



Commercial Building & Site Loan Program

Introduction

In 2009, the City Of Muskego established the Commercial Building and Site Loan Program as administered by the Community Development Authority (CDA). These funds are intended to be used to improve properties and enhance the tax base within Redevelopment Districts (RD) No. 1 and 2. Businesses and property owners within the RD No. 1 and 2 are eligible for low-interest loans to finance business expansion or start-up projects. Loan funds that are repaid to the City will be used to assist other businesses within the RD No. 1 and 2. The purpose of this plan is to set forth the criteria for the financing that is available from the Program. The Façade Loan Program is relatively the same as the Façade Grant Program but is focused towards larger scaled projects.

Purpose of the Economic Development Program

The Program has been established to increase the tax base of RD No. 1 and 2 through the retention and expansion of existing, and the development of new, small businesses. Small- and medium-sized businesses often lack the necessary capital to develop or expand their operations, and, as such, this lack of capital has a significant impact on the local tax base.

Further, the program is instituted to encourage urban design excellence, integrate urban design and preservation of Muskego's heritage into the process of downtown redevelopment, and enhance the character of the downtown area. Loan resources should produce visible changes to commercial buildings and commercial sites. Since funding sources are limited, priority will be given to projects demonstrating the most substantial impact on building and neighborhood aesthetics.

The Program includes funding mechanisms and interest rates that are designed to encourage business development, while providing for the recapitalization and growth of the Program.

Target Area

The loan program is available to all Downtown Muskego businesses within Redevelopment Districts No. 1 and 2 (please refer to attached map). The Redevelopment District 1 and 2 areas has been found and declared a blighted area and specific properties within the RD No. 1 and 2 Plan boundaries are specifically discussed as blighted properties per Common Council Resolution.

Eligible Applicants

A. Buildings & Sites

Loans must be used for rehabilitation of existing commercial buildings or for site modernizing within the designated target area. All properties must be conforming uses or legal nonconforming uses under the City's zoning ordinance. Properties will not be eligible if any special assessments, real estate taxes or personal property taxes are delinquent. Buildings with multiple tenants must be remodeled in a unified manner.

B. Eligible Applicants

Owners, tenants, or owner/tenant joint ventures may submit applications under this program. Tenants must submit written approval of the property owner, evidence of their leasehold interest and must comply with requirements and standards as deemed necessary by the City.

Applicants shall not be disqualified based on age, race, religion, color, handicap, sex, physical condition, development disability as defined in s.51.01(5), sexual orientation, or national origin.

C. Ineligible Applicants

No member of the CDA, the Common Council, or any other official, employee, or agent of the City who exercises decision-making functions or responsibilities in connection with the implementation of the

program is eligible for financial assistance under this program. In addition, no loans shall be made which are in conflict with Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited).

Loans shall not be available for the following businesses:

- Speculative investment companies;
- Real estate investment companies;
- Lending institutions;
- Gambling operations;
- Non-public recreation facilities; or
- Businesses not serving the interests of the City.

Administration of the Program

The monies in the Program shall be the property of the City of Muskego. Funding decisions, relative to Program applications, shall be made by the Common Council with recommendations from the CDA. The City Department of Community Development shall be responsible for day-to-day administration of the Program, with staff assistance provided by the Southeastern Wisconsin Regional Planning Commission (SEWRPC).

Application Procedures

Businesses that are interested in applying for Program financing should contact the Director of Community Development at W182 S8200 Racine Avenue, PO Box 749, Muskego, Wisconsin 53150-0749. A copy of the Program application and a list of the supporting documentation needed for each application are included as an attachment to this plan.

Program Standards and Policies

The following standards and policies will be utilized in the Program:

1. Funding Limits: The maximum amount of loans available for each applicant to the Program is \$25,000.

NOTE: While the loan amount stated above has a maximum of \$25,000 allowed, actual amounts approved are subject to change by the approval of the CDA and Common Council on a case-by-case basis. Examples of allowing more than the stated maximum amount may include projects that demonstrate a benefit to the community and the surrounding area, those projects that are of a grander scale, projects that may set the tone for an area, projects that may be a catalyst for other redevelopments/developments in the area.

2. Private Sector Leverage Ratio: At least one dollar of private sector investment will be required for each dollar of City investment. Private sector investment is defined as financing from a private lending institution and/or cash equity that is contributed to the project by the applicant.
3. Community Benefits: Applicants must demonstrate tax base enhancement to be eligible for funding. In particular, Program monies contributed to a project must not exceed 30 percent of the existing fair market value of the property as reported by the City Assessor or an appraiser acceptable to the City.

Applicants for funding must also demonstrate that the project will meet a public purpose, such as providing jobs, enhancing the tax base, enhancing the community in some way, or increasing tourism and consumer utilization within RD No. 1 and 2.

4. Design Standards: All applicants shall utilize Muskego Downtown Design Guidelines, Muskego General Design Guidelines, and Redevelopment Districts No. 1 or 2 Plan concepts as a guide for designing improvements to buildings and sites. The documents can be found at the City of Muskego website or copies can be attained in the Muskego Department of Community Development.
5. Eligible Activities: Activities eligible for funding through the Program include:

Buildings

- A. Design improvements made to front, rear or side building elevations, (priority will be given to front

facades) including the following:

- Modernizing of overall building materials and structure
 - Addition of new building materials
 - Adaptation of new and innovative architectural elements to a structure
 - Re-Painting
- B. Construction of new buildings.
C. Structural additions to existing buildings.
D. Building demolition in cooperation with a re-build
E. Design fees on completed projects.

Sites

- A. New road signs (Must be “monument” signage only to qualify)
B. Updated and/or additional landscaping and lighting
C. Screening devices for outdoor storage or refuse containers
D. Parking Lot redesign or updates

6. Ineligible Activities: Activities not eligible for funding through the Program include:

- A. Roof repairs.
B. Purchase of property and/or buildings.
C. Equipment or Mechanical Systems.
D. Interior fixtures & furnishings.
E. Inventory or operating capital.

7. Standard Terms:

Program loans will be provided with a maximum term of 10 years. The specific term for an individual borrower will be based on the useful life of the asset, as well as the terms offered by the private sector financial institution participating in the project. However, the City retains the right to adjust individual loan terms in order to facilitate a successful Program project.

8. Need Determination: Each applicant for Program monies must demonstrate that Program financing is necessary to make the project feasible.
9. Interest Rate: The interest rate on each loan shall be set at 50% of the prime rate as published in the Midwest Edition of the *Wall Street Journal* or 4 percent, whichever is less (Note: The range in interest rates is subject to change and is reviewed annually by the Muskego Community Development Authority). The interest rate shall be fixed for the term of the loan.
10. Deferral of Principal and Interest: The Program has the option of deferring principal and interest payments upon demonstration by the recipient business that a deferral is required to make the project feasible. The period of time for which a deferral can be provided will be negotiated with the City on a case-by-case basis. Interest will accrue during the deferral period or be cancelled at the discretion of the City.
11. Prepayment: There shall be no prepayment penalties.
12. Equity Requirements: The Program may require an equity injection for each loan, when appropriate. Consideration will be given for individuals that have made substantial equity commitments to the applicant business, as well as to individuals who do not have sufficient financial resources to contribute to the project.
13. Collateral Requirements: Each Program loan will include a financing agreement between the City and recipient business that details the terms and conditions of the Program financing, along with supporting collateral documents, if needed. In addition, the City may require performance bonding when deemed necessary to protect the City's interest in the project.

Collateral requirements will be determined on an individual basis by the City and may include mortgages on land and buildings. This collateral may be subordinated to private sector financial institutions participating in the Program project, if required. Personal guarantees from the principals of the business will be required. In addition, junior liens on all business assets may be used where appropriate.

Finally, loan recipients will be required to obtain property-casualty insurance for the appraised value of the property being financed, and have the City listed as an additional insured on the policy.

14. Application Fee: The City shall require a loan application fee of one-half percent (0.5%) of the loan amount, with a \$50 minimum and a \$200 maximum. All loan application fees shall be identified as program income and deposited in the loan account prior to being used to finance administrative costs associated with the program. These costs include, but are not limited to: application packaging, appraisals, environmental studies, soil borings, and other consultant studies deemed necessary by the City to provide approval for the requested funding. These costs are the responsibility of the applicant, and, if the requested financing is approved, the costs may be financed with proceeds from the Program. The City reserves the right to waive or reduce this application fee.
15. Financing Origination Fees: The City shall require a loan origination fee of \$50 or 0.5% of the loan amount, whichever is greater. In addition, the City shall require the applicant to pay 30 percent of the legal fees and costs incurred by the City for the loan closing. The fees may be added to the principal amount of the loan and paid with Program funds.
16. Availability of Funds: Available funding for the Program will be established by the City on an annual basis. In those instances where the number of requests for Program monies exceeds available funding, Program applications will be prioritized based upon the date of receipt of all requested application materials, the community benefit, and the amount of private sector leverage that is included in the project. When feasible, the amount of Program monies contributed to each project will be reduced in order to facilitate as many Program requests as possible.
17. Project Completion Date: All Program projects must be initiated within 12 months following approval of the financing application and completed within two years following approval of the financing application. The City may provide extensions beyond the time limit, if warranted, upon the request of the applicant.
18. Additional Requirements: All Program financed activities must:
 - a) Conform with the RD No. 1 or 2 Project Plan, the City Of Muskego Comprehensive Plan, and all supporting policy documents;
 - b) Have the applicant retain ownership for sufficient time to complete the project, stabilize its occupancy, and establish project management;
 - c) Comply with all applicable policies, rules, codes, regulations, and statutes of the City and State.
19. Review Process: Specific steps in the review process include the following:
 - A. Project Application. SEWRPC staff shall review the application for completeness and verify that the proposed project meets the minimum requirements provided herein. If the application is not complete, SEWRPC staff will inform the applicant of the deficiencies. A complete application, as determined by SEWRPC staff, must be received no less than 20 days prior to a scheduled Community Development Authority meeting in order to be available for discussion for that CDA meeting.
 - B. Initial Review. The CDA shall meet to review an application within 45 days of the receipt of a completed application. A recommendation for funding shall be forwarded to the Common Council for a final funding determination.
 - C. Notice of Award. Upon acceptance by the Common Council, SEWRPC staff shall contact the business to review and explain the loan terms and to schedule a closing to execute the necessary loan documents.

- D. Rejection of Award. If the application is not approved, SEWRPC staff shall notify the applicant in writing of the reasons for the rejection and offer to meet with the applicant to explore ways to strengthen the loan request or to identify alternative funding sources.

Note: Applications, depending on the amount of changes made to an existing commercial buildings or sites, may need to be reviewed by other authorities before final approval including the Planning Commission. Substantial change determinations are solely made by the City's Community Development Director.

20. City Considerations: Below is a list of some of the criteria the CDA and Common Council may consider in the review of a loan at a public meeting in open or closed session. Further eligibility requirements are found elsewhere in this manual. No one particular item will unduly advance or disqualify your application. The City looks at the full picture when choosing its recipients.

- A. Amount of the loan request.
- B. Eligibility of activities the loan is requested for.
- C. Personal financial information (Note: Submission of personal financial information may require the City go into closed session to keep this information private and available only to the City and SEWRPC. When reviewing any loan application, the potential for going into closed session will be noted on that evening's agenda so as not to postpone your application process. Providing for the possibility of a closed session on the agenda does not guarantee a closed session will be necessary.).
- D. Application completeness.
- E. Past approval of loans or grants for the property
- F. If sufficient time was allowed for the Authority or Council to review the application.
- G. Necessity of requested loan.