates

~~The CC/CN RLF loans are made at a fixed interest rate. In most instances, these funds are subordinate to funds provided by the lender.~~

The City’s portion of the lending will have a fixed rate of 2% over the entire term of the loan.

The participating lender is allowed to charge current market interest rates~~, fixed or variable~~ on its portion of the lending over the term of the loan.

EXAMPLE:

	Amount	Rate	Year Term	Monthly Payment
~~CC/CN RLF~~ 2% Loan	$25,000	2%	10	$230
Lender Loan	$25,000	10%	10	$330
Total	$50,000			$560
	“Blended ~~rate~~” 6 %			

D. Term

The term of the City’s loan shall be up to 10 years ~~or less~~ and will ~~be matched by~~match the term of the lender’s loan. The lender shall ~~make~~determine the ~~determination for an~~ appropriate term ~~relating to~~based on the applicant's ability to pay and the use of funds. The City’s loan amortization period shall not exceed the loan term (i.e. no balloon). The City will allow an interest only payment period of up to 6 months if the participating lender is offering an interest only payment period of equal length or longer. In these cases, the interest-only period will not add time onto the term, and the length of the term shall not exceed 10 years. For example, in a loan with a 7-year term, the interest-only period can be 6 months, and the amortization schedule will then be 6.5 years.

If the business has executed a lease on a building in which the business is located the loan term shall not exceed the term of the lease.

E. ~~Collateral Required~~City Loan Committee Review

City Staff will evaluate and approve individual loan applications in accordance with these approved program guidelines, to include a review that the applicant and project are eligible.

- Amount of loan request based on business location and if the business meets the definition of a “Small Business,” as outlined in Section II above
- Eligible applicant, project and expenses, as outlined in Section IV below

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 the lender’s recommendation and the overall strength of the loan application by reviewing the bank’s credit/loan risk report.

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

If City staff determines that there are significant risks in the application, such as insufficient collateral, or poor debt service ability, the City has the right to request additional collateral from the borrower, reduce the City's loan amount from the original request, or deny the loan.

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. Where a mortgage is being taken on real estate, the lender shall include the City's loan amount on the mortgage. However, per the Certificate of Participation the City's loan will be subordinate to the lender's loan. The lender shall file any liens required on 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~~The timing and number of loan disbursements will be ~~limited to three (3)~~determined by the lender. Lender must account for City funds in ~~total; two partial payments plus one final payment (minimum of 10%~~a separate fund in its accounting records in a non-interest-bearing account. All program income and uses of ~~total loan) when all work is completed and inspected~~City funds shall be reported to the City.

G. Lien ~~Wavers~~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~~limited liability companies, partnerships, corporations, ~~tenant operators~~nonprofit organizations, or ~~contract for deed purchasers.~~cooperatives.

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.

An applicant's business must be in ~~order to secure~~ a ~~waiting list status for the CC/CN RLF.~~commercial or industrial property, and must not be a residential property, such as a home-based business or business providing services in a residential setting.

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

If the applicant is the owner of the property being financed, he/she must be current on all property taxes of the subject property.

A borrower may have multiple City 2% loans outstanding at one time provided the Project caps are not exceeded on any one Project. However, cumulative City 2% loans outstanding to a single borrower, regardless of loan type, may not exceed $250,000 at any time. Furthermore, a borrower may not have outstanding City 2% loans totaling more than $125,000 related to a single property at any time.

If the borrower moves the business out of the city limits of Minneapolis, the loan will become due and payable.

~~Applicants may receive up to two loans, but in no case may borrow receive more than $75,000 of CC/CN RLF per project. In the case that the original loan has been paid off and 5 years have expired since the most recent loan origination, the borrower is eligible for an additional loan.~~

~~Applicants must be willing to bring their property up to code regarding~~The applicant is encouraged to cooperate with the City of Minneapolis Employment & Training Program (METP).

B. Eligible Projects

"Project" refers to a specific capital development of a business or capital investment that will expand a business in the City of Minneapolis.

For a Project to be eligible for financing through the City's 2% Program, the Project must be found by City staff to be intended to either:

- Upgrade the appearance, structural condition or operating efficiency of the Project property;
- Improve services being provided to the surrounding community; or
- Retain or expand job opportunities

Applicants must correct any health and safety issues as defined by the City.

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

~~In the event that the borrower moves his/her business out of the City of Minneapolis~~

C. Eligible Expenses

The following is a summary of eligible expenditures. The Lender and the City will make the final determination regarding the eligibility of costs:

- New construction
- Building acquisition

~~, 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~~ & interior structural repairs & improvements to 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,~~ , including: walls, doors, windows, ~~decorative details~~ roofing, ceilings, floors, etc. ~~and awnings.~~
- ~~Sign removal, repairing or~~ Building components, including: HVAC systems, plumbing, electrical, etc.
- Façade improvements, including sign repair/replacement~~.~~
- ~~Architectural~~Soft costs, including: design services ~~for plans and specifications~~, building permits, energy audits, etc.
- 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~~.~~

Equipment

~~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~~

Equipment purchases 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~~ equipment and non-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 long as ~~any~~the equipment ~~or machinery that~~ will increase the productivity of the business~~.~~ or is essential to the operation 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~~Professional fees associated with building construction and/or improvements are also eligible expenses.

~~C~~Use of 2% Loan funds for building acquisition will be considered on a case-by-case basis. If 2% loan funds are used for building acquisition, then the minimum equity contribution provided by the borrower shall be 10% of the acquisition cost of the building. 2% loan funds are not a substitute for the borrower's equity contribution. Such equity contribution may include other grants and loans. The City's 2% loan shall be secured by a second mortgage, or a shared first mortgage with the primary lender.

D. Ineligible Costs

The following costs are ineligible

- Refinancing of existing debts.
- Furnishings
- Non-fixed ~~improvements.~~equipment, unless essential production equipment.
- Vehicles.
- Working capital.
- Inventory.
- Sweat Equity (payment for the applicant's own labor and performance for construction of improvements).
- Billboard Advertising.

~~D~~E. Improvements Completed Prior to Loan Closing

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

- Applicant must ~~have already filled out~~submit a City loan application ~~with~~to the 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~~Project prior to proceeding with work being financed by the loans.
- Applicant must ~~agree to include~~comply with all Health and Safety ~~items in~~and code compliance requirements for 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. Submission of an application is not a guaranty of loan approval.

F Priorities If Program is Oversubscribed

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 Great Streets Priority Eligible Areas of the City. Subject to these priorities, the City in reviewing applications may consider the following:

~~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 CC/CN 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.~~

~~The assisted project provides for increasing operating efficiency and marketability of the business.~~ The date of the application.
- The extent of the improvements leveraged by the 2% Loan Funds.
- The extent of new or expanded business and job opportunities.
- The extent of rehabilitation and use of existing vacant structures.

~~b.~~

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~~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~~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 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 *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. 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 expenses. It shall be the responsibility of the lender to collect this fee and to remit it to the City of Minneapolis.

~~Revised 12/9/09   2% Comm'l Corr Guidelines~~