

# **OWNERSHIP AND OPPORTUNITY FUND**

(formerly known as Commercial Property Development Fund)

## Notice of Funding Availability (NOFA)

**NOFA Update - March 13, 2024**

**Application Due Date - Rolling Application Submission**

## PROGRAM OVERVIEW

The Ownership and Opportunity Fund (OOF) (formerly known as the Commercial Property Development Fund) is a forgivable loan tool of the City of Minneapolis. The goal of the tool is economic inclusion by investing long-term debt funding in commercial property in Minneapolis. The tool helps to fill funding gaps for developers and small businesses to acquire and develop commercial real estate in the city of Minneapolis, with a focus on economically challenged areas.

Economically challenged neighborhoods struggle with barriers to attracting capital for commercial property development. Small business owners also face barriers to owning commercial properties, which could provide stability to neighborhood business districts and commercial property development in general. These barriers include, but are not limited to:

- significant deferred maintenance on inventory of commercial properties;
- lower operating income available or shortfalls in collateral to support conventional debt;
- reluctance of some lenders to support projects at levels needed;
- lack of generational wealth in the hands of potential developers or business owners;
- lack of development experience in the hands of potential developers or business owners;
- projects struggle to attract stable credit-rated tenants;
- lack of availability of smaller commercial spaces required by potential tenants; and
- real and perceived safety concerns discourage lenders, tenants, investors, developers, and small business owners from undertaking projects in challenged communities.

The City of Minneapolis Department of Community Planning and Economic Development (CPED) is seeking community-based development or redevelopment proposals to advance the work of commercial property development in challenged communities within the City. OOF funding will be allocated to selected applicants on a rolling basis.

## SUMMARY OF TERMS AND CONDITIONS

The OOF provides patient subordinated debt capital on favorable terms:

**Loan Amount:** Fund provides gap financing based on the financial need of the project that must be leveraged with other financing. Factors considered for determining the loan amount include the private financing the owner qualifies for, owner equity available to invest,

and available OOF program funding.<sup>1</sup>

Since 2020 when the program launched, approved loan amounts have ranged from \$190,000 to \$1,500,000 representing ~5% to 30% of total project costs for a total of 23 projects.

In 2024, a total of \$3.5 million of City funds has been budgeted to this loan pool.

Term: 40 years.

Interest: 0%

Payments: Repayment of full principal balance due if one of the following events occurs:

- (1) Changes in property ownership to a non-qualified heir or successor owner(s) without the consent of the City; or
- (2) material change in use of property without the consent of the City.

Debt Forgiveness: No debt forgiveness during term. At the end of the term principal balance forgiven if the borrower meets the following conditions:

- (1) there are no material changes in use of property that were not consented to by the City;
- (2) there are no issues with delinquent taxes;
- (3) there are no unresolved City zoning or property maintenance violations; or
- (4) there are no other defaults on the loan.

Specific debt forgiveness terms to be approved during loan approval process.

Collateral: Subordinated mortgage and/or subordinated position in other collateral.

## ELIGIBILITY CRITERIA

### Eligible Applicants

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<sup>1</sup> The maximum loan amount available per project is 33% of approved project costs.

Successful applicants must meet the following eligibility criteria:

- Applicants may be individual owners, partnerships, corporations, cooperatives or any other legally recognized form of business organization in active, good standing with the Minnesota Secretary of State, located in or willing to relocate to the City of Minneapolis.
  - Nonprofit organizations are not eligible.
- Applicant must have the ability to service any projected debt obligations and be an acceptable credit risk.
- Applicant's property status must be up to City code or be brought up to code and exist as a conforming use or a legal non-conforming use under the City's Zoning Ordinances.
- All property taxes and assessments of subject property must be current.
- Subject property must fully comply with all applicable regulatory requirements.
- Applicant must have proof of ownership of the subject property or a valid proof of site control.
- Subject property must be within the City of Minneapolis.
- Applicants must demonstrate the ability to finance the project with other leveraged financing.
- Applicants who have previously received a CPDF/OOF loan for another site will generally not be eligible for additional loans. Exceptions may be considered on a case-by-case basis where an applicant holds only partial ownership of one or both sites.
- The principal use of the subject property must be non-residential commercial business(es).

### **Eligible Expenses/Costs**

The City will make the final determination regarding the eligibility of financed costs and expenses.

Eligible expenses include:

- land and/or building purchase;
- hard construction costs;
- construction-related fees and professional services;
- exterior and interior repairs and improvements to buildings;
- building components, including HVAC systems, plumbing, electrical, etc.;
- façade improvements, including sign repair or replacement;
- soft costs, including design services, building permits, energy audits, etc.;
- parking lots, including lighting, surfacing and landscaping; and
- streetscape costs not financed by special assessment.

### **Ineligible Expenses/Costs**

The City will make the final determination regarding the eligibility of financed costs and expenses.

Ineligible expenses include:

- billboard advertising;

- working capital, inventory & motor vehicles;
- refinancing of existing debt is generally not eligible, but may be considered on a case-by-case basis for uses such as repayment of bridge loans made during the current project phase and contract for deed pay offs. OOF loans for new construction and rehab construction will have priority over requests for refinancing;
- some non-construction related soft costs, such as developer fees.

## APPLICATION PROCESS

### Schedule

Applications for support from OOF are accepted on a rolling basis.

### Submit Inquiry

Interested parties should first send an email message to City staff at [BusDevLoans@minneapolismn.gov](mailto:BusDevLoans@minneapolismn.gov) with preliminary project information, such as:

- The project address
- Whether you own or control the site, e.g. have a purchase agreement
- What you propose to do there, project description
- Expected costs
- The status of the project, including the status of securing other financing.

### Required Intake/Pre-Application Informational Meeting

All interested parties are required to meet with or speak with a CPED staff person before submitting an application for support from OOF. This pre-application meeting is needed to assure that projects are eligible for funding and that potential applicants are aware of the requirements to qualify.

Interested parties are encouraged to explore the City's [technical assistance programs](#) and other [business assistance resources](#) for support toward the interested parties' goals. Staff can assist in identifying resources.

### List of Application Materials

Interested parties will receive application materials from City staff after the pre-application meeting, including an application form.

While working with City staff from the initial inquiry through submitting an application, several project details will need to be submitted to City staff in order to assess the project. Required

materials include, but are not necessarily limited to, the following:

**1. Project Narrative**

Describe the location and address, the size and other details about the site, what you propose to do there, a summary of construction and redevelopment needs at the site, and other information that shares your vision, history of the project, and other details to explain the project. Attach or include the following additional details, as available:

**a. Project Team**

Contact information including name, address, phone number and e-mail address for key members of the project team such as: owners, project manager, architect, and general contractor.

**b. Project Visuals**

Plans, elevations and site plan, and photos, as available.

**2. Detailed Sources and Uses of Funds Statement**

A Detailed Sources & Uses of Funds Statement listing all sources of equity, loans and grants to fund the project as well as uses of funds to a reasonable degree of detail.

**3. 10-Year Operating Pro-Forma**

A 10-Year Operating Pro-Forma clearly highlighting the project's proposed revenue and expenses, including debt service schedules, assumptions and formulas and including rent-up schedule. (This information should be provided as a separate excel spreadsheet as this information is non-public & confidential.)

**4. 1-year financial statements (audited, if available) and current year-to-date unaudited financial statements**

1-year audited financial statements and current year-to-date unaudited financial statements for the applicant and each partner of a partnership or corporation with 20% or more ownership. (This information should be provided as a separate excel spreadsheet as this information is non-public & confidential.)

Letters of support or other indications of support from community members, neighborhood organizations, business groups, and other entities will be considered. There are [neighborhood organizations](#) across the entire city of Minneapolis representing the people who live and work in Minneapolis.

Applicants should also provide any information applicant believes will be helpful to the City in evaluating its application. Given the complex nature of development and redevelopment projects, the City may request additional information to evaluate the request.

### **Fee**

The OOF application requires a \$500 non-refundable application fee. Payment and acceptance of the origination fee does not signify a commitment on the part of the City to undertake any specific actions or to grant approval of the requested OOF assistance.

## **CITY REVIEW PROCESS AND EVALUATION CRITERIA**

Applications will be reviewed by CPED and other City staff.

The limited resources dedicated to the OOF will be deployed city-wide, with a focus on several priorities, including:

- Priority will be given to properties affected by the civil unrest in the spring and summer of 2020;
- Priority will be given to projects in census tracts with distressed communities or areas of concentrated poverty as defined as the City's designated Great Streets Priority Area, see [map](#);
- Priority will be given to projects sponsored by developers/owners with a smaller net worth that would make obtaining market-rate financing more difficult;
- Priority will be given to projects and businesses that would have difficulty in proceeding without a OOF loan; and
- Projects that leverage a greater percentage of non-OOF dollars will be given higher priority.

Staff review and analysis will also address several additional items and issues including the following:

### Eligibility

- Does the applicant meet all eligibility criteria for the OOF?
- Has the applicant satisfied all application requirements?

### Impact of the project

- Is the project consistent with City goals, priorities and applicable plans?

- What are the level of improvements and the dollars leveraged by the loan?
- How many jobs does this project create and/or retain?
- What is the extent of rehabilitation and use of any existing vacant structures?
- What are the improvements to the local tax base?
- What are the environmental sustainability and green building features or techniques incorporated into the project?

#### Ability of applicant and feasibility/readiness of project

- How ready is the project to commence construction?
- Does the project appear to be financially feasible?
- Does the developer have adequate experience?

#### Availability of funds

- Are OOF funds available?
- What is the date of the application?

Each OOF loan will require City Council approval.

## **CITY PROGRAM REQUIREMENTS**

The selected applicant(s) will be required to enter into a loan agreement with the City and comply with any applicable City requirements. The City's contract and program requirements vary depending upon the funding structure and proposed use of funds.

OOF funds are not disbursed until all project funds have been approved and are ready for disbursement at a pre-arranged closing. Typically, this may involve a bank and/or a title insurance company. However, no OOF funds are advanced until the entire project is fully funded with acceptable permanent financing or acceptable bridge/interim financing. Documentation needed to schedule a OOF closing may include, but not be limited to the following:

- commitment letters and/or other evidence of approval of all other sources of project funding;
- proof of general liability, builder's risk and other insurance coverage, as specified in the OOF Loan Agreement;
- proof of good standing status for business entities that are parties to the OOF Loan Agreement;



- proof of compliance with City of Minneapolis and State of Minnesota Business Subsidy requirements, which may include submission of an approved Affirmative Action Plan and/or proof of contractor’s participation in an approved Apprenticeship Program; and
- any other documents and/or certifications needed to assure performance under the terms of the OOF Loan Agreement.

## CITY CONTACT

Questions regarding the NOFA should be directed via email to [BusDevLoans@minneapolismn.gov](mailto:BusDevLoans@minneapolismn.gov). Responses to questions will be sent directly to the email address of the inquirer. Potential applicants are encouraged to provide an initial project description with their questions.

In addition, City staff may provide periodic updates and other information on the OOF and this NOFA, and this information also will be posted on the [City’s Ownership and Opportunity Fund webpage](#). Applicants are encouraged to periodically check [the City’s website](#) for any new information concerning this program.