

**Notice of Funding Availability (NOFA)**

**for**

**Commercial Property Development Fund (CPDF)**

**NOFA Release Date - February 11, 2021**

**Application Due Date - Rolling Application Submission**

## OVERVIEW AND PROGRAM OBJECTIVES

The Commercial Property Development Fund (CPDF) is an economic development financing tool of the City of Minneapolis. The economic inclusion purpose of this tool is to fill significant funding gaps by providing forgivable patient debt capital for commercial real estate development and acquisition in the city of Minneapolis, with a focus on economically challenged areas.

The need for patient capital is acute in many parts of the City of Minneapolis. Economically challenged neighborhoods struggle with the same barriers to attracting capital for commercial property development. 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.

Collectively, these challenges negatively impact projects and can prevent them from achieving full capitalization and progressing forward to construction.

The City of Minneapolis Department of Community Planning and Economic Development (CPED) is now calling for community-based development or redevelopment proposals to advance the work of commercial property development in challenged communities within the City. The Commercial Property Development Fund will prioritize support in areas that have historically been impacted by economic exclusion.

Commercial Property Development Fund program funding will be allocated to one or more chosen applicants on a rolling basis. Currently, funding is only available for for-profit entities.

## SUMMARY OF TERMS AND CONDITIONS

The CPDF provides patient subordinated debt capital on favorable terms:

- Maximum Loan Amount: The smaller of 33% of approved project costs or \$7.5 million. Expected loan amount based on current fund pool: Between \$400,00-to-\$800,000-per-project.
- 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;
  - (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

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.
- 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.

### 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 (prohibited by City ordinance);
- working capital, inventory & motor vehicles;
- refinancing of existing debt; generally not eligible; *may* be considered on a case-by-case basis;
- refinancing of existing City of Minneapolis debt *may* be eligible, provided however that CPDF loans for new construction and rehab construction will have priority over requests for refinancing; and
- some non-construction related soft costs.

## APPLICATION REQUIREMENTS

**Applicants should contact the Business Development Division of CPED and discuss the proposed project with CPED staff before applying for support from the Commercial Property Development Fund.**

Development and redevelopment projects are complex in nature. As such, the City recognizes that it cannot foresee all information that may be helpful to the City in evaluating an application for CPDF support. For that reason, the requirements below should be viewed as a guide and not necessarily representative of the total information needed. Applicant should also provide any information applicant believes will be helpful to the City in evaluating its application.

The following materials are an integral part of the application and should be attached to the completed application form:

**1. 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.

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

A Detailed Sources & Uses of Funds Statement showing all sources of equity, loans and grants to fund the project as well as all 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 a 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.)

**5. Project Visuals**

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

**6. Market Study**

An assessment of market demand for the type and amount of development proposed. Please include developer assumptions under this heading if no formal Market Study has been completed.

**7. The City's Consent for Release of Response Data and Certifications.**

Applicants will receive application materials from City staff after a pre-submission meeting. Given the complex nature of development and redevelopment projects, the City may request additional information to evaluate the request.

## **SUBMISSION INSTRUCTIONS**

### **Schedule**

Applications for support from the Commercial Property Development Fund are accepted on a rolling basis. There is no specific deadline for submission of projects for consideration.

### **Required Pre-Submission Informational Meeting**

All applicants are required to meet with or speak with a CPED staff person before submitting an application for support from the Commercial Property Development Fund. 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. The CPDF application process includes the submission of a \$500 non-refundable application fee. This required Pre-Submission Informational Meeting will allow potential applicants to receive answers to important questions before committing to this expense.

### **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.

In addition, City staff may provide periodic updates and other information on the CPDF, and this information also will be posted [here on the City's website](#). Applicants are encouraged to periodically check [the City's website](#) for any new information concerning this program.

## CITY REVIEW PROCESS AND EVALUATION CRITERIA

Applications will be reviewed by staff of the CPED and other City staff. City staff will conduct a review and analysis of the CPDF application, addressing several items and issues including the following:

- Is the project consistent with City goals, priorities and applicable plans?
- Does the applicant meet all eligibility criteria for the CPDF?
- Has the applicant satisfied all application requirements?
- Are CPDF funds available?
- Is the project ready to commence construction?
- What is the date of the application?
- 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?
- Does the project appear to be financially feasible?
- Does the developer have adequate experience?
- What are the environmental sustainability and green building features or techniques incorporated into the project?

Each CPDF loan will require City Council approval. The limited resources dedicated to the CPDF 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;
- 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 CPDF loan; and
- Projects that leverage a greater percentage of non-CPDF dollars will be given higher priority.

Presentation of larger projects to the applicable community group(s) for comment and to obtain evidence of community support will typically be required. In order to meet the City's citizen participation goals, the City requires each proposer to execute and submit a "Consent for Release of Response Data" form.

## CITY PROGRAM REQUIREMENTS

The selected applicant(s) will be required to enter into a funding 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.

CPDF 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 CPDF funds are advanced until the entire project is fully funded with acceptable permanent financing or acceptable bridge/interim financing. Documentation needed to schedule a CPDF 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 CPDF Loan Agreement;
- proof of good standing status for business entities that are parties to the CPDF 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 CPDF Loan Agreement.

The City of Minneapolis will monitor the success and results of the CPDF by actively tracking and reporting on applicable data, including, but not limited to:

- Demographic data – The City of Minneapolis will request demographic data on the principal owners of the applicant business. Applicants are not required to provide this information. The law provides that a lender may not discriminate either on the basis of this information, or on whether you choose to furnish it. If you've made the application in person and do not furnish ethnicity, race, or gender, the City of Minneapolis will note the information on the basis of visual observation and or last name, as instructed by federal law.
- Leveraging of CPDF funds – The City of Minneapolis will actively review, track, and report on the effectiveness of potential projects to leverage debt and equity financing from other sources.
- Geographic data – The City of Minneapolis will actively review, track, and report on the City wards and City census tracts that receive applications for and approval of CPDF loans.