

**CITY OF VIRGINIA
DOWNTOWN REDEVELOPMENT DISTRICT
COMMERCIAL REHABILITATION PROGRAM**

Policy and Procedure Handbook

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I. Purpose

The City of Virginia (City) and the Virginia Economic Development Authority (VEDA as the authorized City program delivery agency), will provide assistance to eligible downtown business owners for the rehabilitation of commercial properties located in the City designated Redevelopment District. The policies and procedures for distribution and eligibility are incorporated in this document.

II. Statement of Affirmative Action

It is the policy of the City that no individual shall be discriminated against because of race, color, religion, creed, national origin, disability, marital status, age or status with respect to public assistance.

The City shall ensure that every person be given full and equal opportunities for participation in the deferred loan program undertaken by this project.

A Program Administrator (Agent) will be selected as administrator of the Virginia Commercial Rehabilitation Program by VEDA and shall take necessary actions to guarantee that minority contractors and subcontractors are provided equal opportunity to perform rehabilitation work.

It shall be the responsibility of VEDA and the Agent to encourage all contractors participating in the rehabilitation deferred loan program to carry out Affirmative Action Policies necessary to assure equal employment opportunity in all aspects of employment, regardless of race, creed, color, religion, sex, national origin, marital status, age or status with respect to public assistance.

In no case shall VEDA or Agent be in conflict with the State or Federal Statutes as they relate to equal opportunities for employment.

III. Delegation of Authority

VEDA has been given the authority to set the guidelines for participation in the program and may amend this Handbook as it deems necessary within the regulations established. The Agent shall be responsible for ensuring that only eligible applicants receive project funds. The Agent will assure that all rehabilitation repairs will meet program eligibility.

IV. Review Committee

The loan review committee will consist of members representing VEDA. The final determination on all loan applications rests with the full VEDA Board.

V. Definitions

- A. **Suitable for Rehabilitation Property:** The property must be structurally sound and economically feasible to rehabilitate as determined by Agent Rehabilitation Specialist.
- C. **Standard Property:** A unit which has no defects or only slight defects which are normally corrected during the course of routine and regular maintenance.
- D. **Substandard Property:** A unit which needs more repair than would normally be provided in the course of regular maintenance. A substandard commercial unit needs two or more major improvements such as roof replacement, furnace replacement, electrical wiring, plumbing, etc.
- E. **Substandard but Suitable for Rehabilitation Property:** A unit which needs two or more major improvements but is economically feasible to rehabilitate.
- F. **Dilapidated Property:** A substandard unit with numerous serious defects. Dilapidated units will not be rehabilitated. The unit does not meet the "suitable for rehabilitation" definition.

VI. Property Eligibility

- A. The property must be a commercial business located within the Redevelopment District designated by the City. (see attached map labeled Exhibit A). Residential "mixed use" properties are eligible, but improvements must be made to a minimum of 51% of the business-related use.
- B. Because the Redevelopment District is located in a Historic Preservation District, all Properties located in the Redevelopment District will require State Historical Society Office (SHPO) clearances.
- C. The property must be in compliance with applicable zoning ordinances or land use guidelines.
- D. The property must be Suitable for Rehabilitation, as defined at Section V.
- E. Each property will have a Full Application completed.
- F. The property taxes must not be delinquent.

VII. Applicant Eligibility

- A. The recipient of funds under this program must have at least one third interest in one of the following types of ownership in the property to be improved:
1. A fee title; or
 2. A fee title subject to a mortgage or other lien securing a debt; or
 3. A mutually binding contract (contract for deed) for the purchase of the property where the borrower is rightfully in possession and the purchase price is payable in installments. The Contract for Deed must be recorded at the office of the County Recorder. The contract for deed vendor (seller) must agree to enter into the Deferred Commercial Rehabilitation Repayment Agreement and Mortgage as additional signatories not in possession.
- B. Any person who is (1) an employee, agent consultant, officer or elected or appointed official of the City of Virginia or its' Agent who exercises or has exercised a function or responsibility with respect to assisted rehabilitation activities or (2) is in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity or have an interest in any contract, subcontract or agreement with respect thereto or the proceed thereunder, either for themselves, their immediate family, or those with whom they have business ties, during their tenure and for one (1) year thereafter shall be required to comply with Minn. Stat. § 471.88, subd.14. In this circumstance, as per Minn. Stat. § 471.88, subd.14, the following procedures must be followed:
1. The interested officer discloses that he or she has applied for a grant/loan through this program.
 2. That interest is recorded in the official minutes.
 3. The interested officer abstains from voting on the matter.
 4. The local development organization approves the application by unanimous vote.

VIII. Data Privacy

Information on program applicants is private data which will be administered in accordance with the Minnesota Government Data Practices Act. Information or documentation shall be determined to be necessary if it is required for purposes of determining or auditing a properties eligibility to receive a deferred loan, for verifying relating information or for monitoring compliance with equal opportunity requirements. The use or disclosure of information obtained from a property owner or from another source pursuant to this release and consent is limited to purposes directly connected with the administration of this project under which the property owner is receiving assistance. Financial data received by Agent in its applicant's verification process is considered Private Data and is subject to Privacy of Information Provisions, pursuant to State Statutes.

VIX. Financial Assistance

- A. The financing plan for commercial properties consist of
 - 70% Deferred Loan
 - 20% Downtown Redevelopment Loan from VEDA
 - 10% secured from a bank loan or private financing

- B. Deferred Loans must be repaid as required if the building is sold in less than 5 years. Deferred loans are forgiven on a prorated basis each year with the loan completely forgiven on the first day of the sixth year from the date of closing.

- C. The maximum amount of Deferred Loan funds available per project will be 70% of total eligible project cost, which will not exceed \$49,000. This is based on an estimated average \$70,000 cost per project ($\$70,000 \times 70\% = \$49,000$)

- C. The Deferred Loan will have a recorded mortgage and a lien placed against the property for the term of the loan. Truth in lending policies will be adhered to.

- D. Deferred Loans will be secured with a Repayment Agreement with the following terms and conditions:
 - 1. A Deferred Loan will be 100% forgiven on the first day of the sixth year after loan execution.
 - 2. If the property is sold or title transferred before the end of fifth year, the required amount of prorated loan funds must be repaid to the City of Virginia at the time of closing.
 - 3. Program participants are required to submit a Letter of Credit from their banking institution that equals the remaining project costs after VEDA Deferred Loan funds have been determined prior to commercial rehab work commencing.

X. Eligible Work Items

- A. Rehabilitation loans may be used to:
 - 1. Address Building Code Violations, address exterior building improvements and to remove health, safety or other deficiencies. For example, roofing, siding, plumbing, water supply, waste systems or wiring may be eligible for repair; or
 - 2. Improve the property by increasing the structure's energy efficiency through, for example, upgrading insulation, windows and doors; or
 - 3. Modify or rehabilitate the commercial unit to make it accessible for handicapped or disabled individuals. Accessibility Improvements include such improvements as: structural, exterior, bathroom or other

improvements to commercial buildings which are necessary to enable a handicapped person to function independently in a commercial setting.

- B. All work, or construction completed with VEDA Deferred Loan funds must be in compliance with applicable building codes and standards.
- C. Rehabilitation Deferred Loans will be used to finance improvements that can normally be completed within 90 to 120 days from the date of the issuance of the Proceed to Work Order.
- D. Certain costs required by law or regulation shall be eligible costs with respect to the program. These costs include permits and other similar costs

XI. Ineligible Activities

- A. Rehabilitation Deferred Loans (except for necessary replacement undertaken in connection with eligible improvements) may not be used to finance:
 - 1. Landscaping (except to conduct water away from the dwelling); or
 - 2. Work begun or completed before the date of the Proceed to Work Order.
- B. Additions to structures are not eligible, however, the building owner may utilize match financing to undertake such improvements.
- C. Rehabilitation Deferred Loans shall not be used for refinancing an existing mortgage or debt or the purchase of equipment.
- D. No Deferred Loans shall be paid to program participants for any improvements made under this program who have sold their commercial property prior to execution of the Completion Certificate.
- E. Misrepresentations - Any material misrepresentation on the part of the applicant, revealed through the application process or otherwise may result in a determination of ineligibility. The applicant shall be notified in writing of such determination by Agent and shall be given the opportunity to request an informal review of the matter.

XII. Rehabilitation Procedures

- A. Program Marketing: The City will communicate the availability of this program by a direct mailed notice to the owners of all property within the target area. The notice will describe the program, sources of additional information and a defined period within applications will be accepted. Applications will be processed on a first come first serve basis.
- B. Project Selection: A three-member sub-committee of the VEDA will be assigned to evaluate all applications for eligible activities.
- C. The sub-committee will assess the applications, deemed to meet the minimum eligibility requirements, based upon the following factors, which are not necessarily listed in order of importance:
- D. The extent the proposed project addresses program objectives with projects involving visible exterior improvements that address conditions which contribute to slum and blight conditions scoring higher.
- E. The extent that the proposed project addresses handicapped accessibility conditions.
- F. If the commercial building owner is found eligible and the project is selected for rehabilitation assistance, the owner is notified of the decision and a property inspection is arranged.
- G. Notification to Ineligible Building Owners – VEDA will give an applicant prompt written notice of a decision denying assistance to the applicant. The notice shall also state that the applicant may request an informal review of the decision and shall describe how to obtain the informal review.
- H. A Rehabilitation Specialist inspects the property to identify code related issues, energy, and other deficiencies. The building owner is encouraged to provide input with regard to their building improvement needs.
- I. Following the inspection, a detailed work write up is prepared which outlines the proposed work and materials to be used. This document is given to the building owner who is responsible for obtaining the necessary bids or selecting contractors.
- J. If the building was constructed prior to 1950 the Agent is required to provide the opportunity for a historical review and clearance by the Minnesota State Historical Society. This includes but is not limited to photographic and written documentation being sent to the Historical Society. If the structure is significant, the Historical Society may request certain improvements which are consistent with the Secretary of the Interior's Standards for Historic Renovations and Rehabilitation.
- K. A minimum of two bids will be sent out per job, the bids will have copies of the appropriate wage decisions attached. Contracts will be awarded to the contractor selected by the building owner. If only one bid is submitted, it will be compared to the estimate for the project to determine that the bid was reasonable. As

required by projects receiving State IRRRB funding, current wage decisions will also become part of the contract documents.

- L. It is required that all participating contractors be insured and to be licensed and/or bonded as required by state and/or local ordinances. Contractors are also required to conform to the Davis Bacon Act which states that workers are to receive no less than the prevailing wage for similar work in the locality, the Contract Work Hours and Safety Standards Act which states that workers are to receive overtime compensation at a rate of 1½ times their regular wage after they have worked 40 hours in one week and to the Copeland “Anti-kickback” Act which states workers are to be paid once per week. Contractors are also required to maintain payroll records and submit weekly payrolls and statements of compliance to the contracting agency.
- M. Once the contractor is selected, the Agreement between the Contractor and Property Owner (Contractor Package) is signed by contractor and building owner. A Proceed to Work Order is then issued to the contractor by the Rehabilitation Specialist. The loan documents are signed, the mortgage is recorded, and a lien is placed against the property for the term of the loan.
- N. Building permits, mechanical permits, and all other regulations including State Building Code, State Fire Code, and City Code shall be secured and are the responsibility of the Applicant or their agent.
- O. All change orders to the contract must be in writing and must be authorized by the building owner to VEDA’s Agent.
- P. All construction work performed under contract shall be in compliance with an approved warranty covering workmanship and materials, as noted in the Contractor Package between contractor and Property Owner.
- Q. If the contractor becomes involved in a situation where the work cannot be completed within the time frame specified in the Agreement Between Contractor and Property Owner or the relationship between the contractor and the building owner deteriorate to the point where the job cannot be completed by the original contractor a change order to complete the remainder of the work using a new contractor may be considered by the building owner.
- R. The building owner notifies Agent promptly if defects or problems arise. When all work is completed, the property and work is inspected, and a Completion Certificate is executed between the building owner and contractor. A lien waiver for the amount to be paid is required prior to contractor payments.
- S. After a passing final inspection, City Agent will submit the signed Completion Certificate and Final Invoice to VEDA’s Agent for disbursement.

XIII. Appeals and General Complaints

General complaints that do not warrant a hearing shall be in writing and be addressed to VEDA. A written response to the complaint will be issued within 30 days.

XIV. Amendment

These policies and procedures may be amended or changed at any time by the City of Virginia, except where a signed agreement precludes a change.

VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY (VEDA)
Downtown Redevelopment District
Commercial Rehabilitation Application

The City of Virginia and the Virginia Economic Development Authority will provide assistance to eligible applicants for the rehabilitation of commercial properties located within the targeted area of the City of Virginia. In order to be eligible for this program, the property must be: 1. Located within the targeted Downtown **Redevelopment District established** by the City of Virginia; 2. In compliance with applicable zoning ordinances or land use guidelines; and 3. The property taxes must not be delinquent. Please review our *CITY OF VIRGINIA DOWNTOWN REDEVELOPMENT DISTRICT COMMERCIAL REHABILITATION PROGRAM & POLICY HANDBOOK* for more information. Please note: Applications will be processed on a first come first serve basis.

APPLICANT INFORMATION

NAME OF APPLICANT		APPLICANT MAILING ADDRESS	
EMPLOYER ID NUMBER (EIN) OR SOCIAL SECURITY NUMBER		APPLICANT IS <input type="checkbox"/> OWNER <input type="checkbox"/> TENANT <input type="checkbox"/> OTHER	
OFFICE/BUSINESS PHONE NUMBER	HOME PHONE NUMBER	CELL PHONE NUMBER	
CONTACT PERSON NAME & ADDRESS			CONTACT PERSON PHONE NUMBER

PROPERTY INFORMATION

BUSINESS/PROPERTY NAME			
BUSINESS/PROPERTY STREET ADDRESS:			
BUSINESS/PROPERTY MAILING ADDRESS (if different):			
LEGAL DESCRIPTION OF PROPERTY:			
BUSINESS PHONE	CELL PHONE:	EMAIL:	
BUSINESS COUNTY	DATE BUSINESS FORMED:	EST. AGE OF BUILDING:	ESTIMATED MARKET VALUE:
NAICS CODE	DUNNS NUMBER	NUMBER OF STORIES:	CURRENT PROPERTY TAX AMOUNT:
GENERAL DESCRIPTION OF BUILDING			
DESCRIBE CURRENT AND PROPOSED BUILDING USE (Be specific, what are the products or services of this business, where does it do business, who is the ideal customer?)			

(For more space, please attach additional page entitled "Business Use")

IS BUILDING IN A HISTORIC DISTRICT? <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> UNKNOWN	IS BUILDING ON NATIONAL HISTORIC REGISTER? <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> UNKNOWN	IS BUILDING IN A FLOODPLAIN? <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> UNKNOWN
CURRENT ZONING CLASSIFICATION OF PROPERTY:	HAVE YOU RECEIVED A VARIANCE OR CONDITIONAL USE PERMIT? <input type="checkbox"/> YES <input type="checkbox"/> NO If Yes, When & For What?	
PLEASE ATTACHED THE FOLLOWING REQUIRED DOCUMENTATION TO YOUR APPLICATION <ul style="list-style-type: none"> PROOF OF OWNERSHIP (For Example: Copy of your Deed or Certificate of Title) PROOF THAT YOUR PROPERTY TAXES ARE PAID AND CURRENT (Current Property Tax Statement) PROOF OF INSURANCE (Copy Of Your Policy or Declarations Page) LETTER OF CREDIT FROM YOUR BANKING INSTITUTION WHICH STATES YOU HAVE THE ABILITY TO OBTAIN THE 10% PRIVATE MATCH REQUIREMENT. 		

Please return completed applications with all documentation in sealed envelope to:
 Virginia Economic Development Authority, ATTN: Kris, 327 1st Street South, Virginia MN 55792

OWNERSHIP INFORMATION

OWNERSHIP INTEREST IN PROPERTY TO BE IMPROVED <input type="checkbox"/> OWN (no mortgage) <input type="checkbox"/> OWN WITH MORTGAGE <input type="checkbox"/> CONTRACT FOR DEED <input type="checkbox"/> LEASE <input type="checkbox"/> OTHER: _____		
MORTGAGE HOLDER NAME	DATE OF MORTGAGE:	OUTSTANDING BALANCE:
PLEASE LIST ALL NAMES ON PROPERTY TITLE	OWNERSHIP INTEREST	
1.		
2.		
3.		
4.		

PROJECT REQUEST INFORMATION

<p>PROPOSED IMPROVEMENTS INCLUDE:</p> <p><input type="checkbox"/> Exterior <input type="checkbox"/> Signage <input type="checkbox"/> Awnings <input type="checkbox"/> Mechanical <input type="checkbox"/> Architectural Services <input type="checkbox"/> Interior</p> <p>DESCRIBE PROPOSED IMPROVEMENTS (be specific)</p>

(For more space, please attach additional page entitled "Purpose of the Loan")

ESTIMATED TOTAL COSTS OF PROPOSED REHABILITATION WORK _____

REQUESTED LOAN AMOUNT: _____

MATCHING AMOUNT: _____

OWNERSHIP INTEREST IN PROPERTY TO BE IMPROVED (How will matching amount be funded?)

Personal Savings Mortgage Private Loan OTHER: _____

Financial Application - Tennesen Warning Notice

Some data related to your application may be classified as private under Minnesota Statute 13.599. In order to collect and use this data, we must tell you why we need the data, how we intend to use it, and any consequences you may experience if you do or do not supply the information.

HOW WE INTEND TO USE THE DATA: The information you submit in connection with your application will be used to evaluate your application and, if you are selected for funding, to announce your award. A Minnesota law prohibits state agencies from announcing financing awards before agreement negotiations are complete. If you are selected for funding, this document will allow VEDA to announce your award on a preliminary basis while those negotiations are still pending. Selected participants will be notified before any announcements are made. Announcements typically include information such as a project description, the award amount, and the anticipated impact of grant/loan funding. We may also include information from our evaluation process, including scores and ranks (if applicable). We will never publicize your business plans, customer lists, income tax returns, design / market / feasibility studies, income and expense reports, or any other data classified as private or nonpublic under Minn. Stat. 13.591. Application data submitted by organizations that are not selected for funding will only be released upon request and as required by Minn. Stat. Chapter 13 or other applicable state/federal law. Application or evaluation data may also be shared with any entity that has a legal right to the data under Minnesota or federal law, including under court order.

CONSEQUENCES TO YOU: You can refuse to supply any or all of the requested information, which you are not legally required to provide. However, if the information is not provided we may not be able to make an informed decision on your application and thus will be required to deny the application.

FOR MORE INFORMATION: City of Virginia Data Practices Compliance Official-Britt See-Benes, City Administrator (218) 748-7500; Minnesota Data Practices Act - www.revisor.leg.state.mn.us/stats/13/ or Minnesota Department of Administration, Information Policy Analysis Division (IPAD) - www.ipad.state.mn.us/index.html

APPLICANTS INITIAL THAT YOU HAVE READ THIS SECTION _____

I/we certify that all statements on this application are true and correct to the best of my/our knowledge. I/we understand that any intentional misstatements will be grounds for disqualification. I authorize program representatives the right to access the property to be improved for the purpose of inspecting or obtaining information for the rehabilitation loan program.

Applicant Signature

Printed Name

Date

Please return completed applications with all documentation in sealed envelope to:
Virginia Economic Development Authority, ATTN: Kris, 327 1st Street South, Virginia MN 55792