



New Ulm Retail
RESOURCE GUIDE
for Development

New Ulm Retail Development Corporation

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S STATEMENT OF UNDERSTANDING

This document is intended as a guide only, neither the New Ulm Retail Development Corporation (NURDC) nor any of its collaborating entities, committees, subcommittees, directors, officers, employees or other representatives, make any warranty or representation regarding the contents of the materials set forth herein. This is intended as a guide only, and the programs outlined and explained herein contain specific application eligibility requirements, which may not be fully detailed in the subsequent guide, or which may have been changed since publication. Specific reference must be made to the individual program information in order to determine an applicant's eligibility and any restrictions on a particular program.

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New Ulm Retail Development Corporation

- **HeadStart to the Heart of the City Incentive Program** – Under the sponsorship of the New Ulm Retail Development Corporation (NURDC), a package of incentives is available to either to new retailers creating additional retail footage in downtown New Ulm or to existing retailers expanding their retail footage in downtown New Ulm. Incentives range from rent discounts, to bank loans, to discounts on various products and services. Voucher eligibility is determined on a case-by-case basis by the NURDC.
- **Retail Consumer Shopping Survey** – A compilation of results from a scientific survey of households in and around New Ulm is available to new retail business prospects to New Ulm and to existing retailers in New Ulm. This data can be helpful in understanding the demographics, shopping habits, and preferences of residents of New Ulm and the surrounding areas and may be useful in determining your potential merchandising mix and marketing focus. A copy can be obtained by contacting the NURDC. Raw data may also be available to assist in answering specific retailer questions.
- **Site Selection and Assistance** – The NURDC maintains a list of available retail and service buildings and land in New Ulm. The NURDC can be reached by calling 507-233-4308 or via e-mail at nurdc@newulmtel.net.

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Non-Bank Loan Programs

New Ulm Commercial Rehabilitation Revolving Loan Program

The New Ulm Economic Development Authority (EDA) administers a Commercial Property Rehabilitation Loan Program to assist in revitalizing and rehabilitating commercial structures located within the City of New Ulm. This program is designed to blend public and private financial resources to result in long-term loans offered at below market interest rate levels. The EDA, in course of time, reserves the right to revise the following guidelines in direct cause of benefiting and improving the Commercial Property Rehabilitation Loan Program.

■ **Eligible Improvements** - All improvements must be of a fixed and permanent nature. Eligible improvements shall include activities which specifically and directly address the following areas:

- a. Facade improvements to building exteriors, including signage
- b. Enhancement of building entrances

- c. Improvements which increase the energy-efficiency of the building
- d. Utility related improvements, including, but not limited to, repair or replacement of water/sewer/steam utility services, undergrounding of electrical and telephone or other overhead service. Installation of new overhead services is not an eligible activity.
- e. Health/safety improvements
- f. Improvements which correct areas of building code noncompliance
- g. Interior remodeling improvements for commercial properties
- h. Handicapped accessibility improvements for commercial properties

All proposed renovation activities shall require the review and approval of the Review Committee. For purposes of this program, energy improvements and activities addressing health safety and building code non-compliance areas will be considered high priority projects. Funding for these activities shall be considered first before any other proposed rehabilitation activities.

Improvements must be made in compliance with all applicable building codes and standards. However, loan applications will not be denied solely because the proposed improvements do not bring the property into full compliance with all such codes and standards.

Property rehabilitation improvements may not include materials of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved, unless authorized by the Review Committee.

The improvements undertaken must be viable in terms that after the improvements are made:

- a. The structure will have a remaining useful life such that the full loan may be amortized within three-fourths of the expected remaining life of the structure. The

maximum allowable amortization period will be ten years, and in certain cases, fifteen years.

- b. The improved structure will be structurally sound.
- c. The loan amount must not exceed 100% of the eventual market value of the structure to be improved.

Loan funds may not be used to refinance or payoff existing construction or business debts or to be used for current operational expenses. Loan funds may be used only to finance improvements begun after the loan approval.

The Review Committee reserves the right to assist applicants with developing design plans that are aesthetically compatible with surrounding properties and the overall central business district. If necessary, the Review Committee reserves the right to request the assistance of an outside professional in performing the design review. The cost of such assistance will be the responsibility of the EDA.

To be eligible for the loan program, reasonable assurances must be provided that displacement of existing tenants will not occur.

■ Eligible Recipients

1. Property owners. Commercial property owners, including those subject to mortgages and contract for deeds will be eligible for receiving property rehabilitation loan assistance. Where properties are owned by more than one individual, or when a contract for deed is involved, written approval must be received by all individuals having an ownership interest in the property.
2. Business owners or commercial property tenants. Business owners and commercial property tenants not having any ownership interest in the property will also be eligible for loan assistance.

This eligibility is contingent upon receiving written approval from all individuals having an ownership interest in the property.

3. Loan recipients must be reasonable credit risks. A credit worthiness assessment will be conducted by the lending institution involved in the Commercial Property Rehabilitation Loan Program following accepted banking principles.

■ Loan Information

1. Loans offered through this program will utilize funds from the EDA, in combination with funds from local banks. The EDA funds will be provided at a two (2) percent annual interest rate. The lending institution will establish an interest rate for the private funds used, based on current market rate interest levels and other relevant lending considerations. By blending the funds from each financial source, the total loan will be at a blended interest rate, which will be significantly below market interest rate levels. To illustrate this principle, a \$15,000 loan, using \$7,500 of public funds at 2% and \$7,500 of private funds at 8%, amortized over ten years, would carry a net interest rate of 5%.

2. Maximum Loan Amount - The EDA will contribute 50% of the total loan amount, up to \$25,000 (total loan value amounting to \$50,000), for eligible rehabilitation activities under this program. Loans exceeding the maximum \$50,000 loan limit will need to originate from private sources.

3. Amortization period. The maximum allowable amortization period for the Commercial Property Rehabilitation Loan Program will be ten years. Under special circumstances, the Review Committee may authorize a longer amortization period, not to exceed an additional five years.

The Brown County Revolving Loan Fund

The Brown County Economic Development Partners operate a revolving loan fund (RLF) that serves all of Brown County.

Eligible projects include existing businesses, business acquisitions and business start-ups. Eligible business types are wholesale, retail, service, construction, manufacturing and agri-business, excluding traditional farm operations. In eligible businesses include floor planning, gambling, real estate investment and/or speculation (such as spec. buildings, apartments and office buildings) and any illegal activities.

The Loan funds can be used for inventory, equipment, real estate or working capital. The loan terms may be amortized up to ten years with a five-year balloon depending on the use of the funds. The RLF may take a second position on collateral behind a primary lender. The RLF will not fund more than 50% of the project costs. The RLF participation may be a direct loan or participation with another lender.

For more information contact the Brown County Economic Development Partners by calling 507 794-7992.

The Southern Minnesota Initiative Foundation Small Enterprise Loan Program

These loans are available to start or expand a manufacturing, retail or service business within the 20-county region. Loans of up to \$35,000 may be used for inventory, supplies, machinery/equipment, or working capital. Need and ability to repay must be demonstrated by a sound business plan and cash flow projection. The project may not be in competition with an existing business in the trade area. Good character, commitment to the business plan, and inability to obtain financing from a traditional lender must be demonstrated.

To apply, please contact the Southern Minnesota Initiative Foundation at 507-455-3215. For further information on the program visit their website: www.smifoundation.org.

The Region Nine Development Commission Micro-Enterprise Loan Fund

The Region Nine Development Commission established the Micro-Enterprise Loan Program to better serve the region (the counties of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca and Watonwan). The loan program is meant to provide capital for start-up and expansion of small business activity not served by traditional lenders. Loans may be provided in conjunction with other financing. This program keys not only on credit but includes one-on-one counseling and guidance. This technical assistance combination is necessary to provide the highest opportunity for success. With technical assistance on a regular basis the Small Business Development Center (SBDC) can guide the business owner in management, marketing, and financial matters, while striving to see the business succeed and grow. With performance, these businesses can then enter more traditional avenues for credit and growth.

■ **Use of Loan Proceeds** - Micro-Enterprise loan funds may be used for all costs demonstrated as essential for the project, including working capital, inventory, machinery and equipment, building and leasehold improvements. These funds may not be used for agricultural production (crop or livestock), debt, refinancing or restructuring, projects which have other financing available and projects that cannot demonstrate a reasonable chance of success or repayment ability.

■ **Credit Requirements** - Micro-Enterprise loan applicants must meet the credit requirements of the RNDC. Generally, however, applicants will be expected to demonstrate:

1. Good character
2. A strong commitment to their business
3. A credit history that demonstrates an assurance that the loan will be repaid. Any credit deficiencies will require full explanation.

In addition, applicants should have some demonstrated management expertise or be willing to participate in training designed to strengthen management and operational skills.

■ **Eligibility Requirements** - Virtually any type of pro-profit small business is eligible for the Micro-Enterprise Loan Program. These types of businesses may include, but are not limited to, those engaged in manufacturing, retail, service, daycare business and elder care. The form of business whether a proprietorship, partnership, LLC or corporation, is not a determining factor. It must, however, employ 5 people or less not including the owner.

Financial data necessary to support the loan request may involve both historical and projected business operations as well as overall project data required by RNDC or other lenders. The applicant must meet with the Small Business Development Center (SBDC) prior to receiving the loan. The SBDC will help the applicant develop or review a business plan and two year projected balance sheet and income statements. The SBDC does not charge for their services. The applicant will also be required to meet with the SBDC quarterly after the loan is closed.

■ **Loans Up To \$25,000** - Businesses may borrow up to \$25,000 and have up to five years to repay the loan. A business may borrow again when the first loan is paid in full.

■ **Collateral Requirements** - As with credit standards, collateral requirements are set with RNDC. In most cases, loans are expected to be fully collateralized by equipment, contracts, inventory or other business property. In some cases, real estate equity will be required. Personal guaranties will always be required.

■ **Interest Rates, Terms, and Fees** - Interest rates will be fixed for the term of the loan. Maximum term is five years. The Revolving Loan Fund Review Committee determines the interest rate but in most cases stays close to the existing prime lending rate. RNDC's attorney for the transaction is Karl O. Friedrichs, Friedrichs Law Office in Mankato. A \$200 legal fee will be collected at time of closing as well as any additional filing fees required by the county or state. A collaterally assigned life insurance policy may be required.

Application forms and more information can be found on the RNDC website at www.rndc.org, or by calling 1-800-450-5643, ext. 886.

Region Nine 9-County Revolving Loan Fund

The Region Nine 9-County Revolving Loan Fund requires applicants to give a detailed explanation of their project including business plan information, financial projections, historical financial statements, and other types of information.

■ **Restrictions** - The following restrictions apply to the use of the Region Nine Revolving Loan Program funds:

- The project must be located within one of the following counties:
Blue Earth Brown Faribault
Le Sueur Martin Nicollet
Sibley Waseca Watonwan
- The 9-County Revolving Loan fund can not exceed 50% of the total project costs.
- Jobs must be created or retained within these guidelines:

<u>RLF Amount</u>	<u>Jobs Created or Retained: Loan Proceeds</u>
<\$10,000	1:\$10,000
\$10,000 - \$50,000	1:\$35,000
\$51,000 - \$250,000	1:\$50,000

- All industries and types of businesses are eligible to apply, including manufacturing, distribution, value added agriculture, retail and service industry businesses.

■ **Requirements of Loan Applicants** - Individual consideration is given to each applicant, and as such, the requirement will vary from project to project. In general, the following conditions will apply:

- The business owners may be required to provide personal guarantees for the loan amount.
- A life insurance policy on the business owner sufficient to cover the balance of the loan and with a collateral assignment to the Region Nine Revolving Loan Fund may be required. An application fee in the amount of 1% of the loan amount is payable at closing.

- A \$600 processing fee is payable at closing.
- Collateral for the loan will be taken, although the Loan Committee may approve a position subordinate to another lender.
- Hazard insurance on the collateral, naming Region Nine Revolving Loan Fund as loss payee, and proof of workman's compensation insurance must be provided.
- Loan recipients will be required to complete an annual jobs report on the number of jobs created and or retained.
- Loan recipients will be required to submit financial statements as required as a condition of their loan.

Application forms and more information can be found on the RNDC website at www.rndc.org, or by calling 1-800-450-5643, ext. 886.

Small Business Administration Basic 7(a) Loan Guaranty

■ **Function** - Serves as the SBA's primary business loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels. It is also the agency's most flexible business loan program, since financing under this program can be guaranteed for a variety of general business purposes.

Loan proceeds can be used for most sound business purposes including working capital, machinery and equipment, furniture and fixtures, land and building (including purchase, renovation and new construction), leasehold improvements, and debt refinancing (under special conditions). Loan maturity is up to 10 years for working capital and generally up to 25 years for fixed assets.

■ **Customer** - Start-up and existing small businesses, commercial lending institutions

■ **Delivered through** - Commercial lending institutions

SBA offers multiple variations of the basic 7(a) loan program to accommodate targeted needs.

Small Business Administration 504 Loan Program

- **Function** - Provides long-term, fixed-rate financing to small businesses to acquire real estate or machinery or equipment for expansion or modernization. Typically a 504 project includes a loan secured from a private-sector lender with a senior lien, a loan secured from a CDC (funded by a 100 percent SBA-guaranteed debenture) with a junior lien covering up to 40 percent of the total cost, and a contribution of at least 10 percent equity from the borrower.
- **Customer** - Small businesses requiring “brick and mortar” financing
- **Delivered Through** - The 504 Corporation, call 1 800-749-9015 or 1 877-504-5400

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Information Resources

Labor Market and Salary Survey Information – Locally, the New Ulm Retail Development Corporation and assist you. Contact information is on the cover of this guide. This information can provide relevant data for your business about the economy, job market, and work force in greater Minnesota. Information regarding current survey information can be obtained from the Minnesota Department of Employment and Economic Development by calling 651-282-2714 or 1-888-234-1114 or visiting their website at www.positivelymn.com

Business Costs – Market research, business cost analysis, industry reports and other economic information important to small business owners making site selection decisions can be obtained by contacting the Department at 651-297-1291 or 1-800-657-3858; the State of Minnesota also has a **Small Business Assistance Office**, which provides information and assistance with startup businesses, including operation or expansion of a small business as well as publications on business formation, employment law, intellectual property, franchising, electronic commerce and other topics. Such information can be obtained by accessing the Small Business Assistance Office link at the State of Minnesota Department of Employment and Economic Development’s website (www.positivelymn.com) or by calling 651-296-3871 or 1-800-657-3858.

In addition to its central office, the Minnesota Department of Economic Development also has 20 **Small Business Development Centers** located throughout the state of Minnesota, which can provide one-on-one counseling on business planning, marketing, financing and other topics of interest to new or expanding small business owners. Contact information for these resources are available at the Department's website or by calling 651-297-5770 or 1-800-657-3858.

Positively Minnesota BizNice – Minnesota Department of Economic Development provides this staff resource to assist Minnesota businesses in navigating state permitting, licensing and regulatory requirements. Service is available by contacting the Department of Economic Development staff at 651-297-1164 or 1-800-657-3858.

The Minnesota Department of Economic Development also maintains www.BizLinks.org, which is an electronic clearinghouse linking new and existing businesses to Minnesota's regulatory and tax information. Currently, the site principally has information relevant to regulatory information, but future enhancements anticipate including information for businesses including financial and technical assistance resources, and economic and employment data resources.

The website www.MinnStats.org connects businesses and individuals to the latest publications, data and statistics produced by Minnesota state agencies including information on the following topic areas:

- agriculture
- crime
- education
- employment
- gross state product
- health
- income
- population
- taxes
- transportation

The website www.ISEEK.org provides individuals and businesses with up-to-date information about educational, career, employment and business growth opportunities in the State of Minnesota. It is designed to be the portal through which job seekers, education seekers, employers and learning resource providers are drawn together into a dynamic Internet-based marketplace that creates value for Minnesota citizens and the state as a whole. The website contains information on the following categories:

- careers
- current employment opportunities
- educational financial aid
- educational programs
- employee recruitment and retention
- employer profiles
- labor market information
- occupations

SCORE “Counselors to America’s Small Business” provides entrepreneurs with free and confidential business advice online. Access the SCORE web site at www.score.org. The Minnesota Chapter of SCORE offers access to business plan templates on line. Go to www.score-mn.org. Locally, the Executive Director of the New Ulm Economic Development Corporation can be contacted by calling 507-233-4305 or via email at nuedc@newulmtel.net.

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Historic Preservation Resources

New Ulm Heritage Preservation Commission Signage and Awning Grant Program

The **New Ulm Heritage Preservation Commission Signage and Awning Grant Program** for the Downtown Commercial Center Historical District is proposed and intended to offer funds to property owners or tenants within the downtown commercial center historic district for the purpose of adding or replacing signage and/or awnings. This program is funded on a year by year basis with funds available up to \$2,000.00 per year, per storefront for approved signage and awnings on a first-come, first serve basis to the qualifying businesses.

Signage and/or awnings should be designed to enhance and compliment the character of the building and must follow the City of New Ulm downtown guidelines. The City of New Ulm Downtown Preservation Design Guidelines can be found at the City of New Ulm website: www.ci.new-ulm.mn.us under the Historic Preservation Commission.

Additional program details and applications for a design review and the grant application are available at the City of New Planning Department in City Hall.

Federal Tax Incentives for Rehabilitating Historic Buildings

The Historic Preservation Tax Incentives Program is a program jointly administered by the United States National Park Service and the State Historic Preservation Officers. The tax credit applies specifically to preserving income-producing historic buildings and has generated over \$20 billion in historic preservation activity since its inception in 1976.

The federal government provides for a potential federal income tax credit of up to 20% of eligible rehabilitation expenditures for certain historic buildings. While eligibility determinations are beyond the scope of this guide, the following provides a rough checklist to determine whether or not rehabilitation expenditure qualifies for the federal tax credit:

1. The building is or can be a “certified historic structure,” which means it is either on the national registry of historic buildings, a similar list maintained by the state of Minnesota, or a locally zoned and recognized historic district;
2. The planned renovation constitutes a “substantial rehabilitation,” which means it must be greater than \$5,000.00 and greater than the pre-renovation adjusted basis in the building;
3. The building must be depreciable income property held for use in trade or business or as an investment property;
4. The property must be rehabilitated according to standards for rehabilitations established by the United States Secretary of the Interior;
5. The entity or partnership applying for the tax credit has not altered the building in any way since taking possession of it.

A comprehensive, detailed application is required to qualify for this federal government program. If your historic rehabilitation project does not fulfill all of the above criteria, it still may qualify for the 10% Historic Rehabilitation Tax Credit if:

1. The building cannot be certified as a certified historic structure, but was constructed before 1936;

2. The re-use will be commercial and not residential; and
3. At least 75% of the walls will be kept in place.

National Trust Small Deal Fund (SDF)

The National Trust Small Deal Fund (SDF) provides a unique service within the historic tax credit industry by investing in very small historic tax credit projects generating as much as \$650,000.00 in tax credit equity (about \$3.5 million in total development costs) or as little as \$200,000.00 in tax credit equity (about \$1.2 million in total development costs). Such projects are typically overlooked by conventional equity syndicators because the developer's added transaction costs are a high percentage of the investment opportunity generated by the historic tax credit.

SDF is able to invest in these smaller deals by standardizing its investment terms and documents, minimizing investor risks, reducing its due diligence requirements and keeping its closing costs very low.

National Trust Loan Funds

Loans are available to nonprofit organizations, municipalities and community development corporations for the preservation of historic resources across the country. For-profit organizations are also eligible for these funds, though preference is given to nonprofit and public-sector organizations. There are two revolving funds: Inner City Ventures Fund (ICVF) and National Preservation Loan Fund (NPLF). ICVF supports projects that have a low- or mixed-income, economic development focus while NPLF has more flexible criteria. Eligible uses of the loan funds include acquisition, construction, bridge, predevelopment, mini-permanent and construction financing. The size of the loan varies based on the type of project.

Minnesota Historical Society - State Grants-in-Aid Program

The Minnesota Historical Society provides the State Grants-in-Aid Program, which supports projects conducted by non-profit historical organizations and local units of government that interpret and preserve Minnesota's history.

The availability of funding is dependent on legislative funding. There are usually two funding cycles each fiscal year: fall and winter.

The maximum grant award is currently \$6,000.00 for Historic Properties listed on or determined eligible for listing on the National Register of Historic Places; all other categories are also \$6,000.00, except for Microform Copies (#4) which is \$2,500.00. Funds must be matched at least one to one. Matching funds may be cash, in-kind and/or donated services or materials contributed to the project.

The primary recipients of State Grants-in-Aid awards are regional, county and local nonprofit organizations whose primary purpose is historical preservation and/or interpretation. Applications will also be considered from other nonprofit organizations and from units of government when the projects they propose are among those categories described below. Projects from non-historical organizations should fill a need that is not being met by a historical organization.

This program has ten different project categories:

1. Historic Properties
2. Artifact Collections
3. Interpretive Programs
4. Microform Copies
5. Oral History
6. Photographic Collections
7. Manuscripts
8. Publications and Research

9. Museum Environments
10. Technology

Minnesota Historical Society - State Historic Preservation Assistance

Contact the State Historic Preservation Office for Technical Assistance on:

Reuse Studies

- Find new uses for vacant or under used historic properties in your community. Each year the SHPO works with a variety of partners on reuse studies for selected properties.
- Conduct your own reuse study using the SHPO process as a model. Contact them at 651-296-5434 for a pamphlet entitled *A Primer for Historic Properties Reuse Teams*.

Restoration/Rehabilitation Projects

- Consult with SHPO staff on restoring/rehabilitating your historic property.
- If you own an income-producing National Register property, ask for assistance in qualifying for federal investment tax credits.
- Attend statewide workshops on a range of technical subjects related to historic preservation.

Preservation Alliance of Minnesota - The Preservation Easement Program

A Preservation Easement is a legal document between a property owner and the Preservation Alliance of Minnesota. The easement grants a partial interest in a historical property and may impose a limitation on alterations, signage, etc. Easements may be granted on a façade, interior, or open space.

The easements are donated in order to protect historically and architecturally significant buildings and properties in perpetuity. The donation may also provide substantial tax benefits.

The property may continue to be used for any purpose the owner chooses and it may be sold or leased at any time. Most properties are already subject to certain easements, such as utility easements. Restrictions imposed by an easement relate to the maintenance and possible alteration to a property. The owner is required to maintain the property as specified in the easement document.

Any building or property may qualify for an easement if the Preservation Alliance determines that the property possesses architectural or historical significance. However, only those properties listed on the National Register of Historic Places are eligible for tax benefits.

The value of a donated easement is deductible as a charitable contribution on federal tax returns. This amount represents the loss in value of a property, which results from subjecting it to an easement. The appraiser determines this value by establishing the present value of the property and subtracting the value of the property with the easement in place. State property taxes may also be reduced if the case value of the estate is reduced due to limitations placed on future development.

For further information, contact the Preservation Alliance of Minnesota.