

MainStreet/DDA Low Interest Loan Program

I. Program Statement

The intent of the MainStreet/DDA (DDA) Low Interest Loan (LIL) program is to strengthen the economic viability of Downtown Holland by providing financial incentives for improving exterior and interior building conditions.

Since 1989 Downtown Holland has enjoyed the advantages of a three part design incentive program managed and administered by MainStreet/DDA. These are the Low Interest Loan Program, the Design Assistance Program, and the Commercial Rehabilitation Rebate Program. In July 1998 (FY99) Downtown's CRR Program (using federal CDBG funds) ceased due to depletion of federal funds, and completion of many property rehabilitations, which have lowered slum and blight percentages. In fact, in nearly 10 years' time, 24 CRR programs have been complete with over \$225,000 of CDBG monies invested in properties' improvements; in that same time 43 Design Assistance projects have been requested, using over \$9,000 of incentive funds; the LIL Program has served 21 applicants, providing over \$2 million for projects.

With the completion of the CRR Program, the LIL Committee has reassessed its policy and procedures as it continues to work in tandem with the Design Assistance Program.

II. History

In 1984, Holland was selected by the State of Michigan and the National Main Street Center to participate in the National Main Street program. A basic component of the program is to stimulate economic development within the context of historic preservation. Initially, MainStreet/DDA coordinated Downtown activities in the areas of organization, promotion, design, and economic restructuring. The DDA has expanded its focus, using the vision of its 1995 strategic plan, "Broadening the Vision". This planning report and implementation process focus on expanding a program of investment, commitment and vision for Downtown Holland. A rich, diverse mix of commercial, industrial, residential and cultural uses characterize Downtown, and it is hoped that the design incentives will facilitate further 8th Street development and enhancements, as well as important surrounding areas.

Downtown Holland is unique to the economic health of the Holland community because its condition, whether perceived or actual, plays such a large part in the opinions of the Holland community. Downtown is the focal point of the greater Holland area and its deterioration will create an image of a deteriorating community and economic base, and a lack of pride on the part of its citizens. As a result, potential businesses might be discouraged from locating in Holland, and the public may develop an undeserved negative image of the community's economic health.

Also, it is estimated that Downtown Holland alone contributes more than \$1,000,000 in tax revenues to the greater Holland area. In addition, since 1982, public and private sectors have invested approximately \$100 million dollars in a variety of projects in the DDA district. Deterioration of this substantial financial investment would have an additional undesirable impact on the community.

The ultimate success of Downtown Holland is dependent on the level of private sector commitment. It is up to the merchants, building owners, residents, professionals and investors to improve the mechanics of their businesses and the condition of their buildings.

It is important to the aesthetic enhancement of the Downtown that the building design treatments be compatible with each other. Downtown constituents feel that the most cost effective means for enhancements is the preservation of a building's original architectural features. The Design Review Board reviews Downtown Holland's design guidelines in an effort to assure compliance with appropriate design standards. The LIL Committee uses these guidelines also.

This program is intended to stimulate improvements to Downtown buildings by providing an innovative financing mechanism. It presents an opportunity to preserve our community's heritage and to enhance and promote Downtown's unique environment.

III. Purpose of Loan Program

1. To directly stimulate building improvements to Downtown buildings.
2. To stimulate building improvements in a coordinated fashion stressing overall Downtown compatibility.
3. To stimulate building design improvements according to the MainStreet/DDA design guidelines which stress the historical significance and uniqueness of many Downtown structures.
4. To directly stimulate building improvements by establishing visible examples.
5. By the above, the program will strengthen the Downtown, in both image and structure, and will set the stage for further development.

IV. Description of Program

1. The current Downtown Holland financial institutions, National City Bank, Bank of Holland, Macatawa Bank, Fifth Third Bank, and West Michigan Community Bank have agreed to participate in a low interest loan program for improvements to the exterior and interior of Downtown buildings.
2. The committee is comprised of representatives from financial institutions who have offices within the DDA district boundaries (see IV.1) and one representative from the architectural/design community.
3. The interest rate applying to the financial institutions provision shall be based upon one-year U.S. Treasury Note and adjusted monthly. The rate for a particular month will be determined by the one-year Treasury Note yield as published in the Federal Reserve Statistical Release on the last business day of the preceding month. An additional 1.5 points will be added to the published yield to determine the actual interest rate.
4. As a result, the LIL Program will provide an interest rate significantly below that of the market rate.
5. The term and/or amortization for each participant loan will not exceed ten (10) years.

V.

Loan Use

1. Loans provided by this program are to be used for exterior and interior rehabilitation to existing buildings within an area bounded by Kollen Park on the west, the Macatawa water on the north, 11th Street on the south and Fairbanks Avenue on the east.
2. All improvements are to be approved by the DDA staff, in accordance with the MainStreet/DDA design guidelines. The LIL committee will review the program annually, and review reports on projects at that time.
3. Maximum loan amounts will be \$200,000; minimum loan amounts will be \$15,000.
4. Building owners and tenants within the geographic boundaries stated in section IV, (1) are eligible to apply for participation in this program. Tenant applicants are required to submit written evidence of building owner approval of the application.
5. Examples of eligible and ineligible activities:
 - a. Eligible improvements include, but are not limited to:
exterior: signs, paint, masonry work, architectural assistance, awnings, materials, labor, entrances, window replacement/repair, energy conservation.
interior: painting, plumbing, electrical work, structural alterations, energy conservation, stationary fixtures, design assistance.
 - b. Ineligible improvements include, but are not limited to:
exterior: inappropriate cleaning method.
interior: furniture, appliances, inventory, display fixtures (unless attached to walls).

VI. Loan Policy

In addition to the design guidelines, the LIL Committee shall consider the following guidelines when reviewing and acting on program applications:

1. Program impact:
 - a. The loan program boundaries include a substantial number of buildings and it is recognized that improvement to one structure may not have as great an impact on the Downtown as improvements to another.
 - b. Administration reserves the right to reject any application for a building which is in such a state of deterioration that the proposed improvements do not increase the value of the property.
2. Financial institutions involved in this program are subject to all rules and regulations that govern their lending practices.

VII. Program Implementation

1. Marketing: MainStreet/DDA will conduct a comprehensive effort to inform building owners, tenants and the community as to the availability and benefits of the program.
2. Application process:
 - a. Program applications will be available through and submitted to the MainStreet/DDA office.
 - b. The program application form will contain all items necessary for program consideration. Financial institutions are responsible for credit application and subsequent loan approval.
 - c. The LIL committee will meet as annually to review the program, projects and policy and as needed to review special projects.
 - c. The LIL Committee will review the application and either approve or reject it.
 - d. DDA staff/administration will be responsible for program application approval/rejection.
 - e. If approved, the program application will be forwarded to the participating financial institution of the applicant's choosing.
 - f. If rejected, DDA staff will explain by letter to the applicant, the reasons for rejection. Applicants can appeal to the LIL Committee.
 - g. The reviewing financial institution will approve or reject the application according to its established lending practices.
 - h. If the application is rejected by the reviewing financial institution, the applicant has the option of applying to any of the other participating financial institutions.
 - i. Approved program applicants are required to receive loan approval from financial institutions in a prompt manner.
 - j. Loan monies will be distributed to the applicant on an as needed basis. Such need will be determined by the participating financial institution.
3. Post Application Procedure:
 - a. MainStreet/DDA shall be responsible for reviewing approved projects for consistency with approved plans.
 - b. Any changes to project plans must be reviewed by MainStreet/DDA. Staff shall have the authority to approve or reject such changes.

- c. All approved design changes shall be attached to the original application in the form of an addendum, dated and signed by the DDA staff.
- d. Deviations from the approved project may disqualify the applicant from this loan program. Such deviations may cause one or all of the following:
 - 1. The total loan being subject to market interest rates.
 - 2. Remaining disbursements to be ceased.

VIII. Program Amendments

The details of the LIL Program may be amended subject to the formal approval of the LIL Committee.

LIL Policy Initiated: 4/85
Last Revision: 4/02