LA CRESCENT CITY COUNCIL
SPECIAL MEETING
MONDAY, JANUARY 29, 2024
5:00 P.M.
LA CRESCENT COMMUNITY BUILDING
336 SOUTH FIRST STREET

1. Call to Order
2. Pledge of Allegiance
3. Roll Call
4. Review preliminary conceptual plans for new City Hall/Public Library/Police Department facilities, including a review of current and proposed square footages in each facility. Information included.
5. Review of 2022 and 2023 Five-Year Capital Improvement Plans. Information included.
6. Review Land Exchange Agreement that the City has with VSC Corporation. Information included.
7. Review USDA loan/grant opportunities for the proposed project. Information included.
8. Discuss next steps.
9. Adjournment

Member of The American Institute of Architects
EcoGreen Architects LLC
21316 Quarry Road
Caledonia MN 55921
(608) 317-1953

CITY OF LA CRESCENT
NEW CITY HALL AND LIBRARY
SPACE SURVEY
JANUARY 23, 2024

CITY HALL & LIBRARY - FIRST FLOOR

DEPARTMENT	SPACE	AREA (SF)
LIBRARY		
	ART | READING PROGRAMS	680
	SUPPLIES STORAGE	88
	CHILDREN'S BOOKS	1,260
	LIBRARY FRONT DESK	344
	STUDY | MEETING	118
	STUDY | MEETING	118
	TEEN'S BOOKS	600
	STUDY | READING AREA	200
	GENERAL BOOK STACKS	1,746
	PUBLIC COMPUTERS	175
	PERIODICALS	208
	EMPLOYEE RESTROOM	58
	REPORTS | BREAKROOM	100
	LIBRARIAN OFFICE	104
	LIBRARY SPACES SUBTOTAL	5,799
	MECH, STRUCTURE, MISC BLDG CIRCULATION	716
	LIBRARY | COUNCIL MEETINGS	1,004
	LIBRARY SUBTOTAL	7,519
MOTOR VEHICLES		
	DMV OPERATIONS	411
BUILDING & ZONING		
	OFFICES, CONFERENCE & STORAGE	403
MISC SPACES		
	SOUTH BATHROOMS & JANITOR ROOM	225
	SOUTH CORRIDOR	444
	NORTH LOBBY & BOOK DROP	635
	NORTH MENS AND WOMENS BATHROOMS	579
	ELEVATOR & STAIRWAYS	484
	MECH, STRUCTURE, MISC BLDG CIRCULATION	437
	MISC SPACES SUBTOTAL	2,804
	DMV | BLDG & ZONING | MISC SUBTOTAL	3,618
	FIRST FLOOR TOTAL SF AREA	**11,137**

CITY HALL & LIBRARY - SECOND FLOOR

DEPARTMENT	SPACE	AREA (SF)
ADMINISTRATION		
	CITY ADMINISTRATOR	273
	DEPUTY CLERK	224
	COMMUNITY DEVELOPMENT	192
	OPEN | MAYOR | ATTORNEY	192
	TEMPORARY | APPRENTICE | TRAINING | AUDIT | SUPPORT	66
	LARGE CONFERENCE ROOM	439
FINANCE		
	FINANCE DIRECTOR	277
	BOOKKEEPER 1	192
	BOOKKEEPER 2	192
	TEMPORARY | APPRENTICE | TRAINING | AUDIT | SUPPORT	96
	CURRENT FILE STORAGE	98
PUBLIC WORKS		
	PUBLIC WORKS DIRECTOR	230
	GREEN STEP | SUSTAINABILITY COORDINATOR	192
	PARK & REC PROGRAMS COORDINATOR	192
	TEMPORARY | APPRENTICE | TRAINING | AUDIT | SUPPORT	40
PUBLIC ACCESS & RECEPTION | UTILITY COLLECTIONS		
	PUBLIC ACCESS LOBBY	382
	SMALL PUBLIC CONFERENCE ROOM	186
	RECEPTION AND COLLECTIONS | ADM ASSISTANCE	354
MISC SUPPORT AREAS		
	WOMEN'S BATHROOM	193
	LACTATION ROOM	75
	EMPLOYEE LUNCH | BREAKROOM	306
	MAIL / WORKROOM	245
	MEN'S BATHROOM	208
	MAIN CORRIDOR	648
	IT | SERVER ROOM	37
	ELEVATOR & STAIRWAYS	484
	MECH, STRUCTURE, MISC BLDG CIRCULATION	1,708
	SECOND FLOOR TOTAL SF AREA	7,721

CITY HALL & LIBRARY - BASEMENT FLOOR

DEPARTMENT	SPACE	AREA (SF)
MECHANICAL ROOM		
	FANS, PIPING, PUMPS, HEAT EXCHANGERS, WATER STORAGE	1,600
ELECTRICAL ROOM		
	TELEPHONE @ INTERNET EQUIPMENT	160
	POWER AND DISTRIBUTION PANELS	400
FINANCE STORAGE		
	SECURE | FIREPROOF LONG-TERM FILE STORAGE	1,000
LIBRARY STORAGE		
	FRIENDS OF THE LIBRARY STORAGE	400
	GENERAL LIBRARY ROTATIONAL BOOK STORAGE	1,000
EMERGENCY OPERATIONS CENTER		
	MEETING SPACE	1,000
	STORAGE SPACE	1,000
	TEMPORARY EMERGENCY SAFE SPACE	2,000
MISC SPACES		
	ELEVATOR & STAIRWAYS	600
	MECH, STRUCTURE, MISC BLDG CIRCULATION	1,977
	BASEMENT FLOOR TOTAL SF AREA	**11,137**

OFFICE KEY:

STD OFFICE - 12 x 16 = 192 SF
STD OFFICE + FILES - 14 x 16 = 224 SF
DEPT HEAD + MTG - 12 x 24 = 288 SF
STD OFFICE + FILES + MTG - 14 x 24 = 336 SF

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(608) 317-1953

CITY OF LA CRESCENT
NEW POLICE STATION
SPACE SURVEY
JANUARY 23, 2024

POLICE STATION - FIRST FLOOR

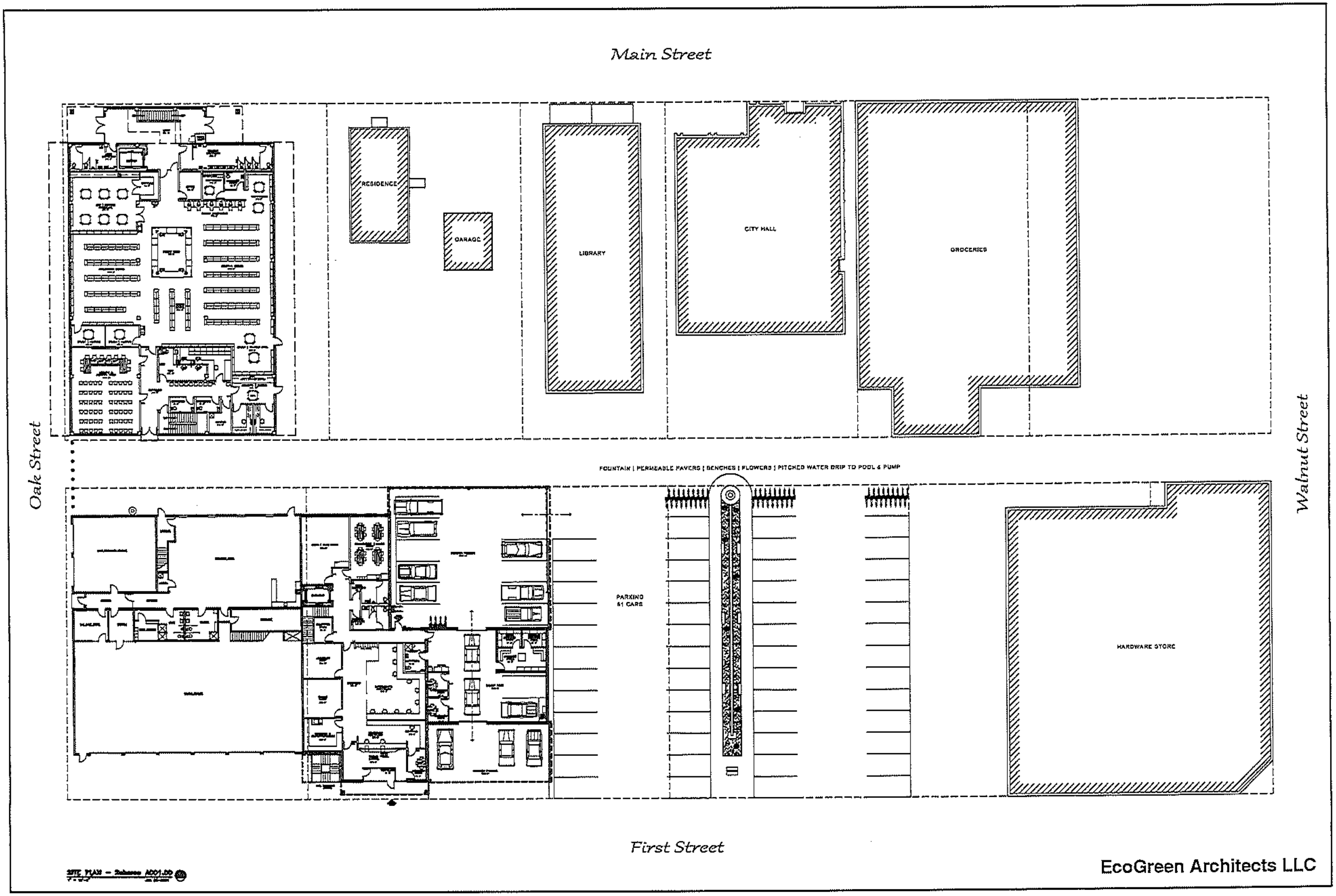
DEPARTMENT	SPACE	AREA (SF)
SALLEY PORT		
	OPEN GARAGE AREA WITH PARKING | ELEC CHARGING STATION	1,305
	TWO(2) INTERVIEW ROOMS	166
	EVIDENCE ROOM	83
	DRUGS EVIDENCE ROOM	67
	WEAPONS EVIDENCE ROOM	67
	EXTERIOR AND INTERIOR STRUCTURE	312
	SALLEY PORT SUBTOTAL	2,000
BATHROOMS		
	BATHROOM | SHOWER SERVING SALLY PORT	98
	WOMEN'S BATHROOM	143
	MEN'S BATHROOM	143
MISC SUPPORT SPACES		
	CONFERENCE | LUNCH ROOM	418
	MECH | ELEC ROOM	505
	ELEVATOR | STAIRS	210
	COMPUTER ROOM	75
STATION		
	ASSISTANT CHIEF	221
	POLICE CHIEF	250
	SUPPLIES | COPY | WORKROOM	209
	MAIL BOXES | CORRIDOR	400
	PATROLMAN'S WORKROOM	618
	RECEPTION SECRETARY	200
	DISPATCH	100
	MECH, STRUCTURE, MISC BLDG CIRCULATION	834
PUBLIC SPACES		
	PUBLIC ACCESS	280
	VESTIBULE	64
	INTERVIEW ROOM	96
	STATION SUBTOTAL	4,864
	CONDITIONED FIRST FLOOR SF AREA	**6,864**
OPEN | COVERED FIRST FLOOR PARKING SF AREA		**5,102**

POLICE STATION - SECOND FLOOR

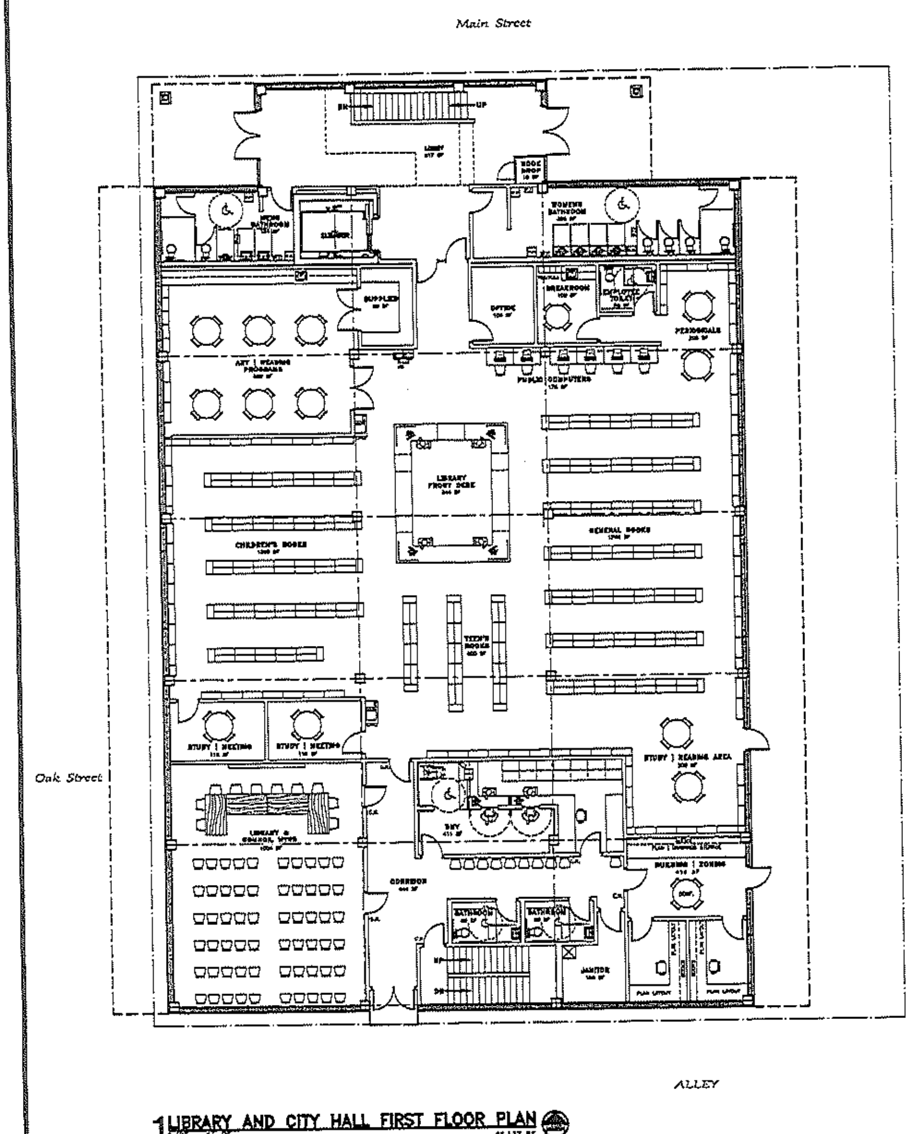
DEPARTMENT	SPACE	AREA (SF)
LOCKER | BATHROOMS		
	WOMEN'S LOCKER ROOM	244
	MEN'S LOCKER ROOM	244
	UNISEX TOILET | SHOWER ROOM	98
	UNISEX TOILET | SHOWER ROOM	115
	LACTATION ROOM	75
MISC INTERIOR SUPPORT AREAS		
	ELEVATOR & STAIRWAY	291
	CORRIDOR	579
	ARMORY	296
	WORKING SECURE FILE STORAGE	486
	LONG-TERM SECURE FILE.EVIDENCE STORAGE	989
	MECH, STRUCTURE, MISC BLDG CIRCULATION	371
MISC EXTERIOR SUPPORT AREAS		
	EXTERIOR STAIRWAY | FIRE DEPT PRACTICE STAIRS - 180 SF	
	EMPLOYEE ROOF GARDEN AND OBSERVATION DECK - 1012 SF	
	CONDITIONED SECOND FLOOR SF AREA	**3,788**
(CONDITIONED FIRST & SECOND FLOOR SF AREA)		**10,652**

OFFICE KEY:

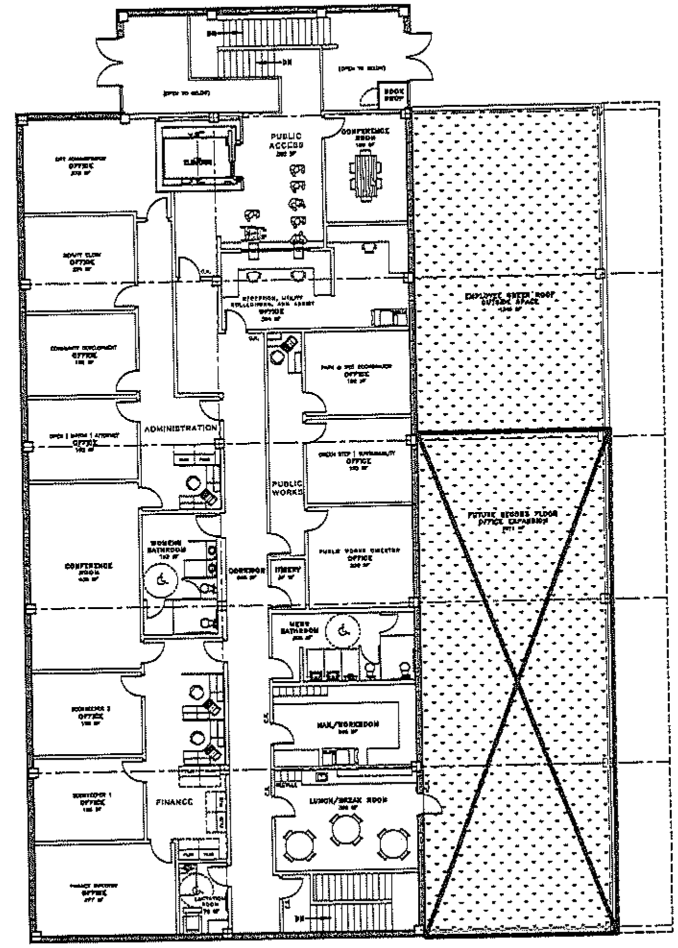
STD OFFICE - 12 x 16 = 192 SF
STD OFFICE + FILES - 14 x 16 = 224 SF
DEPT HEAD + MTG - 12 x 24 = 288 SF
STD OFFICE + FILES + MTG - 14 x 24 = 336 SF



Main Street
RESIDENCE
GARAGE
LIBRARY
CITY HALL
GROCERIES
Oak Street
Walnut Street
FOUNTAIN | PERMEABLE PAVERS | BENCHES | FLOWERS | PITCHED WATER DRIP TO POOL & PUMP
PARKING
51 CARS
HARDWARE STORE
First Street
EcoGreen Architects LLC



1 LIBRARY AND CITY HALL FIRST FLOOR PLAN
1/8" = 1'-0"



2 LIBRARY AND CITY HALL SECOND FLOOR PLAN
1/8" = 1'-0"

EcoGreen Architects LLC

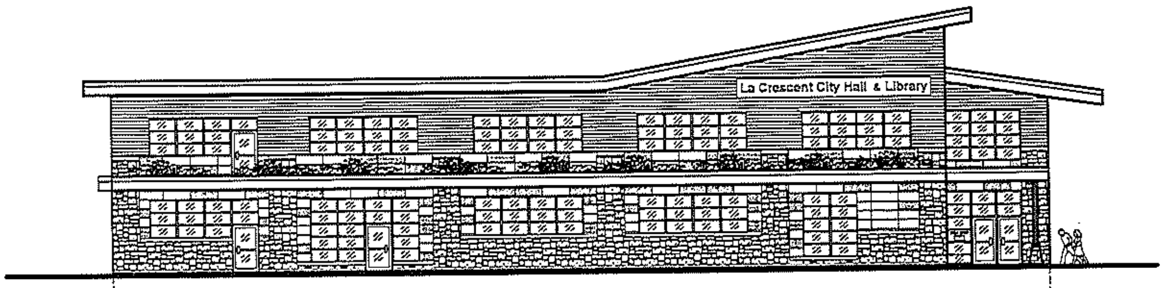
LACRESCENT CITY HALL & LIBRARY
MAIN STREET
LA CRESCENT, MN 55947

JOB # 2023.06
JAN 23, 2024

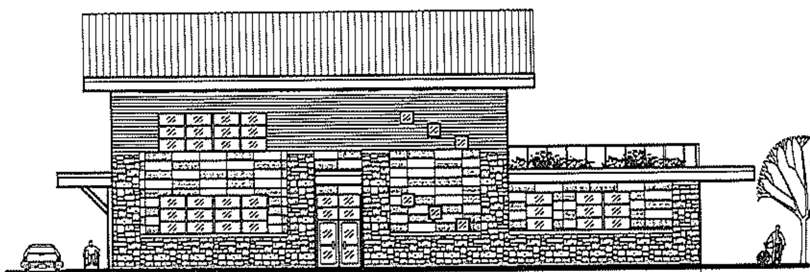
PLOT 1/8" = 1'-0"

FIRST FLOOR PLAN
SECOND FLOOR PLAN

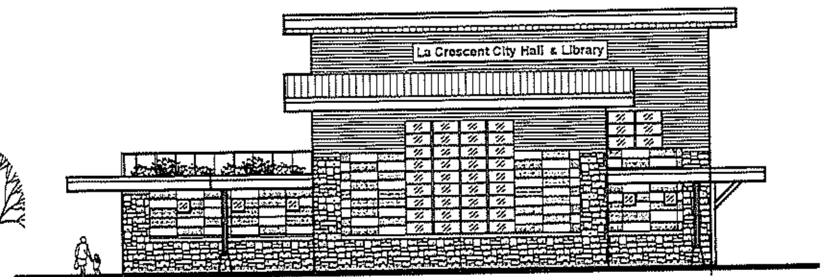
A101



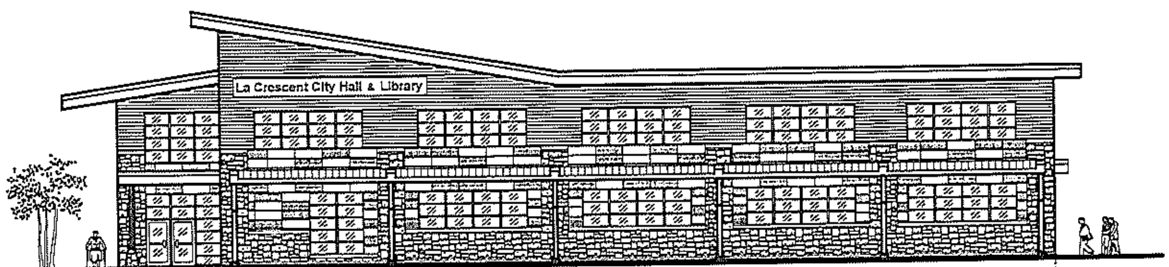
1 EAST ELEVATION
1/8" = 1'-0"



2 SOUTH ELEVATION
1/8" = 1'-0"



3 NORTH ELEVATION
1/8" = 1'-0"



4 WEST ELEVATION
1/8" = 1'-0"

EcoGreen
Architects LLC
(608) 317-1853

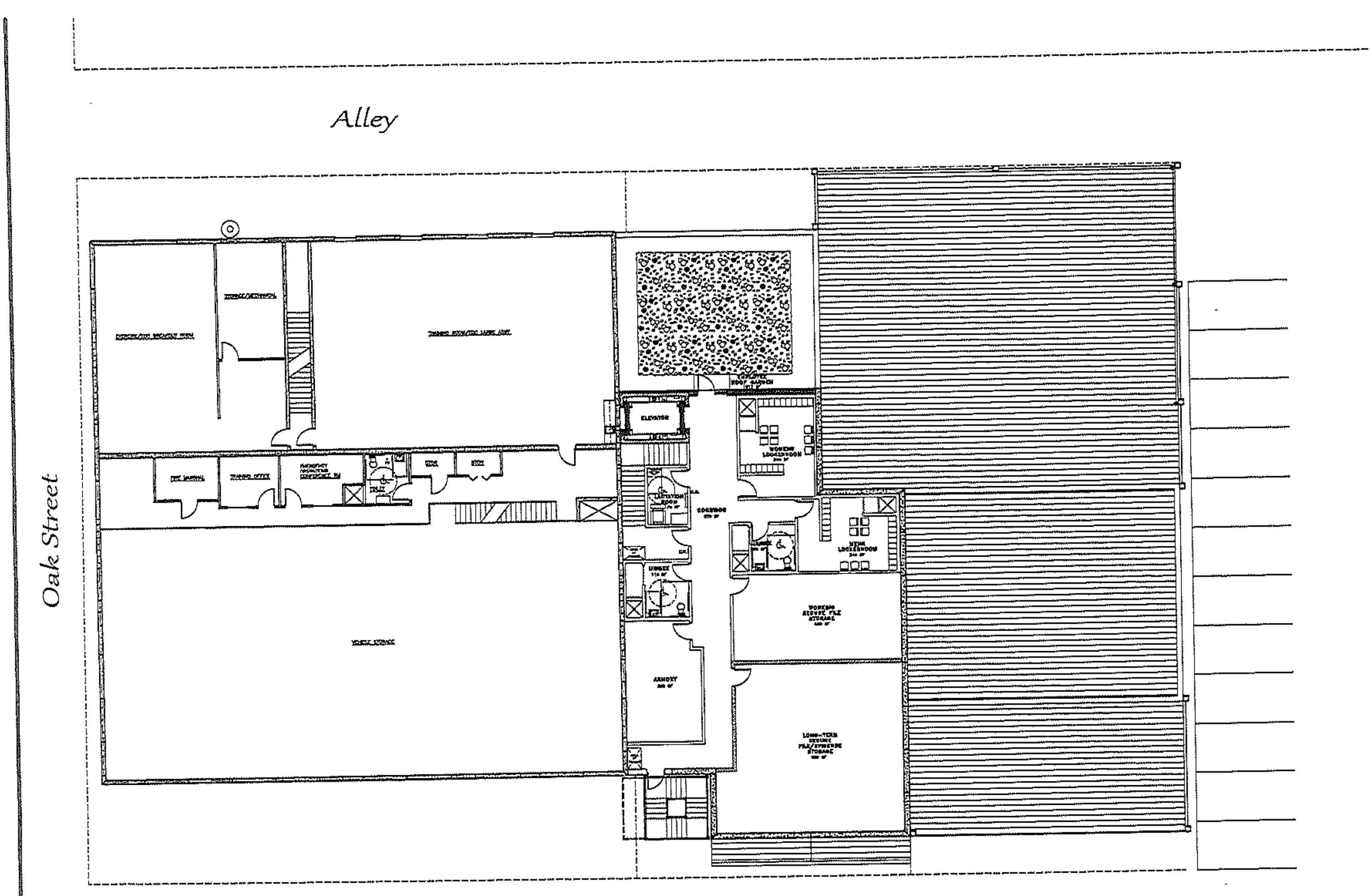
LACRESCENT CITY HALL & LIBRARY
MAIN STREET
LA CRESCENT, MN 55947

JOB # 2023.06
JAN 23, 2024
REVISIONS

PLOT 1/8" = 1'-0"

ELEVATIONS

A200



1 POLICE STATION SECOND FLOOR PLAN
1/8" = 1'-0"

EcoGreen
Architects LLC

LACRESCENT POLICE STATION
FIRST STREET
LA CRESCENT, MN 55947

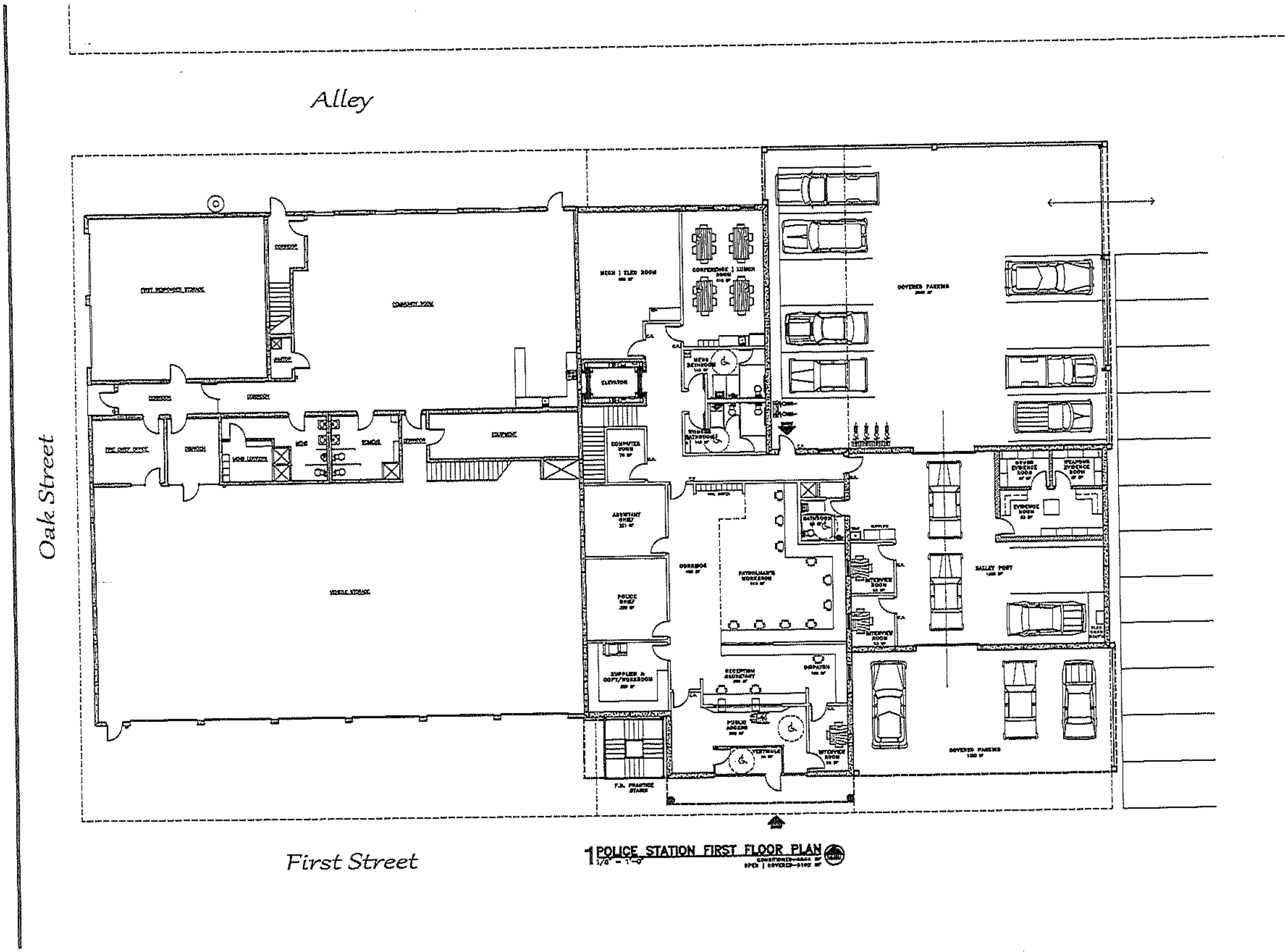
JOB # 2023.07

JAN 23, 2023

PLOT 1/8" = 1'-0"

SECOND FLOOR PLAN

A102



1 POLICE STATION FIRST FLOOR PLAN
1/8" = 1'-0"

EcoGreen Architects LLC

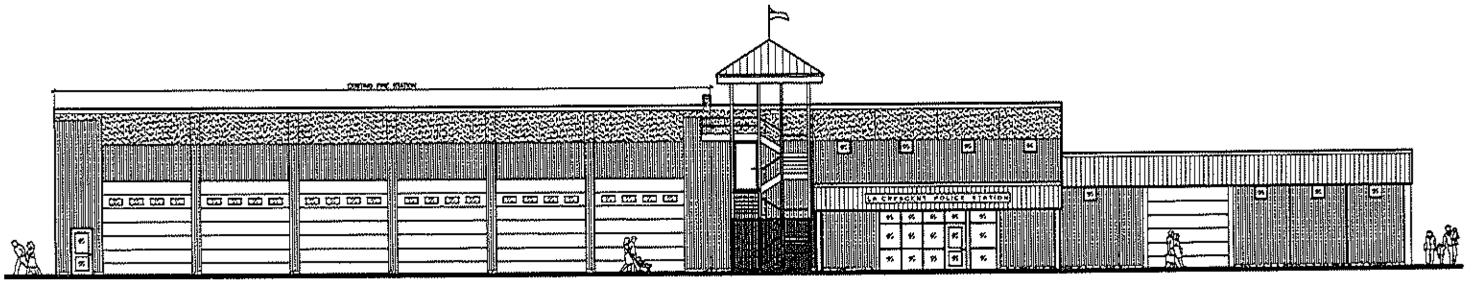
LACRESCENT POLICE STATION
FIRST STREET
LA CRESCENT, MN 55947

JOB # 2023.07
JAN 23, 2024

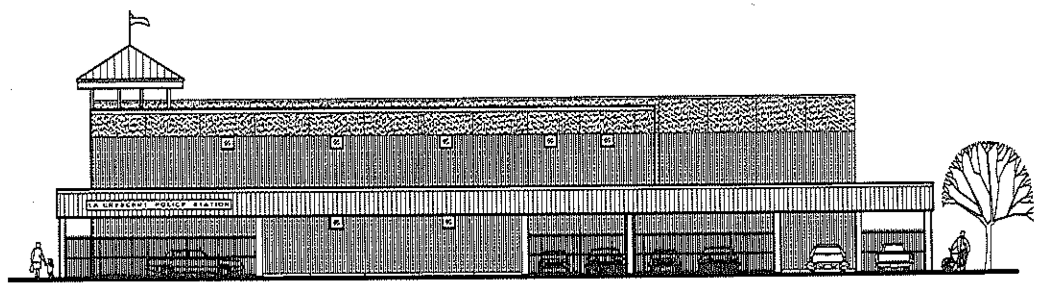
PLOT 1/8" = 1'-0"

FIRST FLOOR PLAN

A101



1 POLICE STATION SOUTH ELEVATION
1/8" = 1'-0"



2 POLICE STATION EAST ELEVATION
1/8" = 1'-0"

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LACRESCENT POLICE STATION
FIRST STREET
LA CRESCENT, MN 55947

JOB # 2023.07
JAN 23, 2024
REVISIONS

PLOT 1/8" = 1'-0"

SOUTH ELEVATION
EAST ELEVATION

A200

#5

2022 through 2026

Five-Year Capital Improvement Plan for the

City of La Crescent, Minnesota

Adopted
March 14th Public Hearing

Prepared by:

NORTHLAND PUBLIC FINANCE

City of La Crescent, Minnesota
Five-Year Capital Improvement Plan
2022 through 2026

I. INTRODUCTION

In 2003, the Minnesota State Legislature adopted a statute (Section 475.521, referred to herein as the "CIP Act") that allows cities to issue municipal bonds under a capital improvement plan without the usual referendum requirement (except for the so-called "reverse referendum" described in Section III). The CIP Act applies to capital improvements consisting of city halls, public works, and public safety facilities. The 2005 Legislature added towns to the meaning of a municipality and town halls and libraries to the meaning of a capital improvement under the CIP Act.

Throughout this plan, the term "capital improvement" refers only to those improvements identified in the CIP Act, as summarized above. Capital expenditures for other public improvements in the City will be financed through other means and are not governed by this plan.

As part of the authorization process to issue capital improvement plan bonds (the "CIP Bonds"), the CIP Act requires municipalities to prepare a five-year capital improvement plan that includes information specific in the statute, and different than the information that municipalities often provide in a more detailed "budget CIP." This document, therefore, is the "bond CIP" intended to supplement the "budget CIP" to the meet the specific requirements of the CIP Act

II. PURPOSE

A capital improvement is a major expenditure of municipal funds for the acquisition or betterment to public lands, buildings, or other improvements used as a city hall, town hall, library, public safety, or public works facility, which has a useful life of 5 years or more. For the purposes of Minnesota Statutes, Section 475.521, capital improvements do not include light rail transit or related activities, parks, road/bridges, administrative buildings other than city or town hall, or land for those facilities. However, this plan includes certain additional capital improvements beyond the scope of that statute. A Capital Improvement Plan (CIP) is a document designed to anticipate Capital Improvement expenditures and schedule them over a five-year period so that they may be purchased in the most efficient and cost-effective method possible. A CIP allows the matching of expenditures with anticipated income. As potential expenditures are reviewed, the municipality considers the benefits, costs, alternatives and impact on operating expenditures.

The City of La Crescent, Minnesota (the "City") believes the capital improvement process is an important element of responsible fiscal management. Major capital expenditures can be anticipated and coordinated to minimize potentially adverse financial impacts caused by the timing and magnitude of capital outlays. This coordination of capital expenditures is important to the City in achieving its goals of adequate physical public assets, preservation of public assets and sound fiscal management. Sound planning is essential for the wise and prudent use of limited financial resources.

The Capital Improvement Plan is designed for update and amendment. In this manner, it can be an ongoing fiscal planning tool that anticipates future capital expenditures and funding sources.

III. THE CAPITAL IMPROVEMENT PLANNING PROCESS

The process begins with analysis of the City's five-year capital improvement needs and funding sources. The City may solicit input from citizens and other governmental units at an early stage, if desired.

The City Council then directs staff or consultants to prepare a plan that sets forth the estimated schedule, timing and details of specific capital improvements by year, together with the estimated cost, the need for the improvement, and the sources of revenue for the improvement. The City Council then holds a public hearing on the CIP, with notice published not more than 30 days and not less than seven days for the hearing (except as described below). The Council may either approve the CIP immediately after the hearing or based on input may make revisions and approve the CIP at a later meeting.

The Council must approve the issuance of the CIP Bonds by a 3/5ths vote of its membership. The CIP Bonds are subject to a so-called "reverse referendum". If a petition signed by voters equal to at least 5% of the votes cast in the City in last general election is filed with the City Clerk within 30 days after the public hearing regarding the CIP Bonds, the CIP Bonds may not be issued unless approved by the voters (by a majority voting on the question). Further, the maximum debt service in any year on all outstanding CIP Bonds is 0.16% of the estimated market value of property in the City, using the estimated market value for the taxes-payable year in which the CIP Bonds are issued.

After the CIP has been approved and the CIP Bonds have been authorized, and if no petition for a referendum is filed, the CIP Bonds may be sold, and when proceeds from the sale of the CIP Bonds (and any other identified revenue sources) become available, the expenditures for specified capital improvements in this plan can be made.

Any modifications to the Plan to change the Facilities included or to increase the CIP Bonds will require that the City complete the entire capital improvement planning process again and all requirements. Similarly, adoption of a new Plan to include the project costs to finance construction of the Facilities will require that the City complete the entire capital improvement planning process again and all requirements.

PROJECT(S) SUMMARY

The only capital improvement contemplated to be financed through issuance of general obligation capital improvement plan bonds (referred to as the "CIP Bonds") in the five-year period of this plan (2022 through 2026) is the acquisition of land for the construction of municipal facilities. Municipal facilities will include a new public library, an expansion to the building for the Fire Department, and a new City Hall. In addition, the City is planning for a new Community Building space. The Community Building Space will be financed through other means and is not governed by this plan.

The City intends to reimburse itself for expenditure of funds for acquisition of land and to acquire additional land pursuant to this plan for the purpose of a capital improvement for the purpose of a new City Hall, a new Public Library, and expansion of space for the Fire Department (together, the "Facilities").

This Plan does not include estimated expenditures for construction of the Facilities. The City has not commenced the planning for construction and does not have estimated expenditures to include in this Plan. The City plans to amend this Plan, pursuant to the CIP Act, at a future date when estimated expenditures for the Facilities are available.

Any additional expenditures for 2022, and expenditures for 2023 through 2026, can be found in the City's existing annual budget capital improvement plans and 2021-2025 Street Reconstruction Plan, as adopted.

The CIP Act requires the City Council to consider eight factors in preparing the CIP:

1. Condition of the City's existing infrastructure, including projected need for repair or replacement.
2. Likely demand for the improvement.
3. Estimated cost of the improvement.
4. Available public resources.
5. Level of overlapping debt in the City.
6. Relative benefits and costs of alternative uses of funds.

7. Operating costs of the proposed improvements.
8. Alternatives for providing services most efficiently through shared facilities with other cities or local governments.

The City has considered the eight points as they relate to acquiring land for the Facilities and the issuance of the CIP Bonds. The findings are as follows:

Acquisition of Land for the Facilities

1. **Conditions of City Infrastructure, Including the Projected Need for Repair or Replacement and Need for the Project**

   The La Crescent City Hall was constructed in the 1960's. The following City departments operate within the City Hall motor vehicle and License Bureau, Building and Zoning, Police Department, Utility Offices, City Clerk, and Administration Offices. The condition of the existing City Hall is substandard, pursuant to the professional opinion of a licensed inspector as defined by Minnesota Statutes 469.174, Subdivision 10c (findings included in report from Construction Express Inc dated January 7, 2016).

   Adjacent to City Hall is the Public Library. The City is considering the relocation of the Public Library as part of the project and construction of the Facilities.

   The proposed CIP Bonds are being issued to acquire land for the potential construction of the Facilities.

2. **Likely Demand for the Project**

   The proposed Facilities will allow for improved efficiency of delivering municipal services and improvements for safe operations. The Project will include a new Public Library, an expansion to the Fire Department building, a new Community Building space, and a new City Hall. The Community Building space is not subject to this Plan.

3. **Estimated Cost of the Improvement**

   The City intends to reimburse itself for expenditure of funds for acquisition of land and to acquire additional land pursuant to this plan for the purpose of a capital improvement for the Facilities.

   As noted, this Plan does not include estimated expenditures for construction of the Facilities. The City has not commenced the planning for construction and does not have estimated expenditures to include in this Plan. The City plans to amend this Plan, pursuant to the CIP Act, at a future date when estimated expenditures for the Facilities are available.

For purposes of the cost of land acquisition for the Facilities, the expenditure is not to exceed $450,000. This amount includes the $230,000 that the City has already spent and plans to reimburse itself with proceeds from the CIP Bonds, with a balance of $220,000 available to acquire the remaining property on South 1st Street in the City.

4. Available Public Resources

The CIP Bonds will be paid with ad valorem property taxes and secured by the City's full faith and credit. The par amount of the CIP Bonds will be sized to provide proceeds for land acquisition and for capitalized interest fund (if needed), and to pay the cost of issuance.

5. Level of Overlapping Debt

Indirect Debt*

Issuer	*2020/2021 Tax Capacity Value*(1)	*2020/2021 Tax Capacity Value in City*(1)	*Percentage Applicable in City*	*Outstanding General Obligation Debt*(2)	*Taxpayers' Share of Debt*
Houston County	$ 21,175,814	$ 4,666,251	22.04%	$ 14,100,000	$ 3,107,640
Winona County	52,494,479	143,998	0.27	9,610,000	25,947
ISD No. 300, La Crescent-Hokah	8,591,133	4,810,249	55.99	25,675,000	14,375,433
				Total Indirect Debt:	$ 17,509,020

* Only those taxing jurisdictions with general obligation debt outstanding are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

(1) Tax Capacity Value is after tax increment deduction.

(2) As of December 2, 2021, unless noted otherwise.

6. Relative Benefit and Costs of Alternative Uses of the Funds

The Project could potentially be financed through the issuance of lease-revenue bonds. However, both costs of issuance and overall debt service payments would be higher since lease-revenue bonds are not general obligation debt and are therefore not as attractive to potential purchasers. The issuance of general obligation capital improvement plan bonds represents the most cost-efficient way to finance the proposed Project.

7. Operating Costs of the Proposed Improvements

The City expects to have information available on operating costs of the Project after it completes a planning process for the Project. On a preliminary basis, the operating costs for the Facilities is estimated to be comparable to current operating costs, with potential for cost savings from potential new efficiencies.

8. **Alternatives for providing services most efficiently through shared facilities with other cities or local governments.**

   Partnering with other municipalities or local units of government is not a feasible option for the Facilities. Locating the Facilities outside of the City of La Crescent would increase response and travel times and cause levels of service and efficiencies to decrease.

FINANCING THE CAPITAL IMPROVEMENT PLAN

The total principal amount for the CIP portion of the 2022A issue is not to exceed $500,000. This amount represents the maximum principal amount of CIP Bonds that may be issued under this plan to provide funds for the Project and to pay the cost of issuance of the CIP Bonds. Principal and interest on the CIP Bonds will be paid through ad valorem property taxes over the term of the CIP Bonds.

In the financing of the Capital Improvement Plan, two significant statutory limitations apply.

1. Under Chapter 475, with few exceptions, municipalities cannot incur debt in excess of 3% of the assessor's estimated market value for the municipality. In the City, the 2020/2021 estimated market value is $487,020,300. Therefore, the total amount of outstanding debt cannot exceed $14,610,609. As reported in the City of La Crescent Continuing Disclosure Document (reporting date 12/31/2021), as of December 2, 2021, the City had $3,766,000 subject to the legal debt limit. The legal debt margin as of December 2, 2021, was $10,844,609. Issuance of the CIP Bonds will within the statutory debt limit for the City.

Statutory Debt Limit[1]

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of December 2, 2021:

2020/2021 Estimated Market Value	$ 487,020,300
Multiplied by 3%	x .03
Statutory Debt Limit	$ 14,610,609
Less outstanding debt applicable to debt limit:	
$905,000 G.O. Certificates of Indebtedness, Series 2013A	$ 164,000
$360,000 G.O. Promissory Note of 2014	102,000
$3,860,000 G.O. Bonds, Series 2016A (Street Reconstruction Portion)	1,030,000
$896,000 G.O. Equipment Certificates of Indebtedness, Series 2017A	625,000
$1,280,000 G.O. Bonds, Series 2018A	1,155,000
$745,000 G.O. Bonds, Series 2019A	330,000
$360,000 G.O. Bonds, Series 2019B	360,000
Debt applicable to debt limit	$ 3,766,000
Legal debt margin	$ 10,844,609

[1] Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of $1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than $1,000,000 are not subject to the statutory debt limit.

2. A separate limitation under the CIP Act is that, without referendum, the total amount of principal and interest in any one year on all CIP Bonds issued by the City cannot exceed 0.16% of the total estimated market value in the municipality. In the City, that maximum annual debt service amount is $779,232. The annual principal and interest payments on the CIP Bonds proposed to be issued under this CIP will average approximately $30,053. As such, debt service on the CIP Bonds will be well within the annual limits under the CIP Act. The Bonds are estimated to be repaid over a 10-20 year period. The bond amount will not exceed the maximum principal amount of CIP Bonds referred to above.

AMENDED AND RESTATED

2022 through 2026

Five-Year Capital Improvement Plan for the

City of La Crescent, Minnesota

Originally Adopted: March 14, 2022

Amended and Restated Adopted: November 13, 2023

Prepared by:

NORTHLAND

PUBLIC FINANCE

I. INTRODUCTION

In 2003, the Minnesota State Legislature adopted a statute (Section 475.521, referred to herein as the "CIP Act") that allows cities to issue municipal bonds under a capital improvement plan without the usual referendum requirement (except for the so-called "reverse referendum" described in Section III). The CIP Act applies to capital improvements consisting of city halls, public works, and public safety facilities. The 2005 Legislature added towns to the meaning of a municipality and town halls and libraries to the meaning of a capital improvement under the CIP Act.

Throughout this plan, the term "capital improvement" refers only to those improvements identified in the CIP Act, as summarized above. Capital expenditures for other public improvements in the City will be financed through other means and are not governed by this plan.

As part of the authorization process to issue capital improvement plan bonds ("CIP Bonds"), the CIP Act requires municipalities to prepare a five-year capital improvement plan that includes information specific in the statute, and different than the information that municipalities often provide in a more comprehensive and detailed "budget" or capital improvement plan it may prepare. This document, the Amended and Restated 2022 through 2026 Five-Year Capital Improvement Plan" has been prepared to meet the specific requirements of the CIP Act

II. PURPOSE

For purposes of the CIP Act, a capital improvement is a major expenditure of municipal funds for the acquisition or betterment to public lands, buildings, or other improvements used as a city hall, town hall, library, public safety, or public works facility, which has a useful life of 5 years or more. Capital improvements, as defined in the CIP Act, do not include light rail transit or related activities, parks, road/bridges, administrative buildings other than city or town hall, or land for those facilities.

A capital improvement plan adopted pursuant to the CIP Act is a document designed to anticipate capital improvement expenditures and schedule them over a five-year period so that they may be purchased in the most efficient and cost-effective method possible. The capital improvement plan allows the matching of expenditures with anticipated income. As potential expenditures are reviewed, the municipality considers the benefits, costs, alternatives, and impact on operating expenditures.

The City of La Crescent, Minnesota (the "City") believes the capital improvement process is an important element of responsible fiscal management. Major capital expenditures can be anticipated and coordinated to minimize potentially adverse financial impacts caused by the timing and magnitude of capital outlays. This coordination of capital expenditures is important to the City in achieving its goals of adequate physical public assets, preservation of public assets and sound fiscal management. Sound planning is essential for the wise and prudent use of limited financial resources.

The capital improvement plan is designed for update and amendment. In this manner, it can be an ongoing fiscal planning tool that anticipates future capital expenditures and funding sources.

III. THE CAPITAL IMPROVEMENT PLANNING PROCESS

The process begins with analysis of the City's five-year capital improvement needs and funding sources. The City may solicit input from citizens and other governmental units at an early stage.

A written plan is prepared by the City to set forth the estimated schedule, timing, and details of specific capital improvements by year, together with the estimated cost, the need for the improvement, and the sources of revenue for the improvement. The City Council then holds a public hearing on the CIP. The notice must be published at least 14 but not more than 28 days before the date of the hearing. The City Council may either approve the CIP immediately after the hearing or based on input may make revisions and approve the CIP at a later meeting.

The Council must approve the issuance of the CIP Bonds, as defined in the CIP Act, by an affirmative vote if three-fifths of its membership. The CIP Bonds are subject to a so-called "reverse referendum". The City may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of issuing the obligations, if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the municipality in the last municipal general election and is filed with the clerk within 30 days after the public hearing. If the municipality elects not to submit the question to the voters, the municipality shall not propose the issuance of bonds under this section for the same purpose and in the same amount for a period of 365 days from the date of receipt of the petition. If the question of issuing the bonds is submitted and not approved by the voters, the provisions of Minnesota Statute Section 475.58, subdivision 1a, shall apply.

Further, the maximum debt service in any year on all outstanding CIP Bonds is 0.16% of the estimated market value of property in the City, using the estimated market value for the taxes-payable year in which the CIP Bonds are issued.

After the capital improvement plan has been approved and the CIP Bonds have been authorized, and if no petition for a referendum is filed, the CIP Bonds may be sold, and when proceeds from the sale of the CIP Bonds (and any other identified revenue sources) become available, the expenditures for specified capital improvements in this plan can be made.

Any modifications to the Plan to change the projects included or to increase the CIP Bonds will require that the City complete the entire capital improvement planning process again and all requirements. Similarly, adoption of a new capital improvement plan to include the project costs to finance construction of the project costs will require that the City complete the entire capital improvement planning process again and all requirements.

IV. PROJECT SUMMARY

Pursuant to this document, "Amended and Restated 2022 through 2026 Five-Year Capital Improvement Plan", referred to hereafter as the "CIP", the City intends to incur expenditure of funds for acquisition, betterment of public lands, buildings or other improvements for a city hall, library, and public safety facility, including expansion of an existing public safety facility (together, the "Facilities").

The CIP as prepared does not provide for the construction of the Facilities. The CIP covers only property acquisition costs, building demolition and removal, site improvements/preparation costs, and architect and consulting costs to prepare for construction of the Facilities.

The City will need to either act to amend the CIP or adopt a new CIP, pursuant to the CIP Act, at a future date to provide authority to finance the construction of the Facilities.

The CIP Act requires the City Council to consider eight factors in preparing the CIP:

1. Condition of the City's existing infrastructure, including projected need for repair or replacement.
2. Likely demand for the improvement.
3. Estimated cost of the improvement.
4. Available public resources.
5. Level of overlapping debt in the City.
6. Relative benefits and costs of alternative uses of funds.
7. Operating costs of the proposed improvements.
8. Alternatives for providing services most efficiently through shared facilities with other cities or local governments.

The City has considered the eight points as they relate to the Facilities and the issuance of the CIP Bonds. The findings are as follows:

1. **Conditions of City Infrastructure, Including the Projected Need for Repair or Replacement and Need for the Project**

   The La Crescent City Hall was constructed in the 1960's. The following City departments operate within the City Hall motor vehicle and License Bureau, Building and Zoning, Police Department, Utility Offices, City Clerk, and Administration Offices. The condition of the existing City Hall is substandard, pursuant to the professional opinion of a licensed inspector as defined by Minnesota Statutes 469.174, Subdivision 10c (findings included in report from Construction Express Inc dated January 7, 2016).

   Adjacent to City Hall is the Public Library. The City is considering the relocation of the Public Library as part of the project and construction of the Facilities.

   The proposed CIP Bonds are being issued to acquire and assemble land for the potential construction of the Facilities.

2. **Likely Demand for the Project**

   The proposed Facilities will allow for improved efficiency of delivering municipal services and improvements for safe operations.

3. **Estimated Costs of the Improvement**

   The estimated cost of the improvements the City plans to finance through issuance of CIP Bonds pursuant to this CIP is an amount not to exceed $955,000. This amount is inclusive of the following estimated costs of the improvement: property acquisition costs; building demolition and removal; site improvements/preparation costs; and architect and consulting costs to prepare for construction of the Facilities. This amount does not include cost of issuance of the Bonds, which will be in addition to this amount and paid from bond proceeds.

   This amount includes $450,000 that the City financed with the General Obligation, Series 2022A Bonds, CIP portion, issued with original par amount of $475,000, as authorized by the CIP adopted on March 14, 2022.

   Exhibit A includes a map with information on property acquired to date by the City for the Facilities and potential future acquisition.

   This amount includes City plans to finance site improvements and preparation costs for the purpose of maintaining public parking lots and public alleyway access that serves the existing City Hall and Fire Department Building and to prepare for the Facilities.

4. **Available Public Resources**

   The CIP Bonds will be paid with ad valorem property taxes and secured by the City's full faith and credit. The par amount of the CIP Bonds will be sized to provide proceeds for land acquisition and for capitalized interest fund (if needed), and to pay the cost of issuance.

5. **Level of Overlapping Debt**

   See Exhibit B.

6. **Relative Benefit and Costs of Alternative Uses of the Funds**

   The Facilities could potentially be financed through the issuance of lease-revenue bonds. However, both costs of issuance and overall debt service payments would be higher since lease-revenue bonds are not general obligation debt and are therefore not as attractive to potential purchasers. The issuance of CIP Bonds represents the most cost-efficient way to finance the Facilities.

7. **Operating Costs of the Proposed Improvements**

   The City expects to have information available on operating costs of the Facilities after it completes a planning process for the Facilities. On a preliminary basis, the operating costs for the Facilities is estimated to be comparable to current operating costs, with potential for cost savings from potential new efficiencies.

8. **Alternatives for providing services most efficiently through shared facilities with other cities or local governments.**

   Partnering with other municipalities or local units of government is not a feasible option for the Facilities. Locating the Facilities outside of the City of La Crescent would increase response and travel times and cause levels of service and efficiencies to decrease.

V. FINANCING THE CAPITAL IMPROVEMENT PLAN

The total principal amount for the CIP Bonds authorized by the CIP is not to exceed $1,000,000. This amount includes $475,000 for the General Obligation, Series 2022A Bonds, CIP portion, issued on May 18, 2022, as authorized by the "2022 through 2026 Five-Year Capital Improvement Plan" adopted by the City Council on March 14, 2022. The City plans to issue up to an additional $525,000 in CIP Bonds.

The $1,000,000 is the maximum principal amount of CIP Bonds that may be issued under the CIP, (the "Amended and Restated 2022 through 2026 Five-Year Capital Improvement Plan") to provide funds for the Facilities and to pay any capitalized interest and the cost of issuance of the CIP Bonds. Principal and interest on the CIP

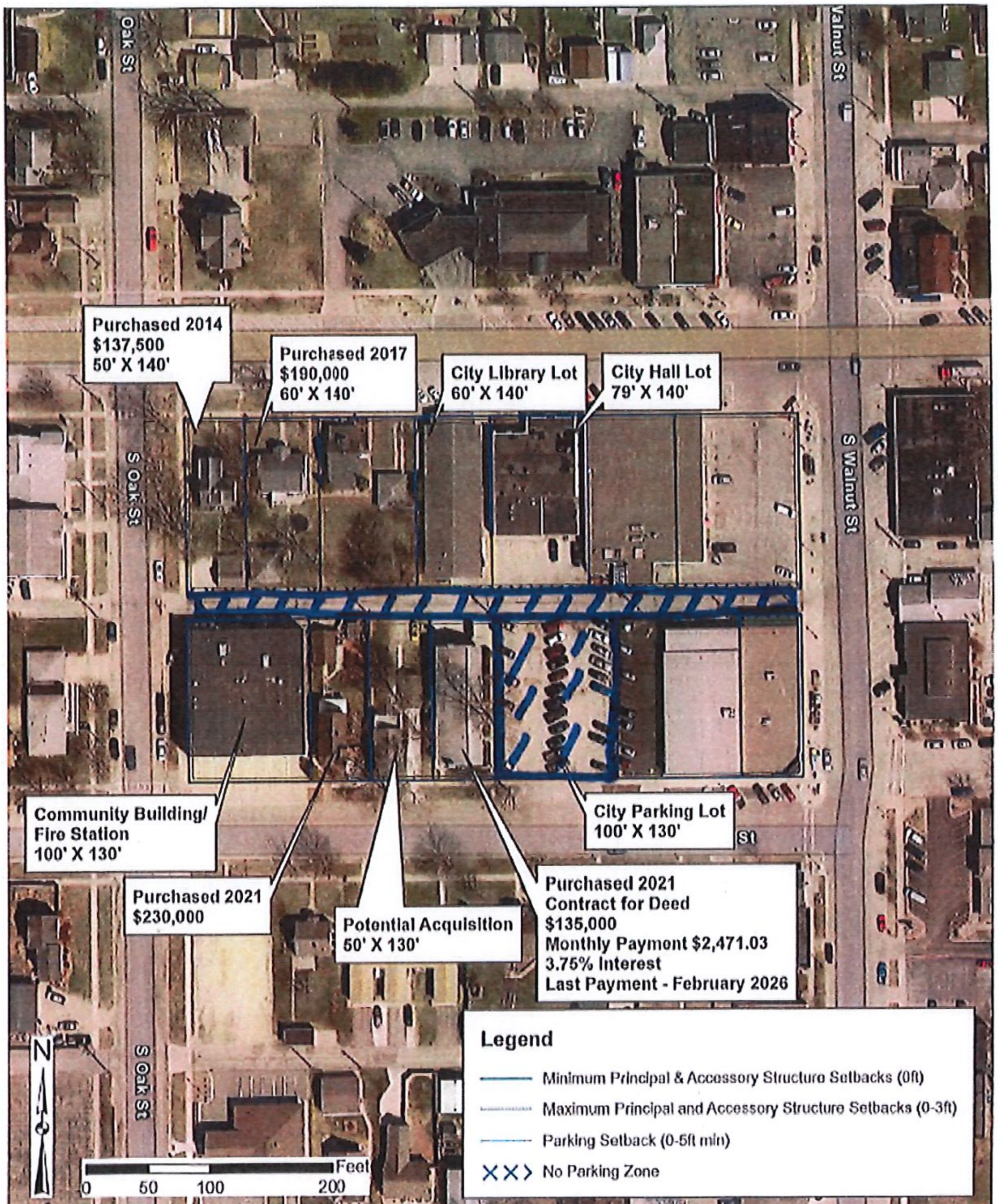
Bonds will be paid through ad valorem property taxes over the term of the CIP Bonds.

In the financing of the CIP, two significant statutory limitations apply.

1. Under Chapter 475, with few exceptions, municipalities cannot incur debt in excess of 3% of the assessor's estimated market value for the municipality. In the City, the 2022/2023 estimated market value is $632,643,200. Therefore, the total amount of outstanding debt cannot exceed $18,979,296. As shown in Exhibit C, as of September 2, 2023, the City has $7,080,000 subject to the legal debt limit. The legal debt margin as of September 2, 2023 is $11,899,296. Issuance of the CIP Bonds will within the statutory debt limit for the City.

2. A separate limitation under the CIP Act is that, without referendum, the total amount of principal and interest in any one year on all CIP Bonds issued by the City cannot exceed 0.16% of the total estimated market value in the municipality. In the City, that maximum annual debt service amount is $1,012,229. The annual principal and interest payments on the CIP Bonds proposed to be issued under this CIP will average approximately $74,473.75. As such, debt service on the CIP Bonds will be within the annual limits under the CIP Act. The Bonds are estimated to be repaid over a 25-year period. The bond amount will not exceed the maximum principal amount of CIP Bonds referred to above.

EXHIBIT A



La Crescent, MN	New City Hall Potential Building Outline	whks engineers + planners + land surveyors

WHKS No. 7319.19

Exhibit B

Indirect Debt*

Issuer	*2022/2023 Tax Capacity Value*(1)	*2022/2023 Tax Capacity Value in City*(1)	*Percentage Applicable in City*	*Outstanding General Obligation Debt*(2)	*Taxpayers' Share of Debt*
Houston County	$ 24,875,049	$6,113,827	24.58%	$9,245,000	$ 2,272,421
Winona County	63,206,822	208,004	0.33	26,690,000	88,077
ISD No. 300, La Crescent	11,003,199	6,321,831	57.45	23,655,000	13,589,798
				Total Indirect Debt:	$ 15,950,296

* Only those taxing jurisdictions with general obligation debt outstanding are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

(1) Tax Capacity Value is after tax increment deduction.

(2) As of September 2, 2023, unless noted otherwise.

Exhibit C

Statutory Debt Limit[1]

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of September 2, 2023:

2022/2023 Estimated Market Value	$	632,643,200
Multiplied by 3%		x .03
Statutory Debt Limit	$	18,979,296

Less outstanding debt applicable to debt limit:

$905,000 General Obligation Equipment Certificates of Indebtedness Bonds, Series 2013A	$	83,000
$360,000 General Obligation Promissory Note of 2014		39,000
$3,445,000 General Obligation Bonds, Series 2016A		2,370,000
$896,000 General Obligation Equipment Certificates of Indebtedness Bonds, Series 2017A		128,000
$1,280,000 General Obligation Bonds, Series 2018A		1,005,000
$365,000 General Obligation Bonds, Series 2019A		250,000
$360,000 General Obligation Bonds, Series 2019B		320,000
$2,585,000 General Obligation Bonds, Series 2022A		2,585,000
Total Debt applicable to debt limit:	$	7,080,000
Legal debt margin	$	11,899,296

[1] Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of $1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than $1,000,000 are not subject to the statutory debt limit.

#6

AGREEMENT

City of La Crescent, a Minnesota municipal corporation, hereinafter referred to as "City" and VSC Corporation, a Wisconsin corporation, hereinafter referred to as "VSC."

1. City owns a property located at 315 Main street, La Crescent, MN 55947 ("City Hall Property"). Legally described on the attached Exhibit A.

2. VSC, a Wisconsin corporation, owns a property located at 328 First Street South, La Crescent, MN 55947. Legally described on the attached Exhibit B.

3. The Parties agree that the properties are of equal value ($347,000.00).

4. VSC is granting City an option to acquire the VSC property as described on Exhibit B.

5. The Parties are entering into this Agreement so that City can exercise its option for VSC's property anytime within five (5) years following the execution of the Agreement ("Option Period").

6. At any time during the Option Period, City may elect to exercise its Option by providing written notice to VSC for one of the following:

A. Out Right Purchase. The price to be paid by City will be Three Hundred Forty-Seven Thousand 00/100 Dollars ($347,000.00) paid in the following manner: 100% due on the date of closing. The closing will take place within four (4) months of City Exercising its Option. Possession of the property shall pass at the time of Closing. In the event City exercises its Option, both Parties agree as follows: (1) At closing, City will pay and deliver the Purchase Price described above. (2) VSC shall deliver to City a Warranty Deed for the property described above in recordable form, free and clear of all liens, charges, and encumbrances, except (1) Building and Zoning Laws; (2) ordinances, state and federal regulations; (3) restrictions relating to the use or improvement of the property without an effective forfeiture provisions; (4) reservation of any mineral rights for the State of Minnesota; and (5) rights of tenants as follows: real estate taxes payable in the year of closing shall be prorated as of the date of closing. The respective Seller of the property described above shall pay all real estate taxes due and payable with regard to property in years prior to the year of closing. Buyer of the respective properties above shall pay all real estate taxes due and payable regard to property in the years subsequent to closing. The respective Seller will pay any deed tax incurred for recording the Warranty Deed.

In the event City elects to exercise its Option and pay cash, City will simultaneously grant VSC an Option to Purchase ("Option") City Hall property described on Exhibit A. VSC will have one (1) year to exercise its Option. The one (1) year period will start when City vacates the City Hall Property described on Exhibit A. City will provide written notice to VSC of this vacation. The Option price payable to City will be Three Hundred Forty-Seven Thousand 00/100 Dollars ($347,000.00). In the event the VSC exercises its Option, both Parties agree as follows: (1) At closing, VSC will pay and deliver the Purchase Price described above. (2) City shall deliver to VSC a Warranty Deed for the property described above in recordable form, free and clear of all liens, charges, and encumbrances, except (1) Building and Zoning Laws; (2) ordinances, state and federal regulations; (3) restrictions relating to the use or improvement of the property without an effective forfeiture provisions; (4) reservation of any mineral rights for the State of Minnesota; and (5) rights of tenants as follows: real estate taxes payable in the year of closing shall be prorated as of the date of closing. The respective Seller of the property described above shall pay all real estate taxes due and payable with regard to property in years prior to the year of closing. Buyer of the respective properties above shall pay all real estate taxes due and payable regard to property in the years subsequent to closing. The respective Seller will pay any deed tax incurred for recording the Warranty Deed.

Or in the alternative,

B. Property Trade. The parties may trade their respective parcels. If City elects to trade parcels, the closing will take place within four (4) months of City Exercising its Option. Possession of the property shall pass at the time of Closing. In the event City exercises its Option, both Parties agree as follows: at closing, each party shall deliver to the other a Warranty Deed for the property described above in recordable form, free and clear of all liens, charges, and encumbrances, except (1) Building and Zoning Laws; (2) ordinances, state and federal regulations; (3) restrictions relating to the use or improvement of the property without an effective forfeiture provisions; (4) reservation of any mineral rights for the State of Minnesota; and (5) rights of tenants as follows: real estate taxes payable in the year of closing shall be prorated as of the date of closing. The respective Seller of the property described above shall pay all real estate taxes due and payable with regard to property in years prior to the year of closing. Buyer of the respective properties above shall pay all real estate taxes due and payable regard to property in the years subsequent to closing. The respective Seller will pay any deed tax incurred for recording the Warranty Deed.

In the event City exercises the Option under 5(B) above, the following will apply:

i. At closing, City will enter into a standard communal NNN lease with VSC for City's property owned by VSC after closing and to continue to be occupied by City for an unknown time. A true and correct illustration of which is attached as Exhibit C.

ii. City will continue to occupy the property during a period of time necessary for City to demolish VSC's former property and for City to construct a new City of La Crescent City Hall.

iii. During the rental period, City shall pay to VSC rent equal to the rent VSC had been receiving from its residential tenants.

iv. City, as part of the NNN provisions of said lease, will pay all utilities, insurance, maintenance, and an amount equal to any real estate taxes incurred by VSC by virtue of its owning of said property.

7. The Parties agree that during the Option Period both Parties will maintain and perform all normal maintenance to their respective properties.

8. VSC leases the property as two (2) separate residential apartments and agrees that it will not enter into any lease greater than twelve (12) months.

9. Notices. All notices and other communications under this Agreement must be in writing and must be given by registered or certified mail, postage prepaid, or delivered by hand at the addresses set forth below:

Notice to VSC:	VSC Corporation 2418 State Road La Crosse, WI 54601
Notice to City:	City Administrator City of La Crescent 315 Main Street La Crescent, MN 55947
With Copy to:	Attorney Al Wieser, III Wieser Law Office, P.C. 33 South Walnut Street, Suite 200 La Crescent, MN 55947

10. VSC shall assign said leases to City and City will assume all responsibility for the rental lease of VSC. VSC, at closing, will pay to City any Security deposit, prepaid rent, and will pay prorated real estate taxes to the date of closing.

11. The Parties agree to treat this transfer as an IRC 1031 Exchange, should VSC request. Requisite 1031 notices are attached as Exhibit D.

12. The personal property of VSC's tenants and City's employees, departments, and agencies shall not be included.

13. Both Parties respect that there are no leases for mechanical systems necessary to operate the respective properties.

14. Both Properties shall be transferred "AS IS and WHERE IS". However, prior to the execution of their agreement, both parties shall provide a detailed real estate property condition report. The contents of which shall be acceptable to both parties.

15. The Parties at their expense shall provide the other Party with an owner's policy of title insurance along with the transferring property is fee title free and clear of any lien or encumbrance.

16. Special assessments, if any, levied or for work actually commenced prior to the date of this agreement shall be paid by Grantor no later than closing. All other special assessments shall be paid by Grantee.

17. The estimated price the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer, both

conversant with the property and at prevailing general price levels, which the Parties agree shall be $347,000.00.

18. Property damage between execution and closing. Both Parties shall fully insure their prospective properties. If City's property is damaged City must repair, it. If VSC's property is damaged, VSC shall have the sole discretion to repair or not to repair it.

19. FIXTURE: A "Fixture" is an item of property which is physically attached to or so closely associated with land and improvements so as to be treated as part of the real estate, including, without limitation, physically attached items not easily removable without damage to the Property, items specifically adapted to the Property, and items customarily treated as fixtures, including but not limited to. All: screen and storm doors and windows; electric lighting fixtures; window shades; curtain and traverse rods; blinds and shutters; central heating and cooling units and attached equipment; water heaters and treatment systems; sump pumps; attached or fitted floor coverings; awnings; attached antennas; garage door openers and remote controls; installed security systems; central vacuum systems and accessories; in- ground sprinkler systems and component parts; built-in appliances; ceiling fans; fences; storage buildings on permanent foundations and docks/ piers on permanent foundations. A Fixture does not include trade fixtures owned by tenants of the Property.

20. Each Party may require a Phase 1 environmental assessment at its expense to determine if they are willing to accept the property "AS IS." In the event that the Party requesting the report object to the phase 1 findings, the other Party shall have the option to cure or otherwise remedy the matter objected to.

21. In the event that City owes an outstanding balance to VSC pursuant to a Contract for Deed dated February 2, 2021, recorded as Document No. 301780 in the Office of the Houston County Recorder, City will pay said Contract for Deed in full at the time of Closing of this transaction.

22. Well Disclosure. Both parties certify that they do not know of any wells on the real property.

23. Sewage Treatment System Disclosure. Both parties certify that sewage generated at the property goes to a facility permitted by the Minnesota Pollution Control Agency

24. Entire Agreement. This Agreement supersedes any prior or contemporaneous representations or agreements, whether written or oral, between the Parties and contains the entire agreement.

25. Assignment. Neither party may not assign this Agreement to any other person unless written consent is obtained from City.

26. Amendments. Any modification or amendment to this Agreement shall require a written agreement signed by both Parties.

27. Force Majeure. Neither party shall be liable to the other or deemed in default under this Agreement, if and to the extent that such party's performance is prevented by reason of Force Majeure.

28. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Minnesota. All proceedings related to this Agreement shall be venued in the County of Houston, State of Minnesota.

29. Waivers. The waiver by either party of any breach or failure to comply with any provision of this Agreement by the other party shall not be construed as or constitute a continuing waiver of such provision or a waiver of any other breach of or failure to comply with any other provision of this Agreement.

30. Government Data. VSC agrees to abide by the applicable provisions of the Minnesota Government Data Practice Act, Minnesota Statues, Chapter 13,

31. Counterparts. This Agreement may be signed in counterparts, each of which shall be deemed an original, and which taken together shall be deemed to be one and the same document.

32. Savings Clause. If any court finds any portion of this Agreement to be contrary to law, invalid, or unenforceable, the remainder of the Agreement will remain in full force and effect.

33. Additional Documents. Upon request, both parties will execute and deliver such documents as may be necessary or desirable to effectuate the terms of this Agreement.

34. Memorandum of Agreement. A short form Option Agreement referring to this Agreement has been executed on the date hereof and can be placed in the Office of the Houston County Recorder at the expense of the recording party. In the event a notice to proceed is not delivered to the other party prior to the expiration date, both parties agree to immediately deliver to the other a Quit Claim Deed terminating all interest under this Agreement.

35. Brokerage Fees. Neither VSC or City has any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

Signature Pages to Follow

CITY OF LA CRESCENT

Dated: 8/21/2023

By: Mikel Poellinger
Its: Mayor

Dated: 8/21/2023

By: Bill Waller
Its: City Administrator

FINAL

CITY OF LA CRESCENT

Dated: ____________________

By: Mikel Poellinger
Its: Mayor

Dated: ____________________

By: Bill Waller
Its: City Administrator

VSC CORPORATION

Dated: 8-23-23

By: Gregg Parker
Its: President

Dated: 8/23/23

By: Jaime Shatek
Its: Secretary

Exhibit A

LOT SIX (6) AND THE WEST HALF OF LOT SEVEN (7) OF BLOCK FIFTY-NINE (59) OF THE LA CRESCENT PLAT AS THE SAME IS OF RECORD IN THE OFFICE OF THE RECORDER (FORMERLY REGISTER OF DEEDS) IN AND FOR SAID COUNTY OF HOUSTON.

Exhibit B

LOT SEVENTEEN (17), BLOCK FIFTY-NINE (59), OF THE LA CRESCENT PLAT OF THE CITY (FORMERLY VILLAGE) OF LA CRESCENT, MINNESOTA, HOUSTON COUNTY, STATE OF MINNESOTA.

Exhibit C

TRIPLE NET LEASE

THIS INDENTURE OF LEASE (herein "LEASE"), made this ______ day of _____________, 20______ (herein "Effective Date"), between VSC Corporation, a Wisconsin corporation (herein "LANDLORD" or "PARTY"), and City of La Crescent, a Minnesota municipal corporation, (herein "TENANT" or "PARTY") (collectively herein "PARTIES").

RECITALS

WHEREAS, LANDLORD is the owner of certain real estate and improvements located at 315 Main Street, La Crescent, Minnesota, identified on Exhibit A attached hereto and incorporated herein by reference (herein "LEASED PREMISES"); and

WHEREAS, LANDLORD desires to lease to TENANT said LEASED PREMISES; and

WHEREAS, TENANT desires to lease from LANDLORD said LEASED PREMISES.

NOW, THEREFORE, in consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of TENANT to be kept, observed and performed, as hereinafter provided, LANDLORD AND TENANT HEREBY AGREE AS FOLLOWS:

1. LEASE AND LEASED PREMISES.

1.1 The LANDLORD hereby demises, leases and rents unto TENANT, and TENANT hereby hires and accepts and rents from LANDLORD, the LEASED PREMISES.

2. TERM AND TERMINATION.

2.1 The term of this LEASE shall commence on the Effective Date and shall remain in full force and effect for a term of ____________ (____________) months, expiring at midnight on ____________, 20______, unless terminated earlier as provided herein.

3. ACCEPTANCE OF LEASED PREMISES.

3.1 By executing this LEASE, TENANT acknowledges that it has had the opportunity to inspect and has inspected the LEASED PREMISES and accepts the same in an **"AS IS-WHERE IS"** condition.

4. RENTAL.

4.1 TENANT shall pay to LANDLORD as rent for the LEASED PREMISES during the entire term hereof a rental of ____________ 00/100 Dollars ($____________).

4.2 The rental herein specified shall be payable by TENANT in equal monthly installments of ____________ 00/100 Dollars ($____________) payable on or before the ____________ day of ____________, 20______, and on the 1st day of each successive month thereafter, in advance. The rent shall be payable at the office of the LANDLORD or at such other place designated by LANDLORD without prior demand therefor and without any deduction or setoff whatsoever.

other place designated by LANDLORD without prior demand therefor and without any deduction or setoff whatsoever.

5. USE OF PREMISES.

5.1 TENANT shall use the LEASED PREMISES for the purpose of operating a city hall or government center, accessory purposes, and for no other purposes without the prior written consent of LANDLORD.

5.2 TENANT shall not perform any actions or carry on any practices which may injure the LEASED PREMISES or be a nuisance or menace.

6. UTILITIES.

6.1 TENANT shall be solely responsible for and promptly pay all charges for heat, water, gas, electricity or any other utility service furnished to or consumed at the LEASED PREMISES during the term of this LEASE.

7. MAINTENANCE AND REPAIR OF LEASED PREMISES.

7.1 This is a net-net-net LEASE, and TENANT shall, at TENANT's sole expense, make all repairs and renewals necessary or advisable to keep the LEASED PREMISES, including all improvements located thereon and all additions thereto, in good condition and free from deterioration, and LANDLORD shall be absolutely exempt from making any other repair or renewal or addition to the LEASED PREMISES and all improvements located thereon during the term of this LEASE or any extension thereof. As an example, in the event the roof should cave in, the TENANT shall replace and repair the same at TENANT's sole expense. This Section shall extend to all repairs and renewals of whatsoever sort which a judicious owner of the LEASED PREMISES would make for the benefit of the same, including repainting, decorating, repairs of sewage, cooling, heating, plant and apparatus, fixtures, plumbing and every other sort of repairs or renewals not herein specifically set down.

7.2 TENANT shall not at any time permit any mechanics', laborers' or materialmen's liens to stand against the LEASED PREMISES for any labor or material furnished to TENANT or claimed to have been furnished to TENANT or to TENANT's agents, contractors or sublessees in connection with the work of any character performed or claimed to have been performed on the LEASED PREMISES by or at the direction or sufferance of TENANT, provided, however, that the TENANT shall have the right to contest the validity or amount of any such lien or claimed lien if conducted so as to prevent any sale, foreclosure or forfeiture of the LEASED PREMISES by reason of such nonpayment. On final determination of the lien or claim for lien, the TENANT shall immediately pay any final judgment rendered with all proper costs and charges and shall have the lien released or judgment satisfied at TENANT's own expense to the sole satisfaction of LANDLORD.

7.3 LANDLORD shall not be required to make any repairs or maintain the LEASED PREMISES in any way during the term hereof.

8. SURRENDER OF POSSESSION.

8.1 At the expiration of termination of this LEASE, whether by lapse of time or otherwise, TENANT shall surrender the LEASED PREMISES including any alterations, additions, improvements, changes and fixtures (other than TENANT's trade fixtures) in, at a minimum, the same condition and repair as at the time of acceptance.

8.2 Upon the termination of the tenancy hereby created, any and all additions, fixtures and installations placed in the LEASED PREMISES by TENANT (except those described in **Section 8.3** below) shall become and remain the property of the LANDLORD as part of the LEASED PREMISES, provided the LANDLORD had given its written consent as required in **Section 20.1** below prior to the time such additions, fixtures and/or installations were placed in the LEASED PREMISES by the TENANT. In the event such written consent was not given prior to the making of such additions, fixtures or installations by TENANT, then upon the termination of the tenancy hereby created, LANDLORD shall have the option of requiring TENANT to remove any or all of such items and to repair any damage occasioned by such removal at the TENANT's expense. In default thereof, LANDLORD may effect such removals and repairs and TENANT shall pay LANDLORD the cost thereof, with interest at the rate of One Percent (1%) per month from the date of payment by the LANDLORD.

8.3 Upon the termination of this LEASE, TENANT shall have the right to remove from the LEASED PREMISES all trade fixtures or personal property which may have been installed on the LEASED PREMISES by TENANT after the Effective Date. Any and all signs placed on or about the LEASED PREMISES by TENANT shall be subject to LANDLORD's prior written approval as to size and location. Any signs attached to the buildings located on the LEASED PREMISES shall remain the sole property of TENANT and may be removed by TENANT at any time. TENANT shall repair any damage occasioned by such removal.

8.4 If TENANT fails to remove any property belonging to TENANT within ten (10) days after the termination of this LEASE (whether by lapse of time or otherwise), the same shall at LANDLORD's option, be deemed abandoned by TENANT and shall thereupon become the property of LANDLORD.

9. HOLDING OVER.

9.1 In the event TENANT remains in possession of the LEASED PREMISES after the expiration or termination of the tenancy created hereunder, without prior written consent of LANDLORD, TENANT shall pay to LANDLORD, as liquidated damages, double the amount of rent specified in Article 4 with One and One-Half Percent (1½%) interest thereon per month, from the time TENANT retains possession of the LEASED PREMISES or any part thereof after termination of this LEASE. LANDLORD's acceptance of any rent after holding over begins does not constitute an extension of this LEASE nor does this provision waive LANDLORD's rights of re-entry or any other rights hereunder. In the event of holding over by the TENANT, said holding over shall constitute a month-to-month tenancy and shall not constitute a year-to-year tenancy.

10. SUBORDINATION.

10.1 TENANT agrees that this LEASE shall be subordinate to any mortgages or trust deeds that may be placed upon said LEASED PREMISES and to any and all advances to be made thereunder, and to the interest thereon, and all renewals, replacements and extensions thereof provided that the mortgagee or trustee thereunder shall agree to recognize TENANT's rights hereunder as long as TENANT is not in default hereunder. TENANT further agrees that upon notification by LANDLORD to TENANT this LEASE shall be or become prior to any mortgages or trust deeds that may heretofore or hereafter be placed on the said LEASED PREMISES. TENANT shall execute and deliver whatever instruments may be required for the above purposes and failing to do so within ten (10) days after demand in writing does hereby make, constitute and irrevocably appoint LANDLORD as its attorney-in-fact and in its name, place and stead so to do.

11. NOTICES.

11.1 All notices or communications required or permitted to be given by either PARTY to the other under this LEASE shall be in writing to the following addresses:

TO LANDLORD: VSC Corporation
2418 State Road
La Crosse, WI 54601

TO TENANT: City Administrator
City of La Crescent
315 Main Street
La Crescent, MN 55947

With Copy to: Attorney Al Wieser, III
Wieser Law Office, P.C.
33 South Walnut Street, Suite 200
La Crescent, MN 55947

Or such other place as such PARTY may subsequently designate in writing. Notice shall be deemed to have been received on the date of mailing if sent by registered or certified mail. For all other forms of transmission, notice shall be deemed received on the date of actual receipt.

12. ACCESS TO PREMISES.

12.1 LANDLORD shall have the right to enter upon the LEASED PREMISES at any reasonable hour for the purpose of inspecting the same, or for the purpose of exhibiting the same to prospective tenants, purchasers or others. LANDLORD shall make every reasonable effort to minimize the disruption to TENANT's business operations.

13. ASSIGNMENT AND SUBLETTING.

13.1 TENANT shall not assign this LEASE nor sublet all or any portion of the LEASED PREMISES without the prior written consent of LANDLORD. Any attempted assignment or subletting without LANDLORD's prior written consent is void. No assignment or subletting shall release TENANT from any of its obligations under this LEASE or be construed or taken as a waiver of any of LANDLORD's rights or remedies hereunder.

13.2 Neither this LEASE nor any interest therein nor any estate thereby created shall pass to any trustee or receiver in bankruptcy or any assignee for the benefit of creditors.

14. QUIET POSSESSION.

14.1 Subject to the provisions of this LEASE, LANDLORD agrees that TENANT, upon paying the rentals herein provided and performing all of the covenants, terms and conditions herein agreed by it to be kept and performed, shall and may peaceably and quietly have, hold and enjoy the LEASED PREMISES for the original term and any extensions of this LEASE.

15. REAL ESTATE AND PERSONAL PROPERTY TAXES.

15.1 TENANT shall be responsible for payment of all real estate taxes (including special and general assessments) assessed or payable against the LEASED PREMISES during the term of this LEASE.

15.2 TENANT shall pay all taxes which may be levied on TENANT's personal property or trade fixtures placed on or about the LEASED PREMISES.

16. INSURANCE.

16.1 At all times during the term of this LEASE and any extensions hereof, TENANT shall place and maintain (at TENANT's cost) fire, hazard and extended coverage insurance on the LEASED PREMISES in an amount equal to the replacement cost thereof with all loss payable to the LANDLORD and LANDLORD's mortgagee, as their interests may appear. TENANT shall place and maintain at all times during the term of this LEASE, fire and extended coverage insurance insuring the improvements, betterments, fixtures and merchandise owned or installed by TENANT in the LEASED PREMISES in an amount equal to the full insurable value thereof, with at least an Eighty Percent (80%) co-insurance clause (but not more than One Hundred Percent (100%)).

16.2 At all times during the term of this LEASE and any extensions hereof, TENANT shall provide and keep in force a comprehensive public liability policy of insurance indemnifying LANDLORD, TENANT and LANDLORD's mortgage lender, if any, against liability for injury or death to persons and damage to property occurring in or upon the LEASED PREMISES in a company or companies acceptable to LANDLORD, with limits of liability of not less than One Hundred Thousand Dollars ($100,000.00) in respect to any one person, in the amount of Three Hundred Thousand Dollars ($300,000.00) in respect to any one accident and in the amount of Fifty Thousand Dollars ($50,000.00) in respect to property damage. TENANT shall also provide and keep in force during the term hereof and any extensions an umbrella policy naming LANDLORD, TENANT and LANDLORD's mortgage lender, if any, and providing Two Million Dollars ($2,000,000.00) of overriding coverage above the base public liability policy limits specified above. All such insurance coverage shall be placed with insurance companies licensed to do business in the State of Minnesota and approved by LANDLORD.

16.3 TENANT shall pay all its insurance premiums required pursuant to this Article when and as the same become due and deposit certificates of such insurance with LANDLORD and mortgagee, if required, which certificates shall contain a stipulation prohibiting cancellation, amendment or nonrenewal until LANDLORD and its mortgagee shall have both received ten (10) days' advance written notice thereof.

17. INDEMNIFICATION AND EXEMPTION.

17.1 TENANT agrees to protect and save LANDLORD harmless and indemnified against and from any penalty or damage or charge imposed for any violation of any laws, regulations or ordinances, if occasioned by TENANT or those holding under TENANT. TENANT further agrees to protect, indemnify and save LANDLORD harmless from and against any and all claims and against any and all loss, damage, expense, liabilities, demands and causes of action, and any reasonable expenses (including attorneys' fees) incidental to the defense thereof by LANDLORD resulting from injury or death of persons or damage to property, including without limitation the person and property of TENANT, its agents, employees, customers and invitees occurring in or upon the LEASED PREMISES, or on the adjoining parking lot, sidewalk, streets, alleys or ways, in any manner directly or indirectly growing out of or in connection with the use and occupancy or disuse of the LEASED PREMISES or any part thereof or any improvements now or hereafter located thereon by TENANT or any person holding under TENANT, or any easements appurtenant thereto or to which such LEASED PREMISES may be subject.

17.2 TENANT hereby agrees that LANDLORD shall not be liable for injury to TENANT's business or any loss of income therefrom or for damage to the goods, wares, merchandise or other property of TENANT, TENANT's employees, invitees, customers or any other person in or above the LEASED PREMISES, nor shall LANDLORD be liable for injury to the person of TENANT, TENANT's employees, agents or contractors, invitees, customers or any other person whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures or from any other cause, whether said damage or injury results from conditions arising upon the LEASED PREMISES or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to TENANT.

18. REMEDIES.

18.1 Upon the failure of TENANT to pay rent at the times and in the manner hereinbefore provided or upon the failure of TENANT to promptly perform any other covenant or agreement hereunder, or if the leasehold interest of the TENANT shall be taken on execution or other process of law, or if the TENANT shall petition to be or be declared bankrupt or insolvent according to the law, or if the TENANT shall vacate the LEASED PREMISES or abandon the same during the term of this LEASE, LANDLORD may, at its option, terminate this

LEASE and the terms hereof by giving TENANT at least thirty (30) days' (ten (10) days' in the case of rent payments) written notice of such termination, which notice shall specify the nature of the default. After the giving of such notice, if such default is not cured within said thirty (30) day period (ten (10) days in the case of rent payments), or if TENANT is not exercising due diligence to cure such default if such default cannot be reasonably cured within thirty (30) days (not applicable to rent), LANDLORD may terminate this LEASE and thereupon TENANT shall vacate and surrender the LEASED PREMISES to LANDLORD, and LANDLORD may re-enter and repossess the same and remove all persons and parties therefrom through legal process using such force as may be necessary so to do without being guilty of trespass, forcible entry, detainer or other tort and without incurring any liability for damages or otherwise to TENANT by reason of such re-entry or termination of the terms of this LEASE, provided that such re-entry and repossession shall not affect TENANT's obligation to pay the rent due hereunder for the balance of the term remaining after said termination. In the event of any repossession of the LEASED PREMISES by LANDLORD because of the default of TENANT herein either under the foregoing provisions or in pursuance of any proceedings under the applicable laws or statutes, LANDLORD may, if LANDLORD so elects, relet the LEASED PREMISES or any part thereof, either on its own account or as agent for TENANT, for the balance of the term hereof or for a longer or shorter period in the discretion of LANDLORD, and TENANT agrees to pay to LANDLORD the rent hereinbefore reserved on the days when the same becomes due and payable, less the net proceeds of reletting, if any. All rights and remedies of LANDLORD shall be cumulative and none shall exclude any other right or remedy allowed by law and said rights and remedies may be exercised and enforced concurrently and whenever and as often as occasion therefor arises.

18.2 In case suit shall be brought for recovery of possession of the LEASED PREMISES, for the recovery of rent or any other amount due under the provisions of this LEASE, or because of the breach of any other covenant herein contained on the part of TENANT to be kept or performed, and a breach shall be established, TENANT shall pay to LANDLORD all expenses incurred therefor, including reasonable attorneys' fees.

18.3 If LANDLORD shall default in the performance or observance of any agreement or condition of this LEASE contained on its part to be performed or observed, or shall default in the payment of any tax or other charge which shall be a lien upon the LEASED PREMISES or in the payment of any installment of principal or interest upon any mortgage which shall be prior in lien to the lien of this LEASE, and if LANDLORD shall not cure such default within thirty (30) days after notice from TENANT specifying the default, or if LANDLORD is not exercising due diligence to cure such default if such default cannot be reasonably cured within thirty (30) days, TENANT may, at TENANT's option, without waiving any claim for breach of agreement, at any time thereafter cure such default for the account of LANDLORD and any amount paid by TENANT in so doing shall be deemed paid for the account of LANDLORD, and LANDLORD agrees to reimburse TENANT therefor, provided that TENANT may cure any such default as aforesaid prior to the expiration of said waiting period, but after notice to LANDLORD, if the curing of such default prior to the expiration of said waiting period is reasonably necessary to protect the real estate or TENANT's interest therein or to prevent injury or damage to persons or property. Anything contained in this LEASE to the contrary notwithstanding, TENANT agrees that TENANT shall look solely to the estate and property of LANDLORD in the land and building in which the LEASED PREMISES are a part and the rental therefrom for the collection of any judgment (or for judicial process) requiring the payment of money by LANDLORD in the event of any default or breach by LANDLORD with respect to any of the terms and provisions of this LEASE to be observed and/or performed by LANDLORD.

19. DAMAGE BY FIRE OR OTHER CASUALTY.

19.1 In the event that the LEASED PREMISES or any part thereof shall be damaged by fire or other casualty for which there is insurance coverage as prescribed in Section 16.1 of this LEASE, the same shall be repaired by LANDLORD at LANDLORD's expense as speedily as possible, and LANDLORD shall be entitled to the insurance proceeds maintained by the TENANT or LANDLORD for the benefit of LANDLORD and mortgagee, as provided in Article 16, provided that in the event the proceeds of such insurance are insufficient to cover the costs of rebuilding or repair, LANDLORD shall have the option to cancel this LEASE and/or not rebuild or repair the LEASED PREMISES. It is understood that LANDLORD is not required to repair or replace improvements, betterments, fixtures and merchandise owned or installed by TENANT in the LEASED PREMISES and that the same is the responsibility of the TENANT.

19.2 If such damage shall render the LEASED PREMISES partially untenantable, the rent shall be paid up to the time of loss and shall thence forth be justly and proportionately abated until the damage has been repaired. If such damage shall be so extensive so as to render the premises totally untenantable, the rent shall be proportionately paid up to the time of loss and shall thence forth cease and abate until such time as the LEASED PREMISES have been restored.

20. ADDITIONS, CHANGES, ALTERATIONS AND DEMOLITION.

20.1 TENANT shall not construct improvements in or on the LEASED PREMISES, demolish improvements within the LEASED PREMISES or make additions to or structural changes or alterations in and upon any or all of such improvements upon the LEASED PREMISES without the prior written consent of LANDLORD and its mortgagee, if any. Any work performed during the term of this LEASE shall be performed in a good and workmanlike manner at the sole expense of TENANT. TENANT shall not permit, create, incur or impose or cause or suffer other to permit, create, incur or impose any lien or other obligation against the LEASED PREMISES or the LANDLORD by reason of any work upon the LEASED PREMISES or otherwise, including any mortgage or similar lien, and TENANT agrees to hold LANDLORD harmless of and from any and all claims or demands by any contractor, subcontractor, materialman, laborer or any other third person relating to or arising because of any work thereon. Any improvements or additions made by TENANT which are attached to and become a part of the walls, floor or ceiling shall become a permanent part of the building and the LEASED PREMISES and shall not be considered trade fixtures or personal property. Any modifications to the exterior of the LEASED PREMISES (including sign, door, windows, etc.)

shall be made only upon the prior written approval of LANDLORD, which shall not be unreasonably withheld.

21. EMINENT DOMAIN.

21.1 If the LEASED PREMISES covered by this LEASE are wholly acquired by or in lieu of eminent domain for any public or quasi-public use or purpose or if the LEASED PREMISES are so substantially reduced in size so as to no longer be tenantable by the TENANT for the uses and purposes herein set forth, this LEASE shall terminate as of the date on which the acquirer or condemnor shall be entitled to take possession.

21.2 If less than the whole of the LEASED PREMISES shall be so acquired and the remainder of the premises is tenantable for TENANT's uses and purposes, this LEASE shall remain in force, provided that the rental specified herein shall be reduced proportionately to reflect the value of the premises so acquired or condemned.

21.3 The award for the value of the real estate so acquired, including building fixtures and the value of the leasehold, shall belong to the LANDLORD; provided, however, that the TENANT shall have the right to awards from or claims against the condemnor for the taking of any of the TENANT's property.

22. WASTE, GOVERNMENTAL REGULATIONS.

22.1 TENANT shall not commit or suffer to be committed any waste upon the LEASED PREMISES.

22.2 TENANT shall, at TENANT's sole cost and expense, promptly comply with all laws, ordinances and regulations now in force or which may hereafter be in force pertaining to the LEASED PREMISES or the use thereof by TENANT.

23. GENERAL PROVISIONS.

23.1 Nothing contained herein shall be deemed or construed by the PARTIES hereto nor by any third party as creating the relationship of principal and agent or of partnership or of joint venture between the PARTIES hereto, it being understood and agreed that neither the method of computation of rent nor any other provision contained herein nor any acts of the PARTIES hereto shall be deemed to create any relationship between the PARTIES hereto other than the relationship of LANDLORD and TENANT. Whenever herein the singular is used, the same shall include the plural and the masculine gender shall include the feminine and neuter gender.

23.2 No delay or omission of the right to exercise this power by either party shall impair any such right or power or shall be construed as a waiver of a subsequent breach of the same covenant, act by the other party of a nature requiring consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any subsequent similar act.

23.3 TENANT shall give immediate notice to LANDLORD in case of fire or accidents in the LEASED PREMISES or in the building of which the LEASED PREMISES are a part or of defects therein or in any fixtures or equipment.

23.4 TENANT shall not, without the prior written consent of LANDLORD, record this LEASE.

23.5 At any time and from time to time, TENANT agrees upon request in writing from LANDLORD to execute, acknowledge and deliver to LANDLORD a statement in writing certifying that this LEASE is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications) and the dates to which minimum rent, percentage rent and other charges have been paid. At any time and from time to time, LANDLORD agrees upon request in writing from TENANT to execute, acknowledge and deliver to TENANT a statement in writing certifying that this LEASE is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications) and the dates to which minimum rent, percentage rent and other charges have been paid and the dates to which full compliance with all other terms and conditions of the LEASE has been made by TENANT.

23.6 This LEASE and any dispute arising from or related to this LEASE shall be governed by the law of the State of Minnesota, without application of its conflicts of law provisions.

23.7 This LEASE and attached Exhibits constitute the entire agreement between the PARTIES and shall supersede all previous communications and commitments, whether written or verbal, between the PARTIES regarding the subject matter of this LEASE. No agreement or understanding changing, modifying or extending this LEASE shall be binding on either party unless in a writing signed by both PARTIES' authorized representatives.

23.8 This Triple Net Lease shall be effective starting ________________, 20______.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, LANDLORD AND TENANT HAVE SIGNED THIS LEASE AS OF THE DATE FIRST ABOVE WRITTEN.

LANDLORD

VSC Corporation

By:______________________
Name: ______________________
Title: ______________________

By:______________________
Name: ______________________
Title: ______________________

TENANT

City of La Crescent

By: ______________________
Name: Mikel Poellinger
Title: Mayor

By: ______________________
Name: Bill Waller
Title: City Adminstrator

Exhibit C

EXHIBIT A

LEASED PREMISES

For Informational Purposes Only:

TAX PARCEL NO:

ADDRESS:

Exhibit D

RELINQUISH PROPERTY

1031 COOPERATION CLAUSE

It is the intent of the VSC to implement a tax-deferred exchange under the terms of Section 1031 of the Internal Revenue Code.

VSC shall have the right to structure the sale of the property as a 1031 Tax Deferred Exchange and all other parties agree to accommodate this desire.

This purchase agreement/contract shall be assigned to First American Exchange Company to accommodate a 1031 Tax Deferred Exchange.

This purchase agreement/contract shall constitute notice within the meaning of Section 1.1031(k)-1(g) (4) (v) of the Income Tax Regulations.

#7

MEMORANDUM

TO: Mayor, City Council Members

FROM: Larry Kirch, Community Development Director

DATE: January 29, 2024

SUBJECT: USDA Rural Development (RD) Funding Opportunities for Community Facilities

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On January 12, City staff met with two representatives of the USDA Rural Development program regarding grants and loans through the Community Facilities program. This meeting was a high-level informal overview and not considered an "initial customer meeting," There would be an initial customer meeting followed by a Pre-Application meeting.

Grants: La Crescent is not eligible for grants as the city median income is too high for the grant program. The grant program only has $200,000 state-wide so it is not typically used for larger projects.

Loans: Loans are generally the process used for funding community facilities like Libraries, Public Safety Buildings and City Halls.

- Current interest rate is 3.75%, this can float and doesn't get locked in until further in the process
- Loans have to be backed by a City GO bond
- Loans are typically set for 30 years but could go to 40
- The loan program sometimes works in tandem with the Congressionally Directed Spending program (CDS) which if funded, the CDS would function as a grant
- In Minnesota, the loan program more often works with projects that obtain State Bonding Bill funds and the USDA loan is part of the total funding package
- There is also a state loan program under Minnesota State Statute 465.73 that can bring up to $450,000 to a project
- The USDA Staff sent us a 37-page PDF guidance book (attached)
- The pre-application process formally starts the process with the USDA
- The process requires that the Architect must be selected via an RFQ process. The Architect then creates a Preliminary Architectural Report, does the Environmental Report.
- The city would need to get the city's bond counsel and financial advisor involved as part of the application

The city would eventually have to decide if both the Public Safety/EOC would be done together with the City Hall and Library or if there would be two projects in different years. There are several factors affecting such a decision, one of which might be whether it may be worth doing both projects together because of all the program requirements. Or, because of the GO bonding of the project, it may be financially difficult to bond two such projects at the same time and they have to be spread out. A discussion should occur about which project is a priority or perhaps they both are. The city has to weigh just doing their own GO Bond on its own or doing one in conjunction with the USDA Loan.

I would suggest another meeting with the USDA that would serve as the "initial customer meeting" to review in more detail the program and its requirements. Prior to this, all involved should become familiar with the Guidance Book for Applicants (attached) and be prepared for the meeting with the information that the federal staff need to make an eligibility determination.

Layering of funds is likely and it would be prudent to move the project along with the notion that city funds, bonding bill funds, USDA loan funds and possibly CDS funds would all have to be sought after. It seems like the city would not be in position until the next Bonding Bill cycle which is likely to have applications due in June of 2025. Once an initial customer meeting occurs, the city puts together the pre-application. Securing the services of an Architect through an RFQ is required and that Architect can help with the pre-application process.

USDA United States Department of Agriculture

Rural Development

Community Facilities
Direct Loan Program

Guidance Book for Applicants

Together, America Prospers

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Disclaimer: The information contained in this guidance book is not to be used as a substitute to the CF regulations.

Program Overview

What does this loan program do?

The Community Facilities (CF) Direct Loan Program provides affordable funding to develop essential community facilities. An essential community facility is defined as a facility that provides an essential service to the local community for the orderly development of the community. It must carry out a function customarily provided by a local unit of government. The facility must be located in a rural area and primarily serve rural residents. The facility must be operated on a nonprofit basis and does not include private affairs, commercial, or business undertakings (except for limited authority for industrial parks).

Who may apply for this program?

Eligible borrowers include:

- Public bodies
- Community-based nonprofit corporations
- Federally recognized Tribes

What is an eligible rural area?

Rural areas including cities, villages, townships, and towns including Federally recognized Tribal lands with no more than 20,000 residents according to the latest U.S. Decennial Census.

The boundaries for unincorporated areas in determining populations will be based on the Census Designated Places (CDP).

How may loan funds be used?

Funds can be used to purchase, construct, and/or improve essential community facilities, purchase equipment and pay related project expenses.

Examples of essential community facilities include:

- Healthcare facilities such as hospitals, medical clinics, dental clinics, nursing homes, assisted living facilities, or facilities that provide for the prevention, treatment, and recovery of substance misuse disorders.
- Public facilities such as townhalls, courthouses, airport hangers, bridges, port authorities, or street improvements.
- Community support services such as child care centers, adult daycare, homeless shelters, community centers, or transitional housing.
- Public safety services such as fire departments, police stations, prisons, police vehicles, fire trucks, public works vehicles or equipment.
- Educational services such as schools, colleges and universities, community colleges, charter schools, vocational and technical schools, dormitories, museums, or libraries.
- Local food systems such as community gardens, food pantries, community kitchens, foodbanks, food hubs, or greenhouses.
- E-Connectivity end-user equipment to include distance learning equipment, telemedicine equipment, and health information technology equipment as well as internal wiring and publicly available Wi-Fi capability within a facility.

For a complete list of eligible loan purposes, see 7 CFR, Part 1942.17(d).

Initial Meeting with Rural Development

STEP 1

Initial Customer Meeting

Summary of Activities: The first phase of the process begins with you gaining introductory information about the CF Direct Loan Program.

During this initial meeting, you should learn about the key eligibility considerations like project and applicant eligibility requirements, loan rates and terms, and the funding cycle. Additionally, you should learn about the requirements to seek and apply for credit from other commercial sources.

Since this program is not in direct competition with local and regional commercial lenders, you are required to work with commercial lenders to determine if you can obtain funds for your project through their commercial loan programs at reasonable rates and terms. If no commercial lender is willing to provide 100 percent of the project cost, then you must determine if the commercial lender is willing to participate in the project to a lesser degree. The CF direct loan funds can be leveraged with loan funds from commercial lenders as either a guaranteed loan or as a non-guaranteed loan.

Also, a key aspect of this eligibility determination is driven by the USDA Office of General Counsel (OGC). A legal review of your organizational documents is necessary to ensure that your organization is eligible to receive Federal financial assistance through the CF Direct Loan Program. Please be prepared to provide a copy of your organizational documents and bylaws at this initial meeting.

USDA Rural Development (RD) is interested in learning about your historical financial success. Please be prepared to discuss your financial audits for the last five years during this initial meeting. RD wants to ensure that your organization can meet the 5/5 criteria (See Attachment E Decision Tree 1 to Determine the Level of Financial Feasibility Evaluation For a Community Facilities Direct Loan or Guarantee). These audits must be presented to RD at the follow-up meeting or the Pre-Application meeting.

It is very important that your expectations are met and that all loan application requirements are discussed during this initial meeting. RD strives to provide superior customer service and to communicate all eligibility requirements and discuss all key program-related information prior to the potential applicant incurring any application-related expenses.

Initial Customer Meeting Discussion Checklist

At a minimum, the following topics should be discussed at this meeting:
(see Attachment A for a detailed checklist)

1. **Eligibility**
   a. Project
   b. Applicant (to meet the 5/5 criteria)
      i. Organizational Documents and
      ii. Most recent five-years of financial audits
   c. Location

2. **Loan**
   a. Current Interest Rate
   b. Loan Term
      i. Real Estate
      ii. Equipment
   c. Debt Service Reserve (DSR) Requirement
   d. Capital Asset Reserve Requirement

3. **Federal Funding Cycle**
   a. Fiscal Year
   b. Prior Year CF Allocation

4. **Test for Other Credit Requirement**

5. **Reimbursable Upfront Expenditures (Construction Type Projects)**

6. **Interim Financing**
   a. For loans greater than $50,000

7. **Application Time Table**
   a. Local Office Review Process
   b. State Office (SO) Review Process
   c. National Office Concurrence (for loans that exceed the SO loan approval authority)

8. **Contracts and Procurement**
   a. Open and Free Competition Requirement

9. **Financial Feasibility Report Requirements**

10. **Environmental Report Requirements**

Eligibility Determination

Eligibility

As mentioned earlier, the three primary eligibility requirements for the CF Direct Loan Program include *entity type*, *location* of the facility, and *purpose* of the facility.

Eligible Entities

(See 7 CFR 1942.17(b)(1))

a. Nonprofit corporations:

   Nonprofit corporations must have significant ties with the local rural community or region. These ties are necessary to ensure to the greatest extent possible that a facility under private control will carry out a public purpose and continue to primarily serve rural areas.

b. Public bodies

c. Tribal entities

Your entity must provide a function/service typically provided by a local unit of government; no individual, commercial, or business undertakings (except for limited authority for industrial parks).

The entity must have or will obtain legal authority to:

- Own the project;
- Borrow funds;
- Pledge collateral;
- Construct;
- Operate;
- Maintain; and
- Manage the project.

(See 7 CFR 1942.17(b) (4))

Evidence of Significant Community Support

(See the most recent Administrative Notice (AN) on this topic)

There is a statutory requirement that all public bodies, Tribes, and nonprofit applicants provide evidence that the project has gained significant community support. As part of the application process, section 381I of the Consolidated Farm and Rural Development Act (ConAct) requires evidence of significant community support in the form of a certification of support for each project or facility from any affected local government body.

If Tribal lands are within the service area of the facility, you will need a letter from the Tribal government.

Eligibility Determination

There are three ways to demonstrate significant ties to the community:

1. **Close association with or controlled by a local unit of government.**
   a. Specific taxes pledged to benefit the nonprofit entity.

2. **Special use tax broadly-based ownership and controlled by members of the community.**
   a. Governing board of the nonprofit corporation should be:
      i. Comprised of knowledgeable volunteers, representative of the community or service area.
      ii. Expertise includes but is not limited to:
         - Financial
         - Administrative
         - Operational management

3. **Substantial public funding.**
   a. Taxes
   b. Revenue bonds
   c. Other local government sources
   d. Community-wide fundraising campaign

Eligible Locations

(See 7 CFR 1942.17(b)(2))

Eligible locations include:

- Cities, towns, and Census Designated Places (CDPs) with populations of 20,000 or less, according to the latest Decennial Census of the United States.
- At least the majority of the population served must be in an eligible rural area.
- Projects must primarily serve and benefit rural residents and communities.
- Must be within the jurisdiction of the applicant.

There is no limitation placed on population in unincorporated rural areas, with the exception of CDPs. If a project is close to an ineligible area, you must ensure that the project will primarily serve rural residents.

(See the most recent AN on this subject).

CDPs are geographic entities for the purpose of census data. A CDP is an area with a concentration of population, housing, and commercial structures that is identified by name but is not within an incorporated place. CDPs have no legal boundaries (like a city or village). They are based on demographics, characteristics, and density. If a CDP is located in an unincorporated area, the population of the CDP must be 20,000 or less to be eligible for the CF program.

Eligibility Determination

Eligible Purposes

(See 7 CFR 1942.17(d)(1)(i)(B))

Direct loan funds may be used to construct, enlarge, or otherwise improve community facilities for healthcare, public safety, public services, community support services, educational services, and utility services (such as gas distribution and hydro-electric).

All facilities must be for public use with some exceptions for YMCAs, YWCAs, Boy Scouts, Girl Scouts, and Camp Fire Girls. Other items that can be included in a CF loan include reasonable and necessary fees for:

- Legal
- Architectural and/or engineering
- Fiscal advisors
- Environmental
- Archaeological
- Mitigation measures
- Planning
- Establishing or acquiring rights

See 7 CFR 1942.17(d)(1)(iv), 7 CFR 1942.17(d)(1)(v), and the most recent AN on this topic.

Ineligible Loan Purposes

(See 7 CFR 1942.17(d) (2))

Facilities used primarily for recreational purposes are ineligible. Direct loan funds can be used when a project has a recreational aspect. For example, if the project is to be used for educational or healthcare purposes; i.e., a day care center, playground equipment, hospital swimming pool for physical therapy, or a school gym or ballfield as part of a curriculum, then the project could be considered eligible.

Other Ineligible Loan Purposes Include:

1. Commercial enterprises—if the project is typically operated by a private enterprise or for producing profits.
    a. This does not include nonprofits that provide childcare, geriatric care, and healthcare to rural communities.
2. No more than 25 percent of the total floor space may be used for an ineligible purpose
    (See the most recent AN on "Use of CF Funds for Leased Space").
3. Leases to ineligible organization/activities must be related to and enhance the primary purpose of the loan.
    a. In many parts of the country, it is customary for local governments to provide limited office space to other local, State, or Federal agencies. In these cases, they are not limited to the less than 25 percent requirement; however, they MUST provide supporting documentation that the community typically provides space for the otherwise ineligible agency.
4. On-site utility systems or buildings in connection with industrial parks
5. Television services and facilities
6. Electric generation and transmission facilities or telephone systems
7. Projects that are not modest in size, type, and design
8. Loan and/or grant finder's fees
9. Broadband transmission

Pre-Application Process

STEP 2

All CF loan regulations, forms, and bulletins can be obtained from the RD website at http://www.rd.usda.gov/publications/regulations-guidelines (click on "Instructions" or "Forms," as appropriate).

Pre-Application Meeting with the Customer

The pre-application meeting is intended to gather information discussed during the initial meeting, which will assist with completing the pre-application. Also, follow-up discussions to ensure that you understand the loan program. This meeting also includes follow-up discussions to ensure:

1. Discussions of the purpose, location, and project eligibility requirements and the CF program funding cycle. These aspects have the greatest impact on how and when a project can be funded.

2. Understanding the Federal fiscal year start and end dates, and CF budget being dependent upon the Congressional allocations to the program.

3. Reviewing your historical financial documents to ensure a successful track record that meets CF's 5/5 criteria. An in-depth review of the financials historical performance will be evaluated and then assessed by the National Office.
   a. Has the organization been in existence for five years and has it operated on a financially successful basis for at least five years prior to their application?
      i. See 7 CFR 1942-A, Section 1942.17(g) (2) (iii) (A) (6) and (3) (iii) (A) (2).
      ii. An exception can be granted by the National Office but requires heightened evidence of community financial support and aggressive leadership.

4. Application time-line discussions. Time-line components are listed below:
   a. Organizational documents will be reviewed to determine if the applicant is eligible to receive Federal financial assistance through the CF program.
      i. The Regional Office of General Counsel (OGC) will review organizational documents to determine if the applicant is eligible to receive CF funding.
   b. Environmental Review process.
      i. An applicant should allow 3-6 months for the completion of the Environmental Review process. Depending on the level of environmental review required, the review could take more than 3-6 months.
      ii. The Environmental Review process will be performed by an independent third party and this process must be completed and approved before the project is considered as eligible for Federal financial assistance. Please contact your local Community Programs (CP) Area Specialist for further guidance on this matter.
   c. Historic Preservation process.
      i. Applicants will meet all requirements of the Advisory Council on Historic Preservation Section 106 process. Please see Attachment F: Decision tree for Determining When Projects Need Section 106 Review for further guidance on this matter.

d. Financial Feasibility Report requirements.

   i. Based on the project cost and characteristics, these factors will determine what type of feasibility evaluation is required for your project:

   ii. A financial feasibility report is required for all community facility projects with a loan amount above $500,000. For small loans, a financial feasibility analysis without examination opinion will likely be appropriate. See Decision Tree 1 on page 18 to Determine the Level of Financial Feasibility Evaluation For a Community Facilities Direct Loan or Guarantee, which will aid you in determining the appropriate financial feasibility evaluation requirement for your project).

   iii. You should allow 6-12 weeks for a qualified independent third party to complete the financial feasibility report.

   iv. Financial feasibility requirements are explained in further detail on pages 15-16 of this guidance book.

   v. The financial feasibility report should be submitted in "draft" format to allow for changes to be made to the report.

   vi. Prior to engaging with a consulting firm, we recommend that project costs, etc., be discussed with the State Office Community Program Director.

5. Your project must be in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA). This is critical when the proposed project involves displacement of people or their personal property. (More information on the URA Act and real property acquisition for Federal and Federally Assisted Programs can be found in the Federal Register at 49 CFR Part 24).

6. RD must approve service contracts with legal, architectural/engineering, bond counsel, and accounting service providers. Guidance on RD requirements of service providers are explained below and throughout this guidance book.

   a. Professional services (See 7 CFR 1942.17(L) (1))

      i. Contracts or other forms of agreement between the applicant and its professional and technical representatives are required and are subject to agency concurrence.

      ii. RD Instruction 1942-A, Guide 14 may be used in the preparation of the legal services agreement.

      iii. RD Instruction 1942-A, Guide 27, Attachment 1 to AIA Document B141, 1997 Edition, "Standard Form of Agreement Between Owner and Architect," may be used when appropriate.

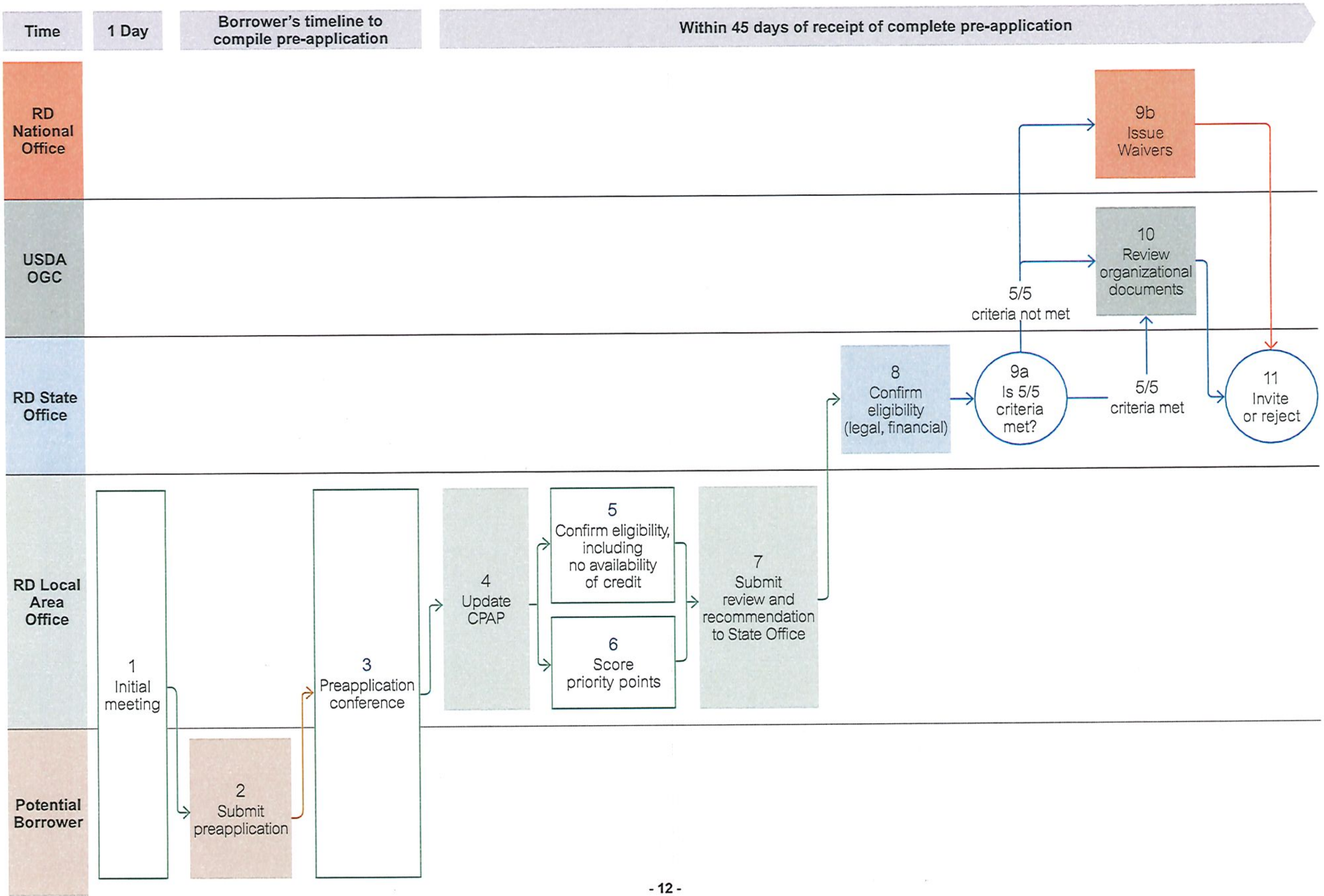
      iv. The applicant must provide an agreement with its pre-application and application for legal services for review by RD and this agreement must be found acceptable by RD.

      v. Public bodies are required to obtain the services of recognized bond counsel if bonds are to be used as "evidence of indebtedness." The bond counsel will prepare the form of resolution to be used, in accordance with 7 CFR 1942.19.

Pre-Application Process

7. Organizational documents review
    a. Your organizational documents must be submitted to the RD Regional Office of General Counsel (OGC) to ensure that your organization is eligible for Federal financial assistance. These include:
    b. Nonprofit Corporations
        i. Articles of Incorporation
        ii. All amendments
        iii. Bylaws (Most recent edition only)
        iv. Certificate of Good Standing
        v. Charter (if applicable)
        vi. If your organization is faith-based, your organizational documents must be submitted for a faith-based review by the RD Regional OGC.
    c. Public Bodies
        i. Charter
8. Additional topics to be discussed during this meeting include:
    a. The loan repayment period cannot exceed the useful life of the facilities financed or any statutory limitation on the applicant's borrowing authority.
    b. The project must generate sufficient revenues to repay the debt and fund a debt service reserve account.
    c. The loan will only be considered "approved" once the applicant and State Director sign Form RD 1940-1, "Request for Obligations," and the applicant completes Form RD 1942-46 "Letter of Intent to meet Conditions."
    d. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by Rural Development.
9. Appraisal Requirements
    a. When real estate is taken as security, in order to determine whether the project meets the requirements of 7 CFR 1942.17(g) (2)(iii)(B) or 7 CFR 3575.48, CF will require an appraisal of the proposed real estate that demonstrates the value of the security is equal to or exceeds the loan amount.
10. Debt Service Reserve (DSR) Requirements
    a. A debt service reserve account is required and must be accumulated at the rate of 10 percent of the annual debt payments until a sum equal to no less than one annual installment is accumulated. Some transactions may require full funding of this account (one year of debt service) at the time of loan closing.
11. Capital Assets Reserve Requirements
    a. A capital asset replacement reserve account in an amount adequate to replace long-lived assets. This amount will be based on the condition of the existing facility and the economic life of the proposed improvements.
12. All Lease and Management Agreements (draft lease and management agreements should be submitted early in the application process)
    a. Prior to the finalization of a lease and/or management agreement, approval of such agreement by the Regional Office of General Counsel is required.
        i. The applicant must submit a copy of the "Draft Agreement" at time of their application submission.
        ii. There can be no restricted use clauses in the lease or management agreements.
    b. If the property involves a leasehold interest, then the Regional OGC Attorney must review and approve this leasehold interest.

Community Facilities Direct Loan: Recommended Pre-Application Process



Application Process and Underwriting

STEP 3

The Application Process

The required information for the CF application is listed below. As you will notice, a lot of the information shown below was discussed during your initial meeting. Plus, several of the required documents were submitted during the pre-application process.

Please be sure that all of following items are included in your application package:

1. Standard Form (SF) 424, "Application for Federal Assistance," accompanied by SF 424A and 424B for non-construction OR SF 424C and 424D for construction.

2. DUNS Number (Dun & Bradstreet Data Universal Numbering System) and Tax ID Number. Guidance is available from Rural Development. (See 7 CFR 1942.2(c)).

3. Organizational Documents
   a. Public bodies need to submit a copy of their Charter, all relevant Acts of Assembly, and all relevant court orders (if created judicially);
   b. Corporations need to submit a copy of their signed Articles of Incorporation, Certificate of Incorporation, Amendments, Restatements, Corrections, Mergers, Certificate of Good Standing, and a signed copy of the Corporate By-Laws. If signed copy of the By-Laws is not available, an officer of the corporation (usually the Secretary) must attach a certification that it is a true and correct copy of the current By-Laws. It is HIGHLY recommended to submit these documents prior to submission of the pre-application package. (See 7 CFR 1942.2(a)(1)(v)).

4. Intergovernmental Review comments from local Planning District Commission.

5. System Award Management (SAM) registration at www.sam.gov. The organization must be registered with SAM to be eligible for RD funding.

6. Financial Feasibility Report – This report is based on the status of the ownership and cost of the project. Sound financial feasibility reports are essential tools for determining if the applicant has the ability to properly meet its financial obligations. (Refer to the Unnumbered Letter (UL) "Requirements of Financial Feasibility Evaluations").

7. Preliminary Architectural Report – Use RD Instruction 1942-A, Guide 6, which gives the minimum requirements. (See 7 CFR 1942.18(c)). Also, please contact your RD State Office for staff may require additional documents.
   a. Brief statement describing: (a) how the facility will be operated; (b) the service area [attach maps]; and (c) sources of income.

8. Copies of outstanding debt instruments (copies of notes, Deeds of Trust, bonds, financing statements/security agreements, and leases, etc.).

9. Financial Statements for the previous five years. (See 7 CFR 1942.5(b)(1)(ii)(F)).

10. Form RD 442-3, Balance Sheet – Current. (See 7 CFR 1942.5(b)(1)(ii)(E))
11. Form RD 442-7, Operating Budget - Proposed financial projections for the first full year of operation. Include proposed development and first full year of operation. Identify income resources and expense items. With the concurrence of RD, Form RD 1942-52, "Cash Flow Projection," may be used for applicants with annual incomes not exceeding $100,000.
12. A statement regarding efforts to finance the project/facility through other sources.
13. Form AD-1047, Certification Regarding Debarment; Form AD-1049, Certification Regarding Drug Free Workplace; RD Instruction 1940-Q, Exhibit A-1, Certification Regarding Lobbying; and Form 1910-11, Applicant Certification Regarding Collection Policies, AD 3031, Form 400-1 and Form 400-4.
14. Statement from State Historical Preservation Officer (SHPO) concerning historical sites and archaeological properties, if applicable.
15. Agreement for Architectural Services. (See 7 CFR 1942.18(b)).
16. Legal Services Agreement. (See 7 CFR 1942.17(l)(1)).
17. USDA Survey on Ensuring Equal Opportunity for Applicants.
18. Notice of Public Meeting and Minutes of Public Meeting.
19. Local Government Letter of Support.
20. Lease Agreements (If applicable) should be submitted as a draft agreement for review by the RD OGC. This includes all types of leases (ground, space, etc.).
21. Management Agreements (If applicable) should be submitted as draft agreements for review by the RD OGC.

Assessing Repayment Ability

The bottom line for assessing debt is the organization's ability to repay the debt with revenue generated by the operations. Debt repayment will largely be assessed through the Financial Feasibility Report and the Underwriter's analysis.

Other considerations for repayment:

1. Tax increment/Special Assessments: Rural communities may be able to implement one or more tax capture tools known as tax increment finance and special assessments. This is particularly important to capture funds that can be dedicated to repaying debt associated with the project.
2. Service Revenue: Some communities can create special taxes for desirable or beneficial service facilities, such as a school, hospital, or fire station. These service revenues can be dedicated to repaying debt associated with the project.

Application Process and Underwriting

Financial Feasibility Reports

(See 7 CFR 1942.17(h) and the Requirements of Financial Feasibility Evaluations for Community Facility Applications)

7 CFR 1942, Subpart A, section 1942.17(h) establishes the requirements for financial feasibility for all applicants. In many instances, a financial feasibility study completed by a Certified Public Accountant or Accounting (CPA) firm backed by an examination opinion attesting to the validity of the assumptions will be required. For small loans, less than $500,000, a financial feasibility analysis without an examination opinion will likely be appropriate.

The CF program accepts three levels of financial feasibility reports which are based on the loan amount requested, the applicant experience level, and the security associated with the transaction. The three reports are called: 1. Financial Feasibility Analysis; 2. Financial Feasibility Study with a Compilation Report; and 3. Financial Feasibility Study with Examination Opinion.

A Financial Feasibility Analysis describes the applicant's present situation, analyzes alternatives, and outlines the proposed project. The level of effort required to prepare the report and the depth of the analysis within the report is proportional to the size and complexity of the proposed project. The preparer is expected to fully disclose and analyze all significant factors that may have a favorable or adverse effect on the financial success of the proposed facility.

The Financial Feasibility Analysis will be prepared in accordance with the latest Unnumbered Letter (UL) establishing the requirements for a Financial Feasibility Evaluation.

A Financial Feasibility Study with a Compilation Report consists of applying accounting and financial reporting expertise to assist the applicant in the presentation of prospective financial information and reporting. No assurances are provided; however, the preparer will consider whether the presentation appears appropriate in form and free from obvious material misstatements.

A Financial Feasibility Study with Examination Opinion is the examination of the prospective financial information provided by the applicant ("management") culminating in an examination opinion on the reliability of the applicant's financial statements and management's underlying assumptions. The examination opinion provides a high level of assurance.

A financial feasibility study with a compilation report or examination opinion will be prepared by a CPA with the necessary expertise to perform the study. Examination opinions must be backed by professional liability insurance. The RD processing office will verify that the CPA firm has the required insurance coverage in place.

Application Process and Underwriting

Financial Feasibility Evaluations Requirements

To assist you with determining which financial feasibility is required for your project, please use the Attachment E Decision Tree 1 to Determine the Level of Financial Feasibility Evaluation For a Community Facilities Direct Loan or Guarantee. The level of evaluation will be dependent on several factors including the security for the loan, the size of the loan request, the longevity of the applicant's operation and its financial history. For direct loan requests where the security for the loan will be real estate, chattel and/or assignment of income, contact the processing office first to determine if the applicant meets the criteria established in either 7 CFR 1942.17(g)(2)(iii)(A)(6) for public bodies, or 7 CFR 1942.17(g)(3)(iii)(A)(2) for nonprofit organizations. These criteria are sometimes referred to as the "5/5 criteria". Applicants that do not meet the 5/5 criteria must be referred to the National Office for concurrence to proceed with an application and obtain guidance on the level of financial feasibility evaluation required during the preapplication stage or prior to proceeding with the application.

The financial feasibility study with compilation report or examination opinion will typically include the following:

1. Signed and dated compilation or opinion letter.
2. Five-years of historic and forecasted financial statements.
3. Schedule of ratios pertinent to the industry.
4. Summary of significant financial forecast assumptions and accounting policies.
5. Summary of significant demand forecast assumptions (market assessment; not provided with a compilation but can be provided by the applicant).
6. Sensitivity analysis.
7. Other information deemed appropriate by the preparer.
8. Information regarding the Governing Body and Management Team (not required to be included in the compilation or examination opinion but can be provided by the applicant).

Application Process and Underwriting

Security Requirements by Eligible Entity Type

(See CFR 1942.17(g))

Public Bodies

(See 7 CFR 1942.17(g)(2))

1. Bonds
   a. General Obligation (GO). (GO bonds generally require a specific majority vote to pass. This could vary by State. State statute may limit the amount of GO bonds outstanding at any one time). Please be sure to work with your local RD CP Specialist and the RD Regional Office of General Counsel on issues involving GO bonds.
   b. Revenue bonds. (Typically, revenue bonds do not require approval by two-thirds vote since they are not payable from taxes nor from the general fund. However, State statues vary). Please be sure to work with your local RD CP Specialist and the RD Regional Office of General Counsel on issues involving revenue bonds.

2. When bonds are not used:
   a. Promissory Notes;
   b. Real Estate Mortgages or Deeds of Trust;
   c. Financing Statements;
   d. Security Agreements.

Nonprofits

(See RD Instruction 1942.17(g)(3))

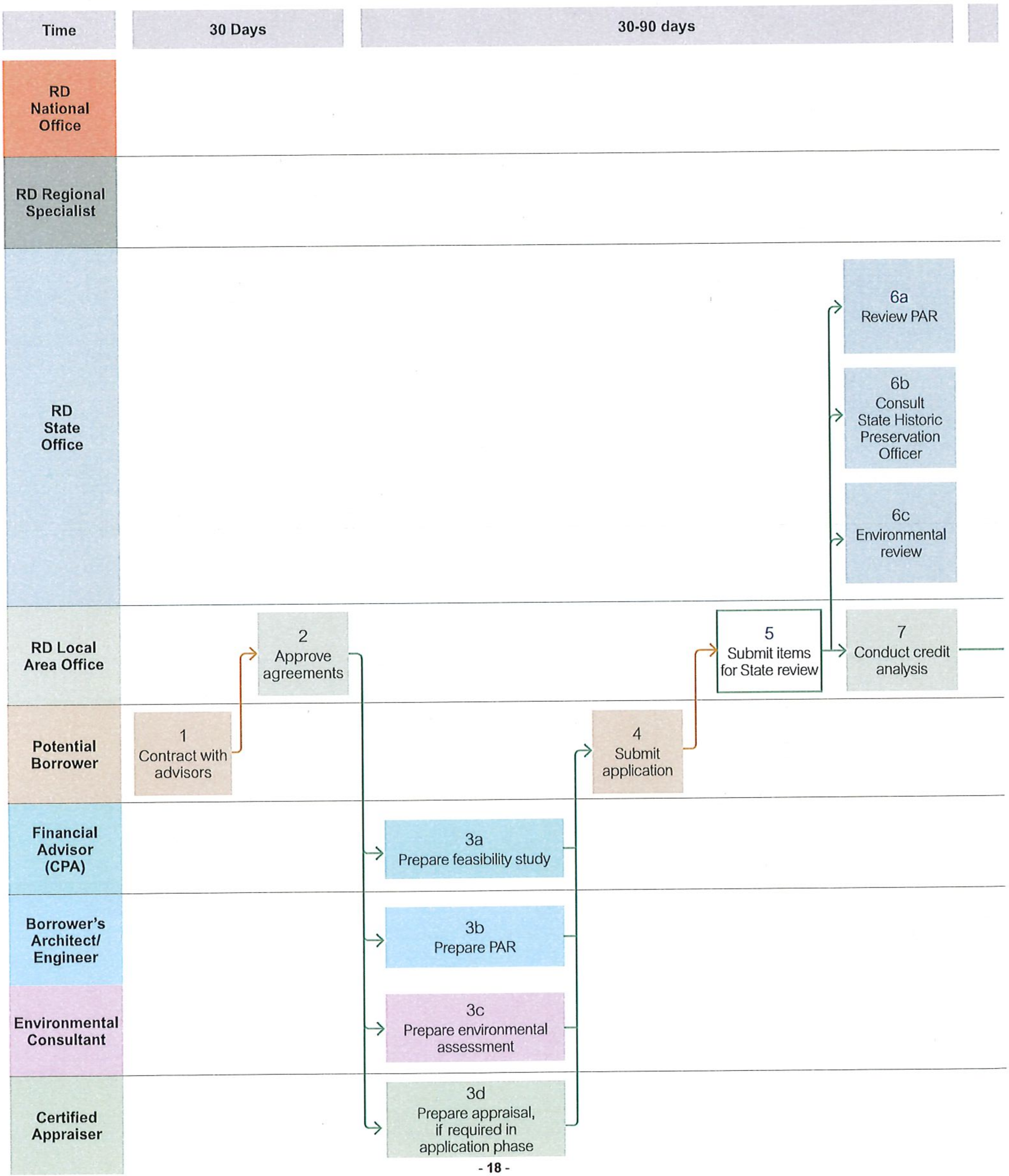
1. Promissory Notes (Form RD 440-22);
2. Real Estate Mortgages or Deeds of Trust;
3. Financing Statements (Form UCC-1);
4. Security Agreements (Form RD 1942-9);
   a. Deposit Agreements;
   b. Unconditional Guarantees.

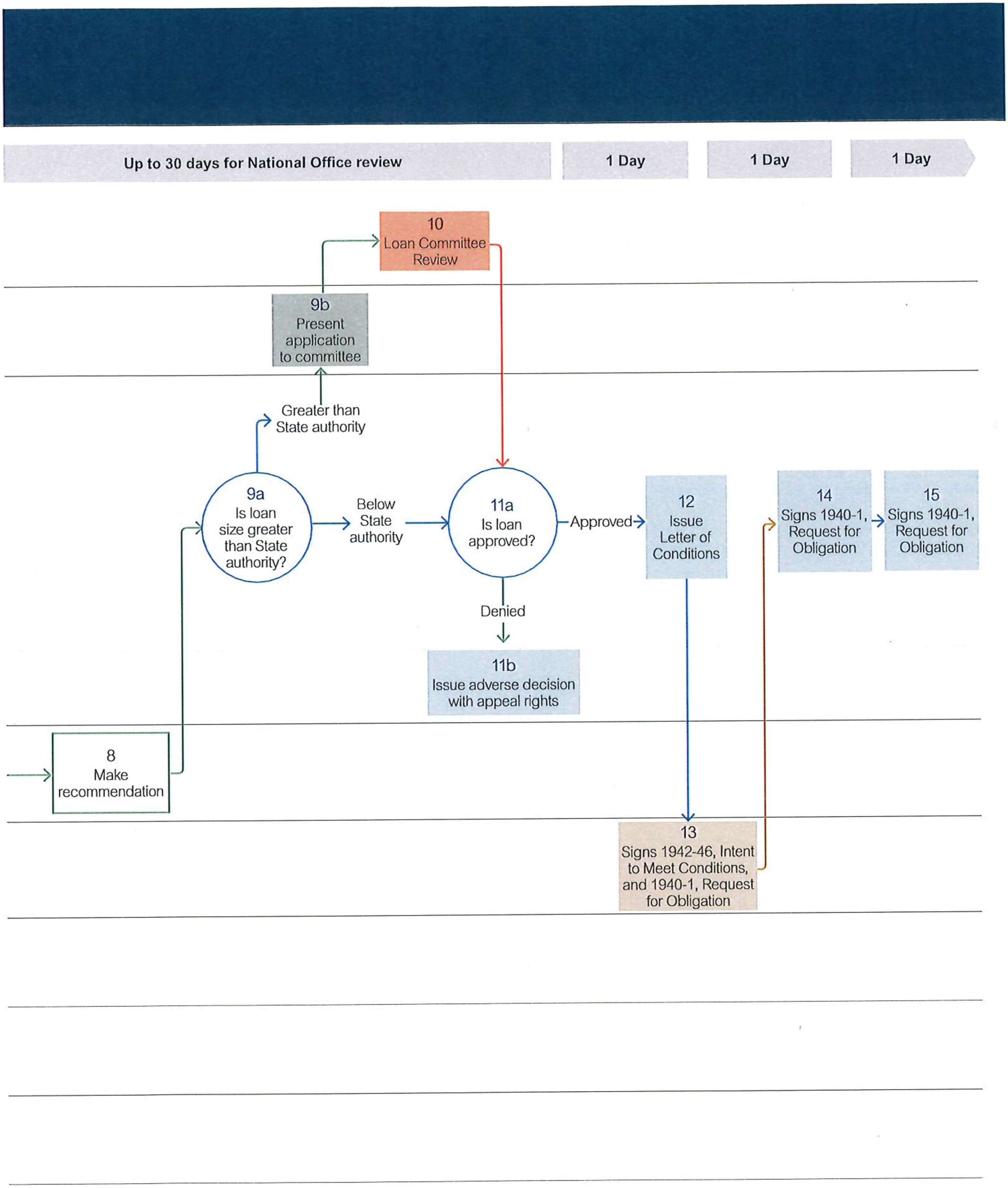
Tribes

(See 7 CFR 1942.17(g)(3)

1. Assignment of general Tribal income in the form of a Tribal Resolution;
2. Lien on specific revenue source generated by the Tribe; i.e., sales tax, fuel tax, gaming revenue (casino);
3. Tribal General Obligation Bond.

Community Facilities Direct Loan: Recommended Application Process





Up to 30 days for National Office review
1 Day
1 Day
1 Day
10
Loan Committee Review
9b
Present application to committee
Greater than State authority
9a
Is loan size greater than State authority?
Below State authority
11a
Is loan approved?
Approved
12
Issue Letter of Conditions
14
Signs 1940-1, Request for Obligation
15
Signs 1940-1, Request for Obligation
Denied
11b
Issue adverse decision with appeal rights
8
Make recommendation
13
Signs 1942-46, Intent to Meet Conditions, and 1940-1, Request for Obligation

Closings and Construction

STEP 4

Closings and Construction

The last phase of the direct loan application process involves preparation and approval of construction plans, specifications, and the procurement of construction contractor(s) through free and open bidding. RD must concur with the bidding documentation, concur with the bid award, and approval of the construction method and contracts proposed by the construction contractor.

For all construction projects above $50,000, the applicant must use interim financing. The interim financing agreement must be submitted to RD for review and concurrence.

Finally, a pre-construction conference between the borrower, RD, and the construction contractor is strongly recommended to discuss key RD requirements during construction, such as daily inspections, payouts, and schedules.

Procurement

(See 7 CFR 1942.18(j)(2))

All procurement transactions, regardless of whether by sealed bids or by negotiation and without regard to dollar value, shall be conducted in a manner that provides maximum open and free competition.

Construction

Prior to the approval of your plans and specifications, the applicant must submit the following items to RD for review and approval:

1. Construction contract documents must be prepared in accordance with RD Instruction 1942-A, Guide 27;
2. Final plans, specifications, and all addenda;
3. Request for proposal (RFP);
4. Other contracts covering the purchase of equipment.

The following information and records must also be established and maintained:

1. Copy of successful offer;
2. Summary of all offers and a narrative summary of all negotiations;
3. Revised project budget based on successful offer;
4. Engineer/Architect recommendation of award;
5. Resolution (owner's) of tentative award;
6. Notice to unsuccessful offeror(s).

Please contact the RD Local CP Area Specialist to ensure that the appropriate American Institute of Architects (AIA) documents are being used as construction documents for this project.

Closings and Construction

The RD Area Office will issue the RD 1942-A, Guide 1 (Guide Letter for Use in Informing Private Lender of Rural Development's Commitment) or Guide 1a (Guide Letter for Use in Informing Other Lenders of Rural Development's Commitment), whichever is appropriate, when your project has met all of the requirements needed to start construction.

Other Pre-Closing and Pre-Construction Requirements

1. **Environmental Mitigation**
   (7 CFR part 1970)

   For all construction projects, an environmental review is required in accordance with 7 CFR part 1970.

   As a result of the environmental review performed, all environmental mitigation requirements must be considered as the applicant selects the final site and final plans and specifications for the facility.

2. **Interim Financing**
   (See 7 CFR 1942.17(n)(3))

   In all loans exceeding $50,000, where funds can be borrowed at reasonable interest rates on an interim basis from commercial sources for the construction period, such interim financing will be obtained so as to preclude the necessity for multiple advances of RD funds.

   The applicant must provide RD with a copy of the tentative agreement reached in connection with the interim financing. The Rural Development loan should be closed as soon as possible after the disbursal of all interim funds.

3. **Appraisal Requirements**
   (See 7 CFR 1942.17(g)(2)(iii)(B)(2) and 1942.17(g)(3)(iii)(B)(2))

   If real estate is taken as the primary security for the project then an "as-developed" real estate appraisal, performed by a qualified licensed appraiser, that shows the value of the property serving as security for the loan is equal to, or greater than, the proposed RD loan(s).

   Additionally, your attorney must provide RD with a description of the real property, including a plat, which will be included in the mortgage (deed of trust), and a title insurance binder (as applicable by your State).

4. **Leases**
   (See 7 CFR 1942.17(j)(5))

   a. No restrictions on use of the site or the facility;

   b. No reverter clause;

   c. Term must be equal to term of loan;

   d. All leases must be reviewed and concurred by the RD OGC;

   e. Leasehold interest can be your security if it is demonstrated that RD is collaterally secured in the event of default;

   f. If borrower fails, we can lease facility to another entity;

Closings and Construction

5. **Insurance and Bonding Requirements**
   (See 7 CFR 1942.17(j)(3)
   a. Liability and Property Damage Insurance;
   b. Workers' Compensation;
   c. Position Fidelity Bond Coverage;
   d. Property Insurance;
   e. Real Property Insurance; and
   f. National Flood Insurance;
      i. If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
      ii. Applicants whose buildings, machinery, or equipment are to be located in an area which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.

6. **Documentation of All Funds Needed**
   (See 7 CFR 1942.17(n)(6))

   Prior to advertisement for construction bids, you must provide evidence showing the availability of all other funds committed to this project.

7. **Disbursement of Rural Development Funds**

   All contributions by the applicant and other non-RD funds will be the first funds expended on the project followed by the RD loan funds committed to this project. If RD grant funds are associated with this financing package, then these funds will be the last funds advanced. RD funds will be advance on an as needed basis in the amount necessary to cover RD's proportionate share of obligations. If all grants are not needed for the project, then these grant funds will be de-obligated.

8. **Debt Service Requirements**

   A debt service reserve is required and must be accumulated at the rate of 10 percent of the annual debt payments until a sum equal to no less than one annual installment is accumulated. Some transactions may require full funding of this account (one year of debt service) at the time of loan closing.

9. **Pre-authorized Debit Payments (PAD)**

   You will be required to participate in the Pre-authorized Debit (PAD) payment process. This will allow for your payment to be electronically debited from your account on the day that the payment is due.

10. **Audit or Financial Statement Requirements**
    (See 2 CFR 200.501)

    Non-Federal entities will provide an Audit or Financial Statement in accordance with 2 CFR 200.500-517 and as follows:

    a. A non-Federal entity expending $750,000 or more Federal funds per fiscal year will submit an audit conducted in accordance with 2 CFR Chapter 1 and Chapter II, Parts 200, 215, 220, 225, 230 and 400, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."

    b. A non-Federal entity expending less than $750,000 will provide annual financial statements covering the loan period, consisting of the organization's statement of income and expense and balance sheet signed by an appropriate official of the organization. Financial statements will be submitted within 90 days after the applicant's fiscal year.

11. **Code of Conduct**
    (See 7 CFR 1942.18(j)(1)

    All applicants must adopt and maintain a written code or standards of conduct which shall govern the performance of their officers, employees, or agents engaged in the award and administration of contracts supported by RD funds. No employee, officer, or agent of the owner shall participate in the selection, award, or administration of a contract supported by RD funds if a conflict of interest, real or apparent, would be involved.

12. **Other Agency Forms**

    Additionally, the applicant may be required to execute certain other Agency forms to obtain financial assistance from RD. By resolution, these forms must be adopted and properly executed, and minutes showing the adoption must be provided.

13. **Changes to RD Forms**

    No changes to any RD forms, no matter how insignificant the change, are allowed without prior approval of the RD Regional OGC Attorney.

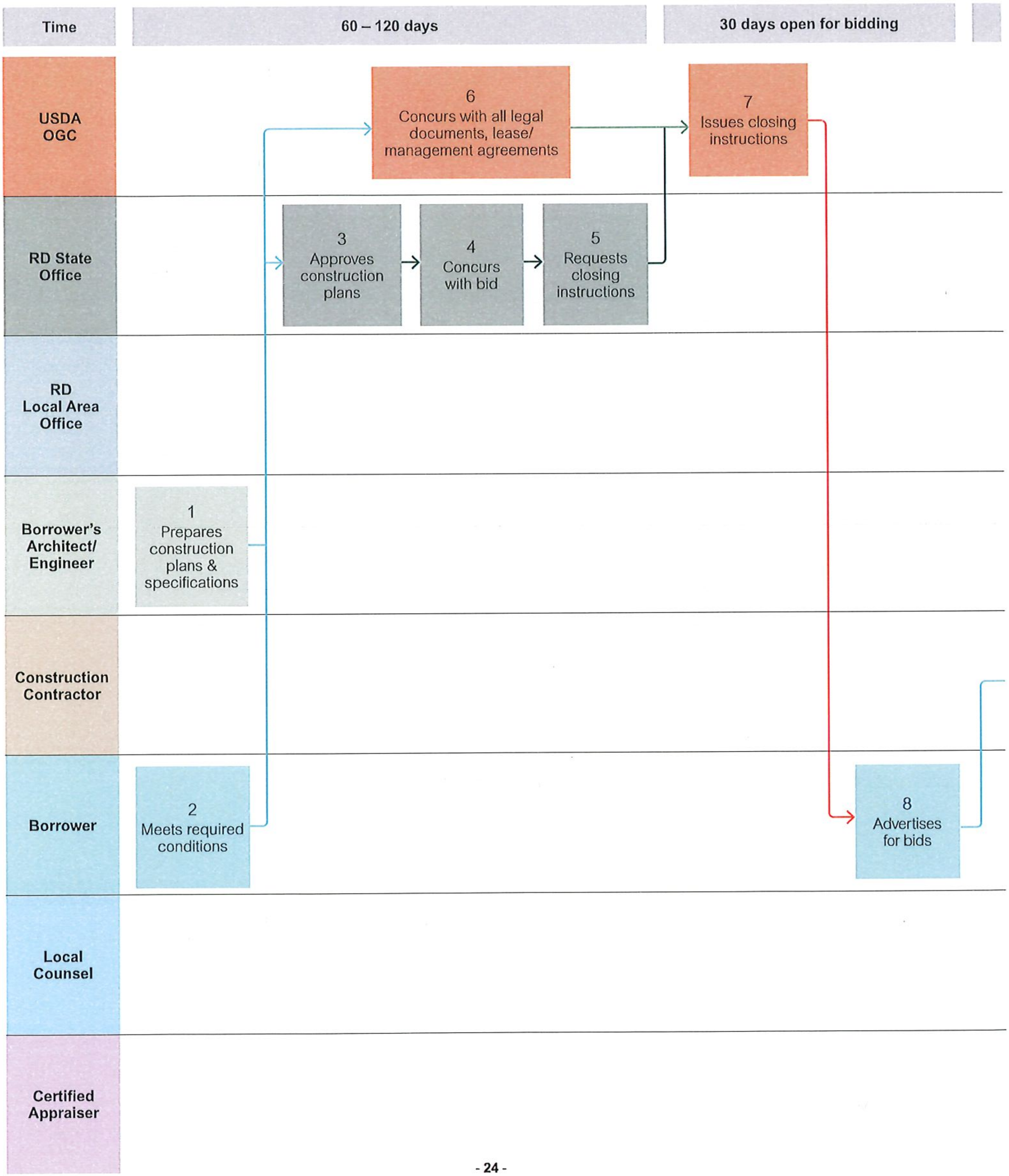
14. **Applicable State Requirements**

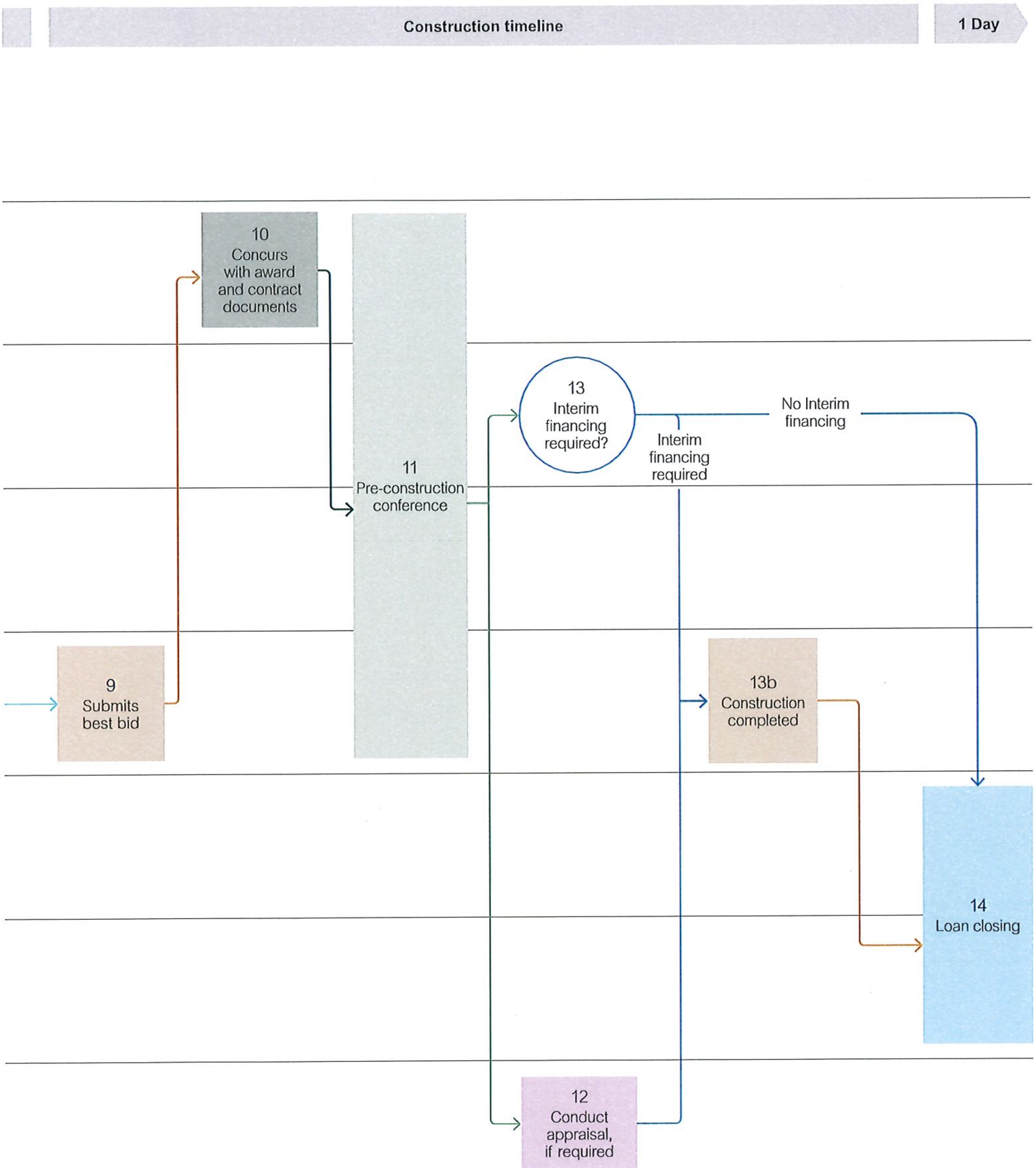
    Please consult with your local RD CP Area Specialist or the Community Program Director to ensure that your application submission includes all of the necessary documents to meet the applicable State requirements for the project requesting Federal financial assistance.

15. **Error and Omissions Statement**

    As a recipient of Federal financial assistance, all borrowers must comply with all applicable Federal, State, and local statutes, ordinances, regulations, and codes. The major portion of existing Rural Development rules and regulations which must be met are included in RD Instruction 1942-A. No modifications or waiver of any portion of these regulations is authorized. Such regulations shall govern regardless of any misinterpretation, omission, misunderstanding, or statements made by any RD employee.

Community Facilities Direct Loan: Recommended Closing and Construction Process




Construction timeline
1 Day
10
Concurs with award and contract documents
11
Pre-construction conference
13
Interim financing required?
No Interim financing
Interim financing required
9
Submits best bid
13b
Construction completed
14
Loan closing
12
Conduct appraisal, if required

Appendix: RD Guidance and Forms

Attachment A
Community Facilities Program: Initial Potential Borrower Meeting Checklist.

Attachment B
Community Facilities Program: Direct Loan Pre-Application Checklist.

Attachment C
Community Facilities Program: Direct Loan Application Checklist.

Attachment D
Community Facilities Program: Direct Loan Closing and Construction Checklist.

Attachment E
Decision Tree 1 to Determine the Level of Financial Feasibility Evaluation For a Community Facilities Direct Loan or Guarantee

Attachment F
Decision Tree For Determining When Projects Need Section 106 Review.

ATTACHMENT A

Community Facilities Program: Initial Potential Borrower Meeting Checklist

Learn about the community, need for the project, and existing project plans.

Discuss project eligibility:

1. Site location (< 20,000 population in census designated places, or in unincorporated rural areas).
2. Community facility definition (no primarily commercial or recreational projects).
3. Borrower must have legal authority to construct, own, operate, maintain, manage, borrow funds, and pledge collateral.
4. Public use requirement:
   a. Impact must be broad-based (not benefit only small part of community).
   b. 51 percent population served must be in eligible rural area.
5. Project must be based on assured income for operation, maintenance, and debt repayment.
6. <25 percent floor space may be leased for ineligible activity (e.g., commercial enterprise).
   a. Management and lease agreements must be approved.
7. Eligible costs:
   a. Refinancing < 50 percent of loan; must be debt incurred for facility.
   b. Costs incurred prior to CF loan approval (conditions apply).

Discuss rates and terms:

1. Rate determined by area median income,
2. Term of useful life of the asset, 40 years or State statue limitations (whichever is less).
3. No prepayment penalty.

Discuss key requirements:

1. Five years successful operating history.
2. Competitive bid process for construction.
3. Approval of alternative construction methods.
4. Security requirements.
5. Test for other credit.
6. Interim financing.
7. Environmental Assessment or Report.
8. Evidence of community support.
9. Certificate of Need (if required).
10. Graduation/repayment requirement.

Community Facilities Program: Initial Potential Borrower Meeting Checklist

Discuss annual funding availability and the priority scoring system.

Discuss loan application timeline:

1. Loan is not approved until Request for Obligation and Letter of Intent to Meet Conditions are signed.

Discuss next steps:

1. Submit organization documents for the RD OGC review.
2. Obtain letters from banks stating rates and terms they would offer.
3. Hire advisors: architectural, legal, financial, environmental and have RD approve agreements.
    a. Borrower must compile pre-application documents.
    b. Architect/engineer must produce Preliminary Architectural Report (PAR).
        i. Should consult with State Historic Preservation Officer.
    c. Financial advisor must produce feasibility report and CPA-backed examination opinion.
    d. Environmental consultant must produce environmental assessment.

ATTACHMENT B

Community Facilities Program: Direct Loan Pre-application Checklist

Pre-applications not necessary for fire/rescue projects, or projects < $300,000

Nonprofit

1. Organizational documents must be reviewed by RD OGC:
   a. Original articles of incorporation and all amendments.
   b. Most current by-laws.
   c. Certificate of good standing.
   d. List of board of directors, including title, address, term expiration date.
2. SF-424, Application for Federal Assistance requires:
   a. Dun & Bradstreet Data Universal Numbering System (DUNS).
   b. Tax Identification Number (TIN).
   c. System Award Management (SAM).
3. Five years of financial records to include:
   a. Tax returns (IRS 990).
   b. Audited financial statements. (preferred).
   c. Can alternatively use Form RD 442-7, Operating Budget (if revenues > $100,000) or Form RD 1942-53, Cash Flow report (if revenues < $100,000).
   d. Must have five successful years of operations or requires exception from the RD National Office.
      i. State Office can issue exceptions for loans < $250,000.
4. Copies of all existing debt instruments.
5. Evidence of no other credit being available:
   a. Letters from banks must be from lenders that typically make similar loans, stating what rates and terms would be.
   b. Applicant statement on why rates and terms offered aren't acceptable.
6. RD Instruction 1900-D, Section 1900.153(a), Identifying and Reporting Assistance to Rural Development Employees, Relatives and Associates Certification.
7. OMB Control Number 1890-0014, Survey on Ensuring Equal Opportunity for Applicants; (Must be provided by RD, applicant not required to complete).

Public Body

1. Organizational documents typically not required (except for special purpose districts).
2. SF-424, Application for Federal Assistance:
   a. Requires DUNS, TIN, SAM.
3. One-year historical financial statements:
   a. Five years if security is a revenue bond. One year projected financial statements:
   b. Five years if security is a revenue bond. Copies of all existing debt instruments. Evidence of other credit being available.
4. RD Instruction 1900-D, Section 1900.153(a), Identifying and Reporting Assistance to Rural Development Employees, Relatives and Associates Certification.

ATTACHMENT C

Community Facilities Program: Direct Loan Application Checklist

1. Applicant selects **professional service providers** (architect/engineer, legal, financial, environmental) and RD approves agreements:
   a. See RD Instruction 1942-A, Guide 14, on legal services agreement.
   b. See Form RD 1942-19, Architectural/Engineering Agreement.
   c. CPA-backed examination opinion of financial feasibility report required; please refer to the latest RD UL on this topic to ensure your project meets all financial feasibility requirements.
   d. RD, applicant, and service providers hold **application conference** to discuss:
      i. Site visit.
      ii. Construction.
      iii. Free and open bidding required.
      iv. RD approval of bid award, construction contracts, and of alternative construction methods required.
      v. Interim financing requirement.
   e. Coordination of funds:
      i. RD last-in funds.
      ii. Management agreements and leases (if applicable).
      iii. 25 percent of the floor space may be used by ineligible organizations if services enhance primary services offered.
      iv. Environmental review process (if not completed during the pre-application process);
      v. Certificate of Need, (if required).
   f. Public meeting must be held after pre-application is filed and before closing:
      i. Must have public notice of meeting at least 10 days prior.
      ii. Must provide RD with copy of the notice and of meeting minutes.
      iii. Draft Lease Agreement (If applicable) (all lease agreements ground, space, etc.).
      iv. Draft Management Agreement (if applicable).

2. Submit **complete application:**

   Required for Nonprofits and Public Bodies

   a. Updated historical financial statements; updated SF-424 (if necessary).
   b. Preliminary Architectural/Engineering Report (PAR/PER):
      i. Site plan, working plans, and specifications required.
   c. Evidence of contact with State Historic Preservation Officer;
   d. Financial Feasibility Report:
      i. Please refer to the latest RD UL on Financial Feasibility Report requirements.
      ii. Financial Advisor Agreement.
      iii. Legal Services Agreement (see RD Instruction 1942-A, Guide 14).
   e. Form RD 1942-19, Architectural/Engineering Agreement, or AIA Documents.
   f. Revenue contracts (if applicable):
      i. Not needed from public bodies if operating income is based on tax assessments.
   g. Form RD 442-3, Balance Sheet:
      i. Can use own format if provides same information.

Community Facilities Program: Direct Loan Application Checklist

h. Form RD 442-7, Operating Budget (if revenues > $100k) or Form RD 1942-52, Cash Flow Projections (if revenues <$100k):

i. Can use own format for five-year projections if provides same information.

   i. Project budget and cost estimates.
   ii. Other Agency funding status (if applicable).
   iii. Form RD 400-1, Equal Opportunity Agreement. Form RD 400-4, Assurance Agreement.
   iv. Certification of Non-Lobbying Activities (RD Instruction 1940-Q, Exhibit A).
   v. Form HUD 935.2, Affirmative Fair Housing Marketing Plan (AFHMP) (if applicable, for housing projects).
   vi. Certificate of Need (CON) (if applicable, for healthcare projects).
   vii. Form AD 3030 Representation Regarding of Felony Conviction.

3. **Additional Items**

   Nonprofit Corporations

   a. Form RD 1942-8, Resolution of Members (if applicable):
      i. Not necessary if only members are board of directors.

   Public Bodies (if bonds are being used)

   a. Bond resolution.
   b. Official notice of sale with affidavit of publication (when required by State statute). Documentation of favorable bond vote.
   c. Bond counsel agreement.

4. RD issues **Letter of Conditions (LOC)**
   a. State Office can generally approve loans < $3-5 million; RD National Office reviews and approves all loans > $5 million.
   b. LOC must be delivered in person to discuss LOC conditions.
      i. Any changes to project cost, source of funds, scope of services, or other significant changes must be approved by written amendment to LOC.

5. The RD loan is not **approved** until applicant signs:
   a. Form RD 1940-1, Request for Obligation.
   b. Form RD 1942-46, Letter of Intent to Meet Conditions.
      i. Should only be signed by those authorized by the entity's organizational documents.
   c. Form RD 1910-11, Applicant Certification Federal Collection Policies for Consumer or Commercial Debts.
   d. Form AD-1047, Certification Regarding Debarment Primary Covered Transactions.
   e. Form AD-1048, Certification Regarding Debarment Lower Tier Covered Transactions:
      i. For use with borrower's contractors on contracts over $25,000, e.g., architects, attorneys.
      Form SF 3881, Electronic Funds Transfer Payment Enrollment Form.
   f. Form RD 3550-28, Agreement for Preauthorized Payments.
   g. Form AD 3031 Assurance Regarding Felony Conviction or Tax Delinquent Status of Corporate Applicants.

6. **Compliance review** must be completed within one year of loan closing or signing of the RD Form 400-4, Assurance Agreement.

ATTACHMENT D

Community Facilities Program: Direct Loan Closing and Construction Checklist

1. RD must approve all **construction contract documents** and plans and specifications.

2. Owner **prepares for loan closing**

   Must obtain closing instructions from RD prior to start of construction, or loan closing, whichever is earlier.

   Nonprofits:

   a. Authorized Official of the Organization signs Form RD 1942-9, Loan Resolution Security Agreement, after loan approval.

   b. Attorney prepares the draft closing documents.

   Public Bodies: (if Bonds are being used)

   a. Complete Form RD 1942-47, Loan Resolution.

   b. Obtain preliminary bond transcript from bond counsel.

      i. Please ensure that the bond information is accurate: Number of days is 365.

      ii. Interest rate, payment amount, and period are correct. Loan amount is included.

      iii. Registered owner (payee) is "United States of America acting through Rural Housing Service, USDA."

      iv. Place of payment is address for RD office. Arbitrage.

3. RD obtains **closing instructions** from RD OGC (Office of General Counsel)

   RD provides closing documents, but borrower's legal counsel does the closing.

   Nonprofits:

   a. For loans < $300,000 to nonprofits, RD State Office rather than OGC issues closing instructions in most States.

   b. Submit draft documents for issuance of closing instructions: Loan agreement.

      i. Real estate mortgage / deed of trust.

      ii. Form UCC-1, Financing Statement.

      iii. Form UCC-1Ad, Financing Statement Addendum. Legal description of real estate.

      iv. Title insurance binder.

   Public Bodies:

   a. For fire/rescue loans, RD State Office rather than OGC issues closing instructions in most states.

   b. Submit draft documents for issuance of closing instructions:

      i. Preliminary bond counsel opinion.

      ii. Draft form of bond.

      iii. Bond resolution with all amending resolutions and final form of bond counsel opinion.

Community Facilities Program: Direct Loan Closing and Construction Checklist

4. **Interim Financing**

   For all construction projects above $50,000, the applicant must use interim financing. The interim financing agreement must be submitted to RD for review and concurrence.

5. **Loan Closing**

   Nonprofit closing documents:

   a. Legal opinion of local counsel.
   b. Real estate mortgage / deed of trust.
   c. Form UCC-1, Financing Statement.
   d. Form UCC-1Ad, Financing Statement Addendum.
   e. Loan agreement.
   f. Form RD 440-22, Promissory Note.
   g. Form RD 400-1, Equal Opportunity Agreement. Form RD 400-4, Assurance Agreement.
   h. Nonprofit Board Secretary complies certification on RD Form 1942-9, Loan Resolution Security Agreement.
   i. Resolution amending Form RD 1942-9, Loan Resolution Security Agreement, if applicable.
   j. Notice of lien with Department of Motor Vehicles, if title is issued for vehicle.

   Post-closing submit executed closing documents to OGC (or State Office for loans < $300,000 in some States) for review:

   a. Legal opinion of local counsel.
   b. Loan agreement.
   c. Real estate mortgage / deed of trust.
   d. Filed UCC-1 or receipt for filed UCC-1.
   e. Title insurance policy.
   f. Deed of Trust properly recorded.

   OGC issues post-closing review opinion; RD updates in loan file.

   Public body closing documents:

   Submit following to RD State office for authorization to close:

   a. Final form of bond.
   b. Final form of bond counsel opinion.
   c. Maturity schedule.

   Post-closing submit to OGC (or State Office for fire/rescue loans in some States) for review:

   a. Copy of bond.
   b. Bond counsel opinion.
   c. "No Litigation Certificate."
   d. Any other items required by OGC.

   OGC issues post-closing review opinion; RD updates in loan file.

Community Facilities Program: Direct Loan Closing and Construction Checklist

6. Owner prepares for **bid process**
   a. State regulatory approvals.
   b. Easements and right-of-way.
   c. Plan for soliciting small, minority, and women-owned businesses.

7. Owner authorizes **advertisement for bids**
   a. RD must concur with bid advertisement.
   b. Advertisement must clearly State location and time.
   c. Must be advertised prior to bid opening long enough to allow bidders to prepare, avoid impression of insider knowledge, and meet any State law requirements.
   d. Any agent, person, or entity representing the owner in development, construction, financial/ design decisions, or having any financial interest in the firm selected is ineligible to bid, or be party to any part of the construction contract:
      i. This includes owner's representative, project coordinator, project manager, construction manager, construction advisor, or any individual entity that performs similar services using different terminology.
      ii. RD will observe these requirements in approving bids.
      iii. Agents are Unacceptable Bidders. See CFR 1942.18(j)(7)

8. Owner **opens bid process**, assisted by architect/engineer, including RD representation
   a. Establish clock for official time and do not accept late bids.
   b. Bids read aloud.
   c. No announcement of low bidder.
   d. All bids to be reviewed by RD with owner and architect/engineer.
      i. Confirm math.
      ii. Confirm lowest bidder is responsive (in compliance with all Instruction to Bidders provisions, complete documentation, all required signatures, etc.).
      iii. Confirm lowest bidder is responsible (has financial, equipment, and knowledge capacity, and has completed similar work successfully).

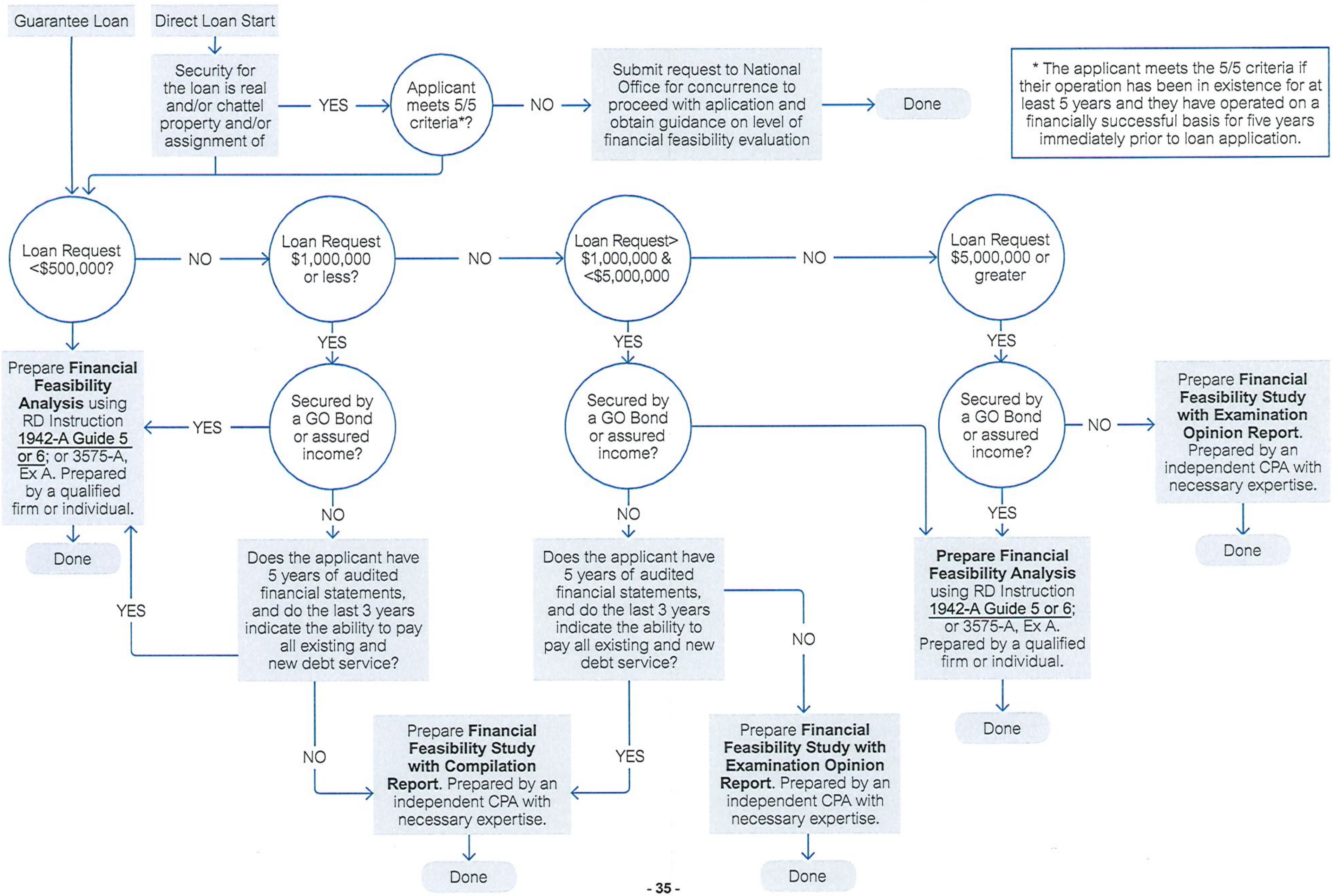
9. Owner issues **Notice of Award**
   a. RD must concur prior to issuing award.

10. **Pre-construction conference** chaired by architect/engineer to discuss:
    a. Roles and responsibilities;
    b. Inspections;
    c. Payments;
    d. Notice to proceed: Issued by owner, after contracts are signed and concurred by RD.

11. **Construction begins**

ATTACHMENT E

Decision Tree 1 to Determine the Level of Financial Feasibility Evaluation For a Community Facilities Direct Loan or Guarantee



ATTACHMENT F

Decision Tree 2 For Determining When Projects Need Section 106 Review

After the RD Federal preservation officer (FPO) has determined that the 7 CFR 1970.53 project has no potential to cause effects pursuant to 36 CFR 800.3(a)(l).