

**PELICAN RAPIDS**

**COMMERCIAL REHABILITATION PROGRAM**

**POLICY AND PROCEDURAL GUIDE**

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**SECTION 1 - PURPOSE OF THE PROCEDURAL GUIDE**

The purpose of the Pelican Rapids Commercial Rehabilitation Program is to encourage preservation and beautification of commercial buildings in the City of Pelican Rapids. This will be accomplished by providing grants and low interest loans to enhance commercial building facades through exterior restorative improvements.

The Commercial Rehabilitation Program will provide assistance to eligible applicants for the rehabilitation of commercial properties utilizing funds provided through the Pelican Rapids Area Community Fund, with recommendations by the Pelican Rapids Area Economic Development Corporation (PRAEDC) and administration by West Central Initiative.

It is the policy of the PRAEDC to further equal participation in programs and to administer programs in a way that all residents have equal access to programs regardless of race, color, creed, religion, national origin, sex, marital status and status with regard to public assistance, disability, sexual orientation or familial status. No person or business will be denied services, contracts for project services or access to program information and materials due to race, color, creed, religion, national origin, sex, marital status and status with regard to public assistance, disability, sexual orientation or familial status. There will be no discrimination of persons in the administration of this program.

Marketing efforts will be such that no potential eligible applicants or providers of services are excluded from participating. Affirmative marketing of the program will include efforts to reach people who have traditionally not participated or have not been aware of available assistance. In addition to this, contracts for work are between the building owners and contractors and building owners are encouraged to address Section 3 requirements.

**SECTION 2 - ELIGIBLE RECIPIENT**

- 2.1 The recipient must individually or in aggregate have at least:
  - A. a one-third interest in the fee title or
  - B. a one-third interest as purchaser in a contract for deed with respect to the structure to be improved.
- 2.2 All individuals having ownership interest in such a structure must join in the application, including contract for deed holders.
- 2.3 The recipient will have to show ability to finance owner portion as per Section 5.
- 2.4 No economic displacement will be allowed. Economic displacement occurs as a result of rental increase causing the tenant to move because the tenant can no longer afford to rent the unit.
- 2.5 If the eligible recipient is an EDC director or advisory committee member and it may present a conflict of interest the matter may be forwarded to the WCI Board of Directors for review without input or recommendation from the local advisory committee.

**SECTION 3- ELIGIBLE PROPERTIES**

Commercial Rehabilitation funds will be used to improve properties which meet the following criteria:

- 3.1 The property must be a Commercial Structure or a Mixed-use Structure partially utilized as commercial in the Commercial Zones in the City of Pelican Rapids.

Commercial and Mixed-use Structures are defined as follows:

Commercial Structure: - A building used solely for commercial purposes.

Mixed-use Structure. - A building used for both commercial and residential purposes.

3.2 On a Mixed-use Structure, only those elements pertaining to the building envelope and/or the commercial portion of a building will be eligible for improvement under the Commercial Rehabilitation Program.

3.3 The property must be a permanent structure.

3.4 The property must be substandard but suitable for rehabilitation according to the following definitions:

Substandard - A unit which needs more repair than would normally be provided in the course of regular maintenance.

Suitable for rehabilitation - A building should be vertically plumb and shall have no significant deterioration on the majority of the floor joists, studs or rafters that are weight bearing. Foundations and basement walls shall not be deteriorated to the extent or so out of alignment that they do not adequately support the building and cannot be corrected without complete replacement. Correction of the deficiencies cannot exceed the funds allocated for the activity.

3.5 After rehabilitation, the structure should have a minimum of 10 years of remaining useful life.

Remaining useful life: Length of time a building will remain a viable part of the Business District after rehabilitation has been completed. In all cases this should be at least ten years in order to be determined to be suitable for rehabilitation.

3.6 The property to be rehabilitated must be considered substandard under the local definition and rehabilitation must be necessary for elimination of blighting influences.

3.7 Property taxes must be current and insurance on the building must be up to date.

3.8 Vacant structures will be rehabilitated only if the owner has a signed contract with a tenant to occupy the space after it has been rehabilitated.

#### **SECTION 4 – ELIGIBLE AND INELIGIBLE IMPROVEMENTS**

Improvements made with Commercial Rehabilitation funds shall comply with the following program guidelines:

4.1 General

- A. The rehabilitation work must be necessary to eliminate blighting influences as considered by the City's definition.
- B. Each improvement must be a permanent general improvement. Permanent general improvements shall include alterations, renovation or repairs upon and in connection with existing structures, which correct defects and deficiencies in the property affecting directly the aesthetics of the property or the safety, habitability, accessibility, of the structure.
- C. Improvements made to buildings must be in compliance with all applicable health, fire prevention, building, and energy codes and standards; provided, however, that no application shall be denied solely because the improvement will not bring such property into full compliance with these codes.

4.2 Eligible Improvements

Eligible improvements can be made to existing buildings only and include: (See Appendix A for Rehabilitation Standards.)

- A. Exterior Improvements: This is the building envelope which includes items such as: roofs, facade restoration, store fronts, exterior surface repair, cleaning and/or painting.
- B. Awnings/Signage: Signage must be simple identification signs only.
- C. Fire/Safety Code Related Improvements: Code related items will be allowed only if a hazardous condition exists and is documented by the proper official such as the Fire Chief, Electrical Inspector, Building Official.
- D. Accessibility Improvements for the Handicapped: Handicap accessibility improvements will be determined by the City Building Official.

#### 4.3 Ineligible Improvements

- A. Commercial Rehabilitation funds will not be eligible for the purposes of refinancing an existing debt, working capital needs or inventory. The program will not finance any improvement that was begun before application for such funds. The program will not pay for acquisition or work involving movable furniture or fixtures.
- B. Commercial Rehabilitation funds shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such funds may be used for that portion of the improvements located on the property which will bring an individual water supply system or sewage disposal system into compliance with local, state, or federal environmental and safety standards.

### **SECTION 5 - PROJECT FUNDING**

#### 5.1 Financing Package

From the balance of the Pelican Rapids Area Community Fund (A Designated Fund of The West Central Minnesota Initiative Fund), \$75,000.00 will be designated for funding the Commercial Rehabilitation Program.

Based on the availability of funds and the eligibility of the applicant and the property, the Commercial Rehabilitation Program guidelines are as follows:

- A.) The loan may be unsecured or secured.
- B.) The Maximum loan amount will be \$7,500.00.
- C.) The Minimum loan amount will be \$2,500.00.
- D.) The Simple Interest Rate will be 5%.
- E.) The Interest Rate will be fixed for the term of the loan.
- F.) An Amortization Schedule will be established in accordance with the amount of the loan.
- G.) The term of the loan will be 5 years with payments due monthly.
- H.) A loan is not to exceed \$7,500.00 or 50% of the total project costs, whichever is the lesser amount.
- I.) The loans will be personally guaranteed.

## **SECTION 6 - PROJECT PROCESS**

The PRAEDC will conduct the rehabilitation and general administration for this program.

### 6.1 Marketing/ Application Intake

The PRAEDC will conduct outreach in the project areas and will solicit applications for the program in the following ways:

- A. Issue press releases to local newspaper advertising the commercial rehab program.
- B. By making direct contact to the commercial property owners and/or businesses in the project area.

### 6.2 Building Permit

The building owner and/or contractor will obtain any required Building Permits. The project will be inspected by the City Building Official as required by the permit regulations. All projects must conform to Minnesota Statutes Sections 327.31-327.35, or the International Residential Code or the International Building Code as adopted in the most current Minnesota State Building Code by the State of Minnesota and any Pelican Rapids City Code requirements.

### 6.3 Notice to Proceed

The receipt of the building permit will act as notice to proceed.

### 6.4 Change Orders

All change orders to the contract require the signature of the owner and PRAEDC.

### 6.5 Acceptance of Work

Interim inspections will be in accordance with building permit requirements. Final inspections shall be required by the City of Pelican Rapids Building Official to ensure that the work has been completed in a satisfactory manner and to close the building permit.

### 6.6 Disbursement of Loan Funds

Loan fund disbursements will be made direct to the applicant once it can be determined that the project will proceed according to the specifications contained with the work write-up and meets with the approval of the PRAEDC.

## APPENDIX A

### Rehabilitation

#### Standards

Correction of the following deficiencies shall provide the focus for the commercial rehabilitation effort.

#### A. Exterior improvement emphasis and building preservation.

Exterior facade deficiencies: masonry finish is deteriorated, badly cracked, dirty, chipping and peeling paint, existing siding is warped, rotten, or in need of paint, windows, entrance is narrow, steps are steep or rotten, doorway is too narrow, roof is leaking or shingles are missing or deteriorated and must be replaced, install awnings or repair or replace worn or damaged awnings, foundation is cracked, mortar has fallen out of joints, signage-install if needed, repair/replace identification signage if broken or not clearly legible, attic insulation is inadequate and walls are poorly insulated tripping hazards.

- a. Windows: Existing windows leak air or water, sills are deteriorated, panes are cracked or missing, windows are very small or area is poorly lit.
- b. Doors: Doors are warped, fit poorly, cracked, need to enlarge door opening, threshold is cracked or deteriorated.
- c. Accessibility: Not handicapped accessible, doorway too narrow for wheelchair. Steps provide only access to building.
- d. Fire/Electrical Codes: Hazards that have been documented by the Fire Chief, State Electrical Inspector, or Building Official will be eliminated in accordance with Section 4.2 C.
- e. Health/Safety Threats: Health or Safety Threats identified by the Rehabilitation Inspector will be corrected.