



# **Grand Rapids Economic Development Authority Downtown Mandated Building Improvements Loan Program Policy**

The Grand Rapids Economic Development Authority (GREDA) recognizes that investment in existing building infrastructure will substantially reverse the negative effects of blight. GREDA also recognizes that a diverse and concentrated business mix in the Downtown drives additional customer traffic which benefits all businesses.

The age of buildings in the Downtown, which were developed prior to the establishment of building codes, can present additional challenges for those interested in establishing a new business. The State Building Code, when a change in use for a building, a substantial renovation or both is proposed, will most often mandate that certain improvements are made to bring the building into code compliance. These Code mandated building upgrades typically come in the form of establishing compliant handicapped accessibility routes to a building and within, fire protection and fire resistance, improved means of safe egress and bathroom/plumbing additions and remodeling.

Because these improvements are often unanticipated by the entrepreneur, the additional expense can significantly impact and sometimes halt plans for the business. GREDA's understanding of this and their mission to advance measures that support and grow the Grand Rapids economy, has caused GREDA to take action to establish a Downtown Mandated Building Improvements Loan Program to support projects that must make these improvements and support our desired Downtown business area.

## **1. Goals and Objectives**

- Establish and administer a loan program with forgivable terms to provide financing for Code mandated building improvements to buildings in Downtown Grand Rapids, as it is geographically defined in the *Grand Rapids Downtown Plan*.
- Allocate \$350,000 in GREDA resources available through a grant received from the Blandin Foundation for this purpose.
- Encourage investments in Downtown buildings, which improve their safety and accessibility and broaden their potential for new business uses.
- Encourage projects that leverage GREDA funds with private capital to improve the value, look and functionality of Downtown buildings.
- Encourage projects that achieve the objectives stated within the *Grand Rapids Downtown Plan*.

## **2. Eligible Applicants**

- Building owners in the Downtown.
- Lease holders within Downtown buildings, with consent and participation of the owner.
- Individuals or companies purchasing a Downtown building through a contract for deed, with consent and participation of the contract holder.

## **3. Eligible Loan Activities**

- Loans are to be used to fund only those project expenses attributed to State Building Code mandated improvements to a Downtown building, due to a change in use under the Code or through extensive remodeling.

#### **4. Other Considerations**

- Compliance with all government regulations.
- Downtown Mandated Building Improvement Loan funds will be available for as long as the original allocation of funds or some portion thereof exists.

#### **5. Conflict of Interest**

- Any GREDA Commissioner that may indirectly or directly gain financially from loan transactions shall immediately inform the Board of any potential conflict of interest.
- If a potential conflict of interest exists, all necessary steps will be taken to ensure that the loan application is processed in full accordance with GREDA policies, and local and state regulations.

#### **6. Loan Conditions**

- The maximum loan amount is \$50,000.00.
- The loan interest rate will be set at one percent (2%) annually, with interest prorated as of the transfer of title, in the event of a conveyance prior to the end of the term.
- Loans will have a term of 10 years.
- Repayment of principal and interest on the loans will be deferred during the 10-year term. Furthermore, 10% of the principal balance of the loan will be forgiven each year the owner maintains his or her ownership of the building during the term.
- In the event the owner sells, transfers, or otherwise conveys the property during the term, the remaining balance and accumulated interest will be paid back to GREDA prior to transfer. An exception to this will be if a contract for deed, which existed at the time of the loan, is satisfied/completed during the term. GREDA will then deposit those funds into the program for their continued use.
- Loans will be serviced by the City of Grand Rapids Finance Department.

#### **7. Application Requirements**

- Completed "Downtown Mandated Building Improvement Loan" application and its required submittals.
- Applications will be reviewed by a minimum of two GREDA Commissioners and the Executive Director and will be acted upon by the full Board of GREDA Commissioners.
- Applications will be evaluated in terms of the following:
  - Program Requirements – the extent to which the proposed project is consistent with the objectives of this program.
  - Project Impact – The extent to which the proposed project achieves the objectives stated within the Grand Rapids Downtown Plan.
  - Financial Feasibility - Availability and commitment of other funds, cost effectiveness, project budget, the degree these program funds are leveraged by additional private investment and the proposed business plan.

#### **8. Collateral**

- Loans will be secured with a Recorded Lien Agreement or Mortgage and Promissory Note, the forms of which will be provided by GREDA.

#### **9. Reporting**

- Following the completion of the project, recipients will be required to submit a breakdown of the final total development cost.