

GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

**Thursday, August 24, 2017
4:00pm
Grand Rapids City Hall**

NOTICE IS HEREBY GIVEN, that a regular meeting of the Grand Rapids Economic Development Authority will be held in Conference Room 2A in the Grand Rapids City Hall, 420 North Pokegama Avenue, in Grand Rapids, Minnesota on Thursday, August 24, 2017 at 4:00pm.

AGENDA

1. Call to Order
2. Call of Roll
3. Setting of the Regular Agenda - *This is an opportunity to approve the regular agenda as presented or add/delete by a majority vote of the Commissioners present an agenda item.*
4. Approval of minutes from the August 10, 2017 regular meeting.
5. Consider approval of claims
6. Consider adopting a revised and updated *SCDP Commercial & Residential Rehabilitation Deferred Loan Program Policy and Procedures Handbook*
7. Consider adoption of a resolution approving Minnesota Investment Fund (MIF) loan documents for the ASV Parts Distribution Center project, and authorizing the President and Executive Director to execute on behalf of GREDA.
8. Review history of Capital Project and Operating funds
9. Updates:
 - a. Block 20/21 site sale/hotel development
10. Adjourn

GREDA Members/terms:

Dale Christy – 12/31/18 (with council term)
Rick Blake– 12/31/18 (with council term)
Mike Przytarski – 3/1/21
Cory Jackson – 3/1/17
Mike Stefan – 3/1/18
Chris Lynch – 3/1/19
Sholom Blake – 3/1/19

**GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING
THURSDAY, AUGUST 10, 2017
4:00 P.M.
GRAND RAPIDS CITY HALL – CONFERENCE ROOM 2A
420 NORTH POKEGAMA AVE., GRAND RAPIDS, MINNESOTA**

CALL TO ORDER: Pursuant to due notice and call thereof, a Regular Meeting of the Grand Rapids Economic Development Authority (GREDA) was called to order on Thursday, August 10, 2017 at 4:00 p.m. in Conference Room 2A of City Hall, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

CALL OF ROLL: On a Call of Roll the following members were present: Commissioners: Sholom Blake, Cory Jackson, Dale Christy, Mike Przytarski. Absent: Michael Stefan, Rick Blake, Chris Lynch.

SETTING OF REGULAR AGENDA: **Approved with addition.**

- **Approve a termination agreement for the purchase and development contract with Grand Rapids Hotel Partners, LLC.**

Commissioner Lynch joined the meeting at 4:02 p.m.

APPROVAL OF MINUTES:

MOTION BY COMMISSIONER CHRISTY, SECOND BY COMMISSIONER PRZYTARSKI TO APPROVE THE MINUTES OF THE JULY 13, 2017 REGULAR MEETING. The following voted in favor thereof: Lynch, S. Blake, Jackson, Christy, Przytarski. Opposed: None, passed unanimously.

APPROVAL OF CLAIMS:

MOTION BY COMMISSIONER JACKSON, SECOND BY COMMISSIONER PRZYTARSKI TO APPROVE CLAIMS IN THE AMOUNT OF \$24,925.00.

| | | | |
|----------------------------|-------------|----------------------|------------|
| Blandin Foundation | \$21,717.05 | City of Grand Rapids | \$2,302.14 |
| Grand Rapids Herald Review | \$63.25 | P.U.C. | \$161.05 |
| SEH-RCM | \$615.00 | Waste Management | \$66.5 |

The following voted in favor thereof: Lynch, S. Blake, Christy, Przytarski, Jackson. Opposed: None, passed unanimously.

Update from IEDC-Mark Zimmerman.

Mark Zimmerman, President of IEDC updated the GREDA on the projects they have worked on this last year.

Visit Grand Rapids Annual Report-Megan Christianson.

Megan Christianson, Executive Director of Visit Grand Rapids provided handouts to the GREDA highlighting the different marketing campaigns for 2017. She also spoke about how the use of social media is becoming a popular way to attract visitors.

Consider approval of a DEED Minnesota Investment Fund Grant Contract for the ASV Parts Distribution Center Project.

MOTION BY COMMISSIONER LYNCH, SECOND BY COMMISSIONER JACKSON TO APPROVE A CONTRACT WITH DEED FOR A MINNESOTA INVESTMENT FUND GRANT FOR THE ASV PARTS DISTRIBUTION CENTER PROJECT. The following voted in favor thereof: Przytarski, Lynch, Christy, S. Blake, Jackson. Opposed: None, passed unanimously.

Approve a termination agreement for the purchase and development contract with Grand Rapids Hotel Partners, LLC.

MOTION BY COMMISSIONER CHRISTY, SECOND BY COMMISSIONER LYNCH TO APPROVE A TERMINATION AGREEMENT FOR THE PURCHASE AND DEVELOPMENT CONTRACT WITH GRAND RAPIDS HOTEL PARTNERS, LLC. The following voted in favor thereof: Jackson, S. Blake, Christy, Lynch, Przytarski. Opposed: None, passed unanimously.

There being no further business the meeting adjourned at 4:53 p.m.

Respectfully submitted:

Aurimy Groom, Recorder

DRAFT

DATE: 08/21/2017
 TIME: 13:15:17
 ID: AP443000.CGR

CITY OF GRAND RAPIDS
 DEPARTMENT SUMMARY REPORT

PAGE: 1

INVOICES DUE ON/BEFORE 08/24/2017

| VENDOR # | NAME | AMOUNT DUE |
|--------------------------------|---|--------------|
| ----- | | |
| ECONOMIC DEVELOPMENT AUTHORITY | | |
| 0920065 | ITASCA ECONOMIC DEVELOPMENT | 10,000.00 |
| | TOTAL | 10,000.00 |
| EDA - CAPITAL PROJECTS | | |
| | DOWNTOWN REDVELPMNT BLK 18-21 | |
| 1105530 | KENNEDY & GRAVEN | 171.00 |
| | TOTAL DOWNTOWN REDVELPMNT BLK 18-21 | 171.00 |
| | TOTAL UNPAID TO BE APPROVED IN THE SUM OF: | \$ 10,171.00 |
| CHECKS ISSUED-PRIOR APPROVAL | | |
| | PRIOR APPROVAL | |
| 1309199 | MINNESOTA ENERGY RESOURCES | 48.09 |
| 1621130 | P.U.C. | 147.18 |
| | TOTAL PRIOR APPROVAL ALLOWED IN THE SUM OF: | \$ 195.27 |
| | TOTAL ALL DEPARTMENTS | 10,366.27 |



SCDP Commercial & Residential Rehabilitation Deferred Loan Program Policy and Procedures Handbook

As adopted by:

**Grand Rapids City Council on:
And**

The Grand Rapids Economic Development Authority on: 8/24/17

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Deleted: 6/26/2014

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I. Purpose

The City of Grand Rapids and its economic development agent, the Grand Rapids Economic Development Authority (GREDA), will provide assistance to eligible applicants for the rehabilitation of commercial and residential properties. The policies and procedures for distribution and eligibility are incorporated in this document and its exhibits.

II. Statement of Affirmative Action

It is the policy of the City of Grand Rapids 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 of Grand Rapids shall insure that every person be given full and equal opportunities for participation in the deferred loan program undertaken by this project.

Itasca County Housing and Redevelopment Authority (ICHRA), as the administrator of the Grand Rapids Commercial & Residential Rehabilitation Program, 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 the City and ICHRA 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 ICHRA or the City of Grand Rapids be in conflict with the State or Federal Statutes as they relate to equal opportunities for employment.

III. Delegation of Authority

The City of Grand Rapids has contracted with ICHRA for the administration of the Small Cities Development Program (SCDP). The City of Grand Rapids and ICHRA have 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 by the Department of Employment and Economic Development (DEED). ICHRA shall be responsible for ensuring that only eligible applicants receive SCDP funds. ICHRA will assure that all rehabilitation repairs will meet program eligibility criteria. The City of Grand Rapids and ICHRA are bound by the terms agreed to by both parties for this project's Contractual Agreement.

IV. Review Committee

The loan review committee for Commercial Rehabilitation projects will consist of a two member sub-committee of the GREDA and the Community Development Director/GREDA Executive Director. The final determination on all commercial rehabilitation loan applications rests with the full membership of GREDA.

The Loan Review Committee for Residential Rehabilitation projects shall consist of ICHRA Executive Director and ICHRA Property and Program Development Specialist.

V. Definitions

- A. **Suitable for Rehabilitation:** The property must be structurally sound and economically feasible to rehabilitate as determined by ICHRA's Housing Manager. Single-wide mobile homes, even if the home is attached to a foundation or if it has additions, are not eligible for rehabilitation with SCDP funds.
- B. **Rehabilitation Standards:** Upon completion, all properties must meet or exceed the attached construction standards.
- C. **Standard:** A unit which has no defects or only slight defects which are normally corrected during the course of routine and regular maintenance.
- D. **Substandard:** A unit which needs more repair than would normally be provided in the course of regular maintenance. A substandard unit to be rehabilitated must be deficient in any of the following areas: structural soundness, living space or accessibility, water supply or sewage disposal, energy efficiency, heating system, plumbing or electrical system, or health and safety matters. This applies to both commercial and residential rehabilitation.
- E. **Substandard but Suitable for Rehabilitation:** A unit which needs two or more major improvements but is economically feasible to rehabilitate. The maximum amount of SCDP funds allowed per project are included in Exhibits A & B.
- F. **Dilapidated:** A substandard unit with numerous serious defects. A dilapidated unit fails to meet a majority of local standards and rehabilitation is neither practical, nor economically feasible. Dilapidated units will not be rehabilitated. The unit does not meet the "suitable for rehabilitation" definition.
- G. **Displacement:** Acts that will cause an occupant of a housing unit to physically relocate or to be adversely impacted economically by the rehabilitation project.
- H. **HQS / Housing Quality Standards:** Minimum standards established by HUD for units suitable for occupancy under its programs of housing assistance.
- I. **HUD:** The U.S. Department of Housing and Urban Development.
- J. **Low Income:** A household with income adjusted for family size that is at or below 80% of the Area Median Income which is determined annually by HUD.
- K. **Very-Low Income:** A household with income adjusted for family size that is at or below 50% of the Area Median Income which is determined annually by HUD.

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VI. Property Eligibility

- A. The property must be located within the target area of the City of Grand Rapids (see attached map labeled Exhibit ~~C.S.D.~~).
- B. The property must be in compliance with applicable zoning ordinances or land use guidelines. No activities will take place within a 100 year flood plain.
- C. The property must be Suitable for Rehabilitation, as defined at Section V. A., and upon completion of rehabilitation, the property must meet the attached standards for the project.
- D. Each property will have a Tenant Survey completed.
- E. The property taxes must not be delinquent.
- F. Proof of property insurance coverage will be required at time of application and is required to be continued through span of SCDP loan.

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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 Rehabilitation Repayment Agreement and Mortgage as additional signatories not in possession.
- B. No person who is (1) an employee, agent consultant, officer or elected or appointed official of the City of Grand Rapids or ICHRA 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

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thereafter. DEED may authorize exceptions to this policy on a case by case basis. If a conflict arises with an ICHRA employee or board member, that person shall not be involved in any manner with the project.

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. Income, asset and other financial data received by ICHRA in its applicant's verification process is considered Private Data and is subject to Privacy of Information Provisions, pursuant to State Statutes. HUD, the State of Minnesota and DEED will have access to these records when necessary.

IX. Financial Assistance- See Exhibit A for the terms for Commercial Rehab, and Exhibit B for the terms for Owner Occupied Residential Rehab.

Deleted: , and Exhibit C for the terms for Rental Rehab

X. Eligible Work Items

A. Refer to Exhibit for Property Rehabilitation Standards. Rehabilitation loans may only be used to:

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1. Address Building Code Violations, address exterior building improvements and to remove health, safety or other deficiencies and to bring the structure into compliance with the property rehabilitation standards used by ICHRA. 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 unit to make it accessible for a handicapped or disabled individuals. Accessibility Improvements include such improvements as: structural, exterior, bathroom or other improvements to buildings which are necessary to enable a handicapped person to function independently in a commercial or residential setting.

B. All work or construction completed with DEED funds must be in compliance with applicable building codes and standards. Funds may be denied to building owners with properties which cannot be feasibly brought up to the

Program Standards. ICHRA shall conduct a site and structure survey of those work items which are eligible with respect to HQS guidelines. Upon determination of those items which are eligible costs, ICHRA shall prepare specifications and, along with the building owner, evaluate contractor bids.

- C. Rehabilitation Deferred Loans must 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. However ICHRA, at its discretion, may grant an extension if it serves the purpose of the program.
- 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. Commercial “remodeling” type improvements.
 - 2. Landscaping (except to conduct water away from the dwelling); or
 - 3. Work begun or completed before the date of the Proceed to Work Order.
- B. Additions to structures and finishing of basements 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.
- D. No Deferred Loans shall be paid to program participants for any improvements made under this program who have sold their 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 ICHRA and shall be given the opportunity to request an informal review of the matter.

XII. Rehabilitation Procedures

- A. **Program Marketing:** The GREDA and ICHRA will communicate the availability of this program by a direct mailed notice to the owners of all property within the target areas identified in Exhibits C & D, as listed within the Itasca County tax records. The mailed notice will describe the program, sources of additional information and a defined period within applications will be accepted. An extensive effort will also be made to reach those property owners who would benefit from the program by conducting outreach and public notice activities which may include contacting those who expressed interest as part of the application formation, ads in newspapers, newsletters, radio announcements, personal contact, etc. Affirmative efforts will be undertaken to ensure that those who are minorities or have disabilities are made aware of the program.

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Upon expiration of the application period, the GREDA and ICHRA will determine if an extension of the application period and additional marketing of the program is necessary based upon: the number of applications received, the eligible nature of the proposed activities described within the applications received, and the total amount of program funds applied for.

B. **Project Selection:**

Commercial- Due to the limited availability of the SCDP Commercial Rehabilitation funds, the GREDA has established a set of criteria to be applied as a means of ranking and selecting projects, to be funded under this program. A review committee will be assigned to evaluate all applications for eligible activities.

The review 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:

1. The proposed projects total value/addition to the tax base – with higher value projects scoring higher.
2. The extent the proposed project addresses program objectives – with projects involving visible exterior improvements that address conditions which contribute to slum and blighting scoring higher.
3. The proposed projects level of compliance with City Ordinances and consistency with the objectives stated within the *Comprehensive Plan* with projects found to be compliant with applicable ordinances and addressing specific plan objectives scoring higher.
4. The credit worthiness of the applicant and the feasibility of the project as measured by:
 - a. An as needed confidential evaluation of the applicant's net worth, business plan, letters of commitment from other funding sources, cash flow and income projections
5. The level of job creation tied to the project in terms of number of additional jobs created, if any, and their average wages. Although

additional job creation is not mandatory, those projects that create additional employment opportunity will receive higher scoring in this area.

Residential- Application Process- The order of Application Processing / Project Underwriting will be determined by points assigned by the review committee based on the following:

Owner Occupied

- 10 points for properties owned by an applicant who is 62 or older
- 5 points for applicants who own home debt free
- 5 points for applicants who meet the definition of very-low income
- 5 points for properties that require multiple elements that address

program objectives

The group of applications with the highest number of points will be considered first proceeding subsequently in order to the group with the next highest number of points. Within a point group, applications will be considered in the order received by date of application.

If additional funds remain following the initial group of applications, additional applications will be considered on a first come, first serve basis.

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- . 15 points for properties of 5+ units¶
- . 10 points for properties of 3-5 units¶
- . 5 points for properties with Owner/User who is currently or has been a cooperator in use of the Housing Choice Voucher program within the past 5 years¶
- . 5 points for properties with 3 or more units, with 100% of current tenant households being of very-low income

- C. For all residential units built on or before 1978,
1. A lead risk assessment to be conducted by a licensed lead risk assessor.
 2. Occupants must receive a notification of a “Risk Assessment to be Conducted” and “Summary Notice of Lead Based Paint Risk Assessment Results”.
 3. The results of that assessment must be incorporated into the rehabilitation work write up for the property.
 4. Occupants must receive a “Summary Notice of Completion of Lead-based Paint Hazard Reduction”.
 5. ~~As participation in the owner-occupied housing rehabilitation is a voluntary decision, the program will not pay for any temporary relocation that may be necessary due to interim controls related to lead-based paint.~~
- D. If the 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.
- E. Notification to Ineligible Building Owners – GREDA or ICHRA 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.

F. A Housing Inspector inspects the property to locate Code, energy and other deficiencies. The building owner is also invited to provide input with regard to their building improvement needs. The building owner is made fully aware that he/she is not obligated to accept the proposed work. All proposed work must be an eligible item in accordance with this policy.

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G. Following the inspection, the Housing Inspector prepares a cost estimate of the proposed improvements which are discussed with the building owner. The cost estimates will be used to determine the legitimacy of the bids submitted for the project. A detailed work write up (Scope of Work) is then prepared which outlines the proposed work and materials to be used. This document is given to the building owner who is responsible for reviewing the work write up and for selecting contractors for ICHRA to contact.

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H. If the building was constructed prior to 1970 ICHRA is required by federal regulations to provide for historical review and clearance to 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.

I. A minimum of two bids will be sent out per job, the bids will have copies of the appropriate wage decisions attached, if required. Contracts will be awarded to the contractor selected by the building owner, although if the building owner chooses a bid which is higher than the low, the building owner must make up the difference with resources other than SCDP funding. If only one bid is submitted it will be compared to the estimate for the project to determine that the bid was reasonable. The current wage decisions, if required, will also become part of the contract documents.

J. It is required that all participating contractors be insured to meet the limits prescribed by ICHRA and to be licensed and/or bonded as required by state and/or local ordinances. For commercial projects, 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, if required.

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K. Once the contractor is selected, the Agreement Between Contractor and Property Owner is signed by contractor and building owner and outlines the contractual conditions that each party is required to follow. The contractor shall, at his/her expense, obtain all necessary permits and licenses required to

perform the work called for by the contract, and all such work shall be in compliance with all building code regulations and ordinances. A Proceed to Work Order is then issued to the contractor by the Housing Manager. The loan documents are signed, the mortgage is recorded and a lien is placed against the property for the term of the loan.

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L. All change orders to the contract must be in writing, using ICHRA's Change Order/Amendment Form and must be authorized by the building owner, Housing Inspector, and the Housing Manager.

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M. During construction, the Housing Inspector monitors the work. The building owner notifies ICHRA promptly if defects or other problems arise.
All construction work performed under contract shall be in compliance with an approved warranty covering workmanship and materials, as noted in the Agreement Between Contractor and Property Owner. Inspections by a Housing Inspector will be conducted while work is in progress and at completion.

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O. 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 and the review committee.

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P. Upon notification of passing final inspections by the City Building Official as well as Housing Inspector, ICHRA will submit the signed Completion Certificate and Invoice to the Office of the City Administrator of Grand Rapids for disbursement of program funds to contractor(s).

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O. During construction, the Rehabilitation Specialist monitors the work. The building owner notifies ICHRA promptly if defects or other problems arise. When all work is completed, the property and work is inspected and a Completion Certificate is executed between the building owner, contractor and rehabilitation specialist. A lien waiver for the amount to be paid is required prior to contractor payments.

Q. Disbursements are released (partial funds may be released as partial work is completed) in issued checks as completed work is verified and payment is requested by invoice from the contractor.

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R. Contractors will be required to provide a draw request for each payment request (partial or final). The draw request must be signed by the homeowner, unless the homeowner has concerns that the Housing Inspector and Housing Manager have deemed as being unreasonable. Consultation with DEED as to what is unreasonable may occur. Upon completion of the rehabilitation construction, lien waivers and completion certificates will be executed by the homeowner, contractor, Housing Inspector, and Housing Manager as necessary. On the homes that require lead reduction activities, final payment will not be made until after the Lead Clearance Test has been passed.

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XIII. After the Loan

A. Reverse Mortgages- SCDP loan agreements must be repaid if property owner takes out a reverse mortgage on the property.

B. Other refinancing- Property owners can refinance to secure a lower interest rate on a mortgage during the life of the SCDP loan, but if any cash is taken out, the SCDP loan must be repaid.

XIV. Appeals and General Complaints

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Each person making application for financial assistance under the program shall have the right to appeal any determination of GREDA or ICHRA staff to the Community Development Director of the City of Grand Rapids. Requests for general complaints should be made within a 30-day period and addressed to: Grand Rapids Economic Development Authority, 420 N. Pokegama Ave., Grand Rapids, MN 55744. General complaints that do not warrant a hearing shall be in writing and be addressed to Grand Rapids Economic Development Authority at the previously mentioned address. A written response to the complaint will be issued within 30 days.

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XV. Disposition of Program Income.

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A. Program income will normally accrue from repayment of deferred loans resulting from property owner not maintaining ownership to the maturity date as prescribed in the Deferred Loan Repayment Agreement and Mortgage. Program income will be used for further rehabilitation. Rehabilitation funded by program income will be in accordance with the provisions of this procedural handbook, with DEED approved policies, and with the City of Grand Rapids Small Cities Development Program (SCDP) Income Reuse Plan dated July 14, 2014.

B. Rehabilitation authorized after expiration of the administrative services contract between the City of Grand Rapids and ICHRA will be administered by either; (1) extending the term of the current contract if agreed by both parties; (2) entering into a new administrative services contract between the City of Grand Rapids and ICHRA, or; (3) entering into a new administrative services contract between the City of Grand Rapids and another administering entity.

XVI. Amendments

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

Exhibit A
Commercial Rehabilitation Specific Terms

A. The financing plan for commercial properties will be 60% SCDP 10 year Deferred Loan and 40% bank loan or private financing. A separate program, through an enhanced GREDA Commercial Building Improvement Loan Program, may be used to finance up to \$35,000 per project at 1% interest over a corresponding ten year term (Please refer to the adopted guidelines and application for that program for further information) in addition to other commercial available lending sources. SCDP Deferred loans must be repaid as required if the building is sold in less than 10 years. SCDP Deferred loans are forgiven 10% per year with the loans completely forgiven on the first day of the eleventh year from the date of closing.

B. The maximum amount of SCDP funds available per project will be \$32,000.

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 forgiven on the first day of the eleventh year after loan execution.
2. If the property is sold, title transferred or is no longer the ~~business~~ ~~owned by~~ the applicant before the end of the tenth year, the required amount of loan funds must be repaid to the City of Grand Rapids.

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E. To the greatest extent possible, all sources of possible financing will be coordinated. Before loaning SCDP funds, ICHRA will evaluate each applicant for eligibility for such programs as MHFA, USDA Rural Development, local lending institutions, etc. ICHRA will assist eligible applicants in applying for funds including, but not limited to, preparing application forms and required materials.

F. A Commercial SCDP Deferred loan may be subordinated for the purpose of refinancing if the owner can demonstrate that excess refinanced dollars are for the purpose of property improvement/reinvestment. A loan shall not be subordinated for a refinance for personal property purchases.

**Exhibit B
Owner Occupied Rehabilitation Specific Terms**

B-1 Residency- To receive SCDP funds, applicants will be required to have year round residency in the housing unit. Recipients must occupy, or intend to occupy, the selected property as their primary place of residence.

B-2 Income Limits- SCDP requires that households must meet the income guideline of Low Income to be eligible for assistance. Households with Very-low Income are given extra points for processing.

| Income Limit by Household Size – Itasca County as of 4/14/2017 (HUD determined annually) | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|
| | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | 41,800 | 47,050 | 52,250 | 56,450 | 60,650 | 64,800 | 69,000 |
| | 26,150 | 29,400 | 32,650 | 35,300 | 37,900 | 40,500 | 43,100 |

B-2.1 Income verification will follow HUD regulations and include all of the following:

- Salaries; including tips, bonuses, commissions, overtime pay, pensions and annuities
- Public assistance; including MEIP, SSI, MSA, Unemployment Compensation
- Social Security or Disability and Workers Compensation
- Estate/trust income, rental income, gain from the sale of property or securities, contracts for deed
- Interest earned
- Business profit

B-2.2 Asset Limitation: There is no asset limit. However, income earned from assets must be counted as income. **B-3 Funding Limits / Loan Terms**

B-3.1 All Rehabilitation funding will be provided to Owner/Users as loans. The loans will be structured with terms favorable to the recipient as incentive to use the program.

| Standard Loan Terms: | |
|----------------------|---|
| Loan Maturity | 7 years |
| Compliance Period | 7 years |
| Interest Rate | 5% |
| Repayment | Deferred Balloon –due in full at maturity* |
| Default | Due in full |
| Sale or Transfer | Due in full |

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The loan structure will be deferred repayment with a 7 (seven) year maturity with interest accrued at 5% (five percent).

*For full compliance with terms and conditions of the program, principal and interest are forgiven at maturity.

B-3.2- Each loan will be documented with a Loan Note and Agreement and a Real Estate Mortgage. Mortgages will be filed in the Real Estate records of the Itasca County Recorder.

B-3.3 The maximum project cost using the funds of Rehabilitation is limited to \$22,400 per residential unit.

| Schedule of funding: | | |
|----------------------|---------|-------------------------|
| Source | Percent | Owner Occupied Property |
| Project Cost | 100% | \$ 32,000 |
| SCDP Deferred Loan | 70% | \$ 22,400 |
| Owner/User (minimum) | 30% | \$ 9,600 |

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B-3.4- The Scope of Work developed for a project will determine to what extent work can be done using program funding. The listed percent per source will be used in determining the amount of funding to be used from each source on the approved Scope of Work. The 30% from the Owner may be from cash or loans arranged by the Owner/User from private or public lenders.

B-3.5- If Owner/User portion is cash, it must be placed in escrow with ICHRA.

B-3.6- If Owner/User portion is from loans, there must be a written commitment from the lender(s) and a written agreement between the lender(s) and the ICHRA as to the means and methods of disbursement and the priority of liens.

B-3.7- A Residential SCDP Deferred loan may be subordinated for the purpose of refinancing if the owner can demonstrate that excess refinanced dollars are for the purpose of property improvement/reinvestment. A loan shall not be subordinated for a refinance for personal property purchases.

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B-4- Outline of Housing Rehabilitation Process

1. Interact with Interested Homeowner
 - a. Fill out application for assistance
 - b. Homeowner provides verification of income, assets, property insurance, and all lien information with completed application
 - c. Discuss data privacy, sign release
 - d. Discuss lead based paint poisoning notification, sign notice of receipt
 - e. Discuss fair housing pamphlet, sign notice of receipt
 - f. Obtain authorization to take photographs of the property/house
 - g. Review Conflict of Interest form, sign
 - h. If contract for deed on property, obtain consent from contract holder
 - i. Review Walk Away Policy, sign
2. Verification of Eligibility
 - a. Verify property in targeted area

- b. Verify owner income level
 - c. Verify home is not a mobile home
 - d. Verify current taxes are paid; no back taxes owed
 - e. Begin clearance with State Historical Preservation Office and verify home not in 100 year flood plain
 - f. Verify home not a duplex
3. **Inspection, Bids, Loan, Authority to Start**
- a. Inspector determines project to be feasible or not
 - b. Homeowner notified of lead risk assessment
 - c. Risk assessment completed by licensed assessor, copy of results provided to homeowner and ICHRA
 - d. Housing inspection completed and Scope of Work prepared, if eligible
 - e. Homeowner notified if ineligible, otherwise given Scope of Work to review and approve
 - f. Homeowner chooses contractors to bid on the rehabilitation project
 - g. ICHRA to mail bid package to selected contractors with deadline to submit bid
 - h. Bids opened with homeowner; homeowner chooses which bid to accept
 - i. Applicants and projects must be determined as eligible before a commitment of SCDP funds will be made
 - j. Homeowner notified of the amount needed for their portion of work; must be deposited in Escrow with ICHRA before work will commence
 - k. Homeowner signs repayment agreement as security for the City
 - l. Homeowner presented with Right of Rescission form
 - m. Relocation Screening Sheet for Occupant Protection with Lead Hazard Reduction Activities completed and placed in file
 - n. Notice to Proceed issued to contractor; date to start work scheduled
4. **Rehabilitation Project**
- a. Process change orders, if necessary
 - b. Mortgage signed and filed with Recorder's Office
 - c. Partial payment made if requested after inspection completed
 - d. Project completion certificate signed by contractor, owner, Housing Inspector and Housing Manager
 - e. Lead Clearance obtained
 - f. Passes city inspection
 - g. Lien Waivers obtained from contractor, subcontractors, and materials supplier
 - h. Final payment made after all waivers, clearances and inspections passed
5. **Rehabilitation Project File Maintained**
- a. A rehabilitation project file will be maintained on each application for funding, and will include all of the appropriate photos, documentation, and forms related to the project

Exhibit C, Commercial Rehab Targeted Area

Exhibit D, Residential Rehab Targeted Area

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Rental Rehabilitation Specific Terms ¶

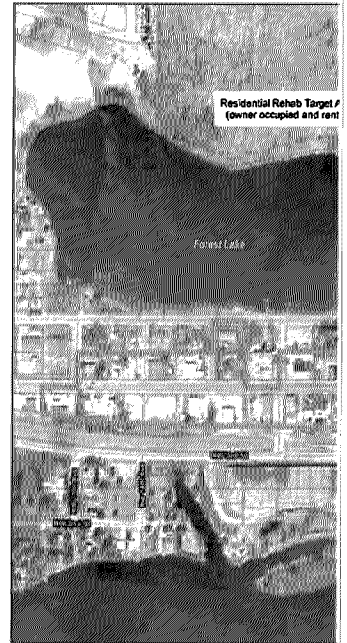
C-1 Under Affirmative Action requirements: Marketing Units to Tenants ¶

¶
An Owner/User of funding must agree in writing that for the term of the assistance granted under SCDP, they will comply with Nondiscrimination / Civil/Human Rights / Fair Housing / Equal Opportunity requirements and will make good faith efforts to attract to the housing eligible persons regardless of: race, color, creed, religion, national origin, sex, sexual orientation, marital status, familial status, public assistance, disability or age; and, that no discrimination will be exercised with respect to individuals or families in these categories as defined in various federal, state, and local civil/human rights, fair housing and equal opportunity laws and ordinances. ¶

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An Owner/User will be required to inform Tenants and Prospective Tenants of non-discrimination / civil/human rights / fair housing / equal opportunity laws and hav ... [1]

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Exhibit
Property Rehabilitation Standards

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The following standards are applicable to property rehabilitation using rehabilitation funds. These standards will be used in determining the eligibility of property for rehabilitation, developing a scope of work for rehabilitation and shall be met upon completion of the property rehabilitation.

F-1 COMPLIANCE WITH CODES. Rehabilitation of a property must be completed in accord with all currently applicable codes.

F-1.1 The completed rehabilitation must meet the current Minnesota State Building Code, Minnesota State Energy Code and any applicable health, safety or other code imposed where the property is located.

F-1.2 The Contractor will be responsible for applying for any and all applicable building permits and for compliance with any and all applicable code requirements.

F-1.3 The completed rehabilitation must result in the dwelling units being in compliance with HUD Housing Quality Standards (HQS).

F-2 SITE. The property site shall be reasonably free from hazards to the health, safety and general welfare of the tenants. The site shall not be subject to serious adverse environmental conditions, natural or manmade, such as:

F-2.1 Dangerous walks, steps, or instability; all steps and walks shall be level, free from dangerous cracks, crumbling or breaks, tripping hazards, broken and missing materials, etc., and have sufficient pitch to prevent water accumulation.

F-2.2 Flooding, poor drainage, or mudslides; the property shall have positive drainage away from the dwelling units to prevent standing water at the foundation and be situated and landscaped in such manner as to prevent mudslides into the building or close proximate premises.

F-2.3 Septic tank back-up, sewer hazards; the property shall meet all sanitary code requirements.

F-2.4 Excessive accumulations of trash; any materials which accumulate on the property shall be removed, or screened and arranged in a manner which does not detract from the general appearance of the neighborhood.

F-2.5 Fire hazards; the site shall be free from fire hazards, such as the storage of highly flammable materials, etc.

F-3 ACCESS. The property shall have adequate access for the occupants.

F-3.1 The building(s) and the dwelling units shall be usable and capable of being maintained without the unauthorized use of other private properties. The property shall be adjacent to an access street or road.

F-3.2 Alternative means of egress shall be provided in case of fire (e.g., fire stairs or egress through windows).

F-4 STRUCTURE AND MATERIALS. The building(s) and dwelling units shall be structurally sound, free from threats to the health and safety of the occupants and shall protect the occupants from the environment.

F-4.1 Ceiling, walls (interior and exterior), floors, roofs, porches, etc., shall not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling or noticeable movement under walking stress, missing parts, or other serious damage. Where crawl spaces or basements exist, all first floor structural wood members, including floor joists, plates, piers and pilings shall be inspected for cracked, broken, rotten or otherwise damaged conditions. Damaged members shall be repaired or replaced as required. The exterior and interior walls shall be weather tight in a manner that prevents, to the extent reasonably possible, heat loss in the winter and cooling loss in the summer. This includes the repainting or installation of siding to protect the exterior surface from the elements. The interior walls shall be repaired or replaced as required to meet this standard.

F-4.2 The roof structure shall be firm and the roof shall be weather-tight. All roof framing members shall be free from cracks and rot. The roof sheathing shall be solid and free from sagging, buckling and heaving. If the roofing appears to be nearing the end of its functional life, it shall be replaced. If financially feasible, the roofing shall be stripped all the way down to the sheathing and replaced. If the roof is structurally adequate and costs dictate, a second layer of roofing may be installed over the first layer. If there are already two or more layers of roofing materials, the roofing shall be stripped down to the sheathing and replaced.

F-4.3 The exterior wall structure and the exterior and interior wall surfaces shall not have any serious defects such as serious leaning, buckling, sagging, cracks or holes, loose materials, loose siding, or other serious damage. Concrete block or brick foundations, piers and pilings shall be inspected for loose mortar joints. All empty or cracked mortar joints shall be tuck-pointed in an acceptable manner to match, as closely as possible, the rest of the structure.

F-4.4 The condition of interior and exterior stairways, halls, porches, walkways, etc. shall not present a danger of tripping or falling. Crumbling, cracked, broken, missing or uneven conditions shall be repaired or replaced as necessary. Handrails shall be properly installed on all stairways.

F-4.5 All out-buildings such as garages and storage sheds shall be repaired to a usable condition or removed from the Property.

F-4.6 The general appearance of the outside of the building and the property, after rehabilitation, shall make a positive contribution to the general appearance of the neighborhood.

F-5 WATER SUPPLY. The water supply shall be free from contamination.

F-5.1 The building(s) shall be served by an approved public or private sanitary water supply.

F-5.2 There shall be water heaters of sufficient capacity to serve present and anticipated future residents.

F-5.3 Hot and cold water shall be supplied to all kitchens, baths and laundry facilities in all dwelling units and common areas.

F-5.4 All water lines shall be protected from freezing.

F-6 INTERIOR AIR QUALITY. The building shall be free of pollutants in the air at levels which threaten the health of the occupants.

F-6.1 The building shall be free from dangerous levels of air pollution from carbon monoxide, sewer gas, fuel gas, dust and other harmful air pollutants. All gas or oil fired systems and appliances shall have proper venting to the outside of the building for combustion gases.

F-6.2 Air circulation shall be adequate throughout the building and dwelling units. All windows designed to open shall open easily, be provided with proper window hardware and with storm windows and screens properly installed and maintained. All windows with easy access from the outside shall have locks.

F-6.3 Bathroom areas that contain a toilet shall have at least one window that can be opened or other adequate exhaust ventilation, vented to the outside.

F-6.4 Kitchen areas shall also have adequate ventilation via air exchange, circulation or exhaust.

F-7 ILLUMINATION AND ELECTRICITY. Each room shall have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of the occupants. Sufficient electrical outlets shall be provided to permit use of essential electrical appliances while assuring safety from fire.

F-7.1 Living and sleeping rooms shall include at least one window; if the room is located below grade, the window must meet egress requirements.

F-7.2 A ceiling or wall light fixture, operated by a wall switch, shall be present in the kitchen, bath, bedrooms, and hallways.

F-7.3 At least two electric outlets shall be present and operable in the living area, kitchen, and each bedroom area. Outlets installed in a kitchen or bathroom in the general location of water shall be protected by ground fault interrupter in accordance with state electrical code. All outlets installed as a result of the rehabilitation shall be of the grounded type.

F-7.4 Each dwelling unit shall be provided with at least 100-amp service and a sufficient number of circuits to service present/anticipated use of the unit.

F-7.4.1 There shall be separate circuits for any air conditioners (window included), electric dryers, electric stoves and other special appliances.

F-7.4.2 There shall be a separate minimum 20-amp circuit for the heavy workload area in the kitchen.

F-7.4.3 With the exception of kitchens (see 7.4.2), all other rooms shall be assessed relative to their use of electricity and additional outlets and switches installed based on anticipated usage and safety factors.

F-7.5 Connection at the main service to the dwelling units shall be in compliance with code.

F-7.5.1 Placement of the connection shall be out of reach of children.

F-7.5.2 Proper anchoring shall be used.

F-7.6 All **exposed** "knob and tube" wiring shall be removed. If replacement is necessary, it shall be done in accordance with code.

F-7.7 All hazardous conditions such as broken switches and outlets, missing covers, bare wiring, and fixtures not properly installed or anchored, shall be repaired or replaced in accordance with code. It is recommended that all "pendant" type fixtures be replaced with an appropriate ceiling or wall fixture.

F-7.8 Even though a room may meet criteria of 7.3, if the inspection reveals the use of octopus plugs, adapters, extension/zip cords, or other unsafe practices, additional outlets shall be installed.

F-8 THERMAL ENVIRONMENT AND EFFICIENCY. The building(s) and each dwelling unit shall have and be capable of maintaining a thermal environment healthy for the human body.

F-8.1 The building(s) shall contain safe heating and cooling facilities which are in proper operating condition and provide adequate heating or cooling to each room in each dwelling unit appropriate for the climate to insure a healthy living environment. The heating and cooling facilities shall be inspected for proper functioning and tested if necessary. All parts of the venting system for central heating and cooling units shall be in proper working condition. Specifically:

F-8.1.1 Vent pipes shall be free of rust and be properly maintained.

F-8.1.2 Where vent pipes are connected to a masonry chimney, that chimney shall be inspected and repaired if necessary to ensure that all mortar joints are tightly sealed or be lined with a sealed liner.

F-8.2 Unvented room heaters which burn gas, oil or kerosene are not permitted.

F-8.3 Attic space shall be insulated to a rating of no less than R-30 (or higher if specified in local code) with acceptable insulating material. When adding insulation to the attic, it shall be brought up to a rating of R-44 or as close thereto as physically and financially feasible. Cellulose shall be acceptably rated for fire resistance as derived from flame-spread tests.

F-8.4 Weather stripping shall be applied as needed around all doors and windows.

F-8.5 Storm windows and doors shall be installed whenever it is determined appropriate for conditions and it is financially feasible.

F-8.6 Any exterior building wall, which is opened down to the studs during the course of the rehabilitation, shall be fully insulated with an acceptable insulating material.

F-8.7 All joints in the building envelope shall be sealed with appropriate sealant. All brittle or loose sealant shall be replaced.

F-8.8 Supply and return heating and air conditioning ducts shall be insulated wherever they run through unheated spaces.

F-8.9 Wherever space heaters or floor furnaces are used, they shall be inspected for proper functioning, evaluated for efficiency and a determination made as to whether they shall be replaced with a properly installed, more efficient central heating and cooling system.

F-9 SANITATION FACILITIES. Each dwelling unit shall include its own sanitation facilities which are in proper operating condition, can be used in privacy, and are adequate for personal cleanliness and the disposal of human waste.

F-9.1 A flush toilet, a fixed basin with hot and cold running water, and a bathtub or shower with hot and cold running water shall be present in each dwelling unit and shall be fully operational. The toilet and basin shall be located in close proximity to one another. Likewise, the tub or shower should be located in close proximity to the toilet and basin if reasonably possible. The toilet shall be located in a room separated from other rooms by a door and the room must have ventilation via a window that opens or exhaust ventilation to the exterior of the building.

F-9.2 These facilities shall be connected to an approved public or private sewage disposal system. The connection plumbing shall be inspected and repaired if necessary to correct any sewage leakage.

F-9.3 Where a private sewage treatment system is in use, certification of adequacy shall be obtained from the responsible unit of government.

F-10 SPACE AND SECURITY. Each dwelling unit shall afford the residents adequate space and security.

F-10.1 A living room, kitchen area, and bathroom shall all be present.

F-10.2 The dwelling unit shall contain at least one sleeping or combined living and sleeping room of appropriate size for each two persons.

F-10.3 Exterior doors and windows accessible from outside the building shall be lockable.

F-10.4 Dwelling unit entrance doors from a common use space such as vestibule or hallway shall be lockable.

F-10.5 Each floor of the building and each dwelling unit must have U.L approved smoke detectors in accordance with code.

F-10.6 Each floor of the building and each dwelling unit must have U.L. approved carbon monoxide detectors in accordance with code.

F-11 FOOD PREPARATION AND REFUSE DISPOSAL. Each dwelling unit shall contain suitable space and equipment to store, prepare, and serve food and dispose of waste and refuse in a sanitary manner.

F-11.1 Each dwelling unit shall contain the following equipment in operating condition:

F-11.2 Cooking equipment appropriate for the type, and anticipated occupancy of the dwelling unit;

F-11.3 Refrigerator of appropriate size for the anticipated occupancy of the dwelling unit;

F-11.4 Kitchen sink plumbed with hot and cold running water and plumbed to drain into an approved public or private sewer system.

F-11.2 Adequate space for the storage, preparation and serving of food shall be provided. Food storage space shall be cabinets or pantry type storage. Food preparation space shall be counters or other horizontal workspace.

F-11.3 There shall be adequate facilities and services for the sanitary disposal of food waste and refuse, including facilities for temporary storage where necessary.

F-12 SANITARY CONDITION. The building(s) and its equipment shall be in sanitary condition.

F-12.1 The building, its equipment, and each dwelling unit shall be free of rodent, insect and other vermin infestation.

Exhibit C

Rental Rehabilitation Specific Terms

C-1 Under Affirmative Action requirements: Marketing Units to Tenants

An Owner/User of funding must agree in writing that for the term of the assistance granted under SCDP, they will comply with Nondiscrimination / Civil/Human Rights / Fair Housing / Equal Opportunity requirements and will make good faith efforts to attract to the housing eligible persons regardless of: race, color, creed, religion, national origin, sex, sexual orientation, marital status, familial status, public assistance, disability or age; and, that no discrimination will be exercised with respect to individuals or families in these categories as defined in various federal, state, and local civil/human rights, fair housing and equal opportunity laws and ordinances.

An Owner/User will be required to inform Tenants and Prospective Tenants of non-discrimination / civil/human rights / fair housing / equal opportunity laws and have Tenants and Prospective Tenants acknowledge receipt of a copy of such information at the time of application for tenancy. An Owner/User will utilize commercial media and provide announcements to housing referral agencies of the availability of units and utilize the equal housing opportunity logo and/or slogan in their advertisements and announcements. An Owner/User will keep records of their efforts to affirmatively market their property and annually certify that they have complied with affirmative marketing requirements.

C-2 Income and Rent Limits

The SCDP requires that after rehabilitation, 51% or more of the first tenants to occupy units must certify their household income does not exceed 80% of the area median income as shown in this table.

| Income Limit by Household Size – Itasca County as of 12/18/13 (HUD Determined) | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| No. in HH | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Low Income @ 80% of Median | 34,000 | 38,850 | 43,700 | 48,550 | 52,450 | 56,350 | 60,250 | 64,100 |
| Very-low Income @ 50% of Median | 21,250 | 24,300 | 27,350 | 30,350 | 32,800 | 35,250 | 37,650 | 40,100 |

Rent Limit

C-2.1 Gross Rent to tenants must not exceed the **Payment Standard** shown in this table. The payment standard is established annually by ICHRA. Compliance with the Payment Standard on all units in the property rehabilitated is required for the full term of compliance set forth in the SCDP Project Agreement with the Owner/User.

| Maximum Gross Rent ¹ by Bedroom Size – Itasca County as of 12/18/13 | | | | | |
|--|-----|-----|-----|-----|------|
| No. of BR | 0 | 1 | 2 | 3 | 4 |
| Payment Std (110% of FMR) | 488 | 596 | 784 | 976 | 1047 |
| ¹ Gross Rent means Rent plus Utilities or Allowance for Utilities | | | | | |

C-3 Funding Limits / Loan Terms

C-3.1 All Rehabilitation funding will be provided to Owner/Users as loans. The loans will be structured with terms favorable to the recipient as incentive to use the program.

| Standard Loan Terms: | |
|--|---|
| Loan Maturity | 7 years |
| Compliance Period | 7 years |
| Interest Rate | 5% |
| Repayment | Deferred Balloon –due in full at maturity* |
| Default | Due in full |
| Sale or Transfer | Due in full |
| The loan structure will be deferred repayment with a 7 (seven) year maturity with interest accrued at 5% (five percent). | |
| *For full compliance with terms and conditions of the program, principal and interest are forgiven at maturity. | |

Each loan will be documented with a Loan Note and Agreement and a Real Estate Mortgage. Mortgages will be filed in the Real Estate records of the Itasca County Recorder.

C-3.2 The maximum project cost using the funds of Rehabilitation is limited to \$5,600 per unit in a building with 3 or more residential units.

| Schedule of funding: | | | |
|--|---------|----------|------------------------|
| Source | Percent | Per-unit | Example 4-unit project |
| Project Cost | 100% | \$ 8,000 | \$ 32,000 |
| RIPRAP Deferred Loan | 70% | \$ 5,600 | \$ 22,400 |
| Owner/User (minimum) | 30% | \$ 2,400 | \$ 9,600 |
| Owners are allowed to make additional improvements at their own expense; however, the funding provided through this program must be secured with mortgage lien(s) subordinate only to a first lien mortgage, with some exceptions allowed by waiver at the discretion of Administering Entity. | | | |

The Scope of Work developed for a project will determine to what extent work can be done using program funding. The listed percent per source will be used in determining the amount of funding to be used from each source on the approved Scope of Work. The 30% from the Owner may be from cash or loans arranged by the Owner/User from private or public lenders.

If Owner/User portion is cash, it must be placed in escrow with ICHRA.

If Owner/User portion is from loans, there must be a written commitment from the lender(s) and a written agreement between the lender(s) and the ICHRA as to the means and methods of disbursement and the priority of liens.

A Rental SCDP Deferred loan may be subordinated for the purpose of refinancing if the owner can demonstrate that excess refinanced dollars are for the purpose of property improvement/reinvestment. A loan shall not be subordinated for a refinance for personal property purchases.

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GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

RESOLUTION NO. _____

RESOLUTION APPROVING THE LOAN OF A MINNESOTA INVESTMENT FUND GRANT FOR ASV HOLDINGS, INC., AND AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS

WHEREAS, ASV Holdings, Inc., a Delaware corporation (the “Borrower”), desires to relocate its distribution center (the “Facility”) to the City of Grand Rapids, Minnesota (the “City”); and

WHEREAS, the Borrower has requested financial assistance to help purchase equipment needed for the operation of the Facility; and

WHEREAS, the Board of Commissioners (the “Board”) of the Grand Rapids Economic Development Authority (the “Authority”) previously approved the submission of an application for a grant from the Minnesota Investment Fund Program administered by the Minnesota Department of Employment and Economic Development (“DEED”); and

WHEREAS, the Authority has executed the form of a Grant Agreement with DEED, to obtain grant funds in the amount of \$125,000 and loan such grant funds to the Borrower for the purpose of purchasing equipment for the Facility; and

WHEREAS, the Board has received and reviewed an Agreement for Loan of Minnesota Investment Fund (the “Loan Agreement”), between the Authority and the Borrower, providing for the loan of the grant funds in the amount of \$125,000 to the Borrower (the “Loan”), which agreement includes a “business subsidy agreement” as defined in Minnesota Statutes, Sections 166J.993 to 116J.995, as amended (the “Business Subsidy Act”); and

WHEREAS, it is proposed that a portion of the Loan be considered forgivable provided that the Borrower complies with certain requirements of the business subsidy agreement contained in the Loan Agreement; and

WHEREAS, to evidence the repayment obligations of the Borrower under the Loan Agreement, the Borrower will execute and deliver to the Authority a Promissory Note (the “Note”) and a Security Agreement (the “Security Agreement”); and

WHEREAS, the Board has had the opportunity to review the Loan Agreement, including the business subsidy agreement contained therein, the Note, and the Security Agreement; and

WHEREAS, Section 116J.994, subdivision 2 of the Business Subsidy Act provides that the Loan must comply with the Authority’s written criteria governing business subsidies, but that a public hearing is not required because the Loan is in an amount under \$150,000, and therefore no public hearing on the Loan will be held.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Grand Rapids Economic Development Authority, that:

1. The Security Agreement and the Loan Agreement, including the business subsidy agreement contained therein (collectively, the “Loan Documents”) are approved. The President and the Executive Director are authorized and directed to sign the Loan Documents and any other documents or certificates necessary to carry out the transactions described in the Loan Documents.
2. The Loan Documents are approved in substantially the form on file in City Hall, subject to modifications that do not alter the substance of the transaction and are approved by the President and the Executive Director; provided that execution of the document will be conclusive evidence of their approval.

Approved by the Grand Rapids Economic Development Authority this 23rd day of August, 2017

President

Executive Director

**LOAN AGREEMENT
MINNESOTA INVESTMENT FUND**

THIS AGREEMENT is made and entered into as the ___ day of _____, 20__ by and between the Grand Rapids Economic Development Authority (the "Lender") and ASV, Holdings, Inc. the "Borrower");

Recitals

1. The Lender has applied to the Minnesota Department of Employment and Economic Development for a Minnesota Investment Fund Grant (the "MIF Grant") pursuant to an application (the "Grant Application") and received approval for the grant; and
2. Grant Contract Number CDAP-17-0012-H-FY18 (the "Grant Contract") between the Minnesota Department of Employment and Economic Development (the "State") and the Lender has been executed and requires that the Borrower provide sufficient funds to complete financing and agree to loan terms with the Lender regarding the MIF Grant; and
3. The parties hereto agree to incorporate into this Loan Agreement by reference the Grant Application and Grant Contract; and
4. Borrower and Lender wish to set forth the terms and conditions upon which Lender will make the Loan to Borrower and for the repayment thereof.

NOW THEREFORE, it is agreed by and between the parties hereto as follows:

**ARTICLE 1
Definitions**

Section 1.1. **Definitions.** In this Loan Agreement, unless a different meaning clearly appears from the context:

"Bank" means _____.

"Benefit Date" means the earlier of the date equipment financed through a Minnesota Investment Fund loan is fully operational, or January 31, 2018.

"Benefit" is defined as one or more of the following non-mandated compensation items paid by the Borrower on behalf of employees: health, dental, life and disability insurance, retirement program or profit-sharing.

"City" means the City of Grand Rapids.

"County" means Itasca County.

"Compliance Date" means the date that is two (2) years after the Benefit Date.

"Development Property" means the real property described in Exhibit A attached (MIF funds used to purchase equipment).

"Expiration Date" means three months after the Compliance Date.

"Equipment" means the equipment purchased by the Borrower with the Loan Proceeds and described in Exhibit B attached.

"Full-Time Equivalent (FTE)" is one or more people working a sum of 2,080 hours in a calendar year.

"Grant Contract" means Minnesota Department of Employment and Economic Development Grant Contract # CDAP-17-0012-H-FY18 and attached as Exhibit C.

"Initial Disbursement Date" means the date of the first disbursement of any loan proceeds by the Lender to the Borrower.

"Jurisdiction" means within the corporate boundaries of the City.

"Loan" means the funds loaned by the Lender to the Borrower pursuant to this Loan Agreement.

"Loan Documents" means this Loan Agreement, the Promissory Note, and Security Agreement.

"Loan Proceeds" means the funds disbursed to the Borrower pursuant to this Loan Agreement and any proceeds thereof.

"MIF" means the Minnesota Investment Fund, Minn. Stat. § 116J.8731 and Minn. Rules Chapter 4300.

"MIF Grant" means the award of funds by the State to the Lender pursuant to the Grant Contract.

"New Jobs" means the new permanent, Full-Time Equivalent, non-contract, non-seasonal jobs to be created by the Borrower.

"Project" means the Borrower's renovation to an existing building and the acquisition of equipment to create a parts distribution center within the jurisdiction of the City. The Borrower will sign a lease for the distribution center.

"State" means the Minnesota Department of Employment and Economic Development.

"**Termination Date**" means the date of the final payment made by the Borrower to the Lender.

ARTICLE 2

Loan, Use of Proceeds and Conditions of Repayment

Section 2.1. **MIF Loan/Funds.** The Lender agrees, on the terms and subject to the conditions hereinafter set forth, to make a loan to the Borrower in an aggregate principal amount not to exceed \$125,000.00 for the acquisition of machinery and equipment. The obligation of the Borrower to repay the Loan shall be evidenced by the Promissory Note. The Borrower's obligations under this Loan Agreement are expressly contingent on the Lender's receipt of funds from the State in an amount adequate to make the Loan.

Section 2.2. **Non-MIF (Other) Project Funds.** The Borrower has secured a commitment for the private financing necessary to complete the Project, in a form and under conditions satisfactory to the Bank, Borrower and Lender.

(a) The Borrower shall commit not less than \$232,776 of equity and not less than \$328,000 of other financing for the completion of the Project.

(b) Other Project Funds described in the Grant Application must be used at the same amount, for the same purposes and under the same terms, rates and conditions as specified unless written consent is received from the State prior to expenditure.

Section 2.3. **Loan Terms.** LOAN WITH PARTIAL FORGIVENESS

(a) Up to \$50,000.00 of the Loan principal will be forgiven by the Lender upon satisfaction by the Borrower of the terms of this Loan Agreement, specifically the job creation and wage goals set forth in Section 8.1(b). Forgiveness will be available after the repayable portion has been disbursed.

(b) The "repayable portion" of the Loan, \$75,000 shall bear interest at a rate of zero (0.0%) percent per annum. Interest shall begin to accrue as of the Initial Disbursement Date.

(c) The term of the Loan shall be seventy-five (75) months.

(d) These loan terms may not be modified without prior written approval from the State.

Section 2.4. **Early Repayment.** The Promissory Note may be prepaid in whole or in part at any time without penalty. A prepayment shall first be applied against any accrued interest, and then against any outstanding and past due payments which are due and owing hereunder or under the Loan Agreement, and then the remaining portion of such prepayment shall be applied against the remaining outstanding and unpaid principal balance.

Section 2.5. Maintenance and Operation of the Project. As long as any portion of the Loan is still outstanding, Borrower shall maintain and operate the Project and use the Loan Proceeds in compliance with the terms of the Minnesota Investment Fund Act (MIF), this Loan Agreement, and all applicable federal, state and local laws, regulations and ordinances, including but not limited to all environmental laws and regulations.

Article 3 Conditions of Lending

Section 3.1. Condition Precedent to Any Advance. The obligation of the Lender to close the Loan and disburse the proceeds thereof to Borrower shall, subject to waiver by the State, be subject to the condition precedent that the Lender shall have received on or before the date of such closing the Promissory Note duly executed by the Borrower.

Section 3.2. Further Conditions Precedent to Disbursement. The obligation of the Lender to disburse the Loan Proceeds shall also be subject to the following conditions precedent:

(a) The Loan which is being made to the Borrower shall be consistent with the provisions of the MIF Program.

(b) No Event of Default hereunder or event which would constitute such an Event of Default but for the requirement that notice be given or that a period of grace or time elapse, shall have occurred and be continuing.

Section 3.3. Disbursement and Deposit of Loan Proceeds. Upon the execution of this Loan Agreement and the satisfaction of all of the conditions specified in Article 6, the Lender shall disburse the full Loan Proceeds to the Borrower.

Section 3.4. Termination. This Loan Agreement shall automatically terminate without any notice to Borrower:

(a) If no loan proceeds have been disbursed to the Borrower prior to the Compliance Date; or

(b) If the Borrower fails to pay its debts as they become due, makes an assignment for the benefit of its creditors, admits in writing its inability to pay its debts as they become due, files a petition under any chapter of the Federal Bankruptcy Code or any similar law, state or federal, now or hereafter existing, becomes "insolvent" as that term is generally defined under the Federal Bankruptcy Code, files an answer admitting insolvency or inability to pay its debts as they become due in any involuntary bankruptcy case commenced against it, or fails to obtain a dismissal of such case within sixty (60) days after its commencement or convert the case from one chapter of the Federal Bankruptcy Code to another chapter, or is the subject of an order for relief in such bankruptcy case, or is adjudged a bankrupt or insolvent, or has a custodian, trustee,

or receiver appointed for it, or has any court take jurisdiction of its property, or any part thereof, in any proceeding for the purpose of reorganization, arrangement, dissolution, or liquidation, and such custodian, trustee, or receiver is not discharged, or such jurisdiction is not relinquished, vacated, or stayed within sixty (60) days of the appointment.

ARTICLE 4

Acknowledgments, Representations, and Warranties

Section 4.1. Acknowledgments.

(a) The Borrower acknowledges that the Lender, in order to obtain funds for part of the Borrower's activities in connection with the Project, has applied for the MIF Grant to the State under the Minnesota Investment Fund Program, Economic Development Division, and that the Lender has entered into the Grant Contract with the State, setting forth the terms, conditions, and requirements of the MIF Grant. The Borrower further acknowledges that it has made certain representations and statements in the Grant Application concerning its activities relating to the Project, and that the Borrower is designated and identified under the Grant Contract.

(b) A copy of the Grant Contract and this Loan Agreement shall be on file in the offices of the Lender. In the event any provision of this Loan Agreement relating to the Borrower's obligations hereunder is inconsistent with the provisions of the Grant Contract relating to the Borrower's activities there under, the provisions of the Grant Contract shall prevail.

(c) The Borrower acknowledges that nothing contained in the Grant Contract or this Loan Agreement, nor any act of the State or the Lender, shall be deemed or construed to create between the State and the Borrower (or, except as Borrower and Lender between the Lender and the Borrower) any relationship, including but not limited to that of third party beneficiary, principal and agent, limited or general partnership, or joint venture. As such, the Borrower agrees to hold the state harmless from any claim, demand, suit, action, or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from this Loan Agreement, any events related to the Project or the Borrower's participation in this Loan, or Borrower's activities on the Development Property.

Section 4.2. Representations and Warranties. The Borrower warrants and represents, in connection with the Loan and for the benefit of the State and the Lender, that:

(a) It is a Delaware business entity organization, registered and in good standing under the laws of the State of Minnesota, and is authorized to enter into this Loan Agreement and perform any of the acts required herein.

(b) It has the legal authority and is duly authorized to operate the Project, to ensure the indebtedness of the Promissory Note and the obligations of this Loan Agreement, to

execute and deliver the Loan Documents to which it is a party and it has taken all actions necessary and incident to its execution and delivery of the Loan Documents.

(c) Its execution and delivery of the Loan Documents to which it is a party, and its incurrence of the Loan Documents does not violate any provision of law or Borrower's corporate documents.

(d) The Promissory Note was duly and validly authorized, executed and delivered, and it constitutes the legal, valid and binding obligation of the Borrower enforceable in accordance with its terms. The Loan Documents to which it is a party, have been duly and validly authorized, executed and delivered, and are the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency or other law affecting creditor's rights, or the application of equitable principles generally.

(e) It is not in violation of any provisions of its organizational documents or of the laws of local governments, State of Minnesota or U.S. Government, and there are no actions, suits or proceedings pending, or to its knowledge threatened, before or by any judicial body or governmental authority, against or effecting it, and it is not in default with respect to any order, writ, injunction, decree, or demand of any court or any governmental authority which would impair its ability to enter into this Loan Agreement or to perform any of the acts required of it in the Loan Documents to which it is a party.

(f) Neither the execution and delivery of the Loan Documents to which it is a party, nor compliance with any of the terms, conditions, requirements or provisions contained herein or in such referenced documents, is prevented by, is a breach of, or will result in a breach of any term, condition or provision of any agreement or document to which it is now a party or by which it is bound.

(g) It will maintain adequate capital for the proper operation and administration of its duties under this Loan Agreement.

(h) It will comply with Minn. Stat. § 116J.8731 and Minn. Rules Chapter 4300 and all of the terms, conditions, provisions and requirements, contained in the Loan Documents to which it is a party.

(i) Representations, statements, and other matters provided by the Borrower relating to those activities of the Project to be completed by the Borrower, which were contained in the Grant Application, were true and complete in all material respects as of the date of submission to the Lender and such representations, statements, and other matters are true as of the date of this Loan Agreement and there are no adverse material changes in the financial condition of the Borrower's business.

(j) The Borrower acknowledges that the State, in selecting the Lender as recipient

of the Grant, relied in material part upon the assured completion of the Project to be carried out by the Borrower, and the Borrower warrants that said Project will be carried out as promised.

(k) The Borrower warrants that to the best of its knowledge, it has obtained all federal, state, and local governmental approvals, reviews, and permits required by law to be obtained in connection with the Project and has undertaken and completed all actions necessary for it to lawfully execute this Loan Agreement as binding upon it.

(l) The Borrower warrants that it shall keep and maintain books, records, and other documents relating directly to the Other Project Funds, and that any duly authorized representative of the State shall, at all reasonable times, have access to and the right to inspect, copy, audit, and examine all such books, records, and other documents of the Borrower for six years after the expiration of the Loan Agreement or until such time that the Lender and the State have both determined that all issues, requirements, and close-out procedures relating to or arising out of the Loan have been settled and completed, whichever is later.

(m) The Borrower warrants that no transfer of any or all of the Loan Proceeds by the Lender to the Borrower shall be or be deemed an assignment of loan proceeds, and the Borrower shall neither succeed to any rights, benefits, or advantages of the Lender under the Grant Contract, nor attain any right, privileges, authorities, or interest in or under the Grant Contract.

Section 4.3. Affirmative Covenants. Borrower further warrants and agrees that:

(a) It has sufficient funds to complete the purposes of the Project and sufficient capacity to administer the Project.

(b) The Project will be performed in full compliance with all applicable federal, state and local laws, regulations, rules and ordinances, which include but are not limited to all applicable environmental laws, regulations and rules.

(c) Borrower agrees to submit reports required in Article 7 and Article 8.

ARTICLE 5

Events of Default and Rights and Remedies

Section 5.1. Events of Default. Any one or more of the following events shall be deemed and shall constitute an "Event of Default":

(a) The interest or principal due under the Promissory Note, or any other payments due and payable under this Loan Agreement or any other document referred to herein, are not paid when due and such nonpayment is not remedied within ten (10) business days after written notice thereof to the Borrower by the Lender;

(b) The Borrower is in breach of any of the requirements, terms, conditions, covenants or other agreements in the Loan Documents and remains in breach in any material respect for thirty (30) business days after written notice thereof to the Borrower by the Lender; provided, however, that if such breach shall reasonably be incapable of being cured within such thirty (30) business days after notice, and if the Borrower commences and diligently prosecutes the appropriate steps to cure such breach, no default shall exist so long as the Borrower is proceeding to cure such breach in reasonable period of time;

(c) Any representation or warranty made by the Borrower in the Loan Documents, any other document referred to in such documents, or any financial statement, certificate, or report furnished pursuant to this Loan Agreement, or any representation or warranty made order to induce the Lender to close the Loan or disburse the Loan Proceeds, which proves to have been untrue in any material respect or materially misleading as of the time such representation or warranty was made.

(d) Borrower shall make an assignment for the benefit of its creditors, or shall be dissolved, or shall commit an act of bankruptcy under the United States Bankruptcy Act (as now or hereafter amended), or shall admit in writing its inability to pay its debts as they become due, or shall file a petition in bankruptcy, or shall become or be adjudicated as bankrupt or insolvent, however defined, or shall file a petition seeking any reorganization, dissolution, liquidation, arrangement, composition, readjustment or similar relief under any present or future bankruptcy or insolvency statute, law or regulation, or shall file an answer admitting to or not contesting the material allegations of a petition filed against it in such proceedings, or shall not, within 60 days after the filing of such a petition against it, have the same dismissed or vacated, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of a material part of its properties, or shall not, within 60 days after the appointment (without its consent or acquiescence) of a trustee, receiver or liquidator of any material part of its properties, have such appointment vacated.

(e) A court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against Borrower seeking any reorganization, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, or any trustee, receiver or liquidator of such entity, shall be appointed without the consent or acquiescence of State.

(f) Borrower shall refuse to allow DEED, at any reasonable time and upon prior written notice, to inspect, audit, copy or abstract, any and all of its books, records, papers or other documents relevant to the Borrower's use of the Loan Proceeds.

(g) Borrower shall refuse to allow the Minnesota Legislative Auditor or the State Auditor for the State of Minnesota, at any reasonable time and upon prior written notice, to inspect, audit, copy or abstract, any and all books referred to in Section 5.1(f).

- (h) Borrower shall fail to provide annual reporting information as described herein.
- (i) The Borrower sells, conveys, transfers, encumbers, or otherwise disposes of all or any part of the Development Property or the Equipment without the prior written approval of the State and Lender;
- (j) The Borrower merges or consolidates with any other entity without the prior written approval of the Lender;
- (k) There is a loss, theft, substantial damage, or destruction of all or any part of the Development Property or the Equipment that is not remedied to the Lender's satisfaction within sixty (60) business days after written notice thereof by the Lender to the Borrower; or
- (l) The Borrower is in breach of the requirements of Article 7 and Article 8, the Business Subsidy Agreement and Progress Reporting.
- (m) The occurrence of any other act or event that is noncompliant under the MIF Program.

Section 5.2. Rights and Remedies. Upon the occurrence of an Event of Default and at any time thereafter until such Event of Default is cured to the satisfaction of the Lender, the Lender may, at its option, exercise any and all of the following rights and remedies (as well as any other rights and remedies available to it):

- (a) The Lender may, by notice in writing to the Borrower, refrain from disbursing any of the Loan Proceeds; provided, however, the Lender may make such disbursements after the occurrence of an Event of Default without thereby waiving its rights and remedies hereunder, or waiving its right to make any additional disbursements.
- (b) The Lender may, by written notice to the Borrower, declare immediately due and payable all principal and interest due under the Promissory Note, together with all other sums payable under the Loan Documents and the same shall thereupon be immediately due and payable without presentment or other demand, protest, notice of dishonor or any other notice of any kind, all of which are hereby expressly waived.
- (c) The Lender shall have the right, in addition to any other rights provided by law or equity, to enforce its rights and remedies under the Loan Documents.
- (d) The Lender shall have the right, in addition to any other rights provided by law or equity, to initiate litigation for the breach of any term, condition, covenant, requirement or provision contained in the Loan Documents, and to recover damages for such breach.

(e) The Lender shall have the right, in addition to any other rights provided by law or equity, to apply to any court, state or federal, for specific performance of any term, condition, covenant, requirement or provision contained in the Loan Documents; for an injunction against any violation of any such term, condition, covenant, requirement and/or provision; or for such other relief as may be appropriate, since the injury to the Lender arising from a default under any of the terms, conditions, covenants requirements and/or provisions of the Loan Documents, would be irreparable and the amount of damage would be difficult to ascertain.

Section 5.3. Rights and Remedies Cumulative. The rights and remedies of the parties to this Loan Agreement, whether provided by operation of law or by this Loan Agreement, shall be cumulative, and the exercise by either party of any one or more of such remedies shall not be construed to preclude or waive its right to exercise, at the same or different times, any of the other such remedies for the same default or breach, or of any of its remedies for any other default or breach by the other party.

No waiver made by either such party with respect to the performance, manner or time thereof, of any obligation of the other party or any condition to its own obligation under this Loan Agreement or any document referred to herein, shall be considered a waiver of any rights of the party making the waiver with respect to the particular obligation of the other party or condition to its own obligation beyond those expressly waived in writing and to the extent thereof, or a waiver in any respect in regard to any other rights of the party making the waiver or any other obligations of the other party. No delay or failure by either party to exercise any right or remedy shall be a waiver of such right or remedy, and no single or partial exercise by either party of any right or remedy shall preclude other or further exercise thereof for the exercise of any other right or remedy at any other time.

Section 5.4. Collection. Upon the occurrence of an Event of Default and at any time thereafter until such Event of Default is cured to the satisfaction of the Lender and State, Borrower agrees to pay all costs and expenses of the Lender, including, but not limited to, reasonable attorney's fees, in the collection of any of the obligations or the enforcement of any of the Lender's rights. If any notice of sale, disposition or other intended action by the Lender is required by law to be given to Borrower, such notice shall be deemed reasonably and properly given if mailed to Borrower at the address specified in Section 9.14, or at such other address of Borrower as may be shown on the Lender's records, at least 15 days before such sale, disposition or other intended action.

The Lender shall have the right as its option and without demand or notice, to declare all or any part of the Loan immediately due and payable, and in addition to the rights and remedies granted hereby, the Lender shall have all of the rights and remedies available under the Uniform Commercial Code and any other applicable law.

Section 5.5. Assignment. If, prior to the Termination Date, the Borrower sells, conveys, transfers, further mortgages or encumbers, or disposes of the Development Property, or any part thereof or interest therein, or enters into an agreement to do any of the foregoing, the Borrower shall

immediately repay all amounts then outstanding on the Loan. This shall be in addition to any other remedies at law or equity available to the Lender.

Section 5.6. Appointment for Foreclosure. Upon the occurrence of an Event of Default and at any time thereafter until such Event of Default is cured to the satisfaction of the Lender and State, Borrower agrees that the Lender may appoint an individual or entity to handle the default proceedings.

ARTICLE 6 Disbursement Provisions

Section 6.1. Payment Requisition Documentation. The Lender will disburse the loan funds upon receipt and approval by the Lender and the State of the following documentation:

- (a) This Loan Agreement, fully executed;
- (b) Promissory note;
- (c) Evidence of equity injection in the amount of \$ 232,776;
- (d) Security Agreement;
- (e) Promissory Notes from the following Lenders:
 - 1) Iron Range Resources and Rehabilitation Board in the amount of \$320,000.
 - 2) City of Grand Rapids in the amount of \$8,000.
- (f) Invoices for items funded by the Loan and matching funds.
- (g) Documentation of total project expenditures will be required prior to final disbursement of MIF funds.
- (h) The Borrower shall maintain insurance in adequate amounts covering loss or damage to the collateral. The Lender must be listed as loss payee.
- (i) Evidence that equipment or other items purchased with the Loan are in the Jurisdiction.
- (j) Signed lease agreement for the building.

Upon receipt of such information, the Loan funds will be disbursed upon approval of the lender and DEED on a cost-sharing ratio of 50.0% MIF funds to 50.0% other funds in connection with the purchase of machinery and equipment plus costs to renovate the building, up to a total disbursement amount of \$125,000.

Section 6.2. Review of Documents. The Borrower shall not be entitled to any disbursement of loan proceeds until the Lender's legal counsel and the State have reviewed and approved this Loan Agreement and the exhibits attached hereto.

Section 6.3. Adverse Changes. The Lender and the State will not authorize disbursement of funds if there has been any adverse change in the Borrower's financial condition, organization, operations or their ability to repay the project financing.

ARTICLE 7
Progress Reporting

Section 7.1. Progress Information. The Borrower shall provide to the Lender information for incorporation into the Minnesota Investment Fund progress reports, as required by the State and as needed by the Lender, to monitor the Project for compliance with State and Lender guidelines. This information must be provided until the project goals have been met or until the Compliance Date, whichever is later. At the discretion of the State or Lender additional reporting may be required. This information must be submitted to the Lender no later than:

- (a) January 15, 2018 for the period ending December 31, 2017;
- (b) January 15, 2019 for the period ending December 31, 2018;
- (c) January 15, 2020 for the period ending December 31, 2019;
- (d) Fifteen days after the Compliance Date.

Section 7.2 Documentation to be provided to the Lender:

- (a) **Project status and the status of payments.**
- (b) **Additional Leverage.** The Borrower must provide to the Lender invoices, sworn construction statements, and or any other information, with each progress report, to document Other Project Funds in addition to the originally included project costs.
- (c) **Job Creation Documentation.** The Borrower shall provide to the Lender information on the hiring of each New Job on forms provided by the Lender. This information must include:
 - (1) Permanent jobs created;
 - (2) Job title of each New Job;
 - (3) Date of hire of each new employee;
 - (4) Hourly base wage paid;
 - (5) List of Benefits provided; and
 - (6) Hourly value of Benefits paid.
- (d) **Payroll Report.** A formal payroll report verifying job information will be due at the Compliance Date.

ARTICLE 8
Business Subsidy Agreement and Reporting

Section 8.1. Business Subsidy Agreement. The provisions of this Section constitute the “Business Subsidy Agreement” for purposes of the Minnesota Business Subsidy Act (Minn. Stat. § 116J.993 – § 116J.995 and its successor statute.)

(a) The Borrower acknowledges and agrees that the provisions of Minnesota’s Business Subsidy Act apply to this Loan Agreement, as Borrower is receiving government assistance under the terms of this Loan Agreement.

(1) The subsidy provided to the Borrower includes the \$125,000 loan made hereunder which will be used for the purchase of machinery and equipment plus renovation costs to the building.

(2) The public purposes and goals of the subsidy are to increase net jobs in the City.

(3) The goals for the subsidy are to create jobs that pay a livable wage, per Section 8.1(b) of this Loan Agreement.

(4) If the goals are not satisfied, the Borrower shall make payment to the Lender as required in Section 8.2 of this Loan Agreement.

(5) The subsidy is needed because the cost to move ASV Holding’s distribution center from Missouri to Minnesota make the Project economically infeasible without the Loan.

(6) The Borrower must continue operations in the Jurisdiction for at least five years following the Benefit Date.

(7) The Borrower **does/does not** have a parent corporation.

Name of Parent: _____

Address of parent: _____

(8) In addition to the assistance provided under this Loan Agreement, the Borrower has received or expects to receive as part of this project, the following financial assistance from other “grantors” as defined in the Business Subsidy Act: IRRRB . (Remove if not applicable)

(b) On the Compliance Date, the Borrower shall have:

(1) Maintained one hundred fifty-three (153) permanent, non-contract, non-seasonal FTE jobs; and

(2) Created at least thirteen (13) New Jobs at the Development Property. The New Jobs must pay a base cash wage of at least \$15.49 per hour (exclusive of Benefits) plus a Benefit package sufficient for these New Jobs at a value of at least \$20.00 per hour. New Jobs created after July 19, 2017 will count toward the Borrower’s job creation goal.

Section 8.2. Default on Business Subsidy Act Requirements.

(a) If the Borrower fails to meet the job creation goal and wage level commitment on the Compliance Date, the Lender may, after holding a public hearing, extend the Compliance Date for one year, after approval from the State. If after the extension, the Borrower fails to meet the job creation goal and wage commitment, the Borrower will be required to repay to the Lender a pro rata share of the Loan principal at \$3,846.15 per FTE job not created of the “Forgivable Portion” of the Loan; plus \$5,769.23 of the “Repayable Portion” of the Loan per job not created, plus interest as defined in Section 8.2 (b) at an accelerated rate.

(b) In an Event of Default arising from a breach by the Borrower of any provision of Section 8.1 of this Loan Agreement, if the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31st of the previous year, exceeds five percent (5.0%) on the date of the earliest such Event of Default, the Borrower shall, in addition to any other payment required hereunder, pay to the Lender the difference between the present value of the interest actually paid and accrued on the Loan as of the date of the payment required by this Section 8.2 and the amount of interest that would have been paid and accrued on the Loan if the interest rate of the Loan at all times had been equal to the implicit price deflator on the date of the earliest Event of Default;

(c) Interest required in Section 8.2 (b) shall commence to accrue as of the Initial Disbursement Date;

(d) Nothing in this Section 8.2 shall be construed to limit the Lender’s rights or remedies under any other provision of this Loan Agreement, and the provisions of Section 8.2 are in addition to any other such right or remedy the Lender may have available.

(e) The Borrower shall provide to the Lender information regarding job and wage goals and results for two years after the Benefit Date or until the goals are met, whichever is later. This reporting requirement will expire if the goals are met on the Compliance Date. If the goals are not met, the Borrower must continue to provide information on the Loan until the Loan is repaid. The information must be filed on the Non-JOBZ Minnesota Business Assistance form as found on the MN Department of Employment and Economic Development website and shall include the following:

- (1) the type, public purpose, and amount of subsidies and type of district, if the subsidy is tax increment financing;
- (2) the hourly wage of each job created with separate bands of wages;
- (3) the sum of the hourly wages and cost of health insurance provided by the employer with separate bands of wages;
- (4) the date the job and wage goals will be reached;
- (5) a statement of goals identified in the subsidy agreement and an update on achievement of those goals;
- (6) the location of the recipient prior to receiving the business subsidy;
- (7) the number of employees who ceased to be employed by the recipient when the recipient relocated to become eligible for the business subsidy;

- (8) why the recipient did not complete the project outlined in the subsidy agreement at their previous location, if the recipient was previously located at another site in Minnesota;
- (9) the name and address of the parent corporation of the recipient, if any;
- (10) a list of all financial assistance by all grantors for the project; and
- (11) other information the commissioner may request.

(f) This information must be provided to the Lender no later than March 1 of each year for the previous year. If the Borrower does not submit the report, the Lender shall mail the Borrower a warning within one week of the required filing date. If, after 14 days of the postmarked date of the warning, the Borrower fails to provide a report, the Borrower must pay to the Lender a penalty of \$100 for each subsequent day until the report is filed. The maximum penalty shall not exceed \$1,000.

ARTICLE 9

Other Conditions

Section 9.1. Project Time Frame. The time frame outlined in the Grant Application and Grant Contract pertaining to the Project shall be met by the Borrower.

Section 9.2. Promissory Note. The Borrower shall execute a promissory note in substantially the form set forth by the State.

Section 9.3. Collateral. The Borrower shall furnish the Lender Description of collateral.

Section 9.4. Annual Financial Statements. For the term of the Loan, upon request of the Lender, the Borrower shall submit the most recent annual financial statement prepared in accordance with generally accepted accounting principles. The annual financial statements shall include a profit and loss statement, balance sheet, and statement of cash flow, notes and an opinion from the accountants of such statements acceptable to the Lender.

Section 9.5. Discrimination on Account of Race, Creed, or Color. The provisions of Minn. Stat. § 181.59 and any successor statutes, which relate to civil rights and discrimination, shall be considered a part of this Loan Agreement as though wholly set forth herein and the Borrower shall comply with each such provision throughout the term of this Loan Agreement.

Section 9.6 Affirmative Action. The Grantee is encouraged to prepare and implement an affirmative action plan for the employment of minority persons, women, and the qualified disabled.

Section 9.7. Job Listing Agreement. (Minn. Stat. § Section 116L.66 and any successor statutes). When the Loan is for \$200,000 or more, the Borrower shall enter into a Job Listing Agreement with the local Workforce Development Center, MN Department of Employment and Economic

Development.

Section 9.8. Prevailing Wage. If the Borrower is awarded \$500,000 or more of loan proceeds and the Loan is used for construction, installation (including equipment), remodeling and or repairs, the Borrower shall fully and completely comply with all applicable prevailing wage requirements contained in Minn. Stat. § 116J.871 and § 177.42, subd. 6.

(a) **Documentation.** The Borrower shall maintain or ensure access to all documentation necessary to establish that the required prevailing wage was paid and shall allow the Lender, the Commissioner of the Department of Labor and Industry and the State reasonable access to such data.

(b) **Penalty.** It is a misdemeanor for the Borrower, who has certified that prevailing wages will be paid to laborers and mechanics to subsequently fail to pay the prevailing wage. Each day a violation of this subdivision continues is a separate offense.

Section 9.9. Surety Deposits Required for Construction Contracts. If the Loan is used for construction, and the Borrower is hiring, contracting, or having a contract with a nonresidential person or foreign corporation to perform construction work, the Borrower must comply with Minnesota Statutes 290.9705, as amended, by deducting and withholding eight percent of cumulative calendar year payments to the contractor which exceeds \$50,000.

This condition may be waived if (1) the contractor gives the commissioner a cash surety or a bond, secured by an insurance company licensed by Minnesota, conditioned that the contractor will comply with all applicable provisions of this chapter and chapter 297A, or (2) the contractor has done construction work in Minnesota at any time during the three calendar years prior to entering the contract and has fully complied with all provisions of this chapter and chapter 297A for the three prior years.

Section 9.10. Publicity and Endorsement

(a) **Publicity.** Any publicity regarding the subject matter of this Loan Agreement must identify the State as the sponsoring agency. For purposes of this provision, publicity includes notices, informational pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for the Borrower individually or jointly with others, or any subcontractors, with respect to the MIF Program, publications, or services provided resulting from this Grant Contract.

(b) **Endorsement.** The Lender and the Borrower must not claim that the State endorses its products or services.

Section 9.11. Workers Compensation Insurance. The Borrower has obtained workers compensation insurance as required by Minn. Stat. § Section 176.181, subd. 2. The Borrower's workers compensation insurance information is as follows:

(a) Company Name: _____

(b) Policy Number: _____

(c) Local Agent: _____

Section 9.12. **Effect on Other Agreements.** Nothing in this Loan Agreement shall be construed to modify any term of any other agreement to which the Lender and the Borrower are parties.

Section 9.13. **Release and Indemnification Covenants.** Except for any breach of the representations and warranties of the Lender or the negligence or other wrongful act or omission of the following named parties, the Borrower agrees to protect and defend the Lender and the governing body members, officers, agents, servants, and employees thereof, now and forever, and further agrees to hold the aforesaid harmless from any claim, demand, suit, action, or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from the acquisition, construction, installation, ownership, maintenance, and operation of the Project and the Borrower's activities on the Development Property.

Section 9.14. **Modifications.** This Loan Agreement may be modified solely through written amendments hereto executed by the Borrower and the lender and approved by the State.

Section 9.15. **Notices and Demands.** Any notice, demand, or other communication under this Loan Agreement by either party to the other shall be sufficiently given or delivered only if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally:

(a) as to the Lender: Lender Name
ATTN: _____

_____, MN _____

(b) as to the Borrower: Borrower Name
ATTN: _____

_____, MN _____

or at such other address with respect to any party as that party may, from time to time, designate in writing and forward to the others as provided in this Section 9.14.

Section 9.16 Conflict of Interests; Representatives Not Individually Liable.

(a) No employee, officer or agent of the Lender shall participate in the administration of a contract supported by this loan if a conflict of interest, real or apparent,

would be involved. No employee, officer or agent of the Lender may obtain a financial interest in any agreement with respect to the Loan. No employee, officer, or agent of the Lender shall be personally liable to the Borrower or any successor in interest in the event of any default or breach by the Lender or for any amount that may become due to the Borrower or on any obligation or term of this Loan Agreement.

(b) To the best of the Borrower's knowledge, no member, officer, or employee of the Lender, or its officers, employees, designees, or agents, no consultant, member of the governing body of the Lender, and no other public official of the Lender, who exercises or has exercised any functions or responsibilities with respect to the Project during his or her tenure shall have any interest, direct or indirect, in any contract or subcontract, or the proceeds thereof, for work to be performed in connection with the Project or in any activity, or benefit there from, which is part of the Project.

Section 9.17. Binding Effect. The covenants and agreements in this Loan Agreement shall bind and benefit the heirs, executors, administrators, successors, and assigns of the parties to this Loan Agreement.

Section 9.18. Provisions Not Merged With Deed. None of the provisions of this Loan Agreement are intended to or shall be merged by reason of any deed transferring any interest in the Development Property and any such deed shall not be deemed to affect or impair the provisions and covenants of this Loan Agreement.

Section 9.19. Titles of Articles and Sections. Any titles of the several parts, Articles, and Sections of this Loan Agreement are inserted only for convenience of reference and shall be disregarded in construing or interpreting any of its provisions.

Section 9.20. Counterparts. This Loan Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 9.21. Choice of Law and Venue. This Loan Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota without regard to its conflict of laws provisions. Any disputes, controversies, or claims arising out of this Loan Agreement shall be heard in the state of Minnesota, and all parties to this Loan Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

Section 9.22. Waiver. The failure or delay of any party to take any action or assert any right or remedy, or the partial exercise by any party of any right or remedy shall not be deemed to be a waiver of such action, right, or remedy if the circumstances creating such action, right, or remedy continue or repeat.

Section 9.23. Entire Agreement. This Loan Agreement, with the exhibits hereto, constitutes the entire agreement between the parties pertaining to its subject matter and it supersedes all prior contemporaneous agreements, representations, and understandings of the parties pertaining to

the subject matter of this Loan Agreement.

Section 9.24. Separability. Wherever possible, each provision of this Loan Agreement and each related document shall be interpreted so that it is valid under applicable law. If any provision of this Loan Agreement or any related document is to any extent found invalid by a court or other governmental entity of competent jurisdiction, that provision shall be ineffective only to the extent of such invalidity, without invalidating the remainder of such provision or the remaining provisions of this Loan Agreement or any other related document.

Section 9.25. Immunity. Nothing in this Loan Agreement shall be construed as a waiver by the Lender of any immunities, defenses, or other limitations on liability to which the Lender is entitled by law, including but not limited to the maximum monetary limits on liability established by Minn. Stat. § Chapter 466.

IN WITNESS WHEREOF, the Lender has caused this Loan Agreement to be duly executed in its name and behalf and the Borrower has caused this Loan Agreement to be duly executed in its name and behalf as of the date first above written.

Lender Name

By _____

Its _____

By _____

Its _____

Borrower Name

By _____

Its _____

By _____

Its _____

EXHIBIT A
Legal Description of Development Property

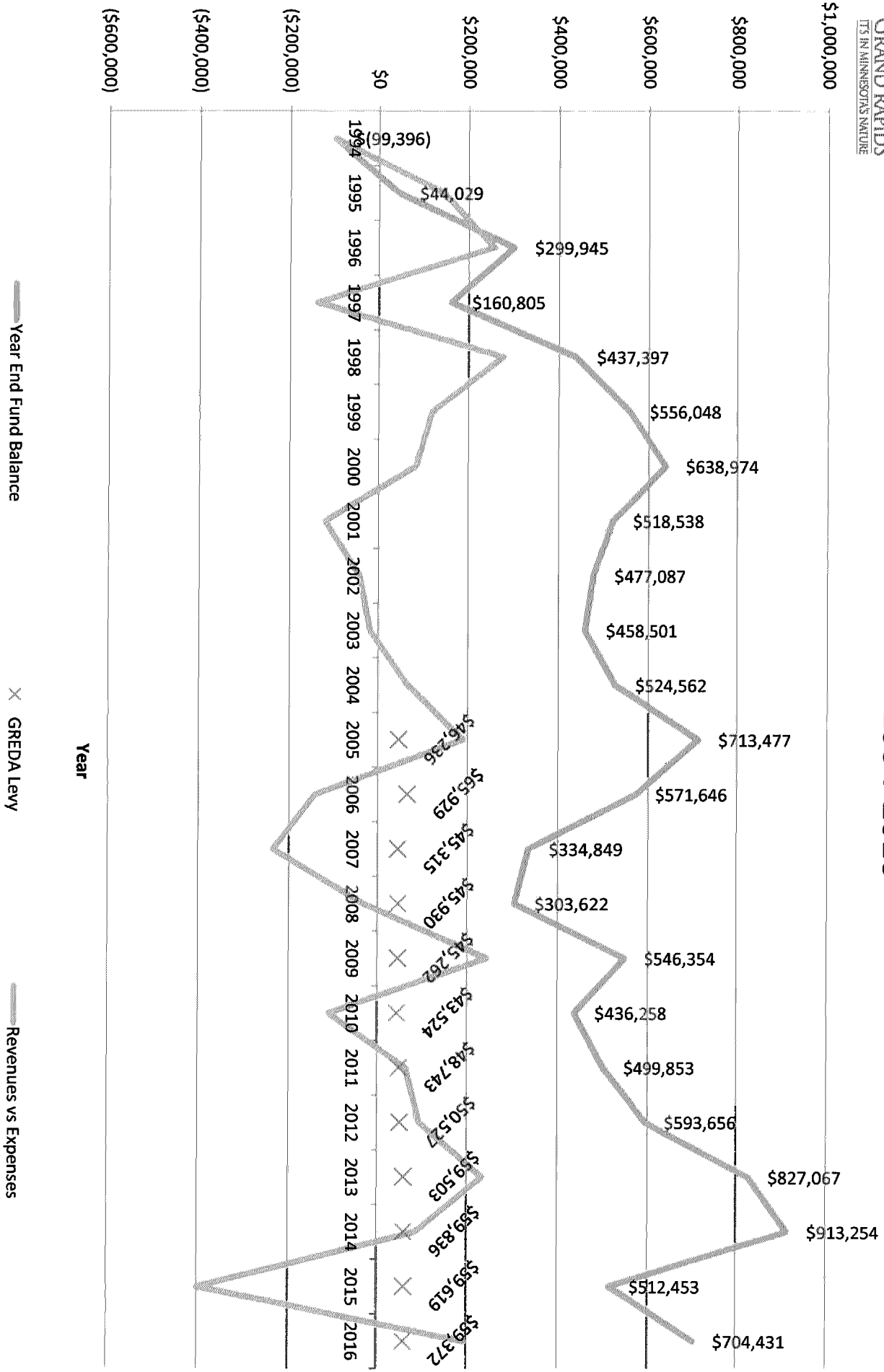
EXHIBIT B
Equipment List

EXHIBIT C
Grant Contract



CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE

GREDA Capital Project Fund Fund Balance, Revenue/Expense History 1994-2016

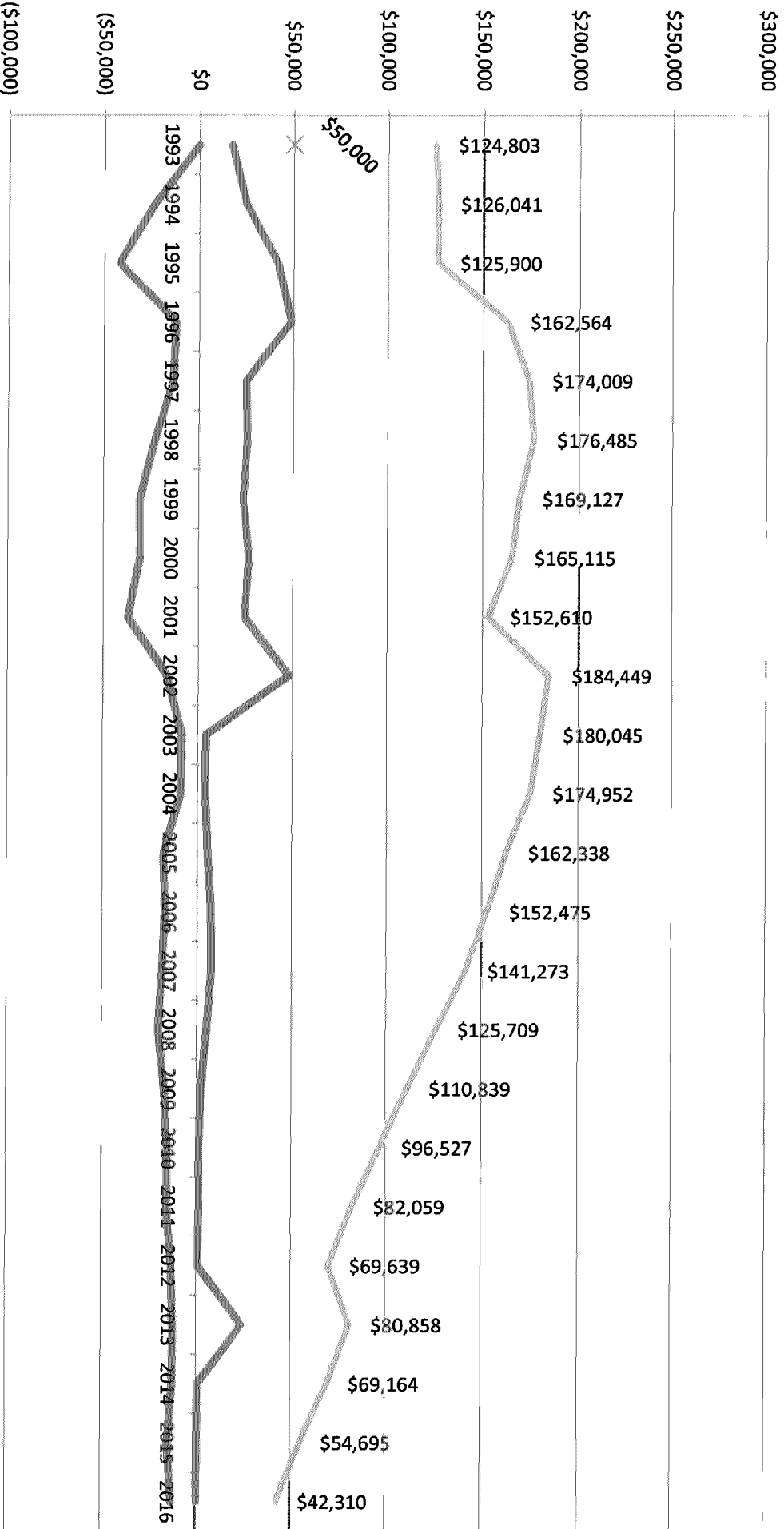
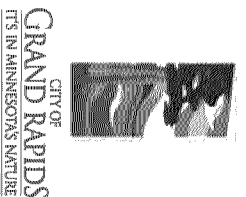


— Year End Fund Balance

x GREDA Levy

— Revenues vs Expenses

GREDA Operating Fund Revenue/Expense History 1993-2016



Revenues
 Expenses
 Year End Fund Balance
 Operating Transfer from City