

**469.184 MUNICIPAL COMMERCIAL REHABILITATION LOAN PROGRAM.**

Subdivision 1. **Purpose.** The legislature finds that in many cities within the state there are small and medium sized commercial buildings which are physically deteriorating and in need of rehabilitation; that there is a need for city programs for the rehabilitation of these commercial buildings; that some owners of small- and medium-sized commercial buildings are unable to afford rehabilitation loans in the private mortgage market and that the health, safety, and general welfare and the preservation of the quality of life of the residents of Minnesota cities are dependent upon the preservation and rehabilitation of these commercial buildings.

Subd. 2. **Findings required.** To accomplish the purposes specified in subdivision 1, the governing body of any home rule charter or statutory city may, by ordinance, establish and provide for the administration of a commercial building loan program to rehabilitate and preserve small- and medium-sized commercial buildings located within its boundaries, upon making the following findings:

- (1) that commercial buildings in the city are physically deteriorating, underused, economically inefficient, or functionally obsolete, and in need of rehabilitation to meet applicable building codes;
- (2) that there is a need for a comprehensive program for the rehabilitation of the buildings to prevent economic and physical blight and deterioration, to increase the municipal tax base, and, if the city has adopted a comprehensive plan, to assist in the implementation of the comprehensive plan of the municipality;
- (3) that some owners of small- and medium-sized commercial buildings in the city are unable to afford rehabilitation loans on terms available in the private mortgage market or to obtain rehabilitation loans on any terms because the private mortgage market is severely restricted; and
- (4) that the health, safety, and general welfare and the preservation of the quality of life of the residents of the city are dependent upon the preservation and rehabilitation of the small- and medium-sized commercial buildings.

Subd. 3. **Program.** The program may include provisions for loans for rehabilitation and preservation purposes, secured by mortgages on the property with respect to which the loans are made, or by other security acceptable to the governing body of the city. Except as hereinafter provided, the loans may be made on terms and conditions as authorized in the program. In approving applications for loans from a program, the following factors shall be considered:

- (1) the availability and affordability of private mortgage credit;
- (2) the availability and affordability of other governmental programs;
- (3) whether the building is required, pursuant to any court order, statute, or ordinance, to be repaired, improved, or rehabilitated; and
- (4) whether the proposed improvements will result in conformance with building and zoning codes and improvement of the aesthetic quality of existing commercial areas.

Subd. 4. **Limitations.** A loan program shall be operated within the following limitations:

- (1) the terms and conditions of all loans made under the program shall be fixed so that the sum of all repayments of principal and interest on them, not then delinquent, and all fees and charges collected, together with other sums to be contributed by the city, shall, over the duration of the program, be estimated to be equal to or greater than the sum of all estimated costs of the program, as determined by the program

administrator and approved by the governing body of the city, including administrative costs, mortgage foreclosure costs, and principal and interest payments on bonds issued to finance the program to the extent not paid from bond proceeds;

(2) no loan shall be made for a period exceeding 20 years;

(3) no loan shall exceed 80 percent of the estimated market value of the property to be rehabilitated upon completion of the rehabilitation, less the principal balance of any prior mortgage existing on the property at the time the loan is made; and

(4) no loan shall be made in excess of \$200,000 for the rehabilitation of any particular small- or medium-sized commercial building.

Subd. 5. **Grant prohibition.** A program authorized by this section does not include the making of grants.

Subd. 6. **Administration.** The municipality may administer the program directly or may contract with any qualified public or private nonprofit agency or enterprise for some or all of the services required. The ordinance establishing the program shall provide for the adoption of program regulations which shall include a definition of "small- and medium-sized commercial buildings," loan eligibility and loan priority criteria, loan amount limitations, and other provisions as deemed necessary.

Subd. 7. **Housing and redevelopment authority as agent.** A housing and redevelopment authority of a city or county may exercise any or all of the powers conferred by this section on behalf of a city, if the city by ordinance authorizes it.

Subd. 8. **Revenue bonds.** Notwithstanding any contrary provision of other law or charter, the governing body of any city operating a program under this section may, by resolution, authorize, issue, and sell revenue bonds or obligations payable solely from all or a portion of the revenues derived from or other contributions to the program. The bonds or obligations shall mature as determined by resolution of the governing body of the city in accordance with the limitations of subdivision 4.

The bonds or obligations may be issued in one or more series, bear a date or dates, bear interest at a rate or rates, be in the denomination or denominations, be either coupon or registered, carry conversion or registration privileges, have rank or priority, be executed in the manner, be payable at the place or places, and be subject to the terms of redemption, with or without premium, as the resolution, its trust indenture, or mortgage may provide. The bonds or obligations may be sold at public or private sale at the price or prices the governing body of the city by resolution determines, and notwithstanding any contrary provision of law, shall be fully negotiable. In any suit, action, or proceedings involving the validity or enforceability of any bonds or obligations of the city or their security, any bond reciting in substance that it has been issued by the city to aid in financing a commercial rehabilitation loan program shall be conclusively deemed to have been issued for that purpose, and the program shall be conclusively deemed to have been authorized, established, and carried out in accordance with the purposes and provisions of this section. Neither the city nor any council member, board member, director, commissioner, officer, employee, or agent of the governing body of the city nor any person executing the bonds shall be liable personally on the bonds by reason of their issuance. The bonds or obligations may be further secured by a pledge or mortgage on the property with respect to which loans are made and in aid of which the bonds are issued and by covenants as the governing body of the city shall deem by resolution to be necessary and proper to secure payment of the bonds. The bonds or obligations, and they shall so state on their face, shall not be payable from nor charged upon any funds other than the revenues and properties pledged or mortgaged to their payment, nor shall the issuing city be subject to any liability on them or have the powers to obligate itself to pay or pay

the bonds from funds other than the revenues and properties pledged and mortgaged and no holder of the bonds or obligations shall ever have the right to compel any exercise of any taxing power of the issuing city or any other public body to pay the principal of or interest on the bonds or obligations, nor to enforce payment of them against any property of the city or other public body other than that expressly pledged or mortgaged for their payment.

Subd. 9. **Use of bond proceeds.** The proceeds of the revenue bonds or obligations may be used

(1) to make loans in accordance with a program,

(2) to establish a fund from which loans may be made in accordance with a program,

(3) to establish reserves for the payment of the bonds and interest on them,

(4) to pay all of the interest coming due on the bonds until the money derived from loan repayments is sufficient for the purpose, and

(5) to pay costs of issuance.

Subd. 10. **Security for bonds.** The city may pledge any mortgages securing loans made under the program and all principal and interest payments to be received under them to the payment of revenue bonds or obligations issued under this section, may make other covenants with respect to them, future mortgages or other matters as deemed necessary for the security of the revenue bonds or obligations, and may assign all of its rights under the mortgages to a trustee for bond holders and enter into an indenture of trust for this purpose, containing other terms and provisions and conferring powers on the trustee as considered necessary for the security of the bonds or obligations.

Subd. 11. **Additional security for bonds.** The governing body of the city shall not amend the regulations adopted by ordinance and in effect at the time any bonds or obligations authorized by this section are issued, to the detriment of the holder of the bonds or obligations.

Subd. 12. **Secondary market.** A city may sell, at private or public sale, at the price or prices determined by the city, a note, mortgage, lease, sublease, lease purchase, or other instrument or obligation evidencing or securing a loan made under this section.

**History:** 1987 c 291 s 185; 1994 c 614 s 11