



# Aitkin County Housing Development Revolving Loan Fund (RLF)

## 1. Purpose of the Fund

The Aitkin County Housing Development Revolving Loan Fund (RLF) is established to support housing development initiatives in Aitkin County. The fund aims to promote the construction, rehabilitation, and development of affordable (workforce) and market-rate housing through low-interest loans to developers, non-profit organizations, and individuals.

## 2. Goals and Objectives

- **Increase Housing Supply:** Support projects that address housing shortages in Aitkin County.
- **Affordable (Workforce) Housing Development:** Prioritize affordable housing units for low- to moderate-income households. Affordable housing is defined as housing that costs no more than 30% of a household's gross income, including rent or mortgage payments and utility costs. This standard applies to various income levels but is used to assess the affordability of housing for low- to moderate-income households.
- **Economic Development:** Stimulate economic growth by encouraging housing development that aligns with the County's strategic planning efforts.
- **Sustainable Financing:** Utilize a revolving structure to sustain and expand the loan fund for future projects.
- **Gap Financing:** The RLF must serve as the shortfall between the total cost of a project and the amount of funding secured from primary sources, such as traditional loans, grants, or investments.

## 3. Eligible Borrowers

- For-profit developers.
- For-profit builders
- Public/private partnerships.
- Individuals involved in housing development.
- Non-profit housing organizations.

## 4. Eligible Projects

The RLF will provide loans for projects including:

- New construction of single-family or multi-family housing.
- Land acquisition or infrastructure improvements related to housing development.
- Adaptive reuse of commercial buildings for residential purposes.
- Rehabilitation or redevelopment of existing housing units.

Ineligible projects include:

- Working capital projects
- Refinancing of existing debt
- General improvements

## 5. Loan Terms

- **Loan Amounts:** Typically ranging from \$100,000 to \$500,000, depending on project scope.
- **Interest Rate:** Fixed rate at 4% (adjustable depending on market conditions).
- **Loan Term:** Loans shall be offered with terms between 5 and 20 years, depending on project type and loan amount
- **Repayment:** Monthly or quarterly payments. Principal repayment may be deferred for up to 12-18 months based on project need, with interest-only payments required during the deferral period.
- **Security:** Loans secured by a mortgage on the property or other collateral deemed acceptable by the Economic Development committee.



## 6. Application Process

- **Step 1:** Upon preliminary approval, submit a **Full Loan Application** that includes:
  - Detailed project plan, timeline, and budget.
  - Evidence of site control (e.g., purchase agreement, deed).
  - Development pro forma and financial projections.
  - Plans for meeting zoning and regulatory requirements.
  - Organizational documents (if applicable).
  - Financial statements of the developer/organization.
- **Step 2:** Application reviewed by Economic Development committee.

## 7. Loan Review and Approval Process

- **Economic Development Committee:** Composed of representatives from the County
- **Evaluation Criteria:**
  - Feasibility and readiness of the project
  - Financial capacity of the borrower
  - Impact on housing needs in Aitkin County
  - Compliance with local zoning and housing regulations
  - Contribution to community and economic development
- **Approval Process:** The Committee makes loan recommendations to the County Board for final approval.

## 8. Revolving Loan Fund Structure

The fund will revolve through the repayment of principal and interest, allowing for new loans to be made as funds become available. This ensures a sustainable source of financing for future housing projects.

## 9. Monitoring and Compliance

Loan recipients will be required to provide bi-annual updates, including:

- Project progress reports.
- Financial reports.
- Evidence of compliance with local regulations and codes.

Failure to meet these requirements may result in loan default, triggering enforcement actions by the County.

## 10. Administration and Management

The Economic Development Committee is responsible for administering the RLF:

- Marketing the RLF
- Processing applications
- Managing the loan review and recommendation process
- Ensuring compliance with program requirements

The Aitkin County Board of Commissioners shall grant final approval of all loans.

## 11. Funding Sources

- Initial capitalization of the RLF through the Statewide Affordable Housing aid funding to the Aitkin County Housing Trust Fund.
- Ongoing capitalization through loan repayments and potential additional funding sources.

## 12. Amendments

The County reserves the right to amend or revise the RLF guidelines as needed to address emerging needs or changing market conditions.



### 13. Loan Default and Enforcement Actions

If a loan recipient fails to make payments according to the loan terms agreed upon, or if the recipient violates any conditions of the loan agreement, the following steps will be taken:

- **Notification of Default:**  
The borrower will receive a formal written notice of default, outline the missed payments or violations and provided a 30 day timeframe to remedy the default.
- **Opportunity to Cure:**  
Borrowers will be given an opportunity to cure the default within the provided timeframe. This may include making the missed payments, providing additional documentation, or addressing any breaches of the loan agreement.
- **Restructuring Options (if applicable):**  
If the borrower is unable to cure the default, the Economic Development Committee, with Board of Commissioners approval, may consider restructuring the loan under revised terms, such as extending the repayment period or modifying payment schedules.
- **Enforcement of Collateral:**  
**If the default is not cured and no restructuring agreement is reached; the Aitkin County reserves the right to enforce its security interests. This may include:**
  - **Foreclosure proceedings on properties or assets secured by the loan**
  - **Seizure of collateral or other legal recourse to recover outstanding loan amount**
- **Legal Proceedings:**  
If necessary, Aitkin County may pursue legal action to recover the loan balance, including filing a lawsuit to enforce repayment through the court system.
- **Recovery of Costs:**  
The borrower may be liable for any legal fees, court costs, or other expenses incurred by Aitkin County in the process of enforcing the loan agreement.
- **Termination of Loan Agreement:**  
In cases where default cannot be remedied, the loan agreement may be terminated, and any outstanding amounts will be immediately due and payable.