

City of Brainerd
Economic Development Authority

Meeting

7:30 A.M.

Thursday, January 4, 2018

Council Chambers

AGENDA

1. Call to Order; Roll Call
2. Approval/Amendment of Agenda
3. Approval of Minutes of August 29, 2017 Meeting
4. Approval of Financial Report
5. Update on SCDP/Downtown Grant
6. Request for Funds to Assist with Asbestos Abatement
7. HRA Update
8. Discussion of State MIF Funds
9. BLAEDC Update
10. Other Business
11. Commissioners' Comments/Questions
12. Adjourn

BRAINERD ECONOMIC DEVELOPMENT AUTHORITY

Tuesday, August 29, 2017

Official Minutes

Pursuant to the call and notice thereof, President Menk called the meeting of the Brainerd Economic Development Authority to order at 7:30 a.m.

Present were Commissioners Ed Menk, Jerry Sinner, Matt Mallie, Wayne Erickson, Kelly Bevans, Dale Parks and Gabe Johnson. Also present were City Administrator Thoreen, Finance Director Connie Hillman, BLAEDC Executive Sheila Haverkamp, Brainerd HRA Director Jennifer Bergman, and John Schommer, HRA Rehab Coordinator.

City Finance Director Hillman reviewed the Financial Report for the EDA.

Brainerd Housing and Redevelopment Authority (HRA) Director Jennifer Bergman explained she recently met with City Administrator Thoreen, City Financial Director Hillman, Brainerd Lakes Area Economic Development Corporation (BLAEDC) Director Haverkamp to discuss the EDA revolving loans and how confusing they can be. A chart has been compiled to explain each program, and to explain program differences. Brief explanations of the Community Development Block Grant (CDBG) and the Small Cities Development Program (SCDP) were presented. Those funds indicated as CDBG are funds that the City of Brainerd received prior to the creation of the SCDP, as the CDBG is no longer used. When the state transferred to the SCDP, rates became more restrictive. The state expects to see a targeted area for the use of the funds. A small cities application will indicate a very small area as per state requirements. Any funds that are in the "pools" can be used on any previous area where there was a small cities grant.

BLAEDC Executive Director Sheila Haverkamp gave an explanation of the MN Investment Fund (MIF). As Ms. Bergman works on the community side of the programs, Ms. Haverkamp develops the economic development aspect, working with the private sector businesses to help grow in order to create jobs based on an investment the company will make. The MIF has a.) A State Funded and b.) A Federal Funded (CDBG funds) program; each program requires different rules and regulations. The overall program is intended to provide Gap Financing to companies for their growth and expansions. Finance Director Hillman explained the loans between the two programs are structured very differently.

Brainerd HRA Director Ms. Bergman gave an update on the Downtown Grant Fund received on behalf of the City of Brainerd through DEED (Department of Employment & Economic Development). Funds in the amount of \$650,000 were received and are being used on a Downtown Rehab Program which includes both rental and commercial projects.

Brainerd HRA Rehabilitation Coordinator John Schommer indicated four properties are in the bidding process and are being reviewed as they are submitted. There is a 90 (working) day construction period for the proposals. There are several contracts required by DEED to be completed. Mr. Schommer explained the construction process and answered questions of the board members.

BLAEDC Executive Director Sheila Haverkamp updated the Authority on the progress of the Brainerd Oaks, Serene Pines and Dalmar Estates projects. There were 113 lots conveyed to the CWC HRA; 83 in Brainerd Oaks, 24 in Serene Pines and 7 in the Delmar Estates, (each of which is a tax-forfeited subdivision) within the City of Brainerd. To date, 20 lots have been conveyed to the developer, Paxmar Brainerd LLC. There are thirteen homes currently at some point of construction, of which four have been sold.

Mr. Schommer presented a brief background of the Revolving Loan request from Phelps Block LLC. for the property at 711/715/717 Laurel Street, recently rehabilitated utilizing the SCDP grant. The new tenants have identified the need for a handicap accessible bathroom, a new boiler to replace the recently failed existing boiler, and have asked for additional financial assistance.

On motion by Bevans, seconded by Johnson and unanimously carried to recommend City Council to proceed with the loan as detailed in the application at the September 5th meeting.

Ms. Haverkamp presented the BLAEDC Unified Fund proposal offering the details and benefit of being a part of the program. Currently, there are more than a dozen revolving loan funds in Crow Wing County that are available to businesses to assist them to grow and expand. The BLAEDC Board has concluded that a simplified, uniform application process will allow companies to seek funding with the assurance that public processing of the loan application will occur at a mutually beneficial time and date. Legal counsel has been involved to process necessary documents. Paul Means and Mike Larson, BLAEDC Board Members, offered insights regarding the program's benefits.

On motion by Sinner, seconded by Bevans the HRA Board recommends to City Council to approve the Unified Fund proposal. Commissioners Johnson and Mallie voted against the motion. The motion carried by a vote of 5-2.

Ms. Haverkamp introduced and gave an update on the River to Rails Concept. Mr. Bruce Buxton has been developing this for several months and gave a presentation at the Monday, August 28th City Council meeting. Mr. Buxton spoke about the need to examine and seek change in Brainerd City core, and he works with many community members trying to mull all these ideas to discuss change. These ideas are all from the residents and business owners in the Brainerd downtown area; all a part of new approaches to economic development of River to Rails.

Finance Director Hillman provided the details on the 2018 EDA Budget and answered questions that were presented.

On motion of Bevans, seconded by Johnson and unanimously carried the HRA approved 2018 EDA Budget as presented and pass onto the City Council for approval.

City Administrator Thoreen added the Unified Fund may help the potential applicants start out on the “quiet” side of the process first, then proceed to process plans and financing under the open meeting law and public notices as required.

On motion of Bevans, seconded by Johnson and unanimously carried the Authority adjourned at 8:50 a.m.

Dale Parks, Secretary

Financial Report for EDA

As of December 31, 2017

	Cash & Investments	Receivable Balance	Deferred Loans (as of 12/31/16) **	Awarded Grants
General Funds:				
EDA Fund - #295	\$ 24,981	\$ -	\$ -	\$ -
Total	\$ 24,981	\$ -	\$ -	\$ -
CDBG (Housing/Commerical (Slum & Blight/Federal Objective)):				
Downtown - #298	\$ (126,071)	\$ 59,860	\$ 40,264	\$ 650,105
SE Brainerd - #215	43,227	-	596,277	-
Willows Project - #209	9,850	-	97,000	-
Old Housing - #209	145,816	-	65,475	-
Local Income - #275	72,286	8,354	8,665	-
Total	\$ 145,108	\$ 68,214	\$ 807,681	\$ 650,105
Federal & State MIF (Commerical (Jobs)):				
Commerical - #210 ^^^	\$ 159,020	\$ 709,234	\$ -	\$ -
Federal MIF - #296	2,055	14,464	-	-
Total	\$ 161,075	\$ 723,698	\$ -	\$ -
Grand Total	\$ 331,164	\$ 791,912	\$ 807,681	\$ 650,105

** Portion of the loan that is forgivable with the passage of time

^^^ The Receivable Balance DOES include the \$646,427 borrowed to pay for the industrial park land.

2018 Budget

Economic Development Authority Fund (EDA)

The Economic Development Authority Fund, a special revenue fund, was established by the bylaws of the Economic Development Authority and accounts for property tax levy revenues which are committed for the activities of the Economic Development Authority.

The table below shows a 3-year comparison of the revenues, expenditures and changes in fund balance for the EDA Fund.

	2016 Actual	2017 Budget	2018 Budget
Revenues			
Property Taxes	113,065	118,980	122,223
Other Taxes	727	-	-
Interest	46	250	100
Other Revenues	-	-	-
Total Revenues	113,838	119,230	122,323
Expenditures			
Personnel Services	29,778	29,877	32,845
Supplies	-	-	-
Services	83,100	84,195	83,477
Total Expenditures	112,878	114,072	116,322
Other Sources (Uses)			
Transfer In (Out)	-	-	-
Other Sources (Uses)	-	-	-
Total Other Sources (Uses)	-	-	-
Excess of Revenue Over (under) Expenditures and Other Sources (Uses)	960	5,158	6,001
Fund Balance - Jan 1st	16,976	17,936	23,094
Fund Balance - Dec 31st	17,936	23,094	29,095

MEMO



TO: EDA Board of Commissioners

FROM: Brainerd HRA Rehab Coordinator John Schommer
Finance Director Connie Hillman

DATE: January 2, 2018

RE: Update on SCDP/Downtown Grant

The City was awarded a \$650,105 grant in for commercial and rental rehabilitation in the Downtown area. The City had to use \$98,635 of program income prior to drawing on the grant funds.

The City used \$23,000 of the program income on an owner-occupied home in SE Brainerd and the rest of the program income (\$75,635) on the downtown grant area.

As of January 2, 2018, the City has requested \$257,018 in reimbursement from DEED, and has spent a total of \$285,133 of grant dollars. \$609,912 of the grant dollars have been committed for nine projects/buildings.

Nine projects have been started. Two of which are complete with only the lien remaining to be filed.

/clh

MEMO



To: Brainerd EDA Board Members

From: Jennifer Bergman, Brainerd HRA Executive Director
Connie Hillman, City of Brainerd Finance Director

Date: January 2, 2018

Re: Consider Application for Commercial Rehab at 707 Laurel St.

Background

Sarah Hayden Shaw recently purchased the Iron Rail building located at 707 Laurel Street. The commercial space is currently vacant and she will be vacating the residential property on the 2nd floor to remove the asbestos, replace the insulation and install new furnaces.

Request

Attached is an application for assistance with this project. Mrs. Shaw is requesting assistance from the Crow Wing County (CWC) HRA and the City of Brainerd. The estimated project cost is \$98,000:

\$30,000	Removal of vermiculite insulation, ductwork and furnaces plus air and surface testing and pipe wrap removal
\$32,000	Re-insulation, 7,000 sq ft to R-50 under roof
\$36,000	Replace 3 furnaces and ductwork
\$98,000	Total

Mrs. Shaw is requesting \$85,000 in assistance.

The CWC HRA Board considered a request from Mrs. Shaw for a deferred loan through the HRA's TIF Revolving Loan fund. The only eligible expense in this program is the asbestos abatement. The CWC HRA authorized \$24,999 in the form of a forgivable loan which would be a 0% interest loan, forgiven at a rate of 10% per year and completely forgiven after the 10th year contingent upon the contribution of funds from the City of Brainerd.

The City of Brainerd's Commercial Rehabilitation Loan/Grant Assistance Program Policies and Procedures state that the City of Brainerd will provide up to a \$25,000 deferred loan and up to a \$25,000 traditional loan per project for a total assistance of \$50,000 per project (see Attached Policies and Procedures). This is based on a 1/3 deferred loan, 1/3 traditional loan and 1/3 applicant match.

Based on this model, a maximum of \$25,000 could be provided as a deferred loan and \$25,000 as a revolving loan leaving the owner contribution of \$48,000 which exceeds the 1/3 match requirement. The Policies and Procedures do not specify whether the applicant match must be their own funds or if other programs

Funds Available

The eligible funds the City has available to contribute are from the Small Cities grants. Currently, the local income (cash in Fund 275) the City has already been committed to a project. The program income (cash in Funds 215, 298, and Willows 209) is committed as leverage for a grant the City recently submitted a preliminary proposal for, as well as completing the current SCDP/Downtown grant.

The City may have additional program income for the fiscal year that will be ending September 30, 2018, but we will not know for sure until that date. So, at this time, the funds the City would have available to match the HRA funds for asbestos abatement would be from the Old Housing grant (Fund 209). Some of the funds from the old housing grant is currently committed for the demolition of the motel at 507 6th Street South.

Recommendation

The estimated project cost is \$98,000. After the \$24,999 contribution from the CWC HRA, this leaves a balance of \$73,001. Based on the Policies and Procedures, staff would recommend the following:

\$24,333:	Revolving Loan
\$24,333	Deferred Loan
\$24,335	Owner Contribution



324 East River Road
Brainerd, MN 56401

Phone: 218/828-3705
Fax: 218/828-8817

August 1, 2017

Dear Owner,

Attached is the application for the commercial building improvement program. Please complete, sign and date the application. The HRA also needs the following information prior to setting up your initial inspection

1. Privacy Notice statement (enclosed) – sign and date
2. Program expectations form (enclosed) – sign and date
3. Conflict of interest form (enclosed) – sign and date
4. Form of Identification – driver's license, etc.
5. Proof of insurance – copy of declaration page

I look forward to meeting you and working with you in the weeks ahead. Call me at 824-3426 if you have any questions.

When you have completed the above items please return them to me. I will contact you after I have reviewed the application.

Thank you

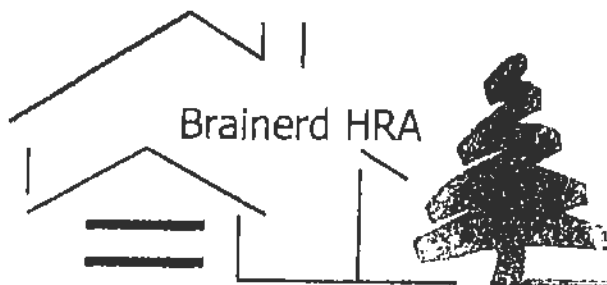
Sincerely,

A handwritten signature in black ink, appearing to read "John Schommer", written over a horizontal line.

John Schommer

Rehabilitation Coordinator





Brainerd HRA

324 East River Road
Brainerd, MN 56401

Phone: 218/828-3705
Fax: 218/828-8817

**Commercial Rehabilitation
Loan Application**

Applicant Information

Name of Applicant:

Sarah Hayden Shaw

DUNS Number

Federal ID Number or
Social Security Number:

[REDACTED]

☒ Owner or ☐ Tenant

Street/Address
of Applicant:

521 N. 9th St

Office Phone:

218 760 6837

City, State,
Zip Code:

Brainerd MN 56401

Home Phone:

Contact Person:

Sarah Hayden Shaw

Office Phone:

Home Phone:

Property Information

Address of Building
to be Rehabilitated:

707 Laurel

Estimated Age of Building:

94 yrs

Number of Stories:

2 + basement

Estimated Market Value:

\$ 230,000

Current Property Taxes:

\$

General Description of Building:

Commercial main floor + basement (Bk) 9 apts above

Existing Building Use:

Vacant, most recently bar + apartments

Proposed Use of Building:

Retail commercial + apartments

Is this building within a correct zoning classification? ☒ Yes ☐ No

Current zoning?

Variances/special
use permits?

Is the building in a Historic District?

☐ Yes ☒ No

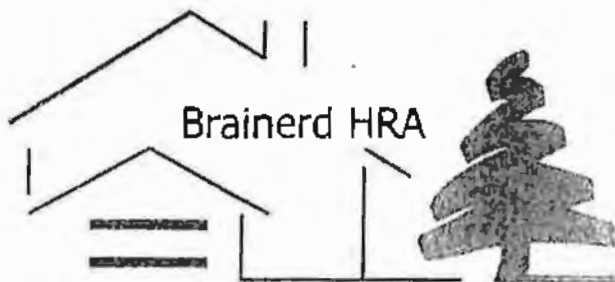
Is it on the National Historic Register?

☐ Yes ☒ No

Is it in a Floodplain?

☐ Yes ☒ No





Brainerd HRA

324 East River Road
Brainerd, MN 56401

Phone: 218/828-3705
Fax: 218/828-8817

**Commercial Rehabilitation
Loan Application**

Ownership Information

Ownership interest in property to be improved:

☐ Contract for Deed

☐ Free and Clear

☒ Mortgage

☐ Lessee: Specify terms of Lease: _____

☐ Other: Specify: _____

Name(s) on Title: Specify ownership interest of each name on the title:

Sarah Hayden Shaw (Joint ownership, spouse)

Edward Shaw (Joint ownership, spouse)

Amount of Outstanding Principal owed on Building:

\$ 125,000

NOTE: Attach proof that mortgage is current and proof of insurance on the building

Estimated Rehabilitation Costs and Requested Loan Information

Describe Proposed Improvements: (SCDP funds can only be used for exterior improvements and to correct code violations.)

Exterior: _____

Signs: _____

Awnings: _____

Mechanical Systems: _____

Architectural Services: _____

Interior: _____

Estimated Total Cost of Proposed Rehabilitation Work: \$ 98,000

Requested Loan Amount from Program: \$ 85,000

Matching Amount: \$ 13,000

Sources of Match: ☒ Personal Savings ☐ Mortgage ☐ Private Loan ☐ Other _____

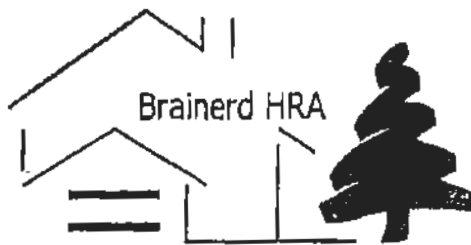
I/we certify that all statements on this application are true and correct to the best of my/our knowledge. I/we understand that any intentional misstatements will be grounds for disqualification. I authorize program representatives the right to access the property to be improved for the purpose of inspecting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

Applicant: _____

Date: _____



See back
for more
detailed
accounting



324 East River Road
Brainerd, MN 56401

Phone: 218-824-3432
Fax: 218-828-8817

Privacy Notice

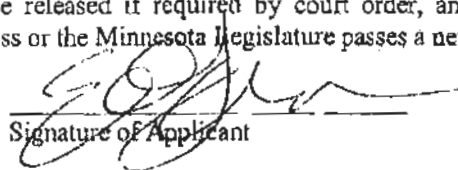
We are asking that you provide information for the Rehabilitation Program to determine if you are eligible to participate in the program.

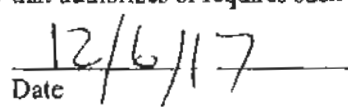
Your name, address and the amount of assistance you receive are considered public data under the Minnesota Data Practices Act. Other information that you provide to the rehabilitation program about you and your household is considered private data.

We will use your private data only when it is required for administration and management of the program. Persons or agencies with whom this information may be shared include:

- Staff and other persons involved in program administration.
- Local loan committee members who approve applications.
- Auditors who perform required audits of this program.
- Authorized personnel from the Minnesota Dept. of Employment and Economic Development, the U. S. Dept. of Housing and Urban Development or other local, state and federal agencies providing funding assistance for your loan.
- Members of the local governing board for the purpose of addressing/resolving applicant complaints (as addressed in the project's policy and procedural manual).
- Those persons who you authorize to see it.
- Law enforcement personnel in the case of suspected fraud or other enforcement authorities as required.

We cannot release private data to anyone else or use the private data in any other way unless you give us permission by completing a consent form that we will provide. Please keep in mind, however, that data must be released if required by court order, and, in addition, your private data may be released if Congress or the Minnesota legislature passes a new law that authorizes or requires such release of data.


Signature of Applicant


Date

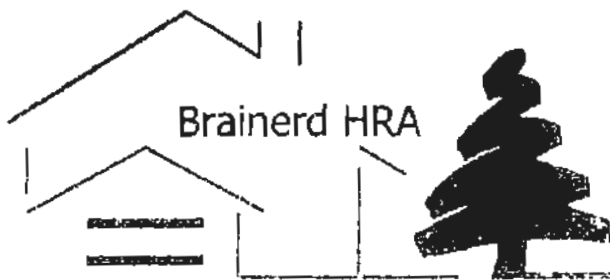
Signature of Co-Applicant

Date

Minnesota law gives you important rights in regard to information maintained about you. These include:

- The right to see and obtain copies of the data maintained on you,
- Be told the contents and meaning of the data, and
- Challenge the accuracy and completeness of the data.

To learn more about these rights, contact Dennis Christenson at 218-824-3432.



324 East River Road
Brainerd, MN 56401

Phone: 218/828-3705
Fax: 218/828-8817

What To Expect and What Not To Expect From The Commercial Rehabilitation Program

Things that Businesses do in the Commercial Rehabilitation Program

The Rehabilitation Program Staff will help during the property process, but businesses are responsible for making the choices and doing the work listed below.

1. Businesses provide the program staff with necessary information promptly.
2. Businesses, not the program staff, choose contractors to put together bids.
3. Businesses, not the program staff, select the contractor to do the work on the house.
4. Businesses sign home improvement contracts with the selected contractor.
5. Businesses request and approve payments to their contractors.
6. Businesses are part of inspecting and approving work performed by their contractors
7. Businesses work with contractors to settle disagreements during the job.
8. Businesses contact their contractors to ask them to correct problems covered by contractor warranties during the first year after the job is completed.

Things you should think about before taking out a Home Improvement Loan

1. Not all the work that Applicants want to be done can always be done. SCDP funds can only be used for exterior and code violation corrections.
2. Don't expect the property to be completely new after the work is done.
3. It can be stressful working in a property while a contractor is performing the work.
4. Very few times in life is anyone completely satisfied with things they buy or have repaired. Having a property repaired is no different.
5. Finally, the program staff is not the contractor and cannot guarantee that Businesses will be satisfied with the work done by the contractors.

Signature of Application: _____

date: _____

Signature of Application: _____

date: _____



324 East River Road
Brainerd, MN 56401

Phone: 218/828-3705
Fax: 218/828-8817

CONFLICT OF INTEREST INTERVIEW FORM

Small Cities Development Program

Are you or have you been one of the following, during the last 12 months, an

	YES	NO
Employee	_____	<u>X</u>
Consultant	_____	<u>X</u>
Officer	_____	<u>X</u>
Elected official	_____	<u>X</u>
Appointed official	_____	<u>X</u>

Of the State of Minnesota, City of Crosby or Brainerd HRA.

Or, do you/have you or any family member has a business relationship with any of the above names agencies?

YES _____ NO X

If yes, describe:

Note: if conflict exists, it may be possible for the grantee and its agents to request an exception to the conflict from the funding agency.

Signature of Applicant: _____

Date: 12/6/17











COMMERCIAL REHABILITATION

LOAN / GRANT ASSISTANCE PROGRAM

POLICIES AND PROCEDURES

FOR BUSINESSES IN DOWNTOWN BRAINERD

Amended 298

Approved: September 3, 2002

City of Brainerd
501 Laurel St.
Brainerd, MN 56501

(W) 218/828-2309
(F) 218/828-2316

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COMMERCIAL REHABILITATION LOAN / GRANT ASSISTANCE PROGRAM FOR BUSINESSES IN DOWNTOWN BRAINERD

I. Purpose and Intent

With this adopted document the City of Brainerd hereby sets forth the policies and procedure guidelines governing the Downtown **Commercial Rehabilitation Loan & Grant Program** for businesses in Brainerd, Minnesota as outlined in the 1992 Community Development Block grant. The purpose of this document is to establish guidelines by which businesses may obtain assistance for the rehabilitation of their business or organization. The program will provide **deferred loan assistance** and a **traditional loan** to eligible businesses. (1/3 Loan, 1/3 Grant, 1/3 Personal Financing) Funding for this assistance was made available through this program utilizing federal **SMALL CITIES DEVELOPMENT PROGRAM** funds available to the City of Brainerd by the Minnesota Department of Trade and Economic Development. This program funding is limited to exterior improvements and code violations. This program will not address business equipment, inventory, operating loans, nor interior fixtures.

The designated Project Administrator is the Director of the Brainerd Economic Development Authority (EDA) and the Director of the Brainerd Housing and Redevelopment Authority. The Project Administrator is responsible for the overall administration of the program.

II. Statement of Affirmative Action

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

III. Conflict of Interest

Federal regulations (24 CFR 570.611) and Minnesota Statutes 471.87-471.88 specify that elected officials, employees of SCDP grant recipients, and others who are in position to participate in the decision-making process of the Program may not:

- A. Obtain personal or financial interest or benefits, including money, favors, gratuities, entertainment or anything of value that might be interpreted as conflict of interest.

- B. Obtain a direct or indirect interest in any contract, subcontract, or agreement for any activity. This prohibition extends to contracts in which a spouse, minor child, or business associate may have personal or financial interest.

(There are exceptions to the statutory prohibition. The city council may, by unanimous vote, contract for goods and services with an interested officer of the city in a number of cases including, with certain procedural safeguards, a contract for which competitive bids are not required by law (generally involving not more than \$25,000). The elected city official, or other person with a potential conflict of interest must file an affidavit and the council must adopt a resolution that make clear that the price is as good as the city could obtain elsewhere.)

IV. Eligibility

- A. Businesses or Organizations who own property in the designated area as outlined in the 1992 City of Brainerd Community Development Block Grant.
- B. Assistance will be limited to "for-profit and non-profit" businesses.
- C. Unable to Finance on Their Own.

In order to receive assistance, applicants must demonstrate that they are unable to finance the full amount of necessary repairs on their own.

Each applicant shall submit an application and letter outlining their inability to finance the project on their own. This will initiate a program application, which shall then be evaluated by the City of Brainerd Economic Development Authority (EDA) according to their standard lending criteria (credit- worthiness, income, expenses, assets, debt load, equity, etc.) and approved by the City of Brainerd, City Council.

- D. Applicant must be able to provide a 1/3 financial match to project. (in-kind contributions are not expectable.)

E. Property Tax Delinquency, Default, and Bankruptcy

No assistance is to be provided if property taxes are delinquent and unpaid. Applicants may apply for the Program and have their eligibility determined, but no rehabilitation work shall be placed under contract unless property taxes are paid in full. No building shall receive assistance if: (1) the owner is in default of a mortgage, contract for deed, or comparable obligation; or (2) the owner is currently engaged in bankruptcy proceedings.

V. Assistance

- A. The City of Brainerd will provide up to a \$25,000 deferred loan and up to a \$25,000 traditional loan per project. For a total assistance of \$50,000.00 per project. (note: the program is based on a 1/3 deferred Loan, 1/3 traditional loan, and a 1/3 applicant match.)

VII. Contracting Procedures

- A. The contractors will be responsible for securing insurance in the amounts specified by the City. The contractors must provide proof of insurance coverage via Certificate of Insurance Coverage.
- B. The contract is between the applicant and the contractor. An applicant is free to choose any licensed contractor that is not subject to conflict of interest regulations.
- C. Contracting will be done on an "informal" bid basis conducted by the applicant. A minimum of two bids shall be solicited for each improvement project. Proof of bids must be presented to the Project Administrator.
- D. The contract shall be awarded to the lowest base bid unless one of the following circumstances occurs:
1. The bid is determined to be unrealistically low and the contractor agrees to withdraw the bid;
 2. The contractor has failed to follow the procedures as outlined in the instructions to the bidders;

3. The applicant does not want the low contractor to perform the work and agrees to pay the difference between the lowest bid and the preferred contractor's bid;
 4. There appears to have been collusion between two or more contractors in which case all bids in the questionable trade category will be thrown out and different contractors solicited for bids; and
 5. The contractor fails to bid according to the specifications, and it proves impossible to compare that contractor's bid with the other contractors'.
- E. The contract will mandate that the contractor comply with all applicable labor standards provisions including but not limited to, **Davis-Bacon and Related Acts requirements relative to prevailing wage rates**, employer-paid benefits, overtime, submission of payrolls, and wage interviews.
- F. Upon execution of the contract by the applicant, the Project Administrator will package the project. A Notice to Proceed is then issued to the accepted contractors. That notice will allow the contractor 45 working days in which to complete the awarded contract.
- G. Change Orders
- All change orders to the contract require the signature of both the applicant and the contractor. All costs above the original award shall be covered by the applicant.
- H. Disbursement of Funds
- No disbursement of funds shall be authorized until the Project Administrator has approved all or a portion of the work that has been completed. Approval shall be evidenced by an executed Completion Certificate which shall be acknowledged to the Project Administrator. No exception to this provision shall be allowed without written notification by the City Council.

The following shall guide the disbursement of funds to the contractor:

1. No pre-payments are allowed for any reason;
2. Partial payments are not allowable for any work not yet completed and will be limited to 80% of the total due on the completed portions of the project;
3. Payments will be made only after the work is completed according to the specifications contained within the Scope of Work and meets with the approval of the applicant and the Project Administrator. In order for the contractor to be paid, a signed (by both the applicant(s) and the Project Administrator) Completion certificate must be executed at the time of payment; and
4. Payments will be made only upon presentation of the following documents:
 - a. Billing Statement,
 - b. Lien Waiver, and
 - c. Completion Certificate.

VIII. Promissory Note / DEFERED LOAN

All recipients of this assistance will need to sign a promissory note as a condition for receiving such assistance. The promissory note would be in existence for ten years (120 months) from the date that the assistance is distributed and shall be reduced on a monthly basis as outlined below. As a condition for receiving such assistance, the recipient will promise to stay in business and not sell or otherwise convey the land and/or buildings for ten years. If the recipient sells or conveys the property prior to ten years, repayment must occur according to the following schedule:

<u>Time</u>	<u>Repayment</u>
0- 12 months	100%
13 - 24 months	90%
25 months - 36 months	80%
37 months – 48 months	70%
49 months – 60 months	60%
61 months – 72 months	50%
73 months – 84 months	40%
85 months – 96 months	30%
96 months – 108 months	20%
108 months – 120 months	10%
121 months -	0%

IX. Promissory Note / Traditional Loan

All recipients of this assistance will need to sign a promissory note as a condition for receiving such assistance. Furthermore, they shall have a 15 year amortization schedule at 3% unless otherwise changed by the EDA.

X. Appeals

Each applicant making application for financial assistance under this program shall have the right to appeal any determination by the Project Administrator. Appeals will be determined by the Brainerd Economic Development Authority.

XI. Amendments

These policies and procedures may be amended or changed at any time by the City Council of the City of Brainerd, except where a signed agreement (committed funding) precludes such a change.

CHECK LIST FOR SUBMITAL

- _____ Fill out application.
- _____ Scope of Work Application.
- _____ Letter outlining financial needs.

CITY OF BRAINERD
COMMERCIAL REHABILITATION PROGRAM APPLICATION

Date: _____

SECTION I. APPLICANT(S) INFORMATION

Name of Applicant	Owner ☐	Tenant ☐	Social Security No.(s) or MN Tax ID No.(s) and Fed. ID No.
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Address (Street, City, State, Zip Code) _____

Telephone: Home: () _____

Work: () _____

SECTION II. BUILDING INFORMATION

Address of Property to be Improved: _____

Name(s) of owner (if different from applicant): _____

(Address)

(Telephone)

Legal Description:

Current Assessors Market value: _____

Current property taxes: _____ (attach statement)

The building was built in what year: _____

Number of stories: _____

Square Footage/Floor: _____

Gross Area of Non-Residential Space: _____ sq. ft.
(Commercial, office, owner-occupied unit, etc.)

Is the property a designated historic bldg.? ☐ Yes ☐ No

Floodplain? ☐ Yes ☐ No

Current Zoning? _____

Variance/Special Use Permits: _____

SECTION III. ESTIMATED REHABILITATION COSTS AND REQUESTED GRANT/LOAN

Proposed Rehabilitation/Construction: (SCDP funds can be used for exterior and code violation corrections only).

DESCRIPTION OF WORK: Be Specific ESTIMATED COST:
(Attach Contractors Cost Estimates, if available)

Estimated Total Cost of Proposed Work: \$ _____

Requested Grant/Deferred Loan Amount: \$ _____
(Max. 1/3 of cost)

Requested Loan Amount: (Max 1/3 of cost at 3% not \$ _____
to exceed 15 years)

Matching Amount (Source) \$ _____

If a Financial Institution is involved you will be required to sign a waiver authorizing the lender to share data concerning your financial ability.

The City of Brainerd may request additional information if deemed necessary by the city.

THE CITY OF BRAINERD or an authorized representative shall have the right to inspect the property to be improved at any time from the date of the Grant upon giving due notice to the occupant(s).

Any person who makes a false statement or misrepresentation in connection with the application for or use of SCDP funds shall be subject to a fine or imprisonment, or both and/or may be required to return all or part of the Grant funds to THE CITY OF BRAINERD.

I, the undersigned, certify subject to penalty under law that all the above information is true and correct to the best of my knowledge and belief, and that the provisions stated above are accepted and agreed to. I understand that I will make the final selection of the improvements to be made with the grant proceeds; that the contract for the improvements will be solely between the contractor and me; and that neither the City of Brainerd nor the Administering Entity will be liable for the inadequate performance of the improvements by my contractor.

Signature

Date

**Commercial Rehabilitation Program
City of Brainerd**

**Scope of Work
Requested Rehabilitation Assistance**

Name of Business:

Description of work:

(By trade, describe work to be completed indicating linear feet, square feet, sizes, specifications of work/materials specific enough that costs can be estimated.)

Compliance with Davis-Bacon wage rates is required.

Prepared by:

Signature: _____ Date: _____

(Printed name of person signing): _____

MEMO



TO: EDA Board of Commissioners

FROM: Finance Director Connie Hillman

DATE: January 2, 2018

RE: State MIF Funds

At the August 29, 2017 EDA meeting, Ms. Shelia Haverkamp with BLAEDC, discussed BLAEDC's Unified Fund ("BUF") concept. The EDA Commission recommended to the City Council to approve the Unified Fund proposal.

The funds the City of Brainerd could contribute to BUF are the City's economic development revolving loan funds – Funds 210 and 296. The funds were generated by grants from both State and Federal legislation and were granted to the City, with BLAEDC's assistance, for a specific project. The goal of the MIF dollars is to provide gap financing to companies to create economic growth and job creation in the community.

Federal MIF Funds

At the October 16, 2017 council meeting, the City Council passed a resolution designating BLAEDC as the City's Local Development Organization (LDO) for the City's Federal MIF funds, which rescinded the previous agreement of the EDA being the City's LDO for those funds; and for the City to enter into an agreement to participate in BUF with the cash balance of the Federal MIF dollars, as of October 16, 2017. The agreement was approved by DEED and the cash balance as of October 16, 2017 (\$463,206) was transferred to the Unified Fund.

Since the Council's agreement to participate in BUF was for the cash balance in the Federal MIF Fund, any payments received after October 16, 2017 are retained by the City. As of December 31, 2017, the cash balance is \$2,055 with an estimated receivable of \$14,464.

State MIF Funds

Legislation was passed in 2017 which allows a one-time use of the State MIF cash balance for non-economic purposes. The City would need to submit an application to DEED by June 1, 2018; return 20% of the cash balance at the time of the application was submitted to DEED by June 30, 2018; and submit a report to the legislative committee by February 15, 2019 detailing how the 80% of the funds were used.

The City's options for the use of the State MIF Funds are:

- Status Quo – City Retains Funds

- Participate in BUF (BLAEDC Unified Fund)
- Exercise One-Time Use Exception – Return 20% of the cash balance to DEED, use 80% for:
 - o Economic or Community Development
 - o Equipment
 - o General Fund

The current cash balance as of December 31, 2017 in the State MIF Fund is \$159,020. The receivable balance from loans made to companies is \$62,807; and the amount of State MIF Funds that the City used to purchase the Industrial Park Land is \$646,427.

Discussion at the council level has been if the City does exercise the one-time use exception, to set the funds aside for economic or community development purposes rather than for equipment or general fund use.

It has also been mentioned to “pay off” the \$646,427 “loan” from the State MIF funds to the City. Staff has confirmed with DEED that if the loan is paid off, these funds are eligible to be included in the one-time exception. It has also been confirmed that documenting the funds have been set aside for a specific purpose (i.e. Three Bridges Trail, River to Rail Initiative), but not actually spent by the February 15, 2019 date should satisfy the reporting requirement.

Staff is cautious about the effect on fund balance if the \$646,427 would be converted to cash prior to June 1, 2018, or what it would mean in the future if the sale of the industrial park land didn't yield enough proceeds for whatever reason (i.e. council sells the lots for \$1 to encourage development). Staff has also been working with our City Attorney and now our Bond Counsel to determine if the \$646,427 really is a loan that has to be repaid when the Industrial lots sell, or if when the funds were used to help purchase the Industrial Lots satisfied the requirement of use of the State MIF funds.

At the December 4, 2017 Council Meeting, the council requested that discussion of the one-time use of the State MIF cash balance for non-economic purposes be placed on the next EDA meeting.