

Commercial Building Program (CBP)

Rehabilitation or Demolition

Schuyler, Nebraska

{previously titled, 'Commercial Building Rehabilitation Program'}

Aging commercial buildings require timely maintenance and periodic upgrades - some buildings have deteriorated beyond repair. Structures deteriorating in appearance and condition erode market values, tarnish re-sale opportunities of other properties and are deterrents to future investment.

Eligible Buildings: vacant commercial buildings located within the city limits

Rehabilitation Objectives:

- extend shelf-life of aging commercial buildings
- enhance the appearance of deteriorating buildings
- grow opportunities for small businesses to locate
- stabilize property values of adjacent commercial buildings
- lessen visual economic uncertainties to encourage investment
- improve marketability of adjacent commercial buildings

Rehabilitation Priorities:

- upgrade to code: wiring, plumbing, sanitary sewer, heating /ac systems
- roof and foundation integrity assured
- facade enhancement to improve appearance

Demolition Objectives:

- demolish deteriorated / beyond repair building
- create new opportunities at property location
- stabilize property values of adjacent commercial buildings
- lessen visual economic uncertainties deterring private investment
- enhance appearance and marketability of adjacent commercial buildings

Financing:

- LB 840 Economic Development Investment Funds
- Program Budget: \$ 120,000 Maximum per building: \$ 60,000

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Rehab Options:

- 1. commercial building gifted to and accepted by Schuyler City Council:**
 - ~ temporary custodial ownership by City until building is rehabbed
 - ~ sale of rehabbed building to new owner required
- 2. 0% interest primary mortgage loan:**
 - ~ owner authorizes City to control building and to direct rehabbing process
 - ~ owner agrees to sell building to new owner upon completion of rehab
 - ~ building to remain unoccupied until building is sold
 - ~ owner responsible for payment of all property taxes, utilities, building insurance
 - ~ building insurance in the amount of mortgage loan required until building is sold
 - ~ loan repayment due upon sale of building
- 3. commercial building purchased by City:**
 - ~ temporary custodial ownership by City until building is rehabbed
 - ~ sale of rehabbed building to new owner required
- 4. Restoration Line Of Credit (RLOC):** see Pages 3 - 5

Demolition Options:

- 1. commercial building gifted to and accepted by City Council**
 - ~ City responsible for the demolition of gifted building
 - ~ sale of property to capitalized private ownership a priority
- 2. purchase of commercial building approved by City Council:**
 - ~ City responsible for the demolition of purchased building
 - ~ sale of property to capitalized private ownership a priority

PROCESS (Rehab Options 1- 4 & Demolition Options 1- 2):

- Schuyler Development Company (SDC) identifies / recommends commercial building for Commercial Building Program (CBP) to City Council
- City Council may require structural engineer assessment of recommended building prior to its approval for the CBP (engineering fees CBP expense)
- City secures cost estimates to rehab / demolish building prior to approval for CBP
- City Council approves building for the CBP and executes selected Option
- City Council approves contractor's cost estimate for commercial building
- Mayor and City Administrator direct completion of selected Option (rehab / demolish)
- Economic Development Coordinator supports the Process as directed by the Mayor and City Administrator
- City Council approves sale of property
- revenue received from sale of property credited back to the CBP budget for reuse

Note: Based on the condition of building, availability of funds and / or market factors, not all eligible buildings will be approved for the Commercial Building Program (CBP).

4. **Restoration Line Of Credit (RLOC):**

- ~ temporary custodial ownership of commercial building by City
- ~ minimal rehab by City may occur before sale of building to new ownership
- ~ **RLOC** approval by **Loan Review Board** (LRB) prerequisite for sale of building
- ~ **RLOC** shall not fund new owner's purchase of commercial building
- ~ City Council approves sale of commercial building and transfer of ownership
- ~ **RLOC** a **0%** interest **twelve-month** draw-down loan with 48 months repayment
- ~ **RLOC** recorded in the name of new building owner
- ~ **RLOC** utilized solely for **Eligible Building Improvements**
- ~ twelve months to complete required / needed **Eligible Building Improvements**
- ~ commercial building secures **RLOC** (second deed of trust to bank construction loan)
- ~ additional collateral considerations may be required to secure **RLOC**
- ~ City reserves **Right Of First Refusal** (ROFR) for 60 months

Eligible Building Improvements:

- roof repair / replacement
- building facade repair / replacement
- cleanup and debris removal
- floors repaired / replaced
- heating, air conditioning, electrical and plumbing systems updated / replaced
- masonry and brick work
- foundation / structural repair
- exterior siding repair / replacement
- painting building's exterior
- sheet rock ceilings and inside of building's outer walls
- ceiling light fixtures permanently attached to building
- insulation of building
- repair / replacement of exterior windows and doors
- exterior awnings / canopies and light fixtures permanently attached to building
- eradication of building odors and pests
- municipal permits and inspection fees by certified professionals
- fire detection and sprinkler suppression systems permanently installed
- ground water mitigation (e.g., drainage tiles, sump pump)
- related labor costs
- restoration improvements shall meet Municipal code

NOTE: Twelve (12) month deadline from the date of transfer to complete all required / needed **Eligible Building Improvements** or ownership of building reverts back ('right of reverter') to the City of Schuyler at 95% of owner's original cost to purchase building. No less than 60 days prior to 12 month deadline, Owner / RLOC Borrower may request an extension requiring City Council approval.

Applicant Eligibility:

- current on all property taxes
- capitalized and responsible property ownership demonstrated

RLOC Limit: \$60,000 (+) revenue (-) expenditures

Example: \$ 60,000 (Maximum per Building ~ CBP Budget)
 - \$ 25,000 (City's cost to purchase building)
 - \$ 5,000 (City's restoration expenditures)
 + \$ 15,000 (sale of building revenue)
 \$ 45,000 = **RLOC Limit** available to new owner

RLOC Description:

- **Restoration Line Of Credit (RLOC)** is a 0% interest 12 month draw-down loan to finance **Eligible Building Improvements**.
- **RLOC** approval by Loan Review Board (LRB) prerequisite for City Council to approve sale of commercial building and transfer to new ownership
- **RLOC** shall not fund new owner's purchase of building
- **RLOC** recorded in the name of new building owner
- commercial building secures loan (second deed of trust to bank construction loan)
- **RLOC** repayments are **forty-eight** (48) monthly installments in even amounts (five dollar increments) beginning 12 months from date of transferring ownership. Payment received after the 10th of each month shall incur a **5% late fee** of the monthly payment.
- Purchase Agreement includes provisions for twelve (12) month deadline from the date of transferring ownership to complete all required / needed **Eligible Building Improvements** or ownership of building reverts back to City at 95% of owner's original cost to purchase building from the City. In addition, City of Schuyler reserves **Right Of First Refusal (ROFR)** for 60 months from the date of transferring ownership. ROFR maximum price for sale of building back to City shall be limited to owner's costs (acquisition cost and documented building expenditures) minus the unpaid RLOC balance or the proposed resale whichever is less. Owner shall pay all costs incurred by the City for transactions such as legal and other expenditures.

RLOC Process:

- 1) **Applicant** completes **RLOC Application** (see *Page 5*) and submits to the Economic Development Coordinator @ 1103 B Street (Municipal Building).
- 2) **Applicant's Eligibility** confirmed by Economic Development Coordinator.
- 3) Additional **Applicant requirements** submitted by **Eligible Applicant** to EDC:
 - **Credit Application, Credit Bureau Report, Federal Tax Return (past 3 years)**
- 4) **Loan Review Board (LRB)** approves / declines RLOC request.
- 5) **Agreement Letter** prepared by EDC and signed by Mayor and RLOC Borrower.
- 6) **City Council** approves sale of building and authorizes transfer of ownership.
- 7) **Loan Processing Fee** (Transfer of Ownership, Promissory Note, Deed of Trust, legal review, Building Permit) incurred by Borrower and included with RLOC. **Promissory Note** and **Deed of Trust** finalized by City Attorney. Sale of building by City subject to state statute and 30 day waiting period.
- 8) **RLOC** available for 12 months from the date of transferring to new ownership.
- 9) **RLOC** repayment begins 12 months from date of transferring ownership with forty-eight (48) monthly installments in even amounts (five dollar increments). Payment received after the 10th of each month shall incur a **5% late fee** of the monthly payment.
- 10) **Hazard Insurance** mandatory for the duration of loan. City of Schuyler to be listed on insurance policy as an 'additional insured'.
- 11) City of Schuyler reserves **Right of First Refusal (ROFR)** to purchase building for **60 months** from the date of transferring ownership from the City to current owner.
- 12) **City of Schuyler** administers **RLOC** loan repayments.

