



Item: Amend the Revolving Loan Fund Agreement between City and Great Falls Development Authority to increase the allowable loan percentage

From: Great Falls Development Authority

Initiated By: Wendy Thomas, AICP, Deputy Director, Planning and Community Development

Presented By: Mike Haynes, AICP, Director, Planning and Community Development Department

Action Requested: Approve amendment to Revolving Loan Fund Agreement

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission (approve/not approve) the Revolving Loan Fund Agreement, as amended, between the City and Great Falls Development Authority and authorize the City Manager to execute the Agreement.”

2. Mayor calls for a second, discussion, inquiries from the public, and calls the vote.

Staff Recommendation:

Staff recommends the City Commission approve the amended Revolving Loan Fund Agreement to increase the maximum loan amount to \$150,000 or 30% of the project cost, whichever is less.

Background:

The City Commission approved the original Revolving Loan Fund Agreement on December 15, 2009. Great Falls Development Authority (GFDA) is requesting that the agreement be amended in order to increase the loan limit for a project: general conditions of the agreement currently specify that a project loan be a maximum of \$150,000 or 25% of a project cost, whichever is less.

The loan fund provided construction gap financing for the redevelopment of the “Subway” building located at 426 Central Avenue. GFDA is requesting that the limits be expanded in order to allow this loan fund to meet the construction financing needs that were initially financed through another loan fund administered by GFDA. Retroactive restrictions on the original financing has necessitated that alternate funding sources be utilized to provide the needed gap financing; see letter from GFDA.

The City of Great Falls created the Urban Renewal Central Place Revitalization District in December of 1977 with a provision to use Tax Increment Financing (TIF) to reach the goals of the district. The district was sunset after the final payment of tax increment bond debt in August, 2009. As of November 2009, the taxing jurisdictions began to receive the full benefit of the property taxes levied within the district and the tax increment portion is no longer segregated.

Funds from the retired TIF remained following debt payoff. On August 18, 2009, the City Commission authorized creation of a revolving loan fund to be administered by the Great Falls Development Authority in the amount of \$300,000. The Loan Fund was created to support the following objectives from the original Central Place Revitalization Program:

- A. To maintain and expand the vitality of the Downtown Urban Renewal District and support its role as the focal point of urban life in Great Falls by breaking the cycle of economic, cultural, physical and environmental decay.
- B. To upgrade property values in the area and provide opportunities for new, private investment, thereby increasing the tax base.
- C. To provide a method and incentive for the adaptive reuse of sound, but functionally obsolete, buildings for commercial and residential use.

In addition, the City Commission approved the Downtown Master Plan on October 18, 2011, which contains strategies to improve downtown including:

- A. Attract private investment and financing for downtown housing.
- B. Promote a wide range of housing choices throughout Downtown.
- C. Support existing and attract new commercial and retail business Downtown.

The proposed amended agreement will allow GFDA the increase lending flexibility to ensure these and other strategies will be enriched by the City contribution to the Revolving Loan Fund.

Conclusion

Staff has reviewed the request by GFDA and supports the amended agreement. The agreement requires a City Staff member sit on the GFDA loan committee. The increase in the loan amount was approved by the loan committee at its meeting on April 18, 2012, where a city representative was present. The loan fund has a substantial balance available for lending and a deployment ratio of 24%. Staff recommends GFDA and the loan committee review the terms of this loan program to ensure that the needed funds are being made available to support the redevelopment and revitalization of downtown.

Concurrences: The Office of the City Manager and the Fiscal Services Director support the approval of the amended agreement.

Fiscal Impact: No immediate impact to City. The increase in the loan ratio may increase the risk of loan default and put City capital at risk; however, loan applications are reviewed by GFDA staff and are approved by the GFDA loan committee to minimize risk.

Alternatives: The City Commission can keep the agreement with the original loan limits or direct GFDA and Staff to make additional changes to the agreement.

Attachments/Exhibits:

Amended Revolving Loan Fund Agreement
Letter from GFDA

**THE CITY OF GREAT FALLS
REVOLVING LOAN FUND AGREEMENT
THE CITY OF GREAT FALLS, MONTANA, AND
GREAT FALLS DEVELOPMENT AUTHORITY**

GREAT FALLS DEVELOPMENT AUTHORITY, hereinafter referred to as the Grantee, and the City of Great Falls, a Municipal Corporation of the State of Montana, hereinafter referred to as the City, does hereby agree to enter into this Agreement.

PROJECT PURPOSE

The purpose of the Revolving Loan Fund is to continue advancing certain key objectives of the original Central Place Revitalization Program adopted by the City in 1979. The specific Central Place Revitalization objectives to be advanced are:

- A. To maintain and expand the vitality of the Central City and support its role as the focal point of urban life in Great Falls by breaking the cycle of economic, cultural, physical and environmental decay.
- B. To upgrade property values in the area and provide opportunities for new, private investment, thereby increasing the tax base.
- C. To provide a method and incentive for the adaptive reuse of sound, but functionally obsolete, buildings for commercial use.

PROJECT DESCRIPTION

The Grantee has approved of, and hereby agrees to, the following project description:

The project budget consists of \$300,000 granted from the City of Great Falls to be matched by a minimum of \$1 for \$1 through funds derived by a line-of-credit provided by local banking institutions to the Grantee for the purpose of establishing a Downtown Revolving Loan Fund (RLF). This fund will be used to provide gap financing in the Downtown Loan District. The boundaries of the Downtown Loan District are the same boundaries established for the Downtown Urban Renewal District in 1979. They are:

- Northern boundary will be 10th Avenue North
- Southern boundary will be 10th Avenue South
- Western boundary will be the Missouri River
- Eastern boundary will be from 10th Avenue South north along 10th Street South to 1st Avenue South, then east along 1st Avenue South to 16th Street South, then north along 16th Street to 2nd Avenue North, and then west along 2nd Avenue North to 10th Street North, and then north on 10th Street North to its intersection with 10th Avenue North.

See map exhibit attached to this agreement for reference.

GENERAL CONDITIONS

The Grantee will use funds from the Downtown RLF to provide gap financing for real estate development investment and business loans in the Downtown Loan District as defined in the project description of this agreement. The City funds will be used to fund the first \$300,000 in loans, drawn down as needed for loan closings. Loans will be made per project to a maximum of \$150,000 or 2530% of project cost whichever is less. All loans are subject to application and approval by the Great Falls Development Authority Loan Committee. Loan review must take into consideration the Project Purpose objectives. The City has, and will continue to have, representation on the Loan Committee throughout the term of this agreement. The Grantee will take subordinate position on all loans made through this fund. The loan fund will be used as collateral for the bank line of credit. Grantee will handle all marketing and management of the funds. The GFDA Board must approve all write-offs prior to their occurrence.

HOLD HARMLESS

The Grantee agrees to hold harmless, defend, and indemnify the City of Great Falls, their agents, employees, and assigns and agrees to assume the risk of any damages, losses, and expenses, including attorneys fees from and against any and all liability arising out of, or resulting from, the City of Great Falls' performance of its obligations and any work contemplated by this agreement.

SUSPENSION/TERMINATION

The Grantee agrees that suspension or termination of this project may occur if the Grantee materially fails to comply with any term of this Agreement, or any rules, regulations or provisions referred to within. Grantee shall have a 90 day period to cure any default.

REVERSION OF ASSETS

1. Should this project be suspended or terminated (and only if there are no subsequent Agreements) the Grantee shall transfer to the City any City funds on hand at the time of expiration and any accounts receivable attributable to the use of City funds.
2. The Grantee agrees to reimburse the City all City cash on hand, any accounts receivable, and any program income if at any time the Great Falls Development Authority's Downtown Revolving Loan Fund becomes no longer viable, or ceases to operate for any reason.

TERM OF AGREEMENT

The term of this Agreement shall expire when all obligations of the Grantee to the City are fulfilled.

FINANCIAL MANAGEMENT

1. The Grantee agrees to provide the City with the following documents (if applicable) before City funds are disbursed to the Grantee:
 - This signed Agreement

- A copy of GFDA's lending policies
 - Any other pertinent information which the City requests
2. The Grantee shall comply with the requirements and standards of OMB Circular No. A-122, "Cost Principles for Non Profit Organizations" as applicable, and with the following Attachments to OMB Circular No. A-110:
- (1) "Cash Depositories", except for paragraph 4 concerning deposit insurance;
 - (2) "Bonding and Insurance";
 - (3) "Retention and Custodial Requirements for Records"
 - (4) "Standards for Financial Management Systems";
 - (5) "Monitoring and Reporting Program Performance," Paragraph 2;
 - (6) "Property Management Standards";
 - (7) "Procurement Standards".

DOCUMENTATION AND RECORD-KEEPING

The Grantee agrees to provide regular reporting and maintain records for this RLF on a quarterly basis. Reports will be sent to the City Manager, PO Box 5021, Great Falls, MT, 59403. Grantee agrees to notify the City Manager in writing when a new loan is approved up to the first \$300,000, and annually thereafter. Such records/reporting shall include, but not be limited to:

- a. Records providing a full description of the activity undertaken;
- b. Records documenting number and type of loans created since last report;
- c. Records documenting current performance on all existing loans in the fund;
- d. Records pertaining to any write-offs from the fund during the reporting period.

The Grantee shall retain all records with respect to any matters covered by this Agreement for a minimum of five (5) years after the termination of all activities funded under this Agreement.

All Grantee records with respect to any matters covered by this Agreement shall be made available to the City at any time during normal business hours, as often as the City deems necessary, to audit, examine, and make excerpts or transcripts of all relevant data. Any deficiencies noted in audit reports must be fully cleared by the Grantee within 30 days after receipt by the Grantee. Failure of the Grantee to comply with the above audit requirements will constitute a violation of this contract and may result in the withholding of future payments.

PROGRAM INCOME

The Grantee hereby agrees that the only activities that are to be undertaken with Downtown Revolving Loan Fund program income are real estate and business loans in the designated Downtown Loan District in Great Falls, MT and program administration

expenses. Program income in the form of loan interest is the only source of funding for program administration expenses.

MERGER

The Parties hereby agree that the terms contained in the foregoing writing is the entire agreement of the Parties and that no other verbal or written communication shall be considered to amend, modify, or define any of the terms, rights, or obligations listed herein.

SEVERABILITY

The Parties hereby agree that should any term of this agreement be found to be invalid or be without force or effect ,whether by conflict of law or factual impossibility, the remaining terms of the agreement shall be considered valid and have force and effect for and against the parties to the agreement.

NONDISCRIMINATION

The Grantee will not discriminate against any employee or applicant for employment because of race, color, creed, religion, ancestry, national origin, sex, disability or other handicap, age, marital/familial status, or status with regard to public assistance. The Grantee will take affirmative action to insure that all employment practices are free from such discrimination.

APPROVED BY:

THE CITY OF GREAT FALLS

Gregory T. Doyon, City Manager

DATE: _____

ATTEST:

(Seal of the City)

Lisa Kunz, City Clerk

APPROVED FOR LEGAL CONTENT

James Santoro, City Attorney

ACCEPTANCE OF THIS AGREEMENT BY THE GRANTEE
GREAT FALLS DEVELOPMENT AUTHORITY

Brett M. Doney, President



April 10, 2012

City of Great Falls
Deputy Planning and Community Development
Attn: Wendy Thomas
P.O. Box 5021
Great Falls, MT 59403

RE: Downtown Revolving Loan Fund/M&L Rentals

Wendy:

Great Falls Development Authority would like to request approval to go outside the City of Great Falls Revolving Loan Fund Agreement for the Downtown Revolving Loan Fund (DTRLF) regarding the project for M&L Rentals. The original work plan for the city of Great Falls portion of the DTRLF requires that we lend a maximum of 25% of the project costs or \$125,000. The request to GFDA for this project is for \$100,000 of permanent financing, the construction financing is already in place and construction is 76% complete. However, \$100,000 is 29% of the project costs, above the maximum allowed in the Revolving Loan Fund Agreement. We would like to request approval to waive the 25% requirement for the M&L Rentals project and allow us to finance the entire \$100,000 loan request.

This project is the renovation to the 2nd floor of the commercial building located at 426 Central Ave, Great Falls. Originally GFDA intended to use a new fund, the State Small Business Credit Initiative (SSBCI) through the Montana Board of Investments and the Montana Department of Commerce for the gap of \$100,000 in the permanent financing of this project. We have since been informed by the MBOI that this project no longer qualifies for SSBCI funding due to new regulations that were put in place after the loan was approved. Therefore, GFDA would like to propose that we utilize the DTRLF in place of the SSBCI fund at the same rate and term that the SSBCI fund offered; 3.49% on a fully amortizing 15 year note. We believe that this project is of great impact to the downtown area and meets the intent of the Downtown Revolving Loan Fund to renovate and improve buildings in downtown Great Falls.

Thank you for your consideration of this request, if you have any questions, or would like more information please give me a call at your convenience at 406-771-9026.

Sincerely,

A handwritten signature in blue ink that reads "Tamariel Christopher". The signature is written in a cursive, flowing style.

Tamariel Christopher
Vice President - Lending