CITY OF

FARMINGTON

Community Development Block Grant
Commercial Rehabilitation Grant Program
Materials and Application

2019

City of Farmington

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Commercial Rehabilitation Grant Program

The city of Farmington is allocated funding from the Dakota County Community Development Agency (CDA) in the form of Community Development Block Grant (CDBG) funds. These funds aid the city in supporting local businesses by assisting with financing for projects that upgrade existing commercial buildings within the community.

The Dakota County CDA distributes the funds on behalf of the Federal Department of Housing and Urban Development (HUD). Projects that receive CDBG are subject to HUD requirements.

The following policies and procedures have been developed for projects undertaken with CDBG dollars in the city of Farmington. These policies are subject to change as recommended by the Dakota County CDA and/or the Federal Department of HUD.

Program Purpose
To provide financial assistance to property owners who are making eligible improvements to eligible commercial properties within the city of Farmington.

Type of Assistance
CDBG Grant funding.

Grant Terms & Requirements
No more than one grant may be granted per property or per applicant during a funding year which currently runs from July 1st until June 30th. A 1:1 match is required by the applicant. For every dollar contributed to funding eligible project costs by the Commercial Rehabilitation Grant Program, the applicant must contribute one dollar. The amount of grants to be awarded shall be $5,000 or greater, but not to exceed $35,000.

Program Objectives
a. To prevent deterioration of commercial properties and discourage blight;
b. Encouraging projects that correct code violations and eliminate accessibility restrictions to the extent necessary to eliminate specific conditions detrimental to **public** health and safety;
c. To help maintain and expand the variety of options for business uses in existing commercial space within the city.

Eligible Recipients

1. The property must be located within a commercially zoned district or a district that has a commercial component. This would include the following zoning districts: B-1, B-2, B-3, B-4, SSC, Business/Commercial Flex, Mixed Use and R-T.

2. All individuals having an ownership interest in such structure or an interest as purchaser in a contract for deed must join in the application and sign the grant agreement with the city, including the contract holder.

3. Leaseholders are eligible to make application for CDBG funds. The Farmington Economic Development Authority and City Council, on a case-by-case basis, will review such applications to determine their eligibility for funding, based on the length of the lease on the property and length of time the business has operated in Farmington. The property owner must join in the application and comply with Program requirements.

4. Projects that would result in permanent displacement of either residential or business tenants will not be financed with CDBG program funds. Any temporary displacement of tenants resulting from project activities shall be the responsibility of the property owner. Tenants shall be fully informed of the project plans, and the expected impact on them, and shall receive a Notice of Non-displacement or Displacement, as appropriate, prior to the start of rehabilitation. Property owners will be required to provide relocation assistance to tenants as required under the Uniform Relocation and Real Property Acquisition Policies Act of 1970.

5. No member of the governing body of the locality, or official, employee, or agent of the local government who exercises policy, decision-making function or responsibilities, including members of the Economic Development Authority (EDA), Planning Commission and Farmington City Council, in connection with the planning and implementation of the Commercial Rehabilitation Grant Program shall directly or indirectly benefit from this program. This prohibition shall continue for one (1) year after an individual's relationship with the local government ends. Any potential conflicts of interest under Minnesota Statues 412.311 and 471.87-471.89 or Federal Regulations 24 CFR, Part 570, Uniform Administration Requirements, shall be evaluated on the basis of a legal opinion to be requested from the Farmington City Attorney.

6. Ineligible project costs include but are not limited to interior remodeling improvements, furniture, financing fees, business or operating costs, equipment, removable fixtures and building acquisition costs. <u>Costs incurred prior to the application date are not eligible for program funding.</u>

7. Eligible projects must comply with Federal Anti-Pirating Regulations. Any assisted business relocating to the city of Farmington must not relocate more than twenty-five jobs from any other labor market area or 0.01% of jobs in the Labor Market Area, unless forced to relocate by an action under the Uniform Relocation Act. Farmington is part of the Minneapolis-St. Paul Metropolitan Statistical Area Labor Market Area.

Program Definitions

Program Administrator
The Program Administrator shall be the Dakota County CDA, 1228 Town Centre Drive, Eagan, MN 55123, Phone (651) 675-4400. Staff shall work with the Project Coordinator in administration of all aspects of the program.

Applicant
Any person seeking to obtain assistance under the terms of this program.

Building Official
The Building Official for the program shall be a city of Farmington employee and shall provide plan review and technical expertise relating to inspections, construction quality, code compliance and scope of work to be accomplished.

Project Coordinator
The Project Coordinator for the program shall be an employee of the city of Farmington and shall provide assistance and management relating to improvement activities. The Project Coordinator is responsible for program marketing, application intake, scheduling of inspections, preparation of contracts and grant documents, and processing of payment requests. The Project Coordinator serves as the contact person for rehabilitation from application to project close-out and shall be available during regular business hours.

Target Area
Locations that are in commercial zoning districts or districts with a commercial component, including: B-1, B-2, B-3, B-4, SSC, Business/Commercial Flex, Mixed Use, and R-T.

Eligible Improvements: Façade improvements, corrections of code violations, code improvements, and correction of handicap accessibility issues to the extent necessary to eliminate specific conditions detrimental to **public** health and safety.

Special Conditions

Contractors: All project work undertaken with CDBG funds must be completed by bona fide contractors who are licensed (as applicable) and provide proof of insurance.

Historic Properties
The city of Farmington is a Certified Local Government under the Historic Preservation Act. Eligible "historic properties" are those which have been designated or determined eligible for designation as Farmington Heritage Landmarks; within or immediately adjacent to the boundaries of a historic district; or listed on the National Register of Historic Places. The city will work in conjunction with the State Historic Preservation Office to implement Federal preservation guidelines as they relate to eligibility and certification of work

Davis-Bacon Wage Rates: All contracts in excess of $2,000 that will be funded through the CDBG program require compliance with the Federal Labor Standards Provisions of the Davis-Bacon Act. Contractors are to pay their employees the prevailing wage rate as determined by the U.S. Department of Labor. Appropriate wage information must be included in the bid selections and contract documents. The Project Coordinator must approve all payrolls prior to the release of funds.

Fair Housing & Equal Opportunity
The city of Farmington and the Project Coordinator will work affirmatively to ensure that all persons, regardless of race, color, creed, national origin, sex, religion, marital status, age, handicap, familial status or reliance on public assistance will be treated fairly and equally for purposes of participation in the Program. Access to program information and materials will not be denied to any person for any reason. The city will encourage the participation of women and minority-owned businesses and local businesses and suppliers who meet Section 3 Criteria.

Lead Based Paint
The program will conform to the requirements of the Residential Lead Based Paint Hazard Reduction Act of 1992 for any assisted property that contains residential dwelling units. All program applicants must provide notification of the hazards of lead based paint to impacted tenants. The Building Official shall inspect for defective paint surfaces at the time the property is being inspected for code compliance. All defective surfaces will be corrected in accordance with the regulations in 24 CFR Part 35 and Minnesota statutes and safe work practices. Additionally, contracts for rehabilitation work will include language explicitly prohibiting the use of lead based paint.

Data Privacy
All information provided by applicants under the Commercial Rehabilitation Grant Program shall be maintained in accordance with the Minnesota Data Practices Act and the city's Subrecipient Agreement with the Dakota County CDA.

Procedures

Application Intake
Applications are accepted on an ongoing basis and are reviewed based upon funds availability. Applications will be reviewed for participation in the program based upon the following guidelines:

1. Whether the applicant has clear title to the property to be improved. Prior to project approval, the following will be ascertained:
    a. Title verification;
    b. All real estate taxes and any city fees or charges are current;

c. All individuals having an ownership interest, including contract holders, have agreed in writing to join in the application;

2. The extent to which the project meets the program objectives;
3. The degree of the project's overall impact on the surrounding area.
4. An environmental review of the property shall be conducted by the CDA. Allow 60 days for the completion of the environmental review.
5. Property details for properties older than 50 years will be submitted to the State Historic Preservation Officer (SHPO) by the CDA for determination of the property's historical significance.

If necessary, applications competing for limited funds may be selected based upon these criteria. Projects that are not financially feasible within the constraints of available funding will be eliminated from consideration.

Property Inspections
Upon determination that a property owner applying for rehabilitation assistance is eligible based on the program guidelines, the Building Official shall conduct an inspection of the property to determine the corrective actions necessary for the property to conform to city of Farmington building code standards.

Scope of Work
The Scope of Work will have two (2) components:

1. Upon completion of the initial inspection, the Building Official shall prepare a report indicating the work necessary to bring the property into compliance with Farmington building codes inclusive of the Minnesota Energy Efficiency Standards. In addition, the Project Coordinator will complete the CDBG Slum & Blight for Spot Basis National Objective Form. Both reports will be used for the project to satisfy the intent of the Program and shall be included as a part of the Scope of Work.
2. The property owner shall provide a report or elevation drawing indicating any planned improvements. This report will be reviewed by the city of Farmington.

Project Approval
The final application will be approved by the Farmington City Council; following review by city of Farmington staff and recommendation by the EDA. Improvements approved for CDBG funding will be based on the severity of the correction needed and the ability of the applicant to complete the project with CDBG funds and private funds. <u>The Dakota County CDA will determine final approval</u>. <u>Verification of availability of private funds will be required before final approval of the project.</u>

Competitive Bidding
A minimum of three (3) competitive bids must be solicited and two (2) competitive bids must be obtained for each improvement project the applicant proposes for CDBG funding.

Applicants may use any contractor they choose, as long as the contractor meets the requirements listed below.

All contractors must provide a Certificate of Insurance Coverage. Contractors must also certify that they will comply with the requirements of the Davis-Bacon Act. These rates will be provided to the applicant as a part of the contractor's instructions.

Awarding Contracts

The contract will be between the applicant and the contractor. The contract will be awarded to the lowest bid unless one (1) of the following circumstances occur:

1. The bid is determined to be unrealistically low and the contractor agrees to withdraw the bid;
2. The contractor has failed to follow the procedures as outlined in the instructions to the bidders;
3. The owner does not want the low-bid contractor to perform the work and agrees to pay the difference between the lowest bid and the preferred contractor's bid.
4. There appears to be collusion between two (2) or more contractors, in which case, all bids in the questionable trade category will be thrown out and different contractors will be solicited for bids; and
5. The contractor fails to bid according to the specifications, and it proves impossible to compare that contractor's bid with the other bids received.

Approval by the Economic Development Authority (EDA) and City Council

Once the applicant has accepted a bid, staff will prepare the information for presentation to the EDA. Upon EDA approval, the item will be forwarded to the City Council for final approval. If approved by the City Council, a Grant Agreement will be signed by the applicant and a designated city official. This Agreement will outline the terms and conditions of the project, including the city's role and the applicant's responsibilities, and any corrective actions to be taken in the event of a dispute.

Notice to Proceed

A preconstruction conference will be held with the Program Coordinator, the Building Official, the applicant and contractors and subcontractors to ensure awareness and compliance with Davis-Bacon requirements and any other requirements necessary to begin the project. A notice to proceed will be issued after the preconstruction conference. The contractor will normally have one (1) year in which to complete the awarded contract. If construction work does not begin within 90 days of the award of contract the Grant Agreement is null and void: however the applicant may apply for one extension if necessary. The length of the extension will be determined on a case-by-case basis.

Change Orders

All change orders to the current contract require the approval of the Project Coordinator as well as the signatures of the owner and contractor.

Acceptance of Work
Interim inspections may be scheduled with the Building Official to monitor work in progress. Final inspection shall be required to ensure that the work has been completed in a satisfactory manner. In the event of a dispute between the owner and contractor concerning the completion of work, the Project Coordinator shall work with both parties to try to negotiate a satisfactory solution. Disputes that cannot be resolved by negotiation, and that result in legal action by either party to the contract, shall be resolved in accordance with applicable State law. CDBG funds shall not be released to either the owner or contractor until such dispute has been settled.

Hold Harmless
The owner and the contractor shall indemnify and hold harmless the city of Farmington, the Farmington EDA, and the Dakota County CDA and their respective officers, employees, and officials from any damages or liability arising from, or occurring as a result of, the activities funded through this Program.

CDBG Payment
All CDBG funds will be disbursed by the Dakota County CDA upon authorization by the owner and the city of Farmington. Payments will be made only after all code improvements and exterior work have been completed according to the authorized scope of work, and have been accepted by the owner. Funds will be released once all improvements are complete to the satisfaction of the City Building Official and once title ownership, Davis-Bacon wage payments and other requirements are satisfied with the CDA and the city. The Building Official and city staff will inspect the final project, and a Certificate of Occupancy (CO) or a Temporary Certificate of Occupancy (TCO) will be issued by the Building Inspections Division. The CO or TCO is required before the CDA releases funds.

Payment may be made directly to the contractor or in reimbursement to the owner, upon presentation of paid receipts for approved work.

The following must be presented to the Project Coordinator in order to process payment:

1. Billing Statement/Paid Receipt
2. Sworn Contractor's Statement
3. Completion Certificate
4. Weekly Payroll Reports

Private Financing
Applicants are responsible for all costs incurred as a result of not accepting the lowest bid, and costs above and beyond the availability of CDBG funds as outlined in the Program.

Applicants shall contact a lending institution of their choice to arrange financing for their portion of the project. Applicants should request a letter of credit or other suitable documentation from the lending institution to prove that private funds have been committed.

This letter is to be submitted with the completed application. If an applicant is not using a lending institution, other evidence of committed funds must be presented at the time of application.

Escrow

The property-owner may be requested to establish an escrow account or other private account for deposit of the private funds that will be used to complete the improvement project. The CDBG funds shall be reserved on the Owner's behalf by the Dakota County CDA, but shall be drawn from the U.S. Treasury only when actually needed for disbursement to contractors or vendors, or in reimbursement to the Owner.

Appeals Process

Appeals concerning eligibility for the Commercial Rehabilitation Grant Program or the proposed improvements shall be made in writing and addressed to the Project Coordinator. The Coordinator will contact the applicant and attempt to rectify any concerns. A written response will be made within fifteen (15) days.