



# Board of County Commissioners Agenda Request

## 6B

Agenda Item #

**Requested Meeting Date:** December 17, 2024

**Title of Item:** Approve Revolving Loan Fund

<input checked="" type="checkbox"/> REGULAR AGENDA  <input type="checkbox"/> CONSENT AGENDA	<b>Action Requested:</b> <input checked="" type="checkbox"/> Approve/Deny Motion <input type="checkbox"/> Adopt Resolution (attach draft) <input type="checkbox"/> Hold Public Hearing <i>*provide copy of hearing notice that was published</i>	<input type="checkbox"/> Direction Requested <input type="checkbox"/> Discussion Item <input type="checkbox"/> Information Only
<b>Submitted by:</b> Mark Jeffers		<b>Department:</b> Economic Development
<b>Presenter (Name and Title):</b> Mark Jeffers, Economic Development Coordinator		<b>Estimated Time Needed:</b> 5 minutes
<b>Summary of Issue:</b> <p>The Economic Development Committee has established a Revolving Loan Fund as a part of the Aitkin County Housing Trust Fund.</p> <p>The Aitkin County Housing Development Revolving Loan Fund (RLF) is established to support housing development initiatives in Aitkin County. The fund aims to promote the construction, rehabilitation, and development of affordable (workforce) and market-rate housing through low-interest loans to developers, non-profit organizations, and individuals.</p> <p>Loan Amounts: Typically ranging from \$5,000 to \$75,000 depending on project scope.</p> <p>The Economic Development Committee recommends approval of a motion to execute this RLF.</p> <p>The County Attorney has reviewed the document.</p>		
<b>Alternatives, Options, Effects on Others/Comments:</b>  		
<b>Recommended Action/Motion:</b> Approve motion to execute this RLF.		
<b>Financial Impact:</b> <i>Is there a cost associated with this request?</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>What is the total cost, with tax and shipping? \$</i> <i>Is this budgeted?</i> <input type="checkbox"/> Yes <input type="checkbox"/> No <i>Please Explain:</i>		

Legally binding agreements must have County Attorney approval prior to submission.



# Aitkin County Housing Development Revolving Loan Fund (RLF)

## 1. Purpose of the Fund

The Aitkin County Housing Development Revolving Loan Fund (RLF) is established to support housing development initiatives in Aitkin County. The fund aims to promote the construction, rehabilitation, and development of affordable (workforce) and market-rate housing through low-interest loans to developers, non-profit organizations, and individuals.

## 2. Goals and Objectives

- **Increase Housing Supply:** Support projects that address housing shortages in Aitkin County.
- **Affordable (Workforce) Housing Development:** Prioritize affordable housing units for low- to moderate-income households. Affordable housing is defined as housing that costs no more than 30% of a household's gross income, including rent or mortgage payments and utility costs. This standard applies to various income levels but is used to assess the affordability of housing for low- to moderate-income households.
- **Economic Development:** Stimulate economic growth by encouraging housing development that aligns with the County's strategic planning efforts.
- **Sustainable Financing:** Utilize a revolving structure to sustain and expand the loan fund for future projects.
- **Gap Financing:** The RLF must serve as the shortfall between the total cost of a project and the amount of funding secured from primary sources, such as traditional loans, grants, or investments.

## 3. Eligible Borrowers

- For-profit developers.
- For-profit builders
- Public/private partnerships.
- Individuals involved in housing development.
- Non-profit housing organizations.

## 4. Eligible Projects

The RLF will provide loans for projects including:

- New construction of single-family or multi-family housing.
- Land acquisition or infrastructure improvements related to housing development.
- Adaptive reuse of commercial buildings for residential purposes.
- Rehabilitation or redevelopment of existing housing units.

Ineligible project include:

- Working capital projects
- Refinancing of existing debt
- General improvements

## 5. Loan Terms

- **Loan Amounts:** Typically ranging from \$5,000 to \$75,000 depending on project scope.
- **Interest Rate:** Fixed rate at [X]% (adjustable depending on market conditions).
- **Loan Term:** Loans shall be offered with terms between 5 and 20 years, depending on project type and loan amount
- **Repayment:** Monthly or quarterly payments. Principal repayment deferred for [X] months based on project needs.
- **Security:** Loans secured by a mortgage on the property or other collateral deemed acceptable by the Economic Development committee.



## 6. Application Process

- **Step 1:** Upon preliminary approval, submit a **Full Loan Application** that includes:
  - Detailed project plan, timeline, and budget.
  - Evidence of site control (e.g., purchase agreement, deed).
  - Development pro forma and financial projections.
  - Plans for meeting zoning and regulatory requirements.
  - Organizational documents (if applicable).
  - Financial statements of the developer/organization.
- **Step 2:** Application reviewed by Economic Development committee.

## 7. Loan Review and Approval Process

- **Economic Development Committee:** Composed of representatives from the County
- **Evaluation Criteria:**
  - Feasibility and readiness of the project
  - Financial capacity of the borrower
  - Impact on housing needs in Aitkin County
  - Compliance with local zoning and housing regulations
  - Contribution to community and economic development
- **Approval Process:** The Committee makes loan recommendations to the County Board for final approval.

## 8. Revolving Loan Fund Structure

The fund will revolve through the repayment of principal and interest, allowing for new loans to be made as funds become available. This ensures a sustainable source of financing for future housing projects.

## 9. Monitoring and Compliance

Loan recipients will be required to provide bi-annual updates, including:

- Project progress reports.
- Financial reports.
- Evidence of compliance with local regulations and codes.

Failure to meet these requirements may result in loan default, triggering enforcement actions by the County.

## 10. Administration and Management

The Economic Development Committee is responsible for administering the RLF:

- Marketing the RLF
- Processing applications
- Managing the loan review and recommendation process
- Ensuring compliance with program requirements

The Aitkin County Board of Commissioners shall grant final approval of all loans.

## 11. Funding Sources

- Initial capitalization of the RLF through the Statewide Affordable Housing aid funding to the Aitkin County Housing Trust Fund.
- Ongoing capitalization through loan repayments and potential additional funding sources.

## 12. Amendments

The County reserves the right to amend or revise the RLF guidelines as needed to address emerging needs or changing market conditions.



### 13. Loan Default and Enforcement Actions

If a loan recipient fails to make payments according to the agreed-upon loan terms, or if the recipient violates any conditions of the loan agreement, the following steps will be taken:

- **Notification of Default:**  
The borrower will receive a formal written notice of default, outlining the missed payments or violations and provided a 30 day timeframe to remedy the default.
- **Opportunity to Cure:**  
Borrowers will be given an opportunity to cure the default within the provided timeframe. This may include making the missed payments, providing additional documentation, or addressing any breaches of the loan agreement.
- **Restructuring Options (if applicable):**  
If the borrower is unable to cure the default, the Economic Development Committee, with Board of Commissioners approval may consider restructuring the loan under revised terms, such as extending the repayment period or modifying payment schedules.
- **Enforcement of Collateral:**  
**If the default is not cured and no restructuring agreement is reached, the Aitkin County reserves the right to enforce its security interests. This may include:**
  - Foreclosure proceedings on properties or assets secured by the loan
  - Seizure of collateral or other legal recourse to recover outstanding loan amount
- **Legal Proceedings:**  
If necessary, Aitkin County may pursue legal action to recover the loan balance, including filing a lawsuit to enforce repayment through the court system.
- **Recovery of Costs:**  
The borrower may be liable for any legal fees, court costs, or other expenses incurred by Aitkin County in the process of enforcing the loan agreement.
- **Termination of Loan Agreement:**  
In cases where default cannot be remedied, the loan agreement may be terminated, and any outstanding amounts will be immediately due and payable.



## Aitkin County Housing Development Revolving Loan Fund Loan Application

### Section 1: Applicant Information

- **Applicant Name:**
- **Organization Name** (if applicable):
- **Address:**
  
- **Phone:**
- **Email:**
- **Type of Applicant** (check one):
  - Individual
  - Non-Profit Organization
  - For-Profit Developer
  - Public/Private Partnership
- **Tax Identification Number (TIN)** or **Social Security Number** (if individual):

### Section 2: Project Information

- **Project Name:**
- **Project Location (Address):**
- **Parcel ID** (if available):
- **Type of Project** (check all that apply):
  - New Construction
  - Rehabilitation/Renovation
  - Land Acquisition
  - Adaptive Reuse of Property
  - Other (Please specify):
  
- **Total Project Cost:** \$
  
- **Amount of Loan Requested:** \$
- **Other Sources of Funding** (List sources, amounts, and if secured or pending):
  
  
- **Source Amount Total (\$) Secured/Pending:**

### Section 3: Project Description

- **Project Summary:** Provide a brief description of the proposed project, including key objectives and timeline. Attach additional sheets if necessary.  
(Example: "This project will involve the construction of 10 single-family homes on a 5-acre site in Aitkin County, with completion expected by June 2025.")
- **Housing Units Created or Rehabilitated:**
  - Number of Units:
  - Number of Affordable Units (if applicable):



- Target Population (e.g., low-income, middle-income, market-rate):

- **Zoning Compliance:** Is the project currently in compliance with local zoning and land-use regulations?

Yes  No

If no, explain the plan for zoning approval:

#### Section 4: Development Team

- **Primary Developer/Organization:**
  - Contact Person:
  - Phone:
  - Email:
- **Architect (if applicable):**
  - Firm Name:
  - Contact Person:
  - Phone:
  - Email:
- **General Contractor (if applicable):**
  - Firm Name:
  - Contact Person:
  - Phone:
  - Email:

#### Section 5: Financial Information

- **Total Project Budget:** (Attach detailed breakdown of costs, including land acquisition, construction, professional fees, etc.)
- **Development Pro Forma:** (Attach multi-year pro forma that includes estimated revenues, operating expenses, financing terms, and cash flow projections.)
- **Existing Liabilities:** Provide a summary of the applicant's existing liabilities, including other debts and financial obligations.
- **Security/Collateral Offered:** Provide details on collateral offered to secure the loan (e.g., property mortgage, personal guarantee).

#### Section 6: Supporting Documentation

Please attach the following required documents:

- **Detailed Project Plan:** Including architectural drawings, construction timeline, and development schedule.
- **Proof of Site Control:** Deed, purchase agreement, or letter of intent.
- **Organizational Documents:** Articles of incorporation, bylaws (for non-profits or companies).
- **Most Recent Financial Statements:** Including balance sheet and income statement for the past two years.
- **Proof of Zoning Compliance or Plan:** Any documentation or approvals related to zoning compliance.
- **Land appraisal (if applicable)**
- **Developer's Resume/Experience:** List of previous projects and qualifications of the development team.
- **Notice of past bankruptcies and/or foreclosures**



**Section 7: Acknowledgment and Certification**

I/We certify that the information provided in this application is true and accurate to the best of my/our knowledge. I/We understand that submission of this application does not guarantee loan approval. I/We authorize Aitkin County to obtain any necessary credit or background checks required for the review of this application.

- **Signature of Applicant/Authorized Representative:**

- **Date:**
- **Printed Name:**

**Section 8: Submission Instructions**

Please submit the completed application and all required documentation to:

**Aitkin County Economic Development RLF**

307 2<sup>nd</sup> Street NW room 316

Aitkin, MN 56431

OR

Email: RLF application to [mark.jeffers@co.aitkin.mn.us](mailto:mark.jeffers@co.aitkin.mn.us)