

FAIRMONT CITY COUNCIL AGENDA

Monday, March 8, 2021, 5:30 p.m.

1. **Roll Call/Determination of Quorum**
2. **Pledge of Allegiance**
3. **Approval of Agenda**
4. **Recognition/Presentations**
 - 4.1 Fairmont Police Body Camera Program Biennial Audit (03)
5. **Public Discussion/Comment (10)**
6. **Consent Agenda** (Items removed from consent will be placed at the end of the items under new business)
 - A. **Minutes**
 - 6.A.1 Regular Meeting, February 22, 2021 (11)
 - 6.A.2 Special Meeting, February 24, 2021 (15)
 - B. **Check Registers**
 - C. **Other**
 - 6.C.1 Amendment to Resolution 2019-14 (17)
 - 6.C.2 Amendment to Resolution 2019-15 (19)
7. **Public Hearings**
8. **Old Business**
9. **New Business**
 - 9.1 Approval of Letter of Understanding (21)
 - 9.2 Small Cities Development Program Grant Policies and Procedures (29)

9.3	Authorize Bid for 2021 Aquatic Park Capital Projects	(100)
9.4	Award 2021-C Seal Coat Projects	(101)
9.5	Advertise for Bids for 2021-F, Dutch Creek Habitat Restoration	(104)
9.6	Discussion on Public Works Building Options	(107)
10.	Staff/Liaison Reports	
	A. Public Works	
	B. Finance	
	C. City Administrator	
	D. Mayor/Council	
	Foster – HRA	
	Hasek – PUC	
	Kawecki – Planning Commission	
11.	Update on Labor Union Negotiations	(111)
12.	Adjournment	



Fairmont City Council
March 8, 2021

Agenda Item: 4.1

From: Chief Hunter
To: Mayor and City Council

Subject: Fairmont Police Body Camera Program Biennial Audit

Policy/Action Requested:

Vote Required: ____ Simple Majority ____ Roll Call

Recommendation:

Overview:

During the 2016 budget process, funds were designated towards the purchase of body worn cameras for the Fairmont Police Department. On August 1, 2016, the MN Legislature enacted MN State Statutes 13.825 and 626.8473 regarding portable recording systems commonly referred to as Body Worn Cameras (BWC). During 2017, the Fairmont Police Department completed the requirements to establish a BWC program. Information regarding our BWC program and a copy of our policy 3.39 is available on the FPD website www.fairmontpolice.org under the “Body Camera Info” tab. After meeting several requirements and testing, BWCs were available for officers to use during their shifts starting on August 1, 2018. A requirement of the state statute is a biennial, independent audit of the Body Worn Camera Program. Our agency contracted with Lynn Lembcke Consulting who provides this service for several law enforcement agencies throughout the state. This was our first BWC program audit and covers the time frame of August 1, 2018 through August 30, 2020. We received a completed copy of the audit dated February 22, 2021. A copy of the audit has been submitted to the State of Minnesota Legislative Commission on Data Practices and Personal Data Privacy and is being presented to the Fairmont City Council as a statutory requirement of our BWC program.

Budget Impact:

Contract with external auditor to complete audit of body camera program as required by State of Minnesota under MN 13.825 completed at a cost of \$1000.00.

Attachments: Letter to Council, Copy of Audit prepared by Lynn Lembcke Consulting.

Council Action: _____ Date: _____



Police Department

March 1, 2021

Fairmont City Council

Ref: Fairmont Police Body Camera Audit

Greetings,

In accordance with MN 13.825 Sub 9(c), please accept our bi-annual audit for the Fairmont Police Department's Body Worn Camera Program included with this correspondence. The audit covers the time frame August 1, 2018 through August 30, 2020. The audit was conducted by Lynn Lembcke Consulting starting September 18, 2020 and was completed February 22, 2021.

The audit shows one discrepancy related issue. This issue noted three videos deleted outside of our retention schedule during our second month of the program in September of 2018. It was determined that Martin County IT deleted the three videos tagged as "Not Evidence" as part of a software settings test on the server. That issue has been addressed with Martin County who conducts the system maintenance and updates for our shared in-house WatchGuard server at the Martin County Law Enforcement Center in Fairmont.

Please feel free to contact me if there are any issues or further questions.

Respectfully,

A handwritten signature in black ink, appearing to read "MHunter", with a long horizontal flourish extending to the right.

Michael Hunter V37
Chief of Police
Fairmont Police Department
mhunter@fairmont.org
507-238-3178

INDEPENDENT AUDIT REPORT

Chief Michael Hunter
Fairmont Police Department
201 Lake Ave., Suite 199
Fairmont, MN 56031

Dear Chief Hunter:

An independent audit of the Fairmont Police Department's Portable Recording System (body-worn cameras (BWCs)) was conducted on September 18, 2020. The objective of the audit was to verify Fairmont Police Department's compliance with Minnesota Statutes §§13.825 and 626.8473.

Data elements the audit includes:

Minnesota Statute §13.825

- Data Classification
- Retention of Data
- Access by Data Subjects
- Inventory of Portable Recording System Technology
- Use of Agency-Issued Portable Recording Systems
- Authorization to Access Data
- Sharing Among Agencies

Minnesota Statute §626.8473

- Public Comment
- Body-worn Camera Policy

The Fairmont Police Department is located in Martin County, Minnesota, and employs eighteen (18) peace officers. The Fairmont Police Department utilizes WatchGuard Vista body-worn cameras and software. BWC data is stored on a local file server hosted by Martin County. The audit covers the time period August 1, 2018, through August 30, 2020.

Audit Requirement: Data Classification

Determine that the data collected by BWCs are appropriately classified.

BWC data is presumptively private. All data collected by the Fairmont Police Department during the time period August 1, 2018, through August 30, 2020, is classified as private or nonpublic data. The Fairmont Police Department had no instances of the discharge of a firearm by a peace officer in the course of duty, use of force by a peace officer that resulted in substantial bodily harm, requests from data subjects for the data to be made accessible to the public or court orders directing the agency to release the BWC data to the public.

No discrepancies noted.

Audit Requirement: Retention of Data

Determine that the data collected by BWC's are appropriately retained and destroyed in accordance with statutes.

The Fairmont Police Department utilizes the General Records Retention Schedule for Minnesota Cities and agency specified retention periods in WatchGuard Vista. At the conclusion of a BWC recording, a WatchGuard category type is assigned. Each WatchGuard category type has an associated retention period. Upon reaching the retention date, data is systematically deleted. Active BWC data is accessible in the WatchGuard Evidence Library.

Randomly selected videos from a server Purged Vista Events Report were verified against the record purge date, and each record was deleted in accordance with record retention associated to the corresponding category. During the second month of operation, three videos were deleted in less than the 90 days required by statute. The category assigned to these videos was without agency-assigned retention. Records selected were from the time period August 1, 2018, through August 30, 2020. Deleted BWC video is not accessible in the WatchGuard Evidence Library. The Fairmont Police Department has not received a request from a data subject to retain BWC data beyond the applicable retention period.

Discrepancy noted.

Audit Requirement: Access by Data Subjects

Determine that individuals who are the subject of collected data have access to the data, and if the data subject requests a copy of the data, other individuals who do not consent to its release must be redacted.

BWC data is available and access may be requested by submission of a Fairmont Police Department Data Request Form. During the time period August 1, 2018, through August 30, 2020, the Fairmont Police Department had received neither requests to view, nor requests for copies of, BWC data from data subjects.

No discrepancies noted.

Audit Requirement: Inventory of Portable Recording System Technology

Determine the total number of recording devices owned and maintained by the agency; a daily record of the total number of recording devices actually deployed and used by officers, the policies and procedures for use of portable recording systems by required by section 626.8473; and the total amount of recorded audio and video collected by the portable recording system and maintained by the agency, the agency's retention schedule for the data, the agency's procedures for destruction of the data, and that the data are available to the public.

Fairmont Police Department's BWC inventory consists of eight (8) devices. Device inventory is maintained in the WatchGuard Evidence Library.

The Fairmont Police Department has established and enforces a BWC policy that governs the use of portable recording systems by peace officers while in the performance of their duties. The Fairmont Police Department's BWC policy requires officers to confirm equipment is operational and to immediately report any malfunctions, damage, loss or theft of equipment to the on-duty supervisor. During implementation, peace officers were trained on the use of the BWC system by a WatchGuard trainer. New officers are trained as part of their field training program.

The Fairmont Police Department BWC policy states there is no requirement for officers to use BWCs during their shift unless they have been deemed a Brady-Giglio Impaired officer by the Martin County Attorney's Office in which case that officer will be required to utilize a BWC during their shift. The BWC policy strongly encourages officers to employ and use the BWC's during their shift. A comparison of calls for service to BWC data shows that, while in accordance with policy, officers use of BWCs is limited.

The total amount of active data is accessible in the WatchGuard Evidence Library. Total amount of active and deleted data is documented in the server Active and Purged Vista Events Report.

The Fairmont Police Department utilizes the General Records Retention Schedule for Minnesota Cities and agency specified retention in WatchGuard. BWC video is fully deleted from the local file server upon the scheduled deletion date. Meta data and audit trail information are maintained on the server. BWC data is available upon request, and access may be requested by submission of a Data Request Form.

No discrepancies noted.

Audit Requirement: Use of Agency-Issued Portable Recording Systems

Determine if peace officers are only allowed to use portable recording systems issued and maintained by the officer's agency.

The Fairmont Police Department's BWC policy states that officers may only use Department issued BWC's.

No discrepancies noted.

Audit Requirement: Authorization to Access Data

Determine if the agency complies with sections 13.05, Subd. 5, and 13.055 in the operation of portable recording systems and in maintaining portable recording system data.

Sergeants conduct quarterly reviews of BWC data to ensure BWCs are being utilized in compliance with policy.

User access to BWC data is managed by the assignment of group roles and permissions in WatchGuard. Permissions are based on staff work assignments. Agency personnel may access

BWC data only when there is a business need for doing so. Agency personnel are prohibited from accessing BWC data for non-business reasons and from sharing the data for non-law-enforcement-related purposes. The agency's BWC policy governs access to and sharing of data. Access to data is captured in the audit trail.

When BWC data is deleted from WatchGuard, its contents cannot be determined.

The Fairmont Police Department and Martin County have had no security breaches. The last BCA CJIS security audit was conducted in 2020.

No discrepancies noted.

Audit Requirement: Sharing Among Agencies

Determine if nonpublic BWC data is shared with other law enforcement agencies, government entities, or federal agencies.

The Fairmont Police Department's BWC policy allows for the sharing of data with other law enforcement agencies, prosecutors, courts and other criminal justice entities as provided by law. Sharing of data is documented in the iCrimeFighter software and the WatchGuard audit trail.

No discrepancies noted.

Audit Requirement: Biennial Audit

Determine if the agency maintains records showing the date and time the portable recording system data were collected, the applicable classification of the data, how the data are used, and whether data are destroyed as required.

The WatchGuard Evidence Library and the server Purged Event Report document the date and time portable recording system data was collected, the retention period of the data, and the audit trail associated to the data. The audit trail, the Records Management System, and iCrimeFighter software document how the data are used and shared.

No discrepancies noted.

Audit Requirement: Portable Recording System Vendor

Determine if portable recording system data stored in the cloud, is stored in accordance with security requirements of the United States Federal Bureau of Investigation Criminal Justice Information Services Division Security Policy 5.4 or its successor version.

Fairmont Police Department's BWC data is stored on a local file server hosted by Martin County. The server is located in a secure area, and access to the server is password protected.

No discrepancies noted.

Audit Requirement: Public Comment

Determine if the law enforcement agency provided an opportunity for public comment before it purchased or implemented a portable recording system and if the governing body with jurisdiction over the budget of the law enforcement agency provided an opportunity for public comment at a regularly scheduled meeting.

The Fairmont Police Department solicited for public comment on the agency's website. The public was invited to provide public comment by online questionnaire, by mail, email or telephone. The Fairmont City Council held a public hearing at their October 9, 2017, meeting. The body worn camera program was fully implemented August 1, 2018.

No discrepancies noted.

Audit Requirement: Body-worn Camera Policy

Determine if a written policy governing the use of portable recording systems has been established and is enforced.

The Fairmont Police Department's BWC policy is posted on the agency's website. The policy was compared to the requirements of Minn. Stat. § 626.8473. The agency's policy includes all minimum requirements of Minn. Stat. § 626.8473.

No discrepancies noted.

This report was prepared exclusively for the City of Fairmont and Fairmont Police Department by Lynn Lembcke Consulting. The findings in this report are impartial and based on information and documentation provided and examined.

Dated: February 22, 2021

Lynn Lembcke Consulting



Lynn Lembcke



Fairmont City Council
March 8, 2021

Agenda Item: 5

From: Cathy Reynolds, City Administrator
To: Mayor and City Council

Subject: Open Discussion/Comment

Policy/Action Requested:

Vote Required: ____ Simple Majority ____ Roll Call

Recommendation: N/A

Overview: Prior to regular business, is there any public discussion/comment?

Budget Impact: N/A

Attachments: N/A

Council Action: _____ Date: _____



Fairmont City Council
March 8, 2021

Agenda Item: 6.A.1

From: Patricia J. Monsen, City Clerk
To: Mayor and City Council

Subject: Council Minutes from Regular Meeting on February 22, 2021

Policy/Action Requested: Approval of City Council Minutes from February 22, 2021

Vote Required: Simple Majority Roll Call

Recommendation: Approval

Overview:

Budget Impact: N/A

Attachments: City Council Minutes Regular Meeting, February 22, 2021

Council Action: _____ Date: _____

The minutes of the Fairmont City Council meeting held on Monday, February 22, 2021 at the City Hall Council Chambers.

Due to the COVID-19 pandemic, and the peace time emergency declared by Governor Walz, the meeting was held with limited capacity in City Hall and by teleconferencing pursuant to Minn. Stat. § 13D.021.

Mayor Deborah J. Foster called the meeting to order at 5:30 p.m.

Council Members Wayne Hasek, Britney Kawecki, Randy Lubenow, Michele Miller and Bruce Peters were present. Also, in attendance: City Administrator Cathy Reynolds, Public Works Director/City Engineer Troy Nemmers, Finance Director Paul Hoye, Police Chief Mike Hunter, City Clerk Patricia J. Monsen and Attorney Mark Rahrlick.

Council Member Hasek made a motion to approve the agenda as presented. Council Member Peters seconded the motion and the motion carried.

Chief Hunter introduced new Patrol Officer Parker Stevens and City Clerk Monsen gave Stevens his Oath of Office.

Chief Hunter presented the Fairmont Police Department 2020 Annual Report.

There was no public comment.

Council Member Miller made a motion to approve the consent agenda. Items on the consent agenda were: Minutes of the February 8, 2021 City Council Meeting; authorization to pay the February accounts payable; Renewal of the Consumption and Display License for the Chain of Lakes Yacht Club; Approval of a Tobacco License for IYS Ventures, LLC; Approval of 3.2% Off Sale Liquor License for IYS Ventures, LLC; Declare Excess Property; Approval of Professional Services Agreement with Scandia Consulting; and Approval of Preliminary and Final Plat for Dutch Creek Addition. Council Member Hasek seconded the motion and the motion carried.

Council held discussion on liquor license refunds due to closures mandated by Governor Waltz's COVID-19 mandatory shutdowns. A 25% reduction in fees was given in June 2020 at renewal. Council Member Peters made a motion to refund an additional 50% of the liquor license fees from 2020-2021 and to take the funding for the refunds from the liquor store fund. Council Member Miller seconded the motion and the motion carried.

Council Member Peters made a motion to approve **Resolution 2021-20**, awarding Phase 1 of the Lime Pond Closure Project, 2021-D to US Sitework in the total amount of \$654,220.00. Council Member Hasek seconded the motion and the motion carried.

Council Member Hasek made a motion to approve **Resolution 2021-21**, awarding the 2021-G, Grant Street Watermain Replacement Project to Black Sheep Landscaping, LLP in the total amount of \$119,459. Council Member Lubenow seconded the motion and the motion carried.

Council Member Peters made a motion to approve **Resolution 2021-22**, awarding the Fairlakes Avenue Improvement Project, 2021-A to GM Contracting in the total amount of \$1,358,486.67. Council Member Miller seconded the motion and the motion carried.

Council Member Peters made a motion to approve **Resolution 2021-18**, awarding the contracts for the construction of the new Public Works Facility. Council Member Hasek seconded the motion. On roll call: Council Members Hasek and Peters voted aye. Council Members Kawecki, Lubenow and Miller voted nay. Mayor Foster declared said motion failed.

Hoye presented the 2020 Aquatic Park Annual Report. Discussion was held about placing lifeguards at Gomsrud Park. Council Member Miller made a motion to place lifeguards on the Budd Lake side of Gomsrud Park, giving priority to having lifeguards at the Aquatic Park. Council Member Kawecki seconded the motion. On roll call: Council Members Kawecki, Lubenow, Miller and Peters all voted aye. Council Member Hasek voted nay. Mayor Foster declared said motion passed.

Council Member Lubenow made a motion that between November 1 and April 1 of each year, the City have a controlled burn at the tree recycling site, if conditions permit such burn. Council Member Kawecki seconded the motion. On roll call: Council Members Lubenow, Miller, Hasek and Kawecki all voted aye. Council Member Peters voted nay. Mayor Foster declared said motion passed.

Council Member Lubenow requested that the Council vote to determine if the Council, as a whole, would like a performance review of City Administrator Cathy Reynolds. Discussion was held and it was decided that a work session for strategic planning would be scheduled soon.

Discussion was held regarding selling a portion of parcel 230370310. Council Member Lubenow made a motion to consider selling the property. Council Member Peters seconded the motion and the motion carried.

Nemmers reported that there have been several watermain breaks and he thanked the Water Department and Street Department crews for all their work.

Administrator Reynolds reminded council and citizens of the Special Council meeting scheduled for Wednesday, February 24 at 5:00 p.m. on the 2021 Five-Year Capital Improvement Plan and Bond Issuance. She also stated that there will be a Community Center Work Session on Monday, March 8th at 4:00 p.m. before the regularly scheduled council meeting.

Council Member Miller reported that CER is looking for human interest stories on how CER has impacted your life. Submittals will be received until March 15th. Miller also reported that she attended five sessions of a Virtual Winter Conference for CER. She enjoyed learning how much CER impacts cities and their citizens, young and old.

At 7:00 p.m., Council Member Peters made a motion to close the meeting to the public pursuant to State Statute 13D.0f, Subd. 3(C) regarding a portion of parcel number 230370310. Council Member Hasek seconded the motion and the motion carried.

At 7: 58 p.m., Council Member Miller made a motion to end the closed session. Council Member Peters seconded the motion and the motion passed.

At 8:03 p.m., Council went back into open session. Council Member Peters made a motion to allow staff to continue negotiations with Community Asset Development Group for the sale of a portion of parcel 230370310. Council Member Miller seconded the motion and the motion carried.

A motion was made by Council Member Miller, seconded by Council Member Lubenow and carried to adjourn the meeting at 8:04 p.m.

Deborah J. Foster, Mayor

ATTEST:

Patricia J. Monsen, City Clerk



Fairmont City Council
March 8, 2021

Agenda Item: 6.A.2

From: Patricia J. Monsen, City Clerk
To: Mayor and City Council

Subject: Council Minutes from Special Meeting on February 24, 2021

Policy/Action Requested: Approval of City Council Minutes from February 24, 2021

Vote Required: Simple Majority Roll Call

Recommendation: Approval

Overview:

Budget Impact: N/A

Attachments: City Council Minutes Special Meeting, February 24, 2021

Council Action: _____ Date: _____

The minutes of the Special Fairmont City Council meeting held on Wednesday, February 24, 2021 at the City Hall Council Chambers.

Due to the COVID-19 pandemic, and the peace time emergency declared by Governor Walz, the meeting was held with limited capacity in City Hall and by teleconferencing pursuant to Minn. Stat. § 13D.021.

Mayor Deborah J. Foster called the meeting to order at 5:00 p.m.

Council Members Wayne Hasek, Britney Kawecki, Randy Lubenow, Michele Miller and Bruce Peters were present. Also, in attendance: City Administrator Cathy Reynolds, Public Works Director/City Engineer Troy Nemmers, Finance Director Paul Hoye, Police Chief Mike Hunter, City Clerk Patricia J. Monsen and Attorney Mark Rahrlick.

Council Member Peters made a motion to approve the agenda as presented. Council Member Hasek seconded the motion and the motion carried.

Mayor Foster opened the public hearing for the 2021 Five-Year Capital Improvement Plan and Bond Issuance. Jessica Green from Northland Securities was present and explained to the Council and citizens the capital improvement plan and the preliminary approval for the issuance of bonds thereunder. Green answered the Council's questions. There was no comment received from the public. Council Member Miller made a motion to close the public hearing. Council Member Hasek seconded the motion and the motion carried. Council Member Peters made a motion to approve **Resolution 2021-17**, adopting Capital Improvement Plan and Providing Preliminary Approval for the Issuance of Bonds Thereunder. Council Member Miller seconded the motion and the motion carried.

A motion was made by Council Member Peters, seconded by Council Member Miller and carried to adjourn the meeting at 5:15 p.m.

Deborah J. Foster, Mayor

ATTEST:

Patricia J. Monsen, City Clerk



Fairmont City Council
March 8, 2021

Agenda Item: 6.C.1

From: Troy Nemmers, PE – Director of Public Works/City Engineer
To: Mayor and City Council

Subject: Amendment to Resolution 2019-14

Policy/Action Requested: Approval
Vote Required: X Simple Majority _____ Roll Call

Recommendation: Approve Resolution 2021-23

Overview:

The City borrowed FAA entitlement funds from 3 different airports to fund the new hangar at the airport. This is the first year of repayments on these funds. Originally, Resolution 2019-14 had the City paying the City of Orr airport in FY 2021. In discussions with these airports, staff has determined that Orr would prefer their payback in FY 2023 instead. Resolution 2021-23 amends the previous action to allow the City to transfer its entitlement funds for FY 2023 to the Orr. Staff is recommending approval.

Budget Impact:

No budget impact. FAA entitlement funds will be transferred directly to Orr in FY 2023.

Attachments: Resolution 2021-23

Council Action: _____ Date: _____

RESOLUTION 2021-23

**RESOLUTION APPROVING AN AMENDMENT TO THE
AGREEMENT FOR TRANSFER
OF FEDERAL AIRPORT ENTITLEMENT FUNDING
FROM THE CITY OF ORR**

WHEREAS, the City of Fairmont approved Resolution 2019-14 on April 22, 2019, approving an agreement for the Transfer of Entitlements of FAA funding from the City of Orr in the amount of \$150,000.

WHEREAS, the Entitlement Funding repayment with the City of Orr was approved to send the funding back in 2021 at the level currently received and was contingent upon continued FAA funding.

WHEREAS, the City of Fairmont has been advised that the City of Orr has declined payback of these funds in 2021 due to not needing the funds for upcoming projects in the next two fiscal years and has agreed that the transfer of funds will be in FY 2023.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that Resolution 2019-14 be amended to reflect repayment of the Entitlements of FAA funding to the City of Orr be in FY 2023.

PASSED, APPROVED AND ADOPTED this 8th day of March 2021.

Deborah J. Foster, Mayor

ATTEST:

Patricia J. Monsen, City Clerk



Fairmont City Council
March 8, 2021

Agenda Item: 6.C.2

From: Troy Nemmers, PE – Director of Public Works/City Engineer
To: Mayor and City Council

Subject: Amendment to Resolution 2019-15

Policy/Action Requested: Approval
Vote Required: X Simple Majority _____ Roll Call

Recommendation: Approve Resolution 2021-24

Overview:

The City borrowed FAA entitlement funds from 3 different airports to fund the new hangar at the airport. This is the first year of repayments on these funds. Originally, Resolution 2019-15 had the City paying back Sauk Centre airport in FY 2023. In discussions with these airports, staff has determined that Sauk Centre would accept their payback in FY 2021 instead. Resolution 2021-24 amends the previous action to allow the City to transfer its entitlement funds for FY 2021 to Sauk Centre. Staff is recommending approval.

Budget Impact:

No budget impact. FAA entitlement funds will be transferred directly to Sauk Centre airport.

Attachments: Resolution 2021-24

Council Action: _____ Date: _____

RESOLUTION 2021-24

**RESOLUTION APPROVING AN AMENDMENT TO THE
AGREEMENT FOR TRANSFER
OF FEDERAL AIRPORT ENTITLEMENT FUNDING
FROM THE CITY OF SAUK CENTRE**

WHEREAS, the City of Fairmont approved Resolution 2019-15 on April 22, 2019, approving an agreement for the Transfer of Entitlements of FAA funding from the City of Sauk Centre in the amount of \$150,000.

WHEREAS, the Entitlement Funding repayment with the City of Sauk Centre was approved to send the funding back in 2023 at the level currently received and was contingent upon continued FAA funding.

WHEREAS, the City of Fairmont has been advised that the City of Sauk Centre has requested payback of these funds in 2021 and has agreed that the transfer of funds will be in FY 2021.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that Resolution 2019-15 be amended to reflect repayment of the Entitlements of FAA funding to the City of Sauk Centre be in FY 2021.

PASSED, APPROVED AND ADOPTED this 8th day of March 2021.

Deborah J. Foster, Mayor

ATTEST:

Patricia J. Monsen, City Clerk



Fairmont City Council
March 8, 2021

Agenda Item: 9.1

From: Linsey Preuss, Economic Development Coordinator
To: Mayor and City Council

Subject: Consideration of Letter of Intent from Community Asset Development Group to purchase land and develop market rate, multifamily housing

Policy/Action Requested: Approval of the letter of Intent with Community Asset Development Group to purchase property to develop market rate, multifamily housing.

Vote Required: Simple Majority Roll Call

Recommendation: Staff and the City Attorney have reviewed the Letter of Intent and made adjustments which were agreeable to the Developer. Staff recommends approval of the Letter of Intent.

Overview:

Housing has remained a priority for the City of Fairmont. In 2017-2018, FEDA performed 91 total business visits. Many of those business owners point to housing as a threat to their business because employee recruitment is nearly impossible without housing options. As a result, a group of 22 participants including realtors, lenders, elected officials and City, County and School staff (collectively known as the Housing Workgroup) began meeting to discuss how to address this challenge. The Southwest Minnesota Housing Partnership was engaged and came to meetings. The Housing Workgroup requested a Comprehensive Housing Study be complete in order to completely understand this complicated challenge. In 2019, the housing study was conducted by Community Partners Research, Inc and presented to the Housing Workgroup and FEDA early 2020, stating the need for the development of a variety of housing types including:

- Development of 36-42 traditional market rate rental units
- Promote the development/conversion of 18-22 affordable market rate rental housing units
- Develop 20-24 income-restricted moderate rent housing units
- Demand for 4-6 moderate to higher priced homes constructed annually
- Promote the construction of 2-3 affordable homes per year
- Monitoring additional condominium development, senior assisted living, memory care beds and additional light services senior rental units

Staff has been working with Community Asset Development Group, 'The Developer', who has considered several sites in Fairmont. 'The Developer' scheduled a site visit to Fairmont where City Staff, the HRA Chair and the Chamber President met with and hosted the Developer on a tour of our community. After much consideration, The Developer has submitted a Letter of Intent, which was reviewed during a closed session. The Council approved moving forward with negotiations on a purchase agreement with the developer at the last meeting. Staff and the City Attorney requested changes to the Letter of Intent and the adjustments were made. 'The Developer' has requested that this Letter of Intent be approved and accepted so they can feel comfortable moving forward into the investigation and due diligence period, which will require time and financial resources of The Developer.

This project is in accordance with the 2040 Land Use and the City’s Comprehensive Plan. The property has been designated as Mixed Use Neighborhood, which includes primary uses of small format retail, restaurants, small offices and multifamily residential.

This Letter of Intent allows ‘The Developer’ the right perform necessary due diligence on the property, such as to inspect the Property, perform soil testing, environmental assessments, etc. These costs will be ‘The Developer’s’ responsibility.

Managing Partners of Community Asset Development Group, ‘The Developer’ will be present virtually to address the Council and answer questions.

Budget Impact: none.

Attachments: Letter of Intent signed by Community Asset Development Group

Council Action: _____ Date: _____

Community Asset Development Group
1110 Yellow Brick Rd
Chaska, MN
612-703-5709

2/10/21

RE: - Letter of Intent and Outline of Proposed Key Terms of Purchase

Community Asset Development Group (or its Assignee) (the “**Buyer**”), hereby presents the following Letter of Intent summarizing the proposed terms for incorporation into a Purchase Agreement relating to our purchase of the property described in this letter (the “**Property**”) from City of Fairmont Mn (“**Seller**”).

1. **Property:** 4 acres parcel as shown on Exhibit A (legal to be provided)
2. **Purchase Price:** \$140,000
3. **Earnest Money:** \$5,000 payable when the Purchase Agreement is executed. All earnest money will be deposited into escrow with the Title Company and will be fully refundable until August 1, 2021, after which it shall be non-refundable. The earnest money will be applied to the Purchase Price payable at closing.
4. **Contingencies:** This Letter of Intent is, and the Purchase Agreement will be, contingent upon receipt of the following, all acceptable to the Buyer in its sole and absolute discretion:
 - Clear and marketable fee title to the Property;
 - Satisfactory Environmental Review of the Property;
 - Satisfactory Geotechnical Review of the Property;
 - Execution of a separate Development Agreement between the Buyer and Seller. Said Development Agreement will address, among other things, approval of the site and building plan for an apartment complex, zoning designation, Buyer’s request for a housing tax increment district, and allocation of the costs of public improvements necessitated by the project.
5. **Property Use.** The Property shall be used exclusively to construct an apartment complex and related property improvements, uses, and structures. Buyer shall grant Seller an option to repurchase the Property under the same terms as the Purchase Agreement in the event Buyer does not construct an apartment complex as contemplated herein.
5. **Option:** Seller will grant the buyer an option for 12 months after Phase 1 of the multifamily development is complete, but in no event later than March 1, 2023, to purchase up to an additional 5 acres as shown on Exhibit A for \$15,000 per acre for Phase 2 of the multifamily development
6. **Closing Date:** Within thirty (30) days following the Investigation / Due Diligence Period. For an additional non-refundable \$15,000 earnest money deposited with Title Company closing shall be extended ninety (90) days.
7. **Buyer Responsibilities:** At Closing Buyer shall submit a building and site plans to the City on or before June 1, 2021 and if Buyer fails to do so Seller may elect to cancel purchase agreement. Buyer site and building plans shall be generally consistent with the concepts set forth in Exhibits B and C.
8. **Seller Responsibilities:** Seller shall provide the following information and/or updated legal documents (at Seller’s sole cost and expense):

- An Abstract of Title and a current title insurance commitment for an Owner's Title Insurance Policy, in the full amount of the Purchase Price, from Stewart Title (the "**Title Company**"), which deletes the general exceptions and includes such endorsements as may be requested by the Buyer. The title commitment must include legible copies of all documents shown as exceptions on title.
- Any other written documentation, information, reports, inspection or information concerning the most recent property taxes, zoning, Covenants, Conditions and Restrictions Agreements, restrictions on use of the Property, access to roads, appurtenant easements, availability of utilities and title report.
- At Closing, a Warranty Deed free from encumbrances and clear of any leasehold interests, mortgage, liens, trusts, pledges or security interests or any other encumbrances of a monetary nature.

9. **Investigation/Due Diligence Period:** Until August 1, 2021 (the "**Investigation/ Due Diligence Period**"), the BUYER shall have the right, but not the obligation, to perform the following procedures, at Buyer's sole cost and expense:

- Physical/Engineering: Inspect the Property.
- Regulatory: Investigate all zoning code and other governmental requirements.
- Site Plan Submit site and building plans to City for review and approval
- Tax Increment Negotiate tax increment agreement with the City
- Title: Review and perform preliminary title reports and survey.

In the event that during the Investigation / due Diligence Period the BUYER determines for whatever reason and in its sole discretion that any matter whatsoever regarding the Property is not acceptable, the BUYER shall notify Seller under which event the Purchase Agreement shall, at the BUYER's option, terminate and the BUYER shall be entitled to a full and prompt refund of the earnest money.

The BUYER's obligation to complete the purchase of the Property will be contingent upon the verification and approval of title, survey and other matters that are customarily found in an agreement for the purchase and sale of real property, as well as obtaining approvals and licenses necessary to construct and operate the BUYER's proposed development of the Property and any required zoning and site plan approvals.

Buyer shall provide Seller with copies of all site and premises specific studies, assessments, site plans, tests, surveys, and due diligence materials generated by Buyer in connection with Buyer's efforts to acquire and develop the Property.

10. **Prorations, Costs and Deed Taxes:** Except as provided below, operating expenses, real estate taxes, service contracts and all other items customarily prorated in commercial transactions of this type shall be prorated at closing and shall be reported after closing as soon as final information is available relative to such prorations. Deed taxes will be the sole responsibility of the Seller.

Seller will pay the real estate taxes, special assessments, and any penalties and interest thereon due and payable with respect to the Property for all years prior to the year of closing and which are payable in the year of closing, including all real estate taxes and special assessments together with interest thereon which have been deferred. Buyer will pay its prorated share of property taxes payable after the Closing Date, Buyer will pay the cost of recording the general warranty deed. Seller will pay the cost of recording any documents necessary to perfect its own title or which release any encumbrances.

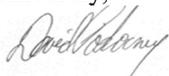
11. **City Approvals** Buyer shall be allowed to represent the Property in negotiations with any governmental entity or any other party relative to the Property and to make decisions regarding the issues of developing the Property; provided no such changes shall be effective until closing or until Sellers have consented to such changes in writing; provided further, Sellers shall incur no liability related to Buyer's activities.

12. **Purchase Agreement:** Both parties acknowledge that time is of the essence and that they will use commercially reasonable efforts to sign a mutually acceptable Purchase Agreement within thirty (30) days. Within ten (10) business days after your acceptance of this Letter of Intent, the BUYER will submit a draft Purchase Agreement (the “**Purchase Agreement**”) to you for your review. The Purchase Agreement will contain customary conditions to closing, the terms outlined in this Letter of Intent, and such other requirements as the BUYER may reasonably request.
13. **Real Estate Commission** Both parties understand that neither has engaged a real-estate broker and consequently neither party will be responsible for any brokerage fees.
14. **Attorneys’ Fees:** Each of the parties will pay its own attorneys’, accountants’ and consultants’ fees.
15. **Seller Representations and Warranties:** Buyer acknowledges that the Property will be conveyed in its “As Is” condition except for reasonable representations and warranties customarily provided in Minnesota real estate transactions.
16. **Destruction/Condemnation:** The BUYER may elect not to purchase the Property if any portion of it is condemned or destroyed prior to closing and in such event the BUYER’s earnest money shall be immediately refunded.
17. **Omissions:** Any additional information that is not included in this Letter of Intent will be specifically addressed as required.
18. **Assignment:** Buyer reserves the right to assign its rights under this Agreement in whole or in part to a third party or an entity to be formed under the laws of the State of Minnesota, said third party or entity to have substantially the same principal owners as Buyer, prior to the Closing, provided, however, that Buyer shall continue to be liable under the terms of the Purchase Agreement and Development Agreement following said assignment.;

This Letter of Intent shall be non-binding and shall be used only as a reference in preparing a mutually acceptable Purchase Agreement. This Letter of Intent is intended to outline the basic terms for the preparation of a Purchase Agreement, but does not contain all of the terms of a binding contract and is not intended to be a binding contract. We have not completed investigation of the matters covered by this Letter of Intent, and therefore the terms outlined above may be modified as we negotiate the Purchase Agreement. If the BUYER’s investigation reveals information which, in its sole discretion, would make it inadvisable to proceed with the transaction, the BUYER will not be required to proceed, or if for any other reason or no reason the BUYER decides not to proceed, the BUYER will not be required to proceed. Neither you nor the BUYER will be liable by reason of the terms of, or failure to reach definitive agreements regarding, the matters covered by this Letter of Intent.

Thank you for your confidential consideration of this proposal. We look forward to working with you.

Sincerely,



AGREED & ACCEPTED

SELLER

City of Fairmont

Date: _____ 2021

AGREED & ACCEPTED

BUYER



Managing Partner, Community Asset Development Group

Date: 3/3/2021

Exhibit A
Parcel
Legal to be provided

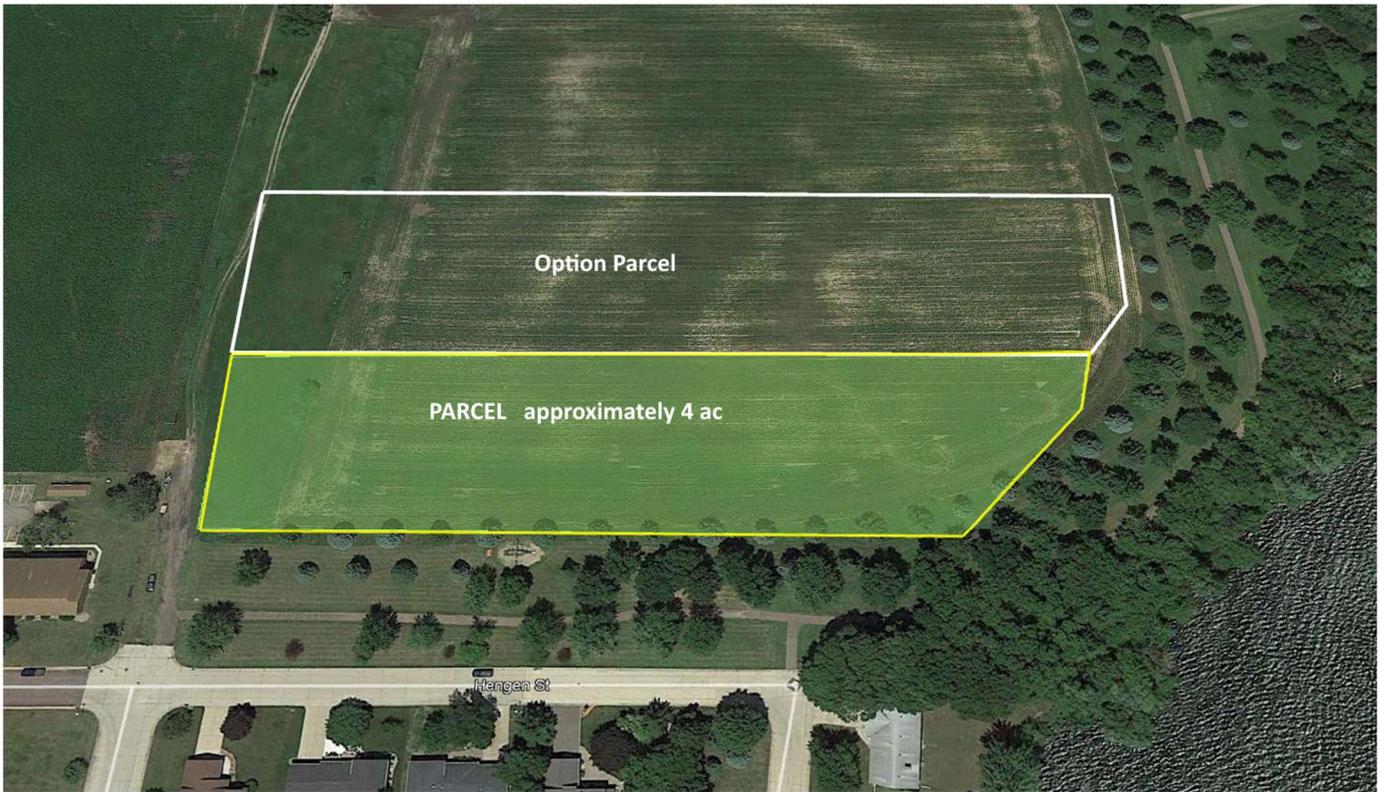
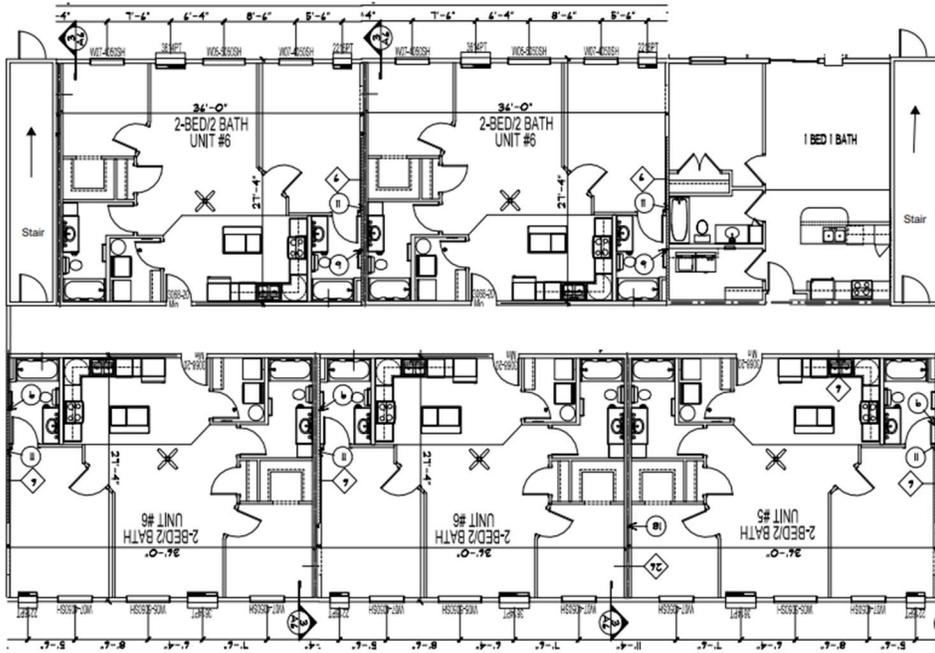
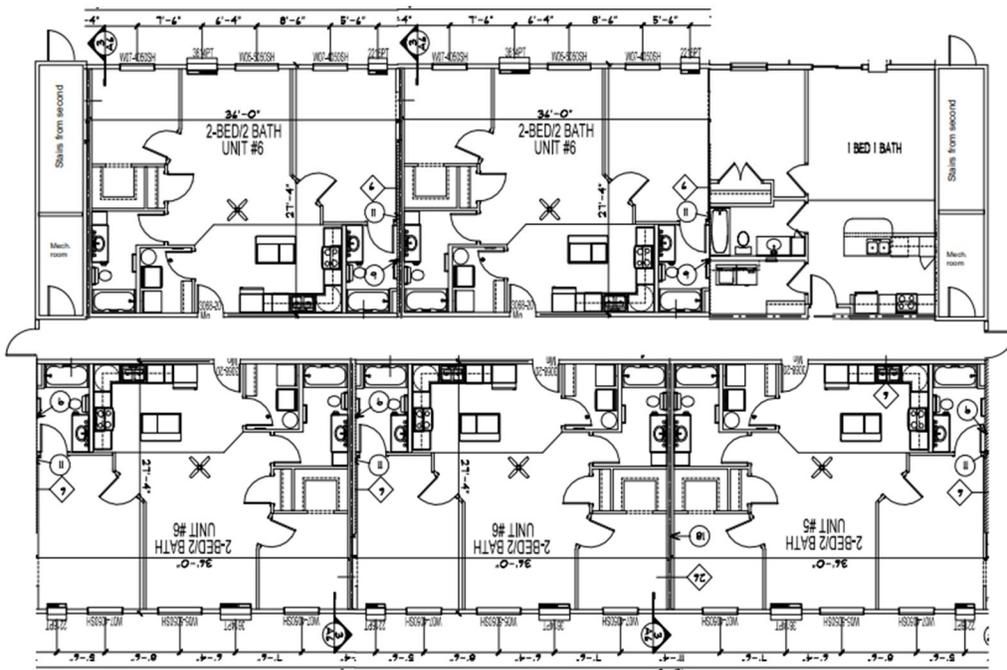
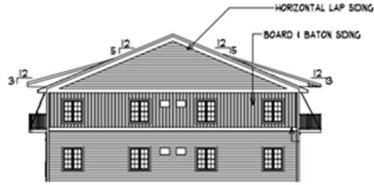


Exhibit B Concept Site Plan



Exhibit C Concept 12-unit Apartment





Fairmont City Council
March 8, 2021

Agenda Item: 9.2

From: Linsey Preuss, Economic Development Coordinator
To: Mayor and City Council

Subject: Small Cities Development Program Grant Policies and Procedures

Policy/Action Requested: Consideration of Resolution 2021-25 establishing the policies and procedures for the administration of loans for the 2020 City of Fairmont Comprehensive Rehabilitation Loan Program.

Vote Required: Simple Majority Roll Call

Recommendation: Staff Recommends Approval

Overview: The City of Fairmont is required to establish policies and procedures for the administration of loans available due to a Department of Employment and Economic Development Small Cities Development Program Grant. Minnesota Valley Action Council is administering this program for the City of Fairmont. Judd Schultz, MVAC Housing Director will be present for questions.

Budget Impact: None.

Attachments: Resolution 2021-25

Council Action: _____ Date: _____

RESOLUTION 2021-25

**A RESOLUTION OF THE CITY OF FAIRMONT
ESTABLISHING POLICIES AND PROCEDURES
FOR THE ADMINISTRATION OF LOANS FOR
THE 2020 CITY OF FAIRMONT
COMPREHENSIVE REHABILITATION LOAN PROGRAM**

WHEREAS, The City of Fairmont has received a Department of Employment and Economic Development Small Cities Development Program Grant; and,

WHEREAS, The City of Fairmont needs to establish policies and procedures for the administration of loans through this program as required by the Department of Employment and Economic Development; and,

WHEREAS, the Small Cities Program is designed to assist with the housing and commercial rehabilitation activities in the City of Fairmont; and,

WHEREAS, the Small Cities Development Program guidelines and policies are attached as follows:

- Housing Rehabilitation Program Policies and Procedures
- Commercial Rehabilitation Program Policies and Procedures
- SCDP Rehabilitation Standards
- Program Income Policy
- Fair Housing Policy
- Section 3 Plan
- Residential Antidisplacement and Relocation Plan
- Prohibition of Excessive Force Policy
- Application and Intake Policy
- Disbursement Request Processing Policy
- Grant Administration Contract

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Fairmont that the policies and procedures outlined in the above-referenced exhibits are hereby adopted.

Adopted this 8th day of March 2021.

ATTEST:

Deborah J. Foster, Mayor

Patricia J. Monsen, City Clerk

City of Fairmont 2020 Housing Rehabilitation Program

Policies and Procedures

SECTION A - PROGRAM OBJECTIVES

The City of Fairmont Housing Rehabilitation Program is undertaken for the purposes of:

- Providing financial assistance for homeowners to rehabilitate their dwellings.
- Increasing the financial involvement of public agencies and private lending institutions in the improvement of the housing stock in the City.
- Making a visible and substantial impact upon housing conditions, community appearance, and overall quality of life in the area.

SECTION B - PROGRAM DEFINITIONS

Administrator

“Administrator” of the Program shall be the Minnesota Valley Action Council. It shall be the responsibility of the Administrator to coordinate all aspects of the Program.

Annual Income

“Annual Income” means the applicant's anticipated total income, from all sources, received by all members of the household (even if temporarily absent), including all income derived from assets (excluding income that is temporary, nonrecurring or sporadic) for the twelve (12) month period following the application for housing repair assistance. Annual Income is further defined in Section D.

Applicant

“Applicant” means owner occupant applying for assistance for their dwelling unit.

Married couples shall be considered an applicant in the singular. In the absence of a written rental agreement dated three (3) months prior to the filing of an application, unrelated persons sharing the dwelling as their principal place of residence shall be considered an applicant in the singular.

Deferred Loans

A “Deferred Loan” is financing which carries no interest and no periodic payments, but which is secured by a Repayment Agreement and lien against the property. An SCDP Deferred Loan must be repaid in the event the property that is rehabilitated is sold, transferred, conveyed, or ceases to be the applicant's principal place of residence within ten (10) years from the date of the Repayment Agreement for owner occupied rehabilitation.

Security Position and Subordination

The City of Fairmont Housing Rehabilitation Program will not require a first-position security interest for the Deferred Loan financing. The City will consider subordination or restructuring of the loans with the following provisions:

Upon request from a bank or other lender, the City, at its discretion, may subordinate its security interest to another party. The City will consider a request for subordination under the following situations:

- Subordination is in conjunction with a rate refinancing request only, or
- Equity is being used for further home improvements.

In no cases will a subordination be granted to use equity to pay off other debt, the SCDP loan to the City will need to be paid first.

Under extraordinary circumstances, the terms and conditions of repayment of a Deferred Loan may be modified or restructured. The City may consider a reduction in the full repayment provision when a homeowner/property owner can no longer maintain their primary residence in the rehabilitated home due to medical conditions, failing health or death, in which case the City may consider a reduction in the full repayment provisions.

Dependent

“Dependent” means a member of the household (excluding foster children) other than the household head or spouse, who is less than 18 years of age or is a disabled person or is a full-time student.

Rehabilitation Coordinator

The “Rehabilitation Coordinator” for the Program shall be a designated employee of the Administrator, or the administrator’s designee. It shall be the responsibility of the Rehabilitation Coordinator to provide technical expertise relating to all housing inspections, construction quality, code compliance, and work write-ups.

Net Household Assets

“Net Household Assets” means the value of assets that are defined in Section E.

Principal Place of Residence

“Principal Place of Residence” means the house that the applicant occupies as their home for at least nine (9) months of the calendar year and in which the applicant resides at the time of application for assistance.

Income Guidelines

Income guidelines are calculated by household size, as determined by the United States Department of Housing & Urban Development and in effect for Martin County, Minnesota. The following income limits have been established by HUD, and are effective as of March 22, 2020:

<u>Number of Persons in HH.</u>	<u>Income Limit</u>
1	\$40,700
2	\$46,500
3	\$52,300
4	\$58,100
5	\$62,750
6	\$67,400
7	\$72,050
8	\$76,700

These income limits are subject to change, and the most current figures will be applied to all housing rehabilitation clients.

Rehabilitation

Rehabilitation is not remodeling. Remodeling is for convenience or cosmetic purposes. Rehabilitation deals with, in order of priority:

- Lead Based Paint Interim Control
- Health issues and safety issues.
- Energy conservation.
- Long-term preservation of structures, through the repair of such basic elements as siding, roofs, and foundations.

Certain types of rehabilitation can be viewed as lack-of-maintenance or deferred-maintenance. Other types of rehabilitation can be viewed as items that wear out or need replacement due to obsolescence.

Rehabilitation Standards

The Program Administrator and subcontractors will follow the “SCDP Rehabilitation Standards” in conducting inspections, determining deficiencies, and evaluating the quality of workmanship on a rehabilitation project. These Standards incorporate Section 8 Housing Quality Standards, the BOCA Property Maintenance Code as outlined in the Department of Employment & Economic Development’s “Step-by-Step Guide to Rehabilitation Inspection”, and the Minnesota Energy Efficiency Standards. The Uniform Federal Accessibility Standards and the ADA Accessibility Guidelines shall also be used as appropriate to a rehabilitation project.

Risk Assessment, Lead Based Paint

All rehabilitation projects built prior to 1978 will be assessed for lead based paint by a certified lead based paint Risk Assessor. Structures found to contain lead based paint will be rehabilitated according to federal regulation of Each Subpart of the Rule within 24 CFR Part 35.

Interim Controls, Lead Based Paint

Interim control measures include paint stabilization of deteriorated paint, treatments for friction and impact surfaces where levels of lead dust are above the levels specified in CFR Part 35.1320 dust control and lead contaminated soil control. As provided by CFR Part 35.155, interim controls may be performed in combination with, or be replaced by abatement methods.

Clearance examinations shall be performed in accordance with CFR 24 Part 35.1340 by qualified personnel i.e. a certified risk assessor, a certified lead based paint inspector, a person who has successfully completed a training course for clearance technicians before a structure can be reoccupied.

SECTION C – PROGRAM DESIGN & ELIGIBILITY FOR ASSISTANCE

Maximum Financing

The maximum amount of Small Cities Development Program funds that shall be invested in any house is \$25,000. If the total cost of rehab exceeds the maximum of \$25,000, the Applicant will be fully responsible for securing additional financing or the scope of the project will be reduced, consistent with Section H. Lead hazard reduction costs shall be included in the owner's repayment agreement and are to be included in the above funding maximums.

SCDP Affordability

Owner occupied rehabilitation applicants with affordability to take on additional debt will be required to do so. These applicants will be required to pay for up to 30% of the total project cost through their own resources. Applicants showing no affordability will be eligible for 100% of project costs. All owner occupied rehabilitation applicants will have their affordability for leveraged funds determined as a part of the SCDP application process.

Owner Occupied Affordability Sources

Other sources of financing that can be utilized by owner occupied applicants to meet their affordability requirements include:

- City of Fairmont
- Other deferred loans and grants provided by the following programs: 1) Minnesota Housing's Rehabilitation Loan Program (RLP), 2) DOE Weatherization program, and 3) Energy Assistance program. Applicants must meet all eligibility requirements in order to be qualify for these programs.
- Loan programs through Minnesota Valley Action Council (MVAC). MVAC is a contract lender for the Minnesota Housing Fix Up Loan, which has favorable terms and interest rates. The applicant must meet all underwriting qualifications in order to be considered for this loan.

- Owner occupants may acquire a bank loan on their own. In such cases, bid specifications and documents can be supplied to the lender to verify needed loan amounts.
- Owner occupants may supply their own liquid assets to the project.

In all cases where additional funds are being provided to the project, those funds will be escrowed with the Project administrator to ensure funds are available to pay contractors upon completion of the project.

Eligible Applicants

To be eligible for owner occupied housing rehabilitation:

- The applicant must be owner/occupant of a single-family house used for residential purposes.
- The house must be the applicant's principal place of residence.
- The house must be located within the primary or secondary target area of the City of Fairmont as described in the funded application.
- Marketing efforts will be made in the primary target area first. If all projects are not identified in the primary target area, then applicants in the secondary target area will be considered.

Floodplain

Properties located in an identified floodplain will not be eligible for rehabilitation under this program.

Historical Society Review

All properties will be reviewed by the Minnesota Historical Society to determine if the structure is historically significant before any rehabilitation occurs. The first two key questions to be answered will be: 1) is the property to be rehabilitated listed individually or as part of a district on the National Register of Historic Places, and 2) is the structure 50 years old or older?

After the initial property inspection has been completed by the Housing Rehabilitation Coordinator, the following will be submitted to the Minnesota Historical Society Officer (SHPO):

- The year the structure was built
- Address or location of the property
- Summary of the work to be done at the property;
- Photographs of the structure;
- Any known historical information about the property (original owner, architect or builder, associated events or persons, historic photos).

Any changes in the scope of the project requested by the SHPO will be initiated as part of the project.

SECTION D - INCOME OF APPLICANTS

In addition to the definitions contained in federal regulations, and for the purpose of establishing eligibility for housing rehabilitation assistance under the Small Cities Development Program:

Annual Income shall include but not be limited to:

- The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
- The annual income from operation of a business or profession. (Annual income from self-employment shall be determined as the average net profit from the previous two years of self-employment as declared by the Applicant in Schedule C, F, E, or other forms, of the U.S. Internal Revenue Service Form 1040.)
- Interest, dividends, and other income of any kind from real or personal property.
- Where the household has assets in excess of \$5,000, Annual Income shall include the greater of:
 - The actual income derived from all assets, or,
 - A percentage of the value of such assets based on the current passbook savings rate.
- The full amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment.
- Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay.
- Public assistance.
- Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling.
- Pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the household, spouse, or other person whose dependents are residing in the unit.
- Any earned income tax credit to the extent it exceeds income tax liability.

Annual Income does not include the following:

- Temporary, non-recurring or sporadic income such as the following:
 - Casual, sporadic, or irregular gifts.
 - Amounts that are specifically for or is reimbursement of the cost of medical expenses.
 - Lump-sum additions to household assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), and settlement for personal or property losses.

- Educational scholarships paid directly to the student or to the educational institution, and amounts paid by the Government to a veteran, for use in meeting the costs of tuition, fees, books, and equipment. Any amounts of such scholarships, or payments to veterans, not used for the above purposes that are available for subsistence are to be included in income.
- The hazardous duty pay to a household member in the Armed Forces away from home and exposed to hostile fire.
- Income from employment of children (including foster children) under the age of 18 years.
- Payments received for the care of foster children.

In addition to the above criteria, the income inclusions and exclusions identified in 24 CFR part 5.609 may also be considered.

SECTION E - ASSETS OF APPLICANTS

There is no asset ceiling for participation in the SCDP housing rehabilitation program. However, a portion of Household Assets in excess of \$5,000 shall be counted as Annual Income. For the purposes of housing rehabilitation assistance under the Small Cities Development Program, assets may include but not be limited to the value of equity in real property, stocks, bonds, Interest (only) on CD's or savings accounts, and other forms of capital investment. More specifically:

Assets Include:

- Cash on hand, in checking accounts, savings accounts, or money market accounts (including accounts held in trust).
- The cash value of securities, stocks, shares in investment funds, U.S. Savings Bonds, or other investment instruments.
- The current market value of all interests in real estate, EXCLUDING the structure which is to be rehabilitated and a parcel of land of not more than five acres upon which the structure is located. (Included as an asset is land in which any Resident of the household holds title and is selling on a Contract for Deed. The value of Contract for Deed property shall be defined as 100% of the outstanding principal balance on the contract.) Principal and interest payments received on a Contract for Deed shall be counted as Annual Income.
- All other miscellaneous property assets, but EXCLUDING household furnishings, clothing, and one automobile. (Included as miscellaneous property assets are such items as, but not limited to: golf carts, boats, snowmobiles, motorcycles, business machinery, business inventory, farm stock, and additional vehicles. Such miscellaneous assets shall not be counted to the extent that they are an expense of doing business

SECTION F - ELIGIBLE PROPERTIES TO BE REHABILITATED

Type of Ownership

An applicant for rehabilitation must possess at least a one-third interest in one of the following types of ownership in the property to be rehabilitated:

- A fee title, or
- A fee title subject to a mortgage or other lien securing a debt, or
- A recorded Contract-for-Deed. If the property is being purchased on a Contract-for-Deed, the contract vendor(s) must sign the repayment agreement and also be income eligible.

Suitable for Rehabilitation

A determination of the structural suitability of a house for rehabilitation shall be made by the Rehabilitation Coordinator, based on the "SCDP Rehabilitation Standards." Poor- and Very Poor-condition structures (described below) shall be considered to be substandard, based upon the following criteria and individual inspections by the Building Inspector:

- Poor Condition: No major structural defects. However, the structure has more than one sign of major exterior deterioration.
- Very Poor Condition: Structure has either: (A) No more than one structural defect and more than one sign of major exterior deterioration; or, (B) More than one structural defect.

Poor- and Very Poor-condition buildings shall be suitable for rehabilitation when:

- The building is still structurally sound on an overall basis. The building should be vertically plumb within three degrees and shall have no significant rot on the majority of the floor joists, studs, or rafters that are weight bearing. Foundations and basement walls shall not be deteriorated to the extent, or so far out of alignment, that they do not adequately support the building and cannot be corrected without complete replacement.
- The benchmark amount of funding for rehabilitation is the average for rehabilitation projects established in the Small Cities Development Program (SCDP) grant application.

For any one project, the use of SCDP funds shall not exceed \$25,000. If the total cost of a project exceeds that amount, the additional funds must come from other sources, including from the property owner.

Not Suitable for Rehabilitation

Some houses may be in good condition and will not need rehabilitation assistance. Although an Applicant may be otherwise eligible for assistance, the Program will not assist any houses that are not in need of significant repairs. Following a detailed inspection of the house, the Rehabilitation Coordinator shall make a determination of the structural suitability of a house for rehabilitation. The Rehabilitation Coordinator shall have authority to determine whether a house is not in need of repair. If a house is determined to be in structurally good condition, it shall be excluded from participation in the Program, based upon the following criteria:

- Good Condition: Structure is less than 10 years old, or there are no indications of exterior deterioration, or energy efficiency measures were incorporated in the original construction.
- Fair Condition: Structure displays some exterior deterioration, but of minimal severity. Energy efficiency improvements may be required to comply with standards. Shall only be considered as budgets may allow and only after substantial progress has been made toward meeting higher-priority improvements for “poor” quality buildings.

Some houses may have deteriorated to a point where rehabilitation is structurally not feasible. Following a detailed inspection of the structure by the Rehabilitation Coordinator as described above, the Coordinator shall have authority to determine whether a house is not feasible for repair. If a house is determined to be structurally “beyond hope” of repair, it shall be excluded from participation in the Program, based upon the following criteria:

- Beyond Repair Condition: Structure has more than one structural defect and indications of extensive major exterior deterioration.

Mobile Homes

Mobile homes are not be eligible for rehabilitation with SCDP funds.

Property Tax Delinquency/Debt Owed to the City

No house shall receive rehab assistance if property taxes are delinquent and unpaid. Applicants may apply for the program and have their eligibility determined, but no rehabilitation work shall be placed under contract unless property taxes as of the most recent tax period, and other City obligations are paid in full.

Default and Bankruptcy

No house shall receive assistance if the owner is in default of a mortgage or comparable obligation, under contract-for-deed cancellation or the owner is currently engaged in bankruptcy proceedings.

Mixed-Use Buildings

A mixed-use building which is partially utilized for commercial purposes and partially utilized for residential purposes may be assisted by the Housing Rehabilitation Program. However, only those improvements that benefit the residential portion of the building can be paid for with housing rehabilitation Program funds. Improvements that benefit the commercial portion of a mixed-use building must be paid for with other funds. In the event a mixed-use building is proposed for rehabilitation, the Program Administrator shall seek such additional guidance as may be necessary from the Minnesota Department of Employment & Economic Development.

Vacant Buildings

Vacant dwelling units shall not be eligible for rehabilitation with SCDP funds under any circumstance. Exceptions may be made to this policy if an applicant shows that he/she/they will be considered “homeless” unless the vacant house is rehabilitated and it will be the principle place of residence for the applicant(s). The applicant(s) must also apply for homestead status of the property with the county upon completion of the rehabilitation. The Program Administration staff

shall discuss each exception to this policy with the project representative of the Department of Employment and Economic Development to seek his/her opinion on this project exception determination.

Other Ineligible Buildings

Only permanent structures shall be assisted. The following are not eligible for assistance:

- Temporary or movable structures.
- Satellite buildings used primarily for storage.
- Detached garages (unless lead-based paint or asbestos is present).
- Other structures which do not meet the test of a principal place of residence.

Priority of Applicants Receiving Rehabilitation Assistance

This program has been developed to serve households located in the City of Fairmont. Grant funding from the Minnesota Department of Employment and Economic Development has been offered to rehabilitate eighteen (18) single-family homes in the city.

Applicants who qualify for housing rehabilitation assistance shall be processed and inspected on a “first-come, first-served” basis. An applicant’s “place in line” will be counted as the day the program administrator has a complete application, including all income, employment and property title information. Once all needed applications (and a few extra to allow for drop-outs), have been deemed eligible, any other complete applications will be placed on a waiting list. All applications will be allocated on a first-come, first-served chronological basis.

The availability of rehabilitation assistance depends upon:

- A detailed inspection of the structure.
- The type of repairs that are needed and allowable under the program's guidelines.
- The cost of the repairs, based on bids.
- The financial and structural feasibility of undertaking a repair job for the house.
- The Applicant's own initiative and diligence. In this regard, the document by which the Applicant shall be given the opportunity to accept or reject their offer for rehabilitation assistance shall contain the following acknowledgment:

“I understand that: (a) the grant program serves applicants on a first-come first-served basis, (b) once the bid documents for my building are prepared and turned over to me, it becomes my responsibility to contact contractors and obtain the necessary bids, (c) projects which have all the necessary bids turned in ahead of other projects are placed under contract sooner and move forward on that basis, and (d) because the program operates on a first-come first served basis, it is possible that the grant money may run out before all my bids are received and before I make a decision to move forward and that, in that case, I will not receive any rehabilitation assistance.”

SECTION G - SCOPE AND NATURE OF REHABILITATION REPAIRS

Final Condition

Upon completion of work and final inspection, all houses assisted under the Program shall meet or exceed the adopted Housing Rehabilitation Standards. Those repairs that are financed under the Program shall meet State of Minnesota plumbing, electrical and energy conservation codes.

Eligible Housing Rehabilitation Improvements

Each housing rehabilitation improvement must be a permanent general improvement. Such improvements shall include alteration, renovation, or repairs that correct defects and deficiencies that directly affect the safety, habitability, energy consumption, or esthetics of the property.

Any housing rehabilitation improvements that are made must be physically attached to the structure and must be permanent in nature. For the purposes of housing rehab assistance under the Small Cities Development Program, the following types of improvements are considered eligible:

- Lead based paint interim controls.
- Any improvement required to bring the dwelling up to the standards noted in Section B, Rehabilitation Standards, especially improvements that relate to health and safety concerns.
- Any improvement resulting in a substantial weatherization and increased energy-efficiency of the house.
- Exterior painting and/or residing, as needed.
- Improvements that are essential in making the house more accessible and habitable for handicapped members of the household. Handicaps must be documented as permanent and affecting major life functions as defined by government regulations.
- Structural improvements to and the necessary replacement of roofs, floors, exterior walls, interior walls, stairs, sidewalks, foundations, and other basic housing features.
- Functional improvements to and the necessary replacement of electrical systems,

Priority of Eligible Housing Rehabilitation Improvements

Health and safety deficiencies plus repairs necessary for improved energy-efficiency have priority and must be corrected before any other improvements are made. If the scope of the project must be reduced to comply with cost limits specified in Section C, these priority repairs shall not be omitted; in such cases, the Rehabilitation Coordinator shall work with the homeowner to reduce the project by omitting repairs which are of lesser importance to the long-term needs of the structure.

Ineligible Housing Rehabilitation Improvements

The following improvements are not eligible for financing with SCDP funds:

- Detached garages or any outbuildings (unless there is evidence of the danger of lead-based paint as described in Section B, Rehabilitation Standards).
- New Fireplaces, water softeners, or wood stoves.

- Garage door openers, central air conditioning units. Exceptions to this are: elderly or physically challenged who cannot open a garage door manually; presentation of a medical need for central air conditioning signed by a medical doctor.
- Decks, patios, fencing, or landscaping beyond that which is necessary in connection with foundation and basement work.
- Driveways and sidewalks, unless health and safety dangers are present.
- Kitchen appliances, plush carpeting, decorative work, or other improvements determined by the Rehabilitation Coordinator to be “luxuries” or “frills” in nature.
- 200 amp services, unless needed and justifiable.
- Room additions. Exceptions to this rule may be granted by the Administrator only under extraordinary circumstances and with the approval of the SCDP grant staff at the Minnesota Department of Employment & Economic Development. Where such an exemption is granted, room additions shall only be allowed: (1) to accommodate the installation of a bathroom, or (2) where severe overcrowding is present.
 - SCDP funds shall not be used for the payment, in whole or in part, of assessments for public improvements; EXCEPTING, however that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or sewage disposal system into compliance with local, state, or federal sanitary standards.

Lead-Based Paint

All applicants for the City of Fairmont Housing Rehabilitation Program shall receive a notification of the hazards of lead-based paint.

The use of lead-based paint in any aspect or portion of the construction process covered by this program, or by any separate contracts or agreements entered into by the Owner and the Contractor, is expressly prohibited. All contracts for rehabilitation work shall contain language incorporating this prohibition.

Every inspection of a house shall include an inspection for defective paint surfaces. All defective paint conditions shall be identified on the inspection report form and corrected in accordance with methods that ensure the safety of the residents and the contractor.

Lead-based paint interim control shall, where necessary, be in accordance with Minnesota Statutes 4761.0300. Additional guidance in lead-based paint interim control shall be found in the Department of Employment & Economic Development's “Step-by-Step Guide to Rehabilitation Inspection,” and the “Procedures relating to the Elimination of Leads Based Paint Hazards.”

City of Fairmont deems that participation in the owner occupied housing rehabilitation is voluntary and no temporary relocation benefits will be paid to occupants of a structure that needs to be vacated due to lead based paint interim control or other rehabilitation activities.

Ineligible Improvements Allowable with Other Funds

The Applicant may use bank loans, his/her own funds on hand, and other funds in order to finance those improvements that are not eligible for financing with SCDP funds. Such improvements shall be allowable as part of the “other source” participation outlined in Section C and shall be separately identified on work write-ups and bid forms.

SECTION H - PROGRAM ADMINISTRATION

The following administrative procedures shall govern operation of the Housing Rehabilitation Program, unless otherwise provided for by the procedures of another participating Financing Source.

Implementation Responsibilities

The Program Administrator shall:

- Coordinate all rehabilitation work delivered through the various Financing Sources.
- Collect and process applications and approve applicants as being eligible for rehabilitation assistance.
- Obtain clearance from the Minnesota Historical Society regarding historic preservation requirements before rehabilitation work begins.
- Review all applications for consistency with these policies and approve or deny individual projects. An applicant may appeal any decision as provided for in Section O. The Administrator will use the following guide to assess the preliminary eligibility of the applicant:
 - a) Whether or not the applicant is income eligible for a SCDP loan and what leverage package the applicants are eligible for.
 - b) Location of the applicant's property in the City of Fairmont.
 - c) Property ownership.

The Project Review Committee shall consist of the City of Fairmont staff person assigned to the Project Review Committee and the Housing Director of the Program Administrator. The Program Administrator shall provide reports to the City Council on the program status, but City Council approval of individual projects is not required. The project approval function shall rest with the project approval committee.

The Program Administrator shall conduct outreach and will solicit applications for the program in the following ways:

- Notifying all applicants on the City of Fairmont waiting list.
- Issue press releases advertising community meetings on SCDP grant application both to local newspapers and to the local radio station.
- Make direct mailing of program information to the homeowners if necessary to generate additional applicants.
- Develop brochures and send them out in the billing statements of our local utility vendors.

City Council of Fairmont shall:

- Be responsible for setting overall program policy, including approval, amendment, and adoption of these Guidelines.
- Act as Fiscal Agent for the project.

Applications

Applicants shall complete the "Application for Rehabilitation Assistance." This form shall (where applicable) request information concerning income, assets, and property. Forms shall provide information to the applicant of data privacy, misrepresentation, lead-based paint warnings, and inspection considerations.

Where applicable, Applicants shall sign an "Authorization for Release of Information" form, allowing the proper verification of household information.

The Administrator shall collect such supporting documentation as may be deemed necessary, including but not limited to income tax returns, paycheck stubs, bank deposit slips, property tax statements, and other materials relating to the financial status of the Applicant.

Relocation, Temporary

All Applicants will be informed that temporary relocation costs due to lead based paint interim control shall be at their own expense and the program will not, under any circumstances, pay for temporary relocation costs during rehabilitation activities. A signed acknowledgment by the applicant stating this fact shall be kept in the applicant's file.

Displacement

The Administrator shall work with the Applicant to determine if the possibility exists of displacement from the dwelling. If the potential for displacement appears likely, the Administrator shall provide to the Applicant such written notices as are required. If displacement shall occur, the Administrator shall work with the Applicant to assure that the Applicant's displacement and relocation rights are protected

Verifications

All information concerning income, assets, property, and other facts reported by the Applicant, or brought to the attention of the Administrator, which are relevant to their eligibility shall be independently verified. The Administrator shall, with written permission of the Applicant, obtain verifications from the appropriate sources and shall use the verified information to determine an applicant's eligibility for rehabilitation assistance.

Applications will be received on a first come, first served basis, starting from the waiting list. Project approval for funding will be based upon first come, first serve which will require the homeowner to provide all necessary documentation to proceed with loan closing. Applicants will be selected for participation of the Small Cities Development Program based upon applicability to the program guidelines

Notification of Status & Right-of-Rescission Compliance

The Administrator shall notify the Applicant in writing as to the approval or rejection of their application and, if approved, the maximum amount of assistance for which they qualify and the mix of assistance as outlined in Section C.

The "Notice of Right of Rescission" shall include an explanation of the Applicant's right to cancel the transaction and information as to how the transaction may be canceled. This notice shall be given to the applicant at the time the Repayment Agreement is signed and before Notices to Proceed are sent out. The Notice of Right of Rescission only applies to owner occupied projects.

Authorization for Initial Inspection

Following the Applicant's written acceptance into the program, the Rehabilitation Coordinator shall conduct an initial inspection. This inspection shall be thorough, complete, and shall identify all rehabilitation needs of the house.

Work Write-Up and Bid Specifications

Following initial inspection, the Rehabilitation Coordinator shall prepare a Scope of Work for the house. This work write-up shall specify reasonable, workmanlike means by which rehabilitation needs are to be corrected and the structure brought up current construction standards, shall suggest materials and methods for making necessary repairs and improvements; and shall be prepared in sufficient detail so as to allow contractors to base their bids upon. Drawings and sketches shall be provided where they will be necessary or helpful.

Bidding and Contracting Procedures

After receiving the Rehabilitation Coordinator's work write-up, the Applicant shall solicit sealed bids from contractors. A minimum of two bids per Employment shall be required; three bids shall be encouraged. All bids will be reviewed by the Rehabilitation Coordinator to determine that the bids are comparable. In seeking the minimum of two bids, one general contract bid can be compared against the sum of individual bids by Employment.

Bids will be awarded to the lowest qualified bidder unless one of the following occurs:

- The bid is found to be unrealistically low and the contractor agrees to withdraw the bid.
- The contractor has failed to follow the procedures outlined in instructions to the bidders.
- The Applicant does not want the lowest bidder to do the work. In that case the Applicant must pay the difference between the lowest bid and the preferred contractor's bid.
- There appears to have been collusion between two or more contractors and/or the Applicant. Collusion among contractors will result in their being barred from further participation in the Program. Collusion involving the Applicant will result in the rehab project being canceled and the Applicant being barred from the Program.
- The contractor fails to bid according to specifications and, following efforts by the Rehabilitation Coordinator, it is impossible to compare that contractor's bid with those of the other bidders.

Contracts may be made with general contractors or individually by Employment. Contracts will be let by the Applicant and shall be a contract between the Applicant and the contractor. Any repair work that begins before a written Proceed to Work Order is issued will not be paid for by funds from any Financing Source. Projects not under contract within eight months after the date

when bids are delivered to the Applicant shall be dropped from the program. An offer of financing made to the Applicant shall be null and void after the expiration of this eight-month period.

Qualification for Bidders List

Contractors must be bona fide tradesmen. Contractors must meet State licensing requirements where such requirements apply, including residential building contractor and residential remodeler license requirements. Contractors must possess insurance coverage that meets or exceeds these requirements:

- Manufacturers and Contractor/Independent Contractors. Bodily Injury: \$100,000 (each occurrence) and \$300,000 aggregate. Property Damage: \$50,000 (each occurrence).
- Auto (Owned, Hired, or Leased). Bodily Injury: \$100,000 (each occurrence) and \$300,000 aggregate. Property Damage: \$50,000 (each occurrence).
- Worker's Compensation. The contractor shall obtain and maintain Worker's Compensation Insurance for all of his/her employees, according to State law and regulation.

In cases where any work is sublet, the Contractor shall also require the subcontractor's to comply with the insurance requirements set forth above.

Contractors may be removed from the Bidders List and disqualified from contracting under the following circumstances:

- Failure to keep the required insurance in force;
- Failure to complete work in a timely manner;
- Performance of substandard work;
- Failure to correct deficiencies in substandard work;
- Collusion between two or more contractors and/or the Applicant.

Elected Fairmont city officials that are contractors will not be eligible to bid on SCDP projects in the City of Fairmont. This is a conflict of interest that will not be allowed by the Department of Employment and Economic Development.

Change Orders

The SCDP program will not pay for work that is not specified in the Work Write-Up without a change order approved by the Administrator, the Rehabilitation Coordinator, the contractor, and the Applicant. The SCDP program will not pay for the cost of Change Orders that increase the cost of a project beyond the maximum amount specified in Section C.

Interim Inspections

The Rehabilitation Coordinator may conduct interim or progress inspections for each house assisted by the Program. The interim inspections shall be used: To monitor the work in progress and the quality of work being performed, and to determine the completeness and quality of repairs prior to any payments to contractors or subcontractors.

Partial Payments to Contractors

No interim or partial payments will be made without prior inspection by the Rehabilitation Coordinator and approval by the Administrator. No partial payment or sum total of partial payments shall exceed 80% of the total contract amount. No pre-payment or advance of Program funds is allowed.

Final Inspection and Acceptance of Work

The Rehabilitation Coordinator shall conduct a comprehensive and thorough final inspection of all repairs upon completion of all work. This final inspection shall be used to determine the completeness and quality of repairs prior to the final payment to contractors or subcontractors. Substandard or incomplete work identified by the Rehabilitation Coordinator will not be paid for. Prior to payment, a "Completion Certificate and Acceptance of Work" form shall evidence satisfaction with the work and shall be signed by the Applicant, the contractor and/or subcontractor, the Rehabilitation Coordinator and the Administrator.

Payment and Lien Waivers

SCDP funds shall be disbursed to the contractor upon approval and acceptance of the work. Appropriate lien waivers must be provided by the contractor prior to the release of checks.

Timeline for Completion

Generally, a maximum of 120 calendar days will be allowed for completion of contracted work on a house, beginning as of the date of the contract for the repairs, or as of the date proposed by the contractor (when provided). Failure to begin work by the completion date shall be grounds for termination of the contract.

This time period shall not be exceeded except by a written Change Order, which shall outline the circumstances that require an extension of time and shall specify a revised completion date. In the absence of such a Change Order, failure to complete work on time shall be grounds for termination of the contract.

Termination of Contract

Rehabilitation contracts may be terminated for convenience or for cause. Reasons for termination may include, but are not limited to unacceptable contractor work habits or performance; or an inability to resolve disputes associated with the project.

Permits and Fees

Payment of local building permit fees will be the responsibility of the homeowner. State inspection fees should be included in the contractor's bid. Recording fees will be the responsibility of the homeowner.

Appeals Procedure and Resolution of Disputes

All Applicants and contractors shall have full right to appeal any decision or action relating to the administration of the Program. Such appeals shall be made in accordance with Section O.

In the event of a dispute between the Applicant and the contractor, the Rehabilitation Coordinator shall work with both parties to negotiate a satisfactory solution. In the event that this procedure fails to produce a satisfactory solution, the Rehabilitation Coordinator shall present the dispute to the Housing Director of the Program Administrator. If this step fails to resolve the dispute, judicial arbitration procedures shall be followed.

Close-Out

Upon completion of all rehab activities and acceptance of the work by all parties, the Administrator shall process such close-out documents as are required for the SCDP financing, including mortgage documents and/or repayment agreements.

SECTION I - OTHER PROGRAM PROVISIONS

Refinancing and Work In Progress

No funds from this Program shall be used to refinance existing indebtedness. No funds shall be used to pay for any repairs or improvements which may be in progress or may have begun prior to the Administrator issuing a written Proceed to Work Order

Applicant Labor

No applicant labor will be allowed.

Fees to the Applicant

Neither the Administrator nor City of Fairmont shall charge to the Applicant an origination fee, inspection fee, nor fee of any kind, other than the Repayment Agreement Recording fee, the building permit fee noted in Section H and a credit report fee.

Contractor's Warranty

The Contractor shall defend, indemnify, and hold harmless the Applicant, Administrator, Rehabilitation Coordinator, City of Fairmont and its officers, and the officers of any other Financing Source from all liability and claims for damages arising from bodily injury, death, property damage, sickness, disease, or loss and expense resulting from or alleged to result from a Contractor's operations under this Program.

The Contractor shall warrant to the Applicant and subsequent owners of the property that:

- All materials, hardware, fixtures, and utilities of whatever kind used in making repairs are of good quality and free from defects in workmanship or material.
- The Contractor shall repair, correct, or replace at no cost to the Applicant or subsequent owners any defective workmanship or materials or deficiencies subject to warranty, upon written notice within two years from the date of completion and acceptance of work.

SECTION J - PROGRAM INCOME & REVOLVING LOAN FUND

Program Income

Program income may be generated from housing rehabilitation through the repayment agreements signed by the homeowners. Program income generated in this manner will be dedicated to a revolving loan fund set up by the City. Any SCDP funds received before project close-out will be utilized immediately for rehabilitation activities and would only go to the City's revolving loan fund after program close-out. This post-close-out account is to be used solely for assisting income eligible households with housing rehabilitation or other eligible SCDP activities. This recapture and reuse of funds are consistent with the rehabilitation activities approved as part of the 2020 SCDP application and will provide an on-going impact on housing conditions in City of Fairmont.

Revolving Loan Fund

Pursuant to the terms of the City's SCDP application and Grant Agreement, a rehabilitation revolving loan fund shall be established. During the course of the open grant, any returned funds will be used for additional housing rehabilitation projects. After grant close-out, funds shall be used for additional housing rehabilitation work at such time as they have accumulated sufficiently to fund an entire project, or for other SCDP eligible activities. The revolving loan funds will be held in a separate account and will be made available to Applicants in the City of Fairmont which have a need for, and which qualify for assistance. Use of the revolving funds for housing rehabilitation will be consistent with these guidelines.

The Revolving Loan Fund shall give priority to those properties that were not previously assisted by the Program. The Revolving Loan Fund shall not be available for repeated use by an Applicant for making additional repairs to the same structure. Any property assisted by the Small Cities Development Grant prior to its close-out shall not be eligible for assistance by the Revolving Loan Fund, unless specifically authorized by the City Council.

The Revolving Loan Fund will be accounted for by establishing a separate group of journal and ledger accounts, including a cash account and a program income account. Procedures included in the financial management of the Revolving Loan Fund include: a recipient loan register account to record the name of the recipient (borrower), the amount of the loan, the date approved, the terms of the loan, payments, and current balances; assurances that all funds received shall be accurately classified and coded to the accounts to be credited; and, assurances that funds are immediately deposited into the proper bank account. Prior to close-out of the grant, the above tasks shall be the responsibility of the Program Administrator. After close-out the City may, at its own discretion, choose an institution to service the loans or it may service the loans itself.

SECTION K - FAIR HOUSING & EQUAL OPPORTUNITY

It is the policy of this Housing Rehabilitation Program to work affirmatively to ensure that all persons, regardless of race, color, creed, national origin, sex, religion, marital status, age, handicap, or reliance on public assistance, will be treated fairly and equally in their participation in the Program.

The City will be responsible for the promotion of the Program at the local level and shall exercise care in avoiding promotion methods that may exclude potentially eligible applicants. Access to program information and materials will not be denied to any person for any reason including race, color, creed, national origin, sex, religion, marital status, age, handicap, or reliance on public assistance. Affirmative promotion shall include efforts to reach those persons who traditionally may not have participated in similar programs.

In order to develop or maintain an effective affirmative promotion effort, the City shall review its promotion methods from time to time during the course of the Program to determine how the methods used can be improved to increase the participation of persons who otherwise might not apply for assistance under the Program, such as single female heads of house-holds, racial minorities, or persons with handicaps or disabilities.

The City shall encourage participation by women-and minority-business enterprise (WBE/MBE) parties in the Housing Rehabilitation Program. WBE/MBE contractors, materials suppliers, vendors, and others engaged in rehabilitated enterprises shall be encouraged to seek inclusion on the Bidders' List of the rehab program. (See Section H.10)

SECTION L - DATA PRIVACY

Information on program applicants (including, but not limited to, names, credit reports, financial statements, income calculations and asset information) is private data on individuals which must be administered in accordance with the Minnesota Government Data Practices Act. Applicants shall be provided with proper written notice as specified under the Act. Solely for the purpose of administering the Program, information may be made available to the staffs of the following agencies or organizations: Minnesota Valley Action Council, City of Fairmont, banks and lending institutions participating as Financing Sources, the Minnesota Department of Employment & Economic Development, and the United States Department of Housing & Urban Development.

SECTION M - CONFLICT OF INTEREST

Federal regulations (24 CFR 570.611) and Minnesota Statutes 471.87-471.88 specify that elected officials, employees of Small Cities Development Program grant recipients, and others who are in a position to participate in the decision-making process of the Program may not:

- Obtain personal or financial interest or benefits, including money, favors, gratuities, entertainment or anything of value that might be interpreted as conflict of interest.
- Obtain a direct or indirect interest in any contract, subcontract, or agreement for any activity. This prohibition extends to contracts in which a spouse, minor child, or business associate may have personal or financial interest.

Questions concerning conflict of interest shall be resolved by a written legal opinion from the City Attorney who shall, if necessary, seek further assistance from the Minnesota Attorney General's Office. Small Cities Development Program staff shall be contacted if such a situation arises.

SECTION N - EVIDENCE OF MISCONDUCT

Any party participating in the Program shall refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Program to the Minnesota Attorney General's Office for appropriate investigation and legal action.

SECTION O - COMPLAINTS AND APPEALS

Client Complaint Process

Client complaints about any aspect of service delivery, the administrator or assignee's staff, program restrictions; or contractor relations/workmanship may be pursued in writing. Complaints should be addressed directly to the Program Administrator. The Program Administrator will respond to each complaint and shall work with the staff, the contractor, and the client to resolve the problem within two weeks. If the applicant is still dissatisfied, the client may further pursue the complaint as follows:

A complaint may be filed which will be taken to the City Council for action at its next regularly scheduled meeting.

If the client is still unsatisfied, the complaint will be forwarded to the MN Department of Employment and Economic Development along with the following information:

- A copy of the written complaint and request for satisfaction under the appeals process.
- A copy of all correspondence between the Program Administrator and the appealing client concerning the appeal disposition.
- The final appeal disposition

Project Appeal Process

If an applicant's application for any reason is denied or a household is dissatisfied with the level of assistance they have received, the following procedure is to allow for a standardized appeal/complaint process to all applicants of the City of Fairmont Small Cities Development Program. Upon complaint, an applicant will be informed of the following procedure:

- That a written procedure for appeal is available.
- In the case of denial of assistance or service, a written notice shall be sent to the applicant clearly stating under what condition that application was denied and also a copy of this appeal process.

- Initial client appeals about any aspect of service delivery expressed verbally or in writing shall be responded to within two (2) weeks. If the applicant is dissatisfied with the response then the client shall be informed of the following procedure.
- The applicant who wishes to appeal the initial response, must submit a request for appeal in writing within thirty (30) days of the initial response. This request must state the reason(s) for the appeal and should include any information that the applicant feels is pertinent to the appeal. The response to this appeal will be final.

All appeals should be addressed to:

Minnesota Valley Action Council
Attention: City of Fairmont SCDP Appeal
706 North Victory Drive
Mankato, Minnesota 56001

Any further appeal actions will be forwarded to the MN Department of Employment and Economic Development, along with the following information:

- A copy of the written complaint and request for satisfaction under the appeals process.
- A copy of all correspondence between the Program Administrator and the appealing client concerning the appeal disposition.
- The final appeal disposition.

SECTION P - AMENDMENTS/APPROVAL

Amendments

These procedural guidelines may be amended or supplemented from time to time by City of Fairmont / Program Administrator by issuance of revised pages to be effective on the date of issue subject to approval by DEED. With respect to income guidelines, updated pages will be issued when those guidelines and limits change and notification is received from HUD.

City Approval

Upon a motion made and seconded, the "Policies & Procedures" for the City of Fairmont Housing Rehabilitation Program are hereby approved and adopted, subject to any changes recommended by the Minnesota Department of Employment & Economic Development in their capacity as funding agency for the Small Cities Development Grant Program.

**City of Fairmont 2020
Commercial Rehabilitation Program**

Policies & Procedures

Section A – Program Objectives

The Fairmont Commercial Rehabilitation Program is undertaken for the purposes of:

1. Providing financial assistance for local businesses to rehabilitation their properties, their neighborhoods, and the community as a whole;
2. Increasing the financial involvement of public agencies and private lending institutions in the improvement of the commercial building stock in the City; and
3. Making a visible and substantial impact upon building conditions, community appearance and overall quality of life in the area.

Section B – Program Definitions

Administrator

“Administrator” of the Program shall be Minnesota Valley Action Council. It shall be the responsibility of the Administrator to coordinate all aspects of the Program.

Applicant

“Applicant” means any business seeking to obtain assistance under the terms of this Program.

Deferred Loans

“Deferred Loan,” means financing which carried no interest and no periodic payments, but which is secured by a Repayment Agreement and lien against the property. A Deferred Loan must be repaid in full in the event the property that is rehabilitated is sold, transferred or conveyed within ten (10) years from the date of the Repayment Agreement. Under extraordinary circumstances, the terms and conditions of repayment of a Deferred Loan may be modified or restructured.

Security Position

The Fairmont Commercial Rehabilitation Program will not require a first-position security interest for Deferred Loan and/or Installment Loan financing. Upon request from a bank or other lender, the Program may subordinate its security interest to another party, at the discretion of the City.

Rehabilitation Coordinator

The “Rehabilitation Coordinator” for the Program shall be a designated Minnesota Valley Action Council employee or employee of an approved subcontractor of the Administrator. It shall be the responsibility of the

Rehabilitation Coordinator to provide technical expertise relating to building inspections, construction quality, code compliance and work write-ups.

Principal Place of Business

“Principal Place of Business” means that building which the applicant uses year ‘round for the operation of his/her business. The building must be the primary structure which houses the majority of the business’ sales stock, office space or manufacturing equipment and which provides the central focus of the business’ day-to-day operation.

Building Standards

The “Commercial Rehabilitation Building Standards” used for the Fairmont Commercial Rehabilitation Program shall be followed in conducting inspections, determining deficiencies and evaluating the quality of workmanship on a rehabilitation project. These Standards incorporate the BOCA Property Maintenance Code, The Uniform Federal Accessibility Standards, ADA Accessibility Guidelines and Minnesota Energy Efficiency Standards shall also be used as appropriate to a rehabilitation project.

Section C – General Eligibility for Assistance

Eligibility Qualifications

To be eligible for commercial rehabilitation assistance provided by any of the participating Financing Sources, the applicant must meet the eligibility qualifications set forth by the particular Financing Source for their specific program. All buildings assisted by commercial rehabilitation must meet the Small Cities Development Grant program’s federal objective of “prevention or elimination of slums and blight.”

Status and Location of Applicant

To be eligible for commercial rehabilitation assistance, the applicant must:

1. Be the owner/occupant or owner with a rental occupant of a building used for commercial purposes.
2. The building need not be the applicant’s principal place of business, as defined in Section B.
3. The applicant’s business must be an active concern and a bona fide business.
4. Be located in that designated Slum & Blight Target Area within the city limits of Fairmont, as identified in the city’s “Determination of Blighting Conditions” resolution and any subsequent revisions thereto. This area is identified on a Map that was attached to the SCDP grant application.

Floodplain

Rehabilitation work conducted in floodplain areas in the City of Fairmont will proceed only after review/approval of the DEED Floodplain Environmental Review process.

Historical Society Review

1. All properties that are 45 years old or older will be reviewed by the Minnesota Historical Society to determine if the structure is historically significant before any rehabilitation occurs.

2. After the initial property inspection has been completed by the Rehabilitation Coordinator, the following will be submitted to the Minnesota Historical Society Officer (SHPO):
 - a. a summary of the work to be done at the property;
 - b. photographs of the structure;
 - c. property description;
 - d. any other information requested by the SHPO.
3. Any changes in the scope of the project requested by the SHPO will be initiated.
4. Upon SHPO approval and the Owner's concurrence on the scope of work, the project may proceed to bidding and construction.

Section D – Equal Opportunity

It is the policy of this Commercial Rehabilitation Program to work affirmatively to ensure that all persons, regardless of race, color, creed, national origin, sex, religion, marital status, age, handicap, or reliance on public assistance, will be treated fairly and equally in their participation in the Program. The City will be responsible for the promotion of the Program at the local level and shall exercise care in avoiding promotion methods that may exclude potentially eligible applicants. Access to program information and materials will not be denied to any person for any reason including race, color, creed, national origin, sex, religion, marital status, age, handicap or reliance on public assistance.

Affirmative promotion shall include efforts to reach those persons who traditionally may not have participated in similar programs. In order to develop or maintain an effective affirmative promotion effort, the City shall review its promotion methods from time to time during the course of the Program to determine how the methods used can be improved to increase the participation of persons who otherwise might not apply for assistance under the Program, such as racial minorities or persons with handicaps or disabilities.

The City shall encourage participation by women and minority business enterprise (WMBE) parties in the Commercial Rehabilitation Program. WMBE contractors, material suppliers, vendors and others engaged in rehab related enterprises shall be encouraged to seek inclusion on the Bidders' List of the rehab program.

Section E – Data Privacy

Information on program applicants (including, but not limited to names, credit reports, financial statements, and asset information) is private data on individuals that must be administered in accordance with the Minnesota Government Data Practices Act. Applicants shall be provided with proper written notice as specified under the Act. Personal financial data needed to evaluate the applicant's ability to access other funds will be evaluated by the Administrator, and upon approval of the project and securing of the private financing, the personal financial data will be forwarded in its entirety to the private lender to retain in their loan files.

Solely for the purpose of administering the Program, information may be made available to the staffs of the following agencies or organizations: Minnesota Valley Action Council, the City of Fairmont, banks and lending institutions participating as Financing Sources, the Minnesota Department of Employment and Economic Development and the United States Department of Housing & Urban Development.

Section F – Conflict of Interest

Federal regulations (24 CFR 570.611) and Minnesota Statutes 471.87 – 471.88 specify that elected officials, employees of Small Cities Development Program grant recipients and others who are in a position to participate in the decision making process of the Program may not:

1. Obtain personal or financial interest or benefits, including money, favors, gratuities, entertainment or anything of value that might be interpreted as conflict of interest.
2. Obtain a direct or indirect interest in any contract, subcontract, or agreement for any activity. This prohibition extends to contracts in which a spouse, minor child, or business associate may have personal or financial interest.

Questions concerning conflict of interest shall be resolved by a written legal opinion from the City Attorney who shall, if necessary, seek further assistance from the Minnesota Attorney General's Office. Small Cities Development Program staff shall be contacted if such a situation arises.

Section G – Evidence of Misconduct

Any party participating in the Program shall refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Program to the Minnesota Attorney General's Office for appropriate investigation and legal action.

Section H – Participating Financing Sources

Each Financing Source (Small Cities Development Grant, bank, other lender, etc.) shall provide its rehabilitation assistance according to its own rules, regulations, requirements and procedures. This shall apply to applicant eligibility, the type of repairs that can be made and loan repayment requirements. Each Financing Source shall maintain its own fiscal systems. No funds from one Financing Source shall be co-mingled with funds from any other financing source. Where needed or desired, the services of the Rehabilitation Coordinator shall be made available to the other Financing Sources.

Section I – Eligible Properties to be Rehabilitated

Type of Ownership

An owner/occupant applicant or an owner with a rental occupant for commercial rehabilitation must possess at least a one-third (1/3) interest in one of the following types of ownership in the property to be rehabilitated:

- a. A fee title, or
- b. A life estate, or
- c. A fee title or life estate subject to a mortgage or other lien securing a debt, or
- d. A mutually binding contract for deed, where the borrower is rightfully in possession and the purchase price is payable in installments. In the event that a contract for deed arrangement is present, the City Attorney shall be consulted to determine (a) if the contract vendee's participation in the commercial

rehabilitation program is compatible with the terms of the contract for deed, (b) if permission from the contract vendor is needed before undertaking rehab, and (c) if the contract vendor needs to be a party to the rehab mortgage/repayment agreement.

Suitable for Rehabilitation

1. A determination of the structural suitability of a commercial building for rehabilitation shall be made by the Rehabilitation Coordinator. Poor and Very Poor condition structures (described below) shall be considered to be substandard, based upon the following criteria and individual inspections by the Rehabilitation Coordinator:
 - a. Poor Condition: No major structural defects. However, the structure has more than one (1) sign of major exterior deterioration.
 - b. Very Poor Condition: Structure has either (a) No more than one structural defect and more than one (1) sign of major exterior deterioration; or (b) more than one structural defect.
2. Poor and Very Poor Condition Buildings shall be Suitable for Rehabilitation when the building is still structurally sound on an overall basis. The building should be vertically plumb within three (3) degrees and shall have no significant rot on the majority of the floor joists, stud, or rafters that are weight bearing. Foundations and basement walls shall not be deteriorated to the extent, or so far out of alignment, that they do not adequately support the building and cannot be corrected without complete replacement.

Not Suitable for Rehabilitation

1. Some commercial buildings may be in good condition and will not need rehabilitation assistance. Although an applicant may be otherwise eligible for assistance, the Program will not assist any buildings that are not in need of significant repair. Following a detailed inspection of the property, the Rehabilitation Coordinator shall make a determination of the structural suitability of a building for rehabilitation on the basis of provisions noted in Section I “Suitable for Rehabilitation”, above. The Rehabilitation Coordinator shall have authority to determine whether a commercial building is not in need of repair. If a building is determined to be in structurally good condition, it shall be excluded from participation in the Program, based upon the following criteria:
 - a. Good Condition: The structure is less than ten (10) years old or there are no indications of exterior deterioration or energy efficiency measures were incorporated in the original construction.
 - b. Fair Condition: The structure displays some exterior deterioration, but of minimal severity. Energy efficiency improvements may be required to comply with standards and shall only be considered as budgets may allow and only after substantial progress has been made toward meeting higher priority improvements for “poor” quality buildings.
2. Some buildings may have deteriorated to a point where rehabilitation is structurally not feasible. Following a detailed inspection of the property by the Rehabilitation Coordinator as described above, the Inspector shall have authority to determine whether a commercial building is not feasible for repair. If a building is determined to be structurally “beyond hope” of repair, it shall be excluded from participation in the Program, based upon the following criteria:
 - Beyond Repair Condition: The structure has more than one structural defect and indications of extensive major exterior deterioration.

Property Tax Delinquency/Debt Owed to City

No commercial building shall receive rehabilitation assistance if property taxes are delinquent and unpaid or if debt is owed to the City (including utilities). Applicants may apply for the program and have their eligibility determined, but no rehabilitation work shall be placed under contract unless property taxes and city obligations (including utility bills) are paid in full as of the most recent tax period.

Default and Bankruptcy

No commercial building shall receive assistance if the owner is in default of a mortgage, contract for deed, or comparable obligation; or the owner is currently engaged in bankruptcy proceedings.

Commercial Rehabilitation Slum & Blight Conditions

Activities undertaken must support the federal objective of aiding in the prevention or elimination of slum and blight conditions, as set forth in 24 CFR 570.208(b), and as further defined in the City of Fairmont's "Determination of Blighting Conditions" resolution.

Multiple Commercial Buildings

Some commercial rehabilitation applicants may utilize more than one building in the operation of their business. Only one (1) principal building per applicant may be assisted, that is, the primary building used year 'round as the applicant's principal place of business. See Section B. An applicant may qualify for participation on other properties providing the property is an additional bona fide business operation which meets all other requirements of these policies.

Mixed Use Buildings

A mixed used building that is partially utilized for commercial purposes and partially utilized for residential purposes may be assisted by the Commercial Rehabilitation Program. However, those improvements that benefit only the commercial portion of the building must be paid for with commercial rehabilitation Program funds. Similarly, improvements that benefit the residential portion of a mixed used building must be paid for with the City's program funds or owner's funds. In the event a mixed-use building is proposed for rehabilitation, the Administrator shall seek such additional guidance as may be necessary from the Minnesota Department of Employment & Economic Development.

Vacant Building.

Vacant commercial buildings shall generally not be eligible for rehabilitation with SCDP funds. Exceptions to this rule may be granted only if repairs are necessary to allow a bona fide start-up business to begin full-time operations within three (3) months of the date of completing the repairs. In such cases, this three-month provision shall be a condition of securing financial assistance from the Program and the violation of or failure to fulfill this condition shall make all commercial Deferred Loan and Repayable Loan financing immediately due and payable.

Other Ineligible Buildings

Only permanent structure shall be assisted. The following structure types are not eligible for assistance:

1. Temporary or movable structures or out-buildings

2. Satellite buildings used primarily for storage
3. Secondary commercial buildings which serve only to compliment the primary facilities constituting the applicant's principal place of business
4. Detached garages or garage door openers
5. Other structures that do not meet the test of a principal place of business
6. Exceptions for secondary commercial buildings may be granted only when these conditions are met: (1) the applicant utilizes more than one (1) building, each of which could be structurally considered suitable as a separate principal place of business; (2) the secondary building demonstrates greater need for repair than the applicant's primary building; and (3) the secondary building is not eligible on the basis of other requirements or limitations of the Program.

Priority of Applicants Receiving Rehabilitation Assistance

1. Priority of assistance for commercial rehabilitation shall be given to those businesses that originally expressed an interest in the Program at the time the Small Cities Development Grant application was submitted to the State and were included in the grant application for budget purposes. Additional businesses that express an interest in commercial rehabilitation after the State's approval of the grant was announced shall be placed on a waiting list for assistance if sufficient funds remain available.
2. Several factors may affect the order or sequence by which applicants may receive rehabilitation assistance. Furthermore, assistance may become unavailable for certain applicants, who may, therefore, not be served by the Program. Applicants shall be notified that the availability of rehab assistance depends upon:
 - a. A detailed inspection of the building.
 - b. The types of repairs needed and allowable under the program's guidelines.
 - c. The cost of the repairs, based on bids.
 - d. The financial and structural feasibility of undertaking a repair job for the building.
 - e. The Applicant's own initiative and diligence. In this regard, the document by which the Applicant shall be given the opportunity to accept or reject their offer for rehabilitation assistance (see Section K "Notification of Status") shall contain the following acknowledgment:

"I understand that: (a) the grant program serves Applicants on a first-come, first-served basis; (b) once the bid documents for my building are prepared and turned over to me, it becomes my responsibility to contact contractors and obtain the necessary bids; (c) projects that have all the necessary bids turned in ahead of other projects are placed under contract sooner and move forward on that basis; and (d) because the program operates on a first-come, first-served basis, it is possible that the grant money may run out before all my bids are received and before I make a decision to move forward, and in that case, I will not receive any rehabilitation assistance."

Section J – Scope and Nature of Rehabilitation Repairs

Maximum Financing

The maximum amount of Small Cities Development Program funds that shall be invested in any structure is \$40,000. If the total cost of rehab exceeds \$40,000, the applicant will be fully responsible for securing additional financing or the scope of the project will be reduced, consistent with Sections J “Eligible Commercial Rehabilitation Improvements” and Section J “Ineligible Commercial Rehabilitation Improvements” below.

Leverage and Small Cities Development Program (SCDP) Financing

1. Small Cities Program funds will be used to provide commercial rehab assistance in required combination with funds from the owner or another source. The mix of funds for the cost of commercial building repairs will be shared on the following basis:
 - a. 80% of the total cost of eligible repairs paid by SCDP Loan,
 - b. SCDP assistance is in the form of a 0% interest, ten (10) year deferred loan.
 - c. City of Fairmont has various loan and grant programs to assist building owners,
 - d. Balance of funding from building owner, whether cash on hand or other financing sources.

Final Condition

Upon completion of work and final inspection, all commercial buildings assisted under the Program shall meet or exceed local building rehabilitation standards.

Eligible Commercial Rehabilitation Improvements

1. Each commercial rehabilitation improvement must support these two criteria:
 - a. Upon completion of repairs, the building will have a remaining useful life such that the amount of funds invested in the structure may be amortized over its remaining useful life in an economically prudent manner.
 - b. Upon completion of repairs, the building will be safe, functional and usable.
2. Each commercial rehabilitation improvement must be physically attached to the property and must be a permanent general improvement. Such improvements shall include alteration, renovation or repairs that correct defects and deficiencies that directly affect the safety, habitability, energy consumption or aesthetics of the property. For the purposes of commercial rehabilitation assistance under the Small Cities Development Program, only the following types of improvements addressing the definition of “slum & blight” are eligible:
 - a. Correction of code violations
 - b. Exterior improvements
 - c. Roof repairs and replacement.

Ineligible Commercial Rehabilitation Improvements

The following improvements are not eligible for financing with SCDP funds:

- a. Repairs that do not correct code violations or do not constitute exterior improvements
- b. New construction or additions to buildings
- c. The payment, in whole or in part, of assessments for public improvements

Ineligible Improvements Allowable with Other Funds

The Applicant may use bank loans, his/her own funds on hand, and other funds in order to finance those improvements that are not eligible for financing with SCDP funds. Such improvements shall be allowable as part of the “other source” participation outlined in Section J “Leverage and Small Cities Development Program (SCDP) Financing” and shall be separately identified on work write-ups and bid forms.

Labor Standards

All commercial rehabilitation projects with a total cost in excess of \$2,000 must comply with federal labor standards requirements, including the Davis-Bacon Act, the Contract Work Hours and Safety Standards Act, and the Federal Fair Labor Standards Act.

Section K – Program Administration

The following administrative procedures shall govern operation of the Commercial Rehabilitation Program, unless otherwise provided for by the procedures of another participating Financing Source.

Implementation Responsibilities

1. Administration. The Administrator shall:

- a. Coordinate all rehabilitation work delivered through the various Financing Sources.
- b. Collect and process applications and approve applicants as being eligible for rehabilitation assistance.
- c. Obtain clearance from the Minnesota Historical Society regarding historic preservation requirements before rehabilitation work begins.
- d. Administer all other phases of the commercial rehab effort, including the procedures and steps listed below.
- e. Review all applications for consistency with these policies and approve or deny individual projects. An Applicant may appeal any decision as provided for in Section N. The Administrator will use the following guide to assess the preliminary eligibility of the applicant.
 - Whether or not the Applicant is eligible for a SCDP loan and what leverage package the applicant is eligible for.
 - Location of the applicant’s property in the target area.
 - Property ownership.
- f. The Administrator shall provide reports to the City Council on the program status, but City Council approval of individual projects is not required.

2. Marketing. The Administrator shall:

- a. Conduct outreach and will solicit applications for the program in the following ways:
 - Notifying all applicants on the Fairmont waiting list.
 - Issue press releases advertising community meetings on SCDP grant application to both the local newspapers and local radio station.
 - Make direct mailing of program information to the owners in the target areas if necessary to generate additional applicants.
 - Develop brochures and send them out in the billing statements of our local utility vendors.
 - Develop posters and post them in prominent areas in the community.
- b. The project approval committee shall consist of a City staff person assigned to the committee and the Housing Director of the Program Administrator. The Program Administrator shall provide reports to the City Council on the program status, but City Council approval of individual projects is not required. Project approval will be from the approval committee.

3. City Council. The Fairmont City Council:

- a. The City Council shall be responsible for setting overall program policy, including approval, amendment and adoption of these guidelines.
- b. Act as the fiscal agent.

Applications

Applicants shall complete the “Application for Rehabilitation Assistance” form. This form shall request applicable information and further provide a “Notice to Applicant” informing the Applicant of data privacy, misrepresentation, inspection considerations and other matters.

Verifications

All applicable information that is relevant to the Applicant’s eligibility shall be independently verified. The Administrator shall, with written permission of the Applicant, obtain verifications from the appropriate sources and shall use the verified information to determine an Applicant’s eligibility for rehabilitation assistance.

Displacement

The Administrator shall work with the Applicant to determine if the possibility exists of displacement from the building. If the potential for displacement appears likely, the Administrator shall provide to the applicant such written notices as are required. If displacement occurs, the Administrator shall work with the applicant to assure that the applicant’s displacement and relocation rights are protected.

Notification of Status

The Administrator shall notify the Applicant in writing as to the approval or rejection of his/her/ their application, and if approved, the maximum amount of assistance for which they qualify and the mix of assistance as outlined in Section J. The Applicant shall then be given the opportunity to accept or reject this offering in writing before proceeding with an inspection.

Authorization for Initial Inspection

Following the Applicant's written acceptance of the financing offer, the Rehabilitation Coordinator shall conduct an initial inspection. This inspection shall be thorough, complete, and shall identify all rehabilitation needs of the commercial building.

Work Write-up and Bid Specifications

Following initial inspection, the Rehabilitation Coordinator shall prepare a written work write-up for the commercial building. This work write-up shall specify reasonable, workmanlike means by which rehabilitation needs are to be corrected and the structure brought up to standards; shall suggest materials and methods for making necessary repairs and improvements; and shall be prepared in sufficient detail so as to allow contractors to base their bids upon. Drawings and sketches shall be provided where they will be necessary or helpful. Applicants may wish to use architectural services, not provided by the Administrator, in developing the scope of work. The Rehabilitation Coordinator will incorporate these architectural documents into the bid documents if desired. Costs for architectural services are the Applicant's responsibility and may be applied toward the private match requirements.

Bidding and Contracting Procedures

1. After receiving the Rehabilitation Coordinator's work write-up, the Applicant shall solicit sealed bids from contractors. A minimum of two (2) bids per trade shall be required; three bids shall be encouraged. All bids will be reviewed by the Rehabilitation Coordinator to determine that the bids are comparable. In seeking the minimum of two (2) bids, one general contract bid can be compared against the sum of individual bids by trade.
2. The Administrator shall provide to the Applicant a Bidders List of contractors. The Applicant will be requested to seek sealed bids from this list. No contracts will be awarded to contractors who are not on this Bidders List. The list will, however, be continually updated as more contractors come forward and qualify for the list. If the Applicant obtains bids from a contractor who is not currently on the Bidders List, the bid will be considered at such time as the contractor qualifies for the list.
3. Bids will be awarded to the lowest qualified bidder unless one of the following occurs:
 - a. The bid is found to be unrealistically low and the contractor agrees to withdraw the bid.
 - b. The contractor has failed to follow the procedures outlined in "Instructions to Bidders."
 - c. The Applicant does not want the lowest bidder to do the work. In that case, the Applicant must pay 100% of the difference between the lowest bid and the preferred contractor's bid.
 - d. There appears to have been collusion between two or more contractors and/or the Applicant. Collusion among contractors will result in their being barred from further participation in the Program. Collusion involving the Applicant will result in the rehab project being canceled and the Applicant being barred from the Program.
 - e. The contractor fails to bid according to specifications, and following efforts by the Rehabilitation Coordinator, it is impossible to compare that contractor's bid with those of the other bidders.
4. Contracts may be made with general contractors or individually by trade. Contracts will be let by the Applicant with a Proceed to Work Order issued by the Administrator and shall be a contract between the Applicant and the contractor. Prior to initiating work, the contractor shall attend a preconstruction conference with the Administrator and the property owner to review the project and discuss various compliance issues.

5. Any repair work that begins before a written Proceed to Work Order is issued will not be paid for by funds from any financing source.
6. Projects not under contract within eight (8) months after the date when bids are delivered to the Applicant shall be dropped from the program. An offer of financing made to the Applicant shall be null and void after the expiration of this eight-month period.

Qualification for Bidders List

1. Contractors must be bona fide tradesmen. Contractors must meet State licensing requirements where such requirements apply.
2. Contractors must possess insurance coverage which meets or exceeds these requirements:
 - a. Manufacturers and Contractor/Independent Contractors. Bodily Injury: \$100,000 (each occurrence) and \$300,000 aggregate. Property Damage: \$50,000 (each occurrence).
 - b. Auto (Owned, Hired or Leased). Bodily Injury: \$100,000 (each occurrence) and \$300,000 aggregate. Property Damage: \$50,000 (each occurrence).
 - c. Worker's Compensation. The contractor shall obtain and maintain Worker's Compensation Insurance for all of his/her employees, according to State law and regulation.
3. In cases where any work is sublet, the Contractor shall also require the subcontractors to comply with the insurance requirements set forth above.
4. Contractors may be removed from the Bidders List and disqualified from contracting under the following circumstances: Failure to keep the required insurance in force; Failure to complete work in a timely manner; Performance of substandard work; Failure to correct deficiencies in substandard work; or Collusion between two or more contractors and/or the Applicant.

Change Orders

Work that is not specified in the Work Write-up will not be paid for by the Program without a written change order approved by the Administrator, the Rehabilitation Coordinator, the contractor and the Applicant. Change Orders that increase the costs of a project beyond the maximum amount specified in Section J "Maximum Financing" shall be paid by the Applicant or by another financing source.

Interim Inspections

The Rehabilitation Coordinator may conduct interim or progress inspections for each commercial building assisted by the Program. The interim inspections shall be used: To monitor the work in progress and the quality of work being performed; and to determine the completeness and quality of repairs prior to any payments to contractors or subcontractors.

Partial Payments to Contractors

No interim or partial payments will be made without prior inspection by the Rehabilitation Coordinator and approval by the Administrator. No partial payment or sum total of partial payments shall exceed 80% of the total contract amount. No prepayment or advance of Program funds is allowed.

Final Inspection and Acceptance of Work

The Rehabilitation Coordinator shall conduct a comprehensive final inspection of all repairs upon completion of all work. This final inspection shall be used to determine the completeness and quality of repairs prior to the final payment to contractors or subcontractors. Substandard or incomplete work identified by the Rehabilitation Coordinator will not be paid for. Prior to payment, a “Completion Certificate and Acceptance of Work” form shall evidence satisfaction with the work and shall be signed by the Applicant, the contractor and/or subcontractor, the Rehabilitation Coordinator and the Administrator.

Payment and Lien Waivers

SCDP funds shall be disbursed to the contractor upon approval and acceptance of the work as noted in Section K “Partial Payments to Contractors”. Appropriate lien waivers must be provided by the contractor prior to the release of checks.

Time for Completion.

1. A maximum of 120 calendar days will be allowed for completion of contracted work on a commercial building, beginning as of the date of the contract for repair, or as of the date proposed by the contractor (when provided). Failure to begin work by the completion date shall be grounds for termination of the contract.
2. This time period shall not be exceeded except by a written Change Order, which shall outline the circumstances that require an extension of time and shall specify a revised completion date. In the absence of such a Change Order, failure to complete work on time shall be grounds for termination of the contract.

Termination of Contract

Rehabilitation contracts may be terminated for convenience or for cause. The provisions contained in Section K “Time for Completion” shall be a basis for termination for cause. Other reasons for termination may include: unacceptable contractor work habits or performance or an inability to resolve disputes associated with the project.

Permits and Fee.

Payment of local building permit fees will be the responsibility of the Contractor. All Building Permit and State inspection fees should be included in the contractor’s bid.

Appeals Procedure and Resolution of Disputes

1. All Applicants and contractors shall have full right to appeal any decision or action relating to the administration of the Program. Such appeals shall be made in accordance with Section N.
2. In the event of a dispute between the Applicant and the contractor, the Rehabilitation Coordinator shall work with both parties to negotiate a satisfactory solution. In the event that this procedure fails to produce a satisfactory solution, the dispute shall be presented to the Housing Director of the Program

Administrator. In the event this process is unable to resolve the dispute, judicial arbitration procedures shall be followed.

Close-out

Upon completion of all rehab activities and acceptance of the work by all parties, the Administrator shall process such close-out documents as are required for the SCDP financing, including mortgage documents and/or repayment agreements.

Section L – Other Program Provisions

Refinancing and Work in Progress.

No funds from this Program shall be used to refinance existing indebtedness. No funds shall be used to pay for any repairs or improvements that may be in progress or may have begun prior to the Administrator issuing a written Proceed to Work Order.

Applicant Labor

No applicant labor will be allowed.

Fees to the Applicant

Neither the Administrator nor the City of Fairmont shall charge to the Applicant an origination fee, inspection fee or fee of any kind, other than building permit fees noted in Section K “Permits and Fee”.

Contractor’s Warranty

1. The Contractor shall defend, indemnify, and hold harmless the Applicant, Administrator, Rehabilitation Coordinator, the City of Fairmont and its officers, and the officers of any other Financing Source from all liability and claims for damages arising from bodily injury, death, property damage, sickness, disease, or loss and expense resulting from or alleged to result from a Contractor’s operations under this Program.
2. The Contractor shall warrant to the Applicant and subsequent owners of the property that:
 - a. All materials, hardware, fixtures and utilities of whatever kind used in making repairs are of good quality and free from defects in workmanship or material.
 - b. The Contractor shall repair, correct or replace, at no cost to the Applicant or subsequent owners, any defective workmanship or materials or deficiencies subject to warranty, upon written notice within two (2) years from the date of completion and acceptance of work.

Section M – Revolving Loan Fund

Pursuant to the terms of the City’s SCDP application and Grant Agreement, a revolving rehabilitation loan fund shall be established. This fund shall collect any repayments of SCDP monies. Such repayments shall be used for

additional commercial rehabilitation work or other SCDP eligible activities at such time as they have sufficiently accumulated following close-out of the original SCDP grant.

The revolving loan funds will be held in a separate account and will be made available to Applicants in the City of Fairmont who have a need for, and who qualify for, rehabilitation assistance. Use of the revolving funds will be consistent with these guidelines. The Revolving Loan Fund shall give priority to those commercial buildings that were not previously assisted by the Program.

The Revolving Loan Fund shall not be available for repeated used by an Applicant for making additional repairs to the same commercial building. Any building assisted by the Small Cities Development Grant prior to its close-out shall not be eligible for assistance by the Revolving Loan Funds, unless specifically authorized by the City Council.

The Revolving Loan Fund will be accounted for by establishing a separate group of journal and ledger accounts, including a cash account and a program income account. Procedures included in the financial management of the Revolving Loan Fund include: a recipient loan register account to record the name of the recipient (borrower), the amount of the loan, the date approved, the terms of the loan, payments and current balances, assurances that all funds are immediately deposited into the proper bank account.

Prior to close-out of the grant, the above tasks shall be the responsibility of the Administrator. After close-out the City may, at its own discretion, choose an institution to service the loans or it may service the loans itself.

Section N – Complaints and Appeals

Client Complaint Process

1. Initial client complaints about any aspect of service delivery staff, program restrictions, or contractor relations/workmanship may be pursued in writing to Minnesota Valley Action Council and shall be responded to by the MVAC Housing Rehabilitation Coordinator who shall work with the staff, the contractor and the client to resolve the problem within two (2) weeks. If the Applicant is still dissatisfied, the client may further pursue the complaint as follows:
 - a. A complaint may be filed which will be taken to the City Council for action at its next regularly scheduled meeting.
 - b. If the client is still unsatisfied, the complaint will be forwarded to the MN Department of Employment and Economic Development along with the following information:
 - 1) A copy of the written complaint and request for satisfaction under the appeals process.
 - 2) A copy of all correspondence between the Program Administrator and the appealing client concerning the appeal disposition.
 - 3) The final appeal disposition.

Project Appeal Process

1. If a building owner's application for any reason is denied or a building owner is dissatisfied with the level of assistance they have received, the following procedure is to allow for a standardized appeal/complaint process to all applicants of the Fairmont Small Cities Development Program. Upon complaint, an Applicant will be informed of the following procedure:
 - a. That a written procedure for appeal is available.

- b. In the case of denial of assistance or service, a written notice shall be sent to the Applicant clearly stating under what condition that application was denied and also a copy of this appeal process.
- c. Initial client appeals about any aspect of service delivery expressed verbally or in writing shall be responded to within two (2) weeks. If the applicant is dissatisfied with the response then the client shall be informed of the following procedure.
- d. The Applicant who wishes to appeal the initial response must submit a request for appeal in writing within thirty (30) days of the initial response. This request must state the reason(s) for the appeal and should include any information that the applicant feels is pertinent to the appeal.
- e. All appeals should be addressed to:
 - Minnesota Valley Action Council
 - Attention: Fairmont SCDP Appeal
 - 706 North Victory Drive
 - Mankato MN 56001
- f. The Applicant may appeal to the City Council within fifteen (15) working days. At that time, the Applicant will be notified that he/she has the right to appear before the City Council. The Fairmont City Council will respond within a written decision, *which shall be final*, within thirty (30) working days.
- g. Any further appeal actions will be forwarded to the MN Department of Employment and Economic Development, along with the following information:
 - 1) A copy of the written complaint and request for satisfaction under the appeals process.
 - 2) A copy of all correspondence between Minnesota Valley Action Council and the appealing client concerning the appeal disposition.
 - 3) The final appeal disposition.

Section O – Amendments/Approval

Amendments

These procedural guidelines may be amended or supplemented from time to time by the City of Fairmont/Minnesota Valley Action Council by issuance of revised pages to be effective on the date of issue.

Council Approval

Upon a motion made and seconded, the “Guidelines & Policies” for the Fairmont Commercial Rehabilitation Program are hereby approved and adopted, subject to any changes recommended by the Minnesota Department of Employment & Economic Development in its capacity as funding agency for the Small Cities Development Grant Program.

SCDP Rehabilitation Standards

The City of Fairmont SCDP Rehabilitation Program has been designed to provide rehabilitation assistance for homeowners and commercial building owners in the City of Fairmont by combining funding resources that will provide the maximum benefit to the participating homeowners and building owners. These standards are provided to outline the anticipated condition of each dwelling upon completion of rehabilitation in light of the benefits received.

It is the goal of this rehabilitation project to rehabilitate units to a point where they meet or surpass these standards. The following standards incorporate standards from the Section 8 Housing Quality Standards (HQS) and select items from the 1993 Building Officials & Code Administrators (BOCA) National Property Maintenance Code (PM). Furthermore, units will be upgraded to meet or exceed the Minnesota Energy Efficiency Standards for owner occupied properties. All septic systems will be inspected and must meet the Minnesota Pollution Control Agency's (MPCA) standards.

The primary focus of rehabilitation efforts will be to eliminate health, safety and structural violation or deficiencies in substandard dwellings. In all cases, any rehabilitation work done in dwellings will be done for functional, not cosmetic purposes.

1. **Sanitary Facilities**

a. Summary of Standards

- HQS1-1 The bathroom must be located in a separate room and have a flush toilet in proper operating condition.
- HQS1-2 The unit must have a fixed basin with a sink trap and hot and cold running water in proper operating condition.
- HQS1-3 The unit must have a shower or a tub with hot and cold running water in a proper operating condition.
- HQS1-4 The facilities must utilize an approvable public or private disposal system, including a locally approvable septic system.

PM-503.1 Dwelling Units – Every dwelling unit shall contain its own bathtub or shower, lavatory, water closet and kitchen sink which shall be maintained in a sanitary, safe working condition. The lavatory shall be placed in the same room as the water closet or located in close proximity to the door leading directly into the room in which such water closet is located.

PM-505.1 General – All plumbing fixtures shall be properly installed and maintained in working order and shall be kept free from obstructions, leaks and defects and be capable of performing the function for which such plumbing fixtures are designed. All plumbing fixtures shall be maintained in a safe, sanitary and functional condition.

PM-505.2 Fixture Clearances – Plumbing fixtures shall have adequate clearances for usage and cleaning.

PM-507.2 Maintenance – Every plumbing stack, vent, waste and sewer line shall function properly and be kept free from obstructions, leaks and defects.

2. **Food Preparation and Refuse Disposal**

a. Summary of Standards

- HQS2-1 The unit must have a cooking stove or range and refrigerator of appropriate size for the unit (i.e. family), all in proper operating condition. This equipment may be supplied by either the owner or tenant.
- HQS2-2 The unit must have a kitchen sink in proper operating condition with a sink trap and hot and cold running water that drains into an approvable public or private system.
- HQS2-3 The unit must provide space for the storage, preparation and serving of food.
- HQS2-4 There must be facilities and services for the sanitary disposal of food waste and refuse, including temporary storage facilities where necessary (e.g. trash containers).

3. **Space and Security**

a. Summary of Standards

- HQS3-1 The unit must have a minimum of a living room, kitchen area and bathroom.
- HQS3-2 The unit must contain at least one (1) sleeping or living/sleeping room for each two (2) persons.
- HQS2-3 The unit's windows *that are accessible from the outside* such as basement, first floor and fire escape windows, must be lockable (e.g. window units with sash pins or sash locks and combination windows with latches). Windows that are nailed shut are acceptable provided that they are not needed as an alternate means of exit in case of fire.
- HQS3-4 The unit's exterior doors (i.e. those that provide access to or egress from the unit) must be lockable.

PM-703.3 Number of Exits – In non-residential buildings, every occupied story more than six (6) stories above grade shall be provided with not less than two (2) independent exits. In residential buildings, every story exceeding two stories above grade shall be provided with not less than two (2) independent exits. In stories where more than one (1) exit is required, all occupants shall have access to at least two (2) exits. Every occupied story that is both totally below grade and greater than 2,000 square feet shall be provided with not less than two (2) independent exits.

Exception – A single exit is acceptable under any one of the following conditions:

- a. Where the building is equipped throughout with an automatic sprinkler system and an automatic fire detection system with working smoke detectors located in all corridors, lobbies and common areas.
- b. Where the building is equipped throughout with an automatic fire detection system and the exit is an approved smoke proof enclosure or pressurized stairway.
- c. Where an existing fire escape conforming to the building code listed is provided in addition to the single exit.
- d. Where permitted by the building code.

PM-702.4 Arrangement – Exits from dwelling units, rooming units, guest rooms and dormitory units shall not lead through other such units or through toilet rooms or bathrooms.

PM-705.5 Smoke Detectors – In all residential occupancies, smoke detectors shall be required on every story of the dwelling unit, including basements. In dwelling units with split levels and without an intervening door between the adjacent levels, a smoke detector installed on the upper level shall suffice for the adjacent lower level provided that the lower level is less than one (1) full story below the upper level.

PM-705.5.1 Installation – When actuated, the smoke detectors shall provide an alarm suitable to warn the occupants within the individual room or dwelling unit.

PM-705.5.2 Power Source – The power source for smoke detectors shall be either an AC primary power source or a monitored battery primary power source.

4. **Thermal Environment** (Heating and Cooling Systems)

- a. Summary of Standards

HQS4-1 The unit must contain a safe heating system (and safe cooling system, where present) that is in proper operating condition and can provide adequate heat (and cooling, if applicable), either directly or indirectly, to each room in order to assure a healthy living environment appropriate to the climate.

HQS4-2 The unit must not contain unvented room heaters that burn gas, oil or kerosene. (Electric heaters are acceptable.)

PM-603.1 Mechanical Equipment – All mechanical equipment fireplaces and solid fuel burning appliances shall be properly installed and maintained in a safe working condition and shall be capable of performing the intended function.

PM-603.2 Cooking and Heating Equipment – All cooking and heating equipment, components and accessories in every heating, cooking and water heating device shall be maintained free from leaks and obstructions.

PM-603.3 Flue – All fuel burning equipment and appliances shall be connected to an approved chimney or vent.

Exception – Fuel burning equipment and appliances that are labeled for unvented operation.

PM-603.4 Clearances – All required clearances to combustible materials shall be maintained.

PM-603.5 Safety Controls – All safety controls for fuel burning equipment shall be maintained in effective operation.

PM-603.6 Combustion Air – A supply of air for complete combustion of the fuel and for ventilation of the space shall be provided for the fuel burning equipment.

5. **Illumination and Electricity**

a. Summary of Standards

HQS5-1 There must be at least one (1) window in the living room and in each sleeping Room.

HQS5-2 The kitchen area and the bathroom must have a permanent ceiling or wall type light fixture in working condition. The kitchen area must also have at least one (1) electrical outlet in operating condition.

HQS5-3 The living room and each sleeping room must have at least two (2) electrical outlets in operating condition. Permanent overhead or wall mounted light fixtures may count as one of the required electrical outlets.

PM-604.2 Service – Every dwelling shall be served by a main service that is not less than sixty (60) amperes, three (3) wires.

PM-604.3 Electrical System Hazards – Where it is found that the electrical system in a structure constitutes a hazard to the occupants or the structure by reason of inadequate service, improper fusing, insufficient outlets, improper wiring or installation, deterioration or damage, or for similar reason, the code official shall require the defects to be corrected to eliminate the hazard.

PM-605.1 Installation – All electrical equipment, wiring and appliances shall be properly installed and maintained in a safe and approved manner.

PM-605.2 Receptacles – Every habitable space in a dwelling shall contain at least two (2) separate and remote receptacle outlets. Every laundry area shall contain at least one (1) grounded type receptacle. Every bathroom shall contain at least one (1) grounded receptacle.

PM-605.3 Lighting Fixtures – Every public hall, interior stairway, water closet compartment, bathroom, laundry room and furnace room shall contain at least one (1) electric lighting fixture.

PM-403.1 Habitable Spaces – Every habitable space shall have at least one (1) window of approved size facing directly to the outdoors or to a court. The minimum total window area, measured between stops, for every habitable space shall be eight percent (8%) of the floor area of such room, except in kitchens where artificial light is provided in accordance with the provisions of the building code. Wherever walls or other portions of a structure face a window of any room and such obstructions are located less than three (3) feet (914 mm) from the window and extend to a level above that of the ceiling of the room, such window shall not be deemed to face directly to the outdoors nor to a court and shall not be included as contributing to the required minimum total window area for the room.

6. **Structure and Materials**

a. Summary of Standards

HQS6-1 Ceilings, walls and floors must not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling, missing parts or other serious damage.

HQS6-2 The roof must be structurally sound and weather tight.

HQS6-3 The exterior wall structure and surface must not have any serious defects such as serious leaning, buckling, sagging, large holes or effects that would result in air infiltration or vermin infestation.

HQS6-4 The condition and equipment of interior and exterior stairways, halls, porches, walkways, etc. must not present a danger of tripping and falling. Broken or missing steps and loose boards are examples of potential hazards.

HQS6-5 Elevators must be working and safe.

HQS6-6 Manufactured homes shall be equipped with at least one (1) smoke detector in working condition. Manufactured homes must be securely anchored by a tiedown device that distributes and transfers the loads imposed by the unit to appropriate ground anchors so as to resist wind overturning and sliding (unless the Field Office has approved a variation to the Acceptability Criteria because the units are in a low wind zone area).

PM-304.3 Structural Members – All structural members shall be maintained free from deterioration and shall be capable of safely supporting the imposed dead and live loads.

PM-304.4 Foundation Walls – All foundation walls shall be maintained plumb and free from open cracks and breaks and shall be kept in such condition so as to prevent the entry of rats.

PM-304.5 Exterior Walls – All exterior walls shall be free from holes, breaks, loose or rotting materials and maintained weatherproof and properly surface coated where required to prevent deterioration.

PM-304.6 Roofs and Drainage – The roof and flashing shall be sound, tight and not have defects that admit rain. Roof drainage shall be adequate to prevent dampness or deterioration in the walls or interior portion of the structure. Roof water shall not be discharged in a manner that creates a public nuisance.

PM-304.7 Decorative Features – All cornices, belt courses, corbels, terra cotta trim, wall facings and similar decorative features shall be maintained in good repair with proper anchorage and in a safe condition.

PM-304.8 Overhang Extensions – All canopies, marquees, signs, metal awnings, stairways, fire escapes, standpipes, exhaust ducts and similar overhang extensions shall be maintained in good repair and be properly anchored so as to be kept in a safe and sound condition. When required, all exposed surfaces of metal or wood shall be protected from the elements and against decay or rust by periodic application of weather coating materials such as paint or similar surface treatment.

PM-304.9 Chimneys and Towers – All chimneys, cooling towers, smoke stacks and similar appurtenances shall be maintained structurally safe and sound and in good repair. all exposed surfaces of metal or wood shall be protected from the elements and against decay or rust by periodic application of weather coating materials such as paint or similar surface treatment.

PM-304.10 Handrails and Guards – Every handrail and guard shall be firmly fastened and capable of supporting normally imposed loads and shall be maintained in good condition.

PM-304.11 Window and Door Frames – Every window, door and frame shall be kept in sound condition, good repair and weather tight.

PM-304.11.1 Glazing – All glazing materials shall be maintained free from cracks and holes.

PM-304.11.2 Openable Windows – Every window, other than a fixed window, shall be easily openable and capable of being held in position by window hardware.

7. Interior Air Quality

a. Summary of Standards

HQS7-1 The unit must be free from dangerous levels of air pollution from carbon monoxide, sewer gas, fuel gas, dust and other harmful pollutants.

HQS7-2 The unit must have adequate air circulation.

HQS7-3 Bathroom areas must have one (1) openable window or other adequate exhaust ventilation.

HQS7-4 Any room used for sleeping must have at least one (1) openable window, if the window was so designed.

PM-404.2 Bathrooms and Toilet Rooms – Every bathroom and toilet room shall have at least one (1) openable window, except that a window shall not be required in spaces equipped with a mechanical ventilation system that complies with the following:

- 1) Air exhausted by a mechanical ventilation system from a bathroom within a dwelling unit shall be exhausted to the exterior and shall not be recirculated to any space, including the space from which such air is withdrawn.

8. Water Supply

a. Summary of Standards

HQS8-1 The unit must be served by an approved public or private water supply that is sanitary and free from contamination.

PM-506.1 General – Every sink, lavatory, bathtub or shower, drinking fountain, water closet or other plumbing fixtures shall be properly connected to either a public water

system or to an approved private water system. All kitchen sinks, lavatories, laundry facilities, bathtubs and showers shall be supplied with hot or tempered and cold running water.

PM-506.2 Contamination – The water supply shall be maintained free from contamination and all water inlets for plumbing fixtures shall be located above the flood level rim of the fixture. Shampoo basin faucets, janitor sink faucets and other hose bibs or faucets to which hoses are attached and left in place shall be protected by an approved atmospheric type vacuum breaker or an approved permanently attached hose connection vacuum breaker.

PM-506.3 Supply – The water supply system shall be installed and maintained to provide a supply of water to plumbing fixtures, devices and appurtenances in sufficient volume and at pressures adequate to enable the fixtures to function properly, safely and free from defects and leaks.

PM-506.4 Water Heating Facilities – Water heating facilities shall be properly installed, maintained and capable of providing an adequate amount of water to be drawn at every required sink, lavatory, bathtub, shower and laundry facility at a temperature of not less than 110 degrees F. (43 degrees C.). A gas burning water heater shall not be located in any bathroom, toilet room, bedroom or other occupied room normally kept closed, unless adequate combustion air is provided. An approved combination temperature and pressure relief valve and relief valve discharge pipe shall be properly installed and maintained on water heaters.

9. Lead Based Paint

a. Summary of Standards

The regulation at 24 CFR Part 35, which implements the Lead Based Paint Poisoning Prevention Act, requires the following:

- HQS9-1 All interior surfaces must be either free of cracking, scaling, peeling, chipping, and loose paint or be adequately treated (as discussed in 3 below) to prevent the exposure of the occupants to such immediate hazards.
- HQS9-2 All exterior surfaces such as stairs, decks, porches, railings, windows and doors that are accessible to children under seven years of age must be free of cracking, scaling, peeling, chipping and loose paint or be adequately treated (as discussed in 3 below) to prevent the exposure of such children to immediate hazards.
- HQS9-3 All surfaces to be treated must be thoroughly washed, sanded, scraped, wire brushed or otherwise properly cleaned to remove all immediate hazards on applicable surfaces before repainting with at least two (2) coats of suitable non-lead paint or be covered with a suitable material such as gypsum

wallboard, plywood, drywall, plaster, wallpaper or other suitable material. If the paint film integrity of the applicable surface cannot be maintained so that new paint or materials such as wallpaper will adhere, the old paint must be completely removed before any repainting or covering is undertaken. Simply painting over affected surfaces is not an acceptable means of compliance.

10. Access

a. Summary of Standards

HQS10-1 The unit must be used and maintained without unauthorized use of other private properties.

HQS10-2 The building must provide an alternate means of exit in case of fire (such as fire stairs or exit through windows, with the use of a ladder if windows are above the second floor).

11. Site and Neighborhood

a. Summary of Standards

HQS11-1 The site and neighborhood must be reasonably free of serious conditions that would endanger the health and safety of residents.

12. Sanitary Condition

a. Summary of Standards

HQS12-1 The unit and its equipment must be free of serious vermin and rodent infestation.

Minnesota Energy Efficiency Standards – Owner Occupied Dwellings

- A. The Minnesota Energy Efficiency Standards establish priority areas for improvement in owner-occupied single family dwellings. The priority areas for energy consideration are set forth in the following considerations.
- B. All fuel oil furnaces below 75% steady state efficiency shall be improved to meet or exceed 80% steady state efficiency.
- C. General Heat Waste
 - 1. Caulk all dwellings envelope infiltration points, with emphasis on application: window and door frames, sill plates, foundation cracks, corners of buildings, under door sills
 - 2. Caulk or otherwise seal all exfiltration points in the attic, commonly known as attic bypasses, particularly where pipes, wires, fixtures or exhaust vents penetrate the ceiling or top of a wall. Also seal above dropped ceilings, laundry chutes, built-in buffet or other areas that do not have a plastered ceiling.
 - 3. Install hot water heater jackets with caution not to cover pilot light access door or draft hood on gas water heaters.
 - 4. Insulate hot water pipes to at least three (3) feet from water heater.
 - 5. Install gaskets on electrical boxes located on the interior side of exterior walls.
 - 6. Replace or reset broken or loose glass in primary windows. Replace missing glass in storm windows. Install new storm window on single glazed windows where storm window is missing or existing storm window is deteriorated beyond repair.
- D. Insulate attic area
 - 1. Add insulation sufficient to reach R-38 in all areas where space allows.
 - 2. Vent in accordance with FHA/HUD Minimum Property Standards. (No vapor barrier 1 to 300 ratio.)
 - 3. Insulate attic scuttle doors to R-30; dam access area, allowing entry to attic.
- E. Insulate exterior walls to a minimum of R-11 when possible.
- F. Insulate foundation walls on the exterior wherever possible with R-11 coverage over the rim joist and above-ground masonry and at least one foot of below ground masonry. If exterior application is not possible, insulate interior of foundation with R-11 coverage of rim joist and

complete wall area down to basement floor. For interior insulation, a vapor barrier must be installed on the warm side of the insulation.

- G. On crawl space, insulate perimeter foundation wall to R-11 or floor to minimum of R-19 where freezing of pipes is not a factor.

Minnesota Energy Efficiency Standards – Rental Units

<u>Type of Rental Unit</u>	<u>Standards Which Apply</u>
Single Family	1, 2, or 13, 3, 4, 5, 0, 10, 11, 12
Manufactured Home	1, 2, or 13, 2, 3, 5, 9, or 10, 11, 12
2 – 4 Unit Building	1, 2, or 13, 3, 4, 5, 9, 10, 11, 12
5 – 11 Unit Building	1, 3, 5, 10, 11, 12, and 2 or 13; OR 1, 3, 15, and 2 or 13
12+ Unit Building	1, 3, 5, 10, 11, 12, and 2 or 13; OR 1, 3, 15, and 2 or 13

1. Install weatherstripping between exterior operable window sash and frames and between exterior doors and frames. Weatherstripping is not required on storm doors or storm windows.
2. Caulk, gasket, or otherwise seal accessible exterior joints between foundation and rim joist; around window and door frames; between wall and roof; between wall panels; at penetrations for utility services through walls, floors, and roofs; and at all other openings in the exterior envelope.
3. Install storm windows on all single glazed exterior window units enclosing conditioned space.
4. Install storm doors on all exterior door openings into conditioned spaces unless a single door, enclosed porch, vestibule, or other appurtenance provides a double door effect or provides an “R” value of two or more.
5. Install positive shut-offs for all fireplaces or fireplace stoves, unless an existing damper provides a positive shut-off.
6. Install insulation in accessible attics or ceilings to achieve a minimum total “R” value of the insulation of R-19. If there is sufficient space for the installation of the recommended “R” value, then the standard must be based on installing insulation to fill the available space, while providing for appropriate ventilation.
7. Install insulation in all accessible rim joist areas to achieve a minimum total “R” value of the insulation of R-11. If there is insufficient space for the installation of the recommended “R” value, then the standard must be based on installing insulation to fill the available space.

8. Install insulation in or on accessible walls and floors enclosing conditioned spaces to achieve a minimum total “R” value of the insulation of R-11. If there is insufficient space for the installation of the recommended “R” value, then the standard must be based on installing insulation to fill the available space.
9. Modify the existing heating system so that it operates at a minimum steady-state efficiency of seventy-five percent (75%), as demonstrated through a flue gas analysis.
10. Install insulation in all ceilings or attics between conditioned and unconditioned spaces to achieve a minimum total “R” value of the insulation of R-38. If there is insufficient space for the installation of the recommended “R” value, then the standard must be based on installing insulation to fill the available space.
11. Install insulation in all rim joist areas to achieve minimum total “R” value of the insulation of 19, unless the “R” value of the existing insulation of R-11 or more. If there is insufficient space for the installation of the recommended “R” value, the standard must be based on installing insulation to fill the available space.
12. Install insulation in or on all walls and floors that enclose conditioned spaces to achieve a minimum “R” value of the insulation of R-11. Walls must include foundation walls of basements, cellars, or crawl spaces. Insulation installed on the exterior of the foundation wall must extend down to two feet below grade level. Insulation installed on the interior or in the foundation wall must be installed from the bottom of the rim joist to the foundation slab or floor. If there is insufficient space for the installation of the recommended “R” value, the standard must be based on installing insulation to fill the available space.
13. Caulk, gasket or otherwise seal interior joints between foundation and rim joist, around window and door frames, between wall and ceiling, at joints between wall and trim boards, at cracks on interior surfaces of walls, and at utility penetrations.
14. Install energy conservation measures that have had or are predicted to have a cumulative energy consumption savings of twenty-five percent (25%). These energy conservation measures must be designated in an energy audit conducted by a registered professional engineer or architect or other person determined qualified by the department. The annual energy consumption savings of 25% must be based on verified energy consumption, normalized to the average number of heating degree days reported by the nearest National Oceanographic and Atmospheric Administration recording station, for any heating season from 1973-1974 to the present.

City of Fairmont 2020 SCDP Comprehensive Rehabilitation Program Program Income Policy

The City of Fairmont 2020 SCDP Housing Rehabilitation Program and Commercial Rehabilitation Program may generate income through repayment of the 0% interest deferred loans. The loans are paid back to the City of Fairmont if the property title is transferred or the property is sold within ten (10) years of the date on the Repayment Agreement.

Revolving Fund: Income generated in this manner will be deposited to a dedicated revolving loan funds set up by the City of Fairmont for the purpose of providing funds for additional housing and commercial rehabilitation activities and other eligible SCDP related activities.

Income Received During the Grant Period: Any SCDP funds deposited to the SCDP Revolving Funds before the program has closed-out will be utilized immediately for additional rehabilitation projects located in the City of Fairmont. These funds will be tracked in the SCDP Disbursement Form and the SCDP Annual Reports. The Project Administrator will be responsible for tracking and reporting these funds during the open grant period.

Program Income: After the SCDP program has closed-out, funds deposited in the Revolving Loan Funds will be used to fund additional SCDP-eligible projects in the City of Fairmont. These projects may include additional housing or commercial rehabilitation projects or other eligible SCDP related activities. The City of Fairmont will be responsible for reporting program income after the grant has been closed out.

Revolving Loan Fund Policies and Procedures

Purpose – The purpose of the City of Fairmont SCDP Program Income Revolving Loan Fund is to provide financial assistance to additional qualified homeowners and commercial building owners to rehabilitate property or undertake other eligible SCDP related activities.

Eligible Properties – Properties to be improved under this program will be any single-family housing structure located in the City of Fairmont, commercial buildings located in the City of Fairmont and other eligible properties under other eligible SCDP related activities. The property must be a permanent structure.

Operational Policies – The policies governing the reuse of Program Income shall be those same policies adopted by the City of Fairmont as part of the 2020 SCDP Housing Rehabilitation Program and 2020 Commercial Rehabilitation Program.

CITY OF FAIRMONT

2020 SCDP FAIR HOUSING POLICY

The purpose of this policy statement is to formally declare the conviction and the intention of the City of Fairmont to achieve the aims of the Fair Housing Act and to assist the Secretary of Housing and Urban Development for the promotion and assurance of equal opportunity in housing with regard to race, color, religion, sex, handicap, familial status, national origin, or public assistance status. For the purposes of this public policy statement, the following definitions will apply.

1. "Discriminatory housing practices" means any act that is unlawful under the Fair Housing Act.
2. "Dwelling" means any building, structure or portion thereof which is occupied as, or designed or intended for occupancy as, a residence by one or more families.
3. "Fair Housing Act" means Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988 (42 U.S.C. 3600-3620).
4. "Familial status" means one or more individuals (who have not attained the age of 18 years) being domiciled with -
 - (a) A parent or another person having legal custody; or
 - (b) The designee of such parent or other person having such custody, with the written permission of such parent or other person.
5. "Handicap" means, with respect to a person, a physical or mental impairment, which substantially limits one or more major life activities.

It will be the public policy of the City of Fairmont to formally support equal opportunity for all residents or persons who wish to become residents of the City of Fairmont, and to ensure their rights to obtain decent, safe and sanitary housing. The City of Fairmont will not tolerate discriminatory practices within its jurisdiction. The following practices have been declared to be discriminatory and unlawful under the Fair Housing Act:

1. To refuse to sell or rent or to negotiate for the sale or rental of any property based on race, creed, color, sex, religion, national origin, marital status, familial status, handicap, or in regard to public assistance.
2. Discrimination in terms, conditions, and privileges and in services and facilities.

3. Engage in any conduct that makes dwellings unavailable or denies dwellings to persons.
4. Make, print, or publish or cause to make, print, or publish discriminatory advertisements.
5. To represent that a dwelling unit is not for sale or rent when in fact it is.
6. To engage in blockbusting.
7. To deny access to or membership or participation in, or to discriminate against any person in his or her access to or membership or participation in, any multiple-listing service, real estate broker's association, or other service organization or facility relating to the business of selling or renting a dwelling or in the terms or conditions or membership or participation.

FAIR HOUSING PLAN

In order to affirmatively further Fair Housing, within the next three years the City of Fairmont will:

1. Display a Fair Housing poster at City Hall.
2. Display the Fair Housing Symbol on program applications.
3. Make fair housing brochures available at City Hall and local lending institutions.
4. Issue a press release that people with fair housing questions can contact the grant administrator.

City of Fairmont
2020 SCDP
Residential Antidisplacement and Relocation Assistance Plan

under Section 104(d)
of the Housing and Community Development Act of 1974 as Amended

- A. The City of Fairmont will replace all occupied and vacant occupiable low to moderate income dwelling units demolished or converted to a use other than as low to moderate income housing in connection with an activity assisted with funds provided under the Housing and Community Act of 1974, as amended, as described in 24 CFR 570.488(c) (1).

All replacement housing will be provided within three (3) years after the commencement of the demolition or conversion. Before entering into a contract committing the City of Fairmont to provide funds for an activity that will directly result in such demolition or conversion, the City of Fairmont will make public and submit to the Minnesota Department of Employment and Economic Development the following information in writing:

1. A description of the proposed assisted activity;
2. The location on a map and number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as low to moderate income dwelling units as a direct result of the assisted activity;
3. A time schedule for the commencement and completion of the demolition or conversions;
4. The location on a map and the number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units. If such data is not available at the time of the general submission, the City of Fairmont will identify the general location on an area map and the approximate number of dwelling units by size and provide information identifying the specific location and number of dwelling units by size as soon as it is available;
5. The source of funding and a time schedule for the provision of replacement dwelling units;
6. The basis for concluding that each replacement dwelling unit will remain a low to moderate income dwelling unit for at least ten (10) years from the date of initial occupancy;
7. Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g. a 2-bedroom unit with two 1-bedroom units) is consistent with the housing needs of low and moderate income households in the City of Fairmont.

The City of Fairmont may request the Minnesota Department of Employment and Economic Development to recommend that the U.S. Department of Housing and Urban Development approve an exception to require replacement housing if there is an adequate local supply of vacant low to moderate income dwelling units in standard condition. Exception will be reviewed on a case by case basis as described in 24 CFR 570.488 (c) (1)(B).

- B. The City of Fairmont will provide relocation assistance, as described in 24 CFR, Part 570.488(c) (2), to any lower income person displaced by the demolition of any dwelling unit or the conversion of a low to moderate income dwelling unit to another use in connection with assisted activities.
- C. Consistent with the goals and objectives of activities assisted under the Act, the City of Fairmont will take the steps specified below to minimize the displacement of persons from their home or business:

In cases of temporary displacement, the following actions may be taken:

1. Planning utility shut-offs for times most convenient to residents and business owners.
2. Providing information and referral services to individuals whom must temporarily leave his/her homes or businesses.
3. Informing landlords of the need to minimize displacement and to inform tenants of the intent to minimize displacement.
4. Requiring landlords to pay tenant out of pocket expenses for the period of time in which a unit is not habitable.
5. Scheduling lead reduction work to occur when the residents are not in the structure and promptly completing the compliance testing for owner re-occupancy of the structure.

In case of permanent displacement, the following actions may be taken.

1. Informing tenants that they may be entitled to relocation payments and other assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA).
2. Informing tenants that they may be entitled to additional payments above the URA payments in compliance with requirements of section 104 (d) of the Housing and Community Development Act of 1974, as amended. If rehabilitation activities raise the market rent (including utility costs) above the applicable fair market rent established by HUD's Section 8 existing housing program, then the unit must be replaced and low or moderate income tenants are entitled to additional payments in compliance with section 104 (d).

D. Definitions for the purposes of this plan are as follow:

A “low to moderate income dwelling unit” is a unit with a market rental, including utility costs, that does not exceed the applicable fair market rent for existing housing and moderate rehabilitation, as established under the Section 8 existing housing program.

A “vacant occupiable dwelling unit” is a vacant unit that is in standard condition; or in substandard condition, suitable for rehabilitation; or in dilapidated condition and occupied less than a year from the date of the grantee agreement.

An “occupiable dwelling unit” is a unit that is in standard condition or has been raised to a standard condition from a substandard condition, suitable for rehabilitation.

“Permanent Displacement” means any person(s) (family, individual, business, non-profit organization or farm) that moves from real property or moves personal property from real property as a direct result of rehabilitation, demolition or acquisition for a Small Cities Development Program project.

A “standard condition dwelling unit” is a well-built unit with adequate space for persons living there. There are no major defects in the structure and only minor maintenance is required. Such dwelling will have the following characteristics reliable roofs; sound walls and foundations; adequate and stable floors, walls and ceilings; surfaces and woodwork that are not seriously damaged nor have paint deterioration; sound windows and doors; adequate heating, plumbing and electrical systems which do not present safety hazards; adequate insulation for local climatic conditions; and is in compliance with local building and housing codes.

A “substandard condition dwelling unit, suitable for rehabilitation” will show a lot of deferred maintenance with permanent damage to structural items. Conditions contributing to substandard dwelling, include but are not limited to sagging, cracked, rotting or leaking roofs, walls, foundations, ceilings, floors, doors and windows; deteriorated surfaces and woodwork; unreliable heating, plumbing or electrical systems which present safety hazards or inadequate insulation. The cost of rehabilitating the unit to a standard condition should not exceed the market value of the dwelling.

“Temporary Displacement” occurs when people move out of their dwelling, business or property for a short period of time due to activities of the Small Cities Development Program. Temporary displacement most frequently occurs with housing and commercial rehabilitation projects.

City of Fairmont 2020 SCDP Section 3 Plan

Background

The City of Fairmont, in conjunction with the Small Cities Development Program grant, has developed the following plan to direct employment and other economic opportunities generated by HUD financial assistance for housing and community development programs, to the greatest extent feasible, toward low and very-low income persons, particularly those who are recipients of government assistance for housing.

Section 3 is a HUD requirement that is intended to ensure that when employment or contracting opportunities are available on HUD-funded projects, preference is given to low and very-low income persons or businesses. Being a Section 3 Business is not required; however, preference is given to those businesses.

Plan

For the Small Cities Development Program grant, the City of Fairmont will attempt to recruit low and very-low income residents through:

- Local advertising media
- Participating in HUD programs that promote the training or employment of Section 3 residents
- Participating in HUD programs that promote the award of contracts to businesses that meet the definition of Section

The City of Fairmont will require all contractors bidding on Small Cities Development Program projects to complete and submit the Section 3 Business Certification Form prior to awarding contracts. While being a Section 3 business is not required for the program, the City of Fairmont will give preference to qualified, competitive Section 3 businesses.

CITY OF FAIRMONT

PROHIBITION OF EXCESSIVE FORCE POLICY 2020 SCDP COMPREHENSIVE REHABILITATION PROGRAM

The federal Housing and Urban Development department, the funding source for the Small Cities Development Program, requires participating grantees to have policies in place regarding excessive use of force and non-violent civil rights demonstrations. These requirements are found in Section 519 of the 1990 HUD Appropriations Act and Section 906 of the of the National Affordable Housing Act of 1990. In order to receive funds under the Community Development Block Grant program, the following policies must be instituted by the unit of government receiving funds.

1. The City of Fairmont prohibits the use of excessive force by law enforcement agencies within its jurisdiction against individuals engaged in nonviolent civil rights demonstrations.
2. The City of Fairmont also will enforce applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such nonviolent civil rights demonstration within its jurisdiction.

City of Fairmont

2020 SCDP Comprehensive Rehabilitation Program

Application and Intake Policy

1. The Grant Application and the Rehabilitation Policies developed for this program both state that applications will be taken on a “first come – first served” basis. This basis will be used for the 18 owner occupied projects. The 8 commercial projects will be selected by lottery after a designated application period.
2. An application will be considered complete when MVAC has received an application and all required supporting documentation.

Housing Rehabilitation Program

- To begin the process, MVAC will send out an application package to all applicants on the waiting list referred to in the grant application that live in the Primary Target Area. The application package will include an application, list of additional items to return with the application, and specific instructions that the application is not complete until all items are received. Additionally, public meetings may be held to discuss the housing rehabilitation program.
- If all projects are not identified in the Primary Target Area, marketing activities will commence in the Secondary Target Area during the second year of the grant.
- Applications will be reviewed by MVAC staff in the order in which they are received.
- Once a sufficient number of eligible applications have been received, (including 3 or 4 extras), MVAC will discontinue accepting applications and instead begin a “Supplemental Application Waiting List.” If or when the City applies for additional funding for this program, the request will be based upon this newer waiting list of eligible and still interested applicants.
- In order to manage this process, MVAC staff will maintain a list of all eligible applicants and the date that they were determined to be eligible for the program.

Commercial Rehabilitation

- All interested commercial building owners that completed surveys will receive an application package with a deadline to apply to enter the pool for lottery selection.

- 8 projects will be randomly picked from the pool. All remaining applications will stay in the pool in case projects drop out and additional projects need to be picked.
- If additional funds remain after the 8 initial projects are completed, additional applications will be picked from the pool of applications.

CITY OF FAIRMONT

DISBURSEMENT REQUEST PROCESSING POLICY 2020 SCDP COMPREHENSIVE REHABILITATION PROGRAM

Small Cities Development Program (SCDP) funds must be requested from the Minnesota Department of Employment and Economic Development (DEED), drawing down program funds by category per the approved disbursement form. The City of Fairmont gives permission to the Program Administrator to sign the disbursement requests on the City's behalf. Copies of the disbursement request and supporting documents will be forwarded to the City Administrator for tracking purposes. Funds will still be sent directly to the City of Fairmont. The documentation will notify City staff when a disbursement request is being made, what it is for and to watch for receipt of the funds. Once funds are received they will be forwarded to the Program Administrator.

Grant Administration Contract

This Agreement is made as of the th day of , 2021, by and between the City of Fairmont, a city under the laws of the State of Minnesota (hereinafter referred to as “the City”) and Minnesota Valley Action Council, Inc. a Minnesota corporation (hereinafter referred to as “the Consultant”).

In consideration of the mutual covenants and promises hereinafter set forth, it is understood and agreed as follows:

1. Employment

City hereby retains and employs Consultant to perform certain necessary services to carry out grant administration and program implementation activities in connection with the Small Cities Development Program grant awarded to the City, referred to as grant number CDAP-19-0039-O-FY20 (the “Grant”).

2. Project

The scope of this project is to include the following activities in connection with the administration of the Grant: a) rehabilitation of 18 owner occupied residential units, b) rehabilitation of 8 commercial building units and c) general project administration.

3. Basic Services of the Consultant

The Consultant will provide the following specific services to the City:

(a) Rehabilitation Programs

- (1) Consultant will develop rehabilitation program guidelines for single family rehabilitation and commercial rehabilitation activities and implement them in accordance with federal and state standards. Consultant will also provide: program marketing; determination of eligibility; dwelling unit inspections; SHPO clearance; rehabilitation work write-ups; assistance to property owners in obtaining bids; coordinate, and where possible, secure other leverage funds as specified in the policy manual; lead paint assessments and certifications; inspections prior to and during construction; and certification of completion for contractor payoff.
- (2) The City and the Consultant mutually agree that repayment agreements shall be obtained from each qualified individual property owner prior to disbursement of Grant funds. Each repayment agreement shall be in the form of a mortgage securing each loan of Grant funds provided under the Grant to each qualifying individual property owner. Consultant agrees to complete all required mortgage documents and cause each such document to be properly executed and record the same at the applicable County Recorder’s office.

(3) The Consultant will provide periodic reports to the City disclosing the progress of the rehabilitation programs as well as a fiscal report identifying total contracts, other funds, amount paid, contractor data and any pertinent information for the required reporting to the state.

(b) General Administration. Consultant will:

(1) Prepare all paperwork required for the release of grant and loan funds.

(2) Complete the required Environmental Review Record.

(3) Prepare all annual reports, the final grant report, and other submissions that are required throughout the life of the grant award.

(4) Process all requests for payment from contractors and all requests for drawdowns of funds.

(5) Work with the Fairmont Finance Director to establish the program's accounting system.

(6) Administer regulations relating to civil rights, equal opportunity, fair housing, residential anti-displacement and other Special Conditions as set forth in DEED's grant agreement.

(7) Complete all closeout documents and citizen participation activities that are required to take place upon completion of the project.

(8) Provide regular reports to the City Council, attend City Council meetings as needed, and maintain such office hours in the City as may be necessary and perform other necessary activities as may be required for the efficient implementation of the project.

(9) Prepare the Rehabilitation Policy Manual and Rehabilitation Standards in conjunction with input from the City.

(10) Provide monitoring of rehabilitation activities to ensure timely completion and compliance with grant guidelines.

(11) Upon grant closeout, all program files developed during the project will be delivered to the City for long-term maintenance.

4. Project Implementation Services

Consultant and City intend to establish a close cooperative working relationship. Consultant and City agree that City is responsible for the performance of certain acts and functions that will enable Consultant to fulfill its duties under this Agreement. The City agrees that Consultant will, in the course of administration of the Grant, require the cooperation and services of the City's Attorney and City of Fairmont staff members. In performing the Basic Services, the Consultant does not intend to eliminate or reduce the services that will be required of the City Attorney or City of

Fairmont staff members in the course of the project. The Consultant intends to provide administrative services that shall be undertaken only at the request of and under the direction of the City Council. Associated with performing these activities, the Consultant shall be responsible for developing the necessary subcontracts for rehabilitation inspections and lead risk assessments and insuring that the tasks assigned to the Consultant and the inspection subcontractors are completed. In addition, the Consultant shall provide the following:

- (a) The Consultant shall work with the Community Development Director to coordinate planning and implementation of the City's project.
- (b) The Consultant shall, at such time and in such forms as the City requests, furnish to the City Council such periodic reports as it may request pertaining to the project.
- (c) The Consultant shall, at the City's request, provide a copy of any and all reports or documents created, generated or obtained by the Consultant in the course of providing the services, which documents may be retained by the City as a part of its permanent records.
- (d) The Consultant will utilize subcontractors for lead risk assessment services. The Consultant will have a separate agreement with other subcontractors for these services.

5. Limitation of Consultant Services

City and Consultant agree that Consultant will not provide and is not obligated to provide the following services under this Agreement:

- (a) The Consultant will not provide or be obligated to obtain legal advice or architectural/engineering services to or on behalf of the City.
- (b) The Consultant shall not undertake any activity or action unless the City Council has provided appropriate policy direction or specific authorization to do so.
- (c) The Consultant will not be responsible for the disbursement of moneys from the applicable state and federal agencies. The City shall be responsible for maintaining the program's accounting system.
- (d) The Consultant will not undertake those administrative tasks that are otherwise assigned to be delegated to the City Administrator or other City staff.
- (e) Consultant will not employ subcontractors whose services shall be directly billable to the City without the express written authorization and approval of the City. Notwithstanding the foregoing, Consultant reserves the right to subcontract any and all services in consideration of the Compensation and Payment set forth in Section 6 below.

6. Compensation and Payment

The Consultant agrees:

- (a) To provide professional services as necessary to complete the administration, management, and implementation of the project. The Consultant will provide services on an hourly reimbursement basis that includes both direct and indirect allocable costs incurred for the performance of the grant. These costs will be invoiced at the current hourly rate, and an itemization of hours by project will be provided with the draw down request. Any subcontractor services shall be invoiced through the Consultant at the subcontractor's invoice rate.
- (b) The Consultant and the City agree that the maximum grant administration fees for services shall not exceed \$115,500 for the duration of the project, based on the budget approved in the Small Cities Development Grant and a rehabilitation goal of 18 owner occupied projects and 8 commercial building projects.
- (c) Said maximum fees shall apply through and including September 30, 2023, at which time the necessary documents to finalize and closeout the project are to have been submitted to the State agencies.
- (d) In the event that the services of the Consultant are required by the City after the date that said grant close-out is to occur, said services shall be billed to the City in accordance with the standard billing rates of the Consultant in effect at the time with said additional services being in addition to the aforesaid maximum fee. Any additional fees are understood to require a reallocation of grant funds, a budget amendment approval by DEED and the City, and will take into consideration the Consultant's accomplishments and anticipated activities to complete the grant activities.
- (e) In the event the City requests Consultant to perform services not included in this Agreement, or in the event there is a substantial change in the nature of the work or the issues involved, City and Consultant shall create a written addendum to this Agreement the terms hereof.

7. Schedule and Method of Payment

All charges for grant administration services and reimbursable expenses may be billed to the City monthly or as expenditures accrue. All bills are due upon receipt and shall be paid by the City no later than the date of the next regular City Council meeting or as soon thereafter as funds become available in the Small Cities Development grant fund. All billings from the Consultant for this project shall be itemized in a manner acceptable to the state agency and the City. City agrees to pay interest computed at 8 percent per annum on any portion of its account that remains unpaid for more than 30 days. In the event City fails to pay all fees and expenses when billed, City also agrees to pay costs and expenses of collection, including attorney's fees incurred in collecting the unpaid account. City understands that Consultant need not proceed with or perform the services hereunder as long as any fees or expenses are unpaid.

8. Cooperation between the City and the Consultant

It is the intent of this Agreement that a close cooperative working relationship be established between the City and the Consultant. Among the City's specific responsibilities under this Agreement are:

- (a) To make available to the Consultant, at no cost and in a timely manner, any available data, studies, reports, maps and other documents in its possession or available to it pertinent to the services to be performed.
- (b) To assist the Consultant in arranging and scheduling meeting and contacts with local public officials, private agencies and individuals, and providing limited space for application intake as may be necessary.
- (c) To provide any legal information, guidance, advice and opinion necessary hereunder.
- (d) To cooperate and assist in assembling information, data and other aid needed to facilitate the Consultant's activities hereunder, including review by City officials and other governmental agencies.
- (e) To act as the Fiscal Agent for the grant, including the receipt and disbursement of all grant funds.

9. Termination of Contract

- (a) Termination for Cause: If, for any reason not beyond its control, Consultant shall fail to fulfill in a timely and proper manner the obligations under this Agreement, or if the Consultant shall violate any of the covenants, agreements, or stipulations of the Agreement, the City shall thereupon have the right to terminate this Agreement by giving written notice of such termination and specifying the effective date thereof, at least ten (10) days before the effective date of such termination. In such event:
 - 1. All finished or unfinished documents, data, studies and reports prepared by the Consultant under this Agreement shall, at the option of the City, become the property of the City.
 - 2. The Consultant shall be entitled to receive just and equitable compensation for any work completed.
 - 3. The Consultant shall have no obligation to finish work in progress.
- (b) Termination for Convenience of the City: The City may terminate this Agreement at any time by giving at least ten (10) days' notice in writing to the Consultant. If the City as provided herein terminates the Agreement, the Consultant will be paid for the time provided and

expenses incurred up to the termination date. If this Agreement is terminated due to fault of the Consultant paragraph (a) shall apply above.

10. "Section 3" Compliance

In connection with the execution of this Agreement, all parties shall comply with Section 3 of the Housing and Urban Development Act of 1968. Section 3 requires, to the greatest extent feasible, opportunities for training and employment to be given to lower income persons residing in the area of the project and to utilize business concerns that are located in or owned in substantial part by persons residing within the project area.

11. Equal Opportunity in Employment

In connection with the execution of this Agreement, all parties shall comply with Section VI of the Civil Rights Act of 1964 (78 Statute 2124), Section 109 of the Housing and Community Development Act of 1974 and Amendments and Regulations issued thereto. During the performance of this Agreement, the Consultant specifically agrees as follows:

- (a) The Consultant will not discriminate against any employee or applicant for employment because of race, creed, sex, color or national origin. The Consultant will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, creed, sex, color or national origin. Such action shall include, but not be limited to demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Consultant shall post, in conspicuous places available to employees and applicants for employment, notices to be provided by the City setting forth the provisions of this nondiscrimination clause.
- (b) The Consultant will, in all solicitations or advertisements for employees placed by or on behalf of the Consultant, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, sex or national origin.

12. Indemnity

City shall indemnify and save Consultant harmless from and against any and all costs, liability, or expense, including reasonable attorneys' fees, arising out of (a) any breach of warranty, covenant, agreement, or representation made by City in this Agreement; (b) any non-fulfillment of any agreement of City under this Agreement or any misrepresentation in or omission from this Agreement or from any document or other instrument furnished or to be furnished to Consultant; and (c) all actions, suits, proceedings, demands, assessments, judgments, costs, and expenses incident to any of the foregoing. Consultant will give written notice as soon as practicable to City of the occurrence or nonoccurrence of any event or the discovery by Consultant of any circumstance against which City may be called upon to indemnify Consultant under this Agreement.

13. Other Compliance Provisions

- (a) The Consultant will comply with all other relevant assurances and requirements relating to the Small Cities Development Program, now in effect or to be established at a later date by the State of Minnesota and/or federal government, with which the City is also required to comply.
- (b) The Consultant will comply with provisions of the Copeland Anti-Kickback Act (18 USC 874), as supplemented in the Department of Labor regulations (29 CFR, Part 3).
- (c) The Consultant hereby assigns to the State of Minnesota any and all claims for overcharges as to goods and/or services provided in connection with this Agreement resulting from antitrust violations that arise under the antitrust laws of the United States and of the State of Minnesota.
- (d) The Consultant shall comply with grantor agency requirements and regulations pertaining to reporting and patent rights with respect to any discovery or invention that arises or is developed in the course of or under this Agreement and/or grantor agency requirements and regulations pertaining to copyrights and rights in data.
- (e) The Consultant shall provide to the City, the grantor agency, the Comptroller General of the United States or any of their duly authorized representatives, access to any books, documents, paper and records of the Consultant that are directly pertinent to this Agreement, for the purpose of making audit, examination, excerpts and transcripts. The Consultant shall maintain all required records for three (3) years after the close of this project.
- (f) Notice to Contractor: “You are required by Minnesota Statutes, 1982, Section 270.66, to provide your Social Security Number or Minnesota Tax Identification Number if you do business with the State of Minnesota. This information may be used in the enforcement of federal and state tax laws. Supplying these numbers could result in action to require you to file state tax returns and pay delinquent state tax liabilities. This contract will not be approved unless these numbers are provided. These numbers will be available to federal and state tax authorities and state personnel involved in the payment of state obligations. The following numbers apply to the Consultant:

Social Security Number	Does Not Apply
Minnesota Tax ID Number	9465358
Federal Employer ID Number	41-6050353

- (g) The Consultant certifies, to the best of his/her knowledge and belief, that no Federally appropriated funds have been paid, by on or behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan or cooperative agreement. If any funds other than federally appropriated funds have been paid or will be paid to any person for any of the above purposes, the undersigned shall complete and

submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

- (h) The Consultant is an independent contractor in the relationship hereunder with the City and the City shall not have any duty with respect to FICA or any other withholding taxes or payroll requirements for these consulting services. The independent contractor relationship created by this contract is for the unlimited and specific purposes set forth in this contract, including exhibits attached.
- (i) All claims by Consultant or City by one against the other arising out of or related in any manner to this Agreement shall be resolved by arbitration, as set forth herein.

A single arbitrator engaged in the practice of law and who has at least eight (8) years of litigation experience shall conduct the arbitration under the then current commercial arbitration rules of the American Arbitration Association ("AAA"), unless otherwise provided herein. The arbitrator shall be selected in accordance with AAA procedures. The arbitration shall be conducted in Mankato, Minnesota.

Consultant and City shall allow and participate in discovery in accordance with the Federal Rules of Civil Procedure. The arbitrator shall rule on unresolved discovery disputes. The arbitrator shall only have authority to award contractual damages and shall not have the authority to award punitive or exemplary damages, other non-compensatory damages or any other form of relief. Each party shall bear its own costs and attorneys' fees. The arbitrator's decision and award shall be final and binding, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

If either party files a judicial or administrative action asserting claims subject to arbitration, as prescribed herein, and the other party successfully stays such action and/or compels arbitration of said claims, the party filing said action shall pay the other party's costs and expenses incurred in seeking such stay and/or compelling arbitration, including reasonable attorneys' fees.

- (j) The provisions hereof represent the entire contract between parties. This contract and any special provisions to which this contract is subject may only be altered, amended or rescinded by a duly executed written agreement.

In Witness Whereof, the parties have executed this agreement at Fairmont, Minnesota, this th day of , 2021.

Minnesota Valley Action Council, Inc.

City of Fairmont

By _____
Amanda Mackie, Executive Director

By _____
Deborah J Foster, Mayor



Fairmont City Council
March 8, 2021

Agenda Item: 9.3

From: Cathy Reynolds, City Administrator
To: Mayor and City Council

Subject: Authorize Bid for 2021 Aquatic Park Capital Projects

Policy/Action Requested: Motion to authorize the acceptance of the bid from Horizon Commercial Pool Supply.

Vote Required: X Simple Majority Roll Call

Recommendation: Authorize the bid from Horizon Commercial Pool Supply

Overview: The City budgeted \$118,000 for the following Aquatic Park maintenance and repairs:

- Chlorine System
-Installation of new strainers for the diving and lap pool.
-Repair splash pool leak.
Repair broken feature piping under the pool surface of the zero-depth pool.
Repair transition line and control joint in zero depth pool by the water walk.
Replace link seals on piping in the splash pool surge tank.
-Repair autofill controllers for the zero-depth/splash, lap and diving pools.

Staff sought quotes from three Minnesota based agencies that have all conducted work at the site: either initial construction or repairs.

Staff is recommending Horizon Commercial Pool Supply, as they provide the best value for the capital projects. Per the Purchasing Policy, staff seeks Council's approval of the bid.

Budget Impact: The table below provides a summary of the quotes obtained and budget amount.

Table with 6 columns: Item, 2021 Budget, Horizon Commercial Pool Supply, Global Specialty Contractors, Inc., Aqualogic Inc., and Total. Rows include Chlorine System, Replace damaged strainers, Leak repairs, Replace levelers, and Total.

Attachments:

Council Action: _____ Date: _____



Fairmont City Council
March 8, 2021

Agenda Item: 9.4

From: Troy Nemmers, Public Works Director/City Engineer
To: Mayor and City Council

Subject: Award 2021-C Sealcoat Projects

Policy/Action Requested:

Vote Required: Simple Majority Roll Call

Recommendation: To approve Resolution 2021-27 awarding the sealcoat projects, Project 2021-C to Asphalt Preservation Company, Inc..

Overview: A bid opening for the sealcoat projects was held on Thursday, March 4, 2021 at 11:00 a.m. Five bids were received with Asphalt Preservation Company, Inc. of Detroit Lakes, Minnesota being the low bidder at \$100,008.60. The Engineer’s estimate was \$132,749.14. Staff is recommending awarding the bid to Asphalt Preservation Company, Inc.

Budget Impact:

Attachments: Resolution 2021-27

Council Action: _____ Date: _____

RESOLUTION 2021-27

STATE OF MINNESOTA)
COUNTY OF MARTIN) SS
CITY OF FAIRMONT)

RESOLUTION ACCEPTING BID

SEALCOAT PROJECTS – PROJECT 2021-C
CITY OF FAIRMONT, MINNESOTA

WHEREAS, pursuant to an advertisement for bids for the Sealcoat Projects, 2021-C, bids were received, opened and tabulated according to law, and the following bids were received complying with the advertisement:

<u>BIDDER</u>	<u>AMOUNT OF BID</u>
Allied Blacktop Company Maple Grove, MN	\$120,805.30
Asphalt Preservation Company, Inc. Detroit Lakes, MN	\$100,008.75
Asphalt Surface Technologies Corp. (ASTECH) St. Cloud, MN	-----
Bituminous Paving, Inc. Ortonville, MN	\$118,116.60
Pearson Bros., Inc. Hanover, MN	\$102,160.85

WHEREAS, it appears that Asphalt Preservation Company, Inc. of Detroit Lakes, MN is the lowest responsible bidder.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAIRMONT, MINNESOTA:

1. The Mayor and Clerk are hereby authorized and directed to enter into the contract for the Sealcoat Projects, Improvement Project, 2021-C with Asphalt Preservation Company, Inc. of Detroit Lakes, MN in the name of the City of Fairmont, for the

improvements according to the plans and specifications therefore approved by the City Council and on file in the office of the City Clerk at a cost of \$100,008.75.

2. The City Clerk is hereby authorized and directed to return forthwith to all bidders the deposits made with their bids, except that the deposits of the successful bidder and the next lowest bidder shall be retained until a contract has been signed

ADOPTED by the City Council this 8th day of March 2021.

Deborah J. Foster, Mayor

ATTEST:

Patricia J. Monsen, City Clerk



Fairmont City Council
March 8, 2021

Agenda Item: 9.5

From: Troy Nemmers, PE – Director of Public Works/City Engineer
To: Mayor and City Council

Subject: Advertise for bids for 2021-F, Dutch Creek Habitat Restoration and Nitrate removal project

Policy/Action Requested: Approval
Vote Required: [X] Simple Majority [] Roll Call

Recommendation: Approve Resolution 2021-26

Overview:

The City was awarded grant funding from the Environment and Natural Resources Trust Fund (\$175,000) and the Lessard-Sams Outdoor Heritage Council (\$1,390,000) to complete the construction of a habitat restoration and nitrate removal project in the Dutch Creek watershed. The recent land transactions with the Gerhardt's and Dutch Creek 1st addition plat that were approved by the Council provide the location for this project. This project will involve construction of a pilot scale, passively heated, wood-chip bioreactor to remove nitrates in the runoff from a portion of the Dutch Creek watershed. The second part of the project will create a 5-acre wetland for northern pike spawning habitat as well as completing prairie restoration on the remaining 30 acres of the City's parcel. The plans and specifications are ready and the bid opening for this project would be held at 10:00 a.m. on April 7, 2021. Staff is recommending approval.

Budget Impact:

Most of this project will be reimbursed with grant funds. Remaining funds will come from the Lake Restoration account.

Attachments: Resolution 2021-26

Council Action: _____ Date: _____

RESOLUTION NO. 2021-26

STATE OF MINNESOTA)
COUNTY OF MARTIN) SS:
CITY OF FAIRMONT)

RESOLUTION APPROVING PLANS AND SPECIFICATIONS AND ORDERING ADVERTISEMENT FOR BIDS

CONSTRUCTION OF DUTCH CREEK HABITAT RESTORATION & NITRATE REMOVAL PROJECT 2021-F IMPROVEMENT CONTRACT

WHEREAS, the City Engineer arranged for the preparation of Plans and Specifications for the construction of:

DESCRIPTION OF WORK: The project generally consists of:

- Enhancement and restoration of roughly 35 acres of Dutch Creek watershed and natural habitat areas; and
- Constructing a field scale biological nitrate removal pilot to improve surface water quality.

together with numerous related items of work, all in accordance with Plans and Specifications. This project is subject to Responsible Contractor Certification.

and has presented such Plans and Specifications to the Council for approval.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAIRMONT, MINNESOTA:

1. Such Plans and Specifications, as prepared by the City Engineer, are hereby approved.
2. The City Clerk shall prepare and cause to be inserted in the official paper, on Quest CDN, and on the City of Fairmont website (www.fairmont.org) if the estimated construction cost exceeds \$175,000, an advertisement for bids upon the making of such improvement under such approved Plans and Specifications. The advertisement shall be published for one day, shall specify the work to be done and shall state that bids will be opened on April 7, 2021 at 10:00 a.m. Any bidder whose responsibility is questioned during consideration of the bid will be given an opportunity to address the Council on the issue of responsibility. No bids will be considered unless sealed and filed with the clerk and accompanied by

a bid bond or certified check payable to the Clerk for five (5) percent of the amount of such bid. The bids will be tabulated at that time and will be considered by the City Council at a regular scheduled meeting to be held after review by the City Engineer of the lowest responsible responsive bidder's bid documents.

ADOPTED by the Council this 8th day of March 2021.

Deborah J. Foster, Mayor

ATTEST:

Patricia J. Monsen, City Clerk

(SEAL)



Fairmont City Council
March 8, 2021

Agenda Item: 9.6

From: Troy Nemmers, Public Works Director/City Engineer
To: Mayor and City Council

Subject: Discussion on Public Works facility needs

Policy/Action Requested:

Vote Required: [X] Simple Majority [] Roll Call

Recommendation: To direct staff on the Council's preferred direction to address public works facility needs.

Overview:

Staff has been working with Kraus Anderson and ISG to put together some initial information on options that have been discussed for the Public Works Facility. To focus our planning efforts, we will have a discussion on the options being looked at and some of the initial considerations for these options to obtain Council's thoughts and decision on where you would like us to focus efforts for planning. This decision will allow us to focus time and planning efforts in line with Council's direction.

The options we will be discussing include:

- 1) What a \$5M budget could potentially get us?
2) What would a renovation/expansion of the existing building look like?
3) What could be done as an expansion/renovation/addition at the Line Department location on Marcus St?

The work on the Margaret Street option will be used as a framework and comparison as we look at the other options. Council still does have the option to continue with the bids received on the Margaret Street option until the March 22 meeting. The current bids are valid for 60 days and after March 22, new bids will be required.

The attached question and answer sheet provides some initial information on the options and the multiple needs of the public works facility beyond that of the space to store equipment.

Staff is aware that many planning approaches can be taken on each of the options being discussed but getting Council's input at this stage on the preferred option will help to inform the work moving forward.

Budget Impact:

Attachments:

- 1. Public Works Facility Question and Answer Sheet

Council Action: _____ Date: _____



PUBLIC WORKS FACILITY

Questions and Answers

Why does the City of Fairmont need a new building?

The existing Public Works Facility has several health and safety concerns, has failing mechanical systems that are unable to be repaired, and is too small to handle the work of the Street, Parks, and Maintenance Departments which are housed at the facility.

When was the current Public Works Facility built?

The original Public Works Facility was built in 1967. There were two additions to the facility in the 70s.

What steps has the City taken to obtain outside review of the existing Public Works Facility?

The City had a Feasibility Study completed on the existing building in early 2015. This assessment reviewed the general facility conditions, code related issues, and the mechanical and electrical systems. The assessment also reviewed the space needs for the departments serviced by the facility for the efficient operations of all departments.

What did the Feasibility Assessment conclude about the current Public Works Facility?

The assessment found insulation, fire safety, building code, heating, ventilation, plumbing, and electrical updates needed within the facility. The assessment also evaluated the costs of required renovations versus the projected costs associated with the construction of a replacement facility.

What is the status of OSHA and safety inspections of the existing facility?

Through the Minnesota Municipal Utilities Association (MMUA) Safety Program numerous mock OSHA and safety inspections have been conducted. These inspections have routinely noted safety concerns throughout the building which cannot be corrected with the current structure. In addition, a MNOSHA inspection was conducted in 2015. The MNOSHA inspection did not result in any citations, but in conversation with staff noted many areas that needed to be corrected.

What alternatives has the City evaluated for the Public Works Facility?

The City, in conjunction with their contract architects, have utilized the feasibility assessment space analysis to look at various options for a Public Works Facility. The options have included approaches from renovating the existing facility, adding on to the existing facility, building a new facility on the existing location, building a facility at the Margaret Street location, building a facility at an alternate site that the city could potentially purchase, and expanding at the city's line department. The alternative analysis has also included reviews of the space needs for the facility and what the best footprint for the facility would be for efficient and safe workspace.

What does a \$5 Million building versus a \$10 Million building look like for the City?

Significant investment has been made in soft costs for the proposed Margaret Street site. Future option development will increase the soft costs for this project. Reducing the cost of the facility will not diminish the space needed in many areas and will mainly result in a reduction in the vehicle garage space. This greatly affects the efficiencies to be gained by a new facility and the ability of the City to access equipment utilized by the Departments to provide services to the community. The reduction in the vehicle garage space impacts the economy of scale in the building and results in a higher cost per square foot for the structure. The table on page 3 depicts the results of this analysis.

Isn't the public works building a large garage space, why is it so expensive?

This building houses 21 full-time employees and all of the Public Works services are operated out of this building to fully maintain the streets, parks, storm sewer, city facilities, city vehicles (Public Works, Police, Fire, Utilities, etc.), and city functions required to keep our community safe, inviting, and clean. The building also serves an important function to protect over \$6 million in vehicle assets from the elements and to extend their service life and reduce maintenance costs. Please see the floor plan on the next page which outlines the spaces needed to serve these important functions and to provide an efficient and safe work environment.

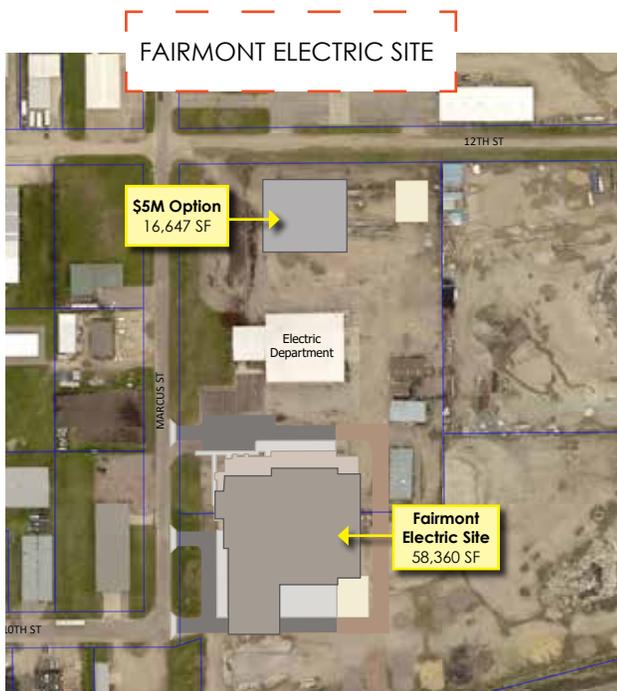
What will the cost of a new Public Works Facility do to my taxes?

The City Council approved a tax levy increase of \$125,000 in 2019 and \$200,000 in 2020 in preparation for bonding for the new Public Works Facility. The City has also been able to set aside \$2,400,000 in reserves over the last five years for this project. Between the tax levy increases already done and the cash reserves available, it was anticipated that we could fund the debt service for a \$9.8 million building without any further property tax increases. As interest rates and construction costs increase any facility costs will have to be re-evaluated to determine the tax implication.

What is the economic benefit to the community in building this facility now?

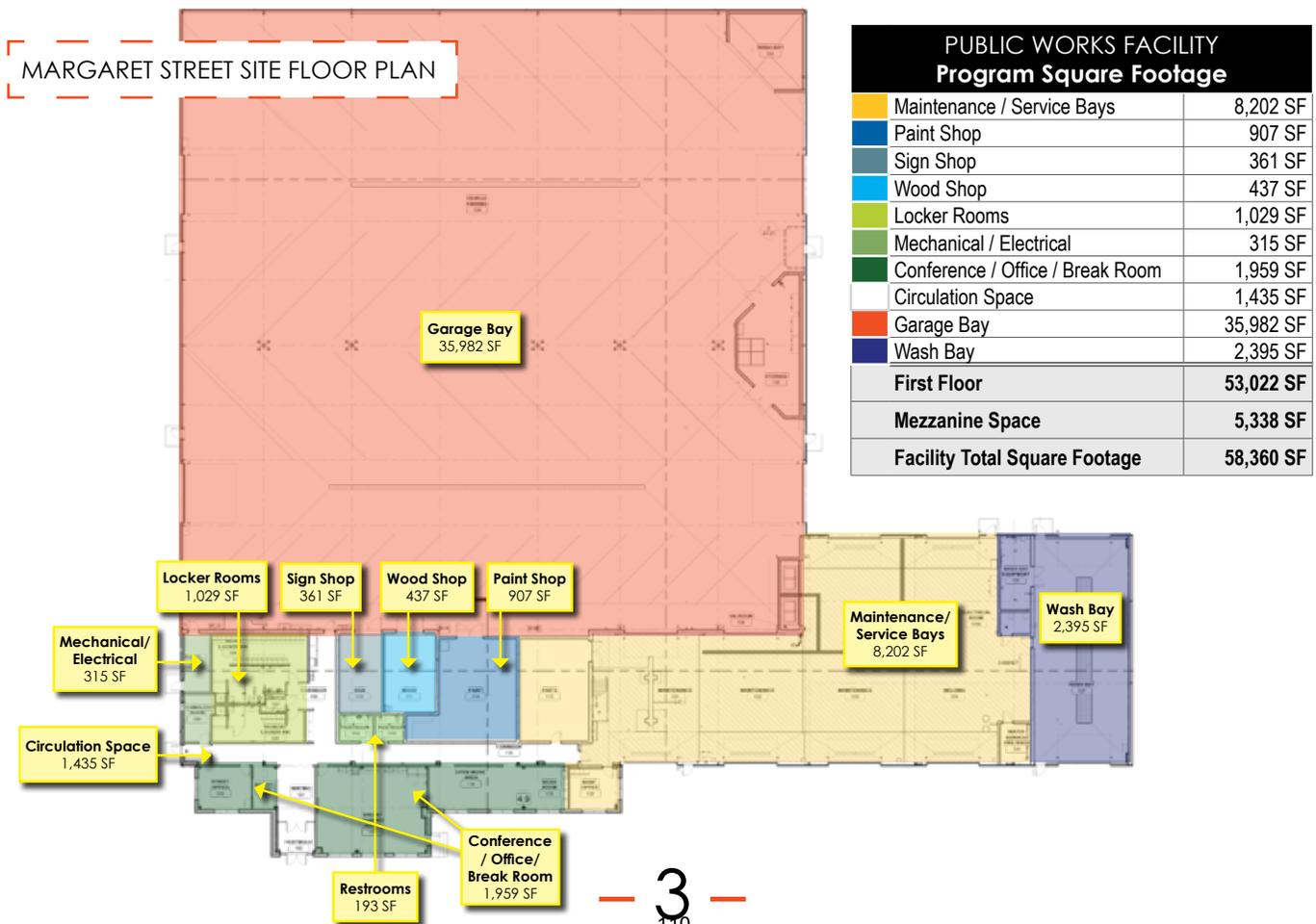
The city has incrementally increased taxes over the last few years and built-up reserves to build a new Public Works facility. The economic benefit of building this facility, at this time, is that inflation rates for construction continue to go up each year and are traditionally around 3.5% per year. This year costs are anticipated to go up 7.5% - 10%, with annual inflationary increases returning to 3.5% in future years.

Building will also bring economic benefits to the community providing local and regional contractors the opportunity to bid on work for the facility, creating the potential for local community members to be hired to work on the facility, supplies being purchased in our community, and contractors from outside of the region coming to our community and staying in our hotels, eating at our restaurants, and shopping in our community. All of these items can help to stimulate our local businesses and benefit our community.



We have evaluated the required program, available space, and costs for alternative sites in the table below.

	Margaret Street Site - Council Action	Fairmont Electric Site	Expand and Renovate Existing Building	\$5 Million Building
Maintenance / Service Bays	8,202 SF	8,202 SF	8,202 SF	8,202 SF
Paint Shop	907 SF	907 SF	907 SF	907 SF
Sign Shop	361 SF	361 SF	361 SF	361 SF
Wood Shop	437 SF	437 SF	437 SF	437 SF
Locker Rooms	1,029 SF	1,029 SF	1,029 SF	1,029 SF
Mechanical / Electrical	315 SF	315 SF	315 SF	315 SF
Conference / Office / Break Room	1,959 SF	1,959 SF	1,959 SF	1,959 SF
Circulation Space	1,435 SF	1,435 SF	1,435 SF	1,435 SF
Garage Bay	35,982 SF	35,982 SF	12,739 SF	0 SF
Wash Bay	2,395 SF	2,395 SF	2,395 SF	0 SF
Mezzanine Space	5,338 SF	5,338 SF	5,338 SF	2,002 SF
Facility Total Square Footage	58,360 SF	58,360 SF	35,117 SF	16,647 SF
Hard Construction Costs	\$8,473,394	\$8,942,488	\$6,069,870	\$3,314,639
Salt / Sand Shed Cost	\$200,000	\$200,000	\$200,000	\$200,000
Soft Costs	\$705,448	\$1,129,468	\$1,123,039	\$1,120,539
Owner Costs	\$364,885	\$764,885	\$514,885	\$364,885
Total Project Cost	\$9,743,727	\$11,036,841	\$7,907,794	\$5,000,063
Total Cost per Square Foot	\$167 / SF	\$189 / SF	\$225 / SF	\$300 / SF
Premium Cost Notes	Soil stockpile, soil corrections	Land cost, inflation, re-design	Demolition, hazardous materials, inflation, re-design	Re-design, inflation





Fairmont City Council
March 8, 2021

Agenda Item: 11

From: Cathy Reynolds, City Administrator
To: Mayor and City Council

Subject: Update on Labor Union Negotiations

Policy/Action Requested: Motion to close the meeting to discuss labor negotiations pursuant to Minn. Stat. 13D.03.

Vote Required: Simple Majority Roll Call

Recommendation: Close the meeting to discuss labor union negotiations.

Overview:

A closed meeting will be held to discuss labor negotiations pursuant to Minn. Stat. 13D.03.

Budget Impact: NA

Attachments: NA

Council Action: _____ Date: _____